恒基兆業地產有限公司
HENDERSON LAND DEVELOPMENT COMPANY LIMITED
Incorporated in Hong Kong with limited liability
(Stock Code : 12)

2020 FINAL RESULTS ANNOUNCEMENT

CHAIRMEN'S STATEMENT

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The Group's underlying profit attributable to equity shareholders for the year ended 31 December 2020 was HK$14,899 million, representing an increase of HK$259 million or 1.8% over HK$14,640 million for the previous year. The Group's underlying profit in this financial year included a profit contribution of about HK$3,629 million arising from the transfer of the Group's equity interests in the company owning certain land lots in Wo Shang Wai, the New Territories, whereas the attributable share of underlying profit contribution from the transfer of the Group's 50% equity interest in an investment property in Tsim Sha Tsui amounted to HK$1,305 million only in the previous year. Underlying earnings per share were HK$3.08 (2019: HK$3.02).

During the year under review, the COVID-19 pandemic caused a decrease in rent and property values. An attributable share of fair value loss was recorded after revaluation of the Group's completed investment properties and investment properties under development, whereas an attributable share of fair value gain was recorded for the previous year. Including such fair value loss, the Group's reported profit attributable to equity shareholders for the year under review amounted to HK$10,192 million, representing a decrease of HK$6,802 million or 40.0% from HK$16,994 million for the previous year. Reported earnings per share were HK$2.11 (2019: HK$3.51).

DIVIDENDS

The Board recommends the payment of a final dividend of HK$1.30 per share to shareholders whose names appear on the Register of Members of the Company on Wednesday, 9 June 2021, and such final dividend will not be subject to any withholding tax in Hong Kong. Including the interim dividend of HK$0.50 per share already paid, the total dividend for the year ended 31 December 2020 will amount to HK$1.80 per share (2019: HK$1.80 per share).

The proposed final dividend is expected to be distributed to shareholders on Monday, 21 June 2021.

Hong Kong

Property Sales

During the year under review, the Hong Kong economy was adversely affected by the lingering COVID-19 pandemic, strained Sino-US relations and heightened geopolitical tensions. However, major central banks around the world implemented various easing measures and interest rates were thus kept at a low level. Benefitting from the low interest rate environment, the property market in Hong Kong remained resilient.

During the year under review, the attributable revenue and pre-tax profit contribution from the Group’s property sales in Hong Kong amounted to HK$14,042 million and HK$7,730 million respectively, representing increases of 0.1% and 53% respectively compared with the previous year. Included therein were the revenue of about HK$4,700 million as well as its related profit contribution of about HK$3,629 million arising from the transfer of the Group’s equity interest in the company holding the Wo Shang Wai project, which was completed in this financial year.

During the year, the Group launched an array of residential developments for sale including “The Richmond” in Mid-Levels West, “Two • Artlane” in Sai Ying Pun, “Aquila • Square Mile” in Mong Kok and “Arbour” in Tsim Sha Tsui, all in urban areas, as well as “Seacoast Royale” and “Starfront Royale” (“The Royale” – Phases 1 and 2) in Tuen Mun which were developed by the Group’s associate – Hong Kong Ferry (Holdings) Company Limited. All these developments sold well. Existing projects such as “Double Cove” (Phases 1-5) in Ma On Shan, “Eden Manor” adjacent to the Hong Kong Golf Club in Fanling as well as a number of urban redevelopment boutique residences within “The H Collection”, were also well received. Together with the disposal of certain shop units at “NOVUM WEST” in Sai Ying Pun, as well as some other commercial properties and car parks, the Group achieved attributable contracted sales of approximately HK$8,035 million in Hong Kong for the year ended 31 December 2020.

After the end of this financial year, the Group released “Skypoint Royale” (“The Royale” – Phase 3) in Tuen Mun and “The Hampstead Reach” in Yuen Long for sale in February and March 2021 respectively. The market responses were encouraging.

Property Development

Good progress was made in consolidating ownership of urban redevelopment projects. The Group, by way of the “Land (Compulsory Sale for Redevelopment) Ordinance”, completed the acquisition of all projects in Hung Hom recently. Consolidation of a 1,000,000-square-foot urban renewal project was thus completed. This will be another large-scale urban redevelopment project with a total gross floor area of about one million square feet after the “Square Mile” collection in Mong Kok.

As regards urban redevelopment projects, other than a total of approximately 0.5 million square feet in attributable gross floor area that has been earmarked for sales launch in 2021, projects with 80% to 100% ownerships acquired totalled at about 3.7 million square feet in attributable gross floor area.

The Group will continue to make use of multiple channels to replenish its development land bank in Hong Kong. Except for a few projects earmarked for rental purposes, there will be ample supply of saleable areas for the Group’s property sales in the coming years as follows:

Below is a summary of properties held for/under development and major completed stock:

			Attributable saleable/gross floor area (million sq. ft.) *(Note 1)*	Remarks
(A)	**Area available for sale in 2021**			
1.	Unsold units from the major development projects offered for sale	(Table 1)	0.8	
2.	Projects pending sale in 2021	(Table 2)	2.4	
		Sub-total:	**3.2**	
(B)	**Projects in Urban Areas**			
3.	Existing Urban Redevelopment Projects	(Table 3)	0.9	Dates of sales launch are not yet fixed and one of them is pending finalisation of the amount of land premium with the Government
4.	Newly-acquired Urban Redevelopment Projects			
	4.1 with ownership fully consolidated	(Table 4)	2.3	Most of them are expected to be available for sale or lease in 2022-2023
	4.2 with 80% or above ownership secured	(Table 4)	1.4	Most of them are expected to be available for sale in 2023-2025
	4.3 with over 20% but less than 80% ownership secured	(Table 5)	0.6	Redevelopments of these projects are subject to acquisition of full ownerships

5.	Murray Road Central	0.5	To be held for rental purposes upon completion of development
6.	Kai Tak Development Area	0.7	Expected to be available for sale in 2022-2023 (excluding those projects in the sales pipeline in 2021)
7.	Castle Peak Road/ Un Chau Street project Sham Shui Po	0.1	Expected to be available for sale in 2022
	Sub-total:	**6.5**	
	Total for the above categories (A) and (B) development projects:	**9.7**	

(C) Major development projects in the New Territories

– Fanling North	3.5	*(Note 2)*
– San Tin	0.4	*(Note 2)*
– Fanling Sheung Shui Town Lot No. 263 Kwu Tung	0.3	*(Note 3)*
– Others	0.5	*(Note 2)*
Sub-total:	**4.7**	
Total for categories (A) to (C):	**14.4**	

Note 1: Gross floor area is calculated on the basis of the Buildings Department's approved plans or the Government's latest town planning parameters, as well as the Company's development plans. For certain projects, these details may be subject to change depending on the actual needs in future.

Note 2: Developable area is subject to finalisation of land premium.

Note 3: The Group finalised in-situ land exchange with land premium settled for this land lot in 2017.

(Table 1) Unsold units from the major development projects offered for sale

There are 23 major development projects available for sale:

				At 31 December 2020			
	Project name and location	Gross floor area (sq. ft.)	Type of development	No. of residential units remaining unsold	Saleable area remaining unsold (sq. ft.)	Group's interest (%)	Attributable saleable area remained unsold (sq. ft.)
1.	Eden Manor 88 Castle Peak Road Kwu Tung	555,399	Residential	241	276,655	100.00	276,655
2.	Aquila・Square Mile 38 Fuk Chak Street Mong Kok	181,000	Commercial/ Residential	319	88,080	100.00	88,080
3.	Double Cove – Phases 1-5 8 Wu Kai Sha Road Ma On Shan	2,950,640	Commercial/ Residential	33	65,964	59.00	38,919
4.	Cetus・Square Mile 18 Ka Shin Street Mong Kok	176,256	Commercial/ Residential	95	26,661	100.00	26,661
5.	Two・Artlane 1 Chung Ching Street Sai Ying Pun	90,102	Commercial/ Residential	99	24,777	100.00	24,777
6.	Wellesley 23 Robinson Road Mid-Levels West	156,900 *(Note 1)*	Residential	28	47,203	50.00 *(Note 1)*	23,602
7.	Arbour 2 Tak Shing Street Tsim Sha Tsui	89,527	Commercial/ Residential	55	22,395	100.00	22,395
8.	Starfront Royale Phase 2 of The Royale 8 Castle Peak Road - Castle Peak Bay, Tuen Mun (formerly known as project at Tuen Mun Town Lot No. 547)	663,062 *(Note 2)*	Residential	196	80,466	16.71	13,446
9.	The Addition 342-356 Un Chau Street Cheung Sha Wan	79,903	Commercial/ Residential	19	8,284	100.00	8,284
10.	NOVUM EAST 856 King's Road Quarry Bay	177,814	Commercial/ Residential	27	7,425	100.00	7,425
11.	South Walk・Aura 12 Tin Wan Street Aberdeen	37,550	Commercial/ Residential	26	6,145	100.00	6,145
12.	The Vantage 63 Ma Tau Wai Road Hung Hom	207,267	Commercial/ Residential	11	4,673	100.00	4,673

13.	The Richmond 62C Robinson Road Mid-Levels West	33,678	Commercial/ Residential	10	3,653	100.00	3,653
14.	Reach Summit – Sereno Verde Phase 5 99A Tai Tong Road Yuen Long	171,266	Residential	14	4,250	79.03	3,359
15.	The Reach 11 Shap Pat Heung Road Yuen Long	1,299,744	Residential	2	3,175	79.03	2,509
16.	H・Bonaire 68 Main Street Ap Lei Chau	65,761	Commercial/ Residential	4	2,553	100.00	2,553
17.	NOVUM WEST 460 Queen's Road West Sai Ying Pun	272,526	Commercial/ Residential	4	1,923	100.00	1,923
18.	Seacoast Royale Phase 1 of The Royale 8 Castle Peak Road - Castle Peak Bay, Tuen Mun (formerly known as project at Tuen Mun Town Lot No. 547)	663,062 *(Note 2)*	Residential	24	10,638	16.71	1,778
19.	PARKER33 33 Shing On Street Shau Kei Wan	80,090	Commercial/ Residential	2	1,134	100.00	1,134
20.	Global Gateway Tower 61A-61E and 63 Wing Hong Street Cheung Sha Wan	336,052	Industrial	Not applicable	77,777 *(Note 3)*	100.00	77,777 *(Note 3)*
21.	E-Trade Plaza 24 Lee Chung Street Chai Wan	173,850	Office	Not applicable	60,359 *(Note 3)*	100.00	60,359 *(Note 3)*
22.	The Globe 79 Wing Hong Street Cheung Sha Wan	172,113	Office	Not applicable	54,003 *(Note 3)*	100.00	54,003 *(Note 3)*
23.	Mega Cube 8 Wang Kwong Road Kowloon Bay	171,194	Office	Not applicable	48,622 *(Note 3)*	100.00	48,622 *(Note 3)*
			Total:	**1,209**	**926,815**		**798,732**

Note 1: The Group's interest represents 25.07% of the development. After the allocation of the residential units, the Group holds jointly with one developer a 50/50 interest in the residential units so allocated.

Note 2: Representing the total gross floor area for the whole project.

Note 3: Representing the office, industrial or shop area.

(Table 2) Projects pending sale in 2021

In the absence of unforeseen delays, the following projects will be available for sale in 2021:

	Project name and location	Gross floor area (sq. ft.)	Type of development	No. of residential units	Residential gross floor area (sq. ft.)	Group's interest (%)	Attributable residential gross floor area (sq. ft.)
1.	Skypoint Royale Phase 3 of The Royale 8 Castle Peak Road - Castle Peak Bay, Tuen Mun (formerly known as project at Tuen Mun Town Lot No. 547) (launched for sale in February 2021)	663,062 *(Note 1)*	Residential	557	169,092 *(Note 2)*	16.71	28,255
2.	The Hampstead Reach 8 Ping Kin Lane, Yuen Long (formerly known as project at Lot No. 1752 in DD No. 122, Tong Yan San Tsuen) (launched for sale in March 2021)	27,868	Residential	16	28,706 *(Note 2)*	100.00	28,706
3.	71 Main Street Ap Lei Chau	40,317	Commercial/ Residential	138	36,207	100.00	36,207
4.	1 Shau Kei Wan Road Quarry Bay (formerly known as project at 2 Tai Cheong Street)	128,821	Residential	420	128,821	100.00	128,821
5.	New Kowloon Inland Lot No. 6565, Kai Tak *(Note 3)*	654,602	Commercial/ Residential	1,184	630,351	100.00	630,351
6.	Fanling Sheung Shui Town Lot No. 262, Fanling North *(Note 3)*	612,477	Residential	1,576	612,477	100.00	612,477
7.	New Kowloon Inland Lot No. 6562, Kai Tak *(Note 3)*	397,967	Residential	740	397,967	100.00	397,967
8.	73 Caine Road Mid-Levels	64,010	Commercial/ Residential	187	55,782	100.00	55,782
9.	30-44 Gillies Avenue South/75-77 Baker Street Hung Hom	118,575	Commercial/ Residential	330	98,812	100.00	98,812
10.	25-29 Kok Cheung Street Mong Kok	241,783	Commercial/ Residential	616	202,148	100.00	202,148

11.	New Kowloon Inland Lot No. 6574, Kai Tak *(Note 3)*	574,614	Residential	1,207	574,614	29.30	168,362
			Total:	**6,971**	**2,934,977**		**2,387,888**

Note 1: Representing the total gross floor area for the whole project.

Note 2: Representing the residential saleable area.

Note 3: Pending the issue of pre-sale consent, except for phase 1 of the project at New Kowloon Inland Lot No. 6565, Kai Tak (which received presale consent by the end of December 2020 for its 479 residential units).

(Table 3) Existing Urban Redevelopment Projects

The Group has two existing projects under redevelopment or land-use conversion and the dates of their sales launch are not yet fixed. As outlined below, they are expected to provide about 0.9 million square feet in attributable gross floor area in the urban areas based on the Buildings Department's approved plans or the Government's latest town planning:

	Project name and location	Site area (sq. ft.)	Expected gross floor area upon redevelopment (sq. ft.)	Group's interest (%)	Expected attributable gross floor area upon redevelopment (sq. ft.)
1.	Yau Tong Bay Kowloon *(Note)*	808,398	3,983,789	22.80	908,304
2.	29A Lugard Road The Peak, Hong Kong	23,653	11,709	100.00	11,709
	Total:	**832,051**	**3,995,498**		**920,013**

Note: The general building plan (after adjustment of site boundary) was approved in July 2017. The Government's provisional basic terms were accepted in July 2020. The amount of land premium is under appeal and it is pending the review by the Government.

(Table 4) Newly-acquired Urban Redevelopment Projects – with 80% to 100% ownership secured

The Group has 23 newly-acquired urban redevelopment projects with 80% to 100% ownerships secured. Their expected attributable gross floor areas, based on the Buildings Department's approved plans or the Government's latest town planning, are as follows:

		With 100% ownership secured		With over 80% but less than 100% ownership secured*		
	Project name and location	**Site area (sq. ft.)**	**Expected attributable gross floor area upon redevelopment (sq. ft.)**	**Site area (sq. ft.)**	**Expected attributable gross floor area upon redevelopment (sq. ft.)**	**Total attributable gross floor area (sq. ft.)**
	Hong Kong					
1.	4A-4P Seymour Road Mid-Levels (65% stake held by the Group)	52,466	306,921			306,921
2.	1-4 Ladder Street Terrace Mid-Levels	2,859	13,907			13,907
3.	94-100 Robinson Road Mid-Levels	5,798	28,990	6,362	31,810	60,800
4.	88 Robinson Road Mid-Levels			10,361	51,805	51,805
5.	105 Robinson Road Mid-Levels			27,530	126,638	126,638
6.	33-47A Elgin Street Mid-Levels			13,252	105,332	105,332
7.	13-21 Wood Road and 22-30 Wing Cheung Street Wanchai	6,392	51,068	2,208	19,722	70,790
8.	83-95 Shek Pai Wan Road and 2 Tin Wan Street Aberdeen	4,950	42,075	1,128	10,716	52,791
9.	4-6 Tin Wan Street Aberdeen			1,740	14,790	14,790
10.	9-13 Sun Chun Street Tai Hang			2,019	18,171	18,171
11.	17-25 Sun Chun Street Tai Hang			4,497	40,473	40,473
12.	983-987A King's Road and 16-22 and 24-94 Pan Hoi Street Quarry Bay (50% stake held by the Group)			43,882	176,760	176,760
	Sub-total:	**72,465**	**442,961**	**112,979**	**596,217**	**1,039,178**

	Project name and location	With 100% ownership secured Site area (sq. ft.)	With 100% ownership secured Expected attributable gross floor area upon redevelopment (sq. ft.)	With over 80% but less than 100% ownership secured* Site area (sq. ft.)	With over 80% but less than 100% ownership secured* Expected attributable gross floor area upon redevelopment (sq. ft.)	Total attributable gross floor area (sq. ft.)
	Kowloon and New Territories					
13.	16 Kimberley Road Tsim Sha Tsui (Block B, Champagne Court)			12,283	147,396	147,396
14.	Various projects spanning Ka Shin Street, Kok Cheung Street, Pok Man Street, Man On Street and Tai Kok Tsui Road, Tai Kok Tsui	9,642	86,772	22,163	199,467	286,239 *(Note 1)*
15.	456-466 Sai Yeung Choi Street North and 50-56A Wong Chuk Street, Sham Shui Po	22,889	203,962			203,962
16.	1-27 Berwick Street 202-220 Nam Cheong Street and 1-14 Yiu Tung Street Shek Kip Mei	37,801	340,209	7,725	61,800	402,009
17.	Various projects spanning Gillies Avenue South Baker Street, Whampoa Street and Bulkeley Street Hung Hom	98,875	889,814			889,814 *(Note 2)*
18.	68A-76B To Kwa Wan Road 58-76 Lok Shan Road 14-20 Ha Heung Road 1-7 Lai Wa Street and 1-9 and 2-8 Mei Wa Street To Kwa Wan			42,506	374,355	374,355
19.	4 Liberty Avenue, Ho Man Tin			4,882	39,933	39,933
20.	11-19 Wing Lung Street Cheung Sha Wan *(Note 3)*	6,510	58,300			58,300
21.	67-83 Fuk Lo Tsun Road Kowloon City *(Note 3)*	10,954	92,425			92,425
22.	4-22 Nam Kok Road, Kowloon City	10,177	86,505			86,505
23.	3 Mei Sun Lane Tai Po	6,487	37,041			37,041
	Sub-total:	**203,335**	**1,795,028**	**89,559**	**822,951**	**2,617,979**
	Total:	**275,800**	**2,237,989**	**202,538**	**1,419,168**	**3,657,157**

* *Their ownerships will be consolidated by proceeding to court for compulsory sale under the "Land (Compulsory Sale for Redevelopment) Ordinance". In the event that no court order is granted, the Group may not be able to complete the consolidation of the ownership for development.*

Note 1: Excluding those projects already offered for sale (namely, "Eltanin • Square Mile", "Cetus • Square Mile" and "Aquila • Square Mile") in this cluster, as well as the Kok Cheung Street project in the sales pipeline in 2021, which boast collectively a total gross floor area of about 770,000 square feet.

