恒基兆業地產有限公司
HENDERSON LAND DEVELOPMENT COMPANY LIMITED

Stock Code: 12

Annual Report 2020

Embracing Innovation for a Sustainable Future

Corporate Profile

Founded in 1976 by Dr The Honourable Lee Shau Kee, GBM, Henderson Land Development Company Limited is a leading property group with a focus on Hong Kong and mainland China. Its core businesses comprise property development and property investment. In addition, it has direct equity interests in a listed subsidiary, Henderson Investment Limited, and three listed associates, The Hong Kong and China Gas Company Limited (which in turn has equity stakes in a listed subsidiary, Towngas China Company Limited), Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited.

Henderson Land has been listed in Hong Kong since 1981 where it is one of the largest property groups. As at 31 December 2020, Henderson Land had a market capitalisation of HK$146 billion and the combined market capitalisation of the Company, its listed subsidiary and its associates was about HK$375 billion.

The Company is vertically integrated, with project management, construction, property management, and financial services supporting its core businesses. In all aspects of its operations, Henderson Land strives to add value for its shareholders, customers and the community through its commitment to excellence in product quality and service delivery as well as a continuous focus on sustainability and the environment.

Front cover:
Murray Road Project, Hong Kong by Zaha Hadid Architects for Henderson Land
Render by PixelFlakes

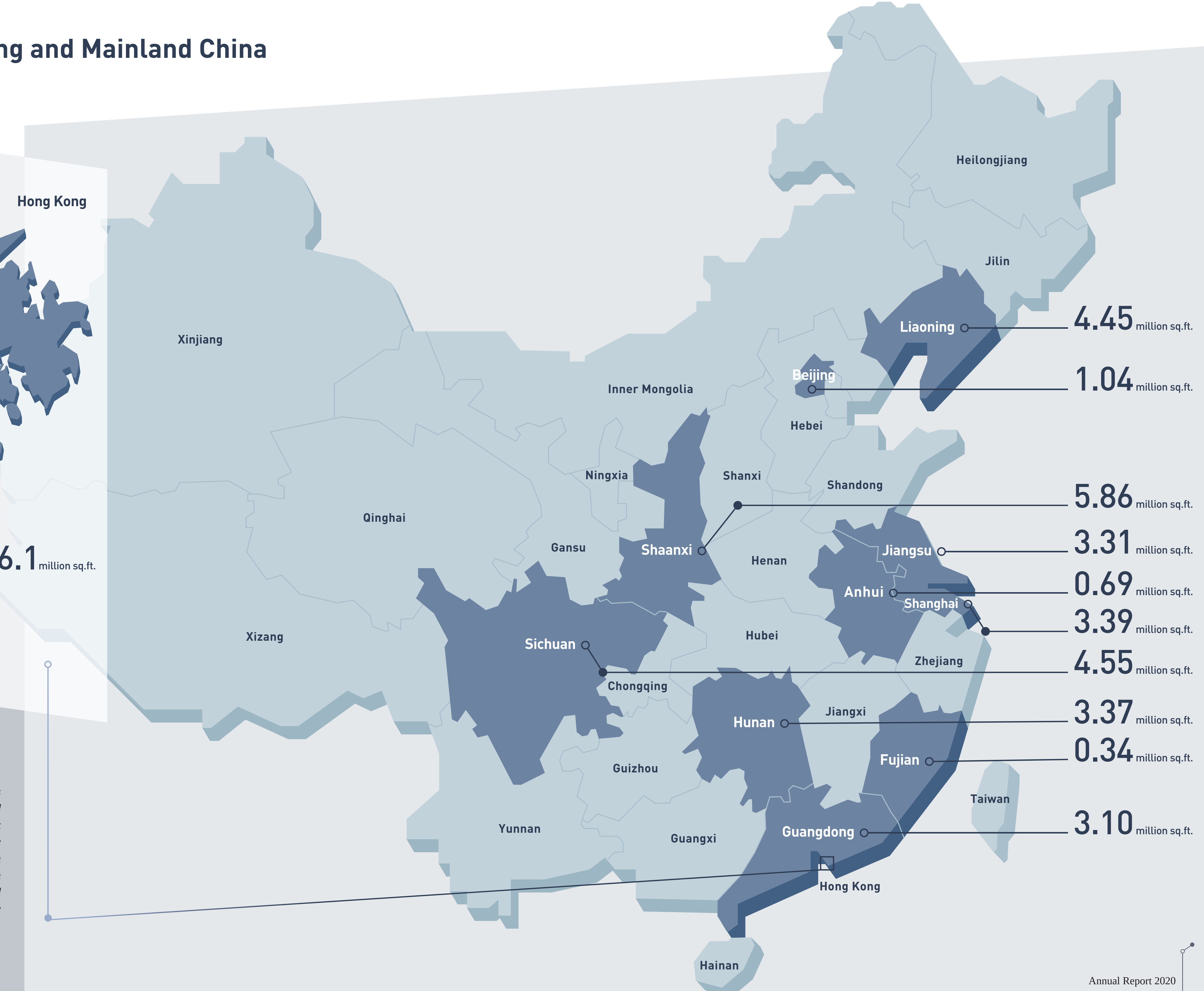
Contents

Inside front	Corporate Profile
2	Land Bank – Hong Kong and Mainland China
4	Awards & Accolades
6	Group Structure
7	Highlights of 2020 Final Results
10	Chairmen's Statement
	Review of Operations
	Business in Hong Kong
44	Progress of Major Development Projects
58	Major Completed Investment Properties
	Business in Mainland China
64	Progress of Major Development Projects
77	Major Completed Investment Properties
78	Business Model and Strategic Direction
80	Financial Review
94	Five Year Financial Summary
97	Sustainability
110	Corporate Governance Report
127	Report of the Directors
147	Biographical Details of Directors and Senior Management
157	Financial Statements
158	Report of the Independent Auditor
281	Corporate Information
284	Financial Calendar

FORWARD-LOOKING STATEMENTS

This annual report 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.

Land Bank – Hong Kong and Mainland China



The diagram above provides an overview of the Group's substantial and diverse, yet balanced development land bank in Hong Kong and mainland China as at 31 December 2020. It illustrates the attributable developable gross floor area by location. Henderson Land's quality land reserve is earmarked for both commercial and residential projects, which are expected to provide handsome returns for the Group during the years to come.

Awards & Accolades

The variety of honours awarded to Henderson Land this year are testimony to our continuing position as a leading developer in the industry, as the Group is again recognised for achieving excellence in many aspects of our operations. Among these, the prestigious international awards and certifications received for our Murray Road Project in the heart of Hong Kong's central business district are an endorsement of the Group's leadership in world-class sustainable development. With innovation at the heart of Henderson Land's approach, the Group has also won accolades for the application of smart technology and original solutions that enhance our operational efficiency and environmental performance. This year's awards also reflect Henderson Land's continuing excellence in the functions of product delivery and customer service.

Sustainability Awards 2020

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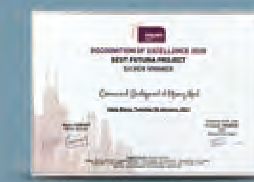
Hang Seng Corporate Sustainability Index Series Member 2020-2021

1. **Asia Property Awards 2020**
   Best Mixed Use Development (China – Hong Kong) – 5-Star Winner (Aquila • Square Mile)
   Best Mixed Use Development (Hong Kong) – Winner (Aquila • Square Mile)
2. **China Green Building Design Label**
   3-Star Rating (73 Caine Road)
3. **Asia Pacific Property Awards 2020-2021**
   Best Residential High Rise Development Hong Kong – 5-Star Winner (73 Caine Road)
   Residential High Rise Development Hong Kong – Award Winner (The Richmond)
4. **Leadership in Energy and Environmental Design (LEED)**
   Platinum Certification (Building Operations and Maintenance: Existing Buildings)
   (World Financial Centre, Beijing)
   (Henderson 688, Shanghai)
5. **Build4Asia Awards 2020**
   Outstanding Future Project (25-29 Kok Cheung Street)
   Project of the Year (Commercial) (Harbour East)
6. **ESG Leading Enterprise Awards 2020**
   ESG Leading Enterprise Award (Category I: Market capitalization over HK$20 billion)
7. **BEAM Plus (New Buildings)**
   Final Silver Rating (AXIS, Eden Manor, Park One, South Walk • Aura)
   Final Bronze Rating (Parker 33)
   Provisional Gold Rating (73 Caine Road)
   Provisional Silver Rating (2 Tai Cheong Street, 65-71 Main Street Ap Lei Chau)
   Provisional Bronze Rating (206-212 Johnston Road)
8. **CAHK STAR Award 2020**
   Best 5G Connected Arena – Gold Award
9. **HKQAA Sustainability Rating Seal 2020-2021**
   AA Rating
10. **Hang Seng Corporate Sustainability Index Series**
    Constituent Company

Murray Road Project



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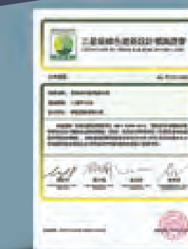

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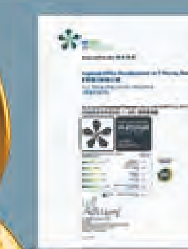

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11. **MIPIM Asia Awards 2020**
    Best Futura Project – Silver Winner
12. **China Green Building Design Label**
    3-Star Rating
13. **Asia Property Awards 2020**
    Best Office Architectural Design (Asia) – 5-Star Winner
    Best Office Architectural Design (Hong Kong) – Winner
    Best Office Interior Design (Hong Kong) – Winner
14. **BEAM Plus (New Buildings)**
    Provisional Platinum Rating
15. **Build4Asia Awards 2020**
    Outstanding Future Project
16. **Outstanding Property Award London 2020**
    Architectural Design – Platinum Winner
    Interior Design – Platinum Winner
    Architectural Design/ Commercial, High-Rise – Winner

Other Award Highlights

Group Structure

Henderson Land Group Structure

Market capitalisation as at 31 December 2020
Henderson Land Development Company Limited: HK$146 billion
Six listed companies of Henderson Land Group: HK$375 billion

Henderson Land Development Company Limited
Investment holding, property development and investment in Hong Kong and mainland China, project and property management, construction and provision of finance

- **33.41%** — **Hong Kong Ferry (Holdings) Company Limited**
  Property development and investment
- **69.27%** — **Henderson Investment Limited**
  Department store and supermarket operations in Hong Kong
- **41.53%** — **The Hong Kong and China Gas Company Limited**
  Production and distribution of gas in Hong Kong and mainland China
  - **68.21%** — **Towngas China Company Limited**
    Sale and distribution of liquefied petroleum gas and natural gas in mainland China
- **49.91%** — **Miramar Hotel and Investment Company, Limited**
  Hotel and serviced apartment, property rental, food and beverage, and travel

Note: All attributable interests shown above were figures as of 31 December 2020.

Highlights of 2020 Final Results

	Note	For the year ended 31 December **2020** **HK$ million**	 2019 HK$ million	**Change**
Property sales				
– Revenue	*1*	**21,108**	17,088	**+23.5%**
– Pre-tax profit contribution	*1, 2*	**9,649**	5,888	**+63.9%**
Property leasing				
– Gross rental income	*1*	**8,603**	9,163	**-6.1%**
– Pre-tax net rental income	*1*	**6,467**	7,065	**-8.5%**
Profit attributable to equity shareholders				
– Underlying profit	*3*	**14,899**	14,640	**+1.8%**
– Reported profit		**10,192**	16,994	**-40.0%**
		HK$	HK$	
Earnings per share				
– Based on underlying profit	*3, 4*	**3.08**	3.02	**+2.0%**
– Based on reported profit	*4*	**2.11**	3.51	**-40.0%**
Dividends per share		**1.80**	1.80	**No change**
	Note	**At 31 December** **2020** **HK$**	At 31 December 2019 HK$	**Change**
Net asset value per share	*4*	**67.67**	66.28	**+2.1%**
Net debt to shareholders' equity		**26.9%**	25.5%	**+1.4 percentage points**
		Million square feet	Million square feet	
Properties in Hong Kong				
Land bank (attributable floor area)				
– Properties held for/under development	*5*	**13.6**	13.8	
– Unsold units from major launched projects		**0.8**	0.8	
Sub-total:		**14.4**	14.6	
– Completed properties (including hotels) for rental		**10.0**	9.9	
Total:		**24.4**	24.5	
New Territories land (attributable land area)		**44.4**	44.9	
Properties in Mainland China				
Land bank (attributable floor area)				
– Properties held for/under development		**30.1**	31.9	
– Completed stock for sale		**0.8**	0.5	
– Completed properties for rental		**7.9**	6.4	
		38.8	38.8	

Note 1: This amount includes the Group's attributable share of contributions from subsidiaries, associates and joint ventures ("JVs").

Note 2: If the fair value change of the related properties is excluded, the pre-tax underlying profit contribution for the year ended 31 December 2020 should be HK$9,649 million (2019: HK$5,889 million).

Note 3: Excluding the Group's attributable share of fair value change (net of tax) of the investment properties held by subsidiaries, associates and JVs.

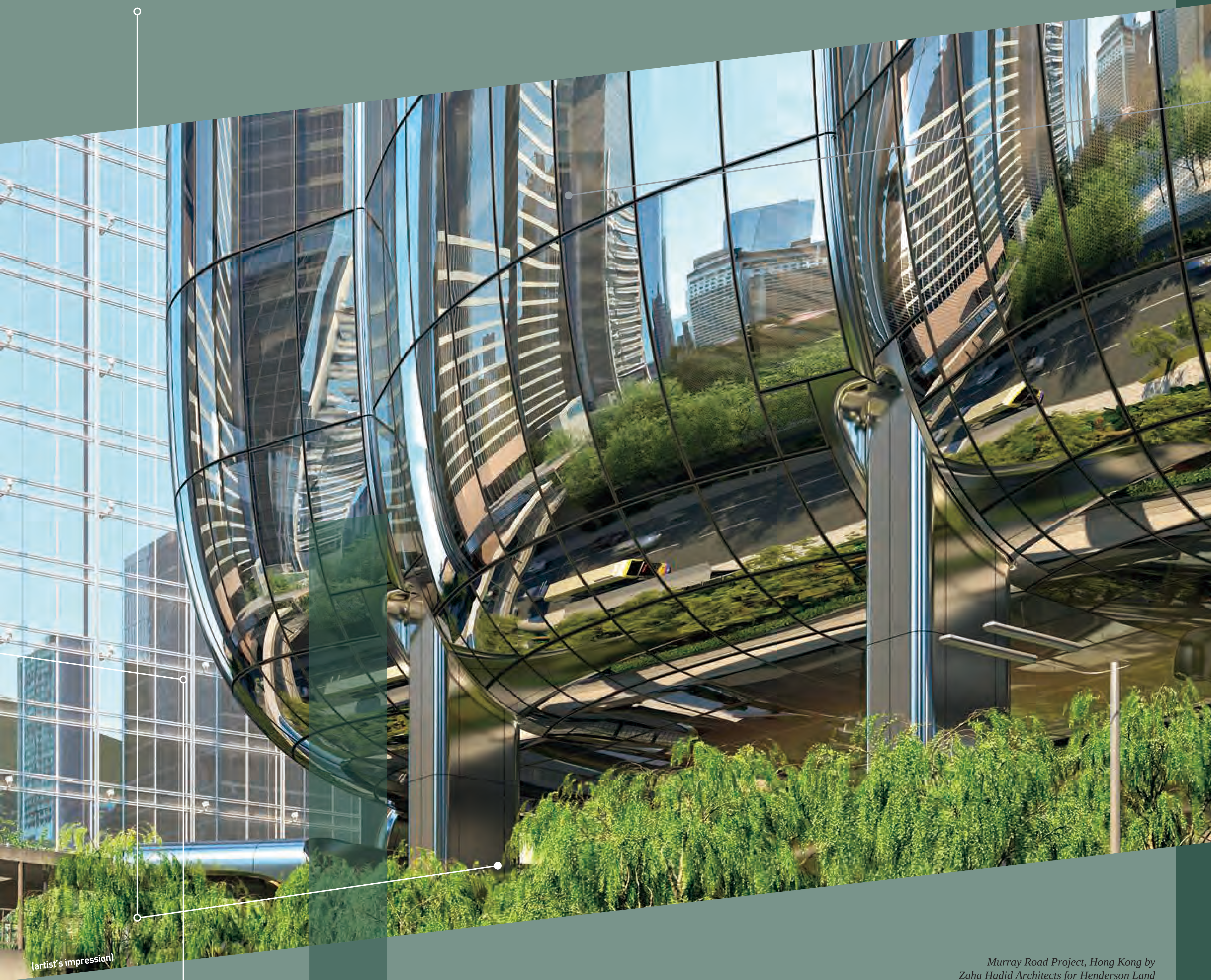
Note 4: The earnings per share were calculated based on the weighted average number of shares as adjusted for the effect of the bonus issues under Hong Kong Accounting Standard 33, "Earnings Per Share". The net asset value per share was calculated based on the number of issued shares outstanding at 31 December 2020 and 31 December 2019.

Note 5: 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.

Murray Road Project

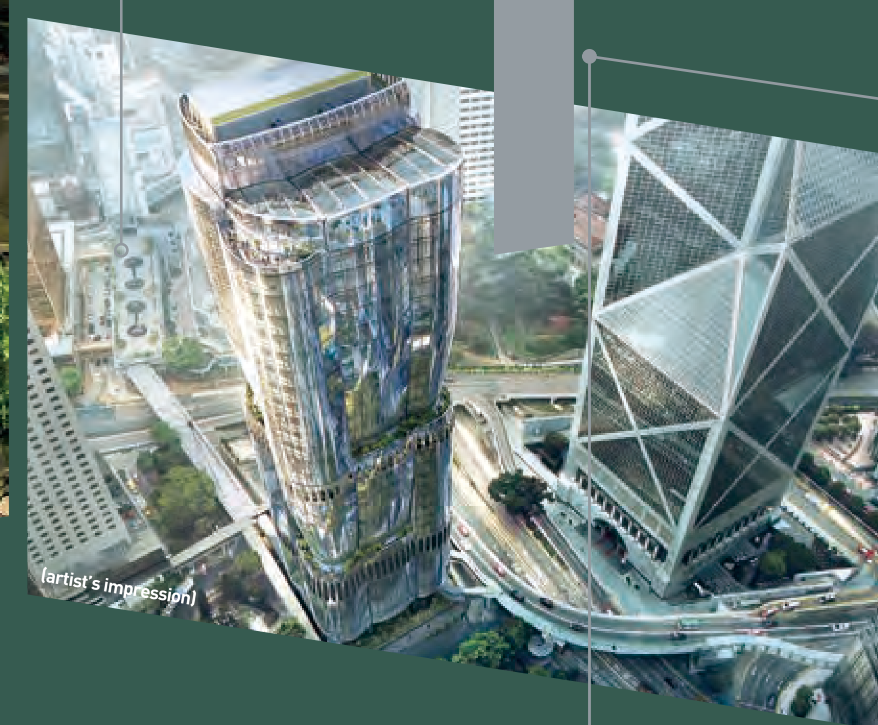
CENTRAL
HONG KONG

An architectural masterpiece, Murray Road Project is set to become a modern icon amongst the world's most spectacular landmarks



Murray Road Project, Hong Kong by
Zaha Hadid Architects for Henderson Land

Render by Cosmoscube and Arqui9



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.

LEE Ka Shing, JP
Chairman and Managing Director

Dr LEE Ka Kit GBS, JP, DBA (Hon)
Chairman and Managing Director

Two • Artlane, Sai Ying Pun, Hong Kong (artist's impression)

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:

	Project name and location	Gross floor area (sq. ft.)	Type of development	At 31 December 2020 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

			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.)**
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 *(Note 2)*
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 *(Note 2)*
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		With over 80% but less than 100% ownership secured*		
	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.)
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.

Fanling Sheung Shui Town Lot No. 262, Fanling North, Hong Kong (artist's impression)

(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, 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

ifc mall, Central, Hong Kong

H Zentre, Tsim Sha Tsui, Hong Kong

"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.

Murray Road Project, Hong Kong by Zaha Hadid Architects for Henderson Land

Render by Arqui9

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 Architects, this 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 residential-cum-commercial 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 a 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 a year-on-year decrease 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, Shanghai (artist's impression)

"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.

Agricultural waste utilisation plant in Luanzhou, Hebei province

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 Kong 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.

The Royale, Tuen Mun, Hong Kong (artist's impression)

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 optimising 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.

Mira Place, Tsim Sha Tsui, Hong Kong

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	**Lee Ka Shing**
Chairman	*Chairman*

Hong Kong, 23 March 2021

(artist's impression)

Square Mile

MONG KOK
HONG KONG

Seamlessly integrating art and culture, Square Mile is a vibrant lifestyle hub located in the centre of West Kowloon

(artist's impression)

Progress of Major Development Projects

Status of property developments with anticipated completion during the period to the end of 2023

The Addition

342-356 Un Chau Street, Cheung Sha Wan (100% owned)

The Addition, Cheung Sha Wan, Hong Kong (artist's impression)

Site area	9,157 square feet
Gross floor area	79,903 square feet
Residential units	200
Expected completion	Second quarter of 2021

Adjacent to Cheung Sha Wan MTR station, "The Addition" is a 28-storey residential-cum-commercial development. Construction of the superstructure work has been progressing well.

The Vantage

63 Ma Tau Wai Road, Hung Hom (100% owned)

The Vantage, Hung Hom, Hong Kong (artist's impression)

Site area	23,031 square feet
Gross floor area	207,267 square feet
Residential units	551
Expected completion	Second quarter of 2021

"The Vantage" is a residential-cum-commercial development located adjacent to Ho Man Tin MTR station. Superstructure works are in progress and upon completion the upper floor residences will enjoy panoramic views of Victoria Harbour and the verdant greenery of Ho Man Tin.

Arbour

2 Tak Shing Street, Tsim Sha Tsui (100% owned)

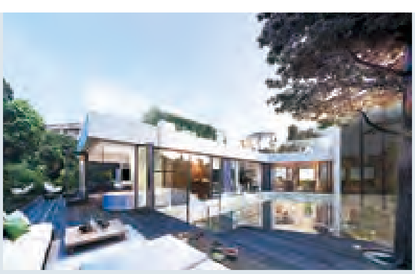
Arbour, Tsim Sha Tsui, Hong Kong

Site area	10,614 square feet
Gross floor area	89,527 square feet
Residential units	172
Expected completion	Second quarter of 2021

"Arbour" enjoys fast and easy access to every corner of Hong Kong and even mainland China because three MTR stations (namely, Jordan, Austin and Kowloon) and the Express Rail Link West Kowloon Station are all within walking distance. With Tsim Sha Tsui shopping hub, Kowloon Park and West Kowloon Cultural District in its proximity, this 23-storey residential-cum-commercial development received encouraging market response when sales commenced in November 2020. All works are almost completed. Inspection by the Handover Team and rectification works are in progress.

29A Lugard Road, The Peak

(100% owned)



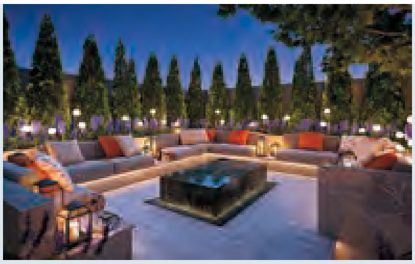
29A Lugard Road, The Peak, Hong Kong (artist's impression)

Site area	23,653 square feet
Gross floor area	11,709 square feet
Residential unit	1
Expected completion	Third quarter of 2021

This deluxe mansion is located in an exceptional prime area of The Peak, offering a high degree of privacy and spectacular views of Victoria Harbour. Superstructure works are in progress.

The Richmond

62C Robinson Road, Mid-Levels West (100% owned)



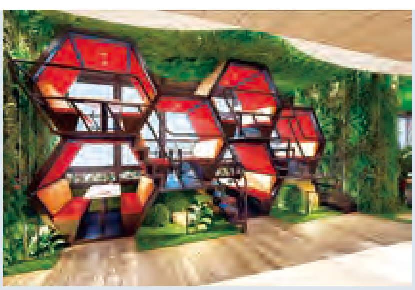
The Richmond, Mid-Levels West, Hong Kong (artist's impression)

Site area	3,855 square feet
Gross floor area	33,678 square feet
Residential units	90
Expected completion	Third quarter of 2021

"The Richmond", which is a 28-storey residential-cum-commercial property at Mid-Levels West, was well received when it was launched for pre-sales in January 2020. Work has proceeded to the superstructure stage.

Two • Artlane

1 Chung Ching Street, Sai Ying Pun (100% owned)



Two • Artlane, Sai Ying Pun, Hong Kong (artist's impression)

Site area	7,858 square feet
Gross floor area	90,102 square feet
Residential units	264
Expected completion	Third quarter of 2021

"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, this 28-storey residential-cum-commercial development was well received when it was launched for sale in September 2020. Superstructure works are also progressing smoothly.

Aquila • Square Mile

38 Fuk Chak Street, Mong Kok (100% owned)

Aquila • Square Mile, Mong Kok, Hong Kong (artist's impression)

Site area	20,114 square feet
Gross floor area	181,000 square feet
Residential units	488
Expected completion	Third quarter of 2021

Located next to the Group's "Eltanin • Square Mile" and "Cetus • Square Mile" with the Olympic MTR station in its proximity, "Aquila • Square Mile" is surrounded by a vibrant neighbourhood that includes various amenities and shopping arcades. This 24-storey residential-cum-commercial development was highly sought after by buyers when it was launched for pre-sales in May 2020. Superstructure works are in progress.

The Royale

8 Castle Peak Road – Castle Peak Bay, Tuen Mun (16.71% owned)
(formerly known as project at Tuen Mun Town Lot No. 547)

The Royale, Tuen Mun, Hong Kong (artist's impression)

Site area	165,765 square feet
Gross floor area	663,062 square feet
Residential units	1,782
Expected completion	Second quarter of 2022

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. Superstructure works are in progress. The project is expected to be completed by phases in 2022.

73 Caine Road, Mid-Levels

(100% owned)

73 Caine Road, Mid-Levels,
Hong Kong (artist's impression)

Site area	6,781 square feet
Gross floor area	64,010 square feet
Residential units	187
Expected completion	Second quarter of 2022

Located in the upmarket residential neighbourhood of Mid-Levels with the SOHO dining hub in its proximity, this residential-cum-commercial development offers residents both tranquility and modern lifestyle convenience. Superstructure works are in progress.

Fanling Sheung Shui Town Lot No. 262, Fanling North

(100% owned)

Fanling Sheung Shui Town Lot No. 262, Fanling North, Hong Kong (artist's impression)

Site area	174,236 square feet
Gross floor area	612,477 square feet
Residential units	1,576
Expected completion	Second quarter of 2022

The site will be developed in three phases into the first residential development in the "North East New Territories New Development Areas". Work has proceeded to the superstructure stage and upon full completion this 610,000-square-foot project will consist of five residential towers providing 1,576 units with various smart-home facilities (such as automated air purification and contactless access). Its "Healthy Living" development concept also embodies biodiversity in landscaping design, art and other sustainable development features. As a result of such conscientious planning, this is the first residential development in Hong Kong to have gained the globally-recognised "WELL Building Standard – WELL v2" platinum rating precertification.

New Kowloon Inland Lot No. 6565, Kai Tak

(100% owned)

New Kowloon Inland Lot No. 6565, Kai Tak, Hong Kong (artist's impression)

Site area	121,224 square feet
Gross floor area	654,602 square feet
Residential units	1,184
Expected completion	Second quarter of 2022

Located in Kai Tak Development Area, this project will be developed in three phases, providing about 630,000 square feet of residential gross floor area and a 24,000-square-foot retail space. The Kai Tak MTR station opened in February 2020 along with Phase 1 of the Tuen Ma Line. After full completion of the MTR Shatin to Central Link and Central Kowloon Route, the development will provide its residents with convenient access to Central and West Kowloon, which are both core business areas in Hong Kong. Besides, the impending Kai Tak Sports Park and Metro Park are both in its vicinity, bringing a refreshing and verdant touch to the project. Superstructure works are progressing as expected.

71 Main Street, Ap Lei Chau

(100% owned)

71 Main Street, Ap Lei Chau, Hong Kong (artist's impression)

Site area	4,800 square feet
Gross floor area	40,317 square feet
Residential units	138
Expected completion	Fourth quarter of 2022

Located at Ap Lei Chau Main Street, opposite to the Group's project "H • Bonaire", with Lei Tung MTR station in the vicinity, this site will be developed into a 24-storey residential tower with a commercial podium, complemented by a residents' clubhouse. Construction has proceeded to the superstructure stage.

1 Shau Kei Wan Road, Quarry Bay

(formerly known as project at 2 Tai Cheong Street) (100% owned)

1 Shau Kei Wan Road, Quarry Bay, Hong Kong (artist's impression)

Site area	13,713 square feet
Gross floor area	128,821 square feet
Residential units	420
Expected completion	First quarter of 2023

This residential development is close to both Tai Koo and Sai Wan Ho MTR stations. Besides, a sports centre, film archive, shopping centre and harbourfront park are all within its walking distance, offering unrivalled living convenience to its residents. Construction has proceeded to the superstructure stage.

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

(33.41% owned)

Kweilin Street/Tung Chau Street, Sham Shui Po Redevelopment Project, Hong Kong (artist's impression)

Site area	16,308 square feet
Gross floor area	144,345 square feet
Residential units	262
Expected completion	Second quarter of 2023

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 which has 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 have commenced. The project is expected to be completed in 2023.

Murray Road Project, Central

(100% owned)

Murray Road Project, Hong Kong by Zaha Hadid Architects for Henderson Land

Render by Arqui9

Site area	31,000 square feet
Gross floor area	465,005 square feet
Expected completion	Second quarter of 2023

The superstructure 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 Architects, this development is poised to become another iconic landmark in the financial hub of Hong Kong upon its scheduled completion in 2023. It will be held as the Group's investment property.

Castle Peak Road/Un Chau Street Project, Sham Shui Po

(100% owned)

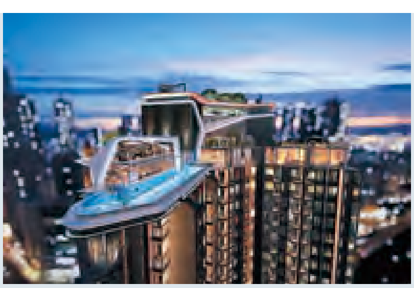
Castle Peak Road/Un Chau Street Project, Sham Shui Po, Hong Kong (artist's impression)

Site area	17,750 square feet
Gross floor area	159,748 square feet
Residential units	337
Expected completion	Second quarter of 2023

In October 2018, the Group was awarded the contract for the Castle Peak Road/Un Chau Street redevelopment project in Sham Shui Po by the Urban Renewal Authority. The Group is responsible for the construction of the project with a total of 337 residential units. Upon completion of development, the Group will be entitled to 318 residential units. Superstructure works are in progress.

25-29 Kok Cheung Street, Mong Kok

(100% owned)



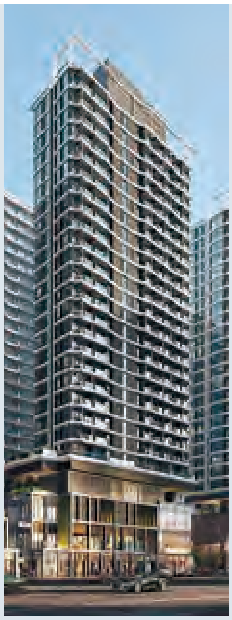
25-29 Kok Cheung Street, Mong Kok, Hong Kong (artist's impression)

Site area	26,953 square feet
Gross floor area	241,783 square feet
Residential units	616
Expected completion	Second quarter of 2023

Located at Kok Cheung Street, opposite to the Group's project "Aquila • Square Mile", with Olympic MTR station in its proximity, this site will be developed into a 22-storey residential-cum-commercial tower with a three-storey podium, complemented by a three-storey basement. Construction has proceeded to the superstructure stage.

30-44 Gillies Avenue South/75-77 Baker Street, Hung Hom

(100% owned)



30-44 Gillies Avenue South/ 75-77 Baker Street, Hung Hom, Hong Kong (artist's impression)

Site area	13,175 square feet
Gross floor area	118,575 square feet
Residential units	330
Expected completion	Second quarter of 2023

This is the first phase of the Group's 1,000,000-square-foot community redevelopment project in Hung Hom. Located close to three MTR stations, the site will be developed into a 26-storey residential-cum-commercial tower. Foundation works were completed and construction has proceeded to the superstructure stage.

4A-4P Seymour Road, Mid-Levels

(65% owned)

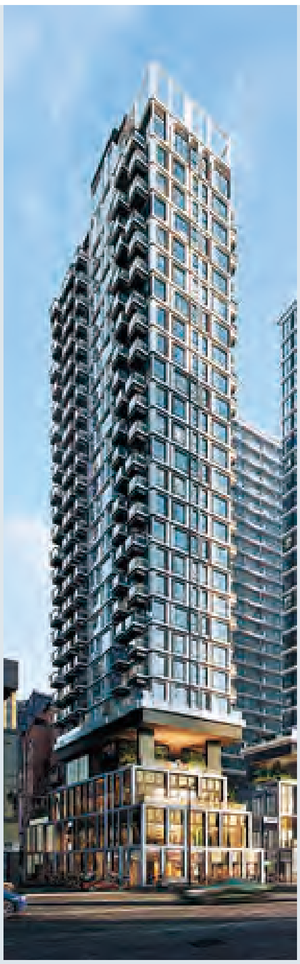
4A-4P Seymour Road, Mid-Levels, Hong Kong (artist's impression)

Site area	52,466 square feet
Gross floor area	472,185 square feet
Residential units	172
Expected completion	Second quarter of 2023 (Phase 1) Third quarter of 2023 (Phase 2)

Situated at a prestigious Mid-Levels location, this joint venture development consists of a 44-storey twin residential tower above a six-storey podium. Construction has proceeded to the superstructure stage.

39-41 Whampoa Street and 12A-22A Bulkeley Street and 46-50 Gillies Avenue South, Hung Hom

(100% owned)



39-41 Whampoa Street and 12A-22A Bulkeley Street and 46-50 Gillies Avenue South, Hung Hom, Hong Kong (artist's impression)

Site area	11,900 square feet
Gross floor area	107,100 square feet
Residential units	308
Expected completion	Fourth quarter of 2023

This is another phase of the Group's 1,000,000-square-foot community redevelopment project in Hung Hom. Located close to three MTR stations, the site will be developed into a 26-storey residential-cum-commercial tower. Foundation works for the project are progressing well.

23-37 Whampoa Street and 79-81 Baker Street, Hung Hom

(100% owned)

23-37 Whampoa Street and 79-81 Baker Street, Hung Hom, Hong Kong (artist's impression)

Site area	11,625 square feet
Gross floor area	104,626 square feet
Residential units	308
Expected completion	Fourth quarter of 2023

This is another phase of the Group's 1,000,000-square-foot community redevelopment project in Hung Hom. Located close to three MTR stations, the site will be developed into a 26-storey residential-cum-commercial tower. Foundation works for the project are progressing well.

Location of Various Categories of Development Projects

Unsold units from the major development projects offered for sale

1 Eden Manor
2 Aquila • Square Mile
3 Double Cove – Phases 1-5
4 Cetus • Square Mile
5 Two • Artlane
6 Wellesley
7 Arbour
8 Starfront Royale
9 The Addition
10 NOVUM EAST
11 South Walk • Aura
12 The Vantage
13 The Richmond
14 Reach Summit – Sereno Verde Phase 5
15 The Reach
16 H • Bonaire
17 NOVUM WEST
18 Seacoast Royale
19 PARKER33
20 Global Gateway Tower
21 E-Trade Plaza
22 The Globe
23 Mega Cube

Projects pending sale in 2021

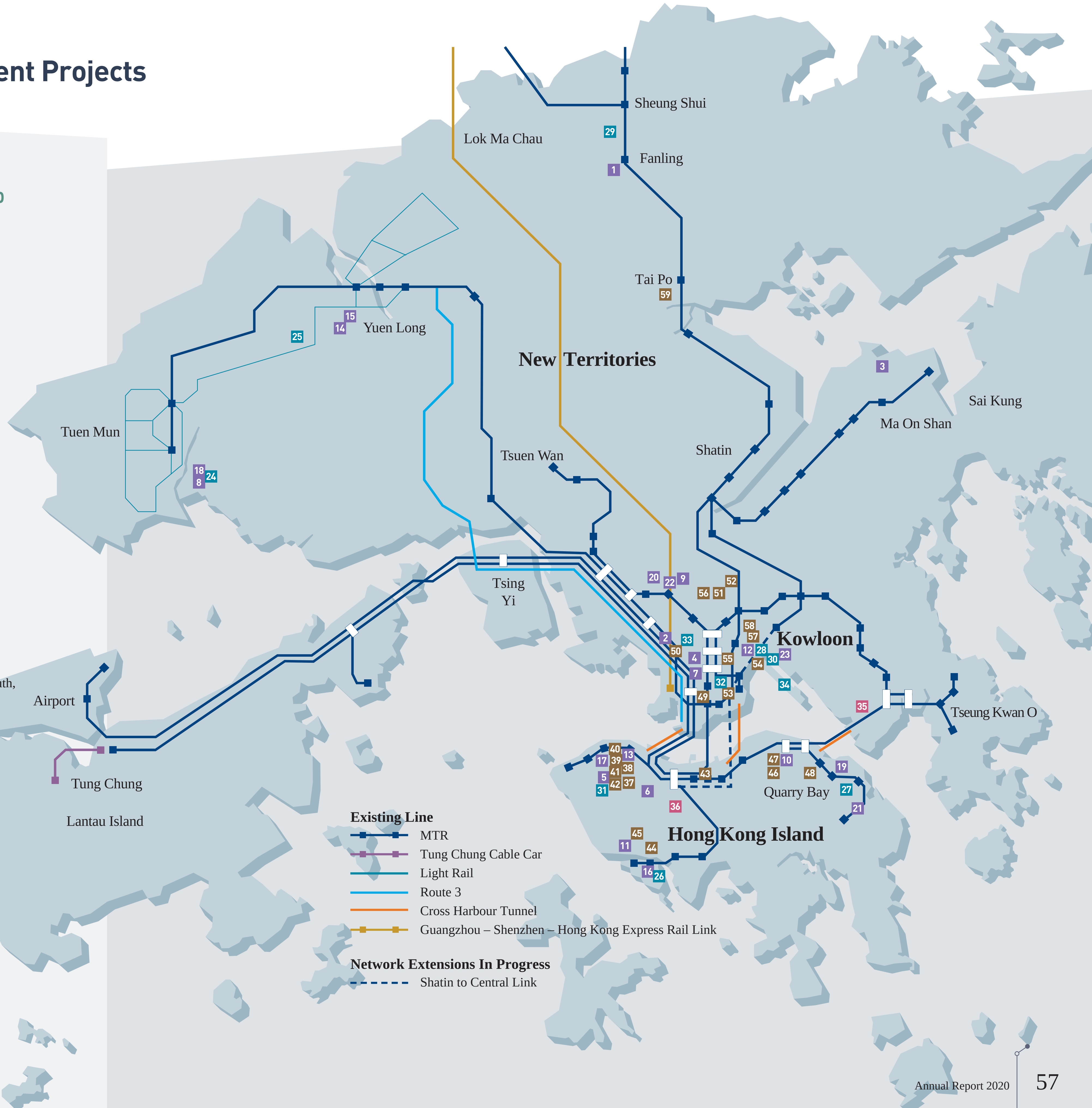
24 Skypoint Royale
25 The Hampstead Reach
26 71 Main Street, Ap Lei Chau
27 1 Shau Kei Wan Road, Quarry Bay
28 New Kowloon Inland Lot No. 6565, Kai Tak
29 Fanling Sheung Shui Town Lot No. 262, Fanling North
30 New Kowloon Inland Lot No. 6562, Kai Tak
31 73 Caine Road, Mid-Levels
32 30-44 Gillies Avenue South/ 75-77 Baker Street, Hung Hom
33 25-29 Kok Cheung Street, Mong Kok
34 New Kowloon Inland Lot No. 6574, Kai Tak

Existing Urban Redevelopment Projects

35 Yau Tong Bay
36 29A Lugard Road, The Peak

Newly-acquired Urban Redevelopment Projects – with 80% to 100% ownership secured

37 4A-4P Seymour Road, Mid-Levels
38 1-4 Ladder Street Terrace, Mid-Levels
39 94-100 Robinson Road, Mid-Levels
40 88 Robinson Road, Mid-Levels
41 105 Robinson Road, Mid-Levels
42 33-47A Elgin Street, Mid-Levels
43 13-21 Wood Road and 22-30 Wing Cheung Street, Wanchai
44 83-95 Shek Pai Wan Road and 2 Tin Wan Street, Aberdeen
45 4-6 Tin Wan Street, Aberdeen
46 9-13 Sun Chun Street, Tai Hang
47 17-25 Sun Chun Street, Tai Hang
48 983-987A King's Road and 16-22 and 24-94 Pan Hoi Street, Quarry Bay
49 16 Kimberley Road, Tsim Sha Tsui
50 Various projects spanning Ka Shin Street, Kok Cheung Street, Pok Man Street, Man On Street and Tai Kok Tsui Road, Tai Kok Tsui
51 456-466 Sai Yeung Choi Street North and 50-56A Wong Chuk Street, Sham Shui Po
52 1-27 Berwick Street, 202-220 Nam Cheong Street and 1-14 Yiu Tung Street, Shek Kip Mei
53 Various projects spanning Gillies Avenue South, Baker Street, Whampoa Street and Bulkeley Street, Hung Hom
54 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
55 4 Liberty Avenue, Ho Man Tin
56 11-19 Wing Lung Street, Cheung Sha Wan
57 67-83 Fuk Lo Tsun Road, Kowloon City
58 4-22 Nam Kok Road, Kowloon City
59 3 Mei Sun Lane, Tai Po



Major Completed Investment Properties

				Attributable gross floor area (sq. ft.)					
Name	Location	Lease expiry	Group's interest (%)	Residential/ Hotel Serviced Suite	Commercial	Office	Industrial/ Office	Total	Attributable no. of carpark
Hong Kong Island									
One International Finance Centre	1 Harbour View Street, Central	2047	40.77	–	53,465	319,833	–	**373,298**	71
Two International Finance Centre (excluding levels of 33 to 52, 55, 56 and 77 to 88)	8 Finance Street, Central	2047	40.77	–	207,474	451,857	–	**659,331**	189
Four Seasons Place	8 Finance Street, Central	2047	40.77	216,103	–	–	–	**216,103**	7
H Code	45 Pottinger Street, Central	2842	19.10	–	25,975	–	–	**25,975**	–
Eva Court	36 MacDonnell Road, Mid-Levels	2895	100.00	108,214	–	–	–	**108,214**	49
FWD Financial Centre	308-320 Des Voeux Road Central, Sheung Wan	2865	100.00	–	31,987	182,373	–	**214,360**	–
AIA Tower	183 Electric Road, North Point	2047	100.00	–	22,338	490,072	–	**512,410**	207
Harbour East	218 Electric Road, North Point	2050	100.00	–	13,923	130,077	–	**144,000**	24
208 JOHNSTON	206-212 Johnston Road, Wanchai	2858	100.00	–	26,905	38,015	–	**64,920**	–
Mira Moon	388-390 Jaffe Road, Wanchai	2026	100.00	66,128	–	–	–	**66,128**	–
Kowloon									
Manulife Financial Centre	223-231 Wai Yip Street, Kwun Tong	2050	88.50	–	47,860	919,004	–	**966,864**	394
52 Hung To Road	52 Hung To Road, Kwun Tong	2047	100.00	–	–	–	125,114	**125,114**	–
78 Hung To Road	78 Hung To Road, Kwun Tong	2047	100.00	–	–	–	119,995	**119,995**	16
H Zentre	15 Middle Road, Tsim Sha Tsui	2064	100.00	–	339,711	–	–	**339,711**	470
Nathan Hill	38 Hillwood Road, Tsim Sha Tsui	2043	100.00	–	55,031	–	–	**55,031**	–
AIA Financial Centre	712 Prince Edward Road East, San Po Kong	2047	100.00	–	–	216,593	–	**216,593**	70
Well Tech Centre	9 Pat Tat Street, San Po Kong	2047	100.00	–	–	161,998	–	**161,998**	40
Winning Centre	29 Tai Yau Street, San Po Kong	2047	100.00	–	–	–	150,212	**150,212**	–
Hollywood Plaza	610 Nathan Road, Mong Kok	2047	33.33	–	33,511	64,422	–	**97,933**	–
Square Mile	11 Li Tak Street and 18 Ka Shin Street, Mong Kok	2870/ 2041	100.00	–	63,026	–	–	**63,026**	–
Cité 33	33 Lai Chi Kok Road, Mong Kok	2026	100.00	–	13,620	–	–	**13,620**	–
The Sparkle	500 Tung Chau Street, Cheung Sha Wan	2055	100.00	–	53,443	–	–	**53,443**	–
The Zutten	50 Ma Tau Kok Road	2050	100.00	–	17,078	–	–	**17,078**	–