Note 2: Excluding the project at 30-44 Gillies Avenue South/75-77 Baker Street in this cluster, which is in the sales pipeline in 2021 and boasts a total gross floor area of about 120,000 square feet.

Note 3: Developable area may be subject to finalisation of land premium.

(Table 5) Newly-acquired Urban Redevelopment Projects – with over 20% but less than 80% ownership secured

The Group has other acquisitions in progress, comprising 28 projects located in various urban districts. Currently, ownership ranging from over 20% to below 80% of each project has been achieved. If and when their ownerships are successfully consolidated, based on the Government’s latest town planning, the total estimated attributable gross floor area would be about 1,710,000 square feet against their total attributable land areas of about 200,000 square feet upon completion of redevelopment. Based on the respective ownership currently secured by the Group for each project, the total pro-rata attributable gross floor area is about 640,000 square feet. Successful acquisitions of the above projects bear uncertainty. The Group may not be able to consolidate ownerships of all projects. Redevelopment can only be implemented upon acquisition of the full ownerships of the relevant projects.

Land Bank

The Group replenishes its land bank by acquiring old tenement buildings for redevelopment and applying for land-use conversion for its portfolio of New Territories land. This dual approach to land banking has proven to be a reliable source of land supply with a lower acquisition cost. For instance, the land costs for the below-mentioned "Two • Artlane" at Sai Ying Pun, as well as Hung Hom redevelopment project, were estimated to be about HK$7,100 and HK$7,300 respectively per square foot of gross floor area. Such land banking strategy creates considerable benefits for shareholders in the long term, whilst community development and environmental conservation are also enhanced. The following two urban redevelopment projects and the project at Fanling Sheung Shui Town Lot No. 262, Fanling North, are manifest examples:

(1) "Two • Artlane" is located at Chung Ching Street and Ki Ling Lane, which were formerly regarded as rundown areas. After the Group's enhancement initiatives, this precinct is now revitalised with a refreshed look and has been named as a new attraction by the Hong Kong Tourism Board. With an improved external environment and Sai Ying Pun MTR station in its vicinity, "Two • Artlane" was well received when it was launched for sale in September 2020. By the end of 2020, over 60% of its total number of apartments were sold.

(2) In Hung Hom, various projects spanning Gillies Avenue South, Baker Street, Whampoa Street and Bulkeley Street will be developed in phases into a 1,000,000-square-foot eco-friendly community. With a diverse flat mix of housing units and chic shopping malls, this community redevelopment in close proximity to three MTR stations is complemented by greenery and outdoor terraces for cultural and leisure activities, resulting in the previously dilapidated district being revitalised into a vibrant neighbourhood. The first phase of this development is expected to be launched for sales in 2021, providing a total gross floor area of about 120,000 square feet.

(3) The above-mentioned site in Fanling North is the first residential development in "North East New Territories New Development Areas". The land premium for such land-use conversion was finalised with the Government in December 2017 at about HK$2,541 million. This 610,000-square-foot project under construction consists of five residential towers providing 1,576 units. Its development concept of "Healthy Living" embodies biodiversity in landscaping design, nature conservation, art and other sustainable development details. Together with another land lot owned by the Group in Fanling North (further details are set out in the section headed "New Territories land" below), a new satellite town with a total gross floor area of over 4,000,000 square feet will be developed, offering the exquisite lifestyle and tranquil ambience that many people aspire to.

The Group currently has a land bank in Hong Kong comprising a total attributable gross floor area of approximately 24.4 million square feet, made up as follows:

		Attributable gross floor area (million sq. ft.)
Properties held for/under development *(Note)*		13.6
Unsold units from major launched projects		0.8
	Sub-total:	**14.4**
Completed properties (including hotels) for rental		10.0
	Total:	**24.4**

Note: Including the total attributable developable area of about 4.4 million square feet from Fanling North and other projects, which are subject to finalisation of land premium.

Land in Urban Areas

In addition to those already in the sales pipeline as mentioned above, the Group has urban redevelopment projects of old tenement buildings with entire or over 80% ownership acquired, representing a total attributable gross floor area of about 3.7 million square feet, which are expected to be available for sale or lease in 2022 and beyond. The total land cost of such projects is estimated to be about HK$33,200 million (including the pricey street shops and the project at the prestigious Seymour Road in Mid-Levels), translating into a land cost of approximately HK$9,000 per square foot of gross floor area.

Apart from acquiring old tenement buildings for redevelopment, the Group also makes use of public tenders and other channels to replenish its development land bank in urban areas.The Group’s two wholly-owned and four joint-venture residential development projects with a combined gross floor area of about 1.9 million square feet in Kai Tak Development Area are good examples. Besides, the Group’s 22.8% owned residential-cum-commercial project at Yau Tong Bay is also a large-scale development, providing a total attributable gross floor area of about 900,000 square feet. This harbourfront development is pending the Government’s review of the amount of land premium.

New Territories land

During the year under review, the Group acquired further New Territories land lots of about 590,000 square feet. However, the Government resumed a total land area of about 630,000 square feet in Hung Shui Kiu New Development Area and Kwu Tung South for public use by payment of cash compensation for an aggregate amount of about HK$422 million. After taking into account the land resumption and land bank adjustment, the Group’s New Territories land reserves amounted to approximately 44.4 million square feet at the end of December 2020, representing the largest holding among all property developers in Hong Kong.

The Group holds a total land area of 1.38 million square feet in Fanling North and Kwu Tung North New Development Areas. Of this, three separate lots with a total land area of roughly over 600,000 square feet in Fanling North are assessed to be eligible for in-situ land exchange and the Government may resume the rest for public use by payment of cash compensation. The Group had applied for in-situ land exchange for these three separate land lots, which had been accepted by the Government for further review. These three lots, having respective site areas of 228,000 square feet, 240,000 square feet and 241,000 square feet (including stakes owned by the Government and joint venture companies), are expected to provide an aggregate residential gross floor area of approximately 3.03 million square feet and a commercial gross floor area of approximately 440,000 square feet. Developable areas for these sites are subject to finalisation of land premium.

According to the “North East New Territories New Development Areas Planning and Engineering Study”, the region at Ping Che/Ta Kwu Ling will be re-planned in response to the “2013 Policy Address” which proposed an initiative to review the development potential of New Territories North, including new opportunities brought about by the new railway infrastructure. In January 2014, the Government commenced its “Preliminary Feasibility Study on Developing the New Territories North” on an area of about 5,300 hectares. In September 2014, the Government announced the “Railway Development Strategy”, including its long-term plan to further extend the railway line to Kwu Tung and Ping Che. In order to increase land supply for housing, the Government formulated the Preliminary Outline Development Plan for “Planning and Engineering Study for Housing Sites in Yuen Long South – Investigation” and launched its Stage 2 Community Engagement. It also released the “Land Use Review for Kam Tin South and Pat Heung”. The Group holds certain pieces of land in these areas.

As for the “Hung Shui Kiu New Development Area Planning and Engineering Study”, the area concerned comprises about 714 hectares. After excluding the land lots resumed by the Government as mentioned above, the Group still holds a total land area of approximately 6.4 million square feet in this location. Under the draft Hung Shui Kiu and Ha Tsuen Outline Zoning Plan, a new town with a population of about 215,000 people and 60,000 additional flats is proposed, of which about 50% are currently designated for private developments. The Government will study the potential increase in the ratio of public housing. Impacts on the Group arising from these proposals are to be assessed. The Group will continue to work in line with the Government’s development policies and will follow up closely on its development plans.

The Pilot Scheme for Arbitration on Land Premium was introduced by the Government in October 2014 for a trial period of two years, aimed at facilitating the early conclusion of land premium negotiations and expediting land supply for housing and other uses. The Pilot Scheme will be further extended to October 2022 with the addition of certain enhancement measures. The Group will thus consider requesting arbitration on its land exchange or lease modification cases when necessary.

In order to increase and expedite land supply, the Lands Department has already established a centralised Land Supply Section for accelerating “big ticket” lease modification and land exchange cases and further centralisation of premium assessments, so as to streamline and expedite the development process. The Group’s Yau Tong Bay project is now handled by this section. In addition, the Development Projects Facilitation Office was set up under the Development Bureau to facilitate the processing of development approval applications for larger-scale private residential sites leading up to the commencement of works.

The Government announced that it had fully accepted the recommendations tendered by the Task Force on Land Supply regarding land supply strategy and eight land supply options worthy of priority studies and implementation, which included “Tapping into Private Agricultural Land Reserve in the New Territories”. The Government has already announced specific criteria in respect of the implementation framework for its Land Sharing Pilot Scheme. The Group is looking into the matter thoroughly.

Investment Properties

During the year under review, the pandemic brought inbound tourism to a standstill and badly disrupted consumption-related activities. Hong Kong's GDP and total retail sales for 2020 decreased by 6.1% and 24.3% respectively compared to a year earlier. The Group has worked closely with tenants in an attempt to ride out the difficult conditions together and granted rent concessions ranging from 20% to 70% to certain distressed tenants in its shopping malls. On the other hand, the Group's office leasing business remained resilient this year.

During the year under review, the Group's attributable share of gross rental income in Hong Kong (including the attributable share of contributions from subsidiaries, associates and joint ventures) decreased by 7% year-on-year to HK$6,774 million. The attributable share of pre-tax net rental income (including the attributable contributions from subsidiaries, associates and joint ventures) was HK$5,000 million, representing a decrease of 11% from the previous year. The decrease was mainly due to the above-mentioned rent concessions. Included therein is attributable gross rental income of HK$1,967 million (representing a decrease of 8% from HK$2,135 million in 2019) contributed from the Group's attributable 40.77% interest in The International Finance Centre ("ifc") project. Besides, there were about 8,500 car parking bays attributable to the Group, providing another steady rental income stream.

At the end of December 2020, the average leasing rate for the Group's major rental properties was 94%.

Including the newly-completed office redevelopment project in Wanchai (namely, "208 JOHNSTON"), the Group's completed investment property portfolio in Hong Kong as at 31 December 2020 was expanded to 9.5 million square feet in attributable terms with its breakdown as follows:

By type	**Attributable gross floor area (million sq. ft.)**	**Percentage (%)**
Shopping arcade or retail	5.2	55
Office	3.5	37
Industrial	0.4	4
Residential and hotel apartment	0.4	4
Total:	**9.5**	**100**

By geographical area	**Attributable gross floor area (million sq. ft.)**	**Percentage (%)**
Hong Kong Island	2.4	25
Kowloon	3.2	34
New Territories	3.9	41
Total:	**9.5**	**100**

Retail portfolio

Despite the lingering pandemic, all the Group's major shopping malls (except those under renovation or undergoing a tenant mix realignment) maintained high occupancy at the end of December 2020. ifc mall, which is host to some of the world's most respected brands making their debut in Hong Kong, has established a unique position locally. The Group's other large-scale shopping centres, which are mostly located right above or near to the MTR stations in new towns with numerous housing developments nearby, have also shown resilience.

In addition to providing rental relief to certain retail tenants, the Group also harnessed information technology to promote consumption by customers and boost tenants' businesses. For instance, "H • Coins", an integrated loyalty programme under a mobile phone app, was launched during the year under review. Customers can now earn bonus points for their spending in the Group's major shopping malls and redeem them for a variety of rewards and shopping e-coupons. In addition, the Group collaborated with an e-commerce platform to provide free food delivery services for participating F&B tenants and enhanced the delivery efficiency by applying smart algorithms and big data analytics. The Group also closely monitored market trends and rolled out various innovative augmented-reality (AR) promotional events to attract more shoppers. These included the first-ever crossover galleria between a national museum organisation in France and Japanese cartoon characters, which was presented at "MOSTown" in Ma On Shan. Meanwhile, 5G high speed, ultra-low latency and massive connectivity technology will be progressively introduced to all of the Group's malls. Coupled with the deployment of other advanced technology (such as AR), customers' shopping experience is being enhanced.

Atop Tsim Sha Tsui East MTR station, "H Zentre" is a 340,000-square-foot commercial development designed as a wellness and healthcare hub, complemented by dining, retail and car parking facilities. "H Zentre" has achieved multiple accolades since its completion in 2019, including winning several categories in the "International Property Awards" and "Asia Pacific Property Awards". Its purpose-built medical floors are equipped with an array of advanced features (such as an air purification system and back-up power supply) and a number of renowned medical specialists and medical service providers such as "Union Hospital" have been attracted as tenants. During the year under review, Hong Kong's first e-sports stadium, as well as a Japanese-style wellness grocery store (namely, "GUU SAN"), made their debuts in this development. Shoppers can experience various exciting sports in a simulated setup and an assortment of high quality merchandise ranging from healthy, organic and specialty foods to personal care products. Together with the upcoming addition of some prominent restaurants, customers' lifestyle experience will be further enhanced.

Office portfolio

Leasing demand for office space softened amid a weakened economy in Hong Kong. However, the Group's premium office buildings on Hong Kong Island, such as "ifc" in Central — the core business district — and "AIA Tower" in North Point, recorded consistently high occupancy during the year under review. Benefitting from the trend of decentralisation to fringe areas, the Group's office and industrial/office premises in Kowloon East, including "Manulife Financial Centre", "AIA Financial Centre", "78 Hung To Road" and"52 Hung To Road", also performed well.

Located at Island East, adjacent to Fortress Hill MTR station, "Harbour East" is the first Hong Kong project to achieve a China Healthy Building Design Label – 3-Star Rating. This 144,000-square-foot development commenced operation during the year under review. Its two-level retail podium has been fully leased, whilst the Grade-A office space is tenanted by many financial institutions, logistics companies and government organisations. Newly completed in November 2020, "208 JOHNSTON" in Wanchai has also commenced operations. The leasing responses to this 25-storey office development project have been satisfactory, with numerous design companies being secured as its tenants.

The construction works for the 465,000-square-foot Grade-A office development at Murray Road, Central are progressing smoothly and have achieved Platinum Pre-certification from both WELL Building Standard (WELL) and Leadership in Energy and Environmental Design (LEED). Designed as a bauhinia bud with a curvy built form by the renowned architectural firm Zaha Hadid, the 34-storey development is poised to become another iconic landmark in the financial hub of Hong Kong upon its scheduled completion in 2023.

Construction

The Group cares for the environment and supports sustainable development for the benefit of future generations. As part of this pledge, the Group uses "Design for Manufacture and Assembly" (DfMA) structural modules to facilitate its construction and assembly process. This construction approach shortens the in-situ construction process, whilst minimising disruption to the immediate neighbourhoods. It also helps reduce on-site manpower and construction waste, thereby enhancing cost savings and environmental protection. During the year under review, the self-developed "*precast floor slab for bathroom/kitchen use and a mount structure for the same*" were respectively granted the Utility Model Patent Certificate and short-term patent by the China National Intellectual Property Administration and Intellectual Property Department of Hong Kong Government. The Group plans to further expand the use of pre-fabricated building components (such as precast staircases and balconies) so as to ensure that a quality and eco-conscious approach is adopted throughout all parts of a development project.

Numerous accolades, including "Proactive Safety Contractor Award" and "Innovative Safety Initiative Award 2020", were received during the year under review in recognition of the Group's unwavering commitment to site safety.

The following development projects in Hong Kong were completed during the year under review:

	Project name and location	**Site area (sq. ft.)**	**Gross floor area (sq. ft.)**	**Type of development**	**Group's interest (%)**	**Attributable gross floor area (sq. ft.)**
1.	Reach Summit – Sereno Verde Phase 5 99A Tai Tong Road Yuen Long	48,933	171,266	Residential	79.03	135,352
2.	208 JOHNSTON 208 Johnston Road Wanchai	4,328	64,920	Commercial	100.00	64,920
					Total:	**200,272**

Property Management

The Group's property management companies consist of Hang Yick Properties Management Limited ("Hang Yick"), H-Privilege Limited (which provides services for the Group's urban boutique residences under "The H Collection" brand), Well Born Real Estate Management Limited ("Well Born") and Goodwill Management Limited. They collectively manage about 80,000 apartments and industrial/commercial units, 10 million square feet of shopping and office space, as well as 20,000 car parking spaces in Hong Kong. In order to ensure that the best service is provided to all the properties under their management, these companies implement an Integrated Management System complying with the requirements of ISO 9001 (Quality Management System), ISO 10002 (Complaints Handling Management System), ISO 14001 (Environmental Management System) and OHSAS 18001 (Occupational Health and Safety Management System). Quality, health and safety, as well as environmental considerations are thus consistently embedded in all aspects of their services and daily operations.

During the year under review, the property management companies have taken many precautionary measures so as to provide a safe and hassle-free environment for tenants, residents and customers amid the pandemic. These included body temperature checks for visitors, continuous cleaning and disinfection of the building areas, as well as the establishment of UV air purifiers in public areas of the shopping malls and office buildings. In addition, two tranches of wage subsidies in the aggregate amount of about HK$131 million received by Hang Yick and Well Born from the Government's "Employment Support Scheme" were fully transferred to their managed properties. Their professionalism and caring services gained praise from customers.

In respect of community services, "The Year of Reforms" programme was launched so as to promote transformation and innovation, following the success of the preceding "The Year of Care", "The Year of Senior" and "The Year of Youth" programmes. Their volunteer team also received numerous accolades which included the "Highest Service Hour Award in 2019 (Private Organisations – Category 1) – Honour", the "Highest Service Hour Award in 2019 (Private Organisation – Best Customers Participation) – Honour" and "Gold Award for Voluntary Service (Group)".

Mainland China

In early 2020, the Central Government adopted proactive fiscal and flexible monetary policies as the mainland economy was affected by the pandemic. However, it reiterated that “housing is for living in, not for speculation” and the restrictive measures toward the property market would not be changed for short-term economic stimulus. Driven by a growing need for quality living and better dwelling conditions, significant demand emerged for housing with enhanced quality which led to a recovery in the property market. In the latter half of the year, the property market exhibited a dramatic increase in sales volume, triggering tighter credit control over the real estate sector. The regulation of the financial leverage of real estate developers in mainland China through the “Three Thresholds” was also launched in trial mode. For 2020 as a whole, housing prices experienced a stable rise in the prime cities, whilst a price rally in the other cities tapered off. As for the land market, both transaction volumes and prices increased in the prime cities, whilst other cities remained relatively stable.

The following development projects were completed during the year under review:

	Project name	**Usage**	**Group’s interest (%)**	**Attributable gross floor area (million sq. ft.)**
1,	Hengxu Hui, Shanghai	Office and commercial	50	0.14
2.	Bojing Yayuan, Shanghai	Residential	16	0.13
3.	Xinxiang Qingfeng Yuan, Shanghai	Residential	12.5	0.10
4.	Twin office towers at Lumina Guangzhou, Guangzhou	Office	100	0.97
5.	Phase 1, Central Manor, Guangzhou	Residential and school	18	0.11
6.	Phases 1 (first batch) and 2, The Landscape, Changsha	Residential and commercial	50	1.46
7.	Residential towers 3 and 4 and shopping mall (Phase 1), Chengdu ICC, Chengdu	Residential and commercial	30	0.45
8.	Phases 1 and 2, Kuanyue Yayuan Suzhou	Residential	35.037	0.64
9.	Phases 2R5(second/third sections), 1S1 and 1K1, La Botanica, Xian	Residential, commercial and school	50	1.02
10.	Phases 2A, 2B, 3A and 3B at Site B1 Grand Lakeview, Yixing	Residential, commercial and school	50	1.41
			Total:	**6.43**

In response to the market conditions, the Group has refined its Mainland China strategy as follows:

Property Investment: The Group focused on the development of Grade-A office buildings. During the year under review, Phase 1 development of the office towers at "Lumina Guangzhou" in Yuexiu District, Guangzhou, was completed with a total gross floor area of about 970,000 square feet. Its 800,000-square-foot shopping podium is expected to be completed in 2021. In Shanghai, the 3,000,000-square-foot "Lumina Shanghai" at the Xuhui Riverside Development Area, is also planned to be completed in 2021. The Group will continue to expand its portfolio of quality property investments at reasonable costs in the core areas of major cities.

Property Development: The Group scrutinised residential and composite development projects in major and leading second-tier cities, as well as development opportunities offered by the Greater Bay Area strategic plan. The Group also continued to strengthen its co-operation with mainland property developers for the joint development of residential projects. The Group's reputation, management expertise and financial strength, coupled with local developers' market intelligence, construction efficiency and cost advantages, contributed to maximising the returns of the joint ventures.

In line with the above strategy, the Group added the following development projects to its land bank during the year under review:

(1) The Group entered into joint ventures with the subsidiaries of CIFI Holdings (Group) Co., Limited ("CIFI", a mainland property developer listed in Hong Kong) to jointly develop the following projects on a 50/50 ownership basis:

    (i). An urban composite-cum-residential site in Xindu District, Chengdu: The land lot with a site area of approximately 1,040,000 square feet, which was acquired at a consideration of about RMB1,838 million, will provide a total gross floor area of about 2,600,000 square feet.

    (ii). Two residential sites adjacent to each other in Jianyang city, Chengdu: These two land lots with a total site area of approximately 340,000 square feet, which were acquired at an aggregate consideration of about RMB232 million, will provide a total gross floor area of about 839,000 square feet.

    (iii). A residential site in Huli District, Xiamen: The land lot with a site area of approximately 200,000 square feet, which was acquired at a consideration of about RMB2,935 million, will provide a total gross floor area of about 680,000 square feet.

    (iv). A residential site in Wujiang Development Zone, Suzhou: The land lot with a site area of approximately 980,000 square feet, which was acquired at a consideration of about RMB1,980 million, will provide a total gross floor area of about 1,760,000 square feet.

(2) The Group partnered with the subsidiaries of China Aoyuan Group Limited ("Aoyuan", a mainland property developer listed in Hong Kong) to jointly develop a commercial-cum-residential site in Panyu District, Guangzhou whereby the Group will hold a 50% equity interest in this project. The land lot with a site area of approximately 1,090,000 square feet, which was acquired at a consideration of about RMB6,778 million, will provide a total gross floor area of about 3,280,000 square feet.

At 31 December 2020, in addition to the holding of approximately 0.8 million square feet in attributable gross floor area of completed property stock, the Group held a development land bank in 14 cities with a total attributable gross floor area of about 30.1 million square feet. Around 73% of the land bank is planned for residential development:

Land bank under development or held for future development

		Group's share of developable gross floor area* (million sq. ft.)
Prime cities		
Beijing		1.04
Shanghai		3.39
Guangzhou		2.89
Shenzhen		0.21
	Sub-total:	**7.53**
Second-tier cities		
Changsha		3.37
Chengdu		4.55
Hefei		0.69
Nanjing		0.19
Shenyang		4.45
Suzhou		1.66
Xiamen		0.34
Xian		5.86
Xuzhou		0.62
Yixing		0.84
	Sub-total:	**22.57**
	Total:	**30.10**

* *Excluding basement areas and car parks.*

Usage of development land bank

		Estimated developable gross floor area (million sq. ft.)	Percentage (%)
Residential		21.89	73
Office		4.87	16
Commercial		2.53	8
Others (including clubhouses, schools and community facilities)		0.81	3
	Total:	**30.10**	**100**

Property Sales

Compared with the previous year, more pre-sold properties were completed and delivered to buyers during the year under review. As a result, the attributable revenue and pre-tax profit contribution from the Group's property sales in mainland China as recognised in the financial statements of the year under review amounted to HK$7,066 million and HK$1,919 million respectively, representing a year-on-year increase of 131% and 131% respectively.

In the financial year under review, the pandemic caused interruptions and delays to the sales schedules and construction progress of various projects. The Group recorded attributable contracted sales of approximately HK$6,390 million in value and 4.0 million square feet in attributable gross floor area during the year under review, representing year-on-year decreases of 23% and 23% respectively. Major sales projects included "La Botanica" in Xian, "Xuheng Huayuan" in Hefei, "The Landscape" in Changsha and "Xukou Project" in Suzhou.

Investment Properties

The twin office towers at the Group's wholly-owned "Lumina Guangzhou", the joint venture commercial development of "Hengxu Hui" in Shanghai and joint venture project of Chengdu ICC shopping mall (Phase 1) were all completed during the year under review. At the end of 2020, the Group's completed investment property portfolio in mainland China was thus enlarged to about 7.9 million square feet in attributable terms with its breakdown as follows:

By type	Attributable gross floor area (million sq. ft.)	Percentage (%)
Commercial	2.2	28
Office	5.7	72
Total:	**7.9**	**100**

By geographical area	Attributable gross floor area (million sq. ft.)	Percentage (%)
Beijing	2.2	28
Shanghai	3.7	47
Guangzhou	1.6	20
Other	0.4	5
Total:	**7.9**	**100**

Despite rent concessions granted to certain tenants amid the pandemic, the Group's leasing business continued to perform well with rental growth in Renminbi terms during the year under review. However, due to the depreciation of the Renminbi against the Hong Kong Dollar by approximately 2% year-on-year, the Group's attributable gross rental income amounted to HK$1,829 million, representing a year-on-year decrease of 1%. Its attributable pre-tax net rental income increased slightly to HK$1,467 million during the year under review.

In Beijing, “World Financial Centre”, an International Grade-A office complex in the Chaoyang Central Business District, was over 96% let at the end of December 2020 and recorded steady rental performance. During the year under review, it received “LEED v4.1 Operations + Maintenance (Existing Buildings)” platinum certification from US Green Building Council. This certification will appeal to discerning tenants that favour building quality and sustainability.

In Shanghai, “Henderson 688” at Nanjing Road West also received “LEED v4.1 Operations + Maintenance (Existing Buildings)” platinum certification from US Green Building Council during the year under review. This development was 94% let at the end of December 2020. “Henderson Metropolitan” near the Bund achieved a high leasing rate of 98% for its Grade-A office space. However, its mall was once adversely affected by anti-epidemic measures (such as business suspension and lockdown) amid the pandemic. Shoppers’ footfall and tenants’ businesses declined, causing certain tenants to terminate their leases early. The Group has successfully secured new tenants for this mall, resulting in a higher occupancy of 94% by the end of December 2020.

In Guangzhou, “Hengbao Plaza” atop the Changshou Road subway station rolled out various initiatives amid the pandemic. In addition to rent concessions granted to certain tenants and enhanced online promotions for their merchandise, this mall offered discount coupons to encourage repeated patronage among its customers. It also offered face masks to both customers and neighbouring residents. All these measures helped boost shoppers’ traffic and tenants’ businesses upon the easing of the pandemic situation.

In addition, leasing is currently under way for the following two “Lumina” landmark projects:

“Lumina Guangzhou” is located in Yuexiu District of Guangzhou, on the banks of the Pearl River with a direct connection to two subway lines. The twin Grade-A office towers of its Phase 1 development were completed in June 2020, providing a total gross floor area of about 970,000 square feet. Many leading institutions and corporations, namely “Shenzhen Stock Exchange – Guangzhou office”, “AIA”, “Johnson & Johnson”, “Aviva-COFCO” and “Sanofi” are now moving in progressively. Meanwhile, an array of renowned eateries and a health and fitness centre have been secured as tenants of its 800,000-square-foot shopping podium. More international retail brands and specialty restaurants will be introduced so as to provide customers with a multifarious shopping and leisure experience upon its scheduled opening in the second quarter of 2021.

“Lumina Shanghai” in the Xuhui Riverside Development Area, Shanghai, will be developed in two phases. The 61-storey iconic office tower of its Phase 1 Development will provide Grade-A office space of approximately 1,800,000 square feet. Numerous renowned companies such as “Rockwell” and “Fedex” have already committed to become tenants. An array of multinational corporations and leading domestic enterprises have also expressed leasing interest. The leasing response for its 200,000-square-foot shopping mall was also encouraging, with many specialty restaurants and a world-leading football club secured as its anchor tenants. Phase 1 is scheduled for completion and opening in the second quarter of 2021. The remaining Phase 2 development is also expected to be completed in the second half of 2021, providing an additional office and retail space of about 1,000,000 square feet.

Property Management

Established in Shanghai, the Group’s mainland property management arm currently manages “Henderson 688” and “Henderson Metropolitan”. Another commercial property (namely, “Greentech Tower”) will soon be under its management as well, expanding its portfolio of shopping and office space to 2,000,000 square feet, in addition to 800 car parking spaces. During the year under review, this company garnered widespread recognition for its professional precautionary measures amid the pandemic. To support the Group’s mainland expansion, this company’s quality property management services will be extended to the Group’s other commercial developments in mainland China.

Henderson Investment Limited ("HIL")

HIL's profit attributable to equity shareholders for the year ended 31 December 2020 amounted to HK$127 million, representing an increase of HK$65 million, or 105% over that of HK$62 million in the previous year. Despite the COVID-19 pandemic, the increase in profit during this financial year was mainly attributable to (i) the increase in customers' demand for food and daily necessities at HIL's supermarkets, (ii) the rent concessions received from certain landlords, (iii) the receipt of wage subsidies from the Government's "Employment Support Scheme", and (iv) the non-recurrence of the one-off negative factors affecting HIL's performance in the year 2019 (including social unrest and closing costs of a store).

HIL currently operates six department stores using the name "Citistore" (hereinafter collectively referred to as "Citistore"), as well as three department stores cum supermarkets or supermarket using the name "APITA" or "UNY" (hereinafter collectively referred to as "UNY").

(I) Citistore

Due to the pandemic, Citistore recorded a year-on-year decrease of 14% in total sales proceeds derived from the sales of own goods, as well as concessionaire sales and consignment sales for the year ended 31 December 2020.

With the decrease in gross profit of HK$13 million from the sales of own goods, as well as the decrease in commission income from concessionaire and consignment counters in the aggregate amount of HK$64 million, Citistore's profit after taxation for the year under review still increased by HK$18 million or 24% year-on-year to HK$94 million. The main reasons are Citistore's receipt of the wage subsidies of HK$32 million from the "Employment Support Scheme" under the Government's Anti-epidemic Fund, as well as the decrease in its total operating expenses of HK$53 million (which included the rent concessions of HK$23 million granted by certain landlords).

(II) UNY

Due to the pandemic, the supermarkets at the Taikoo Shing and Lok Fu stores recorded improved sales. A new "UNY" supermarket in Yuen Long was opened in June 2020. Despite the closure of the "PIAGO" store at Telford Plaza in the first quarter of 2019, as well as the downsizing of the Lok Fu store since mid-2019, UNY recorded a year-on-year increase of 19% in total proceeds derived from the sales of own goods and consignment sales for the year ended 31 December 2020.

After deducting operating expenses, UNY recorded a profit after taxation of HK$33 million during the year under review (2019: loss after taxation of HK$22 million). Included therein was UNY's receipt of the wage subsidies of HK$22 million from the Hong Kong Government's "Employment Support Scheme" in this financial year, whilst the loss for the previous year was mainly due to the rental expenditure in the amount of HK$22 million incurred on the "PIAGO" premises after its closure.

HIL will continue to scrutinise the performance of its stores and strategically adjust its store network. Citistore Tai Kok Tsui is planned to be closed during 2021. In order to meet the changing market demands, HIL is now looking for appropriate locations to open new household specialty stores. Together with the strengthening of the online businesses for both Citistore and UNY, HIL will provide its shoppers with diversified consumption channels, thereby improving its overall results.

Associated Companies

The Hong Kong and China Gas Company Limited ("Hong Kong and China Gas")

Hong Kong and China Gas's operating profit of principal businesses after taxation for 2020 amounted to HK$7,256 million, an increase of HK$243 million, up by approximately 3%, compared to 2019. Hong Kong and China Gas's profit after taxation (exclusive of its share of a decrease in revaluation from an investment property, the International Finance Centre complex) amounted to HK$6,484 million, a decrease of HK$282 million, down by approximately 4%, compared to 2019. Inclusive of the decrease in revaluation of the investment property, profit after taxation attributable to shareholders of Hong Kong and China Gas for the year amounted to HK$6,007 million, a decrease of HK$958 million, down by approximately 14%, compared to 2019. During the year under review, Hong Kong and China Gas invested HK$7,295 million in production facilities, pipelines, plants and other fixed assets for the sustainable development of its various existing and new businesses in Hong Kong and mainland China.

TOWN GAS BUSINESS IN HONG KONG

Total volume of gas sales in Hong Kong for 2020 was approximately 27,947 million MJ, a slight decrease of 2.7%, whilst the number of appliances sold also decreased by 12.7%, both compared to 2019. Appliance sales decreased by 8.3% compared to 2019. The number of customers was about 1.94 million as at the end of 2020, a slight increase of about 10,000 compared to 2019.

UTILITY BUSINESSES IN MAINLAND CHINA

As at the end of December 2020, Hong Kong and China Gas held approximately 68.21% of the total issued shares of Towngas China Company Limited ("Towngas China"; stock code: 1083). Towngas China recorded profit after taxation attributable to its shareholders for the year amounting to HK$1,447 million, an increase of approximately 11% compared to 2019.

Towngas China added five new projects to its portfolio during 2020, of which three are centralised heating projects located in Eastern Park of Tongling Economic and Technological Development Zone, Anhui province, and in Fuxin Industrial Park and Xiliu Textile Industrial Park, Haicheng city, both in Liaoning province. The other two comprise a shale gas project and an extended business project, both in Sichuan province.

Following the execution of a capital increase agreement among Towngas China, Shanghai Gas Co., Ltd. ("Shanghai Gas") and Shenergy (Group) Company Limited in October 2020, all parties are now liaising on various business aspects to proceed further as scheduled. Shanghai Gas has a customer base of 6.3 million with natural gas sales reaching over 9,000 million cubic metres per annum. Towngas China will be able to expand its channels for purchasing natural gas directly from overseas through the LNG receiving terminal at Yangshan Port operated by Shanghai Gas.

As at the end of 2020, inclusive of Towngas China, Hong Kong and China Gas had a total of 282 city-gas projects on the mainland (2019 year end: 273 projects, inclusive of city-gas projects re-invested by its companies). The total volume of gas sales for these projects in 2020 was approximately 26,900 million cubic metres, an increase of 5% compared to 2019. As at the end of 2020, Hong Kong and China Gas's mainland gas customers stood at approximately 31.81 million, an increase of 7% over 2019. Towngas China will acquire a 25% equity interest in Shanghai Gas after the latter's increase of registered capital in 2021 as planned, thereby increasing Hong Kong and China Gas's gas customers to 40 million.

Hong Kong and China Gas added several smart energy projects to its portfolio in 2020, including installation of solar photovoltaic power generation systems on rooftops of large production plants and logistics warehouses, and establishing energy storage facilities.

Construction of its natural gas storage facility in underground salt caverns in Jintan district, Changzhou city, Jiangsu province, is progressing in phases. This project, the first of its kind built by a city-gas enterprise, will eventually comprise a total of 25 wells with a total storage capacity of 1,100 million cubic metres, to be built in two phases, four wells of which have now been commissioned and successfully interconnected with the West-to-East Gas Pipeline and the Sichuan-to-East Gas Pipeline.

During the year, Hong Kong and China Gas also acquired a storage tank project at the liquefied natural gas ("LNG") receiving terminal in Tangshan city, Hebei province. Hong Kong and China Gas has been granted the right to use two storage tanks of 400,000 cubic metres in total alongside a jetty for importing 1 million tonnes of LNG per annum for a contract term of 50 years. Use of the storage tanks will start before the end of 2023 but use of the jetty will be exercised earlier - by the end of 2022.