				Attributable gross floor area (sq. ft.)					
Name	Location	Lease expiry	Group's interest (%)	Residential/ Hotel Serviced Suite	Commercial	Office	Industrial/ Office	Total	Attributable no. of carpark
New Territories									
KOLOUR • Tsuen Wan I	68 Chung On Street, Tsuen Wan	2047	74.96	–	138,555	156,981	–	**295,536**	100
KOLOUR • Tsuen Wan II	145-165 Castle Peak Road, Tsuen Wan	2047	100.00	–	155,022	–	–	**155,022**	85
Skyline Plaza	88 Tai Ho Road, Tsuen Wan	2047	100.00	–	154,259	–	–	**154,259**	104
Shatin Plaza	21-27 Shatin Centre Street, Sha Tin	2047	77.55	–	114,730	–	–	**114,730**	67
Shatin Centre	2-16 Wang Pok Street, Sha Tin	2047	100.00	–	100,029	–	–	**100,029**	408
MOSTown	18 On Luk Street and 628 Sai Sha Road, Ma On Shan	2047	100.00	–	612,279	–	–	**612,279**	1,053
MOSTown Street	8, 18 and 22 On Shing Street, Ma On Shan	2047	100.00	–	78,422	–	–	**78,422**	186
Double Cove	8 Wu Kai Sha Road, Ma On Shan	2060	59.00	–	63,486	–	–	**63,486**	174
MCP Central	8 Yan King Road, Tseung Kwan O	2047	100.00	–	956,849	–	–	**956,849**	669
MCP Discovery	8 Mau Yip Road, Tseung Kwan O	2047	100.00	–	266,954	–	–	**266,954**	233
La Cité Noble Shopping Arcade	1 Ngan O Road, Tseung Kwan O	2047	100.00	–	35,186	–	–	**35,186**	–
KOLOUR • Yuen Long	1 Kau Yuk Road, Yuen Long	2047	100.00	–	140,341	–	–	**140,341**	51
Fanling Centre	33 San Wan Road, Fanling	2047	100.00	–	151,513	–	–	**151,513**	302
Flora Plaza	88 Pak Wo Road, Fanling	2047	60.00	–	94,657	–	–	**94,657**	130
Dawning Views Plaza	23 Yat Ming Road, Fanling	2047	100.00	–	87,766	–	–	**87,766**	–
Citygate	20 Tat Tung Road, Tung Chung and Tung Chung Town Lot No. 11, Lantau Island	2047	20.00	–	160,767	32,280	–	**193,047**	233
The Trend Plaza	Tuen Mun Heung Sze Wui Road	2047	100.00	–	195,280	–	–	**195,280**	78
The Sherwood	8 Fuk Hang Tsuen Road, Tuen Mun	2052	100.00	–	30,139	–	–	**30,139**	250
Marina Cove	Lot No. 526 in D.D. No. 210, Sai Kung	2047	40.00	–	9,566	–	–	**9,566**	151 *(Note)*
			Total:	**390,445**	**4,551,147**	**3,163,505**	**395,321**	**8,500,418**	**5,811**

Note: In addition there are 121 pontoons and 30 hardstand spaces attributable to the Group

Major Completed Investment Properties

Major Completed Investment Properties

1 One International Finance Centre
2 Two International Finance Centre
3 Four Seasons Place
4 H Code
5 Eva Court
6 FWD Financial Centre
7 AIA Tower
8 Harbour East
9 208 JOHNSTON
10 Mira Moon
11 Manulife Financial Centre
12 52 Hung To Road
13 78 Hung To Road
14 H Zentre
15 Nathan Hill
16 AIA Financial Centre
17 Well Tech Centre
18 Winning Centre
19 Hollywood Plaza
20 Square Mile
21 Cité 33
22 The Sparkle
23 The Zutten
24 KOLOUR • Tsuen Wan I
25 KOLOUR • Tsuen Wan II
26 Skyline Plaza
27 Shatin Plaza
28 Shatin Centre
29 MOSTown
30 MOSTown Street
31 Double Cove
32 MCP Central
33 MCP Discovery
34 La Cité Noble Shopping Arcade
35 KOLOUR • Yuen Long
36 Fanling Centre
37 Flora Plaza
38 Dawning Views Plaza
39 Citygate
40 The Trend Plaza
41 The Sherwood
42 Marina Cove

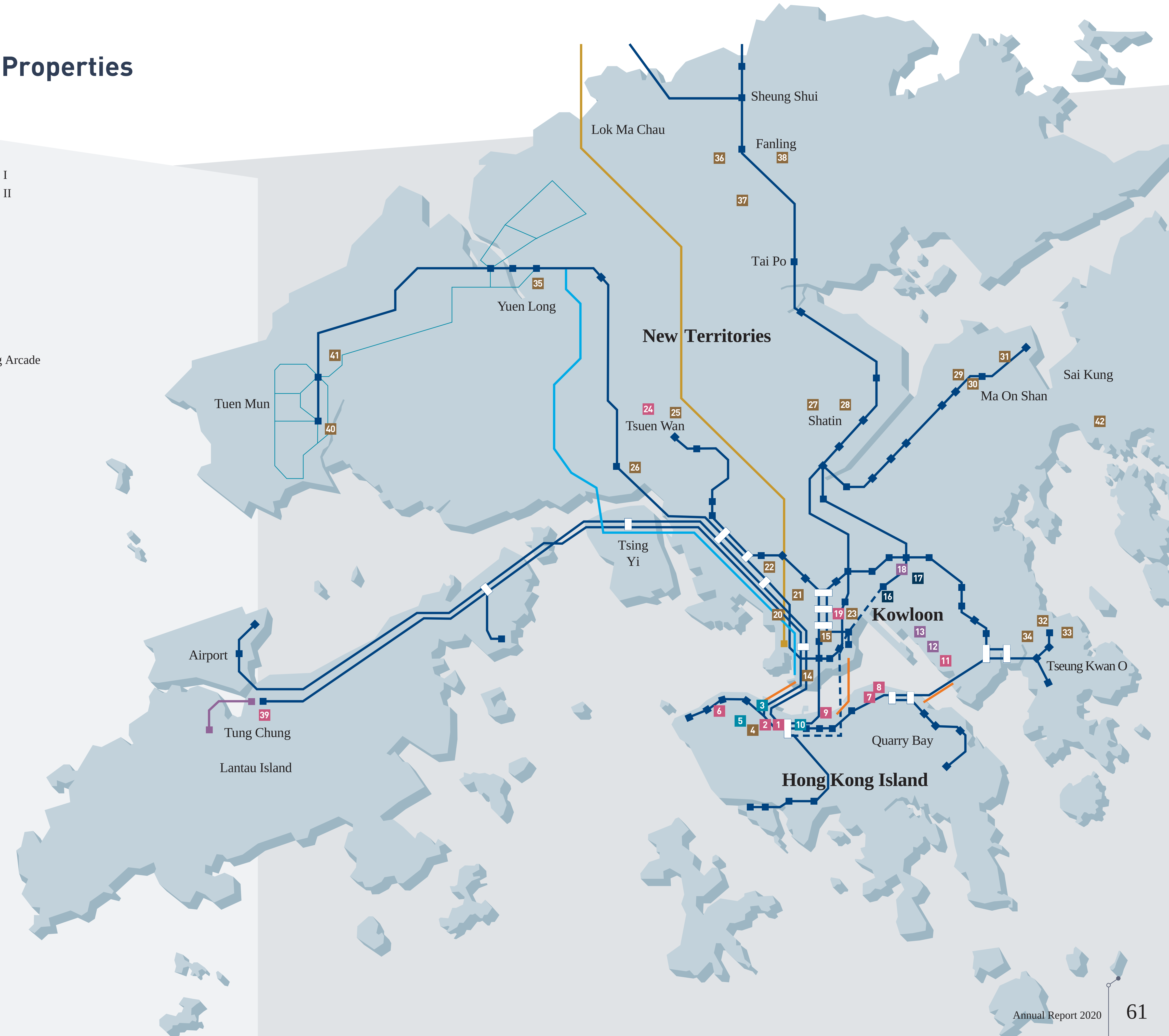
Residential / Hotel Serviced Suites
Commercial
Office
Industrial / Office
Commercial & Office

Existing Line

MTR
Tung Chung Cable Car
Light Rail
Route 3
Cross Harbour Tunnel
Guangzhou – Shenzhen – Hong Kong Express Rail Link

Network Extensions In Progress

Shatin to Central Link



Lumina Guangzhou

GUANGZHOU

With Grade A offices, a prime shopping complex and outdoor venues, Lumina Guangzhou is an exhilarating centre for business and leisure

(artist's impression)

Progress of Major Development Projects

Beijing

Lakeside Mansion (24.5% owned)

Lakeside Mansion, Beijing (artist's impression)

Located in the central villa area of Houshayu town, Shunyi District, "Lakeside Mansion" is adjacent to the Luoma Lake wetland park and various educational and medical institutions. The site of about 700,000 square feet will be developed into low-rise country-yard townhouses and high-rise apartments, complemented by commercial and community facilities. It is scheduled for completion in the second quarter of 2021, providing a total gross floor area of about 1,290,000 square feet for 979 households.

Beijing

Residential project in Chaoyang District (100% owned)

Residential project in Chaoyang District, Beijing (artist's impression)

Located in the villa area of Sunhe, Chaoyang District, this project is adjacent to the Wenyu River wetland park, Sunhe subway station and an array of educational and medical institutions. The site of about 420,000 square feet will be developed into low-density luxury residences. A construction planning permit has been granted and the site will provide a total gross floor area of about 460,000 square feet for 150 households upon scheduled completion in the second quarter of 2023.

Beijing

Residential-cum-commercial project in Chaoyang District (50% owned)

Residential-cum-commercial project in Chaoyang District, Beijing (artist's impression)

Located in the upmarket residential neighbourhood of Sunhe Xiang, Chaoyang District, with Sunhe station of subway line 15 and Jingping Highway in its vicinity, this project is characterised by its combination of transportation convenience and the natural beauty of its surrounding areas. The project is now under planning and a site of about 340,000 square feet will be developed into a low-density residential-cum-commercial development, complemented by community facilities. It is scheduled for completion in the third quarter of 2022 with a total gross floor area of about 510,000 square feet for 152 households.

Changsha

The Landscape (50% owned)

The Landscape, Changsha (artist's impression)

Located in Kaifu District with convenient access, the 5,490,000-square-foot land lot will be built in five phases, offering luxury villas, high-rise apartments and commercial facilities with a total gross floor area of around 9,080,000 square feet for 6,443 households. Construction work for Phase 1 of the development, which boasts a total gross floor area of about 1,080,000 square feet, has already commenced and the first batch comprising a total gross floor area of about 760,000 square feet was completed and delivered during the year under review. The high-rise residences of Phase 2, which provide a total gross floor area of about 2,070,000 square feet, were also completed and delivered. The high-rise residences of Phases 3-5 are all under construction and they will in aggregate provide gross floor area of about 3,990,000 square feet. The prestigious Changsha Lushan Gaoling Experimental School is also being built, with its scheduled completion in 2021.

Chengdu

Chengdu ICC (30% owned)

Chengdu ICC, Chengdu (artist's impression)

Chengdu ICC enjoys a convenient location in Jinjiang District, sitting atop an interchange station of two subway lines and within a ten-minute drive to the Chengdu East Rail Station. This mega project consists of nearly 8 million square feet of quality residences, 4 million square feet of office space, close to 2 million square feet of retail space and a five-star hotel. The twin residential towers of Phase 2B, which offer some 1,100 units with a total gross floor area of about 1 million square feet, were completed during the year under review. Construction work for the upcoming phases is progressing as planned. Phase 3 of the development will house a 1,200,000-square-foot shopping mall, while Phase 4 will comprise two office towers with a total gross floor area of about 2.3 million square feet. The mall is scheduled for completion in the first half of 2021 and is poised to open in early 2022.

Chengdu

Residential project in Xindu District (50% owned)

Residential project in Xindu District, Chengdu (artist's impression)

Located at the core area of Xindu District, this project is surrounded by a vibrant neighbourhood with various amenities and shopping arcades. The 1,040,000-square-foot land lot will be built in two phases as a high-end residential development with a total gross floor area of about 2,600,000 square feet, accommodating more than 1,600 households and complemented by a deluxe residents' clubhouse. The project is under construction and its Phase 1 is slated for completion in the third quarter of 2022, providing a total gross floor area of about 1,140,000 square feet.

Chengdu

Residential project in Jianyang New Industrial Development Zone (50% owned)

Residential project in Jianyang New Industrial Development Zone, Chengdu (artist's impression)

This project is located in Jianyang New Industrial Development Zone, with the new Chengdu Airport in its proximity. Two land lots with a total site area of approximately 340,000 square feet will be developed in two phases into a residential community for about 846 households. The project is under construction and development of Phase 1 is planned for completion in the second quarter of 2022, providing a total gross floor area of about 320,000 square feet. The remaining Phase 2 is planned for completion in the third quarter of 2022, providing a total gross floor area of about 520,000 square feet.

Guangzhou

Lumina Guangzhou (100% owned)

Lumina Guangzhou, Guangzhou

"Lumina Guangzhou" is located in Yuexiu District of Guangzhou, on the banks of the Pearl River with a direct connection to two subway lines. During the year under review, the twin Grade-A office towers of Phase 1 were completed with a total gross floor area of about 970,000 square feet. Many leading institutions and corporations were attracted as their tenants. 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, which is scheduled for completion in the second quarter of 2021.

Guangzhou

Central Manor (18% owned)

Central Manor, Guangzhou (artist's impression)

With Shijing River and the impending Shitan subway station in its proximity, a residential land lot in Baiyun District will be developed in two phases into high-rise residences. Development of Phase 1 was completed during the year under review. The remaining Phase 2 is scheduled for completion in 2021, providing a total gross floor area of about 850,000 square feet.

Guangzhou

Runyue Huayuan (10% owned)

Runyue Huayuan, Guangzhou (artist's impression)

Located in Sanlian village, Zengcheng District, with Guangshan highway and Zhonggang station of the planned subway line 21 in its vicinity, a land lot of 920,000 square feet will be developed in phases into high-rise apartments, complemented by commercial and community facilities. The project is now under construction and Phase 1 will provide a total gross floor area of around 1,000,000 square feet upon its scheduled completion in 2021. The remaining phases are scheduled for completion in 2022, providing a total gross floor area of about 1,750,000 square feet.

Guangzhou

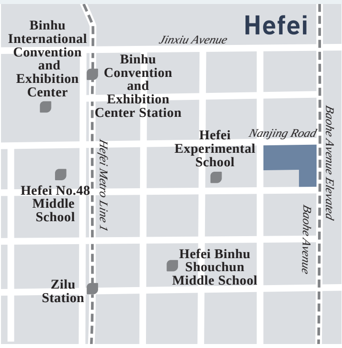
Residential-cum-commercial project in Panyu District (50% owned)

Residential-cum-commercial project in Panyu District, Guangzhou (artist's impression)

Located in Panyu District, this project commands breathtaking views of the Pearl River, with Guangzhou Higher Education Mega Centre on its opposite shore. A residential-cum-commercial land lot with a site area of about 1,090,000 square feet will be developed into high-rise apartments, complemented by commercial and community facilities. Construction works already commenced and it is scheduled for phased completion during the period from 2023 to 2026, providing a total gross floor area of about 3,280,000 square feet.

Hefei

Xuheng Huayuan (50% owned)

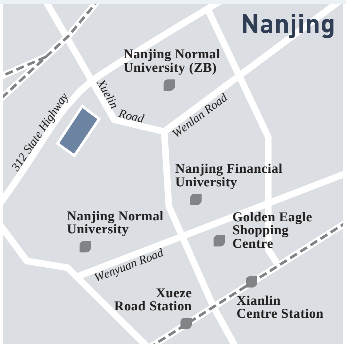


Xuheng Huayuan, Hefei (artist's impression)

At the junction of Binhu New District and the administration zone of the municipal government, this 540,000-square-foot land lot will be built as a composite development with a total residential gross floor area of over 1,340,000 square feet for more than 800 households, complemented by commercial facilities. The project is under construction and it is planned for a single-phased completion in the fourth quarter of 2021.

Nanjing

Emerald Valley (100% owned*)



Emerald Valley, Nanjing (artist's impression)

Located in Xianlin New District, Emerald Valley will be completed in three phases. Phases 1 and 2 have been completed, providing an aggregate gross floor area of about 1,100,000 square feet. The remaining Phase 3, which comprises the residential, commercial and supporting facilities with an aggregate gross floor area of about 340,000 square feet against the total site area of about 240,000 square feet, is under construction. It is planned for completion in the first quarter of 2021.

*(*CIFI, which is participating in the development of Phase 3, shares 50% of the costs and economic interests.)*

Shanghai

Lumina Shanghai (100% owned)

Lumina Shanghai, Shanghai (artist's impression)

"Lumina Shanghai" in the Xuhui Riverside Development Area 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 with connection to Longyao Road subway station. Numerous renowned companies have already committed to become tenants. 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. Phase 2, which consists of four office towers, five commercial towers and a multi-functional event venue, will provide an additional office and retail space of about 1,000,000 square feet upon its scheduled completion in the second half of 2021.

Shanghai

Project at Pudong New District (51% owned)

Project at Pudong New District, Shanghai (artist's impression)

Located at Lujiazui's core financial hub with Pudong Avenue station of subway line 4 in the vicinity, this 330,000-square-foot land lot in Pudong New District will be developed into a composite development comprising office space and a commercial podium. The project is now under planning. Construction is scheduled to commence in 2021 and upon planned completion in 2024, it will provide a total developable gross floor area of over 830,000 square feet.

Shenzhen

Nanshan Project (50% owned)

Nanshan Project, Shenzhen (artist's impression)

Located in Nanyou section of Nanshan District, with the subway stations of Nanyou West and Nanyou in its proximity, a 70,000-square-foot land lot will be developed into an integrated complex with industrial R&D office space, dormitory, and commercial facilities. Construction works already commenced and it is planned for completion in 2024, providing a total gross floor area of about 420,000 square feet.

Suzhou

Riverside Park (100% owned*)

Riverside Park, Suzhou

Riverside Park is a community development project in Xiangcheng District. The entire residential community, which was developed in six phases, has been completed. There is also an adjoining integrated commercial project. Phase 1, which boasts a total gross floor area of about 990,000 square feet, has been completed and delivered. Phase 2 of the development is under construction and will provide a total gross floor area of about 1,100,000 square feet upon scheduled completion in 2023.

*(*CIFI, which is participating in the development of Phase 5 (Block Nos. 24 and 30) and Phase 6 of its residential community as well as the integrated commercial project, shares 30% of the costs and economic interests.)*

Suzhou

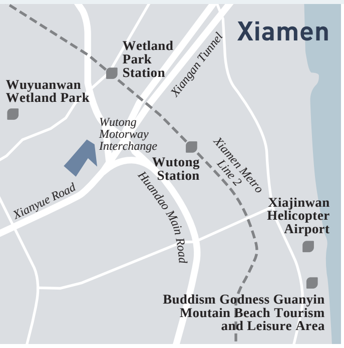
Residential project in Wujiang Development Zone (50% owned)

Residential project in Wujiang Development Zone, Suzhou (artist's impression)

Located in Wujiang Development Zone, a 980,000-square-foot land lot will be developed in two phases into a residential community for about 1,700 households. The project is under construction and Phase 1 of the development is planned for completion in the second quarter of 2022, providing a total gross floor area of about 900,000 square feet. The remaining Phase 2 is planned for completion in the third quarter of 2022, providing a total gross floor area of about 860,000 square feet.

Xiamen

Residential project in Huli District (50% owned)



Residential project in Huli District, Xiamen (artist's impression)

Located at Wuyuanwan, Huli District, this project is close to the business hub with an array of educational and medical institutions in its vicinity. The site of about 200,000 square feet will be developed into a high-end residential development, offering 348 units with a total residential gross floor area of about 650,000 square feet. The project, which is now under construction, is planned for sales launch in the second quarter of 2021.

Xian

La Botanica (50% owned)

La Botanica, Xian (artist's impression)

La Botanica is located within the scenic Chan Ba Ecological District with a subway line connecting it to the city centre. This community development will have a total gross floor area of about 32,850,000 square feet, providing homes for over 28,000 households upon full completion. A total gross floor area of about 20,000,000 square feet has already been completed and delivered to buyers. Phases 3R4 and 2R3, with total gross floor areas of about 1,470,000 and 840,000 square feet respectively, are both expected to be completed in the second quarter of 2021. They will be delivered to buyers in 2021. Construction works for C1/C2/C3/C4 sections of Phase 1R1 have already commenced and they will provide a total gross floor area of about 3,730,000 square feet upon scheduled completion in 2022. Construction works for Phase 3R5 also commenced in the second quarter of 2020 and it is planned for completion in 2023, providing a total gross floor area of about 1,300,000 square feet.

Xuzhou

Grand Paradise (100% owned)

Grand Paradise, Xuzhou

Catering to mid to high-end home buyers, Grand Paradise benefits from the scenic natural landscape of Dalong Lake, convenient transportation and a comprehensive range of facilities. Premium residences with a total gross floor area of about 4,500,000 square feet have already been handed over to buyers. The project also boasts a commercial area of over 600,000 square feet, of which about 570,000 square feet is slated for completion in the fourth quarter of 2021.

Yixing

Grand Lakeview (100% owned*)

Grand Lakeview, Yixing

Set amongst lush, tranquil surroundings in Dongjiu District, Grand Lakeview is just a five-minute drive away from the city centre. This lakefront development offers luxury living in a mix of semi-detached and duplex houses, multi-storey and low-rise apartments, providing an aggregate gross floor area of about 9,000,000 square feet for over 6,800 households. The entire Site B1, as well as Phases 1 and 2A at Site F, have been completed providing a total residential-cum-commercial area of about 7,100,000 square feet. The remaining Phase 3 at Site F is scheduled for completion in the third quarter of 2021, whilst Phase 2B is scheduled for completion in the fourth quarter of 2021. In aggregate, they will provide a residential-cum-commercial area of about 1,600,000 square feet.

*(*CIFI, which is participating in the development of Phases 2A, 2B and 3 at Site F and Phases 2 and 3 at Site B1, shares 50% of the associated costs and economic interests.)*

Major Completed Investment Properties

Name	Location	Lease expiry	Group's interest (%)	Attributable gross floor area (sq. ft.) Commercial	Office	Total	Attributable no. of carpark
Beijing							
World Financial Centre	No. 1 East Third Ring Middle Road, Chaoyang District	2044	100.00	212,644	1,999,947	**2,212,591**	1,163
Shanghai							
Henderson Metropolitan	No. 300 Nanjing Road East, Huangpu District	2053	100.00	406,618	427,980	**834,598**	272
Henderson 688	No. 688 Nanjing Road West, Jingan District	2044	100.00	49,807	660,829	**710,636**	404
2 Grand Gateway	No. 3 Hong Qiao Road, Xuhui District	2043	100.00	–	687,981	**687,981**	–
Skycity	No. 547 Tian Mu Road West, Jingan District	2042	100.00	293,448	143,401	**436,849**	272
Centro	No. 568 Heng Feng Road, Jingan District	2042	100.00	65,467	368,658	**434,125**	186
Greentech Tower	No. 436 Heng Feng Road, Jingan District	2042	100.00	52,922	355,882	**408,804**	163
Hengxu Hui	No. 1-36, Lane 458, Madang Road, Huangpu District	2054	50.00	53,020	128,177	**181,197**	82
Guangzhou							
Lumina Guangzhou	No. 13 Qiaoguangxi Road and No. 181 Yanjiangxi Road, Yuexiu District	2033	100.00	–	972,946	**972,946**	–
Heng Bao Plaza	No. 133 Bao Hua Road, Liwan District	2040	100.00	609,550	–	**609,550**	326
Chengdu							
Chengdu ICC Shopping Mall (Phase 1)	No. 577 Dongda Road, Jinjiang District	2048	30.00	119,516	–	**119,516**	190
Xian							
La Botanica	No. 299, Northern Section of East Chenhe Road, Chanba Biological Zone	2078	50.00	302,264	–	**302,264**	478
			Total:	**2,165,256**	**5,745,801**	**7,911,057**	**3,536**

Business Model and Strategic Direction

Business Model

Henderson Land has established a diversified business model which comprises “three pillars” namely, property investment, strategic investments and property development in both Hong Kong and mainland China. The property investment business and strategic investments provide a reliable and growing income source to the Group, while the property development business is a dynamic profit driver.

The Group’s property development business in Hong Kong is vertically integrated, enabling the design, development, construction, sales and management of development projects to be executed in an efficient manner. In addition to actively participating in public tenders, the Group also applies a cost effective approach of land banking by acquiring old buildings for redevelopment in the urban areas and converting the land-use of New Territories land in order to obtain development land sites at a reasonable cost. For mainland China projects, the Group continues to co-operate with mainland property developers in jointly developing large-scale residential sites in the first-tier cities as well as the second-tier cities with high growth potential, which are characterised by a preponderance of middle class residents, whilst also expanding its premier portfolio of commercial investment properties in the first-tier cities.

In Hong Kong, the Group’s substantial and diverse property investment portfolio mainly comprises offices and shopping arcades in core areas, as well as a number of large-scale shopping malls located in strategic locations above or adjacent to MTR stations. In mainland China, the Group owns exceptionally well designed and quality large-scale commercial complexes situated in prime locations for rental purposes.

As regards strategic investments, the Group is the largest shareholder of three listed companies, namely, The Hong Kong and China Gas Company Limited (“HKCG”), Miramar Hotel and Investment Company, Limited (“Miramar”) and Hong Kong Ferry (Holdings) Company Limited (“HKF”). HKCG is engaged in the production and distribution of gas in Hong Kong and mainland China. Miramar is engaged in property investment, hotel operation and food and beverage operations. HKF is engaged in property development and investment. HKCG, being a public utility company, provides a very substantial income to the Group.

Strategic Direction

The Group is dedicated to maximising value for shareholders over the long term by executing the following strategies:

Building for a sustainable future with low land costs

The Group actively participates in public tenders. In addition, the Group also replenishes its land bank by acquiring old tenement buildings for redevelopment and applying for land-use conversion for its portfolio of New Territories land. Such dual approach to land banking has proven to be a reliable source of land supply with a reasonable acquisition cost, which is beneficial to the Group’s development returns in the long term.

As a sustainable property developer, the Group is highly proactive in its commitment to environmental stewardship during the process of its development activities, and carefully anticipates the needs and concerns of society.

Locating prime sites for property investment with a stable income stream

The Group's property investment portfolio is well diversified with commercial properties situated in prime locations, generating a recurring and steady income stream. Furthermore, the department store business operated by the Group's listed subsidiary – Henderson Investment Limited, mainly at the Group's properties, serve to maximise the value and occupancy rate of the Group's investment properties.

Expanding the mainland China market

Property development and property investment in mainland China provide the Group with a focus for long-term growth. The Group will continue to look for development projects in the first-tier cities, as well as those second-tier cities with high growth potential, so as to expand its land bank. Co-operation with local property developers will be enhanced so as to push forward the property development business. In addition, in the central locations of major cities, the Group will actively seek to acquire prime sites for commercial/office developments for long-term investment holding. The Group will concentrate on the development of Grade-A office buildings with retail malls comprising a smaller percentage of the overall rental portfolio.

Holding of strategic investment for constant return

The investments in the three listed associates, HKCG, Miramar and HKF, provide stable and constant returns for the Group. The distinctive business nature of HKCG, in particular, is a supplement to the Group's core businesses of property development and property investment and allows Henderson Land to smooth out the cyclicality of the Group's property development business.

Conservative financial strategy

The Group employs a conservative funding and treasury strategy. It consistently keeps a low to moderate financial gearing ratio with abundant unutilised committed banking facilities in place that are of medium term in tenor. The Group maintains an excellent ongoing relationship with the major commercial banks while endeavouring to diversify its funding sources through debt issuance in different financial markets.

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		*Increase/*	**Year ended 31 December**		*Increase/*
	2020	2019	*(Decrease)*	**2020**	2019	*(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/*
	2020	2019	*(Decrease)*
	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			
	2020	2019	*Increase/(Decrease)*	
	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 during the year.

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 HK$ million	2019 HK$ million	Increase/(Decrease) 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 HK$ million	2019 HK$ million	Decrease 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") 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 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) 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'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 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 HK$ million	2019 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 China Aoyuan Group Limited has 50% equity interest respectively, successfully bidded a land site for residential-cum-commercial 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, 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.

Five Year Financial Summary

		Year ended 31 December				
		2016	2017 (restated)	2018	2019	2020
	Note	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Profit for the year	*1*	21,916	30,809^	31,157	16,994	**10,192**
Underlying Profit for the year	*1&2*	14,169	19,516^	19,765	14,640	**14,899**
		HK$	HK$	HK$	HK$	HK$
Earnings per share	*1*	4.53	6.36^	6.44	3.51	**2.11**
Underlying earnings per share	*1&2*	2.93	4.03^	4.08	3.02	**3.08**
Dividends per share	*1*	1.55	1.71	1.80	1.80	**1.80**

		At 31 December				
		2016 (restated)	2017 (restated)	2018	2019	2020
	Note	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Investment properties		131,860^	173,494^	176,717	182,963	**186,593**
Other property, plant and equipment		1,419	350	370	389	**400**
Interest in associates		53,933^	59,491^	62,059	63,171	**64,838**
Interest in joint ventures		38,728	44,865	53,011	65,230	**70,043**
Inventories		78,476^	74,219^	97,177	100,495	**101,059**
Net debt	*3*	33,434	55,631	70,123	81,655	**88,138**
Net asset value	*1*	262,607^	292,574^	313,153	320,851	**327,607**
Net debt to net asset value		12.7%	19.0%	22.4%	25.5%	**26.9%**
		HK$	HK$	HK$	HK$	HK$
Net asset value per share	*1*	54.25^	60.44^	64.69	66.28	**67.67**

^ *Restated as a result of the adoption of Hong Kong Financial Reporting Standard 15 "Revenue from contracts with customers" during the year ended 31 December 2018.*

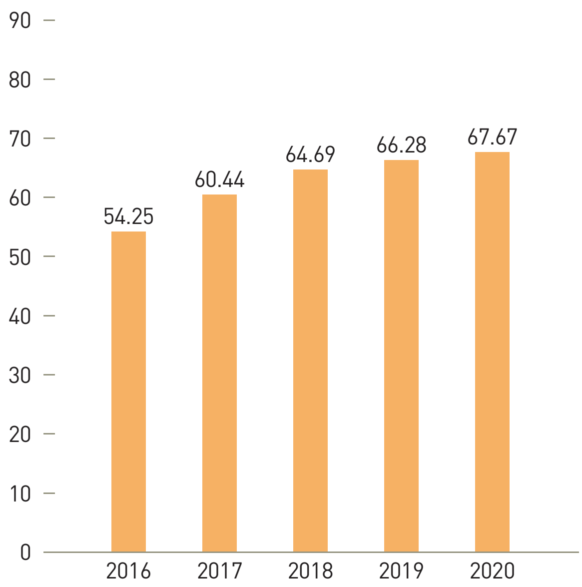
Notes:

1 *The profits, earnings, dividends and net asset values shown or referred to above were all attributable to equity shareholders of the Company.*

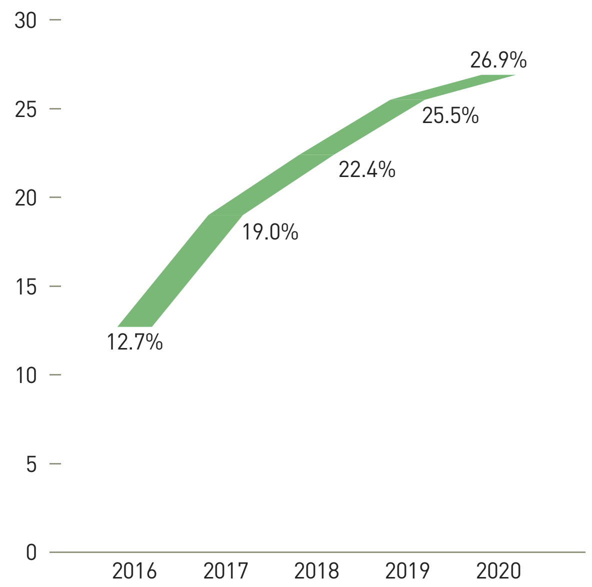
2 *"Underlying Profit" and "Underlying earnings per share" exclude the Group's attributable share of fair value change (net of deferred tax) of the investment properties and investment properties under development held by subsidiaries, associates and joint ventures. In order to fully exclude the aforesaid 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) was added back in arriving at the Underlying Profit.*

3 *Net debt represents the total of bank loans, guaranteed notes, the amount due to a fellow subsidiary and the amount due to a related company minus cash and bank balances.*

Net asset value per share (HK$)

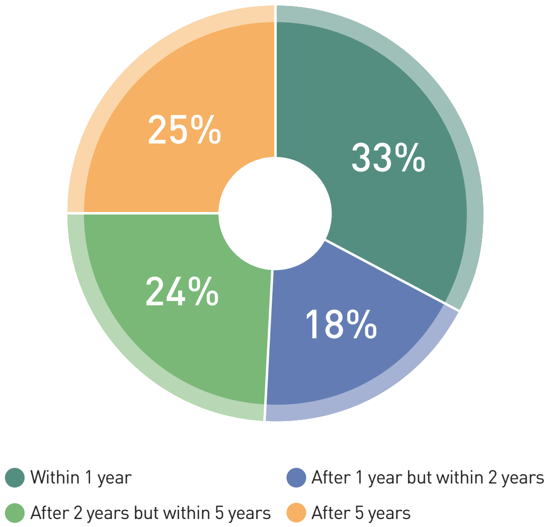


Net debt to net asset value (%)



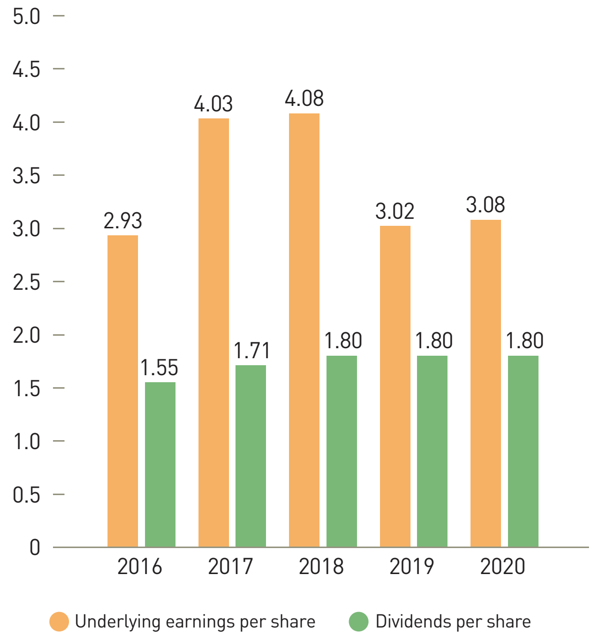
Maturity profile of the Group's bank and other borrowings repayable[note 1]

at 31 December 2020



Note 1: Excluding the amount due to a fellow subsidiary and the amount due to a related company.

Underlying earnings / dividends per share (HK$)



Sustainability

Sustainability

About This Section

The section is an overview of the Sustainability Report 2020 ("the Report") of Henderson Land Development Company Limited ("Henderson Land" or "the Group") which covers the period from 1 January 2020 to 31 December 2020. Our Sustainability Reports are distributed to shareholders and published online on an annual basis.

Reporting boundary

The Report provides descriptions and key statistics of the Group's sustainability performance and progress during the reporting period focusing on our headquarters at Two International Finance Centre and AIA Tower, and our wholly-owned subsidiaries, namely E Man Construction Company Limited[1] ("E Man"), Goodwill Management Limited[2] ("Goodwill"), and Well Born Real Estate Management Limited ("Well Born") and Hang Yick Properties Management Limited ("Hang Yick")[3].

The selected in-scope entities are those whose activities the Group has the most impact and operational control over. We have commenced data collection work to encompass additional parties, with the aim of extending the data coverage of the Report in the near future.

We conducted a stakeholder engagement exercise to identify the material topics included in the Report. For details of our stakeholder engagement exercise, see "Our Materiality Approach".

Reporting standards

The Report has been prepared in accordance with the Global Reporting Initiative ("GRI") Standards: Core option and complies with the provisions of the Environmental, Social and Governance ("ESG") Reporting Guide issued by The Stock Exchange of Hong Kong Limited ("HKEX").

During the reporting period, there were no noncompliance incidents or grievances about environmental protection, employment practices, health and safety, labour standards, human rights, product responsibility and anti-corruption that would have a significant impact on the Group.

Contact information

If you would like a copy of the Report, or wish to provide any comments or suggestions, please contact us at corpcomm@hld.com.

The e-copy of the Report is available at www.hld.com/en/csr/sustainability.shtml.

Note 1: E Man Construction Company Limited ("E Man") is responsible for operating and managing the Group's construction sites.

Note 2: Goodwill Management Limited ("Goodwill") is responsible for managing the Group's commercial properties.

Note 3: Well Born Real Estate Management Limited ("Well Born") and Hang Yick Properties Management Limited ("Hang Yick") are responsible for managing residential and industrial/commercial properties.

OUR SUSTAINABILITY STRATEGY AND HIGHLIGHTS

Henderson Land is committed to embedding sustainability as an integral part of our business. The Group strongly believes that the consideration of ESG factors in our decision-making process helps to enhance the sustainability of our business and drives business growth.

GREEN FOR PLANET

Building a Green Portfolio:

Reducing our impact on the environment

Focus areas:

Climate Resilience
Adopt smart and climate resilient building designs

Environmental Impact
Reduce the environmental footprint of our operations

Highlights:

- **Cumulatively achieved 41 BEAM Plus, 19 BEAM, 14 LEED, 7 China Green Building Design Label**
- **Murray Road Project achieved altogether 4 Green and Health Building labels at highest rating at local, national and international levels**
- **↓ 8.6% in energy consumption already achieved between 2020 and baseline year 2015, compared to the ↓ 10% target by 2025**
- **Used at least 70% less timber formwork due to 'Timberless Construction'**

INNOVATION FOR FUTURE

Shaping a Smarter Future:

Creating a smart built environment enabled by innovation and technology

Focus areas:

Impactful Innovations
Innovate to better serve our customers

Smart Solutions
Create new ways of living and working

Highlights:

- **Pioneer in incorporating art living in urban redevelopment**
- **First property developer to support social housing and adopt Modular Integrated Construction technology**
- **5G applications introduced to 6 shopping malls and newly completed commercial, office and residential developments**
- **Patented "Solar Responsive Ventilator"**

This vision is reflected in our sustainability strategy, categorised by four primary drivers, linked to the relevant United Nations Sustainable Development Goals (SDGs). Please refer to "Our Sustainability Strategy" sections for more information on each driver.

VALUE FOR PEOPLE

Creating a Caring Culture:

Being a caring employer who looks after our people and our partners

Focus areas:

Our People
Strengthen training and development and health and safety of our people

Our Partners
Promote engagement with our business partners

Highlights:

- **Outperformed the industry with <8 per 1,000 workers accident frequency rate**
- **Employees undertook nearly 140,000 hours of training**
- **Supported local economy by engaging local suppliers**
- **Developed a Works Management Framework**

ENDEAVOUR FOR COMMUNITY

Establishing a Liveable Community:

Providing a more liveable environment that enhances well-being and quality of life

Focus areas:

Sustainable Community
Enhance the liveability of the community

Community Investment
Increase beneficiary outreach

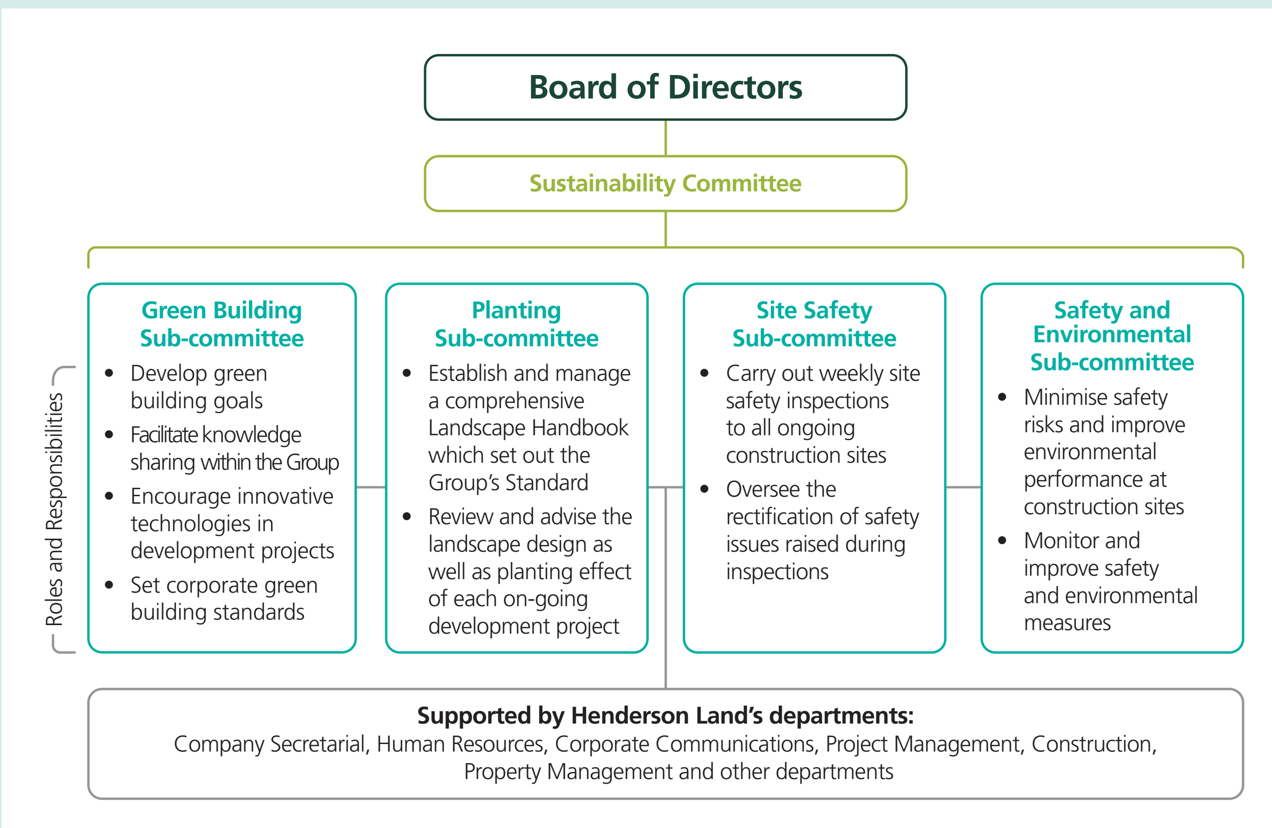
Highlights:

- **Above 98% overall customer satisfaction**
- **Cumulatively achieved 4 WELL project accreditations, 1 China Healthy Building Design Label**
- **Contributed over 100,000 service hours from our volunteer teams**
- **Sponsored the inaugural Food Made Good Hong Kong Awards, to champion sustainability development across food businesses**

Our Enhanced Corporate Governance

The Board is actively engaged in formulating and implementing our sustainability strategy, as well as overseeing our risk management and ensuring our resilience in respect of Environmental, Social and Governance related risks (ESG risks). The Board delegates the responsibility for detailed consideration and implementation of these matters to the Sustainability Committee. The Sustainability Committee (formerly known as the Corporate Social Responsibility Committee) and its sub-committees have been established for many years.

The Sustainability Committee is chaired by our Chairman, Mr Lee Ka Shing, Martin and comprises several directors and department heads. This Committee's primary role is to manage Henderson Land's overall approach to sustainability, including overseeing the identification of material ESG issues, developing the Group's Sustainability Strategy and policies, and regularly evaluating the Group's sustainability performance. The Sustainability Committee reports relevant issues to the Board on a regular basis.



The Board has approved the following key policies and procedures that articulate and define important principles and values of the Group:

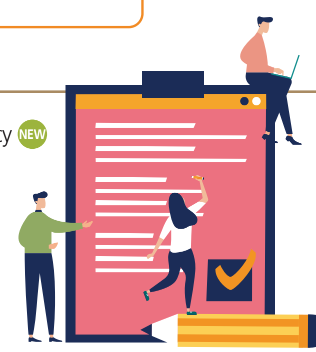
Environmental

- Corporate Social Responsibility Policy
- Environmental Policy (including Waste and Water topics) NEW
- Climate Change Policy NEW

Social

- Anti-corruption and Bribery Policy NEW
- Anti-discrimination Policy NEW
- Business Ethics and Code of Business Conduct Policy NEW
- Customer Services Code of Conduct Policy NEW
- Employee and Remuneration Policy NEW
- Equal Employment Opportunity Policy NEW
- Health and Safety Policy NEW

Governance



- Anti-Money Laundering and Counter-Terrorist Financing Policy NEW
- Board Diversity Policy
- Dividend Policy
- Inside Information Policy
- Nomination Policy
- Risk Management Policy
- Shareholders Communication Policy

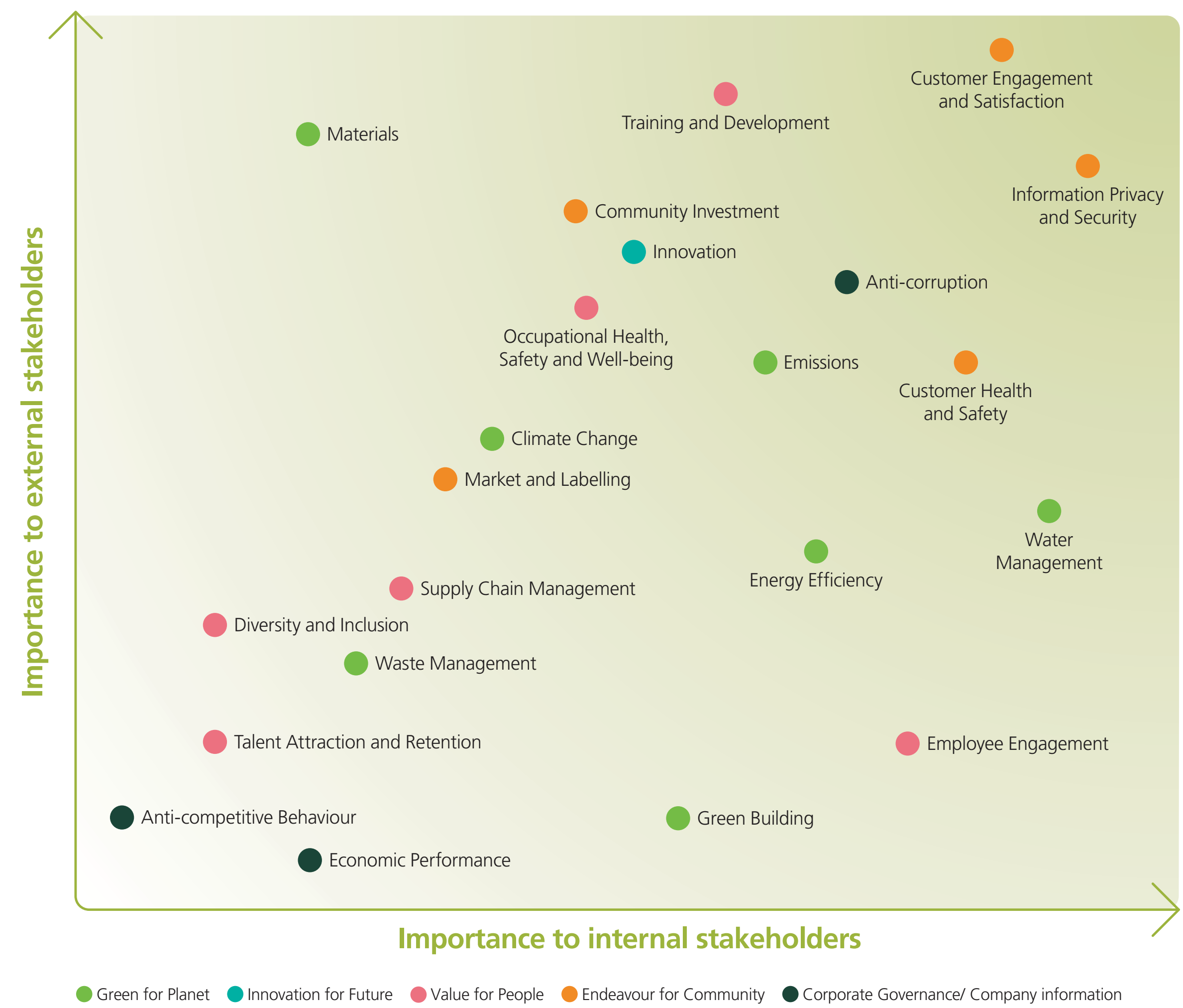
Risk management

The Board regularly reviews and discusses material operational risks, while each department is responsible for identifying its own risks and designing, implementing and monitoring relevant risk management and internal control systems.

ESG risks are also monitored regularly to ensure they are considered in the Group's business decision making. New policies have been established to strengthen our governance of ESG risks including, but not limited to, bribery and corruption, business ethics and climate change.

Our Materiality Approach

We believe it is important to understand our stakeholders' priorities and expectations regarding the Group's sustainability performance. Our materiality is driven by internal and external viewpoints on how each sustainability topic impacts our business and our stakeholders. We set out a materiality matrix based on a total of 22 sustainability topics. The materiality matrix shows the importance of each topic to our internal and external stakeholders.



Customer Engagement and Satisfaction, Information Privacy and Security, as well as Training and Development were ranked the top three material topics, in line with our Group's development.

More information on how we have addressed each material topic can be found in the respective sections of the Sustainability Report.

Green for Planet

The Group aspires to build a green portfolio by reducing our impact on the environment. "Green for Planet" compels our business to support the Sustainable Development Goals (SDG 7 Affordable and Clean Energy, SDG 12 Responsible Consumption and Production and SDG 13 Climate Action) throughout our sphere of influence: to combat climate change whilst ensuring sustainable consumption and production patterns.

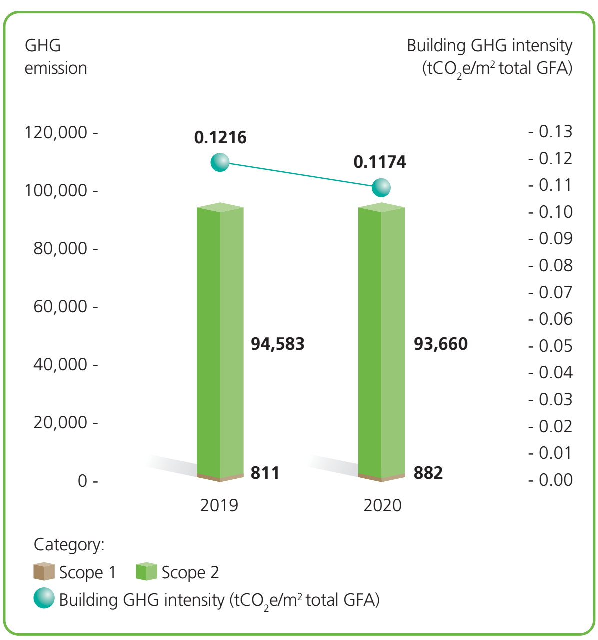
During the year, we continued to adopt innovative designs and incorporated smart building features in our development projects to be climate resilient, achieve energy efficiency, as well as provide and enable our customers with low-carbon and healthy lifestyles.

We monitor our environmental impact from building design, to construction and property management with regards to our material use, waste management, water management, and energy efficiency and emissions reduction.

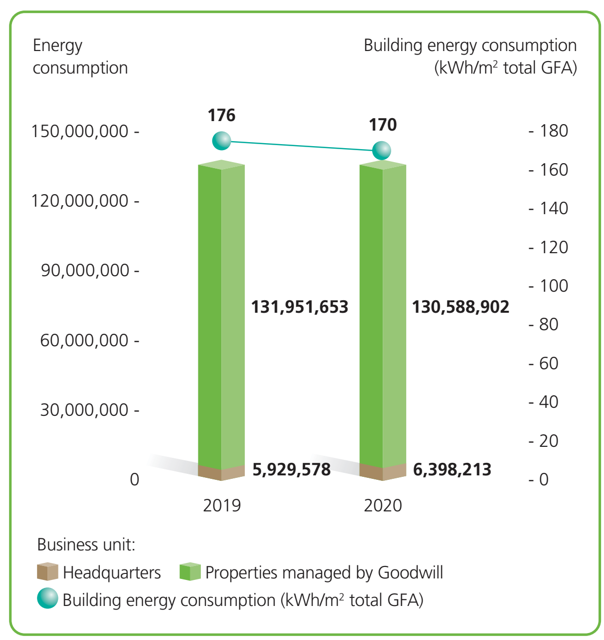
In 2017, the Group set a target of **reducing energy consumption by 10% by 2025** in the common areas of 14 of our commercial properties managed by Goodwill, with 2015 as the baseline. We are in the process of conducting carbon audits for these 14 properties and may consider expanding the scope and ambition of our target.

In 2020, we achieved 8.62% reduction in energy consumption for the said 14 properties, demonstrating satisfactory progress towards the target.

GHG Emissions at our Headquarters and Properties Managed by Goodwill



Energy Consumption at our Headquarters and Properties Managed by Goodwill



Note: In order to provide a like-to-like comparison, energy consumption data visualised in this chart for both 2019 and 2020 is confined to 32 properties managed by Goodwill.

Please refer to the Sustainability Report for more information, particularly on case studies relating to Green for Planet:

- Transforming brownfield truck yard into an ecological paradise
- Timberless Construction

Innovation for Future

We strive to shape a smarter future by creating a smart built environment enabled by innovation and technology. "Innovation for Future" means that our business supports the Sustainable Development Goals (SDG 9 Industry, Innovation and Infrastructure and SDG 11 Sustainable Cities and Communities) throughout our sphere of influence: to foster innovation and contribute to the development of sustainable cities.

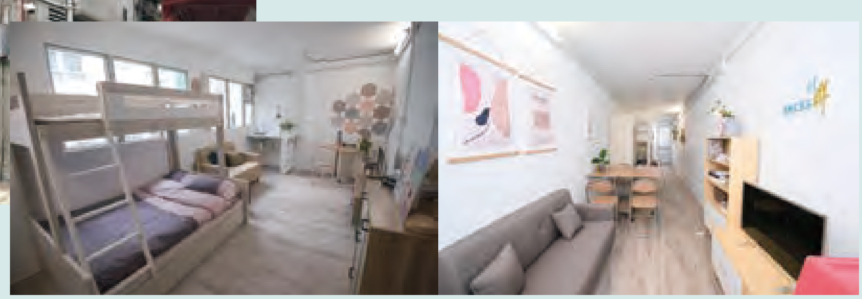
"Innovation for Future" is a key driving force and enabler of our sustainability strategy together with our other drivers "Green for Planet", "Value for People" and "Endeavour for Community". Innovation is embedded in many of our initiatives to better serve our customers and enhance healthy living, through innovating the way we design, construct and redevelop urban areas. Some of our innovation highlights:

INNOVATION

- in our approach to urban redevelopment
- in our approach to supporting local communities
- in our approach to designing buildings
- in smart solutions and new financing approaches
- in our approach to construction
- in our approach to working with business partners

H Zentre, Tsim Sha Tsui, Hong Kong

Transformation of ARTLANE's surrounding environment (before and after comparison)



Transitional housing project – Nam Cheong 220

We have also identified opportunities in the green and sustainable finance area and are exploring these as a financing option for our upcoming projects. We are in discussion with the relevant commercial and corporate banks and green finance accreditation parties to agree on arrangements to finance the upcoming projects.

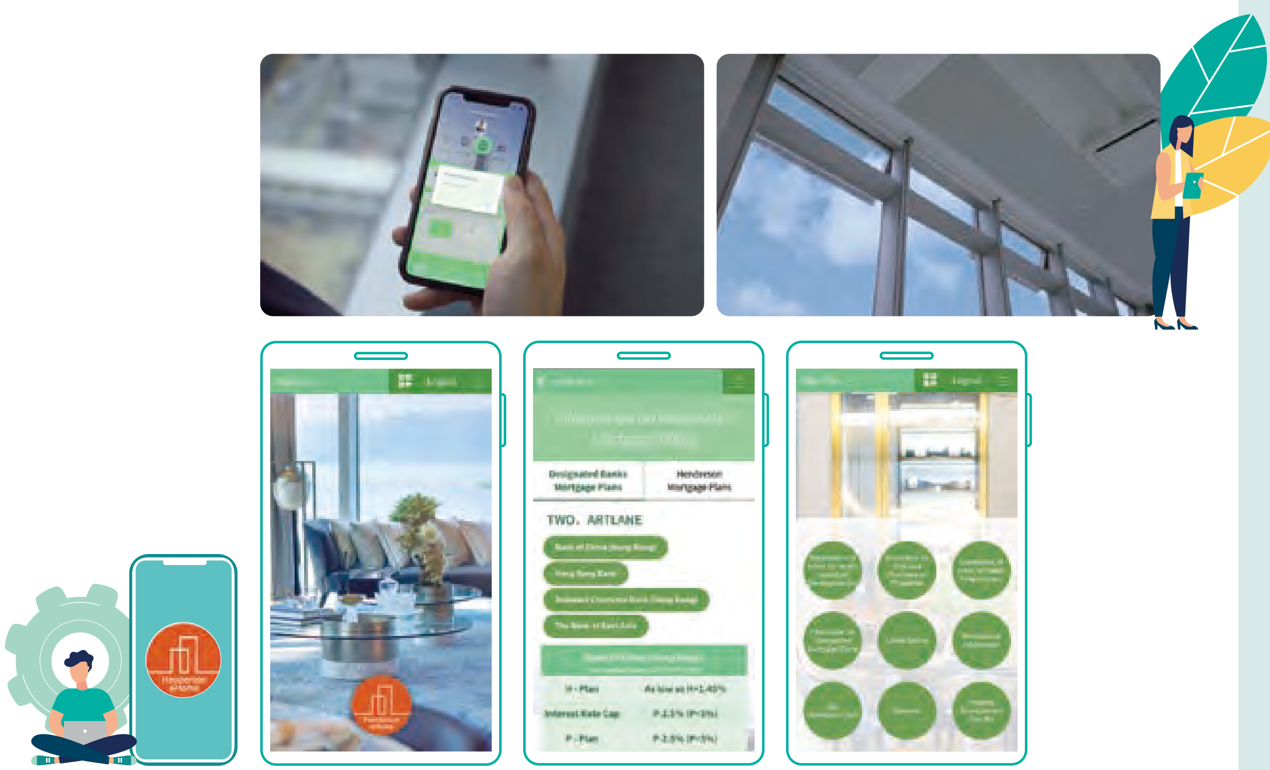
Innovation is embedded in our product and service delivery across the Group's business units including sales, leasing, project management and property management. These all serve the same objective, namely to enhance customer experience through digitalisation and technology. We strive to be a pioneer and to be first in the market to develop and roll out smart real estate solutions. Some examples of our smart solutions include:

Henderson eHOME

Smart Office

H‧COINS

5G-enabled smart shopping malls



Please refer to the Sustainability Report for more information, particularly on case studies relating to Innovation for Future:

- Innovating urban redevelopment through art living
- Smart living at Cetus • Square Mile

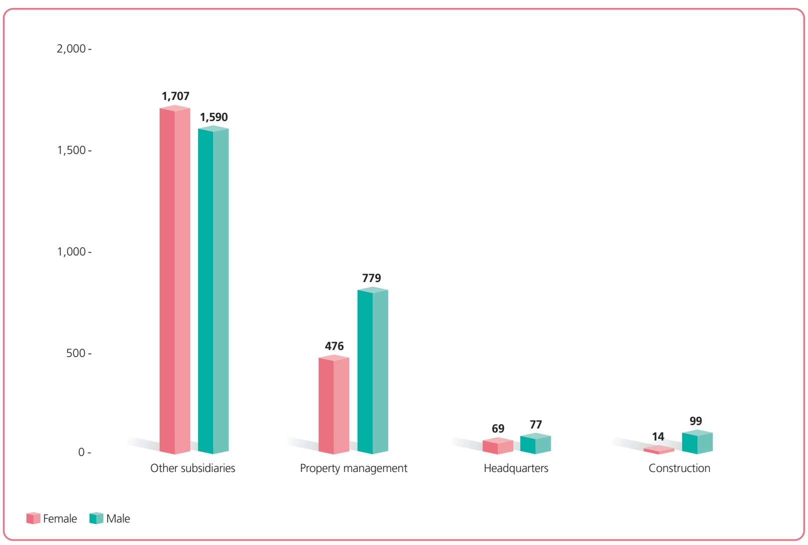
Value for People

We have a caring culture, which is achieved by being a considerate employer who looks after our people and our partners. "Value for People" demonstrates our support of the Sustainable Development Goals (SDG 3 Good Health and Well-being and SDG 8 Decent Work and Economic Growth) throughout our sphere of influence: to promote health and well-being, productive employment and decent work for those who work for and with us.

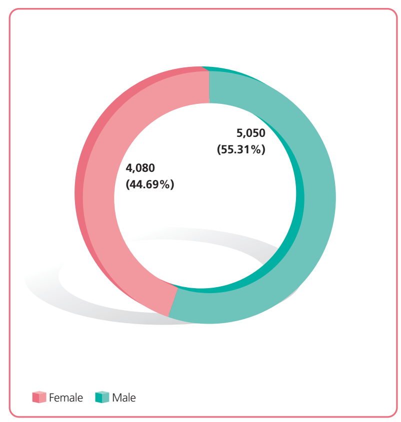
The Group uses multiple channels in our recruitment process in order to employ the best and most suited individuals in our business. In addition to traditional hiring methods, digital recruitment channels such as JobsDB, CTgoodjobs, Recruit, Job Market and CPjobs are used to attract talent. We also use the LinkedIn platform for recruitment purposes, as well as for sharing the Group's news and updates to our audiences.

We aspire to employ a diverse workforce that works together collaboratively and makes collective decisions in an inclusive manner. This year, our number of new hires increased by 40% compared to 2019, of which 47% were female.

New hires in Hong Kong in 2020, by gender



Workforce in 2020, by gender



With regards to occupational health and safety, we have outperformed the industry in respect of the low accident frequency rates at our construction sites for over a decade. We set targets on a yearly basis, raising our ambitions for lower accident frequency rates year-on-year. In 2020, we set an accident frequency rate target of below 8 per 1,000 workers, which is lower than the industry's target of 22 per 1,000 workers set by the Development Bureau. In 2020, we met our target and achieved an accident record rate target of 7.6 per 1,000 workers.

As one of the largest businesses in Hong Kong, the Group's impacts on the economy extend far beyond our operations and into our supply chain. Each year, we create employment opportunities for our suppliers and business partners, such as contractors and subcontractors, to answer the extensive human capital requirements of our business. Through our indirect economic impacts, we join together with our suppliers and business partners in supporting SDG 8 (Decent Work and Economic Growth) and promoting economic growth. In 2020, our supply chain comprised over 3,400 suppliers, representing over HK$5.5 billion of expenditure.

The historic accident frequency rate of Henderson Land compared to the industry

Note: 2020 accident frequency rate of the Hong Kong industry is not published by the Development Bureau yet.

Please refer to the Sustainability Report for more information, particularly on case study relating to Value for People:

- Collaborating with our business partners

Endeavour for Community

We aspire to establish a living community by providing a more liveable environment that enhances well-being and quality of life. “Endeavour for Community” means our business supports the Sustainable Development Goals (SDG 8 Decent Work and Economic Growth and SDG 11 Sustainable Cities and Communities) throughout our sphere of influence: to promote sustainable and inclusive economic growth for the communities we work in and work with.

The Group’s commercial activities are not solely profit-oriented. When planning any development project, we take into consideration the history and culture of the local community and we engage with local residents to understand their needs. We even go the extra mile to invest in infrastructure and amenities that will benefit the neighbourhood.

Our redevelopment projects in urban areas offer quality living for the community. New developments spur new jobs, improve social and environmental conditions as well as enhance sustainable lifestyles for the local community.

We strive to build trusted, long-term relationships with our customers through the provision of high-quality products and services. We actively engage with different types of customers, including homeowners, office tenants, shoppers and retailers. In 2020, our property management subsidiaries, Goodwill, Well Born and Hang Yick, conducted customer satisfaction surveys regarding aspects such as service quality, safety and communications.

We continue to evaluate current social needs and contribute to society's development and well-being through our community investment programmes. We work with trusted NGO partners to support programmes in the four priority areas of poverty relief, environmental stewardship, arts and culture, and youth development. In order to continuously monitor our commitments to our community investment, we are in the process of reviewing and setting quantitative targets with regards to our social impact.

Please refer to the Sustainability Report for more information, particularly on case studies relating to Endeavour for Community:

- Nam Cheong 220 – First-of-its-kind modular social housing in Hong Kong
- Kong Ha Wai – Largest modular social housing in Hong Kong

Our Project Accreditations

Our dedication to sustainability through our building designs is evident in our green building certifications and the awards we have achieved.

The green building certifications achieved by the Group demonstrate our leadership in adopting best practices in the design and construction of buildings that reduce environmental impacts whilst improving environmental quality and user satisfaction. Our cumulative achievements of local, Asia and international green building certifications demonstrate our leadership in this space:

41
BEAM Plus (+4 compared to 2019)

19
BEAM

14
LEED Gold or above certifications (+2 compared to 2019)

7
China Green Building Design Labels (+2 compared to 2019)

We aim to develop buildings that not only reduce environmental impacts but also enhance the health and well-being of their occupants. The cumulative number of healthy buildings certifications achieved demonstrates our leadership in this space:

4
WELL project accreditations

1
China Healthy Building Design Label

Corporate Governance Report

The Board of Directors of the Company (the "Board") is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2020.

1 Commitment to Corporate Governance

The Company acknowledges the importance of good corporate governance practices and procedures and regards a pre-eminent board of directors, sound risk management and internal controls, and accountability to all shareholders as the core elements of its corporate governance principles. The Company endeavours to ensure that its businesses are conducted in accordance with rules and regulations, and applicable codes and standards.

2 Corporate Governance Code

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.

3 Board of Directors

(a) Responsibilities of and Support for Directors

The Board has the responsibility for the management of the Company, which includes formulating business strategies, and directing and supervising the Company's affairs, approving interim reports and annual reports, announcements and press releases of interim and final results, considering dividend policy, approving the issue, allotment or disposal, or grant of options, in respect of securities or debentures of the Company and reviewing the effectiveness of the risk management and internal control systems which include reviewing the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Board makes broad policy decisions and has delegated the responsibility for detailed considerations and implementation of the above matters to the standing committee of the Board (the "Standing Committee").

The day-to-day management, administration and operation of the Company are delegated to the management team. The Board gives clear directions to the management as to their powers of management, and circumstances in which the management should report back.

Every Director ensures that he/she gives sufficient time and attention to the affairs of the Company. Each Director shall disclose to the Company at the time of his/her appointment the directorships held in listed companies or nature of offices held in public organisations and other significant commitment, with the identity of such listed companies or public organisations. The Company has also requested Directors to provide in a timely manner any change on such information. Each Director is also required to disclose to the Company his/her time commitment. The details of the Directors' time commitment are disclosed under the sub-paragraph "Directors' Time Commitment and Trainings" below.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The Directors will be notified of code provision amendment updates in respect of the CG Code so as to be kept abreast of latest code provision requirements and be assisted in fulfilling their responsibilities. The Directors are also provided with monthly updates which contain periodic financials with summaries of key events, outlook and business related matters of the Group. The monthly updates present a balanced and understandable assessment of the Company's performance and position. The Non-executive Directors and Independent Non-executive Directors may take independent professional advice at the Company's expense in carrying out their functions, after making a request to the Board.

(b) Corporate Governance Functions

The Corporate Governance Committee set up in 2012 has undertaken the corporate governance functions as required under the CG Code. Details of the Corporate Governance Committee are shown in paragraph 4(d) headed "Corporate Governance Committee" below.

(c) Board Composition

The Board currently comprises eighteen members, as detailed below:

Executive Directors	Non-executive Directors	Independent Non-executive Directors
Dr Lee Ka Kit *(Chairman and Managing Director)*	Lee Tat Man	Kwong Che Keung, Gordon
Lee Ka Shing *(Chairman and Managing Director)*	Lee Pui Ling, Angelina	Professor Ko Ping Keung
Dr Lam Ko Yin, Colin *(Vice Chairman)*		Wu King Cheong
Dr Lee Shau Kee		Woo Ka Biu, Jackson
Yip Ying Chee, John		Professor Poon Chung Kwong
Fung Lee Woon King		Au Siu Kee, Alexander
Kwok Ping Ho		
Suen Kwok Lam		
Wong Ho Ming, Augustine		
Fung Hau Chung, Andrew *(appointed on 8 June 2020)*		

The changes to the Board and the biographical details of the Directors are set out on page 130 and pages 147 to 152 of this Annual Report respectively. Dr Lee Shau Kee is the father of Dr Lee Ka Kit and Mr Lee Ka Shing, the brother of Mr Lee Tat Man and Madam Fung Lee Woon King. Save as aforesaid, none of the members of the Board is related to one another. A List of Directors and their Role and Function is available on the Company's website.

The Board comprises male and female Directors with diverse backgrounds and/or extensive expertise in the Group's businesses. The Board also has a balanced composition of Executive and Non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

The term of office of all Non-executive Directors (including Independent Non-executive Directors) has been fixed for a specific term of not more than three years. All Directors are subject to retirement by rotation and re-election at the Company's Annual General Meeting ("AGM") in accordance with the Articles of Association of the Company ("Articles").

During the year ended 31 December 2020, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors and at least one-third of its members being Independent Non-executive Directors, with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received confirmation in writing of independence from each of the Independent Non-executive Directors and considers them to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgement. The Board considers that each of the Non-executive Directors and Independent Non-executive Directors brings his/her own relevant expertise to the Board.

(d) Appointment and Re-election of Directors

The Board is empowered under the Articles to appoint any person, as a Director, either to fill a casual vacancy on or to be an additional member of the Board. Only the most suitable candidates who are experienced and competent and able to fulfill the fiduciary duties and exercise reasonable care, skill and diligence would be recommended to the Board for selection. Appointments are first considered by the Nomination Committee in accordance with its terms of reference with due regard to the Company's Nomination Policy and Board Diversity Policy, and recommendations of the Nomination Committee are then put to the Board for decision.

In accordance with the Articles, new appointments to the Board are subject to re-election at the next following AGM. Furthermore, nearest one-third of the Directors, including those appointed for a specific term, shall retire from office by rotation but are eligible for re-election at the AGM and the Board will ensure that every Director is subject to retirement by rotation at least once every three years. Each Director was appointed by a letter of appointment setting out the key terms and conditions of his/her appointment.

The appointment of Independent Non-executive Directors adheres to the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules. Mr Au Siu Kee, Alexander ("Mr Au"), an Independent Non-executive Director, has the following directorships which fall within the independence guideline in Rule 3.13(7) of the Listing Rules:

(i) Mr Au is currently the chairman and a non-executive director of Henderson Sunlight Asset Management Limited ("HSAM"), a subsidiary of the Company and the manager of the publicly-listed Sunlight Real Estate Investment Trust ("Sunlight REIT"). Sunlight REIT is regarded as a core connected person of the Company for the purpose of the Listing Rules. As Mr Au plays a non-executive role in HSAM, and Sunlight REIT is not a subsidiary of the Company, the Company considers that such non-executive role in HSAM has no bearing on Mr Au's independence.

(ii) Mr Au is currently also an independent non-executive director of Henderson Investment Limited, a subsidiary of the Company, and Miramar Hotel and Investment Company, Limited, an associated company of the Company, as well as a non-executive director of Hong Kong Ferry (Holdings) Company Limited, an associated company of the Company. As an independent non-executive director/a non-executive director, Mr Au does not/did not take part in the day-to-day management of and has no/had no executive role in such companies. The Company considers that Mr Au's role in such companies has no impact on his independence as an Independent Non-executive Director of the Company.

(e) Board Meetings

(i) Number of Meetings and Directors' Attendance

The Board meets from time to time and at least four times a year to discuss and exchange ideas on the affairs of the Company. During the year ended 31 December 2020, the Board held four meetings to approve interim/final results announcements and interim/annual reports, to determine the level of dividends, to discuss significant issues and the general operation of the Company and to approve matters and transactions specifically reserved to the Board for its decision. The attendance of the Directors is set out in the table on page 119.

During the year, the Independent Non-executive Directors held a meeting among themselves. In addition, the Chairmen held a meeting with the Independent Non-executive Directors without the presence of other Directors in accordance with the CG Code.

(ii) Practices and Conduct of Meetings

Notices of regular Board meetings are given to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given. Meeting agenda and accompanying Board papers are sent to all Directors in a timely manner and at least three days before the Board/committee meetings.

The Company Secretary of the Company is responsible for taking and keeping minutes of all Board and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final signed version is open for Directors' inspection with copies sent to all Directors for their records.

(f) Conflict of Interest

If a Director has a material interest in a matter to be considered by the Board, a physical meeting or meeting by video conference will be held to discuss the matter instead of seeking Directors' written consent by way of circulation of written resolution. In accordance with the Articles, such Director who is considered to be materially interested in the matter shall abstain from voting and not be counted in the quorum.

(g) Director's and Officer's Liability Insurance

The Company has arranged director's and officer's liability insurance to indemnify the Directors and senior management against any potential liability arising from the Company's business activities which such Directors and senior management may be held liable.

The Company also keeps Directors indemnified against any claims to the fullest extent permitted by the applicable laws and regulations arising out of the Directors' proper discharge of duties except for those attributable to any gross negligence or wilful misconduct.

(h) Directors' Time Commitment and Trainings

Each Director had ensured that he/she had given sufficient time and attention to the affairs of the Company for the year. Directors have disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments, with the identity of the public companies and organisations and an indication of the time involved. Directors are encouraged to participate in professional, public and community organisations. They are also reminded to notify the Company of any change of such information in a timely manner. Other details of Directors, including their directorships held in listed public companies in the past three years, are set out in the biographical details of Directors on pages 147 to 152 of this Annual Report.

During the year, a presentation on 5G development was arranged for the Directors. Legal and regulatory updates are provided from time to time to the Directors for their reading. Directors are also encouraged to attend outside talks and seminars to enrich their knowledge in discharging their duties as a director. On a regular basis, information on seminars organised by professional bodies is provided to the Directors, and the seminar enrolments are handled by the company secretarial department.

According to the training records provided by the Directors to the Company, they participated in continuous professional development in 2020 which comprised attending seminars and talks, and reading legal and regulatory updates and other reference materials. The seminars and talks involved topics on risk management, rule amendments, directors' liabilities and information technologies, etc. During the year, the trainings undertaken by the Directors are summarised as follows:

	Attending Seminars, Talks and Briefings	**Reading Legal and Regulatory Updates and other Reference Materials**
Executive Directors		
Dr Lee Ka Kit *(Chairman and Managing Director)*	✓	✓
Lee Ka Shing *(Chairman and Managing Director)*	✓	✓
Dr Lam Ko Yin, Colin	✓	✓
Dr Lee Shau Kee	✘	✓
Yip Ying Chee, John	✓	✓
Fung Lee Woon King	✓	✓
Kwok Ping Ho	✓	✓
Suen Kwok Lam	✓	✓
Wong Ho Ming, Augustine	✓	✓
Fung Hau Chung, Andrew	✓	✓
Non-executive Directors		
Lee Tat Man	✘	✓
Lee Pui Ling, Angelina	✓	✓
Independent Non-executive Directors		
Kwong Che Keung, Gordon	✓	✓
Professor Ko Ping Keung	✓	✓
Wu King Cheong	✓	✓
Woo Ka Biu, Jackson	✓	✓
Professor Poon Chung Kwong	✓	✓
Au Siu Kee, Alexander	✓	✓

4 Board Committees

The Board has five Board Committees, namely, the Standing Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee, and the Corporate Governance Committee for overseeing particular aspects of the Company's affairs. The Standing Committee of the Board operates as a general management committee with delegated authority from the Board.

The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

(a) Audit Committee

The Audit Committee was established in December 1998 and reports to the Board. The members of the Audit Committee are:

Independent Non-executive Directors

Kwong Che Keung, Gordon *(Chairman)*
Professor Ko Ping Keung
Wu King Cheong
Au Siu Kee, Alexander

Both the Chairman and Mr Au Siu Kee, Alexander have the appropriate professional qualifications as required under the Listing Rules. None of the members of the Audit Committee was a former partner of the Company's existing external auditor within two years immediately prior to the dates of their respective appointments. All members have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of public companies. The Board expects the Committee members to exercise independent judgement in conducting the business of the Committee.

The written terms of reference include the authority and duties of the Audit Committee and amongst its principal duties are the review and supervision of the Company's financial reporting process and risk management and internal control systems. The terms of reference of the Audit Committee are available on the Company's website.

The Audit Committee held three meetings during the year ended 31 December 2020. In addition to reviewing the audited financial statements and final results announcement for the year ended 31 December 2019, the major work performed by the Audit Committee in respect of the year ended 31 December 2020 included reviewing and recommending the re-appointment of external auditor, approving the audit plan, reviewing the unaudited interim report and interim results announcement for the six months ended 30 June 2020, reviewing the work of the Group's audit department and assessing the effectiveness of the Group's systems of risk management and internal control. The Audit Committee also discussed with the management to ensure that the Company is having adequate resources, qualified and experienced staff of the accounting and financial reporting function, training programmes and budget.

(b) Remuneration Committee

The Remuneration Committee which was established in January 2005 comprises:

Executive Directors	Independent Non-executive Directors
Dr Lee Ka Kit	Wu King Cheong *(Chairman)*
Lee Ka Shing	Kwong Che Keung, Gordon
Dr Lam Ko Yin, Colin	Professor Ko Ping Keung
	Au Siu Kee, Alexander

Each member is sufficiently experienced and is appropriately skilled in the issues of determining executive compensations in public companies. The Board expects the committee members to exercise independent judgement in conducting the business of the committee.

The written terms of reference include the specific duties of determining, with delegated responsibility, the remuneration package of the individual Executive Director and senior management and making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management. The terms of reference of the Remuneration Committee are available on the Company's website.

During the year ended 31 December 2020, the Remuneration Committee held two meetings. One meeting was to approve the remuneration package of Mr Fung Hau Chung, Andrew as an Executive Director and the Chief Financial Officer of the Company. The other was to review the salary structure of the employees of the Company and the level of salary increments for 2021 as well as the remuneration of senior management staff and the Directors with reference to the remuneration level of directors of comparable listed companies.

Particulars of the Directors' emoluments disclosed pursuant to the Companies Ordinance (Cap. 622) and Appendix 16 of the Listing Rules are set out in note 8 to the financial statements on pages 216 to 218 while the analysis of the senior management's emoluments by band is set out in note 9 to the financial statements on page 219. The Director's fees are fixed at the rate of HK$150,000 per annum for each Executive Director/Non-executive Director and HK$250,000 per annum for each Independent Non-executive Director. In the event that an Independent Non-executive Director serves on Board committees, he will be paid an additional fee of HK$250,000 per annum for acting as a member of the Audit Committee, and HK$100,000 per annum for acting as a member of each of the Nomination Committee, the Remuneration Committee and the Corporate Governance Committee. The above remuneration remains unchanged until the Company in general meetings otherwise determines. Other emoluments shall from time to time be determined with reference to the Directors' duties and responsibilities.

(c) Nomination Committee

The Nomination Committee which was established in December 2011 comprises:

Executive Directors	Independent Non-executive Directors
Dr Lee Ka Kit	Wu King Cheong *(Chairman)*
Lee Ka Shing	Kwong Che Keung, Gordon
Dr Lam Ko Yin, Colin	Professor Ko Ping Keung
	Au Siu Kee, Alexander

Each member is sufficiently experienced and is appropriately skilled in the issues of nomination of directors to the Board. The Company has provided the Nomination Committee with sufficient resources to perform its duties. The Nomination Committee may seek independent professional advice, at the Company's expense, to perform its responsibilities.

The written terms of reference include the specific duties of reviewing the structure, size and composition of the Board with due regard to the Board Diversity Policy and making recommendation on any proposed changes to the Board to complement the Company's corporate policy. Nominations will be made in accordance with the Nomination Policy and the ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The terms of reference of the Nomination Committee are available on the Company's website.

The Nomination Committee held two meetings during the year ended 31 December 2020. The major work performed by the Nomination Committee during the year included assessing the independence of Independent Non-executive Directors of the Company, approving the nomination of Mr Fung Hau Chung, Andrew ("Mr Fung") to the Board for appointment as an Executive Director of the Company, and making recommendation to the Board on the retiring Directors' eligibility for re-election at the AGM and the extension of the term of office of an Independent Non-executive Director. It also reviewed the size and composition of the Board, the Board Diversity Policy and the Nomination Policy, and considered that the said policies were appropriate and effective.

In arriving at the decision to nominate Mr Fung to the Board for appointment as an Executive Director, the Nomination Committee has considered Mr Fung's sound experience in banking, capital markets and asset management as well as his profound understanding of the Group gained by being the Chief Financial Officer of the Company since August 2017. Having regarded to the relevant factors including the Nomination Policy and the Board Diversity Policy, the Nomination Committee considered that Mr Fung was a suitable candidate.

The Nomination Committee has to follow the principles set out in the Nomination Policy and the Board Diversity Policy adopted by the Board which are more particularly described in the paragraph "Board Policies" below.

(d) Corporate Governance Committee

The Corporate Governance Committee which was established in October 2012 comprises:

Independent Non-executive Directors

Kwong Che Keung, Gordon *(Chairman)*
Professor Poon Chung Kwong
Au Siu Kee, Alexander

Each member is sufficiently experienced and is appropriately skilled in the issues of corporate governance. The Company has provided the Corporate Governance Committee with sufficient resources to perform its duties.

The written terms of reference include the duties of developing and reviewing the Company's policies and practices on corporate governance and monitor such policies and practices on compliance with legal and regulatory requirements. The terms of reference of the Corporate Governance Committee are available on the Company's website.

During the year, the Corporate Governance Committee held a meeting to review the latest amendments to the Listing Rules regarding the environmental, social and governance ("ESG") reporting requirements and the relevant impacts on the Company's policies and practices on ESG governance, formulate the work plan for the 2020 Corporate Governance Report and review the training and continuous professional development of the Directors and senior management.

(e) Attendance Record at Board Meetings, Committee Meetings and AGM

The attendance of the individual Director at the meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Corporate Governance Committee and the AGM during the year ended 31 December 2020 is set out in the following table:

	No. of meetings attended/No. of meetings held					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee	AGM
Executive Directors						
Dr Lee Ka Kit *(Chairman and Managing Director)*	4/4[1]	N/A	2/2	2/2	N/A	1/1
Lee Ka Shing *(Chairman and Managing Director)*	4/4[1]	N/A	2/2	2/2	N/A	1/1
Dr Lam Ko Yin, Colin	4/4	N/A	2/2	2/2	N/A	1/1
Dr Lee Shau Kee	1/4	N/A	N/A	N/A	N/A	0/1
Yip Ying Chee, John	4/4	N/A	N/A	N/A	N/A	1/1
Fung Lee Woon King	4/4[1]	N/A	N/A	N/A	N/A	1/1
Lau Yum Chuen, Eddie	1/1[2]	N/A	N/A	N/A	N/A	1/1
Kwok Ping Ho	4/4	N/A	N/A	N/A	N/A	1/1
Suen Kwok Lam	4/4	N/A	N/A	N/A	N/A	1/1
Wong Ho Ming, Augustine	4/4	N/A	N/A	N/A	N/A	1/1
Fung Hau Chung, Andrew	3/3[3]	N/A	N/A	N/A	N/A	N/A
Non-executive Directors						
Lee Tat Man	0/4	N/A	N/A	N/A	N/A	0/1
Lee Pui Ling, Angelina	4/4	N/A	N/A	N/A	N/A	1/1
Independent Non-executive Directors						
Kwong Che Keung, Gordon	4/4	3/3	2/2	2/2	1/1	1/1
Professor Ko Ping Keung	4/4	3/3	2/2	2/2	N/A	1/1
Wu King Cheong	4/4	3/3	2/2	2/2	N/A	1/1
Woo Ka Biu, Jackson	4/4	N/A	N/A	N/A	N/A	1/1
Professor Poon Chung Kwong	4/4	N/A	N/A	N/A	1/1	1/1
Au Siu Kee, Alexander	4/4	3/3	2/2	2/2	1/1	1/1

Remarks: 1. One board meeting was to consider the continuing connected transactions in which Dr Lee Ka Kit, Mr Lee Ka Shing and Madam Fung Lee Woon King were regarded as having a material interest that they had abstained from voting and not being counted in the quorum.

2. Antecedent to the retirement of Mr Lau Yum Chuen, Eddie as an Executive Director of the Company on 8 June 2020, there was one Board meeting held.

3. Subsequent to the appointment of Mr Fung Hau Chung, Andrew as an Executive Director of the Company on 8 June 2020, there were three Board meetings held.

5 Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2020, which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the statutory requirements and applicable accounting standards.

The statement of the Auditor of the Company about their reporting responsibilities on the financial statements of the Company is set out in the Independent Auditor's Report on pages 158 to 162.

6 Auditor's Remuneration

For the year ended 31 December 2020, the Auditor(s) of the Company and its subsidiaries agreed to receive approximately HK$20 million for audit and audit related services (2019: HK$21 million) as well as approximately HK$6 million for non-audit services (2019: HK$13 million) covering tax services, corporate and advisory services and other reporting services. The remuneration of the Auditor(s) in respect of audit and non-audit services is reviewed by the Audit Committee.

7 Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in the 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.

8 Continuing Connected Transactions

The Independent Non-executive Directors have reviewed and the Auditor of the Company has reported on the continuing connected transactions as disclosed in the Report of the Directors of this Annual Report (the "Continuing Connected Transactions"). The Audit Department of the Company has reviewed the Continuing Connected Transactions together with the relevant internal controls and reported to the Independent Non-executive Directors of the Company that the Continuing Connected Transactions were conducted in accordance with the pricing mechanism under the relevant agreements.

9 Board Policies

The following as required by the Listing Rules or otherwise are the summaries of certain policies adopted by the Company:

(i) Inside Information Policy

The Inside Information Policy contains the guidelines to the directors, officers and all relevant employees (likely possessing the unpublished inside information) of the Group to ensure that the inside information of the Group is to be disseminated to public in equal and timely manner in accordance with the applicable laws and regulations.

(ii) Board Diversity Policy

The Board Diversity Policy provides that selection of candidates during nomination process will be based on a range of diversity perspectives. These perspectives include but not be limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

(iii) Nomination Policy

The Nomination Policy sets out the principles guiding the Nomination Committee to identify and evaluate a candidate for nomination to the Board for appointment or to the shareholders of the Company for election as a Director of the Company. The policy contains a number of factors to which the Nomination Committee has to adhere when considering nominations. These factors include the candidate's skills and experience, diversity perspectives set out in the Board Diversity Policy, the candidate's time commitment and integrity, and the independence criteria under Rule 3.13 of the Listing Rules if the candidate is proposed to be appointed as an Independent Non-executive Director. The policy also lays down the following nomination procedures: the Nomination Committee (a) will take appropriate measures to identify and evaluate a candidate; (b) may consider a candidate recommended or offered for nomination by a shareholder of the Company; and (c) will, on making the recommendation, submit the candidate's personal profile to the Board for consideration.

(iv) Dividend Policy

The Dividend Policy incorporates the guidelines for the Board to determine whether to pay a dividend and the level of such dividend to be paid. In general, it is the policy of the Company to allow its shareholders to participate in the Company's profits whilst retaining adequate reserves for future growth. Normally, the Company pays dividends twice a year, which are the interim dividend and final dividend. The Board may also declare special dividends in addition to such dividends as it considers appropriate. The policy also contains a number of factors for which the Board has to consider in determining the frequency, amount and form of any dividend in any financial year/period. The Board may also consider the issuance of bonus shares on a basis as permitted by the applicable laws and regulations.

(v) Anti-Money Laundering and Counter-Terrorist Financing Policy

The Anti-Money Laundering and Counter-Terrorist Financing Policy is in place to combat money laundering and terrorist financing activities, and formalise such procedures and systems. Compliance of the policy by operational departments is monitored and administered by the Audit Department.

The full text of the above policies are available on the Company's website.

10 Corporate Social Responsibility and Sustainable Development

The Company is a founding constituent member of the Hang Seng Corporate Sustainability Index Series launched in July 2010.

A Corporate Social Responsibility Committee, chaired by Mr Lee Ka Shing with certain Directors and department heads as members, was formed in 2012 to assist the Board in reviewing the policy on corporate social responsibility and overseeing relevant issues including workplace quality, environmental protection, operating practices and community involvement.

During the year, the Corporate Social Responsibility Committee held a meeting to review the Corporate Social Responsibility Policy, Environmental Policy and the sustainability strategy for the sustainability direction and strategy of the Group, and considered that an update to the existing policies was required.

To keep abreast of the recent trend of the environmental, social and governance affairs, the name of Corporate Social Responsibility Committee was changed to Sustainability Committee. In addition, to meet the latest applicable regulatory requirements, the Group had updated the relevant sustainability strategy by revising the Corporate Social Responsibility Policy and Environmental Policy as well as adopting the following new policies:

Anti-Corruption and Bribery Policy
Anti-Discrimination Policy
Business Ethics and Code of Business Conduct Policy
Climate Change Policy
Customers Services Code of Conduct Policy
Employee and Remuneration Policy
Equal Employment Opportunity Policy
Health and Safety Policy

The above policies and sustainability strategy and the terms of reference of the Sustainability Committee have been adopted by the Company and posted on the Company's website.

A standalone Sustainability Report is to be published and posted on the Company's website.

11 Internal Audit, Risk Management and Internal Controls

Internal Audit

The Board is responsible for ensuring sound and effective risk management and internal control systems to safeguard the shareholders' interests and the Company's assets.

The Audit Department of the Company, which reports directly to the Audit Committee and is independent of the Company's daily operations, is responsible for conducting regular audits on the major activities of the Company. Its objective is to ensure that all material controls, including financial, operational and compliance controls and risk management functions are in place and functioning effectively. It is also considered that the resources, staff qualifications and experience and training programmes are adequate.

An email link has been set up in the webpage of the intranet of the Company for employees to express their opinions or concerns about the Group's operations directly to the Vice Chairman. In addition, the Company has provided a separate email link on its website, by which stakeholders can freely provide comments and suggestions on the operations of the Company so that proper actions can be taken to address issues being raised.

Risk Management and Internal Controls

The successful management of risks is essential for the long-term growth and sustainability of the Group's business. The Board is responsible for setting strategies, business objectives and risk appetite as well as ensuring a review of effectiveness of the risk management and internal control systems, and overseeing management in the design, implementation and monitoring of the risk management and internal control systems. Management staff of various departments of the Group have provided confirmations to the Board on the effectiveness of such systems.

Risk management is proactive to ensure that significant risks are:
- identified;
- assessed by considering the impacts and likelihoods of their occurrence; and
- effectively managed by identifying suitable controls and countermeasures, and assessing the cost effectiveness of the mitigating actions proposed.

(i) Approach to Risk Management

The risk management of the Group combines a top-down strategic view with a bottom-up operational process.

The Board, by the top-down approach, has a particular focus on determining the nature and extent of significant risks it is willing to take in achieving the strategic objectives of the Group.