Leveraging on the rich experience in sewage treatment gained from its water sector "Hua Yan Water", Hong Kong and China Gas successfully developed an urban organic waste resource utilisation project in Suzhou Industrial Park, Jiangsu province in 2019. This project has cumulatively processed more than 170,000 tonnes of organic wastes and produced nearly 5 million cubic metres of bio-natural gas. Construction of phase two of this project, to increase daily processing capacity from 500 to 800 tonnes, is in progress, expecting to commence operation in the second quarter of 2021. Furthermore, Hong Kong and China Gas has formed an investment platform company, "Hua Yan Environmental", in Changzhou city, Jiangsu province, to develop a waste incineration business in the city. A food waste resource utilisation project already operating in Tongling city, Anhui province has also been successfully acquired.

EMERGING ENVIRONMENTALLY-FRIENDLY ENERGY BUSINESSES

Hong Kong and China Gas has set up research and development bases in Shanghai city and Suzhou city, focusing on the conversion and utilisation of biomass to produce advanced biofuels using agricultural waste and inedible bio-grease feedstock. The research and development team of ECO Environmental Investments Limited ("ECO") under Hong Kong and China Gas has long been striving hard for breakthroughs in the field of biomass utilisation. Several patented technologies which target on the utilisation of inedible bio-grease and agricultural waste as two different feedstocks, are now gradually being implemented in a number of projects.

The first project, located in Jiangsu province, which converts inedible bio-grease feedstock into hydro-treated vegetable oil ("HVO") using ECO's self-developed technology, with an annual production capacity of 250,000 tonnes, was fully commissioned during the third quarter of 2020. Having gained the accreditation under the "International Sustainability and Carbon Certification Scheme" and thus qualified as an advanced biofuel defined by the European Union, ECO's HVO is entirely exported to European markets.

ECO's another set of patented technologies is to refine agricultural waste through pyrolysis and hydrolysis into a product scope encompassing biofuels, biochemicals and biomaterials. For this, ECO is now developing two pilot projects in Hebei province - one producing furfural and paper pulp as main products expected to commence trial production in the second quarter of 2021, followed by another one producing furfural and cellulosic ethanol expected to commence trial production in the fourth quarter of 2021. Cellulosic ethanol is yet another advanced biofuel as defined by the European Union.

Inclusive of projects of Towngas China, Hong Kong and China Gas had 436 projects (2019 year end: 406 projects, inclusive of city-gas projects re-invested by its companies) on the mainland, as at the end of 2020, spread across 27 provincial regions. These projects encompass upstream, midstream and downstream natural gas sectors, environmentally-friendly energy, smart energy, water sectors and city-waste treatment, as well as telecommunications.

FINANCING PROGRAMMES

Hong Kona and China Gas established a medium term note programme in 2009. Medium term notes totalling HK$5,986 million, with a tenor of 3 to 30 years, were issued in 2020. As at 31 December 2020, the total nominal amount of medium term notes issued has reached HK$20,700 million with tenors ranging from 3 to 40 years, mainly at fixed interest rates with an average of 3.0% per annum and an average tenor of 15 years. Furthermore, as at 31 December 2020, Hong Kong and China Gas had Perpetual Subordinated Capital Securities (the "Perpetual Securities") of US$300 million, issued in February 2019, with a coupon rate at 4.75% per annum. The Perpetual Securities are redeemable at the option of Hong Kong and China Gas in February 2024 or thereafter every six months on the coupon payment date.

Hong Kong Ferry (Holdings) Company Limited ("Hong Kong Ferry")

During the year under review, the profit for Hong Kong Ferry was mainly derived from rental income from shops and commercial arcades. Due to the absence of profits from sale of residential properties and the disruption in revenue due to the outbreak of the COVID-19, its consolidated profit after taxation for the year ended 31 December 2020 decreased by 81% to approximately HK$27 million as compared with the same period of 2019.

Property Development and Investment Operations

During 2020, the gross rental income arising from the commercial arcades of Hong Kong Ferry amounted to approximately HK$103 million. The commercial arcade of Metro6 was fully let at year end. The occupancy rate of the commercial arcades of Shining Heights and The Spectacle were 93% and 79% respectively. The occupancy rate of commercial arcades of Metro Harbour View and Green Code were 96% and 91% respectively.

The Royale (8 Castle Peak Road - Castle Peak Bay, Tuen Mun)

Hong Kong Ferry's 50%/50% equity joint venture development project with Empire Group at Tuen Mun Town Lot No. 547 carries the project name of "The Royale". The launch of the pre-sale of Phase 1, "Seacoast Royale", Phase 2, "Starfront Royale" and Phase 3, "Skypoint Royale" received overwhelming response and registration from buyers. This project consists of six residential towers, providing 1,782 units with sea or landscape views. The gross floor area of the project is approximately 663,000 square feet. The construction of the project is in good progress, the superstructure works of which commenced in November last year. The project is expected to be completed by phases in 2022.

Kweilin Street/Tung Chau Street, Sham Shui Po Redevelopment Project

In June 2018, Hong Kong Ferry was successfully awarded the redevelopment contract for the Kweilin Street/Tung Chau Street project in Sham Shui Po by the Urban Renewal Authority. Hong Kong Ferry is responsible for the construction of the project with a total gross floor area of about 144,345 square feet. Upon development, Hong Kong Ferry will be entitled to the residential gross floor area of about 97,845 square feet. The foundation works have been completed and superstructure works had commenced. The project is expected to be completed in 2023.

Ferry, Shipyard and Related Operations

During the year under review, the Ferry, Shipyard and Related Operations recorded a loss of HK$18 million, mainly due to the significant decline of revenue in Harbour Cruise - Bauhinia.

Securities Investment

During the year, a profit of HK$4 million in Securities Investment was recorded.

Miramar Hotel and Investment Company, Limited (“Miramar”)

Miramar’s revenue for the year ended 31 December 2020 amounted to HK$1,315 million, a decrease of 57.1% against last year. Profit attributable to shareholders for the year was HK$302 million with a year-on-year decrease of 76.6%. The decrease is mainly caused by the revaluation loss on fair value of its investment properties and the weakened business performances of its hotel & serviced apartments business, food & beverage business and travel business which, in turn, was due to the impact from “COVID-19” pandemic. Excluding the net decrease in the fair value of investment properties by HK$152 million (2019: net increase of HK$504 million), the underlying profit attributable to shareholders reduced by 42.1% to HK$454 million.

Hotels and Serviced Apartments Business

The hotel and serviced apartments business recorded revenue of HK$202 million, down by 63.9% from last year. The earnings before interest, taxes, depreciation and amortization (“EBITDA”) was a loss of HK$5.3 million. Miramar adjusted its business strategies and created unprecedented experiences with new services. Various themed staycation packages have been launched in response to the shifted local consumption patterns. In addition, Mira Moon Hotel was arranged as a quarantine hotel to act in concert with the government's anti-epidemic and quarantine measures, and respond to the different needs of travelers.

Property Rental Business

Relief measures including lease restructuring and rent concessions were offered to individual tenants to withstand the vicissitude. The revenue of its property rental business thus contracted slightly to HK$819 million with EBITDA at HK$713 million, which were down 10.3% and 10.7% respectively compared with last year. Miramar launched various marketing activities and promotions to drive footfall to the mall and boost tenants’ sales revenue. Besides, Miramar has continued to instill dynamism and a sense of freshness into the mall through optimizing tenant mix. It also made an all-out effort to improve various facilities, which were completed in the third quarter.

Food and Beverage Business

Miramar’s food and beverage business recorded revenue of HK$120 million, while EBITDA was a loss of HK$11.5 million for the year. In 2019, the revenue and EBITDA were HK$244 million and HK$24 million respectively. Miramar adjusted its restaurant operations to accommodate the new normal of catering consumption by strengthening takeaway promotions and cost control. Apart from the partnership with food delivery platforms, Miramar launched its first online platform MIRA eSHOP with exclusive takeaway and dine-in offers, and promoted takeaway packages for families and small group gatherings. At the same time, Miramar facilitated customers’ demand on flexible dining with dine-in discounts and afternoon tea sessions at its Chinese restaurants.

Travel Business

Miramar’s travel business recorded revenue of HK$174 million, a decrease of 87.1% from last year while EBITDA recorded a loss of HK$23.1 million. The revenue and the EBITDA of last year were HK$1,345 million and HK$94 million respectively.

CORPORATE FINANCE

The Group has always adhered to prudent financial management principles. At 31 December 2020, net debt (including shareholder's loans totalling HK$6,526 million (2019: HK$737 million)) amounted to HK$88,138 million (2019: HK$81,655 million) giving rise to a financial gearing ratio of 26.9% (2019: 25.5%).

As regards environmental and sustainability progress, the Group is committed to environmental protection in its property developments and has received numerous related green awards. Green loans and undertaking facilities totalling HK$16,000 million have been secured from the financial community since 2020. Besides, the Group had issued medium term notes for a total amount of HK$18,694 million since 2018 so as to diversify its sources of funding and to extend its debt maturity profile. In addition, the Group obtained seven-year Japanese Yen term loans for a total amount of JPY58,000 million and a six-year Renminbi term loan for a total amount of RMB1,000 million, demonstrating that the Group's prime credit standing and environmental contributions are well received by the international financial community. At the same time, the Group also secured a substantial amount of banking facilities. After full prepayment before mid-2019 of a HK$18,000 million 5-year syndicated loan facility before its original due date in March 2020, the Group's internal funding remains ample.

In light of the low interest rate levels resulting from quantitative easing measures adopted by major economies around the world, the Group entered into interest rate swap contracts for certain medium and long-term periods, for the purpose of converting part of the Group's borrowings from floating interest rates into fixed interest rates. It is considered that such a treasury management strategy will be of benefit to the Group in the long run.

SUSTAINABILITY REPORT

2020 will long be remembered for the unprecedented challenges of the COVID-19 pandemic. Everyone's daily routines have changed, caused by serious health and hygiene concerns, and the Group has had to adapt to restrictions on its business operations due to preventative measures to stop the spread of the virus. This year's Sustainability Report illustrates how the Group has addressed these many new challenges, while remaining committed to its long-established sustainability principles and goals.

Innovation is at the heart of the Henderson Land's approach, from the Group's original building designs and new methods of working, to its leading role in urban redevelopment. Innovation has also played a vital role in the Group's response to the pandemic, enabling the Group to remain resilient while making meaningful contributions to society and the economy to alleviate the hardship experienced by everyone.

At an operational level, the Group has prioritised the care and protection of employees, implementing measures such as regularly distributing masks and herbal tea and providing work-from-home arrangements since the early stage of the pandemic. For Henderson Land customers, touchless features at the Group's properties, as well as the adoption of cleaning technologies and comprehensive sanitisation measures, have provided visitors with increased comfort and reassurance. The Group has also provided rental relief and other forms of support to its shopping mall tenants whose businesses have been badly affected.

During the year, the Henderson Development Anti-Epidemic Fund was established by way of donation from Lee Shau Kee Foundation. Its objective is to combat the COVID-19 pandemic and alleviate its devastating impact on the community through a series of relief measures and schemes in Hong Kong and mainland China. Supported by the admirable efforts of Henderson Land colleagues, the Fund has given much needed assistance to the community throughout the pandemic.

2020 marked the launch of Henderson Land's revised sustainability strategy, which is a new focus on how the Group views its contributions to the economy, society and environment. It comprises four key drivers:

- **Green for Planet**
- **Innovation for Future**
- **Value for People**
- **Endeavour for Community**

As the Group continues to fight the pandemic together, it remains steadfastly committed to innovating for a green and liveable future.

PROSPECTS

The number of confirmed COVID-19 cases have generally declined around the world. With the invention of different types of vaccines and rollout of mass vaccinations, the pandemic is expected to subside gradually. Together with the ongoing measures introduced by various central banks to stimulate the economy, public confidence in economic recovery is boosted. However, the impacts on global trade and the geopolitical landscape brought about by the policies of the new administration of the United States remain uncertain. Notwithstanding the recent fluctuation of long and mid-term interest rates, short-term interest rates remain low, which should be favourable to the economy. Mortgage interest rates in Hong Kong are largely priced at short-term interbank offer rates and the low interest rate environment should render support to the property market.

Over many years, the Group has been replenishing its development land bank in Hong Kong through diversified means and encouraging progress was achieved. For the urban redevelopment project in Hung Hom, the Group completed its ownership consolidation of the 1,000,000-square-foot redevelopment recently. The Group also acquired further New Territories land lots of about 590,000 square feet resulting in its agricultural land reserves totalling approximately 44.4 million square feet, which continues to be the largest holding among all property developers in Hong Kong. Turning to mainland China, five development projects in Guangzhou, Chengdu, Suzhou and Xiamen were acquired, adding an aggregate attributable gross floor area of about 4.6 million square feet to the Group's land bank. The Group has sufficient land resources for its long term property development plan.

As regards "**property sales**", following the launches of "Skypoint Royale" ("The Royale" – Phase 3) in Tuen Mun and "The Hampstead Reach" in Yuen Long, the Group plans to embark on the sale launches of nine other development projects in 2021, most of them are located in urban areas. Together with unsold stocks, a total of about 8,100 residential units and 240,000 square feet of office/industrial space in Hong Kong will be available for sale in 2021. As at the end of December 2020, contracted sales of Hong Kong properties, which are yet to be recognised in the accounts, amounted to approximately HK$11,336 million in attributable terms.

In mainland China, to ensure that the steady development of the property market is maintained, the Central Government's directive that "housing is for living in, not for speculation", the application of differentiated measures in accordance with local conditions, and the scrutiny imposed by the implementation of the "Three Thresholds" over the financial leverage of mainland property developers are all expected to remain unchanged. The Group will continue to look for investment opportunities in the first-tier cities, and the major second-tier cities. Furthermore, the Group will intensify co-operation with local property developers. As at the end of December 2020, contracted sales of mainland properties, which are yet to be recognised in the accounts, amounted to approximately HK$10,690 million in attributable terms.

As regards "**rental business**", the 3,000,000-square-foot "Lumina Shanghai" and the 800,000-square-foot shopping podium of "Lumina Guangzhou" are both scheduled for completion in 2021. At the end of 2021, the Group's portfolio of completed investment properties will comprise an attributable gross floor area of 9.5 million square feet in Hong Kong and 11.7 million square feet in mainland China. Together with the landmark office development at Murray Road in Hong Kong in the pipeline, the Group's rental portfolio will grow further with a more optimal composition.

The "**associates**", namely, Hong Kong and China Gas, Miramar and Hong Kong Ferry, serve as another steady recurrent income stream to the Group. Hong Kong and China Gas, in particular, has 436 projects on the mainland, spread across 27 provincial regions. With a total of over 33.7 million piped-gas customers in Hong Kong and mainland China, as well as its development of various extended businesses, it is poised to provide satisfactory returns to the Group.

With its ample financial resources and astute management of three major businesses (namely, "**property sales**", "**rental business**" and "**associates**") by its experienced professional team, Henderson Land is well-placed to tackle the challenges ahead and make further contributions to the economy, society and environment as set out in the Group's sustainability strategy.

APPRECIATION

Mr Lau Yum Chuen, Eddie stepped down from his position of Executive Director of the Company on 8 June 2020. The Board would like to express its sincere gratitude to Mr Lau for his invaluable contribution to the Company over the past 30 years.

Meanwhile, Mr Fung Hau Chung, Andrew, the Chief Financial Officer of the Company, was appointed as an Executive Director of the Company on the same day. All members of the Board would like to extend a warm welcome to Mr Fung on joining the Board and are confident that Mr Fung, with his rich experience and professional expertise, will make significant contributions to the Group.

Lastly, we would also like to take this opportunity to extend our appreciation to our fellow directors for their wise counsel, and to thank all our staff for their commitment and hard work throughout the year.