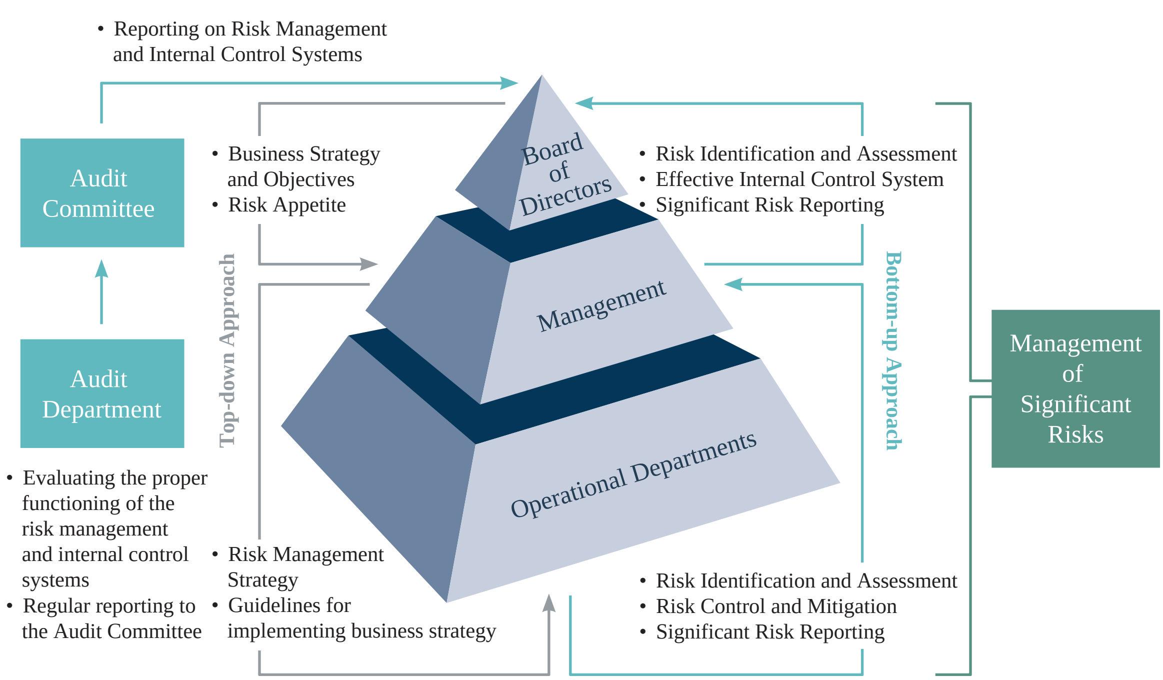
Each department of the Group is responsible for identifying its own risks and designing, implementing and monitoring the relevant risk management and internal control systems. The process involves the maintenance of risk register setting out the particulars of material risks together with the control measures as reported by significant departments of the Group. This bottom-up approach is embedded in the operations of the Group and complements the top-down strategic view by identifying the principal risks and ensuring the significant risks to be considered by the Board in determining the risk appetite.

The terms of reference of the Audit Committee include, among other things, the responsibility of reviewing the risk management and control systems. In addition, a risk management policy has been adopted to serve as a guideline for risk management and internal control systems and such policy is available on the Company's website.

(ii) Risk Management Reporting and Framework

The Audit Department performed audits to evaluate the proper functioning of the risk management and internal control systems for the financial year ended 31 December 2020. It is intended to carry out this evaluation process on an ongoing basis. The Audit Committee, after reviewing and considering the risk management findings submitted by the Audit Department, reported and confirmed to the Board that the risk management and internal control systems are effective and adequate.

The diagram below summarises the complementary top-down and bottom-up aspects of the integrated approach of the Group to risk management.



(iii) Significant Risks and Control/Mitigation

Certain significant risks have been identified through the process of risk identification and assessment. A summary on such significant risks of the Group together with the relevant internal control measures or mitigation in place is listed below:

(a) Regulatory and Compliance Risk

As a listed and a diversified property development and investment, construction and real estate developer company, the Group is exposed to and subject to extensive government policies and regulations of mainland China and Hong Kong. These include the Companies Ordinance, financial and tax legislations, Residential Properties (First-hand Sales) Ordinance, new property control measures by the central and/or local government authorities in the mainland China and construction legislations and regulations, as well as the Listing Rules in Hong Kong.

Any non-compliance with these policies and regulations may cause damage to the Group, delay its project development and affect its ability to deliver its primary objectives.

The Group is committed to complying with the relevant policies, regulations and guidelines applicable to its operations through developing internal guidelines, frequent staff trainings, sufficient time for review process, compliance handling by experienced and professional staff as well as by consultancy with external experts.

(b) Economic Risk

The Group is dependent on the regional economic conditions in which the Group is active. Global economic uncertainty, prospect of interest rates fluctuation, and slowdown of the economic growth in mainland China and Hong Kong resulting from the China-US trade war and coronavirus outbreak (COVID-19) might affect the Group's business.

The Group reviews and optimises its asset portfolio to ensure that it is sufficiently cost effective and efficient. The risk of adverse economic conditions is managed by ensuring proper monitoring of the business performance, and constant assessment of economic conditions and the appropriateness of the prevailing investment and business strategy.

(c) Market Risk

The Group operates in areas that are highly competitive, and failure to compete effectively in terms of price, product quality and specification or levels of service can have an adverse impact on the Group's results. The market demand and supply condition is also one of the significant factors impacting the Group's performance.

The Group manages market risks by keeping track of the property market conditions, strengthening its brand names and product quality, and setting sales strategies commensurate with the market demand.

(d) Financial Risk

An effective and sound financial management system is essential to the Group's operations. The Group may be exposed and impacted by factors such as shortage of fund flow, increase in costs of funding and currency fluctuation.

The Group's finance team is embedded within the Group to provide financial management support by monitoring the financial market conditions and setting an appropriate financial strategy. The Group maintains an open and proactive relationship with the banking community, arranges different terms of loan facilities from different sources with different tenures and ensures continuous assessment of counterparty risks.

(e) *Image/Reputation Risk*

The Group's reputation is one of its most valuable assets, playing a major part in the continued success of the business. The image of the Group may be affected by delayed handover of residential units and quality issues.

The Group is committed to employing, training, developing and retaining a diverse and talented workforce to cope with potential complaints and ensuring proper quality delivery. The Group frequently organises brand name promotion events and maintains good public relations.

(f) *Sales, Leasing, Construction and Property Development Risk*

The Group continues to develop its well-planned property development and construction projects. Various measures have been well established to ensure that the development projects are built with high quality standards, on time and within budget.

Whilst the Group ensures that strong management controls are in place and monitoring systems are enforced, it has occasionally encountered increases in development and selling costs, delays in property development, contractors' incapability and contract disputes. The COVID-19 outbreak might have effect on the Group's overall business operations.

(g) *Cyber Security Risk*

The Group continues to monitor and improve risk management in cyber security and information technology development. The Group manages the risks by employing experienced information technology personnel and/or engaging the services of external cyber security consultants to improve the system controls.

(h) *Outbreak of COVID-19*

The COVID-19 pandemic causes potential risks to staff's health and the society, and it might affect the group's operation and profit.

The Group manages this risk by closely monitoring and complying with the Government's regulations and measures. The Group also exercises preventive measures, such as work from home, health-check measures and hygiene control in the workplace, and takes prompt responses to prevent the spread of virus.

12 Company Secretary

The Company Secretary is to support the Board by ensuring that there is good information flow and the board policies and procedures are strictly followed. The Company Secretary is responsible for advising the Board on governance matters and also facilitating the induction and professional development of Directors.

During the year, the Company Secretary took no less than 15 hours of the relevant professional training.

13 Shareholder Rights and Investor Relations

The Board is committed to maintaining an ongoing dialogue with shareholders and providing timely disclosure of information concerning the Group's material developments to shareholders and investors.

The AGM of the Company provides a forum for communication between shareholders and the Board. The notice of the AGM is despatched to all shareholders at least 20 clear business days prior to such AGM. The Chairmen of all Board Committees are invited to attend the AGM. The Chairmen of the Board and the Chairmen of all the Board Committees, or in their absence, other members of the respective Committees, are available to answer questions at the AGM. The Auditor is also invited to attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor's independence. The Company's policy is to involve shareholders in the Company's affairs and to communicate with them about the activities and prospects face-to-face at the AGM.

Pursuant to the Listing Rules, any vote of shareholders at a general meeting will be taken by poll. Detailed procedures for conducting a poll will be explained to the shareholders at the general meeting to ensure that shareholders are familiar with such voting procedures. The poll results will be posted on the websites of The Stock Exchange of Hong Kong Limited and the Company on the day of the general meeting. Moreover, separate resolution will be proposed by the chairman of a general meeting in respect of each substantially separate issue.

Under Section 566 of the Companies Ordinance, shareholders representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings are entitled to send a request to the Company to convene a general meeting. Such requisition must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. The request may be sent to the Company in hard copy form or in electronic form and must be authenticated by the shareholder(s) making it and deposited at the registered office of the Company or sent to the Company's email address at ir@hld.com. Besides, in relation to an annual general meeting which a company is required to hold, Sections 615 and 616 of the Companies Ordinance provide that shareholders representing at least 2.5% of the total voting rights of all shareholders of the company having a right to vote on the resolution at the annual general meeting or at least 50 shareholders having a right to vote on the resolution at the annual general meeting, may request the company to circulate a notice of the resolution for consideration at the annual general meeting, by sending a request, which must be authenticated by the shareholder(s) making it, in a hard copy form or in electronic form. Such request must be deposited at the registered office of the Company or sent to the Company's email address at ir@hld.com. The request made under Section 615 must also identify the resolution of which notice is to be given and be received by the Company not later than six weeks before the AGM to which the request relates, or if later, the time at which notice is given of the AGM.

The Company has maintained a Shareholders' Communication Policy which is available on the Company's website. Shareholders may make enquiries to the Board by contacting the Company through the Company's Investor Relations on telephone number (852) 2908 8392 or by email at ir@hld.com or directly by raising questions at general meetings.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular communication and dialogue with shareholders, investors and analysts. A meeting with analysts will be held after the announcement of interim or annual results which strengthens the communication with investors. Enquiries from investors are dealt with in an informative and timely manner.

As a channel to further promote effective communication, the Group maintains a website at www.hld.com where the Company's announcements and press releases, business developments and operations, financial information, corporate governance report and other information are posted.

Report of the Directors

The Directors have pleasure in submitting to shareholders their annual report together with the audited financial statements for the year ended 31 December 2020.

Principal Activities

The Company is an investment holding company and the principal activities of its subsidiaries during the year were property development and investment, construction, project management, property management, finance, department store operation and investment holding.

An analysis of the Group's revenue and contribution from operations by business and geographical segments is set out in note 14 to the financial statements on pages 227 to 232.

Business Review

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the Chairmen's Statement and Review of Operations on pages 10 to 77 of this Annual Report. Possible risks and uncertainties that the Group may be facing are set out in the Financial Review on pages 80 to 93 and the Corporate Governance Report on pages 110 to 126. Particulars of important events affecting the Group since the end of the financial year (if any) are provided in the Chairmen's Statement on pages 10 to 41 and the Financial Statements on pages 163 to 280. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Five Year Financial Summary on pages 94 and 95 of this Annual Report. An environmental policy of the Group has been put in place to give due consideration to environmental issues and minimise the impact of business operations of the Group on environment. In addition, discussions on the Group's environmental policy and relationships with employees, customers, suppliers and other stakeholders are contained in the Sustainability and the Corporate Governance Report on pages 97 to 109 and pages 110 to 126 of this Annual Report respectively as well as the standalone Sustainability Report. The Chairmen's Statement, the Review of Operations, the Financial Review, the Sustainability and the Corporate Governance Report form part of this report.

The Residential Properties (First-hand Sales) Ordinance (Cap. 621) ("RPFSO") regulates the sales and marketing activities in relation to the first-hand residential properties in Hong Kong, with a view to enhancing the transparency, fairness and consumer protection of the sales of first-hand residential properties. The Group takes particular care to comply with the requirements of the RPFSO through established internal procedures, as well as by engaging external professional advisors including architects, surveyors and solicitors in the checking of the accuracy of the information contained in sales brochures and other relevant documents made available to the public in connection with such sales.

The Group is also committed to safeguarding the security and proper use of personal data. When collecting, processing and using such data in the course of leasing, sale and marketing of properties, the Group complies with the Personal Data (Privacy) Ordinance (Cap. 486) and the guidelines issued by the Office of the Privacy Commissioner for Personal Data from time to time, with a view to protecting the privacy of, amongst others, the purchasers of its properties, in relation to personal data under its management.

In addition, the Group observes the requirements of trademarks, copyrights and other intellectual properties by obtaining the trademark and copyright owners' consent before the use of their products and artworks for the sale promotion of residential units. For the proper use and the protection of the Group's interests, chosen prestige brand names and chosen property names are registered under the Trade Marks Ordinance (Cap. 559) in Hong Kong. Moreover, in order to protect some of our inventions and chosen inventions made by our consultants, the Group applies, from time to time, for patents for the said inventions under the Patents Ordinance (Cap. 514) in Hong Kong.

The Company has complied with the requirements under the Companies Ordinance (Cap. 622), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Securities and Futures Ordinance (Cap. 571) for, among other things, the disclosure of information and corporate governance. The Company has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as the code of dealing in securities of the Company by the Directors.

In operating its businesses in mainland China, the Group has complied with all applicable laws, regulations and related legislation currently in effect, including but not limited to the Company Law, Environmental Protection Law, Natural Resources Protection Law, Pollution Prevention Law, and Labour Law. So far, no particular laws and regulations materially impact on the Group’s businesses in mainland China in their ordinary course of operations.

Subsidiaries

Particulars of the principal subsidiaries of the Company as at 31 December 2020 are set out on pages 272 to 278.

Group Profit

The profit of the Group for the year ended 31 December 2020 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 163 to 280.

Dividends

An interim dividend of HK$0.50 per share was paid on 16 September 2020. The Directors have recommended 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.

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

Charitable Donations

Charitable donations made by the Group during the year amounted to HK$24,000,000 (2019: HK$27,000,000).

Investment Properties and Other Property, Plant and Equipment

Particulars of the movements in investment properties and other property, plant and equipment during the year are set out in note 15 to the financial statements on pages 233 to 240.

Bank Loans, Guaranteed Notes and Medium Term Note Programme

Particulars of bank loans, Guaranteed Notes and Medium Term Note Programme of the Group as at 31 December 2020 are set out in notes 30 and 31 to the financial statements on pages 259 and 260.

Interest Capitalised

The amount of interest capitalised by the Group during the year ended 31 December 2020 is set out in note 7(a) to the financial statements on page 214.

Reserves

Particulars of the movements in reserves of the Company during the year ended 31 December 2020 are set out in note 41(b) to the financial statements on page 270.

Share Capital

Details of the Company's share capital are set out in note 41(c) to the financial statements on page 271. There were no movements during the year.

Group Financial Summary

The results, assets and liabilities of the Group for the last five years ended 31 December 2020 are summarised on pages 94 and 95.

Development and Investment Properties

Particulars of development and investment properties of the Group are set out on pages 42 to 77.

Directors' Emoluments

Particulars of the Directors' emoluments disclosed pursuant to the Companies Ordinance (Cap. 622) and Appendix 16 of the Listing Rules are set out in note 8 to the financial statements on pages 216 to 218.

Directors

The Directors of the Company during the financial year and up to the date of this report were:

Executive Directors	Non-executive Directors	Independent Non-executive Directors
Dr Lee Ka Kit *(Chairman and Managing Director)*	Lee Tat Man	Kwong Che Keung, Gordon
Lee Ka Shing *(Chairman and Managing Director)*	Lee Pui Ling, Angelina	Professor Ko Ping Keung
Dr Lam Ko Yin, Colin *(Vice Chairman)*		Wu King Cheong
Dr Lee Shau Kee		Woo Ka Biu, Jackson
Yip Ying Chee, John		Professor Poon Chung Kwong
Fung Lee Woon King		Au Siu Kee, Alexander
Lau Yum Chuen, Eddie *(retired on 8 June 2020)*		
Kwok Ping Ho		
Suen Kwok Lam		
Wong Ho Ming, Augustine		
Fung Hau Chung, Andrew *(appointed on 8 June 2020)*		

Mr Fung Hau Chung, Andrew, who was appointed by the Board of Directors after the Company's 2020 annual general meeting, shall retire at the forthcoming annual general meeting in accordance with Article 99 of the Company's Articles of Association and, being eligible, has offered himself for re-election.

Dr Lam Ko Yin, Colin, Dr Lee Shau Kee, Mr Yip Ying Chee, John, Professor Ko Ping Keung, Mr Woo Ka Biu, Jackson and Professor Poon Chung Kwong shall retire by rotation at the forthcoming annual general meeting in accordance with Article 116 of the Company's Articles of Association and the Corporate Governance Code and, being eligible, have offered themselves for re-election.

The list of directors of the subsidiaries of the Company during the financial year and up to the date of this report is kept at the Company's registered office and available for inspection by the Company's shareholders during office hours.

Disclosure of Interests

Directors' Interests in Shares

As at 31 December 2020, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Ordinary Shares *(unless otherwise specified)*

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Land Development Company Limited	Lee Shau Kee	1	15,548,667		3,509,782,778		3,525,331,445	72.82
	Lee Ka Kit	1				3,509,782,778	3,509,782,778	72.50
	Lee Ka Shing	1				3,509,782,778	3,509,782,778	72.50
	Lee Tat Man	2	220,299				220,299	0.00
	Lee Pui Ling, Angelina	3	64,554				64,554	0.00
	Fung Lee Woon King	4	2,493,138				2,493,138	0.05
	Woo Ka Biu, Jackson	5		3,896			3,896	0.00
Henderson Investment Limited	Lee Shau Kee	6			2,110,868,943		2,110,868,943	69.27
	Lee Ka Kit	6				2,110,868,943	2,110,868,943	69.27
	Lee Ka Shing	6				2,110,868,943	2,110,868,943	69.27
	Lee Tat Man	7	6,666				6,666	0.00
The Hong Kong and China Gas Company Limited	Lee Shau Kee	8			7,379,707,351		7,379,707,351	41.53
	Lee Ka Kit	8				7,379,707,351	7,379,707,351	41.53
	Lee Ka Shing	8				7,379,707,351	7,379,707,351	41.53
	Poon Chung Kwong	9				231,510	231,510	0.00
Hong Kong Ferry (Holdings) Company Limited	Lee Shau Kee	10	799,220		119,017,090		119,816,310	33.63
	Lee Ka Kit	10				119,017,090	119,017,090	33.41
	Lee Ka Shing	10				119,017,090	119,017,090	33.41
	Lam Ko Yin, Colin	11	150,000				150,000	0.04
	Fung Lee Woon King	12	465,100				465,100	0.13
Miramar Hotel and Investment Company, Limited	Lee Shau Kee	13			344,888,980		344,888,980	49.91
	Lee Ka Kit	13				344,888,980	344,888,980	49.91
	Lee Ka Shing	13				344,888,980	344,888,980	49.91
Towngas China Company Limited	Lee Shau Kee	14			2,025,099,415		2,025,099,415	68.21
	Lee Ka Kit	14				2,025,099,415	2,025,099,415	68.21
	Lee Ka Shing	14				2,025,099,415	2,025,099,415	68.21

***Ordinary Shares** (unless otherwise specified) (continued)*

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Development Limited	Lee Shau Kee	15			8,190 (Ordinary A Shares)		8,190 (Ordinary A Shares)	100.00
	Lee Shau Kee	16			3,510 (Non-voting B Shares)		3,510 (Non-voting B Shares)	100.00
	Lee Shau Kee	17	35,000,000 (Non-voting Deferred Shares)		15,000,000 (Non-voting Deferred Shares)		50,000,000 (Non-voting Deferred Shares)	100.00
	Lee Ka Kit	15				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Kit	16				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Kit	17				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Lee Ka Shing	15				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Shing	16				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Shing	17				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
Best Homes Limited	Lee Shau Kee	18			26,000		26,000	100.00
	Lee Ka Kit	18				26,000	26,000	100.00
	Lee Ka Shing	18				26,000	26,000	100.00
Feswin Investment Limited	Lee Ka Kit	19			5,000	5,000	10,000	100.00
Fordley Investment Limited	Fung Lee Woon King	20	2,000				2,000	20.00

***Ordinary Shares** (unless otherwise specified) (continued)*

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Furnline Limited	Lee Shau Kee	21			100 (A Shares)		100 (A Shares)	100.00
	Lee Shau Kee	22			1 (B Share)		1 (B Share)	100.00
	Lee Ka Kit	21				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Kit	22				1 (B Share)	1 (B Share)	100.00
	Lee Ka Shing	21				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Shing	22				1 (B Share)	1 (B Share)	100.00
Perfect Bright Properties Inc.	Lee Shau Kee	23			100 (A Shares)		100 (A Shares)	100.00
	Lee Shau Kee	24			1 (B Share)		1 (B Share)	100.00
	Lee Ka Kit	23				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Kit	24				1 (B Share)	1 (B Share)	100.00
	Lee Ka Shing	23				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Shing	24				1 (B Share)	1 (B Share)	100.00

Save as disclosed above, none of the Directors or the Chief Executive of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations as defined in the SFO, other than the deemed interests of Dr Lee Shau Kee, Dr Lee Ka Kit and Mr Lee Ka Shing in the shares, underlying shares and debentures of the associated corporations of the Company which are solely derived from their deemed interests in Henderson Development Limited, Henderson Investment Limited and/or the Company and not from any separate personal interests of their own, in respect of which a waiver from strict compliance with the disclosure requirements under paragraph 13 of Appendix 16 to the Listing Rules has been applied to, and granted by the Stock Exchange.

Substantial Shareholders' and Others' Interests

As at 31 December 2020, the interests and short positions of every person, other than Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long Positions

	No. of shares in which interested	% Interest
Substantial Shareholders		
Rimmer (Cayman) Limited (Note 1)	3,509,782,778	72.50
Riddick (Cayman) Limited (Note 1)	3,509,782,778	72.50
Hopkins (Cayman) Limited (Note 1)	3,509,782,778	72.50
Henderson Development Limited (Note 1)	3,506,860,733	72.44
Yamina Investment Limited (Note 1)	1,580,269,966	32.64
Believegood Limited (Note 1)	797,887,933	16.48
South Base Limited (Note 1)	797,887,933	16.48
Persons other than Substantial Shareholders		
Cameron Enterprise Inc. (Note 1)	371,145,414	7.67
Richbond Investment Limited (Note 1)	475,801,899	9.83

Notes:

1. *Of these shares, Dr Lee Shau Kee was the beneficial owner of 15,548,667 shares, and for the remaining 3,509,782,778 shares, (i) 1,450,788,868 shares were owned by Henderson Development Limited ("HD"); (ii) 475,801,899 shares were owned by Richbond Investment Limited which was a wholly-owned subsidiary of HD; (iii) 371,145,414 shares were owned by Cameron Enterprise Inc.; 797,887,933 shares were owned by Believegood Limited which was wholly-owned by South Base Limited; 152,897,653 shares were owned by Prosglass Investment Limited which was wholly-owned by Jayasia Investments Limited; 140,691,961 shares were owned by Fancy Eye Limited which was wholly-owned by Mei Yu Ltd.; 117,647,005 shares were owned by Spreadral Limited which was wholly-owned by World Crest Ltd.; and Cameron Enterprise Inc., South Base Limited, Jayasia Investments Limited, Mei Yu Ltd. and World Crest Ltd. were wholly-owned subsidiaries of Yamina Investment Limited which in turn was 100% held by HD; and (iv) 2,922,045 shares were owned by Fu Sang Company Limited ("Fu Sang"). Hopkins (Cayman) Limited ("Hopkins") as trustee of a unit trust (the "Unit Trust") owned all the issued ordinary shares of HD and Fu Sang. Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"), as trustees of respective discretionary trusts, held units in the Unit Trust. The entire issued share capital of Hopkins, Rimmer and Riddick were owned by Dr Lee Shau Kee. Dr Lee Shau Kee was taken to be interested in these shares by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.*

2. *Mr Lee Tat Man was the beneficial owner of these shares.*

3. *Mrs Lee Pui Ling, Angelina was the beneficial owner of these shares.*

4. *Madam Fung Lee Woon King was the beneficial owner of these shares.*

5. *These shares were owned by the wife of Mr Woo Ka Biu, Jackson.*

6. *Of these shares, 843,249,284 shares, 602,398,418 shares, 363,328,900 shares, 217,250,000 shares and 84,642,341 shares were respectively owned by Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited, Gainwise Investment Limited and Darnman Investment Limited, all of which were wholly-owned subsidiaries of Kingslee S.A. which in turn was 100% held by the Company. Dr Lee Shau Kee was taken to be interested in the Company as set out in Note 1 and Henderson Investment Limited by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.*

7. *Mr Lee Tat Man was the beneficial owner of these shares.*

8. *Of these shares, 4,108,302,676 shares and 1,595,690,739 shares were respectively owned by Disralei Investment Limited and Medley Investment Limited, both of which were wholly-owned subsidiaries of Timpani Investments Limited; 1,675,713,936 shares were owned by Macrostar Investment Limited, a wholly-owned subsidiary of Chelco Investment Limited; and Timpani Investments Limited and Chelco Investment Limited were wholly-owned subsidiaries of Faxson Investment Limited which in turn was 100% held by the Company. Dr Lee Shau Kee was taken to be interested in the Company as set out in Note 1 and The Hong Kong and China Gas Company Limited ("China Gas") by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.*

9. *These shares were owned by Professor Poon Chung Kwong and his wife jointly.*

10. *Of these shares, Dr Lee Shau Kee was the beneficial owner of 799,220 shares, and for the remaining 119,017,090 shares, 48,817,090 shares were held by Wiselin Investment Limited, 23,400,000 shares each were respectively owned by Graf Investment Limited, Mount Sherpa Limited and Paillard Investment Limited, all of which were wholly-owned subsidiaries of Pataca Enterprises Limited which in turn was 100% held by the Company. Dr Lee Shau Kee was taken to be interested in the Company as set out in Note 1 and Hong Kong Ferry (Holdings) Company Limited by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.*

11. *Dr Lam Ko Yin, Colin was the beneficial owner of these shares.*

12. *Madam Fung Lee Woon King was the beneficial owner of these shares.*

13. *Of these shares, 120,735,300 shares, 127,547,680 shares and 96,606,000 shares were respectively owned by Higgins Holdings Limited, Multiglade Holdings Limited and Threadwell Limited, all of which were wholly-owned subsidiaries of Aynbury Investments Limited which in turn was 100% held by the Company. Dr Lee Shau Kee was taken to be interested in the Company as set out in Note 1 and Miramar Hotel and Investment Company, Limited by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.*

14. *These shares representing 68.21% of the total issued shares in Towngas China Company Limited were taken to be interested by Hong Kong & China Gas (China) Limited (as to 1,850,656,677 shares), Planwise Properties Limited (as to 171,524,099 shares) and Superfun Enterprises Limited (as to 2,918,639 shares), all being wholly-owned subsidiaries of China Gas. Dr Lee Shau Kee was taken to be interested in China Gas as set out in Note 8 and Towngas China Company Limited by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.*

15. *These shares were held by Hopkins as trustee of the Unit Trust.*

16. *These shares were held by Hopkins as trustee of the Unit Trust.*

17. *Of these shares, Dr Lee Shau Kee was the beneficial owner of 35,000,000 shares, and Fu Sang owned the remaining 15,000,000 shares.*

18. *Of these shares, (i) 10,400 shares were owned by the Company; and (ii) 15,600 shares were owned by Manifest Investments Limited which was 100% held by HD.*

19. *Of these shares, (i) 5,000 shares were owned by Applecross Limited which was wholly-owned by Dr Lee Ka Kit; and (ii) 5,000 shares were owned by Henderson (China) Investment Company Limited, a wholly-owned subsidiary of Andcoe Limited which was wholly-owned by Henderson China Holdings Limited, an indirect wholly-owned subsidiary of the Company.*

20. *Madam Fung Lee Woon King was the beneficial owner of these shares.*

21. *These shares were owned by Jetwin International Limited. Triton (Cayman) Limited as trustee of a unit trust owned all the issued share capital of Jetwin International Limited. Triumph (Cayman) Limited and Victory (Cayman) Limited, as trustees of respective discretionary trusts, held units in the unit trust. The entire share capital of Triton (Cayman) Limited, Triumph (Cayman) Limited and Victory (Cayman) Limited were owned by Dr Lee Shau Kee who was taken to be interested in such shares by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of the discretionary trusts holding units in such unit trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in such shares by virtue of the SFO.*

22. *This share was owned by Sunnice Investment Limited, a wholly-owned subsidiary of Profit Best Development Limited which in turn was wholly-owned by the Company.*

23. *These shares were owned by Jetwin International Limited.*

24. *This share was owned by Sunnice Investment Limited, a wholly-owned subsidiary of Profit Best Development Limited which in turn was wholly-owned by the Company.*

Share Option Schemes

The Company and its subsidiaries have no share option schemes.

Arrangements to Purchase Shares or Debentures

At no time during the year ended 31 December 2020 was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Equity-linked Agreements

No equity-linked agreements entered into by the Company were subsisting as at 31 December 2020 and the Company did not enter into any equity-linked agreements during the year under review.

Interests in Transactions, Arrangements or Contracts and Connected Transactions/Continuing Connected Transactions

During the year under review, the Group had the transactions, arrangements and contracts as described below with persons who are "connected persons" for the purposes of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"):

(1) Henderson Finance Company Limited, a wholly-owned subsidiary of Henderson Development Limited, made unsecured advances from time to time to subsidiaries of the Company up to a maximum aggregate sum of approximately HK$5,060 million during the year, with interest chargeable on the balances outstanding from time to time by reference to HIBOR quoted by banks. As at 31 December 2020, the aggregate sum owing by subsidiaries of the Company to Henderson Finance Company Limited amounted to approximately HK$4,389 million, which has been included in the financial statements under "Amount due to a fellow subsidiary".

Dr Lee Shau Kee, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in the transactions, arrangements and contracts referred to in the above as directors of the Company's ultimate holding company, Henderson Development Limited (and as more particularly described in the section "Disclosure of Interests" above) with respect to their interests in Henderson Development Limited or the trust.

(2) The Company had the following continuing connected transactions, each of which, as disclosed by way of announcement, was subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules:

Transactions entered into with Sunlight Real Estate Investment Trust ("Sunlight REIT")

Sunlight REIT being a trust in accordance with the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong ("REIT Code") was regarded by the Stock Exchange as a connected person of the Company under the Listing Rules so long as the aggregate percentage unitholdings in Sunlight REIT held by the Group and the Shau Kee Financial Enterprises Limited group ("SKFE Group") (controlled by a family trust of Dr Lee Shau Kee, Director of the Company) is above 30%. Accordingly, the transactions between the Group and Sunlight REIT group constitute connected transactions of the Company under the Listing Rules.

As disclosed in the announcement dated 16 May 2018, fresh annual cap amounts in respect of each of the three financial years ending up to 31 December 2021 were set for the continuing connected transactions between the Group and Sunlight REIT group contemplated under the following agreements/deeds:

(a) a property management agreement dated 29 November 2006 was entered into between Henderson Sunlight Asset Management Limited ("HSAM"), a wholly-owned subsidiary of the Company, as manager of Sunlight REIT, and Henderson Sunlight Property Management Limited (the "Property Manager"), a wholly-owned subsidiary of the Company, as property manager of the Sunlight REIT, and the property holding companies under the Sunlight REIT group had also subsequently acceded thereto. The property management agreement was thereafter supplemented by four supplemental agreements dated 28 April 2009, 25 June 2012, 12 May 2015 and 15 May 2018 respectively. The agreement related to the provision of certain property management and lease management as well as marketing services in respect of the properties of Sunlight REIT at a fee of not exceeding 3% per annum of the gross property revenue of the relevant properties of Sunlight REIT plus a commission on the base rent or licence fee for a tenancy or a licence secured. By the last supplemental agreement entered into between HSAM and the Property Manager, the term of the appointment of the Property Manager for the provision of the said property related management services (the "Property Management Transactions") has been extended to 30 June 2021;

(b) a trust deed dated 26 May 2006 (as supplemented by supplemental deeds dated 1 June 2006, 28 November 2006, 28 April 2009, 23 July 2010 and 30 April 2012, and further supplemented by the supplemental deed dated 16 March 2015 which related to the expansion of the investment scope of Sunlight REIT in alignment with the amendments to the REIT Code, etc.) was entered into between Uplite Limited, a subsidiary of SKFE Group, as settlor, HSAM as manager, and HSBC Institutional Trust Services (Asia) Limited as trustee in respect of, among other things, the appointment of HSAM as the manager of Sunlight REIT for the management and operation of Sunlight REIT at a base fee not exceeding 0.4% per annum of the property values of Sunlight REIT for the relevant financial year and a variable fee of 3% per annum of the relevant net property income of Sunlight REIT payable in the form of cash and/or Sunlight REIT units as HSAM may elect. HSAM is also entitled to an acquisition fee in respect of acquisition of real estate by Sunlight REIT, and a divestment fee in respect of any real estate sold or divested by Sunlight REIT (where applicable) and certain reimbursement (the "Asset Management Transactions");

(c) agreements are entered into from time to time between the Property Manager and Megastrength Security Services Company Limited ("Megastrength"), a wholly-owned subsidiary of the Company, in respect of the provision of security and related services for property(ies) of the Sunlight REIT for various terms, typically of durations ranging from short intervals up to 24 months at fees determined through a tendering/quotation procedure or on the basis of commercial negotiations. Details of such agreements entered into or subsisted during the year under review are as follows:

    (i) a security services contract dated 30 January 2019 in respect of a property located at Sheung Wan for a term of 24 months commencing on 1 July 2019 at a monthly service fee of approximately HK$49,000 for the first 12 months ended on 1 July 2020 and approximately HK$51,000 (which was subsequently adjusted to approximately HK$50,000) for the remaining term ending on 1 July 2021;

(ii) a services contract dated 11 March 2019 to renew a security services contract in respect of two properties located at Wanchai for a term of 24 months commencing on 1 July 2019 at a monthly service fee of approximately HK$247,000 for the first 12 months ended on 1 July 2020 and approximately HK$258,000 (which was subsequently adjusted to approximately HK$253,000) for the remaining term ending on 1 July 2021; and

(iii) numerous short-term security services and related contracts for periods ranging from days to several months in respect of certain properties owned by Sunlight REIT were entered into during the year under review (together with the transactions set out in items (i) and (ii) above, collectively referred to as the "Security Services Transactions"); and

(d) agreements or arrangements are to be entered into from time to time between members of the Group and members of Sunlight REIT group for the provision of other ancillary property services for the properties of Sunlight REIT (the "Other Ancillary Property Services Transactions").

The maximum aggregate sums to be paid by the Sunlight REIT group to the Group under the Property Management Transactions, the Asset Management Transactions, the Security Services Transactions and the Other Ancillary Property Services Transactions will not exceed the following:

Financial year ended 31 December 2020 (HK$ million)	Financial year ending 31 December 2021 (HK$ million)
218	241

For the year ended 31 December 2020, the Group received approximately HK$46,080,000 for the Property Management Transactions, approximately HK$93,000,000 for the Asset Management Transactions and approximately HK$3,871,000 for the Security Services Transactions which in aggregate amounted to approximately HK$142,951,000; while no Other Ancillary Property Services Transactions took place (collectively the "Sunlight REIT Transactions").

Transactions entered into with Union Medical Centre Limited ("Union Medical")

As disclosed in the announcement dated 10 June 2020, Smart Bright Development Limited ("Smart Bright", a wholly-owned subsidiary of the Company) as licensor/landlord (by itself or through its agent, Henderson Leasing Agency Limited) entered into certain licences and tenancy agreements with Union Medical (trading as Union Hospital) as licensee/tenant in relation to the licensing/leasing of certain premises located at H Zentre, No. 15 Middle Road, Tsim Sha Tsui, Kowloon, Hong Kong ("H Zentre").

As Dr Lee Shau Kee is a Director and a deemed controlling shareholder of the Company, and Union Medical is a company ultimately controlled by the private family trusts of Dr Lee Shau Kee, Union Medical is a connected person of the Company under the Listing Rules. Accordingly, the licences and tenancy agreements set out below between Smart Bright as licensor/landlord and Union Medical as licensee/tenant constituted continuing connected transactions of the Company and the principal terms thereof are summarised below (collectively the "Union Medical Transactions"):

		Tenancy Term and Monthly Charges			
Premises	**Licence Period and Fee**	**1st Part of the Fixed Term – Duration and Monthly Rental** *Note 2*	**2nd Part of the Fixed Term – Duration and Monthly Rental** *Note 2*	**3rd Part of the Fixed Term – Duration and Monthly Rental** *Note 2*	**Remarks**
The whole of 9th Floor, H Zentre					
(i) Offer to Licence Date: 23 October 2019	3 months commencing on 9 September 2019 *Note 1* Nominal fee of HK$1	Not applicable	Not applicable	Not applicable	For renovation and fitting out purpose
(ii) Tenancy Agreement Date: 25 October 2019	Not applicable	8 years and 9 months commencing from 9 December 2019 to 8 September 2028			3 months' rent-free period *Note 1*
		1st – 33rd month	34th – 69th month	70th – 105th month	The tenant shall be responsible for fitting out the interior of the premises at its own costs and expenses, save for landlord's fitting out works of not more than HK$1,400,000
Gross Floor Area: 15,287 sq.ft.		*HK$1,005,885*	*HK$1,077,705*	*Open market rent, which shall be not less than 85% and not more than 125% of the rent of the 69th month, to be agreed between the parties or, in case of no agreement, to be determined by an independent qualified surveyor*	
		Miscellaneous charges (subject to review from time to time): *(i) Management fees: HK$145,226.5* *(ii) Air-conditioning charges: HK$45,861*			

Premises	Licence Period and Fee	Tenancy Term and Monthly Charges: 1st Part of the Fixed Term – Duration and Monthly Rental Note 2	2nd Part of the Fixed Term – Duration and Monthly Rental Note 2	3rd Part of the Fixed Term – Duration and Monthly Rental Note 2	Remarks
The whole of 12th Floor, H Zentre, including Flat Roof on 12th Floor					
(i) Offer to Licence Date: 10 June 2020	3 months commencing on 1 August 2020 (which was subsequently deferred to 30 September 2020 by a written notice served by the tenant on 17 July 2020 in accordance with the offer to licence) Note 1 Nominal fee of HK$1	Not applicable	Not applicable	Not applicable	For renovation and fitting out purpose
(ii) Tenancy Agreement Date: 10 June 2020	Not applicable	8 years and 9 months commencing on the first day immediately following the expiration date of the above offer to licence			8 months' rent-free period Note 1
		1st – 33rd month	34th – 69th month	70th – 105th month	
Gross Floor Area: 17,234 sq.ft.		*HK$822,192*	*HK$880,896*	*Open market rent, which shall be not less than 85% and not more than 125% of the rent of the 69th month, to be agreed between the parties or, in case of no agreement, to be determined by an independent qualified surveyor*	
		Miscellaneous charges (subject to review from time to time): *(i) Management fees: HK$163,723* *(ii) Air-conditioning charges: HK$51,702*			

		Tenancy Term and Monthly Charges			
Premises	**Licence Period and Fee**	**1st Part of the Fixed Term – Duration and Monthly Rental** [Note 2]	**2nd Part of the Fixed Term – Duration and Monthly Rental** [Note 2]	**3rd Part of the Fixed Term – Duration and Monthly Rental** [Note 2]	**Remarks**
The whole of B1 Floor, H Zentre					
(i) Offer to Licence Date: 10 June 2020	4 months and 15 days commencing on 1 September 2020 [Note 1] Nominal fee of HK$1	Not applicable	Not applicable	Not applicable	For renovation and fitting out purpose
(ii) Tenancy Agreement Date: 10 June 2020	Not applicable	10 years commencing on the first day immediately following the expiration date of the above offer to licence			3 months' rent-free period [Note 1]
		1st – 3rd year	4th – 6th year	7th – 10th year	An amount of approximately HK$81,300,000 paid by the landlord as gross capital expenses on improvement of the property was incurred as part of the landlord's provision with such gross capital expenses having been amortized on a straight line basis over the 10-year fixed term and incorporated into the monthly rent
Gross Floor Area: 12,452 sq.ft.		*HK$1,169,293*	*HK$1,203,167*	*Open market rent, which shall be not less than 85% and not more than 125% of monthly rent of the 6th year, to be agreed between the parties or, in case of no agreement, to be determined by an independent qualified surveyor*	
		Miscellaneous charges (subject to review from time to time): *(i) Management fees: HK$118,294* *(ii) Air-conditioning charges: HK$37,356*			

Notes:

1. *The tenant shall be responsible for Government rates, management fees, air-conditioning charges and all other outgoings during the relevant licence/rent-free periods.*
2. *The monthly rentals as referred to in the table above are payable in advance on the first day of each calendar month and exclusive of Government rates, management fees, air-conditioning charges and all other outgoings for which the tenant is responsible.*

As the term of tenancy for each of the premises under the aforesaid tenancy agreements entered into between Smart Bright as landlord and Union Medical as tenant exceeds three years, pursuant to Rule 14A.52 of the Listing Rules, the Company has appointed an independent financial adviser to explain why a period of longer than three years is necessary and to confirm if it is normal business practice to have leases exceeding three years. Having considered a number of factors, including substantial capital expenditures incurred by both Smart Bright and Union Medical as well as the custom-built nature of the premises for medical floor purpose, the independent financial adviser was of the view that the tenancy term (including the licence period) for each of the premises under the aforesaid tenancy agreements is necessary and it is normal practice for tenancy agreements of this type to be of such duration.

The aggregate amounts of rentals, management fees, air-conditioning charges and other miscellaneous charges (exclusive of Government rates) payable by Union Medical to Smart Bright under the Union Medical Transactions on an annual basis will not exceed the following maximum figures:

Financial year ended/ending 31 December	Annual caps (HK$ million)
2020	17
2021	41
2022	53
2023	54
2024	55
2025	57
2026	61
2027	67
2028	61
2029	37
2030	25
2031	6

For the year ended 31 December 2020, the Group received approximately HK$11,930,000 for the Union Medical Transactions.

The Audit Department has reviewed the Sunlight REIT Transactions and the Union Medical Transactions together with the relevant internal controls and confirmed to the Independent Non-executive Directors of the Company that the Sunlight REIT Transactions and the Union Medical Transactions were conducted in accordance with the pricing mechanism and the terms under the relevant agreements. The Independent Non-executive Directors of the Company have reviewed and confirmed that such transactions are (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms; and (c) in accordance with the terms of the respective licences/agreements/deeds relating to the transactions in question and are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Auditor of the Company has also confirmed that nothing has come to the Auditor's attention that causes it to believe that the Sunlight REIT Transactions and the Union Medical Transactions (a) have not been approved by the Board; (b) were not, in all material respects, in accordance with the pricing policies of the Group; (c) were not entered into, in all material respects, in accordance with the relevant licences/agreements/deeds governing such transactions; and (d) have exceeded the respective caps as aforesaid.

The Company's Auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this Annual Report in accordance with Rule 14A.56 of the Listing Rules. The Company has provided a signed copy of the said letter to the Stock Exchange.

The material related party transactions set out in note 40 to the financial statements on pages 266 to 268 include transactions that constitute connected transactions/continuing connected transactions for which the disclosure requirements under the Listing Rules have been met.

Save as disclosed above, no other transaction, arrangement or contract that is significant in relation to the Company's business to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had, directly or indirectly, a material interest, subsisted at the year end or at any time during the year.

Directors' Interests in Competing Business

Pursuant to Rule 8.10 of the Listing Rules, the interests of Directors of the Company in businesses which might compete with the Group during the year ended and as at 31 December 2020 were as follows:

Dr Lee Ka Kit and Mr Lee Ka Shing, Chairmen and Managing Directors of the Company, and Dr Lee Shau Kee, Director of the Company, held directorships and/or have deemed interests in companies engaged in the same businesses of property investment, development and management in Hong Kong and mainland China as the Group. As those companies which engage in the same businesses as the Group are involved in the investment, development and management of properties of different types and/or in different locations, and the Group has been operating independently of, and at arm's length from, the businesses of those companies, no competition is considered to exist.

Service Contracts

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Management Contracts

No contracts (as defined in Section 543 of the Companies Ordinance (Cap. 622)) relating to the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

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.

Major Customers and Suppliers

For the year ended 31 December 2020:

(1) the aggregate amount of purchases attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchase; and

(2) the aggregate amount of revenue attributable to the Group's five largest customers represented less than 30% of the Group's total revenue.

Discussion and Analysis of Performance

A discussion and analysis of the Group's performance for the year ended 31 December 2020 is shown on pages 80 to 93.

Sustainability

The standalone Sustainability Report is to be published on the same date of this Annual Report and posted on the Company's website.

Retirement Benefits Scheme

The Group's Hong Kong employees participate in the Henderson Staff Provident Fund (the "Fund"), a defined contribution provident fund scheme as defined in the Occupational Retirement Schemes Ordinance (Cap. 426) or in another defined contribution scheme (the "Scheme") as mentioned below or in schemes (the "MPF Schemes") registered under the Mandatory Provident Fund Scheme Ordinance (Cap. 485) ("MPFO").

Contributions to the Fund are made by the participating employers at rates ranging from 4% to 6%, and by the employees at 2%, of the employees' basic monthly salaries. The portion of employers' contributions to which the employees are not entitled and which has been forfeited shall not be used to reduce the future contributions of the participating employers.

As for the Scheme, contributions are made by both the employers and the employees at the rate of 5% of the employees' basic monthly salaries. Forfeited contributions can be applied towards reducing the amount of future contributions payable by the employers. There were no forfeited contributions of the Scheme utilised during the year ended 31 December 2020 (2019: Nil). As at 31 December 2020, there were no forfeited contributions that could be utilised to reduce the Group's contributions to the Scheme (2019: Nil).

No employees of the Group were eligible to join the Fund or the Scheme on or after 1 December 2000.

Employees of the Group who are not members of the Fund or the Scheme participate in the MPF Schemes. In addition to the minimum benefits set out in the MPFO, the Group provides certain voluntary top-up benefits to employees participating in the MPF Schemes. The portion of employer's contributions to which the employees are not entitled and which has been forfeited can be used by the Group to reduce the future contributions. The total amount so utilised during the year ended 31 December 2020 was HK$1,605,000 (2019: HK$1,600,000) and the balance available to be utilised as at 31 December 2020 was HK$136,000 (2019: Nil).

The Group also participates in the state-organised pension scheme operated by the Government of the PRC for its PRC employees and contributes a certain percentage of the employees' covered payroll to fund the benefits.

The Group's retirement costs charged to the profit and loss account for the year ended 31 December 2020 were HK$92,000,000 (2019: HK$101,000,000).

Permitted Indemnity

The Articles of Association of the Company provide that every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities (to the fullest extent permitted by the Companies Ordinance (Cap. 622)) which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto.

In addition, the indemnity agreements made by the Company, which are currently in force and were in force throughout the financial year, contained permitted indemnity provisions (as permitted in Section 469(2) of the Companies Ordinance (Cap. 622)), for the benefit of the Directors of the Company. The Company has also taken out and maintained Director's liability insurance throughout the financial year, which provides appropriate cover for the Directors.

Financial Assistance to Affiliated Companies

Pursuant to Rule 13.22 of the Listing Rules, a combined statement of financial position of those affiliated companies with financial assistance from the Group and the Group's attributable interests in those affiliated companies as at 31 December 2020 are presented as follows:

	Combined statement of financial position HK$ million	Group's attributable interests HK$ million
Non-current assets	39,424	12,190
Current assets	145,762	52,092
Current liabilities	(86,538)	(31,330)
Total assets less current liabilities	98,648	32,952
Non-current liabilities	(69,282)	(22,421)
Net assets	29,366	10,531

The combined statement of financial position of the affiliated companies was prepared by combining their statements of financial position, after making adjustments to conform with the Group's significant accounting policies and re-grouping into significant classification in the statement of financial position, as at 31 December 2020.

Public Float

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

Auditor

A resolution for the re-appointment of KPMG as Auditor of the Company is to be proposed at the forthcoming annual general meeting.

Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 110 to 126.

On behalf of the Board

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

Hong Kong, 23 March 2021

Biographical Details of Directors and Senior Management

Executive Directors

Dr LEE Ka Kit, *GBS, JP, DBA (Hon)*, aged 57, a Member of the Standing Committee of the 13th National Committee of the Chinese People's Political Consultative Conference, has been an Executive Director of the Company since 1985 and was the Vice Chairman of the Company from 1993 to May 2019. On 28 May 2019, he was appointed as Chairman and Managing Director, and a member of the Remuneration Committee and the Nomination Committee of the Company. He was educated in the United Kingdom and has been primarily responsible for the development of the business of Henderson Land Group in the People's Republic of China since he joined the Company in 1985. He is the vice chairman of Henderson Development Limited ("Henderson Development"). He is also the vice chairman of Henderson Investment Limited and the chairman of The Hong Kong and China Gas Company Limited, both of which are listed companies. He previously served as a non-executive director of The Bank of East Asia, Limited and an independent non-executive director of Xiaomi Corporation until 23 August 2019, both of which are listed companies. He was appointed as a Justice of the Peace in 2009 and was awarded the Gold Bauhinia Star (GBS) in 2015 by the Government of the Hong Kong Special Administrative Region. He is a member as well as the chairman of the Board of Directors of One Country Two Systems Research Institute. He was awarded an Honorary University Fellowship by The University of Hong Kong in 2009 and an Honorary Degree of Doctor of Business Administration by Edinburgh Napier University in July 2014. He is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited and Henderson Development which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the son of Dr Lee Shau Kee, the brother of Ms Lee Pui Man, Margaret and Mr Lee Ka Shing, the brother-in-law of Mr Li Ning and the relative of Mr Lee Tat Man, Madam Fung Lee Woon King and Ms Li Keng Yan, Kristine.

LEE Ka Shing, *JP*, aged 49, a Committee Member of the 13th Beijing Committee of the Chinese People's Political Consultative Conference, has been an Executive Director of the Company since 1993 and was the Vice Chairman of the Company from 2005 to May 2019. On 28 May 2019, he was appointed as Chairman and Managing Director, and a member of the Remuneration Committee and the Nomination Committee of the Company. He was educated in Canada. Mr Lee is the vice chairman of Henderson Development Limited ("Henderson Development"). He is also the chairman and managing director of Henderson Investment Limited, the chairman and chief executive officer of Miramar Hotel and Investment Company, Limited as well as the chairman of The Hong Kong and China Gas Company Limited, all of which are listed companies. He was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2017. He is a member of the Court of The Hong Kong Polytechnic University and a member of the Council of City University of Hong Kong. Mr Lee is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development, Believegood Limited, Cameron Enterprise Inc. and Richbond Investment Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the son of Dr Lee Shau Kee, the brother of Ms Lee Pui Man, Margaret and Dr Lee Ka Kit, the brother-in-law of Mr Li Ning and the relative of Mr Lee Tat Man, Madam Fung Lee Woon King and Ms Li Keng Yan, Kristine.

Dr LAM Ko Yin, Colin, *SBS, FCILT, FHKIoD, DB (Hon),* aged 69, joined the Company in 1982 and has been an Executive Director since 1985 and the Vice Chairman since 1993. He is also a member of the Remuneration Committee and the Nomination Committee of the Company. Dr Lam holds a B.Sc. (Honours) degree from The University of Hong Kong and has over 47 years' experience in banking and property development. He is the chairman of Hong Kong Ferry (Holdings) Company Limited, the vice chairman of Henderson Investment Limited as well as a non-executive director of The Hong Kong and China Gas Company Limited and an executive director of Miramar Hotel and Investment Company, Limited, all of which are listed companies. Dr Lam was awarded the Silver Bauhinia Star (SBS) by the Government of the Hong Kong Special Administrative Region in 2017. He is the deputy chairman of The University of Hong Kong Foundation for Educational Development and Research, a director of Fudan University Education Development Foundation, an honorary Court member of Hong Kong Baptist University, a member of the Court of The Hong Kong University of Science and Technology and a member of the Court of City University of Hong Kong. Dr Lam was awarded an Honorary University Fellowship by The University of Hong Kong in 2008 and an Honorary Fellowship by The Chinese University of Hong Kong in 2019. He was also conferred with a degree of Doctor of Business (Honoris Causa) by Macquarie University in 2015. He is a Fellow of The Chartered Institute of Logistics and Transport in Hong Kong and a Fellow of The Hong Kong Institute of Directors. Dr Lam is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited and Believegood Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

Dr the Hon LEE Shau Kee, *GBM, DBA (Hon), DSSc (Hon), LLD (Hon),* aged 92, the founder of the Company and Henderson Investment Limited, was the Chairman and Managing Director of the Company from 1976 to 28 May 2019, upon his retirement from such position. He continues to act as an Executive Director of the Company after his stepping down as Chairman and Managing Director. He has been engaged in property development in Hong Kong for more than 65 years. He is the chairman of Henderson Development Limited ("Henderson Development"). Dr Lee previously served as the chairman of The Hong Kong and China Gas Company Limited and an executive director of Henderson Investment Limited until 28 May 2019, a non-executive director of Miramar Hotel and Investment Company, Limited until 4 June 2019 and Hong Kong Ferry (Holdings) Company Limited until 29 May 2020 as well as the vice chairman of Sun Hung Kai Properties Limited until 5 November 2020, all of which are listed companies. Dr Lee was awarded the Grand Bauhinia Medal (GBM) by the Government of the Hong Kong Special Administrative Region in 2007. Dr Lee is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited and Henderson Development which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the brother of Mr Lee Tat Man and Madam Fung Lee Woon King, the father of Ms Lee Pui Man, Margaret, Dr Lee Ka Kit and Mr Lee Ka Shing, the father-in-law of Mr Li Ning and the grandfather of Ms Li Keng Yan, Kristine.

YIP Ying Chee, John, *LLB, FCS, FCA,* aged 72, has been an Executive Director of the Company since 1997. He graduated from The University of Hong Kong and the London School of Economics and is a solicitor, a certified public accountant and a chartered surveyor. He has over 40 years' experience in corporate finance, and corporate and investment management.

FUNG LEE Woon King, aged 82, has been an Executive Director of the Company since 1976. She joined Henderson Development Limited ("Henderson Development"), the parent company of the Company as treasurer in 1974 and has been an executive director of Henderson Development since 1979. She is also the Chief Treasurer of Henderson Development Group, Henderson Land Group and Henderson Investment Group. Madam Fung is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development, Yamina Investment Limited, Believegood Limited, Cameron Enterprise Inc., South Base Limited and Richbond Investment Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. She is the sister of Dr Lee Shau Kee and Mr Lee Tat Man and the relative of Dr Lee Ka Kit, Mr Lee Ka Shing, Ms Lee Pui Man, Margaret, Mr Li Ning and Ms Li Keng Yan, Kristine.

KWOK Ping Ho, *BSc, MSc, Post-Graduate Diploma in Surveying, FRICS, ACIB,* aged 68, joined the Company in 1987 and has been an Executive Director since 1993. Mr Kwok holds a Bachelor of Science (Engineering) (Civil Engineering Group) Honours degree from the University of London and a Master of Science degree in Administrative Sciences from Cass Business School, City, University of London. He is also the holder of a Post-Graduate Diploma in Surveying (Real Estate Development) from The University of Hong Kong. Mr Kwok is a Fellow of the Royal Institution of Chartered Surveyors and he is also an Associate member of The Chartered Institute of Bankers (A.C.I.B.) of the United Kingdom. Mr Kwok had previously been a Part-time Lecturer for the MBA programme of The University of Hong Kong and he is also currently an Honorary Professor of the Department of Real Estate and Construction, Faculty of Architecture of The University of Hong Kong. He had worked in the international banking field for more than 11 years with postings in London, Chicago, Kuala Lumpur, Singapore as well as in Hong Kong before joining the Company and has over 35 years of experience in the finance and business management areas which include responsibilities in the corporate investment, finance and treasury and project management activities of Henderson Land Group since 1987, including group re-organisation, privatisation proposals and corporate acquisitions. He is also a non-executive director of Henderson Sunlight Asset Management Limited, the manager of the publicly-listed Sunlight Real Estate Investment Trust. Mr Kwok is a director of Believegood Limited which has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

SUEN Kwok Lam, *BBS, JP, MH, FHIREA,* aged 74, joined the Company in 1997 and has been an Executive Director of the Company since 2002. Mr Suen is an individual Member of The Real Estate Developers Association of Hong Kong. He was the president of Hong Kong Association of Property Management Companies from 2003 to 2007 and the vice president of Hong Kong Institute of Real Estate Administrators from 2006 to 2018. He has over 50 years' experience in property management. He was awarded the Medal of Honour in 2005 and the Bronze Bauhinia Star (BBS) in 2015 and appointed as a Justice of the Peace in 2011 by the Government of the Hong Kong Special Administrative Region respectively. Mr Suen previously served as an independent non-executive director of China Overseas Property Holdings Limited until 9 October 2018.

WONG Ho Ming, Augustine, *JP, MSc, MEcon, FHKIS, MRICS, MCIArb, RPS (GP),* aged 60, joined the Company in 1996 and has been an Executive Director of the Company since 2010. He is presently the General Manager of Property Development Department as well. He is a registered professional surveyor and has over 36 years' experience in property appraisal, dealing and development. He was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2008 and deputy chairman and member of the Council of Lingnan University in 2020.

FUNG Hau Chung, Andrew, *BBS*, *JP*, *BA*, aged 63, has been the Chief Financial Officer of the Company since 1 August 2017 and an Executive Director of the Company since 8 June 2020. He holds the Bachelor of Arts Degree from The University of Hong Kong and the Honorary Fellowship awarded by Lingnan University. Mr Fung served as an executive director and the Head of Global Banking and Markets of Hang Seng Bank Limited, a listed company, before he stepped down from such positions in July 2017. He has been engaged in the banking industry since graduation, serving at Societe Generale, The Hongkong and Shanghai Banking Corporation Limited, Commonwealth Bank of Australia, Hong Kong Branch and DBS Bank (Hong Kong) Limited. He has 39 years of experience in banking, capital markets and asset management. He is the Professor of Practice (Finance) in the School of Accounting and Finance of The Hong Kong Polytechnic University, the Adjunct Professor of The Hang Seng University of Hong Kong and a member of the school management committee of Buddhist Tai Hung College. Mr Fung is currently the chairman of the Hospital Governing Committee of Pamela Youde Nethersole Eastern Hospital, a member of the Court of The University of Hong Kong, a client representative director of OTC Clearing Hong Kong Limited and a trustee of The D.H. Chen Foundation. Mr Fung had previously been a board member of the Hospital Authority, a board member of the Airport Authority Hong Kong, a director of The Hong Kong Mortgage Corporation Limited, an associate member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region and a lay council member of the Hong Kong Institute of Certified Public Accountants.

Non-executive Directors

LEE Tat Man, aged 83, has been a Director of the Company since 1976. He has been engaged in property development in Hong Kong for more than 45 years. Mr Lee previously served as an executive director of Henderson Investment Limited, a listed company, until 8 June 2020. Mr Lee is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited and Cameron Enterprise Inc. which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the brother of Dr Lee Shau Kee and Madam Fung Lee Woon King and the relative of Dr Lee Ka Kit, Mr Lee Ka Shing, Ms Lee Pui Man, Margaret, Mr Li Ning and Ms Li Keng Yan, Kristine.

LEE Pui Ling, Angelina, *SBS*, *JP*, *LLB*, *FCA*, aged 72, has been a Director of the Company since 1996 and was re-designated as Non-executive Director in 2004. Mrs Lee is a Partner of the firm of solicitors, Woo Kwan Lee & Lo, and is a Fellow of the Institute of Chartered Accountants in England and Wales. Mrs Lee was a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority, a non-executive director of the Securities and Futures Commission and a non-executive director of the Mandatory Provident Fund Schemes Authority. Mrs Lee is also a non-executive director of CK Infrastructure Holdings Limited and TOM Group Limited as well as an independent non-executive director of Great Eagle Holdings Limited, all of which are listed companies.

Independent Non-executive Directors

KWONG Che Keung, Gordon, *FCA*, aged 71, has been an Independent Non-executive Director of the Company since 2004. He is also the chairman of the Audit Committee and the Corporate Governance Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. He graduated from The University of Hong Kong with a bachelor's degree in social sciences in 1972 and qualified as a chartered accountant in England in 1977. He was a partner of Pricewaterhouse from 1984 to 1998 and an independent member of the Council of The Stock Exchange of Hong Kong from 1992 to 1997. He is an independent non-executive director of Henderson Investment Limited, Agile Group Holdings Limited, China Power International Development Limited, Chow Tai Fook Jewellery Group Limited, COSCO SHIPPING International (Hong Kong) Co., Ltd., FSE Services Group Limited, NWS Holdings Limited and Piraeus Port Authority S.A. (listed in Greece), all of which are listed companies. Mr Kwong previously served as an independent non-executive director of Wealthking Investments Limited (formerly known as OP Financial Limited) until 27 August 2019 and Global Digital Creations Holdings Limited until 22 May 2020.

Professor KO Ping Keung, *PhD, FIEEE, JP*, aged 70, has been an Independent Non-executive Director of the Company since 2004. He is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Professor Ko holds a Bachelor of Science (Honours) degree from The University of Hong Kong, a Doctor of Philosophy degree and a Master of Science degree from the University of California at Berkeley. He is an Adjunct Professor of Peking University and Tsinghua University and Emeritus Professor of Electronic and Computer Engineering and the former Dean of the School of Engineering of The Hong Kong University of Science and Technology. He was the vice chairman of Electrical Engineering and Computer Science Department of the University of California at Berkeley in 1991-1993 and a member of Technical staff, Bell Labs, Holmdel, in 1982-1984. Professor Ko is an independent non-executive director of Henderson Investment Limited, Q Technology (Group) Company Limited and VTech Holdings Limited, all of which are listed companies.

WU King Cheong, *BBS, JP*, aged 70, has been an Independent Non-executive Director of the Company since 2005. He is also the chairman of the Remuneration Committee and the Nomination Committee of the Company, and a member of the Audit Committee of the Company. Mr Wu is the Life Honorary Chairman of The Chinese General Chamber of Commerce, the Honorary Permanent President of the Chinese Gold & Silver Exchange Society and the Permanent Honorary President of the Hong Kong Securities Association Limited. He is an independent non-executive director of Henderson Investment Limited, Hong Kong Ferry (Holdings) Company Limited, Miramar Hotel and Investment Company, Limited and Yau Lee Holdings Limited, all of which are listed companies.

WOO Ka Biu, Jackson, *MA (Oxon)*, aged 58, has been an Independent Non-executive Director of the Company since 2012. He holds an MA degree in Jurisprudence from the Oxford University and is a qualified solicitor in England and Wales, Hong Kong Special Administrative Region and Australia. He is an honorary director of Tsinghua University, a China-Appointed Attesting Officer appointed by the Ministry of Justice, People's Republic of China and a Practising Solicitor Member on the panel of the Solicitors' Disciplinary Tribunal in The Hong Kong Special Administrative Region. He is a member of the Takeovers and Mergers Panel and the Takeovers Appeal Committee of the Securities and Futures Commission, and is also a member of the Listing Review Committee of The Stock Exchange of Hong Kong Limited as well as a member of the Honorary Advisory Panel and the Oversight, Policy and Governance Committee of Financial Reporting Council. Mr Woo was a partner of Ashurst Hong Kong and a director of N M Rothschild & Sons (Hong Kong) Limited ("Rothschild"). Prior to joining Rothschild, Mr Woo was a partner in the corporate finance department of Woo Kwan Lee & Lo. Mr Woo was an alternate to Sir Po-shing Woo, in Sir Po-shing Woo's capacity as a non-executive director of the Company. He is a director of Kailey Group of Companies, the Chief Executive Officer of Challenge Capital Management Limited and a consultant of Guantao & Chow Solicitors and Notaries. He previously served as an alternate to Sir Po-shing Woo, in Sir Po-shing Woo's capacity as a non-executive director of Sun Hung Kai Properties Limited until 31 August 2019. He is the son of Sir Po-shing Woo.

Professor POON Chung Kwong, *GBS, JP, PhD, DSc*, aged 81, has been an Independent Non-executive Director and a member of the Corporate Governance Committee of the Company since 2012. Professor Poon obtained a Bachelor of Science (honours) degree from the University of Hong Kong, a Doctor of Philosophy degree and a Higher Doctor of Science degree from the University of London. He was a postdoctoral fellow at the California Institute of Technology, University of Southern California and University of Toronto. He also held the Honorary Degree of Doctor of Humanities from The Hong Kong Polytechnic University in 2009. Professor Poon is currently the chairman of Virya Foundation Limited (a registered non-profit charitable organisation) and he is the President Emeritus and Emeritus Professor of The Hong Kong Polytechnic University and had devoted 40 years of his life to advancing university education in Hong Kong before he retired in January 2009 from his 18-year presidency at The Hong Kong Polytechnic University. Professor Poon was appointed a non-official Justice of the Peace (JP) in 1989 and received the OBE award in 1991, the Gold Bauhinia Star (GBS) award in 2002 by the Government of the Hong Kong Special Administrative Region, and the "Leader of the Year Awards 2008 (Education)". In addition, Professor Poon was appointed a member of the Legislative Council (1985-1991) and a member of the National Committee of the Chinese People's Political Consultative Conference (1998-2013). Professor Poon is the Honorary Professor of a number of top-rated universities in mainland China. Professor Poon is a non-executive director of Lee & Man Paper Manufacturing Limited and an independent non-executive director of The Hong Kong and China Gas Company Limited and Chevalier International Holdings Limited, all of which are listed companies. He previously served as an independent non-executive director of Shenzhen Investment Holdings Bay Area Development Company Limited until 2 May 2018.

AU Siu Kee, Alexander, *OBE, FCA, FCCA, FCPA, AAIA, FCIB, FHKIB,* aged 74, rejoined the Company as an Independent Non-executive Director in December 2018. He is also a member of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee of the Company. Mr Au was an Executive Director and the Chief Financial Officer of the Company from December 2005 to June 2011. He stepped down from the position of Chief Financial Officer and was re-designated as a Non-executive Director of the Company on 1 July 2011. On 18 December 2012, Mr Au was re-designated as an Independent Non-executive Director of the Company until his retirement on 2 June 2015. A banker by profession, Mr Au was the chief executive officer of Hang Seng Bank Limited from October 1993 to March 1998 and of Oversea-Chinese Banking Corporation Limited in Singapore from September 1998 to April 2002. He was formerly a non-executive director of a number of leading companies including The Hongkong and Shanghai Banking Corporation Limited, MTR Corporation Limited and Hang Lung Group Limited. Currently, Mr Au is an independent non-executive director of Henderson Investment Limited, Wharf Real Estate Investment Company Limited and Miramar Hotel and Investment Company, Limited, and a non-executive director of Hong Kong Ferry (Holdings) Company Limited, all of which are listed companies. He is also the chairman and a non-executive director of Henderson Sunlight Asset Management Limited, a wholly-owned subsidiary of the Company, which is the manager of the publicly-listed Sunlight Real Estate Investment Trust. An accountant by training, Mr Au is a Fellow of The Institute of Chartered Accountants in England and Wales, The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Senior Management

YU Wai Wai, *JP, BA (AS), B Arch, FHKIA, HonFHKIPM, Authorized Person (Architect), Registered Architect (HK),* aged 60, joined the Company in 2013 and is presently the General Manager of Project Management (1) Department. He is a Fellow member of the Hong Kong Institute of Architects, an Honorary Fellow of the Hong Kong Institute of Project Management and an Authorized Person (Architect). Mr Yu has over 30 years of experience in property planning and design, project management, quality management, cost management, land acquisition and customer services. He also has experience in art and cultures, green building innovations, heritage and conservation developments. Mr Yu was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2013.

KWOK Man Cheung, Victor, *BA (AS), B Arch (Dist), MSc (Con P Mgt), EMBA, FHKIA, MAPM, RIBA, Authorized Person (Architect), Registered Architect (HK), PRC Class 1 Registered Architect Qualification,* aged 67, joined the Company in 2005 and is presently the General Manager of Project Management (2) Department. He possesses professional qualifications of both a project manager and an architect. He holds a Bachelor of Architecture (Distinction) degree and a Master of Science in Construction Project Management degree from The University of Hong Kong, and an Executive Master of Business Administration degree from Tsinghua University. He is a Fellow Member of The Hong Kong Institute of Architects and a Member of Association of Project Management. He has over 42 years of professional experience in the property and construction industry of Hong Kong and mainland China.

LEUNG Kam Leung, *MSc, PGDMS, FHKIS, RPS (GP),* aged 67, joined the Company in 1997 and is presently the General Manager of Property Planning Department. He has over 44 years' experience in land and property development. He joined the former Public Works Department in 1976 and qualified as a Chartered Surveyor in 1980. He was assigned to an international property consultancy firm in London in 1982 receiving professional training in valuation, town planning and property development. He was promoted to Senior Estate Surveyor and Chief Estate Surveyor of the Lands Department in 1986 and 1994 respectively. He holds an Associateship in General Practice Surveying, a Postgraduate Diploma in Management Studies and a Master of Science degree in International Real Estate. He was sponsored by the Hong Kong Government in 1992 to complete a one-year programme of studies at the Graduate School of Public Policy of the University of California, Berkeley. Mr Leung is a Fellow Member of The Hong Kong Institute of Surveyors and a Registered Professional Surveyor. He was a non-official member of the Business Facilitation Advisory Committee, the convenor of the Former Pre-construction Task Force, a member of the Review Panel under the Land (Miscellaneous Provisions) Ordinance, a member of the Real Estate Services Training Board of Vocational Training Council and an external examiner of Master of Science in Real Estate Programme of the Faculty of Architecture of The University of Hong Kong. He is now a member of the Land Sub-committee of the Land and Development Advisory Committee and the convenor of the Planning, Environment and Lands Sub-committee of The Real Estate Developers Association of Hong Kong.

WONG Wing Hoo, Billy, *BBS, JP, BSc, FICE, FHKIE, FIHT, FHKIHT, RPE,* aged 63, joined the Company in 2006 and is presently the General Manager of Construction Department. He is a fellow member of the Institution of Civil Engineers, Hong Kong Institution of Engineers, Institution of Highways and Transportation and Hong Kong Institution of Highways and Transportation. He is also a Registered Professional Engineer under the Engineers Registration Ordinance Chapter 409. Mr Wong was appointed as a Justice of the Peace in 2005 and was awarded Bronze Bauhinia Star (BBS) in 2014 by the Government of the Hong Kong Special Administrative Region respectively. He previously served as president of Hong Kong Construction Association, chairman of Construction Industry Training Authority, chairman of Construction Industry Training Board and director of Hong Kong Science and Technology Parks Corporation. Mr Wong is currently director of Hong Kong-Shenzhen Innovation and Technology Park Ltd., board member of the Airport Authority Hong Kong, board member of the Hospital Authority and permanent supervisor of Hong Kong Construction Association.

CHENG Yuk Lun, Stephen, *BSc(Eng), C Eng, MICE, MIStructE, MHKIE, RPE, Registered Structural Engineer, Registered Geotechnical Engineer, Authorized Person (List II), PRC Class 1 Registered Structural Engineer Qualification,* aged 72, joined the Company in 1994 and is presently the Senior General Manager of the Engineering Department. He is a member of the Hong Kong Institution of Engineers, the Institution of Civil Engineers, and the Institution of Structural Engineers. He has over 40 years of professional experience in structural, civil, and geotechnical engineering.

WONG Man Wa, Raymond, *MSc(Real Estate), LLB, PCLL, Solicitor,* aged 55, joined the Company in 2012 and is presently the Senior General Manager of Sales Department. He possesses professional qualification as a solicitor in Hong Kong and is presently sitting on a number of professional, government consultative and advisory committees. He is also an individual member of The Real Estate Developers Association of Hong Kong. He holds a Master of Science in Real Estate degree with distinction, a Bachelor of Laws (LL.B) degree and a Postgraduate Certificate in Laws (PCLL) all from The University of Hong Kong. Prior to joining the Company, he had over 22 years' practical experience as a lawyer specializing in land and property development related works and was a partner of one of the largest international law firms in Hong Kong.

LAM Tat Man, Thomas, *MEM(UTS), DMS, EHKIM, MHIREA, China GBL Manager,* aged 61, joined the Company in 1983 and is presently the General Manager of Sales (1) Department. He holds a Master Degree in Engineering Management from the University of Technology, Sydney, Australia and a Diploma in Management Studies from The Hong Kong Polytechnic University. He is an Ordinary Member of Hong Kong Institute of Real Estate Administrators and an Executive Member of Hong Kong Institute of Marketing and a China Green Building Label Manager. He has over 37 years' experience in property sales and marketing.

HAHN Ka Fai, Mark, *BSc, MRICS, MHKIS, RPS (GP),* aged 57, joined the company in 2013 and is presently the General Manager of Sales (2) Department. He is a member of both the Royal Institution of Chartered Surveyors and The Hong Kong Institute of Surveyors. He has over 34 years' experience in property acquisitions, developments, sales and marketing as well as fund raising involving projects in Hong Kong, mainland China, Taiwan and Japan. Prior to joining the Company, he held various senior posts with several leading international property consultancies, associate director at Sino Land and executive director, Asia/managing director, development at Grosvenor.

CHOI Ngai Min, Michael, *BBS, JP, MBA*, aged 63, joined the Company in 2013 and is presently the in charge of China sales and land acquisition. He graduated from the Business Management Department of the Hong Kong Baptist College and holds a Master Degree in Business Administration from the University of East Asia, Macau. He has been in the real estate industry for 40 years and has extensive knowledge and experience in the real estate markets in Hong Kong and mainland China. Mr Choi was appointed as a Justice of the Peace in 2005 and was awarded Bronze Bauhinia Star (BBS) in 2015 by the Government of the Hong Kong Special Administrative Region respectively. Currently, he is the vice president of The Hong Kong Real Property Federation Limited.

LEE Pui Man, Margaret, *BHum (Hons)*, aged 60, joined the Company in 1984 and is presently the Senior General Manager of Portfolio Leasing Department. She holds a B Hum (Honours) degree from the University of London and has over 36 years' experience in marketing development. She is the eldest daughter of Dr Lee Shau Kee, the spouse of Mr Li Ning, the mother of Ms Li Keng Yan, Kristine, the sister of Dr Lee Ka Kit and Mr Lee Ka Shing and the relative of Mr Lee Tat Man and Madam Fung Lee Woon King.

LI Keng Yan, Kristine, *BA, MSc(Real Estate)*, aged 32, is presently the Acting General Manager of Portfolio Leasing Department. Ms Li holds a Master of Science in Real Estate from The University of Hong Kong and a Bachelor of Arts degree from Stanford University, USA. Prior to joining Henderson Land, she worked in the investment banking industry. Ms Li has over 8 years of experience in property leasing, marketing and asset management field. She currently serves on the executive committee of Urban Land Institute, and is also a member of The Y.Elites Association and Hong Kong Pei Hua Education Foundation as well as a committee member of the Union Hospital Charity Program. Ms Li is the granddaughter of Dr Lee Shau Kee, the daughter of Mr Li Ning and Ms Lee Pui Man, Margaret and the relative of Dr Lee Ka Kit, Mr Lee Ka Shing, Mr Lee Tat Man and Madam Fung Lee Woon King.

LI Ning, *BSc, MBA*, aged 64, Mr Li, has been appointed an executive director of Henderson Investment Limited since 2014 and is also an executive director of Hong Kong Ferry (Holdings) Company Limited. He holds a B.Sc. degree from Babson College and an M.B.A. degree from the University of Southern California. Mr Li set up the business of Citistore Stores in 1989 and has been managing the business since then in the capacity as a director, being a veteran with 30 years' experience in the department store business. Mr Li is the son-in-law of Dr Lee Shau Kee, the spouse of Ms Lee Pui Man, Margaret, the father of Ms Li Keng Yan, Kristine, the brother-in-law of Dr Lee Ka Kit and Mr Lee Ka Shing and the relative of Mr Lee Tat Man and Madam Fung Lee Woon King.

Dr WONG Kim Wing, Ball, *BA (AS), B. Arch, PhD (Finance), FHKIA, Registered Architect (HK), Authorized Person (List 1, HK)*, aged 59, joined the Company in 2011 as the group consultant and serves to advise Henderson Land Group in his expert areas of sales and marketing, leasing, and project management. He is also presently acting as the General Manager of Asset Development Department and Comm. & Ind. Properties Department and advises Henderson Land Group on its asset development and asset branding of investment portfolio. Dr Wong is a Registered Architect and Authorized Person in Hong Kong and holds a PhD Degree in Finance from the Shanghai University of Finance and Economics. Prior to joining Henderson Land Group, he was an executive director of CC Land Holdings Ltd., and was the director (Project and Planning) of The Link Management Limited (as Manager of The Link Real Estate Investment Trust). He had also served Sun Hung Kai Properties Group for over 10 years.

YU Ching Yan, Johnny, *BSc, MBA, ACA, CFA*, aged 50, joined the Company in 2020 as the advisor to Chairman. Prior to joining the company, Mr Yu held various senior positions with UBS, Credit Suisse and Price Waterhouse in both Hong Kong and London. He brought 26 years of extensive experience covering multiple disciplines including sales and marketing, investment advisory, accounting, tax, risk management and control, with his recent focus being digital transformation, innovation and sustainability. Mr Yu graduated from The London School of Economics and Political Science, University of London with a bachelor's degree in Management Science and attained his MBA degree in Finance with City University of London. He is a member of The Institute of Chartered Accountants in England & Wales and Chartered Financial Analyst Institute.

LEE King Yue, aged 94, joined Henderson Development Limited, the parent company of the Company on its incorporation in 1973 and has been engaged in property development for over 65 years. Mr Lee was an Executive Director of the Company for about 40 years until his stepping down from the board on 2 June 2016. He is an executive director of Henderson Real Estate Agency Limited and also a director of various members of the Group. He performs a senior executive role in the Finance Department of the Group and is responsible for the Group's property mortgage loans business.

LIU Cheung Yuen, Timon, *BEc, FCPA, CA (Aust), FCS, FCG*, aged 63, joined the Henderson Land Group in 2005 and is presently the Company Secretary of the Group. Mr Liu graduated from Monash University, Australia with a bachelor's degree in Economics. He is a fellow of both the Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Chartered Secretaries, and an associate of The Institute of Chartered Accountants in Australia. He has many years' experience in accounting, auditing, corporate finance, corporate investment and development, and company secretarial practice.

WONG Wing Kee, Christopher, *BSc (Econ), FCA*, aged 58, joined the Company in 2007 and is presently the General Manager of Accounts Department. Mr Wong graduated from The London School of Economics and Political Science, University of London and is a fellow of The Institute of Chartered Accountants in England & Wales. He has over 35 years of experience in accounting, auditing, investment banking and corporate finance in the United Kingdom and in Hong Kong. Prior to joining the Company, Mr Wong was the chief financial officer of Kerry Properties Limited between December 2004 and May 2007.

NGAN Suet Fong, Bonnie, *BBA*, aged 63, joined the Company in 2005 and is presently the General Manager of Corporate Communications Department. Ms Ngan graduated from the University of Wisconsin, USA. She has over 35 years of experience in both banking and real estate industries, and has held senior positions in corporate communications, marketing, retail banking and e-business. Prior to joining the Company, Ms Ngan was the general manager, corporate communications and public relations of Hong Kong Tourism Board.

Financial Statements

158 Report of the Independent Auditor
163 Consolidated Statement of Profit or Loss
164 Consolidated Statement of Profit or Loss and Other Comprehensive Income
165 Consolidated Statement of Financial Position
167 Consolidated Statement of Changes in Equity
169 Consolidated Cash Flow Statement
172 Notes to the financial statements
272 Principal Subsidiaries
279 Principal Associates
280 Principal Joint Ventures

Report of the Independent Auditor

Independent auditor's report to the members of
Henderson Land Development Company Limited
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Henderson Land Development Company Limited ("the Company") and its subsidiaries ("the Group") set out on pages 163 to 280, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

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

Key audit matters (continued)

Valuation of investment properties and investment properties under development	
Refer to note 15 to the consolidated financial statements on pages 233 to 240 and the accounting policy 2(j)(i) on page 178.	
The key audit matter	**How the matter was addressed in our audit**
The Group holds either directly or through its joint ventures and associates, a portfolio of investment properties and investment properties under development located in Hong Kong and in certain first and second-tier cities across mainland China. These properties comprise office premises, industrial premises, shopping malls, residential premises and car parking bays. The fair values of investment properties and investment properties under development as at 31 December 2020 were assessed by the management based on independent valuations prepared by a firm of qualified external property valuers. The net changes in fair value of investment properties and investment properties under development are recorded in the consolidated statement of profit or loss. We identified valuation of the investment properties and investment properties under development as a key audit matter because of the significance of investment properties and investment properties under development to the Group's total assets and the significance of changes in fair value of investment properties and investment properties under development to the Group's profit before taxation and because the valuation of investment properties and investment properties under development can be inherently subjective and requires significant management judgement and estimation which increases the risk of error or potential management bias, particularly given the number and the diverse nature and location of the investment properties and investment properties under development.	Our audit procedures to address the valuation of investment properties and investment properties under development, either directly held by the Group or through its joint ventures and associates, included the following: • obtaining and inspecting the valuation reports prepared by the external property valuers on which the management's assessment of the fair values of investment properties and investment properties under development was based; • assessing the external property valuers' qualifications, experience and expertise in the properties being valued and considering their objectivity and independence; • with the assistance of our internal property valuation specialists and utilising their industry knowledge and experience, discussing with the external property valuers, without the presence of management, their valuation methodologies; and assessing the key estimates and assumptions adopted in the valuation by comparing capitalisation rates, prevailing market rents and comparable market transactions with the available market data; • comparing tenancy information, including committed rents and occupancy rates, provided by the management to the external property valuers, with underlying contracts and related documentation, on a sample basis; • conducting site visits to investment properties under development, on a sample basis, to observe the development progress and evaluating management's development budgets reflected in the latest forecasts with reference to market statistics about estimated construction costs, signed construction contracts and/or unit construction costs of recently completed projects.

Key audit matters (continued)

<table>
<tr><th colspan="2">Assessing the net realisable value of properties held for/under development for sale and completed properties for sale in mainland China</th></tr>
<tr><th colspan="2">Refer to note 24 to the consolidated financial statements on page 250 and the accounting policy 2(n) on pages 185 to 186.</th></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>As at 31 December 2020, the Group held either directly or through its joint ventures and associates, properties held for/under development for sale and completed properties for sale located in certain cities across mainland China.

These properties are stated at the lower of cost and net realisable value. The determination of the net realisable value of these properties requires estimations, including expected future selling prices and costs necessary to complete the sale of these properties, and is assessed by the management with reference to the independent valuations carried out by the external property valuers for certain properties.

Changes in government policies, which affect interest rates, the required reserve ratio for banks and/or mortgage requirements for second-home buyers, could lead to volatility in property prices, particularly for properties in mainland China.

We identified the assessment of the net realisable value of the properties in mainland China as a key audit matter because of the significance of these properties to the Group's total assets and because the assessment of net realisable value is inherently subjective and requires significant management judgement and estimation in relation to estimating future selling prices and future construction costs which increases the risk of error or potential management bias.</td><td>Our audit procedures to assess the net realisable value of properties held for/under development for sale and completed properties for sale in mainland China, either directly held by the Group or through its joint ventures and associates, included the following:
• obtaining and inspecting management's valuation assessments and/or the external valuation reports prepared by external property valuers and on which the management's assessment of the net realisable value of the properties held for/under development for sale and completed properties for sale was based;
• assessing the qualifications, experience and expertise of the management and/or the external property valuers in the nature and locations of the properties being valued;
• with the assistance of our internal property valuation specialists and utilising their industry knowledge and experience, discussing with management and/or the external property valuers their valuation methodologies; and assessing the key estimates and assumptions adopted in the valuation, including expected future selling prices and costs to completion, by comparing expected future selling prices to, where available, recently transacted prices for similar properties or the prices of comparable properties located in the vicinity of each development, and publicly available construction cost information for properties of a similar nature and location;
• conducting site visits to properties under development for sale, on a sample basis, to observe the development progress and evaluating the management's development budgets reflected in the latest forecasts with reference to market statistics about estimated construction costs, signed construction contracts and/or unit construction costs of recently completed projects.</td></tr>
</table>

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

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Felix Kwo Hang Lee.

KPMG
Certified Public Accountants

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

23 March 2021

Consolidated Statement of Profit or Loss

for the year ended 31 December 2020

	Note	**2020** **HK$ million**	2019 HK$ million
Revenue	5	**25,020**	24,184
Direct costs		**(9,717)**	(11,378)
		15,303	12,806
Other net (loss)/income	6	**(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	15(a)	**(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	7(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	7	**12,714**	19,086
Income tax	10(a)	**(2,431)**	(2,037)
Profit for the year		**10,283**	17,049
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	*13(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	*13(b)*	***HK$3.08***	*HK$3.02*

The notes on pages 172 to 280 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 11.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2020

	Note	**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:	12(a)		
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

The notes on pages 172 to 280 form part of these financial statements.

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	15	**186,593**	182,963
Other property, plant and equipment	15	**400**	389
Right-of-use assets	16	**750**	451
Goodwill	17	**262**	262
Interest in associates	19	**64,838**	63,171
Interest in joint ventures	20	**70,043**	65,230
Derivative financial instruments	21	**1,319**	453
Other financial assets	22	**11,186**	13,160
Deferred tax assets	10(c)	**633**	416
		336,024	326,495
Current assets			
Deposits for acquisition of properties	23	**1,052**	1,260
Inventories	24	**101,059**	100,495
Trade and other receivables	25	**15,864**	14,885
Cash held by stakeholders		**1,281**	1,376
Cash and bank balances	27(a)	**5,807**	10,734
		125,063	128,750
Current liabilities			
Trade and other payables	28	**22,304**	27,298
Lease liabilities	29	**338**	232
Bank loans	30	**26,254**	27,768
Guaranteed notes	31	**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

	Note	At 31 December 2020 HK$ million	At 31 December 2019 HK$ million
Non-current liabilities			
Bank loans	30	**42,412**	52,157
Guaranteed notes	31	**15,675**	10,243
Amount due to a fellow subsidiary	32	**4,389**	737
Amount due to a related company	33	**2,137**	–
Derivative financial instruments	21	**1,190**	381
Lease liabilities	29	**435**	242
Provisions for reinstatement costs		**17**	17
Deferred tax liabilities	10(c)	**7,904**	6,910
		74,159	70,687
NET ASSETS		**332,192**	325,393
CAPITAL AND RESERVES	34		
Share capital	41(c)	**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

Approved and authorised for issue by the Board of Directors on 23 March 2021.

Lee Ka Kit
Lee Ka Shing
Directors

The notes on pages 172 to 280 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2020

		Attributable to equity shareholders of the Company										
	Note	Share capital HK$ million	Property revaluation reserve HK$ million	Exchange reserve HK$ million	Fair value reserve (recycling) HK$ million	Fair value reserve (non-recycling) HK$ million	Hedging reserve HK$ million	Other reserves HK$ million	Retained profits HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
Balance at 1 January 2019		52,345	16	(514)	(3)	47	(54)	151	261,155	313,143	4,824	317,967
Changes in equity for 2019:												
Profit for the year		–	–	–	–	–	–	–	16,994	16,994	55	17,049
Other comprehensive income for the year	12(c)	–	–	(1,747)	2	417	97	–	42	(1,189)	(4)	(1,193)
Total comprehensive income for the year		–	–	(1,747)	2	417	97	–	17,036	15,805	51	15,856
Transfer to other reserves		–	–	–	–	–	–	13	(13)	–	–	–
Bonus shares issued	41(c)	–	–	–	–	–	–	–	–	–	–	–
Dividend approved in respect of the previous financial year	11(b)	–	–	–	–	–	–	–	(5,722)	(5,722)	–	(5,722)
Dividend declared and paid in respect of the current year	11(a)	–	–	–	–	–	–	–	(2,421)	(2,421)	–	(2,421)
Share of associates' and joint ventures' reserves		–	–	–	–	–	–	37	9	46	–	46
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	(76)	(76)
Increase in shareholding in a subsidiary		–	–	–	–	–	–	–	–	–	3	3
Repayment to non-controlling interests, net		–	–	–	–	–	–	–	–	–	(260)	(260)
Balance at 31 December 2019		52,345	16	(2,261)	(1)	464	43	201	270,044	320,851	4,542	325,393

Consolidated Statement of Changes in Equity
for the year ended 31 December 2020

	Note	Attributable to equity shareholders of the Company										
		Share capital HK$ million	Property revaluation reserve HK$ million	Exchange reserve HK$ million	Fair value reserve (recycling) HK$ million	Fair value reserve (non-recycling) HK$ million	Hedging reserve HK$ million	Other reserves HK$ million	Retained profits HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
Balance at 1 January 2020		52,345	16	(2,261)	(1)	464	43	201	270,044	320,851	4,542	325,393
Changes in equity for 2020:												
Profit for the year		–	–	–	–	–	–	–	10,192	10,192	91	10,283
Other comprehensive income for the year	12(c)	–	–	5,640	–	(227)	(179)	–	28	5,262	9	5,271
Total comprehensive income for the year		–	–	5,640	–	(227)	(179)	–	10,220	15,454	100	15,554
Transfer from other reserves		–	–	–	–	–	–	(10)	10	–	–	–
Dividend approved in respect of the previous financial year	11(b)	–	–	–	–	–	–	–	(6,294)	(6,294)	–	(6,294)
Dividend declared and paid in respect of the current year	11(a)	–	–	–	–	–	–	–	(2,421)	(2,421)	–	(2,421)
Share of associates' and joint ventures' reserves		–	–	–	–	22	–	–	(5)	17	–	17
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	(113)	(113)
Advance from non-controlling interests, net		–	–	–	–	–	–	–	–	–	56	56
Balance at 31 December 2020		52,345	16	3,379	(1)	259	(136)	191	271,554	327,607	4,585	332,192

The notes on pages 172 to 280 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2020

	Note	**2020 HK$ million**	2019 HK$ million
Operating activities			
Profit before taxation		**12,714**	19,086
Adjustments for:			
– Interest income		**(1,152)**	(967)
– Dividend income from investments designated as financial assets at fair value through other comprehensive income ("FVOCI") and investments measured as financial assets at fair value through profit or loss ("FVPL")	7(d)	**(88)**	(90)
– Net gain on disposal of investment properties	6	**(229)**	(251)
– Provision on inventories, net	6	**4**	19
– Impairment loss on trade debtors, net	6	**6**	3
– Net gain on transfer of interests in joint ventures	6	**–**	(345)
– Net fair value loss/(gain) on investments measured as financial assets at FVPL	6	**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	6	**515**	(409)
– Cash flow hedges: reclassified from hedging reserve to profit or loss	6	**5**	–
– Decrease/(increase) in fair value of investment properties and investment properties under development	15(a)	**2,413**	(2,530)
– Finance costs			
– On bank and other borrowings	7(a)	**2,158**	2,559
– On lease liabilities	7(a)	**22**	19
– Amount capitalised	7(a)	**(1,622)**	(1,977)
– Depreciation			
– On other property, plant and equipment	7(d)	**77**	65
– On right-of-use assets	7(d)	**351**	312
– Share of profits less losses of associates		**(2,524)**	(3,627)
– Share of profits less losses of joint ventures		**(636)**	(2,194)
– Net foreign exchange (gain)/loss		**(259)**	15
– Other cash flows from operating activities		**54**	58
Operating profit before changes in working capital		**12,175**	9,745
Increase in instalments and loans receivable		**(91)**	(57)
Decrease in deposits for acquisition of properties		**227**	43
Decrease/(increase) in inventories (other than through acquisitions of subsidiaries and transfers to investment properties and investment properties under development)		**953**	(2,891)
Decrease in debtors, prepayments and deposits		**1,555**	1,053
Increase in gross amount due from customers for contract work		**(24)**	(7)

Consolidated Cash Flow Statement

for the year ended 31 December 2020

	Note	2020 HK$ million	2019 HK$ million
Operating profit before changes in working capital (continued)			
Decrease in cash held by stakeholders		**95**	782
Increase in cash restricted for use		**(112)**	(2)
(Decrease)/increase in creditors and accrued expenses		**(75)**	25
Decrease in gross amount due to customers for contract work		**–**	(3)
(Decrease)/increase in rental and other deposits received		**(55)**	21
Decrease in forward sales deposits received		**(6,441)**	(1,017)
Cash generated from operations		**8,207**	7,692
Interest received		**399**	327
Tax paid			
– Hong Kong		**(826)**	(142)
– Outside Hong Kong		**(708)**	(1,133)
Net cash generated from operating activities		**7,072**	6,744
Investing activities			
Payment for purchase of investment properties and other property, plant and equipment		**(2,562)**	(3,569)
Proceeds from disposal of investment properties and other property, plant and equipment		**630**	637
Repayment from associates, net		**412**	87
Advances to joint ventures, net		**(1,180)**	(7,599)
Additional investments in associates		**(254)**	(33)
Additional investments in joint ventures		**(2,692)**	(2,219)
Payment for purchase of investments measured as financial assets at FVPL		**(381)**	(8)
Net cash outflow in respect of the acquisitions of subsidiaries	36	**(124)**	–
Net cash inflow in respect of the transfers of interests in joint ventures		**–**	1,725
Interest received		**492**	671
Dividends received from associates		**2,894**	2,611
Dividends received from joint ventures		**935**	1,274
Dividends received from investments in equity securities designated as financial assets at FVOCI and investments measured as financial assets at FVPL		**88**	90
Decrease in deposits with banks and other financial institutions over three months of maturity at acquisition		**626**	829
Decrease in structured bank deposits		**142**	1,681
Net cash used in investing activities		**(974)**	(3,823)

	Note	2020 HK$ million	2019 HK$ million
Financing activities			
Advance from/(repayment to) non-controlling interests, net	27(b)	**56**	(260)
Proceeds from new bank loans	27(b)	**29,706**	39,882
Repayment of bank loans	27(b)	**(41,952)**	(32,498)
Proceeds from issue of guaranteed notes	27(b)	**8,487**	3,858
Repayment of guaranteed notes	27(b)	**(1,484)**	(5,421)
Increase/(decrease) in amount due to a fellow subsidiary	27(b)	**3,652**	(363)
Increase in amount due to a related company	27(b)	**2,085**	–
Payments of principal portion of lease liabilities	27(b)	**(348)**	(306)
Interest and other borrowing costs paid	27(b)	**(2,125)**	(2,542)
Dividends paid to equity shareholders of the Company	11	**(8,715)**	(8,143)
Dividends paid to non-controlling interests		**(113)**	(76)
Net cash used in financing activities		**(10,751)**	(5,869)
Net decrease in cash and cash equivalents		**(4,653)**	(2,948)
Cash and cash equivalents at 1 January		**9,634**	12,899
Effect of foreign exchange rate changes		**376**	(317)
Cash and cash equivalents at 31 December	27(a)	**5,357**	9,634

The notes on pages 172 to 280 form part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2020

1 General information

Henderson Land Development Company Limited ("the Company") is incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the Company's registered office and principal place of business is 72/F-76/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are property development and investment, operation and management of department stores and supermarket-cum-stores, construction, finance, project management, investment holding and property management.