Lee Ka Kit *Chairman*

Lee Ka Shing *Chairman*

Hong Kong, 23 March 2021

BUSINESS RESULTS

Consolidated Statement of Profit or Loss

for the year ended 31 December 2020

	Note	***2020*** **HK$ million**	*2019* HK$ million
Revenue	3	**25,020**	24,184
Direct costs		**(9,717)**	(11,378)
		15,303	12,806
Other net (loss)/income	4	**(98)**	1,148
Selling and marketing expenses		**(1,053)**	(1,307)
Administrative expenses		**(1,981)**	(1,946)
Profit from operations before changes in fair value of investment properties and investment properties under development		**12,171**	10,701
(Decrease)/increase in fair value of investment properties and investment properties under development	5	**(2,413)**	2,530
Profit from operations after changes in fair value of investment properties and investment properties under development		**9,758**	13,231
Finance costs	6(a)	**(558)**	(601)
Bank interest income		**354**	635
(Net finance costs)/net interest income		**(204)**	34
Share of profits less losses of associates		**2,524**	3,627
Share of profits less losses of joint ventures		**636**	2,194
Profit before taxation	6	**12,714**	19,086
Income tax	7	**(2,431)**	(2,037)
Profit for the year		**10,283**	17,049

Consolidated Statement of Profit or Loss
for the year ended 31 December 2020 (continued)

	Note	*2020* **HK$ million**	*2019* HK$ million
Attributable to:			
Equity shareholders of the Company		**10,192**	16,994
Non-controlling interests		**91**	55
Profit for the year		**10,283**	17,049
Earnings per share based on profit attributable to equity shareholders of the Company (reported earnings per share)			
Basic and diluted	*9(a)*	***HK$2.11***	*HK$3.51*
Earnings per share excluding the effects of the Group's aggregate attributable share of changes in fair value of investment properties and investment properties under development (net of deferred tax) (underlying earnings per share)			
Basic and diluted	*9(b)*	***HK$3.08***	*HK$3.02*

Details of dividends payable to equity shareholders of the Company are set out in note 8.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2020

	2020 **HK$ million**	*2019* HK$ million
Profit for the year	**10,283**	17,049
Other comprehensive income for the year-net, after tax and reclassification adjustments:		
Items that will not be reclassified to profit or loss:		
- Investments in equity securities designated as financial assets at fair value through other comprehensive income	**(29)**	(42)
- Share of other comprehensive income of associates and joint ventures	**(172)**	500
Items that may be reclassified subsequently to profit or loss:		
- Exchange differences	**3,484**	(1,202)
- Cash flow hedges	**(156)**	76
- Share of other comprehensive income of associates and joint ventures	**2,144**	(525)
Other comprehensive income for the year	**5,271**	(1,193)
Total comprehensive income for the year	**15,554**	15,856
Attributable to:		
Equity shareholders of the Company	**15,454**	15,805
Non-controlling interests	**100**	51
Total comprehensive income for the year	**15,554**	15,856

Consolidated Statement of Financial Position

at 31 December 2020

	Note	***At 31 December 2020* HK$ million**	*At 31 December 2019* HK$ million
Non-current assets			
Investment properties		**186,593**	182,963
Other property, plant and equipment		**400**	389
Right-of-use assets		**750**	451
Goodwill		**262**	262
Interest in associates		**64,838**	63,171
Interest in joint ventures		**70,043**	65,230
Derivative financial instruments		**1,319**	453
Other financial assets		**11,186**	13,160
Deferred tax assets		**633**	416
		336,024	326,495
Current assets			
Deposits for acquisition of properties	11	**1,052**	1,260
Inventories	12	**101,059**	100,495
Trade and other receivables	13	**15,864**	14,885
Cash held by stakeholders		**1,281**	1,376
Cash and bank balances		**5,807**	10,734
		125,063	128,750
Current liabilities			
Trade and other payables	14	**22,304**	27,298
Lease liabilities		**338**	232
Bank loans		**26,254**	27,768
Guaranteed notes		**3,078**	1,484
Tax payable		**2,762**	2,383
		54,736	59,165
Net current assets		**70,327**	69,585
Total assets less current liabilities		**406,351**	396,080

Consolidated Statement of Financial Position

at 31 December 2020 (continued)

	At 31 December 2020 **HK$ million**	*At 31 December 2019* HK$ million
Non-current liabilities		
Bank loans	**42,412**	52,157
Guaranteed notes	**15,675**	10,243
Amount due to a fellow subsidiary	**4,389**	737
Amount due to a related company	**2,137**	-
Derivative financial instruments	**1,190**	381
Lease liabilities	**435**	242
Provisions for reinstatement costs	**17**	17
Deferred tax liabilities	**7,904**	6,910
	74,159	70,687
NET ASSETS	**332,192**	325,393
CAPITAL AND RESERVES		
Share capital	**52,345**	52,345
Other reserves	**275,262**	268,506
Total equity attributable to equity shareholders of the Company	**327,607**	320,851
Non-controlling interests	**4,585**	4,542
TOTAL EQUITY	**332,192**	325,393

Notes:

1 Basis of preparation

The financial information relating to the years ended 31 December 2020 and 31 December 2019 included in this preliminary announcement of annual results 2020 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622) and will deliver the financial statements for the year ended 31 December 2020 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include reference to any matters to which the auditor drew attention by way of emphasis of matter without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

The statutory financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and accounting principles generally accepted in Hong Kong. The statutory financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance (Cap. 622) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The measurement basis used in the preparation of the statutory financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value:

- investments designated as financial assets at fair value through other comprehensive income (“FVOCI”);
- investments measured as financial assets at fair value through profit or loss (“FVPL”);
- derivative financial instruments; and
- investment properties and certain investment properties under development.

The preparation of the statutory consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Given that the COVID-19 pandemic has caused and will likely cause disruptions to economic activities, the uncertainties associated with accounting estimates and assumptions may also be increased accordingly.

2 Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company, which are relevant to the Group's consolidated financial statements for the current accounting period:

- Amendments to HKFRS 3, *Definition of a business*
- Amendments to HKFRS 16, *Covid-19-related rent concessions*

The directors of the Company ("Directors") have assessed and considered that none of the abovementioned amendments has any material impact on the Group's financial position at 31 December 2020 or the Group's financial performance for the year then ended.

Up to the date of issue of the consolidated financial statements, the HKICPA has issued a number of amendments to HKFRSs which are not yet effective for the financial year ended 31 December 2020 and which have not been adopted in the consolidated financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*	1 January 2022
Amendments to HKAS 37, *Provisions and contingent liabilities: Onerous contracts - costs of fulfilling a contract*	1 January 2022
Amendments to HKFRS 3, *Business combinations: Reference to the Conceptual Framework*	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022

The Group is in the process of making an assessment of what the impact of these amendments 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 consolidated financial statements.

3 Revenue

Revenue of the Group represents revenue from the sale of properties, rental income, operation and management of department stores and supermarket-cum-stores, and other businesses mainly including income from construction, provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, as well as the trading of building materials and disposal of leasehold land.

The major items are analysed as follows:

	2020 **HK$ million**	*2019* HK$ million
Sale of properties	**16,009**	15,079
Rental income (note (i))	**5,777**	6,169
Department stores and supermarket-cum-stores operations (note (ii))	**1,837**	1,707
Other businesses	**1,397**	1,229
Total (note 10(b))	**25,020**	24,184

Notes:

(i) During the year ended 31 December 2020, the Group granted approved rent concessions (2019: Nil) to certain tenants of the Group's investment properties in Hong Kong and mainland China due to the impact of COVID-19 pandemic on the economic outlook, and hence the adverse effect on such tenants' business operations, business viabilities and abilities to meet rental obligations.

Therefore, the Group's rental income for the year ended 31 December 2020 has been arrived at after deducting the rent concessions which were amortised for the year ended 31 December 2020 in the amount of HK$183 million (2019: Nil).

(ii) Including commission income earned from consignment and concessionary counters of the department stores operation, and the commission income earned from consignment counters of the supermarket-cum-stores operation, in the aggregate amount of HK$412 million for the year ended 31 December 2020 (2019: HK$475 million).

At 31 December 2020, the cumulative aggregate amount of revenue expected to be recognised in the consolidated statement of profit or loss in the future from pre-completion sales contracts entered into in relation to the Group's properties held for/under development for sale and completed properties for sale pending assignment in Hong Kong and mainland China amounted to HK$11,298 million (2019: HK$19,843 million), which will be recognised when the pre-sold properties are assigned to the customers.

4 Other net (loss)/income

	2020	*2019*
	HK$ million	HK$ million
Net gain on transfer of interests in joint ventures regarding (note (i))		
- Investment properties	**-**	345
Net gain on disposal of investment properties	**229**	251
Aggregate net gain on sales of property interests (note 10(a))	**229**	596
Net fair value (loss)/gain on investments measured as financial assets at FVPL	**(366)**	1
Net fair value (loss)/gain on derivative financial instruments at FVPL:		
- Interest rate swap contracts, cross currency interest rate swap contracts and cross currency swap contracts (for which no hedge accounting was applied during the year)	**(515)**	409
- Foreign exchange forward contracts (for which no hedge accounting was applied during the year)	**8**	-
Cash flow hedges: reclassified from hedging reserve to profit or loss	**(5)**	-
Other amounts reclassified from hedging reserve and derivative financial instruments	**(6)**	-
Impairment loss on trade debtors, net (note 10(c))	**(6)**	(3)
Provision on inventories, net (note 10(a))	**(4)**	(19)
Exchange losses, net (note 6(d))	**(100)**	(25)
Government grants (note (ii))	**264**	-
Others	**403**	189
	(98)	1,148

Notes:

(i) The net gain on transfer of interests in joint ventures for the corresponding year ended 31 December 2019 in the amount of HK$345 million related to the transfer of the Group's interest in a joint venture which, together with its wholly-owned subsidiaries, collectively own an investment property at No. 8 Observatory Road, Kowloon, Hong Kong.

(ii) Being the subsidy received from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme as promulgated by the Government of the Hong Kong Special Administrative Region of the People's Republic of China.

5 (Decrease)/increase in fair value of investment properties and investment properties under development

The Group's investment properties and investment properties under development were revalued at 31 December 2020 by Cushman & Wakefield Limited, an independent firm of professional surveyors who have among their staff Members of The Hong Kong Institute of Surveyors with recent experience in the location and category of the properties being valued, on a market value basis.

The Group's management has reviewed the valuation results performed by the independent surveyors for financial reporting purposes by verifying all major inputs and assumptions, and assessing the reasonableness of property valuation. Such valuation is performed at each interim and annual reporting date and is reviewed and approved by senior management.

The valuations of completed investment properties in Hong Kong and mainland China were based on income capitalisation approach which capitalised the net income of the properties and taking into account the reversionary potential of the properties after expiry of the current lease.

For certain investment properties in Hong Kong and mainland China which are still under development, the valuations were determined on redevelopment basis and by taking into account the fair value of the completed investment property and then deducting from that amount the estimated costs to complete the construction, financing costs and a reasonable profit margin.

As a result, a net fair value loss on investment properties and investment properties under development in Hong Kong and mainland China (after deducting non-controlling interests' attributable share and deferred tax) in the aggregate amount of HK$2,964 million (2019: a net fair value gain on investment properties and investment properties under development in Hong Kong and mainland China (after deducting non-controlling interests' attributable share and deferred tax) in the aggregate amount of HK$2,488 million) has been recognised in the consolidated statement of profit or loss for the year (see note 9(b)).

In aggregate, the Group's attributable share of the net fair value losses (net of deferred tax) on investment properties and investment properties under development held by subsidiaries, associates and joint ventures for the year ended 31 December 2020 amounted to HK$4,568 million (2019: the Group's attributable share of the net fair value gains (net of deferred tax) on investment properties and investment properties under development held by subsidiaries, associates and joint ventures amounted to HK$3,449 million).

5 (Decrease)/increase in fair value of investment properties and investment properties under development (continued)

A reconciliation of the abovementioned figures is as follows:-

For the year ended 31 December 2020

	Hong Kong	Mainland China	Total
	HK$ million	HK$ million	HK$ million
Fair value (loss)/gain on investment properties and investment properties under development held by			
- subsidiaries (before deducting non-controlling interests' attributable share and deferred tax)	**(4,487)**	**2,074**	**(2,413)**
Less :			
Deferred tax	**-**	**(549)**	**(549)**
Non-controlling interests' attributable share of the fair value gain (net of deferred tax)	**(2)**	**-**	**(2)**
(after deducting non-controlling interests' attributable share and deferred tax) (note 9(b))	**(4,489)**	**1,525**	**(2,964)**
- associates (Group's attributable share) (notes 9(b) and 10(a)(iii))	**(445)**	**-**	**(445)**
- joint ventures (Group's attributable share) (notes 9(b) and 10(a)(iv))	**(1,244)**	**85**	**(1,159)**
	(6,178)	**1,610**	**(4,568)**

5 (Decrease)/increase in fair value of investment properties and investment properties under development (continued)

For the year ended 31 December 2019

	Hong Kong	Mainland China	Total
	HK$ million	HK$ million	HK$ million
Fair value gain on investment properties and investment properties under development held by			
- subsidiaries (before deducting non-controlling interests' attributable share and deferred tax)	2,460	70	2,530
Less :			
Deferred tax	-	(40)	(40)
Non-controlling interests' attributable share of the fair value gain (net of deferred tax)	(2)	-	(2)
(after deducting non-controlling interests' attributable share and deferred tax) (note 9(b))	2,458	30	2,488
- associates (Group's attributable share) (notes 9(b) and 10(a)(iii))	347	-	347
- joint ventures (Group's attributable share) (notes 9(b) and 10(a)(iv))	403	211	614
	3,208	241	3,449

6 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

		2020	*2019*
		HK$ million	HK$ million
(a)	**Finance costs:**		
	Bank loans interest	**1,351**	1,705
	Interest on loans	**716**	716
	Finance cost on lease liabilities	**22**	19
	Other borrowing costs	**91**	138
		2,180	2,578
	Less: Amount capitalised (note)	**(1,622)**	(1,977)
	Finance costs	**558**	601

Note: The borrowing costs have been capitalised at weighted average interest rates (based on the principal amounts of the Group's bank loans, guaranteed notes, amount due to a fellow subsidiary and amount due to a related company during the period under which interest capitalisation is applicable) ranging from 2.11% to 3.86% (2019: 2.26% to 4.35%) per annum.

(b)	**Directors' emoluments**	**204**	192
(c)	**Staff costs (other than directors' emoluments):**		
	Salaries, wages and other benefits	**2,384**	2,333
	Contributions to defined contribution retirement plans	**88**	97
		2,472	2,430

6 Profit before taxation (continued)

Profit before taxation is arrived at after charging/(crediting): (continued)

	2020	*2019*
	HK$ million	*HK$ million*
(d) Other items:		
Net foreign exchange loss	**1,025**	261
Cash flow hedges: net foreign exchange gain reclassified from equity	**(925)**	(236)
Exchange losses, net (note 4)	**100**	25
Depreciation		
- on other property, plant and equipment	**77**	65
- on right-of-use assets	**351**	312
	428	377
	(note 10(c))	(note 10(c))
Cost of sales		
- properties for sale	**5,925**	7,914
- trading stocks	**982**	856
Auditors' remuneration		
- audit services	**20**	21
- non-audit services	**6**	13
Expense relating to short-term leases	**47**	139
Rentals receivable from investment properties less direct outgoings of HK$1,640 million (2019: HK$1,605 million) (note (i))	**(3,977)**	(4,361)
Dividend income from investments designated as financial assets at FVOCI and investments measured as financial assets at FVPL (note (ii))		
- listed	**(79)**	(82)
- unlisted	**(9)**	(8)

Notes:

(i) The rental income from investment properties included contingent rental income of HK$17 million (2019: HK$26 million).

(ii) During the year ended 31 December 2020, dividend income of HK$10 million (2019: HK$14 million) related to investments designated as financial assets at FVOCI held at 31 December 2020.

7 Income tax

Income tax in the consolidated statement of profit or loss represents:

	2020	*2019*
	HK$ million	HK$ million
Current tax – Provision for Hong Kong Profits Tax		
Provision for the year	**978**	762
Under/(over)-provision in respect of prior years	**12**	(3)
	990	759
Current tax – Provision for taxation outside Hong Kong		
Provision for the year	**598**	595
Under-provision in respect of prior years	**50**	-
	648	595
Current tax – Provision for Land Appreciation Tax		
Provision for the year	**296**	249
	296	249
Deferred tax		
Origination and reversal of temporary differences	**497**	434
	497	434
	2,431	2,037

Provision for Hong Kong Profits Tax has been made at 16.5% (2019: 16.5%) on the estimated assessable profits for the year, taking into account a one-off reduction of 100% (2019: 100%) of the tax payable for the year of assessment 2019/20 subject to a ceiling of HK$20,000 (2018/19: HK$20,000) for each business allowed by The Government of the Hong Kong Special Administrative Region of the People's Republic of China ("PRC").

Provision for taxation outside Hong Kong is provided for at the applicable rates of taxation for the year on the estimated assessable profits arising in the relevant foreign tax jurisdictions during the year.

Land Appreciation Tax is levied on properties in mainland China developed by the Group for sale, at progressive rates ranging from 30% to 60% (2019: 30% to 60%) on the appreciation of land value, which under the applicable regulations is calculated based on the revenue from sale of properties less deductible expenditure including lease charges of land use rights, borrowing costs and property development expenditure.

8 Dividends

(a) Dividends payable to equity shareholders of the Company attributable to profit for the year

	2020	*2019*
	HK$ million	HK$ million
Interim dividend declared and paid of HK$0.50 (2019: HK$0.50) per share	**2,421**	2,421
Final dividend proposed after the end of the reporting period of HK$1.30 (2019: HK$1.30) per share	**6,294**	6,294
	8,715	8,715

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to profit for the previous financial year, approved and paid during the year

	2020	*2019*
	HK$ million	HK$ million
Final dividend in respect of the previous financial year, approved and paid during the year of HK$1.30 (2019: HK$1.30) per share	**6,294**	5,722

9 Earnings per share

(a) Reported earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of HK$10,192 million (2019: HK$16,994 million) and 4,841 million ordinary shares in issue during the year (2019: 4,841 million ordinary shares), calculated as follows:

	2020	*2019*
	million	million
Number of issued ordinary shares at 1 January	**4,841**	4,401
Weighted average number of ordinary shares issued in respect of the bonus issue in 2019	**-**	440
Weighted average number of ordinary shares for the year	**4,841**	4,841

Diluted earnings per share were the same as the basic earnings per share for the year and the corresponding year ended 31 December 2019 as there were no dilutive potential ordinary shares in existence during both years.

9 Earnings per share (continued)

(b) Underlying earnings per share

For the purpose of assessing the underlying performance of the Group, basic and diluted earnings per share are additionally calculated based on the profit attributable to equity shareholders of the Company after excluding the effects of changes in fair value of investment properties and investment properties under development ("Underlying Profit") of HK$14,899 million (2019: HK$14,640 million). A reconciliation of profit is as follows:

	2020	*2019*
	HK$ million	HK$ million
Profit attributable to equity shareholders of the Company	**10,192**	16,994
Fair value loss/(gain) of investment properties and investment properties under development during the year (after deducting non-controlling interests' attributable share and deferred tax) (note 5)	**2,964**	(2,488)
Share of fair value loss/(gain) of investment properties (net of deferred tax) during the year:		
– associates (note 5)	**445**	(347)
– joint ventures (note 5)	**1,159**	(614)
The Group's attributable share of the cumulative fair value gain of investment properties disposed of during the year, net of tax:		
– subsidiaries	**139**	135
– associates and joint ventures	**-**	960
Underlying Profit	**14,899**	14,640
Underlying earnings per share, based on the weighted average number of ordinary shares for the year (note 9(a))	**HK$3.08**	HK$3.02

10 Segment reporting

The Group manages its businesses by a mixture of business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

Property development	:	Development and sale of properties
Property leasing	:	Leasing of properties
Department stores and supermarket-cum-stores operations	:	Operation and management of department stores and supermarket-cum-stores
Other businesses	:	Hotel operation and management, construction, provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, as well as the trading of building materials and disposal of leasehold land
Utility and energy	:	Production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases.

Revenue and expenses are allocated to the reportable segments with reference to revenues generated by those segments and the expenses incurred by those segments. Segment results form the basis of measurement used for assessing segment performance and represent profit or loss before (provision)/reversal of provision on inventories, net, sales of property interests, fair value adjustment of investment properties and investment properties under development, (net finance costs)/net interest income, income tax and items not specifically attributed to individual reportable segments, such as unallocated head office and corporate expenses, net.

(a) Results of reportable segments

Information regarding the Group's and its share of associates and joint ventures on reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and performance assessment for the years ended 31 December 2020 and 31 December 2019 is set out below:

10 Segment reporting (continued)

(a) Results of reportable segments (continued)

	Company and its subsidiaries (before deducting non-controlling interests)		Associates and joint ventures				Attributable to non-controlling interests		Attributable to equity shareholders of the Company	
	Revenue (note (i))	**Segment results**	**Share of revenue**	**Share of segment results**	**Combined revenue**	**Consolidated segment results**	**Revenue**	**Segment results**	**Combined revenue**	**Consolidated segment results**
For the year ended 31 December 2020	**HK$ million**	**HK$ million**	**HK$ million**	**HK$ million**	**HK$ million**	**HK$ million**	**HK$ million**	**HK$ million**	**HK$ million**	**HK$ million**
Property development										
Hong Kong	**14,147**	**7,784**	**-**	**(6)**	**14,147**	**7,778**	**(105)**	**(48)**	**14,042**	**7,730**
Mainland China	**1,862**	**864**	**5,204**	**1,059**	**7,066**	**1,923**	**-**	**(4)**	**7,066**	**1,919**
	16,009	**8,648**	**5,204**	**1,053**	**21,213**	**9,701**	**(105)**	**(52)**	**21,108**	**9,649**
Property leasing										
Hong Kong	**3,985**	**2,697**	**2,797**	**2,307**	**6,782**	**5,004**	**(8)**	**(4)**	**6,774**	**5,000**
Mainland China	**1,792**	**1,442**	**37**	**25**	**1,829**	**1,467**	**-**	**-**	**1,829**	**1,467**
(note (ii))	**5,777**	**4,139**	**2,834**	**2,332**	**8,611**	**6,471**	**(8)**	**(4)**	**8,603**	**6,467**
Department stores and supermarket-cum stores operations	**1,837**	**241**		**-**		**241**		**(55)**		**186**
Other businesses	**1,397**	**492**		**(379)**		**113**		**(25)**		**88**
	25,020	**13,520**		**3,006**		**16,526**		**(136)**		**16,390**
Utility and energy	**-**	**-**		**4,061**		**4,061**		**-**		**4,061**
	25,020	**13,520**		**7,067**		**20,587**		**(136)**		**20,451**
(Provision)/reversal of provision on inventories, net **(note 4)**		**(4)**		**2**		**(2)**		**-**		**(2)**
Sales of property interests **(note 4)**		**229**		**-**		**229**		**(1)**		**228**
Unallocated head office and corporate expenses, net		**(1,574)**		**(374)**		**(1,948)**		**3**		**(1,945)**
Profit from operations		**12,171**		**6,695**		**18,866**		**(134)**		**18,732**
Decrease in fair value of investment properties and investment properties under development		**(2,413)**		**(1,576)**		**(3,989)**		**(2)**		**(3,991)**
Finance costs		**(558)**		**(685)**		**(1,243)**		**33**		**(1,210)**
Bank interest income		**354**		**181**		**535**		**(3)**		**532**
Net finance costs		**(204)**		**(504)**		**(708)**		**30**		**(678)**
Profit before taxation		**9,554**		**4,615**		**14,169**		**(106)**		**14,063**
Income tax		**(2,431)**		**(1,455)**		**(3,886)**		**15**		**(3,871)**
Profit for the year		**7,123**		**3,160**		**10,283**		**(91)**		**10,192**

10 Segment reporting (continued)

(a) Results of reportable segments (continued)

In relation to the share of profits less losses of associates and joint ventures:

	Property development HK$ million	Property leasing HK$ million	Other businesses HK$ million	Subtotal HK$ million	Utility and energy HK$ million	Total HK$ million
For the year ended 31 December 2020						
Share of profits less losses of associates (note (iii))						
- Listed associates						
The Hong Kong and China Gas Company Limited	**-**	**14**	**(532)**	**(518)**	**3,013**	**2,495**
Miramar Hotel and Investment Company, Limited	**-**	**217**	**25**	**242**	**-**	**242**
Hong Kong Ferry (Holdings) Company Limited	**(6)**	**12**	**3**	**9**	**-**	**9**
- Unlisted associates	**(110)**	**(99)**	**(13)**	**(222)**	**-**	**(222)**
	(116)	**144**	**(517)**	**(489)**	**3,013**	**2,524**
Share of profits less losses of joint ventures (note (iv))	**639**	**44**	**(47)**	**636**	**-**	**636**
	523	**188**	**(564)**	**147**	**3,013**	**3,160**

10 Segment reporting (continued)

(a) Results of reportable segments (continued)

For the year ended 31 December 2019	Company and its subsidiaries (before deducting non-controlling interests)		Associates and joint ventures				Attributable to non-controlling interests		Attributable to equity shareholders of the Company	
	Revenue (note (i))	Segment results	Share of revenue	Share of segment results	Combined revenue	Consolidated segment results	Revenue	Segment results	Combined revenue	Consolidated segment results
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Property development										
Hong Kong	13,786	4,992	274	77	14,060	5,069	(29)	(11)	14,031	5,058
Mainland China	1,293	397	1,764	436	3,057	833	-	(3)	3,057	830
	15,079	5,389	2,038	513	17,117	5,902	(29)	(14)	17,088	5,888
Property leasing										
Hong Kong	4,346	3,098	2,975	2,506	7,321	5,604	(7)	(3)	7,314	5,601
Mainland China	1,823	1,440	26	24	1,849	1,464	-	-	1,849	1,464
(note (ii))	6,169	4,538	3,001	2,530	9,170	7,068	(7)	(3)	9,163	7,065
Department stores and supermarket-cum stores operations	1,707	237		-		237		(33)		204
Other businesses	1,229	780		550		1,330		(41)		1,289
	24,184	10,944		3,593		14,537		(91)		14,446
Utility and energy	-	-		4,160		4,160		-		4,160
	24,184	10,944		7,753		18,697		(91)		18,606
(Provision)/reversal of provision on inventories, net (note 4)		(19)		1		(18)		-		(18)
Sales of property interests (note 4)		596		-		596		(2)		594
Unallocated head office and corporate expenses, net		(820)		(422)		(1,242)		-		(1,242)
Profit from operations		10,701		7,332		18,033		(93)		17,940
Increase in fair value of investment properties and investment properties under development		2,530		1,030		3,560		(2)		3,558
Finance costs		(601)		(844)		(1,445)		39		(1,406)
Bank interest income		635		181		816		(6)		810
Net interest income/(net finance costs)		34		(663)		(629)		33		(596)
Profit before taxation		13,265		7,699		20,964		(62)		20,902
Income tax		(2,037)		(1,878)		(3,915)		7		(3,908)
Profit for the year		11,228		5,821		17,049		(55)		16,994

10 Segment reporting (continued)

(a) Results of reportable segments (continued)

In relation to the share of profits less losses of associates and joint ventures:

	Property development HK$ million	Property leasing HK$ million	Other businesses HK$ million	Subtotal HK$ million	Utility and energy HK$ million	Total HK$ million
For the year ended 31 December 2019						
Share of profits less losses of associates (note (iii))						
- Listed associates						
The Hong Kong and China Gas Company Limited	-	322	(341)	(19)	2,912	2,893
Miramar Hotel and Investment Company, Limited	-	569	84	653	-	653
Hong Kong Ferry (Holdings) Company Limited	5	30	10	45	-	45
- Unlisted associates	(37)	72	1	36	-	36
	(32)	993	(246)	715	2,912	3,627
Share of profits less losses of joint ventures (note (iv))	206	1,870	118	2,194	-	2,194
	174	2,863	(128)	2,909	2,912	5,821

10 Segment reporting (continued)

(a) Results of reportable segments (continued)

Notes:

(i) The revenue figures above are arrived at after the elimination of inter-segment revenues, in the amounts of HK$335 million (2019: HK$272 million) and HK$1,079 million (2019: HK$2,716 million) in relation to the reportable segments under property leasing and others, respectively.

(ii) Revenue for the property leasing segment comprises rental income of HK$5,167 million (2019: HK$5,553 million) and rental-related income of HK$610 million (2019: HK$616 million), which in aggregate amounted to HK$5,777 million for the year (2019: HK$6,169 million)(see note 3).

(iii) The Group's share of profits less losses of associates contributed from the property leasing segment during the year of HK$144 million (2019: HK$993 million) includes the net decrease in fair value of investment properties (net of deferred tax) during the year of HK$445 million (2019: net increase in fair value of investment properties (net of deferred tax) of HK$347 million)(see note 5).

The Group's share of losses less profits of associates contributed from other businesses segment during the year of HK$517 million (2019: HK$246 million) includes the Group's share of loss after tax from hotel operation and management during the year of HK$31 million (2019: share of profit after tax of HK$58 million).

(iv) The Group's share of profits less losses of joint ventures contributed from the property leasing segment during the year of HK$44 million (2019: HK$1,870 million) includes the net decrease in fair value of investment properties (net of deferred tax) during the year of HK$1,159 million (2019: net increase in fair value of investment properties (net of deferred tax) of HK$614 million) (see note 5).

The Group's share of losses less profits of joint ventures contributed from other businesses segment during the year of HK$47 million (2019: share of profits less losses of HK$118 million) includes the Group's share of loss after tax contributed from hotel operation and management during the year of HK$67 million (2019: share of profit after tax of HK$80 million).

10 Segment reporting (continued)

(b) Geographical information

The following table sets out information about the geographical segment location of (i) the Group's revenue from external customers; and (ii) the Group's investment properties, other property, plant and equipment, right-of-use assets, goodwill, interests in associates and joint ventures (together, the "Specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the Specified non-current assets is based on the physical location of the asset in the case of investment properties, other property, plant and equipment and right-of-use assets, the location of the operation to which the cash-generating unit(s) is(are) allocated in the case of goodwill, and the location of operations in the case of interests in associates and joint ventures.

	Revenue from external customers		**Specified non-current assets**	
	For the year ended 31 December		**At 31 December**	
	2020	*2019*	***2020***	*2019*
	HK$ million	HK$ million	**HK$ million**	HK$ million
Hong Kong	**21,336**	21,036	**249,825**	255,215
Mainland China	**3,684**	3,148	**73,061**	57,251
	25,020	24,184	**322,886**	312,466
	(note 3)	(note 3)		

(c) Other segment information

	Depreciation		**Impairment loss/(reversal of impairment loss) on trade debtors, net**	
	For the year ended 31 December		**For the year ended 31 December**	
	2020	*2019*	***2020***	*2019*
	HK$ million	HK$ million	**HK$ million**	HK$ million
Property development	**92**	93	**-**	-
Property leasing	**34**	32	**5**	4
Department stores and supermarket-cum-stores operations	**144**	116	**-**	-
Other businesses	**158**	136	**1**	(1)
	428	377	**6**	3
	(note 6(d))	(note 6(d))	**(note 4)**	(note 4)

11 Deposits for acquisition of properties

The Group's deposits for acquisition of properties mainly include HK$329 million (2019: HK$309 million) and HK$261 million (2019: HK$561 million) paid relating to the acquisition of certain pieces of land/properties located in mainland China and Macau Special Administrative Region of the PRC ("Macau"), respectively.

On 27 April 2005, the Group entered into a shareholders' agreement with an independent third party for acquiring 51% beneficial interest in a company incorporated in Macau which had received a land concession relating to a development site situated in Macau. A deposit of HK$561 million was made by the Group in 2005 (the "Deposit"). Pursuant to the shareholders' agreement, the Group is entitled to recover the Deposit if the conditions precedent for acquisition of the land have not been fulfilled and the acquisition cannot proceed.

The conditions precedent for acquisition of the land have not been fulfilled and part of the Deposit in the amount of HK$300 million has been repaid in September 2020 and the balance of HK$261 million shall be repayable upon demand, the recoverability of which is guaranteed by a registered bank in Macau.

12 Inventories

	2020	*2019*
	HK$ million	HK$ million
Property development		
Leasehold land held for development for sale	**10,358**	11,084
Properties held for/under development for sale	**82,792**	78,301
Completed properties for sale	**7,774**	10,989
	100,924	100,374
Other operations		
Trading stocks	**135**	121
	101,059	100,495

13 Trade and other receivables

	2020 HK$ million	*2019* HK$ million
Instalments receivable	**266**	292
Loans receivable	**3,054**	1,302
Debtors, prepayments and deposits	**11,793**	12,987
Gross amount due from customers for contract work [^]	**83**	59
Financial assets measured at FVPL	**326**	196
Derivative financial instruments	**267**	5
Amounts due from associates	**44**	17
Amounts due from joint ventures	**31**	27
	15,864	14,885

[^] *These balances represent the excess of cumulative revenue recognised in profit or loss over the cumulative payments made by customers at the end of the reporting periods, and are recognised as contract assets.*

Typical payment terms which impact on the amount of contract assets recognised are as follows:

Gross amount due from customers for contract work

The Group's construction contracts include payment schedules which require staged payments over the construction period once certain milestones are reached as certified by architects' certificates. At 31 December 2020, the Group had two construction contracts for agreed retention periods of twelve months and twenty-four months respectively for 10% of the contract value (2019: the Group had one construction contract for an agreed retention period of six months for 5% of the contract value), which amounts are included in contract assets until the end of the retention periods as the Group's entitlements to these final payments are conditional on the Group's construction works satisfactorily passing inspection.

All of the trade and other receivables are expected to be recovered or recognised as expense within one year except for various deposits, prepayments and other receivables of HK$3,667 million (2019: HK$7,389 million) which are expected to be recovered after more than one year from the end of the reporting period.

13 Trade and other receivables (continued)

Loans receivable are expected to be recovered within one year from the end of the reporting period, and are neither past due nor impaired.

The amounts due from associates and joint ventures are unsecured and interest-free, have no fixed terms of repayment and are neither past due nor impaired.

At the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the dates of invoices or demand notes and net of loss allowance, is as follows:

	2020	*2019*
	HK$ million	HK$ million
Current or up to 1 month overdue	**405**	439
More than 1 month overdue and up to 3 months overdue	**83**	103
More than 3 months overdue and up to 6 months overdue	**31**	21
More than 6 months overdue	**33**	22
	552	585

14 Trade and other payables

	2020 **HK$ million**	*2019* HK$ million
Creditors and accrued expenses	**6,182**	6,409
Gross amount due to customers for contract work [(#)]	**2**	2
Rental and other deposits received	**1,620**	1,638
Forward sales deposits received[(#)]	**8,587**	14,897
Derivative financial instruments	**59**	5
Amounts due to associates	**1,105**	197
Amounts due to joint ventures	**4,749**	4,150
	22,304	27,298

[(#)] These balances represent the excess of cumulative payments made by customers over the cumulative revenue recognised in profit or loss at the end of the reporting periods, and are recognised as contract liabilities.

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Forward sales deposits received

The Group receives 5% to 15% of the amount of sale consideration as deposits from customers when they sign the sale and purchase agreements relating to property sales. Such deposit is recognised as a contract liability until the property is completed and legally assigned to the customer. The rest of the sale consideration is typically paid when legal assignment is completed.

However, depending on market conditions, the Group may offer to customers a discount compared to the listed sales price, provided that the customers agree to pay the balance of the sale consideration early while construction is still ongoing, rather than upon legal assignment. Such advance payment schemes result in contract liabilities being recognised throughout the remaining property construction period for the full amount of the sale consideration.

14 Trade and other payables (continued)

Movements in contract liability

	Forward sales deposits received	
	2020	*2019*
	HK$ million	HK$ million
At 1 January	**14,897**	16,290
Exchange differences	**42**	(15)
Decrease in contract liability as a result of recognising revenue during the year that was included in the contract liability at the beginning of the year	**(9,491)**	(10,006)
Increase in contract liability as a result of forward sales deposits received from customers during the year in relation to property projects held for/under development and completed property projects pending assignment/completion at the end of the year	**3,139**	8,628
At 31 December	**8,587**	14,897

(a) All of the Group's trade and other payables are expected to be settled within one year or are repayable on demand except for an amount of HK$922 million (2019: HK$944 million) which is expected to be settled after more than one year from the end of the reporting period.

(b) At the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the due dates for settlement, is as follows:

	2020	*2019*
	HK$ million	HK$ million
Due within 1 month or on demand	**2,107**	2,008
Due after 1 month but within 3 months	**358**	405
Due after 3 months but within 6 months	**187**	429
Due after 6 months	**1,467**	1,676
	4,119	4,518

(c) The amounts due to associates and joint ventures at 31 December 2020 and 31 December 2019 are unsecured, interest-free and have no fixed terms of repayment except for aggregate amounts due to an associate and certain joint ventures of HK$1,569 million (2019: aggregate amounts due to certain joint ventures of HK$1,673 million) which are unsecured, interest-bearing at interest rates ranging from 3.80% to 3.85% (2019: 3.80% to 4.35%) per annum and wholly repayable between 15 January 2021 and 10 December 2021 (2019: between 4 May 2020 and 10 December 2020).

15 Non-adjusting event after the reporting period

After the end of the reporting period, the Directors proposed a final dividend. Further details are disclosed in note 8.

16 Review of results

The financial results for the year ended 31 December 2020 have been reviewed with no disagreement by the Audit Committee of the Company.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2020 have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by KPMG on this announcement.

FINANCIAL REVIEW

Results of operations

The following discussions should be read in conjunction with the Company's audited consolidated financial statements for the year ended 31 December 2020.