2 Significant accounting policies

(a) Statement of compliance

These consolidated 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. These consolidated financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). A summary of the significant accounting policies adopted by the Company and its subsidiaries (collectively referred to as "the Group") is set out below.

(b) 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.

2 Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

Up to the date of issue of these 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 these 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.

(c) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise those of the Company and its subsidiaries and have equity accounted for the Group's interests in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– investments designated as financial assets at fair value through other comprehensive income (see note 2(g));

– investments measured as financial assets at fair value through profit or loss (see note 2(g));

– derivative financial instruments (see note 2(h)); and

– investment properties and certain investment properties under development (see note 2(j)(i)).

The preparation of these 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and the key sources of estimation uncertainty are discussed in note 3.

2 Significant accounting policies (continued)

(d) Subsidiaries and non-controlling interests

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

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests' attributable share of the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)) or, where appropriate, the cost on initial recognition of an investment in an associate or a joint venture (see note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(m)).

2 Significant accounting policies (continued)

(e) Associates and joint arrangements

(i) An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in financial and operating policy decisions.

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

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(m)). Any excess of acquisition-date fair value over cost, the Group's share of the post-acquisition post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investee's other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

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

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

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not re-measured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)).

In the Company's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses (see note 2(m)).

(ii) A joint operation is a joint arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group recognises its interest in the joint operation by combining the assets, liabilities, revenues and expenses attributable to its interest with similar items on a line-by-line basis. Consistent accounting policies are applied for like transactions and events in similar circumstances.

2 Significant accounting policies (continued)

(f) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units that are expected to benefit from the synergies of the combination, and is tested annually for impairment (see note 2(m)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except for those investments measured at fair value through profit or loss for which transaction costs are recognised directly in profit or loss and where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments other than equity investments
Non-equity investments held by the Group are classified into one of the following measurement categories:

– Amortised cost, if the investment is held for the collection of contractual cash flows which represents solely payments of principal and interest. Interest income from the investment is calculated using the effective interest rate method (see note 2(w)(iii)).

– Fair value through other comprehensive income ("FVOCI") (recycling), if the contractual cash flows of the investment comprises solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest rate method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– Fair value through profit or loss ("FVPL") if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

2 Significant accounting policies (continued)

(g) Other investments in debt and equity securities (continued)

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment, the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividend income from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as dividend income in accordance with the accounting policy set out in note 2(w)(vii).

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period, the fair value is re-measured. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 2(i)).

(i) Cash flow hedges

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with changes in foreign exchange rate and variable rate of certain borrowings (cash flow hedges). The Group has elected to adopt the new general hedge accounting model in HKFRS 9, *Financial instruments* on 1 July 2020. Depending on the complexity of the hedge, this new accounting model allows a more qualitative approach to assessing hedge effectiveness compared to HKAS 39, *Financial instruments: Recognition and measurement*, and the assessment is always forward-looking. The adoption of HKFRS 9 has not had a significant impact on the consolidated financial statements of the Group in this regard because all the previous hedging relationships were revoked on 1 January 2020, prior to the Group's adoption of the new general hedge accounting model in HKFRS 9 on 1 July 2020.

Where a derivative financial instrument is designated as a hedging instrument in a cash flow hedge, the effective portion of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

Forward element of forward foreign currency contracts and foreign currency basis spread of financial instruments may be separated and excluded from the designated hedging instruments. If the Group excludes the forward element of a forward foreign exchange contract or the foreign currency basis spread of a financial instrument (the "excluded elements") from the designation of a hedging instrument, then the excluded elements may be separately accounted for as a cost of hedging. The fair value changes of the excluded elements are recognised in a separate component of equity to the extent that it relates to the hedged items.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

2 Significant accounting policies (continued)

(i) Cash flow hedges (continued)

For cash flow hedges other than those covered by the preceding policy statement, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If a hedge no longer meets the criteria for hedge accounting (including when a hedging instrument expires or is sold, terminated or exercised), then hedge accounting is discontinued prospectively. When hedge accounting is discontinued but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point in time remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

(j) Investment properties and other property, plant and equipment

(i) Investment properties and investment properties under development

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

Investment properties and investment properties under development are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(w)(ii).

(ii) Other property, plant and equipment

The following items of other property, plant and equipment are stated at cost less accumulated depreciation (see note 2(k)) and impairment losses (see note 2(m)):

– other land and buildings; and

– plant and equipment.

The cost of self-constructed items of other property, plant and equipment includes the costs of materials and direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(y)).

Gains or losses arising from the retirement or disposal of an item of other property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the property revaluation reserve to retained profits and is not reclassified to profit or loss.

2 Significant accounting policies (continued)

(k) Depreciation

(i) *Investment properties and investment properties under development*

No depreciation is provided on investment properties and investment properties under development.

(ii) *Other land and buildings*

Depreciation is provided on the cost of the leasehold land of properties over the unexpired terms of the leases. Cost of buildings thereon is depreciated on a straight-line basis over the unexpired terms of the respective leases or 40 years, if shorter.

(iii) *Plant and equipment*

Depreciation is calculated to write off the cost of plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

–	Leasehold improvements, furniture and fixtures	5 years
–	Others	2 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(iv) *Right-of-use assets*

Depreciation charge on the right-of-use assets is recognised using the straight-line method over a period of 2 years to 8 years, being the period from the date of the commencement/modification of a lease (other than a short-term lease and a lease of low-value asset of which the Company or any of its subsidiaries is a lessee and in relation to which the recognition exemption under HKFRS 16, *Leases* is applicable) to the end of the term of the lease, taking into consideration any renewal options attaching thereto (if any).

2 Significant accounting policies (continued)

(l) Leased assets

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for monetary consideration payable by the recipient of such right (i.e. the lessee). The right to control an identified asset is conveyed when the lessee has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Under HKFRS 16, at the lease commencement date, the Group (as the lessee) recognises a right-of-use asset and a lease liability, except for (i) short-term leases that have lease term of 12 months or less; and (ii) leases of low-value assets to which the "practical expedient" under HKFRS 16 is applicable. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

When a lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest rate method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

When a lease is capitalised, the right-of-use asset recognised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset on the site at which it is located, discounted to their present value and less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(k)(iv) and 2(m)(iii) respectively), except for the right-of-use asset that meets the definition of an investment property (see note 2(j)) and inventory (see note 2(n)).

The lease liability is re-measured when there is (i) a change in the future lease payments arising from a change in an index or rate; (ii) a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or (iii) a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents the right-of-use asset that does not meet the definition of an investment property separately from the lease liabilities in the consolidated statement of financial position.

2 Significant accounting policies (continued)

(m) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for expected credit losses ("ECLs") on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to associates and joint ventures);

– contract assets as defined in HKFRS 15, *Revenue from contracts with customers* (see note 2(o));

– debt securities measured at FVOCI (recycling);

– lease receivables (which is included under "Debtors, prepayments and deposits" within trade and other receivables); and

– loan commitments issued, which are not measured at FVPL.

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan; and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

– lease receivables: discount rate used in the measurement of the lease receivable;

– loan commitments: current risk-free rate adjusted for risks specific to the cash flows.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

2 Significant accounting policies (continued)

(m) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (continued)

Measurement of ECLs (continued)

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

2 Significant accounting policies (continued)

(m) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (continued)

Significant increases in credit risk (continued)

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of default occurring on the loan to which the loan commitment relates.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are re-measured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with note 2(w)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 Significant accounting policies (continued)

(m) Credit losses and impairment of assets (continued)

(ii) Credit losses from financial guarantees issued

The accounting policy for financial guarantees is set out in note 2(v)(i).

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "Trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increases in credit risk as described in note 2(m)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(iii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– Other property, plant and equipment;

– right-of-use assets;

– goodwill; and

– investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, the recoverable amount of goodwill is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2 Significant accounting policies (continued)

(m) Credit losses and impairment of assets (continued)

(iii) Impairment of other assets (continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measureable), or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iv) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the aforementioned interim period, the Group applies the same impairment testing, recognition and reversal criteria (see note 2(m)(i), note 2(m)(ii) and note 2(m)(iii)) as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which such interim period relates.

(n) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost and net realisable value are determined as follows:

(i) Leasehold land held for development for sale

The cost of leasehold land, which is held for development for sale, represents the cost of acquisition and the premium, if any, payable to the relevant government authorities. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

(ii) Properties held for/under development for sale

The cost of properties held for/under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, and an appropriate proportion of overheads and borrowing costs capitalised (see note 2(y)). Net realisable value represents the estimated selling price, based on prevailing market conditions, less estimated costs of completion and costs to be incurred in selling the property.

2 Significant accounting policies (continued)

(n) Inventories (continued)

(iii) Completed properties for sale

The cost of completed properties for sale comprises the total land and development costs for that project, being all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition, and is determined by apportionment attributable to the unsold properties. Net realisable value represents the estimated selling price, based on prevailing market conditions, less estimated costs to be incurred in selling the property.

(iv) Retail, catering stocks and trading goods

Cost is calculated using the weighted average cost formula and comprises all costs of purchase. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(o) Construction contracts

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on real estate assets under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

A contract asset is recognised when the Group recognises revenue (see note 2(w)(iv)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in note 2(m)(i) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2(w)(iv)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(p)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

(p) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(o)).

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest rate method, less allowance for credit losses (see note 2(m)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for credit losses.

2 Significant accounting policies (continued)

(q) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest rate method.

(r) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(v)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the accounting policy set out in note 2(m)(i).

(t) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued for in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(u) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2 Significant accounting policies (continued)

(u) Income tax (continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided that they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(j)(i), the amount of deferred tax recognised is measured using the tax rates that would apply on the sale of those assets at their carrying value at the end of the reporting period, unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets or liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to realise the assets and settle the liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or realised, intend to realise the current tax assets and settle the current tax liabilities on a net basis, or to realise the current tax assets and settle the current tax liabilities simultaneously.

2 Significant accounting policies (continued)

(v) Financial guarantees issued, provisions and contingent liabilities

(i) *Financial guarantees issued*

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

(ii) *Other provisions and contingent liabilities*

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(w) Revenue recognition

(i) *Sale of properties*

Revenue arising from the sale of properties held for sale is recognised in the Group's consolidated statement of profit or loss on the basis that control over the ownership of the property has been passed to the customer during the current accounting period, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all the benefits of ownership of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under forward sales deposits received.

(ii) *Rental income from leases*

Rental income receivable under leases is recognised in profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

2 Significant accounting policies (continued)

(w) Revenue recognition (continued)

(iii) Interest income

Interest income is recognised as it accrues using the effective interest rate method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of allowance) of the asset.

(iv) Contract revenue

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in note 2(v)(ii).

(v) Hotel operation

Income from hotel operation carried out by the Group's associates and joint ventures is recognised when services are provided.

(vi) Department stores and supermarket-cum-stores operations

Revenue arising from the sale of goods from department stores and supermarket-cum-stores operations is recognised at a point in time when the Group sells a product to the customer, which is taken to be the point in time when the customer has obtained control of the goods sold. Revenue is recognised after deduction of any trade discounts. Commission income from consignment and concessionaire counters is recognised at a point in time of the sale of goods by counter suppliers. Promotion income is recognised over time when the services are provided.

(vii) Dividend income

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(viii) Government grants

Government grants are recognised at their fair value where there is a reasonable assurance that the grants will be received and all the attaching conditions (if any) have been complied with. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

2 Significant accounting policies (continued)

(x) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the transaction dates. Items in the statement of financial position, including goodwill arising on consolidation of foreign operations acquired on or after 1 July 2005, are translated into Hong Kong dollars at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 July 2005 is translated into Hong Kong dollars at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(y) Borrowing costs

Borrowing costs that are directly attributable to the construction of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or are completed.

(z) Related parties

(a) A person, or a close member of that person’s family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group’s parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.

2 Significant accounting policies (continued)

(z) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies: (continued)

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a) above.

(vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of the Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of businesses and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Accounting estimates and judgements

The key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are described below.

(a) Valuation of investment properties and certain investment properties under development

As described in note 15, investment properties and certain investment properties under development are stated at fair value based on the valuation performed by an independent firm of professional surveyors.

In determining the fair value of investment properties, the valuers have based on a method of valuation which involves, inter alia, certain estimates including current market rents for similar properties in the same location and condition, appropriate discount rates and expected future market rents. In relying on the valuation report, management has exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

Certain investment properties under development are valued by estimating the fair value of such properties as if they were completed in accordance with the relevant development plan and then deducting from that amount the estimated costs to complete the construction, financing costs and a reasonable profit margin.

3 Accounting estimates and judgements (continued)

(b) Write-down of inventories for property development

Management performs a regular review on the carrying amounts of inventories for property development. Based on management's review, write-down of inventories for property development will be made when the estimated net realisable value has declined below the carrying amount.

In determining the net realisable value of completed properties for sale, management refers to prevailing market data such as recent sales transactions, market survey reports available from independent property surveyors and internally available information, as bases for evaluation.

In respect of leasehold land held for development for sale and properties held for/under development for sale, the estimate of net realisable value requires the application of a risk-adjusted discount rate to the estimated future cash flows to be derived from those properties. These estimates require judgement as to the anticipated selling prices by reference to recent sales transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the estimated costs to completion of properties, the legal and regulatory framework and general market conditions.

(c) Impairment of non-current assets

If circumstances indicate that the carrying amounts of non-current assets may not be recoverable, the assets may be considered impaired and are tested for impairment. An impairment loss is recognised when the asset's recoverable amount has declined below its carrying amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. In determining the recoverable amount which requires significant judgements, the Group estimates the future cash flows to be derived from the continuing use and ultimate disposal of the asset and applies an appropriate discount rate to these future cash flows.

(d) Recognition of deferred tax assets

At 31 December 2020, the Group has recognised deferred tax assets in relation to the unused tax losses and deductible temporary differences as set out in note 10(c). The realisability of deferred tax assets mainly depends on whether it is probable that future taxable profits will be available against which related tax benefits under the deferred tax assets can be utilised, in which case a partial reversal of deferred tax assets may arise and which amount will be recognised in profit or loss for the period in which such a reversal takes place.

4 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, foreign currency and interest rate risks arises in the normal course of the Group's business. The Group is also exposed to price risk arising from its financial investments. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits, derivative financial instruments as well as instalments, loans, rental and other trade receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Transactions involving derivative financial instruments are also executed with counterparties of sound credit standing. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

Regular review and follow-up actions are carried out on overdue amounts of instalments receivable from sale of properties and loans receivable which enable management to assess their recoverability and to minimise the exposure to credit risk. In relation to property sales for which the buyers have entered into mortgage loans advanced by the Group, management mitigates the credit risk by holding collateral in the form of properties to cover the amounts of mortgage loans advanced by the Group to the property buyers. In respect of rental income from leasing properties, monthly rents are received in advance and sufficient rental deposits are held to cover potential exposure to credit risk. For other trade receivables, credit terms given to customers are generally based on the financial strength and repayment history of each customer. As such, the Group does not obtain collateral from its customers. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with the receivables. Adequate allowances for impairment losses have been made for estimated irrecoverable amounts.

The Group has no concentrations of credit risk in view of its large number of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. Except for the financial guarantees given by the Group as disclosed in note 39 to these financial statements, the Group does not provide any other guarantee which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 25 to these financial statements.

(b) Liquidity risk

The treasury function of the Group is arranged centrally to cover expected cash demands. The Group's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. Given that the COVID-19 pandemic has caused and will likely cause disruptions to economic activities, the Group has adopted appropriate policies for its liquidity risk management practices which takes into account the use of alternative sources of funding where necessary. This includes the Group's available cash and bank balances (see note 27(a)), the Group's investments in listed securities (see note 22) which are realisable into cash, the committed and uncommitted banking facilities available to the Group, and the capacity for the issuance of guaranteed notes under the Group's Medium Term Note Programme (see note 31).

4 Financial risk management and fair values of financial instruments (continued)

(b) Liquidity risk (continued)

Given the amount due to a fellow subsidiary (see note 32) classified as a non-current liability, amounts due to certain associates and certain joint ventures (see note 28) have no fixed terms of repayment, it is not practical to disclose their remaining contractual maturities at the end of the reporting period. Except for these, the following tables set out the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date on which the Group can be required to pay:

	2020 Contractual undiscounted cash outflow						2019 Contractual undiscounted cash outflow					
	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million	Carrying amount HK$ million	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million	Carrying amount HK$ million
Bank loans	26,747	14,641	13,479	15,333	70,200	68,666	30,059	16,477	23,733	17,253	87,522	79,925
Guaranteed notes	3,585	2,006	8,862	7,219	21,672	18,753	1,870	3,380	2,124	6,770	14,144	11,727
Lease liabilities	351	266	177	–	794	773	245	131	111	15	502	474
Creditors and accrued expenses	6,182	–	–	–	6,182	6,182	6,409	–	–	–	6,409	6,409
Rental and other deposits received	698	506	379	37	1,620	1,620	694	429	479	36	1,638	1,638
Amounts due to associates and joint ventures	1,608	–	–	–	1,608	1,569	1,713	–	–	–	1,713	1,673
Amount due to a related company	17	151	2,187	–	2,355	2,137	–	–	–	–	–	–
	39,188	17,570	25,084	22,589	104,431	99,700	40,990	20,417	26,447	24,074	111,928	101,846

	2020 Contractual undiscounted cash inflow/(outflow)					2019 Contractual undiscounted cash inflow/(outflow)				
	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million
Derivative settled net:										
Interest rate swap contracts held as cash flow hedging instruments:	(78)	(70)	(195)	(107)	(450)	–	–	–	–	–
Other interest rate swap contracts	(155)	(111)	(192)	83	(375)	9	(6)	2	120	125
Derivative settled gross:										
Cross currency interest rate swap contracts held as cash flow hedging instruments:										
– outflow	(2,779)	(2,614)	(8,563)	(5,831)	(19,787)	(16)	(16)	(174)	(84)	(290)
– inflow	3,006	2,911	8,820	6,075	20,812	18	18	176	85	297
Other cross currency interest rate swap contracts and cross currency swap contracts:										
– outflow	(2,016)	(165)	(10)	(81)	(2,272)	(267)	(1,477)	(2,289)	(6,028)	(10,061)
– inflow	2,012	165	12	81	2,270	152	1,307	2,058	5,956	9,473

4 Financial risk management and fair values of financial instruments (continued)

(c) Financial risk management of the exposure of the Group's borrowings to foreign currency risk and interest rate risk

At 31 December 2020 and 31 December 2019, the Group's borrowings, namely, bank loans and guaranteed notes, were denominated in Hong Kong dollars ("HK$" or "HKD") as well as foreign currencies such as United States dollars ("US$" or "USD"), Renminbi ("RMB"), Japanese Yen ("¥" or "JPY") and Australian dollars ("AUD"). Certain of these borrowings also bear floating interest rates during their tenure. Therefore, foreign currency risk and/or interest rate risk arise(s) during the tenure of these borrowings.

The Group hedges the foreign currency risk of its borrowings which are denominated in foreign currencies by way of cross currency interest rate swap contracts, cross currency swap contracts or combinations of cross currency interest rate swap contracts and interest rate swap contracts which were entered into between the Group and certain counterparty banks. The Group also hedges the interest rate risk of its borrowings which are denominated in HKD by way of interest rate swap contracts which were entered into between the Group and certain counterparty banks.

4 Financial risk management and fair values of financial instruments (continued)

(c) Financial risk management of the exposure of the Group's borrowings to foreign currency risk and interest rate risk (continued)

Set out below is a table which summarises the Group's hedging arrangement in relation to the Group's borrowings at 31 December 2020 and 31 December 2019:

	2020				2019			
			Notional amount				Notional amount	
Hedged item	Denominating currency	Hedging risk category	in foreign currency million	in HKD million	Denominating currency	Hedging risk category	in foreign currency million	in HKD million
(I) Hedging arrangement at the end of the reporting period								
(a) Under cash flow hedge								
Bank loans	RMB	(ii)	**2,000**	**2,374**	RMB		–	–
	JPY	(iii)	**58,000**	**4,359**	JPY		–	–
	AUD	(iii)	**845**	**5,048**	AUD		–	–
Guaranteed notes	HKD	(i)	**968**	**968**	HKD		–	–
	RMB	(ii)	**200**	**237**	RMB		–	–
	USD	(ii)	**900**	**6,977**	USD	(ii)	30	233
	JPY	(ii)	**1,994**	**150**	JPY		–	–
Sub-total: under cash flow hedge				**20,113**				233
(b) Under economic hedge								
Bank loans	HKD	(i)	**10,500**	**10,500**	HKD	(i)	21,100	21,100
	USD	(ii)	**257**	**1,994**	USD		–	–
	AUD		**–**	**–**	AUD	(iii)	319	1,742
	AUD		**–**	**–**	AUD	(ii)	173	945
	JPY		**–**	**–**	JPY	(iii)	13,000	932
	JPY		**–**	**–**	JPY	(ii)	30,000	2,151
Guaranteed notes	HKD	(i)	**4,115**	**4,115**	HKD	(i)	5,599	5,599
	RMB		**–**	**–**	RMB	(ii)	200	224
	USD	(ii)	**30**	**233**	USD	(ii)	300	2,336
	JPY		**–**	**–**	JPY	(ii)	1,994	143
Sub-total: under economic hedge				**16,842**				35,172
Total: Hedging arrangement at the end of the reporting period				**36,955**				35,405

4 Financial risk management and fair values of financial instruments (continued)

(c) Financial risk management of the exposure of the Group's borrowings to foreign currency risk and interest rate risk (continued)

	2020				2019			
			Notional amount				Notional amount	
Hedged item	Denominating currency	Hedging risk category	in foreign currency million	in HKD million	Denominating currency	Hedging risk category	in foreign currency million	in HKD million
(II) No hedging arrangement at the end of the reporting period								
Bank loans	HKD		**43,434**	**43,434**	HKD		50,312	50,312
	RMB		**882**	**1,046**	RMB		2,564	2,869
Guaranteed notes	HKD		**6,136**	**6,136**	HKD		3,241	3,241
Total: No hedging arrangement at the end of reporting period				**50,616**				56,422
				87,571				91,827
Less: Deferred expenditure set off				**(152)**				(175)
Total bank and other borrowings (in HKD equivalent)				**87,419**				91,652
Represented by:								
Bank loans			**(note 30)**	**68,666**			(note 30)	79,925
Guaranteed notes			**(note 31)**	**18,753**			(note 31)	11,727
Total bank and other borrowings (in HKD equivalent)				**87,419**				91,652

Notes:

Category (i): Interest rate risk is/was being hedged

Category (ii): Foreign currency risk is/was being hedged

Category (iii): Foreign currency and interest rate risks are/were being hedged

4 Financial risk management and fair values of financial instruments (continued)

(c) Financial risk management of the exposure of the Group's borrowings to foreign currency risk and interest rate risk (continued)

As referred to in the table above, (i) "cash flow hedge" refers to the hedging relationship between the Group's hedging instrument (being the swap contract) and hedged item (being the borrowing) under which hedge effectiveness is ensured and hence the Group applies hedge accounting; and (ii) "economic hedge" refers to the hedging relationship between the Group's hedging instrument (being the swap contract) and hedged item (being the borrowing) under which the Group does not apply hedge accounting.

Further details regarding the Group's financial risk management over the foreign currency risk and interest rate risk of the Group's financial assets and financial liabilities are referred to in note 4(d) and note 4(e) respectively.

(d) Foreign currency risk

The Group owns assets and conducts its businesses primarily in Hong Kong and mainland China with its cash flows substantially denominated in Hong Kong dollars and Renminbi, respectively. The Group reports its results in Hong Kong dollars.

The Group's primary foreign currency exposure arises from its property development and investment activities in mainland China, as the functional currency of these operations is Renminbi. Where appropriate and cost efficient, the Group seeks to finance these investments by Renminbi borrowings with reference to the future Renminbi funding requirements from the investments and the related returns to be generated therefrom, and thereby establishing a natural hedge against any foreign currency risk arising from assets and liabilities denominated in Renminbi.

The Group is also exposed to foreign currency risk in respect of cash deposits denominated in United States dollars, Renminbi, Japanese Yen and other currencies, and all of which were not hedged at 31 December 2020 and 31 December 2019. At 31 December 2020, the Group's cash deposits denominated in United States dollars amounted to US$47 million which was equivalent to HK$364 million (2019: US$53 million which was equivalent to HK$409 million). The Group does not expect that there will be any significant foreign currency risk associated with the aforementioned cash deposits denominated in United States dollars given that the Hong Kong dollar is pegged to the United States dollar. At 31 December 2020, the Group's cash deposits denominated in Renminbi amounted to RMB2,374 million which was equivalent to HK$2,821 million (2019: RMB4,991 million which was equivalent to HK$5,572 million). At 31 December 2019, the Group's cash deposits denominated in Japanese Yen amounted to ¥5,526 million which was equivalent to HK$396 million. Since such cash deposits denominated in Renminbi and Japanese Yen were not hedged against the foreign currency risk arising from the difference in the exchange rates between Renminbi and Hong Kong dollar and between Japanese Yen and Hong Kong dollar respectively at the beginning and the end of the reporting period, the Group recognises an exchange gain or loss in the event of an appreciation or a depreciation of the Renminbi against the Hong Kong dollar and the Japanese Yen against the Hong Kong dollar respectively during the reporting period. For cash deposits denominated in other currencies, since the balances were insignificant, the Group considered the exposure to foreign currency risk to be low.

4 Financial risk management and fair values of financial instruments (continued)

(d) Foreign currency risk (continued)

(i) Hedging

The following tables summarise and demonstrate the profile of the Group's hedging instruments at 31 December 2020 and 31 December 2019, which provide cash flow hedge to the Group's bank loans and guaranteed notes during the years then ended as referred to in note 21(a).

2020

(a) Floating-to-floating cross currency (JPY-HKD) interest rate swap contracts and floating-to-fixed HKD interest rate swap contracts

	Carrying amount of hedging instrument HK$	Weighted average exchange rate	Weighted average floating interest rate receivable leg/ fixed interest rate (pay) leg	Weighted average floating interest rate receivable/ (pay) leg	Notional amount
Floating-to-floating cross currency (JPY-HKD) interest rate swap contracts					
Maturity profile:					
2 to 5 years	**127,061,626**	**0.0702**	**0.3673%**	**(1.2806%)**	**¥30,000,000,000**
Floating-to-fixed HKD interest rate swap contracts					
Maturity profile:					
2 to 5 years	**(124,104,310)**	**Not applicable**	**(2.7175%)**	**1.2806%**	**HK$2,106,402,851**

(b) Floating-to-fixed cross currency (JPY-HKD) interest rate swap contracts

	Carrying amount of hedging instrument HK$	Weighted average exchange rate	Weighted average floating interest rate receivable leg	Weighted average fixed interest rate (pay) leg	Notional amount
Maturity profile:					
After 5 years	**(57,351,105)**	**0.0736**	**0.4349%**	**(2.3382%)**	**¥28,000,000,000**

4 Financial risk management and fair values of financial instruments (continued)

(d) Foreign currency risk (continued)

(i) *Hedging (continued)*

2020 (continued)

(c) Fixed-to-floating cross currency (JPY-HKD) interest rate swap contract and floating-to-fixed HKD interest rate swap contract

	Carrying amount of hedging instrument HK$	Weighted average exchange rate	Weighted average fixed interest rate receivable/ (pay) leg	Weighted average floating interest rate receivable/ (pay) leg	Notional amount
Fixed-to-floating cross currency (JPY-HKD) interest rate swap contract					
Maturity profile:					
After 5 years	**16,423,061**	**0.7007**	**0.8000%**	**(1.3911%)**	**¥1,994,000,000**
Floating-to-fixed HKD interest rate swap contract					
Maturity profile:					
2 to 5 years	**(11,944,908)**	**Not applicable**	**(2.7900%)**	**1.3911%**	**HK$139,714,126**

(d) Fixed-to-fixed cross currency (RMB-HKD) interest rate swap contracts

	Carrying amount of hedging instrument HK$	Weighted average exchange rate	Weighted average fixed interest rate receivable leg	Weighted average fixed interest rate (pay) leg	Notional amount
Maturity profile:					
Within 1 year	**12,134,683**	**1.1587**	**3.4500%**	**(2.7500%)**	**RMB200,000,000**
2 to 5 years	**70,896,927**	**1.0888**	**3.1500%**	**(2.3300%)**	**RMB1,000,000,000**
After 5 years	**44,514,687**	**1.1012**	**3.3400%**	**(2.4700%)**	**RMB1,000,000,000**

(e) Floating-to-floating cross currency (AUD-HKD) interest rate swap contracts and floating-to-fixed HKD interest rate swap contracts

	Carrying amount of hedging instrument HK$	Weighted average exchange rate	Weighted average floating interest rate receivable leg/ fixed interest rate (pay) leg	Weighted average floating interest rate receivable/ (pay) leg	Notional amount
Floating-to-floating cross currency (AUD-HKD) interest rate swap contracts					
Maturity profile:					
Within 1 year	**36,583,997**	**5.7692**	**0.71500%**	**(0.7807%)**	**AUD173,333,730**
Floating-to-fixed HKD interest rate swap contracts					
Maturity profile:					
Within 1 year	**(8,137,494)**	**Not applicable**	**(2.3350%)**	**0.7807%**	**HK$1,000,000,000**

4 Financial risk management and fair values of financial instruments (continued)

(d) Foreign currency risk (continued)

(i) Hedging (continued)

2020 (continued)

(f) Floating-to-fixed cross currency (AUD-HKD) interest rate swap contracts

	Carrying amount of hedging instrument HK$	Weighted average exchange rate	Weighted average floating interest rate receivable leg	Weighted average fixed interest rate (pay) leg	Notional amount
Maturity profile:					
Within 1 year	209,263,908	5.0829	0.7700%	(1.4200%)	AUD236,085,699
2 to 5 years	264,319,898	5.2743	0.8087%	(2.2222%)	AUD436,073,019

(g) Fixed-to-floating cross currency (USD-HKD) interest rate swap contracts and floating-to-fixed HKD interest rate swap contracts

	Carrying amount of hedging instrument HK$	Weighted average exchange rate	Weighted average fixed interest rate receivable/(pay) leg	Weighted average floating interest rate receivable/(pay) leg	Notional amount
Fixed-to-floating cross currency (USD-HKD) interest rate swap contracts					
Maturity profile:					
After 5 years	380,107,820	7.8481	3.8750%	(1.3568%)	US$300,000,000
Floating-to-fixed HKD interest rate swap contracts					
Maturity profile:					
After 5 years	(156,019,523)	Not applicable	(2.6090%)	1.3568%	HK$2,354,420,000

(h) Fixed-to-fixed cross currency (USD-HKD) interest rate swap contracts

	Carrying amount of hedging instrument HK$	Weighted average exchange rate	Weighted average fixed interest rate receivable leg	Weighted average fixed interest rate (pay) leg	Notional amount
Maturity profile:					
2 to 5 years	(73,992,498)	7.7504	2.3558%	(2.7247%)	US$600,000,000

4 Financial risk management and fair values of financial instruments (continued)

(d) Foreign currency risk (continued)

(i) *Hedging (continued)*

2019

(a) Fixed-to-floating USD interest rate swap contracts and floating-to-fixed cross currency (USD-HKD) interest rate swap contracts (whose hedging relationship with the underlying guaranteed notes was revoked and not resumed during the year ended 31 December 2020)

	Carrying amount of hedging instrument HK$	Weighted average exchange rate	Weighted average fixed interest rate receivable/(pay) leg	Weighted average floating interest rate receivable/(pay) leg	Notional amount
Fixed-to-floating USD interest rate swap contracts					
Maturity profile:					
2 to 5 years	16,159,656	Not applicable	6.38%	(2.5046%)	US$20,000,000
Floating-to-fixed cross currency (USD-HKD) interest rate swap contracts					
Maturity profile:					
2 to 5 years	(12,863,055)	7.7896	(5.6833%)	2.5046%	US$20,000,000

(b) Fixed-to-fixed cross currency (USD-HKD) swap contracts (whose hedging relationship with the underlying guaranteed notes was revoked and not resumed during the year ended 31 December 2020)

	Carrying amount of hedging instrument HK$	Weighted average exchange rate	Weighted average fixed interest rate receivable leg	Weighted average fixed interest rate (pay) leg	Notional amount
Maturity profile:					
After 5 years	4,364,500	7.7800	5.2000%	(4.4500%)	US$10,000,000

The hedging instruments, which are stated at fair value at 31 December 2020 (both assets and liabilities), are shown in note 21 “Derivative financial instruments”.

The Group’s hedging objective is to hedge the foreign currency exposure to the cash flows variability arising from the interest/coupon payments and principal repayments of the bank loans and guaranteed notes (as referred to above), as a result of the movements in the exchange rates between Hong Kong dollar (being the issuing entity’s functional currency) and United States dollar, Japanese Yen, Renminbi and Australian dollar during the tenure and upon the maturity of such bank loans and guaranteed notes, so as to ensure cash flow certainty in Hong Kong dollar terms over a significant proportion of the Group’s bank loans and guaranteed notes denominated in foreign currencies whilst the Group’s overall effective financing cost could be maintained at a reasonably low level. Under the Group’s cash flow hedge arrangement, the terms of the hedging instruments basically match with the terms of the hedged items, and the Group expects the value of the hedging instruments to move in the opposite direction as compared to the value of the hedged items, and thereby ensures hedge effectiveness. Therefore, the Group applies a hedge ratio of 1:1.

The main source of hedge ineffectiveness in these hedging relationships principally arises from any late designation of the hedging instrument.

4 Financial risk management and fair values of financial instruments (continued)

(d) Foreign currency risk (continued)

(i) Hedging (continued)

The following table sets out the Group's exposure at the end of the reporting period to foreign currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purpose, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rates at 31 December 2020 and 31 December 2019:

	2020 Exposure to foreign currencies in relation to assets and liabilities for which no hedge accounting is applied (expressed in HK$ million)			
	United States dollars	Renminbi	Singapore dollars	Euro dollars
Cash and cash equivalents	**364**	**2,821**	**4**	**2**
Bank loans	**(1,994)**	**(1,046)**	**–**	**–**
Guaranteed notes	**(233)**	**–**	**–**	**–**
Amount due to a related company	**–**	**(2,137)**	**–**	**–**
Gross exposure arising from recognised assets and liabilities	**(1,863)**	**(362)**	**4**	**2**
Less:				
Notional amounts of cross currency interest rate swap contracts and cross currency swap contracts designated as economic hedge	**(2,227)**	**–**	**–**	**–**
Net exposure arising from recognised assets and liabilities	**364**	**(362)**	**4**	**2**

4 Financial risk management and fair values of financial instruments (continued)

(d) Foreign currency risk (continued)

(i) Hedging (continued)

	2019			
	Exposure to foreign currencies in relation to assets and liabilities for which no hedge accounting is applied (expressed in HK$ million)			
	United States dollars	Japanese Yen	Renminbi	Australian dollars
Cash and cash equivalents	409	396	5,572	–
Bank loans	–	(3,083)	(2,869)	(2,687)
Guaranteed notes	(2,336)	(143)	(224)	–
Gross exposure arising from recognised assets and liabilities	(1,927)	(2,830)	2,479	(2,687)
Less:				
Notional amounts of cross currency interest rate swap contracts and cross currency swap contracts designated as economic hedge	(2,336)	(3,226)	(224)	(2,687)
Net exposure arising from recognised assets and liabilities	409	396	2,703	–

(ii) Sensitivity analysis

Assuming that the relevant foreign currencies had strengthened/weakened by not more than 5% (2019: 5%) at 31 December 2020 and the changes had been applied to each of the Group entities' exposure to foreign currency risk for both derivative and non-derivative financial instruments denominated in a currency other than the functional currency of the entity to which they relate and in existence at that date, with all other variables held constant, the Group's profit after tax and total equity attributable to equity shareholders of the Company would decrease/increase by HK$34 million (2019: HK$105 million).

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2019.

4 Financial risk management and fair values of financial instruments (continued)

(e) Interest rate risk

(i) Hedging

The following table summarises and demonstrates the profile of the Group's hedging instruments at 31 December 2020, which provide cash flow hedge to the Group's guaranteed notes denominated in Hong Kong dollars during the year then ended as referred to in note 21(a). For hedging instruments of interest rate swap contracts at 31 December 2020 which provide cash flow hedge to the Group's guaranteed notes and bank loans denominated in United States dollars, Renminbi, Japanese Yen and Australian dollars, please refer to note 4(d) under foreign currency risk above.

2020

Floating-to-fixed HKD interest rate swap contracts

	Carrying amount of hedging instrument HK$	Weighted average floating interest rate receivable leg	Weighted average fixed interest rate (pay) leg	Notional amount
Maturity profile:				
2 to 5 years	**(32,064,624)**	**1.4474%**	**(2.3361%)**	**HK$968,000,000**

The hedging instruments, which are stated at fair value at 31 December 2020 (both assets and liabilities), are shown in note 21 "Derivative financial instruments".

The Group's hedging objective is to hedge the interest rate exposure to the cash flows variability arising from the interest/coupon payments and principal repayments of the bank loans and guaranteed notes, denominated in Hong Kong dollars (as referred to above), as a result of the movements in the benchmark interest rates during the tenure and upon the maturity of such bank loans and guaranteed notes, so as to ensure cash flow certainty in Hong Kong dollar terms over a significant proportion of the Group's bank loans and guaranteed notes denominated in Hong Kong dollars whilst the Group's overall effective financing cost could be maintained at a reasonably low level. Under the Group's cash flow hedge arrangement, the terms of the hedging instruments basically match with the terms of the hedged items, and the Group expects the value of the hedging instruments to move in the opposite direction as compared to the value of the hedged items, and thereby ensures hedge effectiveness. Therefore, the Group applies a hedge ratio of 1:1.

The main source of hedge ineffectiveness in these hedging relationships principally arises from any late designation of the hedging instrument.

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. There is uncertainty as to the timing and the methods of transition for replacing the existing benchmark interbank offered rate ("IBORs") with alternative rates.

As a result of such uncertainty, significant accounting judgement is involved in determining whether certain hedge accounting relationships that hedge the variability of foreign exchange risk and interest rate risk due to expected changes in IBORs continue to qualify for hedge accounting at 31 December 2020. IBOR continues to be used as a reference rate in financial markets and is used in the valuation of financial instruments with maturities that exceed the expected end date for IBOR. Therefore, the Group believes the current market structure supports the continuation of hedge accounting at 31 December 2020.

4 Financial risk management and fair values of financial instruments (continued)

(e) Interest rate risk (continued)

(ii) Interest rate profile

The following table details the interest rate profile of the Group's bank loans and guaranteed notes after taking into account the effect of swap contracts, and of the lease liabilities, amount due to a fellow subsidiary and amount due to a related company at the end of the reporting period.

	2020		
	Fixed/ floating	**Effective interest rate per annum**	**Amount HK$ million**
Lease liabilities	**Fixed**	**3.16%**	**773**
Bank loans	**Floating**	**0.49%-1.04%**	**41,088**
Bank loans	**Fixed**	**1.10%-3.68%**	**27,578**
Guaranteed notes	**Floating**	**–**	**–**
Guaranteed notes	**Fixed**	**1.75%-5.74%**	**18,753**
Amount due to a fellow subsidiary	**Floating**	**1.60%**	**4,389**
Amount due to a related company	**Fixed**	**3.80%**	**2,137**

	2019		
	Fixed/ floating	Effective interest rate per annum	Amount HK$ million
Lease liabilities	Fixed	4.04%	474
Bank loans	Floating	2.60%-5.31%	56,208
Bank loans	Fixed	1.86%-4.62%	23,717
Guaranteed notes	Floating	2.57%-3.56%	5,505
Guaranteed notes	Fixed	2.50%-5.74%	6,222
Amount due to a fellow subsidiary	Floating	2.29%	737

(iii) Sensitivity analysis

Assuming that the interest rates had generally increased/decreased by not more than 100 basis points (2019: 100 basis points) at 31 December 2020 and the changes had been applied to the exposure to interest rate risk for both derivative and non-derivative financial liabilities in existence at that date, with all other variables held constant, the Group's profit after tax and total equity attributable to equity shareholders of the Company would decrease/increase by HK$85 million (2019: HK$98 million).

The sensitivity analysis above assumes the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to interest rate risk at the end of the reporting period. The analysis is performed on the same basis for 2019.

4 Financial risk management and fair values of financial instruments (continued)

(f) Movements in hedging reserve and cost of hedging reserve

The following table provides a reconciliation of the hedging reserve in respect of the foreign currency and interest rate risks and the interest rate risk and shows the effectiveness of the hedging relationships:

	Foreign currency and interest rate risks (Note) HK$ million	Interest rate risk (Note) HK$ million	Total HK$ million
Balance at 1 January 2020	**(4)**	**–**	**(4)**
Effective portion of the changes in fair value of hedging instruments recognised in other comprehensive income	**565**	**(15)**	**550**
Cash flow hedges: reclassified from hedging reserve to profit or loss (note 6)	**5**	**–**	**5**
Other amounts reclassified to profit or loss	**(7)**	**(1)**	**(8)**
Reclassified to interest expenses	**30**	**1**	**31**
Reclassified to exchange differences	**(925)**	**–**	**(925)**
Related tax	**55**	**2**	**57**
Balance at 31 December 2020	**(281)**	**(13)**	**(294)**
Change in fair value of hedged items during the year	**570**	**(15)**	**555**
Hedge ineffectiveness recognised in profit or loss	**(5)**	**–**	**(5)**
Effective portion of the cash flow hedge recognised in other comprehensive income	**565**	**(15)**	**550**

The carrying balance of the hedging reserve at 31 December 2020 relates to the Group's continuing cash flow hedge.

Note:

The foreign currency and interest rate risks are hedged by cross currency swap contracts and cross currency interest rate swap contracts, and the interest rate risk is hedged by interest rate swap contracts.

The following table provides a reconciliation of the cost of hedging reserve in respect of the foreign currency and interest rate risks and shows the effectiveness of the hedging relationships:

	Foreign currency basis spread HK$ million
Balance at 1 January 2020	**–**
Additions	**141**
Reclassification adjustments for amounts transferred to profit or loss	**19**
Related tax	**(26)**
Balance at 31 December 2020	**134**

The carrying balance of the cost of hedging reserve at 31 December 2020 relates to the Group's continuing cash flow hedge.

4 Financial risk management and fair values of financial instruments (continued)

(g) Price risk

The Group is exposed to risks arising from price and fair value changes in relation to investments designated as financial assets at FVOCI (non-recycling) and investments measured as financial assets at FVPL (see note 22).