Revenue and profit

	Revenue			*Profit contribution from operations*		
	Year ended 31 December			***Year ended 31 December***		
	2020	2019	*Increase / (Decrease)*	**2020**	2019	*Increase/ (Decrease)*
	HK$ million	HK$ million	*%*	**HK$ million**	HK$ million	*%*
Reportable segments						
- Property development	**16,009**	15,079	*+6%*	**8,648**	5,389	*+60%*
- Property leasing	**5,777**	6,169	*-6%*	**4,139**	4,538	*-9%*
- Department stores and supermarket-cum-stores operations	**1,837**	1,707	*+8%*	**241**	237	*+2%*
- Other businesses	**1,397**	1,229	*+14%*	**492**	780	*-37%*
	25,020	24,184	*+3%*	**13,520**	10,944	*+24%*

	Year ended 31 December		*Increase / (Decrease)*
	2020	2019	
	HK$ million	HK$ million	*%*
Profit attributable to equity shareholders of the Company			
- including the Group's attributable share of changes in fair value of investment properties and investment properties under development (net of deferred taxation) held by the Group's subsidiaries, associates and joint ventures	**10,192**	16,994	*-40%*
- excluding the Group's attributable share of changes in fair value of investment properties and investment properties under development (net of deferred taxation) held by the Group's subsidiaries, associates and joint ventures ("Underlying Profit") *(Note 1)*	**14,899**	14,640	*+2%*

Note 1:

Underlying profit attributable to equity shareholders of the Company ("Underlying Profit") excludes the Group's attributable share of fair value change (net of deferred tax) of the investment properties and investment properties under development held by subsidiaries, associates and joint ventures. In order to fully exclude the aforesaid effects of changes in fair value from the Underlying Profit, the Group's attributable share of the cumulative fair value gain (net of tax) of investment properties disposed of during the year (which has been included in calculating the net gain on disposal of investment properties and hence the profit attributable to equity shareholders of the Company during the year) of HK$139 million (2019: HK$1,095 million) was added back in arriving at the Underlying Profit.

Below is the comparison of the Underlying Profits for the years ended 31 December 2020 and 31 December 2019 by excluding certain fair value adjustments and gains on transfer of interests in companies holding en-bloc properties:-

	Year ended 31 December		*Increase/(Decrease)*	
	2020	2019		
	HK$ million	HK$ million	*HK$ million*	*%*
Underlying Profit	**14,899**	14,640	*259*	*+2%*
Add/(Less) :				
(i) Net fair value loss/(gain) on derivative financial instruments relating to certain interest rate swap contracts, cross currency swap contracts and cross currency interest rate swap contracts (net of tax) for which there was no hedge accounting applied during the year	**430**	(342)	*772*	
(ii) Net fair value loss/(gain) on the Group's investments measured as financial assets at fair value through profit or loss	**366**	(1)	*367*	
(iii) Gain attributable to the Underlying Profit from the Group's transfer of its interests in joint ventures holding the investment property at No. 8 Observatory Road, Kowloon, Hong Kong	**-**	(1,305)	*1,305*	
(iv) Gain attributable to the Underlying Profit from the Group's transfer of its entire interest in the company holding certain land lots in Wo Shang Wai, the New Territories, Hong Kong	**(3,629)**	-	*(3,629)*	
	12,066	12,992	*(926)*	*-7%*

Discussions on the major reportable segments are set out below.

Property development

Gross revenue - subsidiaries

The gross revenue from property sales during the years ended 31 December 2020 and 31 December 2019 generated by the Group's subsidiaries, and by geographical contribution, are as follows:-

	Year ended 31 December			
	2020	2019	*Increase*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution:				
Hong Kong	**14,147**	13,786	*361*	*+3%*
Mainland China	**1,862**	1,293	*569*	*+44%*
	16,009	15,079	*930*	*+6%*

The gross revenue from property sales in Hong Kong during the year ended 31 December 2020 was contributed as to (i) HK$1,815 million from the sales revenue of "Reach Summit – Sereno Verde Phase 5" which is a residential project completed in May 2020; (ii) HK$4,700 million being the sale consideration (as adjusted) received by the Group from the transfer of its entire interest in the company holding certain land lots in Wo Shang Wai, the New Territories, Hong Kong ("Wo Shang Wai Transfer"), which transaction was completed in July 2020 and further details of the Wo Shang Wai Transfer are set out in the paragraph headed "Completion during the year ended 31 December 2020 of a significant transaction entered into during the previous year ended 31 December 2019" below; and (iii) HK$7,632 million from the sales revenue of other major projects which were completed prior to 1 January 2020.

The gross revenue from property sales in mainland China during the year ended 31 December 2020 was contributed as to (i) HK$1,670 million from "Grand Lakeview" in Yixing, in relation to which the project's Phases B1-2A, B1-2B, B1-3A and B1-3B were completed and the sold units were delivered to the buyers during the year; and (ii) HK$192 million in relation to the other projects which were completed prior to 1 January 2020.

Pre-tax profits – subsidiaries, associates and joint ventures

The Group's attributable share of pre-tax profits from property sales, by geographical contribution and from subsidiaries (after deducting non-controlling interests), associates and joint ventures during the years ended 31 December 2020 and 31 December 2019, are as follows:-

	Year ended 31 December			
	2020	2019	*Increase*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution:				
Hong Kong	**7,730**	5,058	*2,672*	*+53%*
Mainland China	**1,919**	830	*1,089*	*+131%*
	9,649	5,888	*3,761*	*+64%*

The increase in the Group's attributable share of pre-tax profits from property sales in Hong Kong during the year ended 31 December 2020 of HK$2,672 million (or 53%) is mainly due to (i) the pre-tax profit contribution of HK$3,629 million from the completion of the Wo Shang Wai Transfer as referred to above (2019: Nil); and (ii) the increase in the pre-tax profit contribution of HK$1,358 million from the delivery of the sold units of "Cetus・Square Mile" to the buyers during the year, but which are partially offset by the decreases in the pre-tax profit contributions from "NOVUM EAST", "Eden Manor" and "Seven Victory Avenue" in the aggregate amount of HK$2,189 million.

The increase in the Group's attributable share of pre-tax profits from property sales in mainland China during the year ended 31 December 2020 of HK$1,089 million (or 131%) is mainly due to (i) the increase in the pre-tax profit contribution of HK$753 million from the property sales of "Grand Lakeview" in Yixing, in relation to which the project's Phases B1-2A, B1-2B, B1-3A and B1-3B were completed during the year; and (ii) the aggregate increase in the Group's attributable share of pre-tax profit contributions during the year of HK$586 million from the property sales of Phases 1 and 2 of "Kuanyue Yayuan" in Suzhou, Phases 1 and 2 of "The Landscape" in Changsha and "Xukou Project" in Suzhou, all being projects of the Group's joint ventures in mainland China, but which are partially offset by the decreases in the pre-tax profit contributions from the property sales of "Palatial Crest" in Xian and "The Arch of Triumph" in Changsha in the aggregate amount of HK$211 million during the year.

	Year ended 31 December			
	2020	2019	*Increase/(Decrease)*	
	HK$ million	HK$ million	*HK$ million*	*%*
By contribution from subsidiaries (after deducting non-controlling interests), associates and joint ventures:				
Subsidiaries	**8,596**	5,375	*3,221*	*+60%*
Associates	**(47)**	(16)	*(31)*	*-194%*
Joint ventures	**1,100**	529	*571*	*+108%*
	9,649	5,888	*3,761*	*+64%*

The increase in the Group's attributable share of pre-tax profits from property sales of the Group's subsidiaries during the year ended 31 December 2020 of HK$3,221 million (or 60%) is mainly due to the pre-tax profit contribution of HK$3,629 million from the completion of the Wo Shang Wai Transfer as referred to above (2019: Nil).

The increase in the Group's attributable share of pre-tax profits from property sales of the Group's joint ventures during the year ended 31 December 2020 of HK$571 million (or 108%) is mainly due to the aggregate increase in the Group's attributable share of pre-tax profit contributions during the year of HK$586 million from the property sales of Phases 1 and 2 of "Kuanyue Yayuan" in Suzhou, Phases 1 and 2 of "The Landscape" in Changsha and "Xukou Project" in Suzhou, all being projects of the Group's joint ventures in mainland China.

Property leasing

Gross revenue - subsidiaries

The gross revenue from property leasing during the years ended 31 December 2020 and 31 December 2019 generated by the Group's subsidiaries, and by geographical contribution, are as follows:-

	Year ended 31 December			
	2020	2019	*Decrease*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution:				
Hong Kong	**3,985**	4,346	*(361)*	*-8%*
Mainland China	**1,792**	1,823	*(31)*	*-2%*
	5,777	6,169	*(392)*	*-6%*

Pre-tax net rental income – subsidiaries, associates and joint ventures

The Group's attributable share of pre-tax net rental income, by geographical contribution and from subsidiaries (after deducting non-controlling interests), associates and joint ventures during the years ended 31 December 2020 and 31 December 2019, are as follows:-

	Year ended 31 December			
	2020	2019	*Increase/(Decrease)*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution:				
Hong Kong	**5,000**	5,601	*(601)*	*-11%*
Mainland China	**1,467**	1,464	*3*	*+0.2%*
	6,467	7,065	*(598)*	*-8%*
By contribution from subsidiaries (after deducting non-controlling interests), associates and joint ventures:				
Subsidiaries	**4,135**	4,535	*(400)*	*-9%*
Associates	**768**	846	*(78)*	*-9%*
Joint ventures	**1,564**	1,684	*(120)*	*-7%*
	6,467	7,065	*(598)*	*-8%*

For Hong Kong, on an overall portfolio basis, there was a year-on-year decrease of HK$361 million (or 8%) in gross rental revenue contribution and a year-on-year decrease of HK$601 million (or 11%) in pre-tax net rental income contribution for the year ended 31 December 2020. Despite the year-on-year increase of HK$76 million in the aggregate gross rental revenue contribution from "H Zentre" and "Harbour East" (which are investment property projects completed in July 2019 and November 2019 respectively), the Group's total gross revenue contribution had decreased year-on-year due to the effect of the rent concessions granted by the Group to certain tenants of certain of the Group's investment properties in Hong Kong whose business operations were adversely affected by the outbreak of the COVID-19 pandemic in Hong Kong since early January 2020. Cumulative up to 31 December 2020, the Group had granted rent concessions in the aggregate attributable amount of HK$458 million, in relation to which the Group's attributable share of the rent concessions amortised for the year ended 31 December 2020 amounted in aggregate to HK$259 million.

For mainland China, the twin office towers of "Lumina Guangzhou" in Guangzhou, which were completed in June 2020, generated gross rental revenue contribution of HK$10 million for the year ended 31 December 2020 as the tenants have been moving in progressively during the second half of 2020. On an overall portfolio basis, there was a year-on-year decrease of HK$31 million (or 2%) in gross rental revenue contribution and a year-on-year increase of HK$3 million (or 0.2%) in pre-tax net rental income contribution for the year ended 31 December 2020. Based on the average exchange rates between the Renminbi ("RMB") and Hong Kong dollars ("HKD") for the years ended 31 December 2020 and 31 December 2019, there was a year-on-year depreciation of RMB against HKD by approximately 2% which mainly accounted for the year-on-year decrease of rental revenue contribution in HKD terms as referred to above. However, excluding the effect of foreign currency translation and in RMB terms, there was a year-on-year increase of 0.6% in rental revenue contribution and a year-on-year increase of 2% in pre-tax net rental income contribution during the year ended 31 December 2020. On an overall portfolio basis, the ratio of the Group's attributable share of pre-tax net rental income to the Group's attributable share of rental revenue for the year ended 31 December 2020 was 80% (2019: 79%).

Department stores and supermarket-cum-stores operations

Department stores and supermarket-cum-stores operations are mainly carried out by Citistore (Hong Kong) Limited ("Citistore") and Unicorn Stores (HK) Limited ("UNY HK") respectively, both being wholly-owned subsidiaries of Henderson Investment Limited ("HIL"), a listed subsidiary of the Company. For the year ended 31 December 2020, revenue contribution from this segment amounted to HK$1,837 million (2019: HK$1,707 million) which represents a year-on-year increase of HK$130 million, or 8%, over that for the corresponding year ended 31 December 2019. The increase in revenue during the year ended 31 December 2020 is mainly attributable to the increase in revenue contribution of HK$207 million from UNY HK during the year due to the improved businesses recorded at its supermarket operations, for the reason that the public largely maintained social distance following the outbreak of the COVID-19 pandemic since early January 2020 and stayed at home which resulted in the increase in customers' demand for food and daily necessities, which was partially offset by the decrease in revenue contribution of HK$85 million from Citistore during the year mainly due to the unfavourable impact of the COVID-19 pandemic which affected business and economic activities in Hong Kong, including the retail sector, and which had accordingly resulted in a reduction in customers' patronage at Citistore's store outlets during the year.

Nevertheless, profit contribution (after the elimination of rental expenditure in respect of the stores which were payable to the Group by Citistore and UNY HK) for the year ended 31 December 2020 increased by HK$4 million, or 2%, to HK$241 million (2019: HK$237 million). This is mainly attributable to the aggregate net effect of (i) the turnaround in UNY HK's results from loss to profit for the year ended 31 December 2020 due to the improved businesses as referred to above, and which generated an increase in pre-tax profit contribution from UNY HK of HK$51 million during the year ended 31 December 2020; and (ii) the decrease in pre-tax profit contribution from Citistore of HK$45 million due to the reduction in customers' patronage at Citistore's store outlets during the year ended 31 December 2020 as referred to above.

Other businesses

Other businesses mainly comprise construction, provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, as well as the trading of building materials and disposal of leasehold land.

Revenue and pre-tax profit contribution of other businesses for the year ended 31 December 2020 amounted to HK$1,397 million and HK$492 million respectively, representing:

(i) an increase of HK$168 million (or 14%) in revenue over that of HK$1,229 million for the corresponding year ended 31 December 2019, which is mainly attributable to the increase in interest income of HK$78 million generated from the Group's provision of mortgage loans to property buyers during the year, and the increase in revenue contribution of HK$108 million generated from the Group's construction business which is mainly attributable to the Group's undertaking of the construction works of a joint venture project at The Kai Tak Development Area during the year; and

(ii) a decrease of HK$288 million (or 37%) in pre-tax profit contribution from that of HK$780 million for the corresponding year ended 31 December 2019, which is mainly attributable to the net fair value loss of HK$366 million in relation to the Group's investment in units of Sunlight Real Estate Investment Trust during the year.

Associates

The Group's attributable share of post-tax profits less losses of associates during the year ended 31 December 2020 amounted to HK$2,524 million (2019: HK$3,627 million), representing a decrease of HK$1,103 million, or 30%, from that for the corresponding year ended 31 December 2019. Excluding the Group's attributable share of changes in fair value of investment properties held by the associates (net of deferred taxation) during the year, the Group's attributable share of the underlying post-tax profits less losses of associates for the year ended 31 December 2020 amounted to HK$2,969 million (2019: HK$3,280 million), representing a decrease of HK$311 million, or 9%, from that for the corresponding year ended 31 December 2019. Such year-on-year decrease in the underlying post-tax profits during the year ended 31 December 2020 was mainly due to (i) the decrease of HK$109 million in the Group's attributable share of post-tax profit contribution from The Hong Kong and China Gas Company Limited (a listed associate of the Group), mainly because of the decrease in its marked-to-market valuation on investments in financial assets; (ii) the decrease of HK$90 million in the Group's attributable share of post-tax underlying profit contribution from Miramar Hotel and Investment Company, Limited (a listed associate of the Group), mainly because of the decreases in underlying profit contribution from the hotel operation and property leasing businesses following the outbreak of the COVID-19 pandemic since early January 2020; and (iii) the decrease of HK$73 million in the Group's attributable share of post-tax profit contribution from the property sales of the Group's associates in mainland China during the year.

Joint ventures

The Group's attributable share of post-tax profits less losses of joint ventures during the year ended 31 December 2020 amounted to HK$636 million (2019: HK$2,194 million), representing a decrease of HK$1,558 million, or 71%, from that for the corresponding year ended 31 December 2019. Excluding the Group's attributable share of changes in fair value of investment properties held by the joint ventures (net of deferred taxation) during the year, the Group's attributable share of the underlying post-tax profits less losses of joint ventures for the year ended 31 December 2020 amounted to HK$1,795 million (2019: HK$1,580 million), representing an increase of HK$215 million, or 14%, over that for the corresponding year ended 31 December 2019. Such year-on-year increase in the underlying post-tax profits during the year ended 31 December 2020 was mainly due to the increase in the Group's attributable share of post-tax profit contribution in the aggregate amount of HK$421 million from the property sales of "Kuanyue Yayuan" in Suzhou , "The Landscape" in Changsha and "Xukou Project" in Suzhou, all being projects of the Group's joint ventures in mainland China, which was partially offset by the decrease in the Group's attributable share of post-tax underlying profit contribution of HK$218 million from the ifc project which in turn was mainly due to the decrease in profit contribution from the "Four Seasons Hotel", Hong Kong during the year ended 31 December 2020.

Finance costs

Finance costs (comprising interest expense and other borrowing costs) before interest capitalisation for the year ended 31 December 2020 amounted to HK$2,180 million (2019: HK$2,578 million). Finance costs after interest capitalisation for the year ended 31 December 2020 amounted to HK$558 million (2019: HK$601 million), and after set-off against the Group's bank interest income of HK$354 million for the year ended 31 December 2020 (2019: HK$635 million), the Group recognised net finance costs in the Group's consolidated statement of profit or loss for the year ended 31 December 2020 in the amount of HK$204 million (2019: net interest income of HK$34 million).

Overall, as referred to in the paragraph headed "Maturity profile and interest cover" below, the Group's total debt amounted to HK$93,945 million at 31 December 2020 (2019: HK$92,389 million) which comprised (i) the Group's bank and other borrowings in Hong Kong of HK$87,419 million at 31 December 2020 (2019: HK$91,652 million which included certain bank loans denominated in RMB raised in Hong Kong in the second half of 2019 and remained outstanding in the equivalent amount of HK$2,869 million at 31 December 2019, and was fully repaid during the year ended 31 December 2020); (ii) the amount due from the Group to a fellow subsidiary of HK$4,389 million (2019: HK$737 million); and (iii) the amount due from the Group to a related company of HK$2,137 million (2019: Nil).

During the year ended 31 December 2020, the Group’s effective borrowing rate in relation to the Group’s bank and other borrowings in Hong Kong (other than the abovementioned bank loans denominated in RMB raised in Hong Kong) was approximately 2.10% per annum (2019: approximately 2.66% per annum), whilst the abovementioned bank loans denominated in RMB raised in Hong Kong in the second half of 2019 carried an effective borrowing rate of 3.07% per annum (2019: 3.57% per annum).