Listed investments held in the portfolio have been chosen based on their long term growth potential and returns and are monitored regularly for performance against expectations. At 31 December 2020, assuming that the market value of the Group's listed investments designated as financial assets at FVOCI (non-recycling) had increased/decreased by not more than 10% (2019: 10%), with all other variables held constant, the total equity attributable to equity shareholders of the Company would increase/decrease by HK$8 million (2019: HK$10 million). Any increase or decrease in the market value of the Group's listed investments designated as financial assets at FVOCI (non-recycling) would not affect the Group's profit after tax. Assuming that the market value of the Group's listed investments measured as financial assets at FVPL had increased/decreased by not more than 10% (2019: 10%), with all other variables held constant, the Group's profit after tax and the total equity attributable to equity shareholders of the Company would increase/decrease by HK$113 million (2019: HK$144 million).

The sensitivity analysis above assumes that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to price risk at the end of the reporting period. It is also assumed that the fair value of the Group's financial investments would change in accordance with the historical correlation with the relevant stock market index or other relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2019.

(h) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

4 Financial risk management and fair values of financial instruments (continued)

(h) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

	Fair value at 31 December 2020	Fair value measurements at 31 December 2020 categorised into		
		Level 1	Level 2	Level 3
	HK$ million	HK$ million	HK$ million	HK$ million
Recurring fair value measurement				
Financial assets:				
Investments in equity securities designated as financial assets at FVOCI (non-recycling):				
– Unlisted (note 22)	**79**	–	–	**79**
– Listed (note 22)	**78**	**78**	–	–
Investments in other securities measured as financial assets at FVPL:				
– Listed (note 22)	**1,133**	**1,133**	–	–
Financial assets measured at FVPL (note 25)	**326**	–	–	**326**
Derivative financial instruments:				
– Cross currency interest rate swap contracts (note 21)	**1,178**	–	**1,178**	–
– Interest rate swap contracts (note 21)	**400**	–	**400**	–
– Foreign exchange forward contracts (note 21)	**8**	–	**8**	–
Financial liabilities:				
Derivative financial instruments:				
– Cross currency interest rate swap contracts (note 21)	**144**	–	**144**	–
– Cross currency swap contracts (note 21)	**6**	–	**6**	–
– Interest rate swap contracts (note 21)	**1,099**	–	**1,099**	–

4 Financial risk management and fair values of financial instruments (continued)

(h) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

	Fair value at 31 December 2019	Fair value measurements at 31 December 2019 categorised into		
		Level 1	Level 2	Level 3
	HK$ million	HK$ million	HK$ million	HK$ million
Recurring fair value measurement				
Financial assets:				
Investments in equity securities designated as financial assets at FVOCI (non-recycling):				
– Unlisted (note 22)	82	–	–	82
– Listed (note 22)	104	104	–	–
Investments in other securities measured as financial assets at FVPL:				
– Listed (note 22)	1,444	1,444	–	–
Financial assets measured at FVPL (note 25)	196	–	–	196
Derivative financial instruments:				
– Cross currency interest rate swap contracts (note 21)	156	–	156	–
– Cross currency swap contracts (note 21)	75	–	75	–
– Interest rate swap contracts (note 21)	227	–	227	–
Financial liabilities:				
Derivative financial instruments:				
– Cross currency interest rate swap contracts (note 21)	53	–	53	–
– Cross currency swap contracts (note 21)	65	–	65	–
– Interest rate swap contracts (note 21)	268	–	268	–

During the years ended 31 December 2020 and 31 December 2019, there were no transfers between Level 1 and Level 2, or transfers into and out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period during which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair values of cross currency interest rate swap contracts, cross currency swap contracts, interest rate swap contracts and foreign exchange forward contracts are calculated as the present value of the estimated future cash flows based on the terms and maturity of each contract, taking into account the current interest rates and the current creditworthiness of the swap counterparties.

4 Financial risk management and fair values of financial instruments (continued)

(h) Fair value measurement (continued)

(ii) Financial assets and liabilities measured at other than fair value

The carrying amounts of the Group's financial instruments measured at cost or amortised cost are not materially different from their fair values at 31 December 2020 and 31 December 2019 except as follows:

– **Amounts due from certain associates and certain joint ventures, amounts due to certain associates and certain joint ventures**

Amounts due from certain associates and certain joint ventures, amounts due to certain associates and certain joint ventures are unsecured, interest-free and have no fixed terms of repayment. Given these terms it is not meaningful to quantify their fair values and therefore they are stated at cost.

5 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 14(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.

6 Other net (loss)/income

	2020 HK$ million	2019 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 14(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 (note 4(f))	**(5)**	–
Other amounts reclassified from hedging reserve and derivative financial instruments	**(6)**	–
Impairment loss on trade debtors, net (notes 14(c) and 25(b))	**(6)**	(3)
Provision on inventories, net (note 14(a))	**(4)**	(19)
Exchange losses, net (note 7(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.*

7 Profit before taxation

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

		2020 HK$ million	2019 HK$ million
(a)	**Finance costs:**		
	Bank loans interest	**1,351**	1,705
	Interest on loans	**716**	716
	Finance cost on lease liabilities (note 29)	**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.

		2020 HK$ million	2019 HK$ million
(b)	**Directors' emoluments**	**204**	192

Details of the directors' emoluments are set out in note 8.

		2020 HK$ million	2019 HK$ million
(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

7 Profit before taxation (continued)

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

		2020 HK$ million	2019 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 6)	**100**	25
	Depreciation		
	– on other property, plant and equipment (note 15(a))	**77**	65
	– on right-of-use assets (note 16)	**351**	312
		428	377
		(note 14(c))	(note 14(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.*

8 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance (Cap. 622) and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) are as follows:

	2020				
	Directors' fees HK$'000	Salaries, allowances and benefits-in-kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive Directors					
Dr Lee Ka Kit	**200**	**21,839**	**1,126**	**18**	**23,183**
Lee Ka Shing	**200**	**15,738**	**6,381**	**864**	**23,183**
Dr Lam Ko Yin, Colin	**200**	**10,148**	**21,270**	**607**	**32,225**
Dr Lee Shau Kee	**150**	**23,700**	**–**	**–**	**23,850**
Yip Ying Chee, John	**150**	**9,270**	**14,907**	**555**	**24,882**
Suen Kwok Lam	**150**	**7,737**	**7,760**	**463**	**16,110**
Fung Lee Woon King	**150**	**5,543**	**5,200**	**329**	**11,222**
Lau Yum Chuen, Eddie*	**75**	**9**	**–**	**–**	**84**
Kwok Ping Ho	**250**	**5,293**	**1,468**	**316**	**7,327**
Wong Ho Ming, Augustine	**150**	**10,673**	**15,520**	**639**	**26,982**
Fung Hau Chung, Andrew (appointed on 8 June 2020)	**75**	**6,888**	**2,031**	**304**	**9,298**
Non-executive Directors					
Lee Pui Ling, Angelina	**150**	**–**	**–**	**–**	**150**
Lee Tat Man	**175**	**–**	**–**	**–**	**175**
Independent Non-executive Directors					
Kwong Che Keung, Gordon	**300**	**750**	**–**	**–**	**1,050**
Professor Ko Ping Keung	**300**	**650**	**–**	**–**	**950**
Wu King Cheong	**300**	**650**	**–**	**–**	**950**
Woo Ka Biu, Jackson	**250**	**–**	**–**	**–**	**250**
Professor Poon Chung Kwong	**250**	**100**	**–**	**–**	**350**
Au Siu Kee, Alexander	**1,200**	**850**	**–**	**–**	**2,050**
Total for the year ended 31 December 2020	**4,675**	**119,838**	**75,663**	**4,095**	**204,271**

* *Mr Lau Yum Chuen, Eddie did not offer himself for re-election at the annual general meeting of the Company held on 8 June 2020 upon retirement by rotation in accordance with the articles of association of the Company. Accordingly, his directorship with the Company ceased at the conclusion of the aforementioned annual general meeting.*

8 Directors' emoluments (continued)

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance (Cap. 622) and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) are as follows: (continued)

	2019				
	Directors' fees HK$'000	Salaries, allowances and benefits-in-kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive Directors					
Dr Lee Ka Kit	200	21,360	600	18	22,178
Lee Ka Shing	200	14,789	6,381	808	22,178
Dr Lam Ko Yin, Colin	200	10,051	21,270	601	32,122
Dr Lee Shau Kee	171	23,691	–	–	23,862
Yip Ying Chee, John	150	9,204	14,907	549	24,810
Suen Kwok Lam	150	7,555	7,760	449	15,914
Fung Lee Woon King	150	5,342	5,200	319	11,011
Lau Yum Chuen, Eddie	150	29	–	–	179
Kwok Ping Ho	250	5,165	1,468	309	7,192
Wong Ho Ming, Augustine	150	10,414	15,520	623	26,707
Non-executive Directors					
Lee Pui Ling, Angelina	200	150	–	–	350
Lee Tat Man	200	–	–	–	200
Independent Non-executive Directors					
Kwong Che Keung, Gordon	300	750	–	–	1,050
Professor Ko Ping Keung	300	650	–	–	950
Wu King Cheong	300	650	–	–	950
Woo Ka Biu, Jackson	250	–	–	–	250
Professor Poon Chung Kwong	250	100	–	–	350
Au Siu Kee, Alexander	982	767	–	–	1,749
Total for the year ended 31 December 2019	4,553	110,667	73,106	3,676	192,002

8 Directors' emoluments (continued)

During the years ended 31 December 2020 and 31 December 2019:

(i) all the directors' fees payable to the executive directors of the Company were in respect of their services as directors of the Company and/or its subsidiary undertakings, and all the salaries, allowances, benefits-in-kind, discretionary bonuses and retirement scheme contributions payable to the executive directors of the Company were in respect of their services in connection with the management of the affairs of the Company and/or its subsidiary undertakings; and

(ii) all the emoluments payable to the non-executive directors and the independent non-executive directors of the Company were in respect of their services as directors of the Company and/or its subsidiary undertakings.

At 31 December 2020, there were no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities for disclosure pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance (Cap. 622) and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) (2019: None).

During the year ended 31 December 2020 and at 31 December 2020, save as disclosed in note 40, there was no transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company and his/her connected entities had a material interest, subsisted at the end of the reporting period or at any time during the year for disclosure pursuant to section 383(1)(e) of the Hong Kong Companies Ordinance (Cap. 622) and Part 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) (2019: None).

There was no arrangement under which a director had waived or agreed to waive any remuneration during the current and prior years.

9 Emoluments of five highest paid individuals and senior management

(a) Emoluments of five highest paid individuals

Of the five individuals with the highest emoluments, all (2019: all) of them are directors whose emoluments are disclosed in note 8.

(b) Emoluments of senior management

Other than the emoluments of directors and five highest paid individuals disclosed in notes 8 and 9(a) respectively, the emoluments of the senior management whose profiles are set out in the section “Biographical Details of Directors and Senior Management” of the Company’s annual report for the year ended 31 December 2020 (of which these financial statements form a part) fell within the following bands:

	2020 Number of individuals	2019 Number of individuals
Emolument band (HK$) (note)		
$2,000,001 to $3,000,000	**1**	–
$3,000,001 to $4,000,000	**1**	1
$4,000,001 to $5,000,000	**1**	1
$5,000,001 to $6,000,000	**4**	3
$6,000,001 to $7,000,000	**1**	2
$7,000,001 to $8,000,000	**2**	1
$8,000,001 to $9,000,000	**–**	–
$9,000,001 to $10,000,000	**–**	1
$10,000,001 to $11,000,000	**1**	–
$11,000,001 to $12,000,000	**3**	4
$12,000,001 to $13,000,000	**1**	–
$13,000,001 to $14,000,000	**1**	1
$14,000,001 to $15,000,000	**2**	4
	18	18

Note: Including salaries, allowances and benefits-in-kind, discretionary bonuses and retirement scheme contributions.

10 Income tax

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

	2020 HK$ million	2019 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.

10 Income tax (continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2020 HK$ million	2019 HK$ million
Profit before taxation	**12,714**	19,086
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**2,517**	3,527
Tax effect of share of profits less losses of associates and joint ventures	**(583)**	(991)
Tax effect of non-deductible expenses	**946**	134
Tax effect of non-taxable revenue	**(859)**	(1,090)
Tax effect of current year's tax losses not recognised	**288**	269
Tax effect of prior years' tax losses utilised	**(58)**	(40)
Tax effect of unused tax losses not recognised in prior years now recognised	**(102)**	(45)
One-off rebate of Hong Kong Profits Tax	**(2)**	(2)
Land Appreciation Tax	**222**	187
Withholding tax	**–**	79
Under-provision in respect of prior years, net	**62**	9
Actual tax expense	**2,431**	2,037

(c) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Depreciation allowances in excess of related depreciation HK$ million	Revaluation of properties HK$ million	Elimination and capitalisation of expenses HK$ million	Fair value adjustment on business combination HK$ million	Tax losses HK$ million	Others HK$ million	Total HK$ million
At 1 January 2019	1,679	3,663	230	1,025	(383)	(55)	6,159
Exchange adjustments	(11)	(102)	–	(1)	–	–	(114)
Charged to profit or loss	171	40	39	–	133	51	434
Charged to reserves (note 12(a))	–	–	–	–	–	15	15
At 31 December 2019	1,839	3,601	269	1,024	(250)	11	6,494
At 1 January 2020	**1,839**	**3,601**	**269**	**1,024**	**(250)**	**11**	**6,494**
Exchange adjustments	**41**	**262**	**–**	**8**	**–**	**–**	**311**
Charged/(credited) to profit or loss	**226**	**547**	**(35)**	**–**	**(158)**	**(83)**	**497**
Credited to reserves (note 12(a))	**–**	**–**	**–**	**–**	**–**	**(31)**	**(31)**
At 31 December 2020	**2,106**	**4,410**	**234**	**1,032**	**(408)**	**(103)**	**7,271**

10 Income tax (continued)

(c) Deferred tax assets and liabilities recognised: (continued)

	2020 HK$ million	2019 HK$ million
Net deferred tax assets recognised in the consolidated statement of financial position	**(633)**	(416)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**7,904**	6,910
	7,271	6,494

(d) Deferred tax assets not recognised:

Deferred tax assets have not been recognised in respect of the following items:

	2020		2019	
	Deductible temporary differences/ unused tax losses HK$ million	Deferred tax assets not recognised HK$ million	Deductible temporary differences/ unused tax losses HK$ million	Deferred tax assets not recognised HK$ million
Deductible temporary differences	**4**	**1**	4	1
Future benefits of tax losses				
Hong Kong (note (i))				
– Assessed by the Inland Revenue Department	**3,130**	**516**	2,945	486
– Not yet assessed by the Inland Revenue Department	**9,469**	**1,562**	9,144	1,509
Outside Hong Kong (note (ii))	**551**	**131**	293	77
	13,150	**2,209**	12,382	2,072
	13,154	**2,210**	12,386	2,073

Notes:

(i) These tax losses do not expire under current tax legislation.

(ii) These tax losses can be carried forward to offset against taxable profits of subsequent years for up to five years from the year in which they arose.

The Group has not recognised deferred tax assets in respect of deductible temporary differences and unused tax losses of certain subsidiaries as it is not probable that sufficient future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

11 Dividends

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

	2020 HK$ million	2019 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 HK$ million	2019 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

12 Other comprehensive income

(a) Tax effects relating to each component of other comprehensive income

	2020			2019		
	Pre-tax amount HK$ million	**Tax credit HK$ million**	**Net-of-tax amount HK$ million**	Pre-tax amount HK$ million	Tax expense HK$ million	Net-of-tax amount HK$ million
Exchange differences	**3,484**	**–**	**3,484**	(1,202)	–	(1,202)
Cash flow hedges	**(187)**	**31**	**(156)**	91	(15)	76
Investments in equity securities designated as financial assets at FVOCI	**(29)**	**–**	**(29)**	(42)	–	(42)
Share of other comprehensive income of associates and joint ventures	**1,972**	**–**	**1,972**	(25)	–	(25)
Other comprehensive income for the year	**5,240**	**31**	**5,271**	(1,178)	(15)	(1,193)
		(note 10(c))			(note 10(c))	

(b) Components of other comprehensive income, including reclassification adjustments

	2020 HK$ million	2019 HK$ million
Exchange differences:		
– translation of financial statements of foreign entities	**3,484**	(1,202)
Net movement in the exchange reserve during the year recognised in other comprehensive income	**3,484**	(1,202)
Cash flow hedges:		
– effective portion of changes in fair value of hedging instruments recognised during the year	**550**	327
– reclassification adjustments for amounts transferred to profit or loss	**(897)**	(236)
– cost of hedging – change in fair value	**141**	–
– cost of hedging – reclassified to profit or loss	**19**	–
– net deferred tax credited/(charged) to other comprehensive income	**31**	(15)
Net movement in the hedging reserve during the year recognised in other comprehensive income	**(156)**	76
Investments in equity securities designated as financial assets at FVOCI:		
– changes in fair value recognised during the year	**(29)**	(42)
Net movement in the fair value reserve (non-recycling) during the year recognised in other comprehensive income	**(29)**	(42)

12 Other comprehensive income (continued)

(c) For each component of equity

	Attributable to equity shareholders of the Company									
	Property revaluation reserve HK$ million	Exchange reserve HK$ million	Fair value reserve (recycling) HK$ million	Fair value reserve (non-recycling) HK$ million	Hedging reserve HK$ million	Other reserves HK$ million	Retained profits HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total other comprehensive income HK$ million
2019										
Exchange differences:										
– translation of financial statements of foreign entities	–	(1,199)	–	–	–	–	–	(1,199)	(3)	(1,202)
Cash flow hedges:										
– effective portion of changes in fair value, net of deferred tax	–	–	–	–	273	–	–	273	–	273
– reclassification from equity to profit or loss, net of deferred tax	–	–	–	–	(197)	–	–	(197)	–	(197)
Investments in equity securities designated as financial assets at FVOCI:										
– changes in fair value	–	–	–	(41)	–	–	–	(41)	(1)	(42)
Share of other comprehensive income of associates and joint ventures	–	(548)	2	458	21	–	42	(25)	–	(25)
Other comprehensive income for the year	–	(1,747)	2	417	97	–	42	(1,189)	(4)	(1,193)
2020										
Exchange differences:										
– translation of financial statements of foreign entities	–	**3,473**	–	–	–	–	–	**3,473**	**11**	**3,484**
Cash flow hedges:										
– effective portion of changes in fair value, net of deferred tax	–	–	–	–	**459**	–	–	**459**	–	**459**
– reclassification from equity to profit or loss, net of deferred tax	–	–	–	–	**(749)**	–	–	**(749)**	–	**(749)**
– cost of hedging – change in fair value, net of deferred tax	–	–	–	–	**118**	–	–	**118**	–	**118**
– cost of hedging – reclassified to profit or loss, net of deferred tax	–	–	–	–	**16**	–	–	**16**	–	**16**
Investments in equity securities designated as financial assets at FVOCI:										
– changes in fair value	–	–	–	**(27)**	–	–	–	**(27)**	**(2)**	**(29)**
Share of other comprehensive income of associates and joint ventures	–	**2,167**	–	**(200)**	**(23)**	–	**28**	**1,972**	–	**1,972**
Other comprehensive income for the year	–	**5,640**	–	**(227)**	**(179)**	–	**28**	**5,262**	**9**	**5,271**

13 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 million	2019 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.

(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 HK$ million	2019 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 15(c))	**2,964**	(2,488)
Share of fair value loss/(gain) of investment properties (net of deferred tax) during the year:		
– associates (note 15(c))	**445**	(347)
– joint ventures (note 15(c))	**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 13(a))	**HK$3.08**	HK$3.02

14 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.

14 Segment reporting (continued)

(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:

	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)) HK$ million	Segment results HK$ million	Share of revenue HK$ million	Share of segment results HK$ million	Combined revenue HK$ million	Consolidated segment results HK$ million	Revenue HK$ million	Segment results HK$ million	Combined revenue HK$ million	Consolidated segment results HK$ million
For the year ended 31 December 2020										
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 6) (4)		2		(2)		–		(2)
Sales of property interests		(note 6) 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

14 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

14 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)) HK$ million	Segment results HK$ million	Share of revenue HK$ million	Share of segment results HK$ million	Combined revenue HK$ million	Consolidated segment results HK$ million	Revenue HK$ million	Segment results HK$ million	Combined revenue HK$ million	Consolidated segment results HK$ million
For the year ended 31 December 2019										
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 6) (19)		1		(18)		–		(18)
Sales of property interests		(note 6) 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

14 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

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 5).*

(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 15(c)).*

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 15(c)).*

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).

14 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 HK$ million	2019 HK$ million	**2020 HK$ million**	2019 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 5)	(note 5)		

(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 HK$ million	2019 HK$ million	**2020 HK$ million**	2019 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 7(d))	(note 7(d))	**(note 6)**	(note 6)

15 Investment properties and other property, plant and equipment

(a) Reconciliation of carrying amount

	Investment properties HK$ million	Investment properties under development HK$ million	Subtotal HK$ million	Other land and buildings HK$ million	Plant and equipment HK$ million	Subtotal HK$ million	Total HK$ million
Cost or valuation:							
At 1 January 2019	126,026	50,691	176,717	243	1,214	1,457	178,174
Exchange adjustments	(648)	(355)	(1,003)	(4)	(3)	(7)	(1,010)
Additions	258	4,390	4,648	3	89	92	4,740
Disposals	(378)	–	(378)	–	(13)	(13)	(391)
Written off	–	–	–	–	(22)	(22)	(22)
Surplus on revaluation	2,186	344	2,530	–	–	–	2,530
Transfer to right-of-use assets (note 16)	–	–	–	–	(3)	(3)	(3)
Transfer to investment properties	12,440	(12,440)	–	–	–	–	–
Transfer from inventories	–	449	449	–	–	–	449
At 31 December 2019	139,884	43,079	182,963	242	1,262	1,504	184,467
Representing:							
Cost	–	1,394	1,394	242	1,262	1,504	2,898
Valuation	139,884	41,685	181,569	–	–	–	181,569
	139,884	43,079	182,963	242	1,262	1,504	184,467
Accumulated depreciation and impairment losses:							
At 1 January 2019	–	–	–	55	1,032	1,087	1,087
Exchange adjustments	–	–	–	(1)	(3)	(4)	(4)
Charge for the year (note 7(d))	–	–	–	6	59	65	65
Written back on disposals	–	–	–	–	(12)	(12)	(12)
Written off	–	–	–	–	(21)	(21)	(21)
At 31 December 2019	–	–	–	60	1,055	1,115	1,115
Net book value:							
At 31 December 2019	139,884	43,079	182,963	182	207	389	183,352

15 Investment properties and other property, plant and equipment (continued)

(a) Reconciliation of carrying amount (continued)

	Investment properties HK$ million	Investment properties under development HK$ million	Subtotal HK$ million	Other land and buildings HK$ million	Plant and equipment HK$ million	Subtotal HK$ million	Total HK$ million
Cost or valuation:							
At 1 January 2020	139,884	43,079	182,963	242	1,262	1,504	184,467
Exchange adjustments	2,030	963	2,993	6	10	16	3,009
Additions	317	2,659	2,976	1	83	84	3,060
Disposals	(398)	–	(398)	–	(8)	(8)	(406)
Written off	–	–	–	–	(16)	(16)	(16)
(Deficit)/surplus on revaluation	(3,770)	1,357	(2,413)	–	–	–	(2,413)
Transfer to investment properties	3,749	(3,749)	–	–	–	–	–
Transfer from inventories	66	406	472	–	–	–	472
At 31 December 2020	141,878	44,715	186,593	249	1,331	1,580	188,173
Representing:							
Cost	–	1,357	1,357	249	1,331	1,580	2,937
Valuation	141,878	43,358	185,236	–	–	–	185,236
	141,878	44,715	186,593	249	1,331	1,580	188,173
Accumulated depreciation and impairment losses:							
At 1 January 2020	–	–	–	60	1,055	1,115	1,115
Exchange adjustments	–	–	–	–	8	8	8
Charge for the year (note 7(d))	–	–	–	6	71	77	77
Written back on disposals	–	–	–	–	(7)	(7)	(7)
Written off	–	–	–	–	(13)	(13)	(13)
At 31 December 2020	–	–	–	66	1,114	1,180	1,180
Net book value:							
At 31 December 2020	141,878	44,715	186,593	183	217	400	186,993

15 Investment properties and other property, plant and equipment (continued)

(b) The analysis of net book value of properties is as follows:

	2020 HK$ million	2019 HK$ million
In Hong Kong		
– under long leases	**11,805**	11,759
– under medium-term leases	**125,159**	128,122
	136,964	139,881
Outside Hong Kong		
– under long leases	**10**	10
– under medium-term leases	**49,802**	43,254
	49,812	43,264
	186,776	183,145

(c) Fair value measurement of investment properties and investment properties under development

Fair value hierarchy

The fair value of the Group's investment properties and investment properties under development is measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

15 Investment properties and other property, plant and equipment (continued)

(c) Fair value measurement of investment properties and investment properties under development (continued)

Fair value hierarchy (continued)

	Fair value at 31 December 2020 HK$ million	Fair value measurements at 31 December 2020 categorised into Level 3 HK$ million
Recurring fair value measurement		
Investment properties:		
– In Hong Kong	**108,892**	**108,892**
– In mainland China	**32,986**	**32,986**
Investment properties under development:		
– In Hong Kong	**26,628**	**26,628**
– In mainland China	**16,730**	**16,730**

	Fair value at 31 December 2019 HK$ million	Fair value measurements at 31 December 2019 categorised into Level 3 HK$ million
Recurring fair value measurement		
Investment properties:		
– In Hong Kong	110,957	110,957
– In mainland China	28,927	28,927
Investment properties under development:		
– In Hong Kong	27,441	27,441
– In mainland China	14,244	14,244

During the years ended 31 December 2020 and 31 December 2019, there were no transfers between Level 1 and Level 2. During the corresponding year ended 31 December 2019, there was transfer of HK$2,922 million of investment properties under development (based on fair value at 31 December 2018) from Level 2 to Level 3 as a result of change in valuation methodology which involved significant unobservable inputs. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period during which they occur.

15 Investment properties and other property, plant and equipment (continued)

(c) Fair value measurement of investment properties and investment properties under development (continued)

Valuation process

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.

Valuation methodologies

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.

Inputs used in Level 3 fair value measurement

Below is a table which presents the significant unobservable inputs:

Completed investment properties

	Range of capitalisation rates		Range of occupancy rates	
	2020 %	2019 %	**2020** %	2019 %
In Hong Kong				
– Retail	**2.75%-5.5%**	2.75%-5.5%	**44%-100%**	53%-100%
– Office/industrial	**3.0%-4.0%**	3.0%-4.0%	**73%-100%**	86%-100%
In mainland China				
– Retail	**5.5%-8.0%**	5.5%-8.0%	**45%-100%**	66%-100%
– Office	**6.0%-7.5%**	6.0%-7.5%	**37%-100%**	50%-100%

The fair value measurement of completed investment properties is positively correlated to the occupancy rate and negatively correlated to the capitalisation rate.

15 Investment properties and other property, plant and equipment (continued)

(c) Fair value measurement of investment properties and investment properties under development (continued)

Inputs used in Level 3 fair value measurement (continued)

Investment properties under development

	Estimated project development cost	
	2020	2019
In Hong Kong	**HK$8 million to HK$4,572 million**	HK$50 million to HK$3,864 million
In mainland China	**HK$2,065 million**	HK$2,809 million

The fair value measurement of investment properties under development is negatively correlated to the estimated cost to completion, being determined as the estimated project development cost less the actual amount of project development cost incurred up to the end of the reporting period.

Valuation

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 13(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).

A reconciliation of the abovementioned figures is as follows:

	For the year ended 31 December 2020		
	Hong Kong HK$ million	**Mainland China HK$ million**	**Total 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 13(b))	**(4,489)**	**1,525**	**(2,964)**
– associates (Group's attributable share) (notes 13(b) and 14(a)(iii))	**(445)**	**–**	**(445)**
– joint ventures (Group's attributable share) (notes 13(b) and 14(a)(iv))	**(1,244)**	**85**	**(1,159)**
	(6,178)	**1,610**	**(4,568)**

15 Investment properties and other property, plant and equipment (continued)

(c) Fair value measurement of investment properties and investment properties under development (continued)

Valuation (continued)

	For the year ended 31 December 2019		
	Hong Kong HK$ million	Mainland China HK$ million	Total 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 13(b))	2,458	30	2,488
– associates (Group's attributable share) (notes 13(b) and 14(a)(iii))	347	–	347
– joint ventures (Group's attributable share) (notes 13(b) and 14(a)(iv))	403	211	614
	3,208	241	3,449

(d) All properties held under operating leases that would otherwise meet the definition of investment properties are classified as investment properties.

15 Investment properties and other property, plant and equipment (continued)

(e) Valuation uncertainty due to COVID-19

The impact of COVID-19 pandemic on the economic outlook may have an adverse effect on certain tenants' business operations, business viabilities and abilities to meet rental obligations. Such uncertainty has been considered in the valuation of investment property, especially in estimating the market rents and the market yields, all of which are significant inputs into the fair value measurement.

The market disruption caused by COVID-19 pandemic has also resulted in a reduction in transactional evidence and market yields. Whilst this would not invalidate the valuation of the Group's portfolio of investment properties at 31 December 2020, it nevertheless implies that there is more uncertainty than under normal market conditions.

16 Right-of-use assets

	2020 HK$ million	2019 HK$ million
Cost:		
At 1 January	**1,113**	899
Exchange adjustments	**1**	–
Transfer from other property, plant and equipment (note 15(a))	**–**	3
Additions for the year (note 29)	**646**	220
Reinstatement cost	**4**	–
Written back on expiry of leases	**(598)**	–
Written back on early termination of a lease	**–**	(9)
At 31 December	**1,166**	1,113
Accumulated depreciation:		
At 1 January	**662**	354
Exchange adjustments	**1**	–
Charge for the year (note 7(d))	**351**	312
Written back on expiry of leases	**(598)**	–
Written back on early termination of a lease	**–**	(4)
At 31 December	**416**	662
Net book value:		
At 31 December	**750**	451

16 Right-of-use assets (continued)

Except for short-term leases and leases of low-value assets of the Group of which the Company or any of its subsidiaries is a lessee and in relation to which the recognition exemption under HKFRS 16 is applicable, the Group recognises for each of the remaining leases (the "Remaining Leases") a right-of-use asset.

Depreciation charge on the right-of-use assets is recognised using the straight-line method over a period of 2 years to 8 years, being the period from the dates of the commencement/modification of the Remaining Leases to the end of the term of the Remaining Leases taking into consideration any renewal options attaching thereto (if any).

The carrying balances of the right-of-use assets are amortised to nil on the expiry dates of the Remaining Leases.

Indirect ownership interests in leasehold land and buildings relate to certain investment properties held by (i) certain associates and a joint venture of the Group; and (ii) Sunlight Real Estate Investment Trust ("Sunlight REIT"). Other properties leased for own use relate to certain property interests held by external third parties.

Further analysis of right-of-use assets by category, at net book values, is as follows:

	2020 HK$ million	2019 HK$ million
At 1 January		
– Indirect ownership interests in leasehold land and buildings	**145**	312
– Other properties leased for own use	**306**	233
	451	545
At 31 December		
– Indirect ownership interests in leasehold land and buildings	**510**	145
– Other properties leased for own use	**240**	306
	750	451

17 Goodwill

On 31 May 2018, Henderson Investment Limited, a listed subsidiary of the Company, completed its acquisition of the entire issued share capital of UNY (HK) Co., Limited ("UNY") (renamed as Unicorn Stores (HK) Limited on 27 July 2018) for a cash consideration of HK$300 million (subject to adjustment) (the "Acquisition"). Based on (i) the fair value of the assets acquired less the liabilities assumed of UNY in the amount of HK$29 million at the completion date of the Acquisition of 31 May 2018; and (ii) the adjusted amount of the consideration of HK$291 million in accordance with the terms of the agreement in relation to the Acquisition, a goodwill of HK$262 million has arisen from the Acquisition and was recognised in the Group's consolidated statement of financial position at 31 December 2020 and 31 December 2019.

The Directors have assessed that there was no impairment on the goodwill at 31 December 2020 and 31 December 2019.

18 Interest in subsidiaries

Details of the principal subsidiaries at 31 December 2020 which materially affected the results, assets or liabilities of the Group are set out on pages 272 to 278.

19 Interest in associates

	2020 HK$ million	2019 HK$ million
Unlisted		
Share of net assets	**3,367**	3,369
Amounts due from associates	**3,581**	3,118
	6,948	6,487
Listed in Hong Kong		
Share of net assets, including goodwill on acquisition	**57,890**	56,684
	64,838	63,171
Market value of listed shares	**90,671**	113,121

Except for the amounts due from associates of HK$33 million (2019: HK$46 million) which are interest-bearing at Hong Kong dollar prime rate less 3% (2019: Hong Kong dollar prime rate less 3%) per annum, all of the amounts due from associates are unsecured, interest-free and have no fixed terms of repayment. The balances are not expected to be recovered within one year from the end of the reporting period and are neither past due nor impaired.

19 Interest in associates (continued)

All of the associates are accounted for using the equity method in the consolidated financial statements. Details of the principal associates at 31 December 2020 are set out on page 279.

Summarised financial information of the material associate, adjusted for any differences in accounting policies and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	The Hong Kong and China Gas Company Limited (note)	
	2020 HK$ million	2019 HK$ million
Gross amounts of the associate's:		
Current assets	**20,157**	20,129
Non-current assets	**130,356**	120,482
Current liabilities	**(29,806)**	(26,167)
Non-current liabilities	**(41,339)**	(38,924)
Equity	**79,368**	75,520
Revenue	**40,927**	40,628
Profit from continuing operation	**7,212**	8,114
Other comprehensive income	**3,227**	823
Total comprehensive income	**10,439**	8,937
Dividend received from the associate	**2,502**	2,313
Reconciled to the Group's interest in the associate:		
Gross amount of net assets of the associate	**79,368**	75,520
Carrying amount of perpetual capital securities	**(2,384)**	(2,384)
Non-controlling interests	**(10,011)**	(8,803)
Equity attributable to equity shareholders	**66,973**	64,333
Group's interest	**41.53%**	41.53%
Group's share of the associate's equity attributable to equity shareholders	**27,814**	26,717
Goodwill	**17,519**	17,519
Carrying amount in the consolidated financial statements	**45,333**	44,236
Market value of the listed shares	**85,457**	106,971

Note: The principal activities of The Hong Kong and China Gas Company Limited are the production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses. Its distinctive business nature forms a supplement to the Group's core business of property development and property investment to smooth out the cyclicality of the Group's property development business.

19 Interest in associates (continued)

Aggregate information of associates that are not individually material:

	2020 HK$ million	2019 HK$ million
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**19,505**	18,935
Aggregate amounts of the Group's share of those associates:		
Profit from continuing operation	**29**	734
Other comprehensive income	**239**	(76)
Total comprehensive income	**268**	658

20 Interest in joint ventures

	2020 HK$ million	2019 HK$ million
Share of net assets	**44,279**	41,242
Less: Impairment loss	**(2)**	(2)
	44,277	41,240
Amounts due from joint ventures	**25,766**	23,990
	70,043	65,230

The amounts due from joint ventures are unsecured, interest-free, have no fixed terms of repayment and are not expected to be recovered within one year from the end of the reporting period except for the amounts of HK$11 million (2019: HK$12 million), HK$196 million (2019: HK$207 million) and HK$2,910 million (2019: HK$Nil) which are interest-bearing at Hong Kong dollar prime rate (2019: Hong Kong dollar prime rate) per annum, Hong Kong Interbank Offered Rate ("HIBOR") plus 0.5% (2019: HIBOR plus 0.5%) per annum and HIBOR plus 1% (2019: Nil) per annum respectively. The balances are neither past due nor impaired.

All of the joint ventures are accounted for using the equity method in the consolidated financial statements. Details of the principal joint ventures at 31 December 2020 are set out on page 280.

20 Interest in joint ventures (continued)

Summarised financial information of the material joint venture, adjusted for any differences in accounting policies and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	Central Waterfront Property Investment Holdings Limited (note)	
	2020 HK$ million	2019 HK$ million
Gross amounts of the joint venture's:		
Current assets	**717**	1,294
Non-current assets	**114,627**	117,668
Current liabilities	**(2,434)**	(6,315)
Non-current liabilities	**(18,006)**	(14,970)
Equity	**94,904**	97,677
Included in the above assets and liabilities:		
Cash and cash equivalents	**190**	931
Current financial liabilities (excluding trade and other payables and provisions)	**(500)**	(3,500)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(16,875)**	(13,905)
Revenue	**5,121**	6,321
(Decrease)/increase in fair value of investment properties	**(3,021)**	1,265
(Loss)/profit from continuing operation	**(149)**	4,775
Other comprehensive income	**26**	68
Total comprehensive income	**(123)**	4,843
Dividend received from the joint venture	**907**	1,187
Included in the above (loss)/profit:		
Depreciation and amortisation	**(61)**	(61)
Interest income	**4**	16
Interest expense	**(417)**	(567)
Income tax expense	**(573)**	(690)
Reconciled to the Group's interest in the joint venture:		
Gross amount of net assets of the joint venture	**94,904**	97,677
Group's interest	**34.21%**	34.21%
Group's share of net assets of the joint venture and its carrying amount in the consolidated financial statements	**32,467**	33,415

Note: Central Waterfront Property Investment Holdings Limited was incorporated in the British Virgin Islands by the Group and its joint venture partners and operates in Hong Kong. Its subsidiaries are mainly engaged in property investment and hotel operation in the International Finance Centre complex in Hong Kong.

20 Interest in joint ventures (continued)

Aggregate information of joint ventures that are not individually material:

	2020 HK$ million	2019 HK$ million
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**37,576**	31,815
Aggregate amounts of the Group's share of those joint ventures:		
Profit from continuing operation	**687**	561
Other comprehensive income	**637**	(141)
Total comprehensive income	**1,324**	420

21 Derivative financial instruments

	2020		2019	
	Assets HK$ million	Liabilities HK$ million	Assets HK$ million	Liabilities HK$ million
Cash flow hedges:				
Cross currency interest rate swap contracts (note 4(h)(i))	**1,161**	**131**	21	13
Interest rate swap contracts (note 4(h)(i))	**–**	**332**	–	–
Total cash flow hedges	**1,161**	**463**	21	13
Fair value through profit or loss:				
Cross currency interest rate swap contracts (note 4(h)(i))	**17**	**13**	135	40
Cross currency swap contracts (note 4(h)(i))	**–**	**6**	75	65
Interest rate swap contracts (note 4(h)(i))	**400**	**767**	227	268
Foreign exchange forward contracts (note 4(h)(i))	**8**	**–**	–	–
	425	**786**	437	373
	1,586	**1,249**	458	386
Representing:				
Non-current portion	**1,319**	**1,190**	453	381
Current portion (notes 25 and 28)	**267**	**59**	5	5
	1,586	**1,249**	458	386

21 Derivative financial instruments (continued)

(a) Derivatives under cash flow hedges

At 31 December 2020, cross currency interest rate swap contracts have been entered into with certain counterparty banks to hedge against the interest rate risk and foreign currency risk in respect of certain guaranteed notes denominated in United States dollars, Renminbi and Japanese Yen in the aggregate principal amounts of US$900 million (2019: US$30 million), RMB200 million (2019: Nil) and ¥1,994 million (2019: Nil) respectively at 31 December 2020, and certain bank loans denominated in Japanese Yen, Renminbi and Australian dollars in the aggregate principal amounts of ¥58,000 million (2019: Nil), RMB2,000 million (2019: Nil) and AUD845 million (2019: Nil) respectively at 31 December 2020 (see note 4(c)).

In addition, interest rate swap contracts have been entered into with certain counterparty banks to hedge against the interest rate risk of certain guaranteed notes denominated in Hong Kong dollars in aggregate principal amounts of HK$968 million (2019: Nil) at 31 December 2020 (see note 4(c)).

The abovementioned cross currency interest rate swap contracts and interest rate swap contracts will mature between 26 February 2021 and 6 December 2032 (2019: between 25 July 2022 and 20 October 2026) and between 5 March 2025 and 12 May 2025 (2019: Nil), respectively.

(b) Derivatives to hedge against foreign currency risk and interest rate risk but not under cash flow hedges

At 31 December 2020, cross currency interest rate swap contracts have been entered into with certain counterparty banks to hedge against the foreign currency risk and interest rate risk in respect of certain guaranteed notes denominated in United States dollars in the aggregate principal amount of US$30 million (2019: certain guaranteed notes denominated in United States dollars and Renminbi in the aggregate principal amounts of US$200 million and RMB200 million respectively, and certain bank loans denominated in Japanese Yen and Australian dollars in the aggregate principal amounts of ¥13,000 million and AUD319 million respectively) at 31 December 2020 (see note 4(c)).

(c) Derivatives to hedge against interest rate risk but not under cash flow hedges

At 31 December 2020, interest rate swap contracts have been entered into with certain counterparty banks to hedge against the interest rate risk in respect of certain bank loans and guaranteed notes denominated in Hong Kong dollars in the aggregate principal amount of HK$10,500 million (2019: HK$21,100 million) and HK$4,115 million (2019: HK$5,599 million) respectively at 31 December 2020 (see note 4(c)).

(d) Derivatives to hedge against foreign currency risk but not under cash flow hedges

At 31 December 2020, cross currency swap contracts have been entered into with certain counterparty banks to hedge against the foreign currency risk in respect of certain bank loans denominated in United States dollars in the aggregate principal amount of US$257 million at 31 December 2020 (2019: certain guaranteed notes denominated in Japanese Yen and United States dollars in the aggregate principal amounts of ¥1,994 million and US$100 million respectively, and certain bank loans denominated in Japanese Yen and Australian dollars in the aggregate principal amounts of ¥30,000 million and AUD173 million respectively) (see note 4(c)).

22 Other financial assets

	2020 **HK$ million**	2019 HK$ million
Investments designated as financial assets at FVOCI (non-recycling)		
Investments in equity securities		
Unlisted (note 4(h)(i))	**79**	82
Listed (note 4(h)(i)):		
– in Hong Kong	**78**	104
	157	186
Investments measured as financial assets at FVPL		
Investments in other securities		
Listed (note 4(h)(i)):		
– in Hong Kong	**1,133**	1,444
	1,133	1,444
Financial assets measured at amortised cost		
Instalments receivable	**7,672**	8,287
Loans receivable	**2,224**	3,243
	9,896	11,530
	11,186	13,160

(a) Instalments receivable

Instalments receivable represent the proceeds receivable from the sale of properties due after more than one year from the end of the reporting period. The balance included in "Other financial assets" is neither past due nor impaired. Instalments receivable due within one year from the end of the reporting period are included in "Trade and other receivables" under current assets (see note 25).

Instalments receivable, which are due within one year (see note 25) and after more than one year from the end of the reporting period, included an amount of HK$6,529 million (2019: HK$7,028 million) representing the aggregate attributable amounts of the outstanding mortgage loans advanced by the Group to the property buyers and which were already drawdown by the property buyers at the end of the reporting period.

22 Other financial assets (continued)

(b) Loans receivable

The Group's loans receivable comprised the following amounts:

	2020 HK$ million	2019 HK$ million
Secured loans	–	1,002
Unsecured loans	**2,224**	2,241
	2,224	3,243

At 31 December 2019, except for an amount of HK$380 million which was interest-bearing at HIBOR plus 2.25% per annum, the remaining balance of the abovementioned secured loans in the aggregate amount of HK$622 million was interest-bearing at fixed interest rates ranging from 5.225% to 7% per annum.

At 31 December 2020, the entire balance of the abovementioned unsecured loans in the aggregate amount of HK$2,224 million (2019: HK$2,241 million) is interest-bearing at fixed interest rates ranging from 3.8% to 7.5% (2019: 3.8% to 9%) per annum.

These balances are due after more than one year from the end of the reporting period and are neither past due nor impaired.

The balances of loans receivable which are expected to be recovered within one year from the end of the reporting period have been classified as "Trade and other receivables" under current assets (see note 25). The balances are neither past due nor impaired.

23 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.

24 Inventories

	2020 HK$ million	2019 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 stock	**135**	121
	101,059	100,495

The analysis of carrying value of inventories for property development is as follows:

	2020 HK$ million	2019 HK$ million
In Hong Kong		
– under long leases	**37,258**	36,888
– under medium-term leases	**57,884**	57,478
	95,142	94,366
In mainland China		
– under long leases	**5,172**	5,383
– under medium-term leases	**610**	625
	5,782	6,008
	100,924	100,374
Including:		
– Properties expected to be completed after more than one year	**75,900**	74,873

25 Trade and other receivables

	2020 HK$ million	2019 HK$ million
Instalments receivable (note 22(a))	**266**	292
Loans receivable (note 22(b))	**3,054**	1,302
Debtors, prepayments and deposits	**11,793**	12,987
Gross amount due from customers for contract work (note 26) (^)	**83**	59
Financial assets measured at FVPL (note 4(h)(i))	**326**	196
Derivative financial instruments (note 21)	**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 (see note 2(o)).*

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.

25 Trade and other receivables (continued)

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.

(a) Ageing analysis

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 HK$ million	2019 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

Details of the Group's credit policy are set out in note 4(a).

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 2(m)(i)).