During the year ended 31 December 2020, the Group’s effective borrowing rate in relation to the amount due from the Group to a fellow subsidiary was approximately 1.60% per annum (2019: approximately 2.29% per annum).

During the year ended 31 December 2020, the Group’s effective borrowing rate in relation to the amount due from the Group to a related company was 3.80% per annum (2019: Nil).

Revaluation of investment properties and investment properties under development

The Group recognised a decrease in fair value on its investment properties and investment properties under development (before deferred taxation and non-controlling interests) of HK$2,413 million in the consolidated statement of profit or loss for the year ended 31 December 2020 (2019: an increase in fair value of HK$2,530 million).

Financial resources and liquidity

Medium Term Note Programme

At 31 December 2020, the aggregate carrying amount of notes guaranteed by the Company and issued under the Group’s Medium Term Note Programme established on 30 August 2011 (“MTN Programme”) and under which the Company had on 15 October 2018 increased the maximum aggregate principal amount of notes outstanding at any one time from US$3,000 million to US$5,000 million, was HK$18,598 million (2019: HK$11,571 million) with tenures of between 19 months and twenty years (2019: between two years and twenty years).

During the year ended 31 December 2020, the Group issued guaranteed notes under the MTN Programme denominated in United States dollars (“US$”) and HKD in the aggregate equivalent amount of HK$8,514 million with tenures of between 19 months and fifteen years. Such increase in the amount of guaranteed notes issued by the Group serves to finance the Group’s capital expenditure requirements as referred to in the paragraph headed “Capital commitments” below. These notes are included in the Group’s bank and other borrowings at 31 December 2020 and 31 December 2019 as referred to in the paragraph headed “Maturity profile and interest cover” below. The Group has repaid certain guaranteed notes in the aggregate principal amount of HK$1,484 million under the MTN Programme during the year ended 31 December 2020 (2019: the Group had not repaid any guaranteed notes under the MTN Programme).

Maturity profile and interest cover

The maturity profile of the total debt, the cash and bank balances, the net debt and the gearing ratio of the Group were as follows:

	At 31 December 2020 HK$ million	At 31 December 2019 HK$ million
Bank and other borrowings repayable:		
- Within 1 year	**29,332**	29,252
- After 1 year but within 2 years	**15,834**	17,666
- After 2 years but within 5 years	**20,716**	21,979
- After 5 years	**21,537**	22,755
Amount due to a fellow subsidiary	**4,389**	737
Amount due to a related company	**2,137**	-
Total debt	**93,945**	92,389
Less:		
Cash and bank balances	**(5,807)**	(10,734)
Net debt	**88,138**	81,655
Shareholders' funds	**327,607**	320,851
Gearing ratio (%)	**26.9%**	25.5%

At 31 December 2020, the Group's bank and other borrowings in Hong Kong comprised bank loans and guaranteed notes in the aggregate amount of HK$87,419 million (2019: HK$91,652 million), which were unsecured and have a weighted average debt maturity profile of approximately 3.40 years (2019: 3.35 years). At 31 December 2020, the amount due from the Group to a fellow subsidiary of HK$4,389 million (2019: HK$737 million) was unsecured and had no fixed repayment terms. At 31 December 2020, the amount due from the Group to a related company of HK$2,137 million was unsecured and has a weighted average debt maturity profile of approximately three years (2019: Nil).

At 31 December 2020, after taking into account the effect of swap contracts, 52% (2019: 32%) of the Group's total debt carried fixed interest rates.

Gearing ratio is calculated based on the net debt and shareholders' funds of the Group at the end of the reporting period.

The interest cover of the Group is calculated as follows:

	Year ended 31 December	
	2020	2019
	HK$ million	HK$ million
Profit from operations (including bank interest income and the cumulative fair value change (net of tax) of investment properties disposed of during the year, but before changes in fair value of investment properties and investment properties under development for the year) plus the Group's share of the underlying profits less losses of associates and joint ventures	**17,428**	17,291
Interest expense (before interest capitalisation)	**2,067**	2,421
Interest cover (times)	**8**	7

With abundant banking facilities in place and the recurrent income generated from its operations, the Group has adequate financial resources in meeting the funding requirements for its ongoing operations as well as its future expansion.

Treasury and financial management

The Group is exposed to interest rate and foreign exchange risks. To efficiently and effectively manage these risks, the Group's financing and treasury activities are centrally co-ordinated at the corporate level. As a matter of policy, all transactions in derivative financial instruments are undertaken solely for risk management purposes and no derivative financial instruments were held by the Group at the end of the reporting period for speculative purposes.

The Group conducts its business primarily in Hong Kong with the related cash flows, assets and liabilities being denominated mainly in Hong Kong dollars. The Group's primary foreign exchange exposure arises from its property developments and investments in mainland China which are denominated in RMB, the guaranteed notes ("Notes") which are denominated in US$, RMB and Japanese Yen ("¥") at 31 December 2020 and the bank borrowings which are denominated in US$, ¥, RMB and Australian dollars ("AUD") at 31 December 2020.

In respect of the Group's operations in mainland China, apart from its capital contributions and, in some cases, loan contributions to projects which are denominated in RMB and are not hedged, the Group endeavours to establish a natural hedge by maintaining an appropriate level of external borrowings in RMB. In respect of certain of the Notes in the principal amounts of US$930 million, RMB200 million and ¥1,994 million and certain of the Group's bank loans in the principal amounts of ¥58,000 million, RMB2,000 million and AUD845 million at 31 December 2020 (2019: certain of the Notes in the principal amounts of US$230 million and RMB200 million and certain of the Group's bank loans in the principal amounts of ¥13,000 million and AUD319 million), cross currency interest rate swap contracts were entered into between the Group and certain counterparty banks for the purpose of hedging against interest rate risk and foreign currency risk during their tenure. Furthermore, (i) in respect of certain of the Group's bank loans and the Notes denominated in Hong Kong dollars in the aggregate principal amounts of HK$10,500 million (2019: HK$21,100 million) and HK$5,083 million (2019: HK$5,599 million) respectively at 31 December 2020, interest rate swap contracts were entered into between the Group and certain counterparty banks for the purpose of hedging against interest rate risk during their tenure; and (ii) in respect of certain of the Group's bank loans in the principal amounts of US$257 million at 31 December 2020 (2019: certain of the Notes in the principal amounts of ¥1,994 million and US$100 million and certain of the Group's bank loans in the principal amounts of ¥30,000 million and AUD173 million), cross currency swap contracts were entered into between the Group and certain counterparty banks for the purpose of hedging against foreign currency risk during their tenure.

Based on the abovementioned swap contracts which were executed by the Group in relation to the Notes and bank borrowings, the aggregate amount of the Notes and bank borrowings which are hedged against the interest rate risk only, the foreign currency risk only and both the interest rate risk and foreign currency risk, was HK$36,854 million at 31 December 2020 (2019: HK$35,296 million) which represented 39% of the Group's total debt at 31 December 2020 (2019: 38%).

Material acquisitions and disposals

Material acquisitions

On 16 July 2020, the Group entered into a joint venture agreement with a subsidiary of CIFI Holdings (Group) Co., Limited ("CIFI") for the residential project development of a land site in Wujiang Development Zone, Suzhou**,** mainland China, which was successfully bidded and in which the Group has 50% equity interest. The land cost for the project amounted to RMB1,980 million (equivalent to HK$2,168 million) and in relation to which the Group's attributable share amounted to RMB990 million (equivalent to HK$1,084 million), and which amount has been fully settled by the Group at 31 December 2020.

On 28 August 2020, the Group entered into a joint venture agreement with a subsidiary of CIFI for the urban composite-cum-residential project development of a land site in Xindu District, Chengdu**,** mainland China, which was successfully bidded and in which the Group has 50% equity interest. The land cost for the project amounted to RMB1,838 million (equivalent to HK$2,076 million) and in relation to which the Group's attributable share amounted to RMB919 million (equivalent to HK$1,038 million), and which amount has been fully settled by the Group at 31 December 2020.

On 28 September 2020, a joint venture in which the Group and a wholly-owned subsidiary of China Aoyuan Group Limited has 50% equity interest respectively, successfully bidded a land site for commercial-cum-residential project development in Panyu District, Guangzhou, mainland China for a land cost of RMB6,778 million (equivalent to HK$7,713 million) and in relation to which the Group's attributable share amounted to RMB3,389 million (equivalent to HK$3,857 million), and which amount has been fully settled by the Group at 31 December 2020.

On 26 November 2020, the Group entered into a joint venture agreement with a subsidiary of CIFI for the residential project development of two sites adjacent to each other in Jianyang city, Chengdu, mainland China, which was successfully bidded and in which the Group has 50% equity interest. The land cost for the project amounted to RMB232 million (equivalent to HK$264 million) and in relation to which the Group's attributable share amounted to RMB116 million (equivalent to HK$132 million), and which amount has been fully settled by the Group at 31 December 2020.

On 30 December 2020, the Group entered into a joint venture agreement with a subsidiary of CIFI for the residential project development of a land site in Huli District, Xiamen, mainland China, which was successfully bidded and in which the Group has 50% equity interest. The land cost for the project amounted to RMB2,935 million (equivalent to HK$3,487 million) and in relation to which the Group's attributable share amounted to RMB1,468 million (equivalent to HK$1,744 million), and which amount has been fully settled by the Group at 31 December 2020.

Save as aforementioned, the Group did not undertake any other significant acquisitions of subsidiaries or assets during the year ended 31 December 2020.

Material disposals

The Group did not undertake any significant disposals of assets or subsidiaries during the year ended 31 December 2020.

Completion during the year ended 31 December 2020 of a significant transaction entered into during the previous year ended 31 December 2019

Under the Wo Shang Wai Transfer, an agreement dated 16 July 2019 (as amended, supplemented and novated from time to time) (the "Agreement") was entered into between, inter alia, the Group (as the transferor) and an independent third party (the "Transferee") pursuant to which the Group transferred to the Transferee its entire interest in the company holding interests in certain land lots in Wo Shang Wai, the New Territories, Hong Kong which cover a total site area of about 2.4 million square feet, for an aggregate consideration of HK$4,700 million (as adjusted). The transfer was completed on 17 July 2020 and the Group recognised a gain attributable to reported profit and underlying profit for the year ended 31 December 2020 in the amount of HK$3,629 million.

Charge on assets

Except for a pledged bank deposit in the amount of HK$101,562 at 31 December 2019 held by a wholly-owned subsidiary of HIL in favour of a bank for the purpose of a corporate credit card issued to it by such bank but which arrangement was cancelled during the year ended 31 December 2020, no other assets of the Group had been charged to any other parties at 31 December 2020 and 31 December 2019.

Capital commitments

At 31 December 2020, capital commitments of the Group amounted to HK$30,672 million (2019: HK$31,542 million). In addition, the Group's attributable share of capital commitments undertaken by joint ventures and certain associates at 31 December 2020 amounted to HK$7,034 million (2019: HK$7,045 million).

The Group plans to finance its capital expenditure requirements for the year ending 31 December 2021 by way of the Group's own internally generated cash flow, bank deposits, banking facilities and funds raised and to be raised from the capital market.

Contingent liabilities

At 31 December 2020, the Group's contingent liabilities amounted to HK$10,442 million (2019: HK$6,456 million), which mainly include:-

(i) an amount of HK$399 million (2019: HK$37 million) relating to performance bonds, guarantees and undertakings for the due and proper performance of the obligations of the Group's subsidiaries and projects, the increase of which is mainly attributable to the performance bonds undertaken by the Group in relation to a joint venture residential development project at The Kai Tak Development Area;

(ii) an amount of HK$1,578 million (2019: HK$1,302 million) relating to guarantees given by the Group to financial institutions on behalf of purchasers of property units in mainland China in relation to which the related Building Ownership Certificate (房產證) had not yet been issued at 31 December 2020 (and such guarantees will be released upon the issuance of the Building Ownership Certificate);

(iii) an amount of HK$430 million (2019: HK$430 million) relating to the Group's attributable and proportional share (in accordance with the Group's attributable interest in a joint venture engaged in the development of commercial properties in Citygate, Tung Chung, Lantau Island, Hong Kong and in which the Group has a 20% interest) of contingent liabilities in respect of an irrevocable, unconditional and several guarantee to the lending bank in relation to the amount drawdown on a loan facility which was entered into on 2 May 2017 between such lending bank and the joint venture;

(iv) an irrevocable and unconditional guarantee issued by the Company in favour of the Urban Renewal Authority ("URA") in relation to the obligations of the Developer (as defined below) under the Development Agreement (as defined below) which includes the construction and delivery by the Developer, on or before certain prescribed dates, of certain properties whose ownership shall be retained by URA absolutely for such purposes and usages to be decided by URA at its sole discretion, in accordance with a development agreement dated 21 November 2018 ("Development Agreement") between the URA and a wholly-owned subsidiary of the Company (the "Developer") in relation to a land parcel registered in the Land Registry as New Kowloon Inland Lot No. 6585; and

(v) amounts of HK$1,670 million (2019: HK$1,670 million), HK$2,100 million (2019: HK$2,100 million), HK$1,314 million (2019: HK$906 million) and HK$2,940 million (2019: Nil) relating to the Group's attributable and proportional shares (in accordance with the Group's attributable interests in four joint ventures engaged in the development of residential properties at The Kai Tak Development Area, and in which the Group has 29.3% interest, 30% interest, 18% interest and 30% interest respectively) of contingent liabilities in respect of irrevocable, unconditional and several guarantees to certain lending banks in relation to the maximum amounts which may be drawn down on certain loan facilities which were entered into on 8 July 2019, 4 December 2019, 1 June 2020 (which refinanced the previous loan facility pursuant to the loan facility agreement dated 18 June 2019) and 30 October 2020 respectively between such lending banks and the four joint ventures.

Employees and remuneration policy

At 31 December 2020, the Group had 9,065 (2019: 8,736) full-time employees. The increase in the Group's full-time employees headcount of 329 during the year ended 31 December 2020 is mainly due to the increases in the full-time employees headcount during the year of the following:

(i) UNY HK, which resulted from the opening of a new supermarket at Yuen Long, the New Territories, Hong Kong in June 2020; and

(ii) the Group's newly established property management company in Shanghai, mainland China, which presently manages the Group's two investment properties in Shanghai, namely, "Henderson 688" and "Henderson Metropolitan".

The remuneration of the employees is in line with the market and commensurate with the level of pay in the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees include medical insurance, retirement scheme, training programmes and education subsidies.

Total staff costs for the year ended 31 December 2020 amounted to HK$2,645 million (2019: HK$2,591 million), representing a year-on-year increase of HK$54 million, or 2%. Staff costs for the year ended 31 December 2020 comprised (i) staff costs included under directors' remuneration of HK$173 million (2019: HK$161 million); and (ii) staff costs (other than directors' remuneration) of HK$2,472 million (2019: HK$2,430 million).

During the year ended 31 December 2020, certain operating subsidiaries of the Group ("Applicants") made an application for the subsidy ("Subsidy") from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme as promulgated by the HKSAR Government, which were applied towards the payroll costs of the eligible staff members of the Applicants for the months of June 2020, July 2020 and August 2020 (under the first tranche) and for the months of September 2020, October 2020 and November 2020 (under the second tranche). The aggregate Subsidy approved by the HKSAR Government and received by the Applicants amounted to HK$264 million (2019: Nil) and was recognised by the Group as "Other income" for the year ended 31 December 2020 accordingly.

OTHER INFORMATION

Closure of Register of Members

1. Book Close for determining the entitlement to attend and vote at the annual general meeting

   The Register of Members of the Company will be closed from Thursday, 27 May 2021 to Tuesday, 1 June 2021, both days inclusive, during which period no transfer of shares will be registered, for the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting. In order to be entitled for attending and voting at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 26 May 2021.

2. Book Close for determining the qualification for the proposed final dividend

   The Register of Members of the Company will be closed from Monday, 7 June 2021 to Wednesday, 9 June 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s share registrar, Computershare Hong Kong Investor Services Limited at the aforementioned address not later than 4:30 p.m. on Friday, 4 June 2021.

Purchase, Sale or Redemption of the Company’s Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

Audit Committee

The Audit Committee met in March 2021 and reviewed the risk management and internal control systems, and the annual report for the year ended 31 December 2020.

Corporate Governance

During the year ended 31 December 2020, the Company complied with the applicable code provisions set out in the Corporate Governance Code (the “CG Code”) as stated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), with the exception that the roles of the chairman and the chief executive officer of the Company have not been segregated as required by code provision A.2.1 of the CG Code. The Company is of the view that it is in the best interest of the Company that each of Dr Lee Ka Kit and Mr Lee Ka Shing, with his relevant in-depth expertise and knowledge in the Group’s business, acts in the dual capacity as Chairman and Managing Director of the Company. Although the roles of the chairman and the chief executive officer of the Company have not been segregated, powers and authorities have not been over-concentrated as all major decisions are made in consultation with Board members and senior management who possess the relevant knowledge and expertise, as well as appropriate Board committees. Hence, the current arrangements are subject to adequate checks and balances notwithstanding the deviation.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). Having made specific enquiries, the Company confirmed that all Directors have complied with the required standards as set out in the Model Code.

Forward-Looking Statements

This announcement contains certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board of Directors of the Company regarding the industry and markets in which it operates. These forward-looking statements are subject to risks, uncertainties and other factors beyond the Company's control which may cause actual results or performance to differ materially from those expressed or implied in such forward-looking statements.

On behalf of the Board

Lee Ka Kit	**Lee Ka Shing**
Chairman	*Chairman*

Hong Kong, 23 March 2021

As at the date of this announcement, the Board comprises: (1) executive directors: Lee Ka Kit (Chairman and Managing Director), Lee Ka Shing (Chairman and Managing Director), Lam Ko Yin, Colin, Lee Shau Kee, Yip Ying Chee, John, Fung Lee Woon King, Kwok Ping Ho, Suen Kwok Lam, Wong Ho Ming, Augustine and Fung Hau Chung, Andrew; (2) non-executive directors: Lee Tat Man and Lee Pui Ling, Angelina; and (3) independent non-executive directors: Kwong Che Keung, Gordon, Ko Ping Keung, Wu King Cheong, Woo Ka Biu, Jackson, Poon Chung Kwong and Au Siu Kee, Alexander.