The movement in the allowance account during the year is as follows:

	2020 HK$ million	2019 HK$ million
At 1 January	**15**	14
Exchange differences	**1**	–
Impairment loss, net (notes 6 and 14(c))	**6**	3
Uncollectible amounts written off	**–**	(2)
At 31 December	**22**	15

26 Gross amount due from/(to) customers for contract work

	2020 HK$ million	2019 HK$ million
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus profits less losses	**316**	218
Progress billings	**(235)**	(161)
Net contract work	**81**	57
Represented by:		
Gross amount due from customers for contract work recognised as contract assets under "Trade and other receivables" (note 25)	**83**	59
Gross amount due to customers for contract work recognised as contract liabilities under "Trade and other payables" (note 28)	**(2)**	(2)
	81	57

27 Cash and bank balances and movements in the carrying amounts of items relating to financing activities

(a) Cash and cash equivalents comprise:

	2020 HK$ million	2019 HK$ million
Deposits with banks and other financial institutions	**3,523**	9,825
Structured bank deposits	**38**	175
Cash at bank and in hand	**2,246**	734
Cash and bank balances in the consolidated statement of financial position	**5,807**	10,734
Less:		
Deposits with banks and other financial institutions over three months of maturity at acquisition	**(193)**	(819)
Structured bank deposits	**(38)**	(175)
Cash restricted for use	**(219)**	(106)
Cash and cash equivalents in the consolidated cash flow statement	**5,357**	9,634

At 31 December 2020, cash and bank balances in the consolidated statement of financial position included (i) balances of bank deposits in mainland China which were subject to exchange controls, and of which an amount of HK$219 million (2019: HK$106 million) was restricted for use and comprised the guarantee deposits for the construction of certain property development projects under pre-sales in mainland China; and (ii) structured bank deposits denominated in Renminbi in the equivalent amount of HK$38 million (2019: HK$175 million) which were capital-protected.

27 Cash and bank balances and movements in the carrying amounts of items relating to financing activities (continued)

(b) Movements in the carrying amounts of items relating to financing activities

	Lease liabilities HK$ million (note 29)	Bank loans HK$ million (note 30)	Guaranteed notes HK$ million (note 31)	Derivative financial instruments, net HK$ million (note 21)	Amount due to a fellow subsidiary HK$ million (note 32)	Amounts due to non-controlling interests and joint ventures, net HK$ million	Total HK$ million
At 1 January 2019	565	72,455	13,075	582	1,100	5,351	93,128
Changes from financing cash flows:							
Repayment to non-controlling interests, net	–	–	–	–	–	(260)	(260)
Proceeds from new bank loans/guaranteed notes	–	39,882	3,858	–	–	–	43,740
Repayment of bank loans/guaranteed notes	–	(32,498)	(5,421)	–	–	–	(37,919)
Decrease in amount due to a fellow subsidiary	–	–	–	–	(363)	–	(363)
Payments of principal portion of lease liabilities	(306)	–	–	–	–	–	(306)
Interest and other borrowing costs paid during the year	(19)	(1,649)	(623)	(56)	(34)	(161)	(2,542)
Total changes from financing cash flows	(325)	5,735	(2,186)	(56)	(397)	(421)	2,350
Exchange adjustments	–	44	206	–	–	–	250
Changes in fair value	–	–	–	(654)	–	–	(654)
Other changes:							
Interest expenses (before capitalisation) for the year (note 7(a))	19	1,561	571	94	34	161	2,440
Other borrowing costs (before capitalisation) for the year (note 7(a))	–	133	5	–	–	–	138
Increase in lease liabilities from entering into new leases during the year	220	–	–	–	–	–	220
Written back on early termination of a lease	(5)	–	–	–	–	–	(5)
Others	–	(3)	56	(38)	–	425	440
Total other changes	234	1,691	632	56	34	586	3,233
At 31 December 2019	474	79,925	11,727	(72)	737	5,516	98,307

27 Cash and bank balances and movements in the carrying amounts of items relating to financing activities (continued)

(b) Movements in the carrying amounts of items relating to financing activities (continued)

	Lease liabilities HK$ million (note 29)	Bank loans HK$ million (note 30)	Guaranteed notes HK$ million (note 31)	Derivative financial instruments, net HK$ million (note 21)	Amount due to a fellow subsidiary HK$ million (note 32)	Amount due to a related company HK$ million (note 33)	Amounts due to non-controlling interests and joint ventures, net HK$ million	Total HK$ million
At 1 January 2020	474	79,925	11,727	(72)	737	–	5,516	98,307
Changes from financing cash flows:								
Advance from non-controlling interests, net	–	–	–	–	–	–	56	56
Proceeds from new bank loans/guaranteed notes	–	29,706	8,487	–	–	–	–	38,193
Repayment of bank loans/ guaranteed notes	–	(41,952)	(1,484)	–	–	–	–	(43,436)
Increase in amount due to a fellow subsidiary	–	–	–	–	3,652	–	–	3,652
Increase in amount due to a related company	–	–	–	–	–	2,085	–	2,085
Payments of principal portion of lease liabilities	(348)	–	–	–	–	–	–	(348)
Interest and other borrowing costs paid during the year	(22)	(1,178)	(495)	(211)	(28)	(16)	(175)	(2,125)
Total changes from financing cash flows	(370)	(13,424)	6,508	(211)	3,624	2,069	(119)	(1,923)
Exchange adjustments	1	951	10	–	–	52	–	1,014
Changes in fair value	–	–	–	(265)	–	–	–	(265)
Other changes:								
Interest expenses (before capitalisation) for the year (note 7(a))	22	1,101	524	223	28	16	175	2,089
Other borrowing costs (before capitalisation) for the year (note 7(a))	–	86	5	–	–	–	–	91
Increase in lease liabilities from entering into new leases during the year	646	–	–	–	–	–	–	646
Others	–	27	(21)	(12)	–	–	412	406
Total other changes	668	1,214	508	211	28	16	587	3,232
At 31 December 2020	773	68,666	18,753	(337)	4,389	2,137	5,984	100,365

27 Cash and bank balances and movements in the carrying amounts of items relating to financing activities (continued)

(c) Total cash outflow for leases (under which the Group is the lessee)

Amounts included in the Group's consolidated cash flow statement for leases (under which the Group is the lessee) comprise the following:

	2020 HK$ million	2019 HK$ million
Within operating cash flows (relating to short-term leases which fall within the "practical expedient" under HKFRS 16 (before capitalisation))	**47**	139
Within financing cash flows (note 27(b))	**370**	325
Total cash outflows recognised in the Group's consolidated cash flow statement	**417**	464

28 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 (note 26) (#)	**2**	2
Rental and other deposits received	**1,620**	1,638
Forward sales deposits received (#)	**8,587**	14,897
Derivative financial instruments (note 21)	**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 (see note 2(o)).

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.

28 Trade and other payables (continued)

Movements in contract liability

	Forward sales deposits received	
	2020 HK$ million	2019 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 HK$ million	2019 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).

29 Lease liabilities

	2020 HK$ million	2019 HK$ million
At 1 January	**474**	565
Exchange adjustments	**1**	–
Additions for the year (notes 16 and 27(b))	**646**	220
Written back on early termination of a lease (note 27(b))	**–**	(5)
Lease payment made during the year (note 27(b))	**(370)**	(325)
Finance costs on lease liabilities for the year (notes 7(a) and 27(b))	**22**	19
At 31 December	**773**	474

	2020 HK$ million	2019 HK$ million
Represented by:		
Amount classified under current liabilities		
– contractual maturity within 1 year	**338**	232
Amounts classified under non-current liabilities		
– contractual maturity after 1 year but within 2 years	**259**	124
– contractual maturity after 2 years but within 5 years	**176**	103
– contractual maturity after 5 years	**–**	15
	435	242
	773	474

The carrying balances of the lease liabilities are amortised to nil on the expiry dates of the Remaining Leases.

30 Bank loans

The Group's bank loans were repayable as follows:

	2020 HK$ million	2019 HK$ million
Within 1 year and included in current liabilities	**26,254**	27,768
After 1 year and included in non-current liabilities		
– After 1 year but within 2 years	**14,260**	14,604
– After 2 years but within 5 years	**12,891**	20,538
– After 5 years	**15,261**	17,015
	42,412	52,157
	68,666	79,925

At 31 December 2020 and 31 December 2019, all of the bank loans were unsecured.

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain ratios in the Group's statement of financial position and minimum net assets requirement, as are commonly found in lending arrangements with financial institutions. Any breach of the covenants by the Group would result in the drawdown facilities to become repayable on demand. The Group regularly monitors its compliance with those covenants. Further details of the Group's management of liquidity risk are set out in note 4(b). At 31 December 2020 and 31 December 2019, none of the covenants relating to the drawdown facilities had been breached.

31 Guaranteed notes

	2020 HK$ million	2019 HK$ million
Guaranteed notes due 2022	**155**	156
Guaranteed notes issued pursuant to the Medium Term Note Programme	**18,598**	11,571
	18,753	11,727

The Group's guaranteed notes were repayable as follows:

	2020 HK$ million	2019 HK$ million
Within 1 year and included in current liabilities	**3,078**	1,484
After 1 year and included in non-current liabilities		
– After 1 year but within 2 years	**1,574**	3,062
– After 2 years but within 5 years	**7,825**	1,441
– After 5 years	**6,276**	5,740
	15,675	10,243
	18,753	11,727

31 Guaranteed notes (continued)

(a) Guaranteed notes due 2022

On 25 July 2007, the Company through a wholly-owned subsidiary issued guaranteed loan notes (the "2007 Notes") with aggregate principal amounts of US$325 million and £50 million under private placements in the United States of America and in Europe, respectively. At 31 December 2020, the 2007 Notes with principal amount of US$20 million (2019: US$20 million) bore fixed interest rate at 6.38% (2019: 6.38%) per annum and payable semi-annually in arrears. The 2007 Notes are guaranteed by the Company and will mature on 25 July 2022 (2019: 25 July 2022).

(b) Guaranteed notes issued pursuant to the Medium Term Note Programme (the "MTN Programme")

On 15 October 2018, the Company increased the maximum aggregate principal amount of notes to be guaranteed by the Company and outstanding at any one time under the MTN Programme, from US$3,000 million to US$5,000 million. The aggregate carrying amounts of the guaranteed notes issued under the MTN Programme during the year ended 31 December 2020 were HK$3,863 million and US$600 million, and the guaranteed notes issued under the MTN Programme which remained outstanding at 31 December 2020 comprised HK$11,219 million, US$910 million, RMB200 million and ¥2,000 million (2019: the aggregate carrying amounts of the guaranteed notes issued under the MTN Programme during the year were HK$1,316 million, US$300 million and RMB200 million, and the guaranteed notes issued under the MTN Programme which remained outstanding at 31 December 2019 comprised HK$8,840 million, US$310 million, RMB200 million and ¥2,000 million).

The guaranteed notes which remained outstanding at 31 December 2020 under the MTN Programme were issued by a wholly-owned subsidiary of the Company during the period between 23 September 2011 and 3 July 2020 (2019: between 23 September 2011 and 22 November 2019), and bear fixed coupon rates ranging from 0.80% to 5.20% per annum (2019: 0.80% to 5.20% per annum) payable quarterly, semi-annually or annually in arrears, and have maturity dates between 26 February 2021 (which has already been repaid by the Group on the maturity date) and 9 March 2035 (2019: between 27 April 2020 and 6 December 2032).

32 Amount due to a fellow subsidiary

At 31 December 2020 and 31 December 2019, all of the amount due to a fellow subsidiary is unsecured, interest-bearing and is not expected to be settled within one year from the end of the reporting period, and has no fixed terms of repayment.

33 Amount due to a related company

At 31 December 2020, all of the amount due to a related company is unsecured, interest-bearing and wholly repayable after two years but within five years from the end of the reporting period.

34 Capital and reserves

(a) Movements in components of equity

The reconciliation between the opening and closing balances during the year of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of changes in the Company's individual components of equity between the beginning and the end of the year are set out in note 41(b).

(b) Nature and purpose of reserves

(i) Property revaluation reserve

The property revaluation reserve relates to other land and buildings. Where other land and buildings is reclassified to investment properties, the cumulative increase in fair value at the date of reclassification is included in the property revaluation reserve, and will be transferred to retained profits upon the retirement or disposal of the relevant property.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(x).

(iii) Fair value reserve (recycling)

The fair value reserve (recycling) comprises the cumulative net change in the fair value of debt securities measured at FVOCI under HKFRS 9 held at the end of the reporting period (see note 2(g)).

(iv) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investment designated at FVOCI under HKFRS 9 held at the end of the reporting period (see note 2(g)).

(v) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of a derivative financial instrument which is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, in accordance with the accounting policy adopted for cash flow hedges in note 2(i).

(vi) Other reserves

Other reserves mainly comprise the statutory reserve set up for enterprises established in mainland China. According to the relevant rules and regulations in the PRC applicable to wholly foreign-owned enterprises, a wholly foreign-owned enterprise is required to transfer at least 10% of its profit after taxation, as determined under the PRC Accounting Regulations, to a reserve fund until the reserve fund balance reaches 50% of the relevant enterprise's registered capital.

35 Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that the Group can continue to provide financial returns to shareholders, and by securing access to financing sources at reasonable costs.

The Group regularly reviews and manages its capital structure under the policy of prudent financial management. The Group maintains a financially sound capital position and, where appropriate, makes adjustments to its capital structure in light of remarkable changes in the financial and capital markets and in economic conditions.

The Group monitors its capital structure on the basis of gearing ratio, which is one of the most commonly adopted measurement standards for capital management by companies engaged in the businesses of property development and property investment. Gearing ratio is calculated based on the net debt (being the aggregate of the Group's bank and other borrowings, the amount due to a fellow subsidiary and the amount due to a related company (collectively, the "Total debt") less cash and bank balances) and shareholders' funds of the Group at the end of the reporting period.

During the year ended 31 December 2020, the Group's strategy, which was unchanged from that for the corresponding year ended 31 December 2019, was to secure long-term funding sources at attractive borrowing costs so as to finance the development of the Group's land bank in Hong Kong and mainland China in the coming years. The Group continued to maintain a low gearing ratio during the year, which has the effect of minimising any unfavourable impact on the Group arising from any unforeseeable adverse changes in the local and/or international financial markets, capital markets and economic conditions.

The Group's gearing ratios at 31 December 2020 and 31 December 2019 were as follows:

	2020 **HK$ million**	2019 HK$ million
Bank and other borrowings (including guaranteed notes) 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%

Neither the Company nor any of its subsidiaries was subject to externally imposed capital requirements during the year and at 31 December 2020 and 31 December 2019.

36 Acquisitions of subsidiaries

The Group acquired certain subsidiaries during the year ended 31 December 2020 (2019: None). The fair value of the assets acquired for the Group's acquisitions of subsidiaries were as follows:

	2020 HK$ million
Inventories	**123**
Trade and other receivables	**1**
Net consideration	**124**
Representing:	
Cash consideration paid	**124**
Net cash outflow in respect of the acquisitions:	
Cash consideration paid	**124**
	124

37 Capital commitments

At 31 December 2020, the Group had capital commitments not provided for in these financial statements as follows:

		2020 HK$ million	2019 HK$ million
(a)	Contracted for acquisition of property and future development expenditure and the related costs of internal fixtures and fittings	**16,486**	8,570
	Future development expenditure and the related costs of internal fixtures and fittings approved by the Directors but not contracted for	**14,186**	22,972
		30,672	31,542
(b)	**In relation to the capital commitments undertaken by joint ventures and certain associates attributable to the Group:**		
	Contracted for acquisition of property and future development expenditure and the related costs of internal fixtures and fittings	**2,245**	3,258
	Future development expenditure and the related costs of internal fixtures and fittings approved by the Directors but not contracted for	**4,789**	3,787
		7,034	7,045

38 Significant leasing arrangements

(a) Lessor

The Group leases out a number of land/building facilities. The leases typically run for an initial period of one to three years, with an option to renew the lease after that date at which time all terms are re-negotiated. Further details of the carrying value of the properties are contained in note 15.

The total future minimum lease payments under non-cancellable leases are receivable as follows:

	2020 HK$ million	2019 HK$ million
Within 1 year	**4,389**	4,685
After 1 year but within 2 years	**2,777**	3,078
After 2 years but within 3 years	**1,300**	1,558
After 3 years but within 4 years	**481**	627
After 4 years but within 5 years	**233**	279
After 5 years	**398**	233
	9,578	10,460

(b) Lessee

The Group leases a number of building facilities under operating leases. The leases typically run for an initial period of one to five years, with an option to renew the lease after that date at which time all terms are re-negotiated.

39 Contingent liabilities

At 31 December 2020, contingent liabilities of the Group were as follows:

(a) In connection with the sale of certain subsidiaries and shareholders' loans to Sunlight REIT (the "Sale") in December 2006, the Group entered into Deeds of Tax Covenant with Sunlight REIT. Under the Deeds of Tax Covenant, the Group has undertaken to indemnify Sunlight REIT for any tax liabilities relating to events occurred on or before the completion of the Sale (the "Completion"), clawback of commercial building allowances and capital allowances granted up to the Completion and re-classification of the properties before or upon the Completion. At 31 December 2020, the Group had contingent liabilities in this connection of HK$11 million (2019: HK$11 million).

(b) At 31 December 2020, the Group had contingent liabilities in respect of performance bonds, guarantees and undertakings for the due and proper performance of the obligations of the Group's subsidiaries and projects amounting to HK$399 million (2019: HK$37 million), the increase of which is mainly attributable to the performance bonds undertaken by the Group in relation to its joint venture residential development project at The Kai Tak Development Area.

(c) At 31 December 2020, the Group had given guarantees to financial institutions in the aggregate amount of HK$1,578 million (2019: HK$1,302 million) on behalf of purchasers of property units of the Group's development projects in mainland China in relation to which the related Building Ownership Certificate (房產證) had not yet been issued at 31 December 2020. Such guarantees will be released upon the issuance of the Building Ownership Certificate.

(d) At 31 December 2020, the Group had given an irrevocable, unconditional and several guarantee to the lending bank in relation to the repayment obligations by 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, which entered into a loan facility agreement with such lending bank on 2 May 2017. The Group's contingent liabilities in respect of the guarantee in relation to the amount drawdown on the loan facility, which is proportional to the Group's attributable interest in the joint venture, amounted to HK$430 million (2019: HK$430 million).

(e) In accordance with a development agreement dated 21 November 2018 ("Development Agreement") between the Urban Renewal Authority ("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, the Company shall irrevocably and unconditionally guarantee the Developer's obligations under the Development Agreement in favour of URA 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.

(f) At 31 December 2020, the Group had given irrevocable, unconditional and several guarantees to the lending banks in relation to the repayment obligations by 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, which entered into loan facility agreements with such lending banks 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. The Group's contingent liabilities in respect of the guarantees in relation to the maximum amounts which may be drawn down on the loan facilities, which are proportional to the Group's attributable interests in these joint ventures, amounted to 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), respectively.

40 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions during the year:

(a) Transactions with fellow subsidiaries

Details of material related party transactions during the year between the Group and its fellow subsidiaries are as follows:

	2020 HK$ million	2019 HK$ million
Rental income (note (iii))	**5**	5
Other interest expense (note (i))	**28#**	34#
Sales commission income (note (iii))	**5**	7
Administration fee income (note (ii))	**11**	11

(b) Transactions with associates and joint ventures

Details of material related party transactions during the year between the Group and its associates and joint ventures are as follows:

	2020 HK$ million	2019 HK$ million
Construction income (note (iii))	**138**	6
Rental income (note (iii))	**23**	21
Cash rental paid (note (iii))	**226**	238
Management fee income (note (iii))	**2**	4
Security guard service fee income (note (iii))	**32**	31
Other interest income (note (i))	**446**	193
Other interest expenses (note (i))	**72**	27
Property management service fee income (note (iii))	**–**	1
Rental commission income (note (iii))	**6**	16

40 Material related party transactions (continued)

(c) Transactions with related companies

(i) Details of material related party transactions during the year between the Group and its related companies which are controlled by private family trusts of a director of the Company are as follows:

	2020 HK$ million	2019 HK$ million
Income from sale of construction materials (note (iii))	**3**	9
Rental income (note (iii))	**32#**	14
Sales commission income (note (iii))	**5**	–

(ii) The Group paid interest expenses (note (i)) in the aggregate amount of HK$16 million (2019: Nil) to a related company controlled by relatives of certain directors of the Company during the year ended 31 December 2020.

Notes:

(i) Interest income and expense are calculated on the balance of loans outstanding from time to time by reference to Hong Kong Interbank Offered Rate, Hong Kong dollar prime rate, Renminbi benchmark loan rates announced by the People's Bank of China or interest rates stipulated in the loan agreements (as appropriate).

(ii) This transaction represents cost reimbursements or cost reimbursements plus certain percentage thereon as service fees.

(iii) In the opinion of the Directors, these transactions were carried out on normal commercial terms and in the ordinary course of business.

(iv) The amounts due to a fellow subsidiary at 31 December 2020 and 31 December 2019 are referred to in the Group's consolidated statements of financial position at 31 December 2020 and 31 December 2019, and the terms of which are set out in note 32. The amount due to a related company at 31 December 2020 is referred to in the Group's consolidated statement of financial position at 31 December 2020, and the terms of which are set out in note 33. The amounts due from/to associates and joint ventures at 31 December 2020 and 31 December 2019 are set out in notes 19, 20, 25 and 28.

(d) Transactions with Sunlight REIT

Details of the material related party transactions during the year between the Group and Sunlight REIT (which is deemed as a connected person of the Company under the Listing Rules as from 30 April 2009) are as follows:

	2020 HK$ million	2019 HK$ million
Property and leasing management service fee income and other ancillary property service fee income	**46#**	54#
Asset management service fee income	**93#**	102#
Cash rental paid	**11**	12
Security service fee income	**4#**	3#

40 Material related party transactions (continued)

(d) Transactions with Sunlight REIT (continued)

The above transactions were conducted in accordance with the terms of the respective agreements/deeds entered into between the Group and Sunlight REIT. At 31 December 2020, the net amount due from Sunlight REIT was HK$31 million (2019: HK$33 million) and is unsecured, interest-free and has no fixed terms of repayment. The amount is included in “Trade and other receivables” under current assets (note 25).

(e) Transactions with a director of the Company and a company owned by him

(i) Dr Lee Ka Kit, a director of the Company, made an advance (“advance”) of HK$44 million (2019: HK$44 million) to Henderson (China) Investment Company Limited (“HCI”), an indirect wholly-owned subsidiary of the Group, for the purpose of funding HCI’s business operation in mainland China. The advance is unsecured, interest-free and has no fixed terms of repayment.

(ii) Dr Lee Ka Kit, through a company owned by him (the “entity”), has separate interest in an associate of the Group and through which the Group holds its interest in a development project in mainland China. The entity agreed to provide and had provided finance in the form of non interest-bearing advances to such associate in accordance with the percentage of its equity interest in such associate. At 31 December 2020, the advance by the entity to the abovementioned associate amounted to HK$80 million (2019: HK$80 million). Such amount is unsecured and has no fixed terms of repayment.

(f) Transactions with the close family members of directors of the Company

During the corresponding year ended 31 December 2019, the Group separately sold to the close family members of Mr Woo Ka Biu, Jackson and Madam Fung Lee Woon King, directors of the Company, completed property units for aggregate consideration of HK$29 million.

(g) Key management personnel

Remuneration for key management personnel are disclosed in note 8.

These related party transactions (and, included in the rental income of HK$32 million from related companies during the year ended 31 December 2020 as referred to in note(c) above, an amount of HK$22 million) also constitute connected transactions and/or continuing connected transactions under the Listing Rules, details of which are set out in the paragraph headed “Interests in Transactions, Arrangements or Contracts and Connected Transactions/Continuing Connected Transactions” in the Report of the directors set out in the Company’s annual reports for the years ended 31 December 2020 and 31 December 2019.

41 Statement of financial position and changes in equity of the Company

(a) Statement of financial position

	Note	At 31 December 2020 HK$ million	At 31 December 2019 HK$ million
Non-current assets			
Investment properties		**14**	–
Interest in subsidiaries	18	**146,647**	154,757
Interest in associates		**147**	91
Interest in joint ventures		**677**	672
		147,485	155,520
Current assets			
Trade and other receivables		**76**	26
Cash and bank balances		**2**	2
		78	28
Current liability			
Trade and other payables		**27**	21
		27	21
Net current assets		**51**	7
Total assets less current liability		**147,536**	155,527
Non-current liabilities			
Amounts due to subsidiaries		**27,003**	27,607
Amounts due to associates		**–**	2
Amounts due to joint ventures		**34**	30
		27,037	27,639
NET ASSETS		**120,499**	127,888
CAPITAL AND RESERVE	41(b)		
Share capital	41(c)	**52,345**	52,345
Retained profits		**68,154**	75,543
TOTAL EQUITY		**120,499**	127,888

Approved and authorised for issue by the Board of Directors on 23 March 2021.

Lee Ka Kit
Lee Ka Shing
Directors

41 Statement of financial position and changes in equity of the Company (continued)

(b) Movement in equity

	Note	Share capital HK$ million	Retained profits HK$ million	Total HK$ million
Balance at 1 January 2019		52,345	76,332	128,677
Changes in equity for 2019:				
Profit and total comprehensive income for the year		–	7,354	7,354
Bonus shares issued	41(c)	–	–	–
Dividend approved in respect of the previous financial year	11(b)	–	(5,722)	(5,722)
Dividend declared and paid in respect of the current year	11(a)	–	(2,421)	(2,421)
Balances at 31 December 2019 and 1 January 2020		**52,345**	**75,543**	**127,888**
Changes in equity for 2020:				
Profit and total comprehensive income for the year		**–**	**1,326**	**1,326**
Dividend approved in respect of the previous financial year	11(b)	**–**	**(6,294)**	**(6,294)**
Dividend declared and paid in respect of the current year	11(a)	**–**	**(2,421)**	**(2,421)**
Balance at 31 December 2020		**52,345**	**68,154**	**120,499**

41 Statement of financial position and changes in equity of the Company (continued)

(c) Share capital

	The Group and the Company			
	Number of shares		Amount	
	2020 million	2019 million	**2020 HK$ million**	2019 HK$ million
Ordinary shares, issued and fully paid:				
At 1 January	**4,841**	4,401	**52,345**	52,345
Issue of bonus shares (see below)	**–**	440	**–**	–
At 31 December	**4,841**	4,841	**52,345**	52,345

In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the shares of the Company do not have a par value.

Issue of bonus shares
On 17 June 2019, an aggregate of 440,126,091 shares were issued on the basis of one new share credited as fully paid for every ten shares held to shareholders whose names appeared on the Company's register of members on 5 June 2019.

There is no change to the Company's share capital as the Company's shares no longer have a par or nominal value in accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622).

(d) Distributability of reserves

At 31 December 2020, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance (Cap. 622), was HK$68,154 million (2019: HK$75,543 million). As stated in note 11(a), after the end of the reporting period, the Directors proposed a final dividend of HK$1.30 (2019: HK$1.30) per ordinary share, amounting to HK$6,294 million (2019: HK$6,294 million). This dividend has not been recognised as a liability at the end of the reporting period.

42 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 11.

43 Immediate parent and ultimate controlling party

At 31 December 2020, the Directors consider that the immediate parent and ultimate controlling party of the Group to be Henderson Development Limited, which is incorporated in Hong Kong. Henderson Development Limited does not produce financial statements available for public use.

Principal Subsidiaries

at 31 December 2020

Details of the principal subsidiaries are as follows:

		Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	Subsidiaries
(a)	**Property development**				
(i)	**Incorporated and operates in Hong Kong**				
	Asia Cheer International Limited		1	–	100
	Avion Investment Limited	(i)	3,000,000	100	–
	Borten Limited	(i)	1	–	100
	Capital Matrix Limited		1	–	100
	Carley Limited		2	–	100
	City Castle Limited		1	–	100
	Denco Properties Limited	(i)	1	–	100
	Dynamic Hero Limited	(i)	1	–	100
	Dynamic Talent Limited		1	–	100
	Fairtex Development Limited		1	–	100
	Gainbo Limited	(i)	2	–	100
	Gentway Limited	(i)	1	–	100
	Global Crystal Limited	(i)	1	–	100
	Golden Sharp Limited		1	–	100
	Harven Limited		10,000	–	100
	Harvest Development Limited		840	–	82.86
	Hongkong Island Construction Properties Co., Limited	(i)	500,000	–	100
	Hung Shun Investment Company Limited	(i)	3,940,200	–	100
	Joinbo Enterprises Limited	(i)	1	–	100
	Landrich Development Limited	(i)	1,000	–	100
	Nation Sheen Limited	(i)	2	–	100
	Onfine Development Limited	(i)	2	–	100
	Perfect Success Development Limited		2	–	100
	Rich Silver Development Limited		2	–	100
	Rise Cheer Investment Limited	(i)	1	–	100
	Sky Rainbow Development Limited		10,000	–	100
	Sunny Perfect Limited		1,000	–	100
	Super Fortune Investment Limited	(i)	1	–	100
	Supreme Hero Limited	(i)	1	–	100
	Sure Partner Limited		1	–	100
	Treasure Palace Limited		1	–	100
	Triple Glory Limited	(i)	1	–	100
	Union Citizen Limited	(i)	1	–	100
	Victory Well Development Limited		2	–	100
	Winjoy Development Limited	(i)	2	100	–

	Issued/ contributed registered capital	% of equity interest held by The Company	Subsidiaries	% of profit sharing by subsidiaries
(a) Property development (continued)				
(ii) Established and operates in mainland China				
Sino-Foreign Co-operative Joint Venture Enterprises				
Guangzhou Guang An Property Development Limited	US$68,706,000	–	100	100
Guangzhou Guang Hung Property Development Limited	US$73,836,000	–	100	100
Guangzhou Guang Nam Property Development Limited	US$87,458,000	–	100	100
Wholly Foreign-Owned Enterprises				
上海益基房地產開發有限公司	US$630,000,000	–	100	100
Shanghai Bin Heng Property Development Co., Limited	US$350,000,000	–	100	100
Limited Liability Company				
北京恒榆房地產開發有限公司	RMB10,000,000	–	100	100

	Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	Subsidiaries
(b) Property investment				
(i) Incorporated and operates in Hong Kong				
Bloomark Investment Limited	(i)	2	–	100
Carry Express Investment Limited	(i)	100,000	–	100
Century Base Development Limited	(i)	1	–	100
Deland Investment Limited	(i)	200	–	100
Easewin Development Limited	(i)	100,000	–	100
Evercot Enterprise Company, Limited	(i)			
– A Shares		14,990,000	100	–
– B Shares		200	–	–
Great Top Development Limited		1	–	100
Intelligent House Limited	(i)	10,000	–	100
Join Fortune Development Limited	(i)			
– A Shares		100	100	–
– B Shares		2	–	–
Luxmark Investment Limited		1,000	–	100
Millap Limited	(i)	2	100	–
Shung King Development Company Limited	(i)			
– Ordinary A Shares		2	100	–
– Non-voting Deferred A Shares		2,000,000	100	–
– B Shares		2	–	–
Smart Bright Development Limited	(i)	100,100	–	100
Union Fortune Development Limited	(i)	10,000	–	100
Vansittart Investment Limited	(i)	2	–	100

	Issued/ contributed registered capital HK$ (unless otherwise stated)	% of equity interest held by The Company	Subsidiaries	% of profit sharing by subsidiaries
(b) Property investment (continued)				
(ii) Established and operates in mainland China				
Wholly Foreign-Owned Enterprises				
Beijing Gaoyi Property Development Co., Limited	US$81,000,000	–	100	100
Guangzhou Jiejun Real Estate Development Co., Limited	207,796,800	–	100	100
Shanghai Heng Cheng Real Estate Development Co., Ltd.	US$59,500,000	–	100	100
Shanghai Hengzhi Properties Development Co., Ltd.	US$75,000,000	–	100	100

	Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	Subsidiaries
(c) Finance				
(i) Incorporated and operates in Hong Kong				
Ever Supreme Development Limited		1	–	100
Henderson (China) Finance Limited	(i)	10,000	–	100
Henderson Land Credit (2015) Limited	(i)	1	–	100
Henland Finance Limited	(i)	1,000,000	–	100
Rich Chase Development Limited	(i)	2	–	100
Smart Time International Limited		1	–	100
Success Crown Development Limited		2	–	100
(ii) Incorporated and operates in the British Virgin Islands				
Henderson Land Finance Limited		US$1	100	–
Henderson Land MTN Limited	(i)	US$1	–	100
Henson Finance Limited	(i)	US$1	–	100
St. Helena Holdings Co. Limited		US$3	–	100

	Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	Subsidiaries
(d) Construction				
Incorporated and operates in Hong Kong				
E Man Construction Company Limited		35,000,000	100	–
Ginca Construction Machinery Limited		1	–	100
Granbo Construction Company Limited		1	–	100
Heng Lai Construction Company Limited		2	–	100
Heng Shung Construction Company Limited		2	–	100
Heng Tat Construction Company Limited		200	–	100
Hong Kong Concrete Precasting Product Company Limited		2	–	100

	Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	Subsidiaries
(e) Property management				
Incorporated and operates in Hong Kong				
Beverly Hill (Estate Management) Limited		2	–	100
Flora Plaza Management Limited		10	–	60
Goodwill Management Limited		2	–	100
H-Privilege Limited		1	–	100
Hang On Estate Management Limited		2	–	100
Hang Yick Properties Management Limited		10,000,000	100	–
Henderson Sunlight Asset Management Limited	(i)	38,800,000	–	100
Henderson Sunlight Property Management Limited	(i)	1	–	100
Metro City Management Limited		2	–	100
Metro Harbourview Management Limited		2	–	100
Nathan Hill Management Company Limited		1	–	100
Star Management Limited		2	–	100
Sunshine City Property Management Limited		2	–	100
Well Born Real Estate Management Limited		2	100	–

Principal Subsidiaries
at 31 December 2020

		Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	% of shares held by Subsidiaries
(f)	Investment holding				
(i)	**Incorporated and operates in Hong Kong**				
	Banshing Investment Limited		2	–	100
	Channel Best Limited	(i)	1	–	100
	China Investment Group Limited		300,000,000	–	100
	Citiright Development Limited		2	100	–
	Covite Investment Limited		2	–	100
	Darnman Investment Limited		2	–	100
	Disralei Investment Limited				
	– Ordinary Shares		2	–	100
	– Non-voting Deferred Shares		1,000	–	100
	Fondoll Investment Limited		200	100	–
	Gainwise Investment Limited		2	–	100
	Graf Investment Limited	(i)			
	– Ordinary Shares		2	–	100
	– Non-voting Deferred Shares		200	–	100
	Henderson (China) Investment Company Limited	(i)			
	– Ordinary Shares		2	–	100
	– Non-voting Deferred Shares		2	–	100
	Henderson China Properties Limited	(i)	3,000,000,000	–	100
	Henderson Investment Limited		612,926,901	–	69.27
	Macrostar Investment Limited				
	– Ordinary Shares		2	–	100
	– Non-voting Deferred Shares		2	–	100
	Main Champion Development Limited	(i)	2	100	–
	Markshing Investment Limited		2	–	100
	Medley Investment Limited				
	– Ordinary Shares		2	–	100
	– Non-voting Deferred Shares		200	–	100
	Mightymark Investment Limited		2	100	–
	Mount Sherpa Limited	(i)			
	– Ordinary Shares		2	–	100
	– Non-voting Deferred Shares		20	–	100
	Paillard Investment Limited	(i)			
	– Ordinary Shares		2	–	100
	– Non-voting Deferred Shares		200	–	100
	Wellfine Development Limited		55	100	–
	Wiselin Investment Limited	(i)	2	–	100

		Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	% of shares held by Subsidiaries
(f)	Investment holding (continued)				
(ii)	**Incorporated in Hong Kong and operates in mainland China**				
	Hang Seng Quarry Company Limited	(i)	10,000	64	–
(iii)	**Incorporated and operates in the British Virgin Islands**				
	Cobase Limited		US$1	–	100
	Higgins Holdings Limited	(i)	US$1	–	100
	Midlink Limited	(i)	US$1	–	100
	Multiglade Holdings Limited	(i)	US$1	–	100
	Richful Resources Limited		US$1	–	100
	Starland International Limited		US$1	100	–
	Sunnice Investment Limited		US$1	–	100
	Threadwell Limited	(i)	US$1	–	100

		Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	% of shares held by Subsidiaries
(g)	Department stores and supermarket-cum-stores operation and management				
	Incorporated and operates in Hong Kong				
	Citistore (Hong Kong) Limited		1	–	100
	Unicorn Stores (HK) Limited (formerly known as UNY (HK) Co., Limited)		35,000,000	–	100

	Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	Subsidiaries
(h) Management and agency services				
Incorporated and operates in Hong Kong				
Henderson Car Park Management Limited	(i)	2	–	100
Henderson Leasing Agency Limited	(i)	1	–	100
Henderson Property Agency Limited		200,000	–	100
Henderson Real Estate Agency Limited	(i)	200	100	–

	Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	Subsidiaries
(i) Professional services and others				
Incorporated and operates in Hong Kong				
Hang Oi Charitable Foundation Limited		–	–	100
Henderson Corporate Services Limited		1	–	100
Henderson Warmth Foundation Limited		–	100	–
Megastrength Security Services Company Limited	(i)			
– Ordinary Shares		10,000	–	100
– Non-cumulative Preference Shares		400	–	100

Note:

(i) Companies audited by KPMG.

The above list gives the principal subsidiaries of the Group which, in the opinion of the Directors, materially affected the results, assets or liabilities of the Group.

Principal Associates

at 31 December 2020

Details of the principal associates, which are incorporated and operate in Hong Kong unless otherwise stated, are as follows:

	% of equity interest held by		
	The Company	**Subsidiaries**	**Principal activities**
Listed			
Hong Kong Ferry (Holdings) Company Limited	–	33.41	Property development, property investment, ferry, shipyard and related businesses, and securities investment
Miramar Hotel and Investment Company, Limited	–	49.91	Property rental, hotels and serviced apartments, food and beverage operation and travel operation
The Hong Kong and China Gas Company Limited	–	41.53	Production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses
Unlisted			
Star Play Development Limited	–	33.33	Property investment
Start Treasure Limited	–	22.80	Property development

The above list gives the principal associates of the Group which, in the opinion of the Directors, materially affected the results, assets or liabilities of the Group.

Principal Joint Ventures

at 31 December 2020

Details of the principal joint ventures, which are incorporated and operate in Hong Kong unless otherwise stated, are as follows:

	% of equity interest held by The Company	Subsidiaries	Principal activities
Billion Ventures Limited (incorporated in the British Virgin Islands and operates in Hong Kong)	–	50	Investment holding
Central Waterfront Property Investment Holdings Limited (incorporated in the British Virgin Islands and operates in Hong Kong)	–	34.21	Investment holding
Double Cove Management Limited	–	50	Provision of property management services
Honster Investment Limited (incorporated in the British Virgin Islands and operates in Hong Kong)	–	50	Investment holding
Infinite Sun Limited	–	30	Property development
Long Global Investment (Chengdu) Limited (established and operates in mainland China)	–	30	Property development
Marble Edge Investments Limited	–	18	Property development
Newfoundworld Holdings Limited	–	20	Property investment and hotel operation
Special Concept Development Limited	–	25	Property development
Surbana-Henderson (Xian) Property Development Co., Ltd. (established and operates in mainland China)	–	50	Property development
Surbana-Henderson II (Xian) Property Development Co., Ltd. (established and operates in mainland China)	–	50	Property development
Teamfield Property Limited	–	49.18	Property development
The Reach Management Limited	–	50	Provision of property management services
Ultra Keen Holdings Limited	–	30	Property development
Voyage Mile Limited	–	29.30	Property development
合肥和卓房地產開發有限公司 (established and operates in mainland China)	–	50	Property development
上海富洲濱江開發建設投資有限公司 (established and operates in mainland China)	–	51	Property development
廣州奧昇置業有限公司 (established and operates in mainland China)	–	50	Property development
北京恒合天基房地產開發有限公司 (established and operates in mainland China)	–	50	Property development

The above list gives the principal joint ventures of the Group which, in the opinion of the Directors, materially affected the results, assets or liabilities of the Group.

Corporate Information

Board of Directors

Executive Directors

Dr Lee Ka Kit
(Chairman and Managing Director)
Lee Ka Shing
(Chairman and Managing Director)
Dr Lam Ko Yin, Colin *(Vice Chairman)*
Dr Lee Shau Kee
Yip Ying Chee, John
Fung Lee Woon King
Kwok Ping Ho
Suen Kwok Lam
Wong Ho Ming, Augustine
Fung Hau Chung, Andrew

Non-executive Directors

Lee Tat Man
Lee Pui Ling, Angelina

Independent Non-executive Directors

Kwong Che Keung, Gordon
Professor Ko Ping Keung
Wu King Cheong
Woo Ka Biu, Jackson
Professor Poon Chung Kwong
Au Siu Kee, Alexander

Audit Committee

Kwong Che Keung, Gordon*
Professor Ko Ping Keung
Wu King Cheong
Au Siu Kee, Alexander

Remuneration Committee

Wu King Cheong*
Dr Lee Ka Kit
Lee Ka Shing
Dr Lam Ko Yin, Colin
Kwong Che Keung, Gordon
Professor Ko Ping Keung
Au Siu Kee, Alexander

Nomination Committee

Wu King Cheong*
Dr Lee Ka Kit
Lee Ka Shing
Dr Lam Ko Yin, Colin
Kwong Che Keung, Gordon
Professor Ko Ping Keung
Au Siu Kee, Alexander

** Committee Chairman*

Corporate Governance Committee

Kwong Che Keung, Gordon*
Professor Poon Chung Kwong
Au Siu Kee, Alexander

Company Secretary

Liu Cheung Yuen, Timon

Registered Office

72-76/F., Two International Finance Centre
8 Finance Street, Central
Hong Kong
Telephone : (852) 2908 8888
Facsimile : (852) 2908 8838
Internet : www.hld.com
E-Mail : henderson@hld.com

Share Registrar

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Share Listing

The Stock Exchange of Hong Kong Limited (Stock Code: 12)

Shares are also traded in the United States through an American Depositary Receipt Level 1 Programme
(Ticker Symbol: HLDCY
CUSIP Reference Number: 425166303)

Authorised Representatives

Dr Lam Ko Yin, Colin
Liu Cheung Yuen, Timon

Auditor

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

Solicitors

Woo Kwan Lee & Lo
Lo & Lo

Principal Bankers

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Mizuho Bank, Ltd.
DBS Bank Ltd., Hong Kong Branch

Group Executives

Dr Lee Ka Kit
GBS, JP, DBA (Hon)
General Manager

Lee Ka Shing
JP
General Manager

Dr Lam Ko Yin, Colin
SBS, FCILT, FHKIoD, DB (Hon)
Deputy General Manager

Yip Ying Chee, John
LLB, FCS, FCA
Assistant General Manager

Departmental Executives

Group Business Development Department
Yip Ying Chee, John
LLB, FCS, FCA
Executive Director

Project Management (1) Department
Yu Wai Wai
JP, BA (AS), B Arch, FHKIA, HonFHKIPM,
Authorized Person (Architect), Registered Architect (HK)
General Manager

Project Management (2) Department
Kwok Man Cheung, Victor
BA (AS), B Arch (Dist), MSc (Con P Mgt),
EMBA, FHKIA, MAPM, RIBA,
Authorized Person (Architect), Registered Architect (HK),
PRC Class 1 Registered Architect Qualification
General Manager

Siu Sing Yeung, Tony
B. Arch (Hons), HKIA,
Authorized Person (Architect), Registered Architect (HK),
PRC Class 1 Registered Architect Qualification
Senior Deputy General Manager

Property Development Department
Wong Ho Ming, Augustine
JP, MSc, MEcon, FHKIS, MRICS, MCIArb, RPS (GP)
Executive Director

Yu Hon Kwan, Randy
MH, JP
General Manager

Leung Shu Ki, Shuki
BA (Hons), MHKIP, MRTPI,
MCIP, RPP (HK), MCILT
Senior Deputy General Manager

Property Planning Department
Leung Kam Leung
MSc, PGDMS, FHKIS, RPS (GP)
General Manager

Construction Department
Wong Wing Hoo, Billy
BBS, JP, BSc, FICE, FHKIE, FIHT, FHKIHT, RPE
General Manager

Yiu Chi Kin, Simon
BSc (Bldg), MSc, MCIOB, MRICS, MASI, MHKICM, MHKIE
Deputy General Manager

Engineering Department
Cheng Yuk Lun, Stephen
BSc(Eng), C Eng, MICE, MIStructE, MHKIE, RPE,
Registered Structural Engineer,
Registered Geotechnical Engineer,
Authorized Person (List II), PRC Class 1 Registered Structural
Engineer Qualification
Senior General Manager

Chan Chu Fai, Edmond
MBA, MSc(Eng), BSc(Eng),
FHKIE, CEng, MIStructE, MICE,
RPE (Civil, Structural), RSE, RI(E)
General Manager

Sales Department
Wong Man Wa, Raymond
MSc(Real Estate), LLB, PCLL, Solicitor
Senior General Manager

Sales (1) Department
Lam Tat Man, Thomas
MEM(UTS), DMS, EHKIM, MHIREA,
China GBL Manager
General Manager

Sales (2) Department
Hahn Ka Fai, Mark
BSc, MRICS, MHKIS, RPS (GP)
General Manager

China Land Acquisition & Risk Control Department
Choi Ngai Min, Michael
BBS, JP, MBA
In Charge

Portfolio Leasing Department
Lee Pui Man, Margaret
BHum (Hons)
Senior General Manager

Li Keng Yan, Kristine
BA, MSc(Real Estate)
Acting General Manager

Property Management Department
Suen Kwok Lam
BBS, JP, MH, FHIREA
Executive Director

Retail and Hotel Management Department
Li Ning
BSc, MBA
General Manager

Comm. & Ind. Properties Department
Dr Wong Kim Wing, Ball
BA (AS), B. Arch, PhD (Finance), FHKIA,
Registered Architect (HK), Authorized Person (List 1, HK)
General Manager

General Manager Department
Ngai Tung Hai, Karsky
FRICS, MHKIS, AACI
Manager

Dr Wong Kim Wing, Ball
BA (AS), B. Arch, PhD (Finance), FHKIA,
Registered Architect (HK), Authorized Person (List 1, HK)
Group Consultant

Yu Ching Yan, Johnny
BSc, MBA, ACA, CFA
Advisor to Chairman

Finance Department
Fung Hau Chung, Andrew
BBS, JP, BA
Executive Director/Chief Financial Officer

Lau Yum Chuen, Eddie
Consultant

Kwok Ping Ho
BSc, MSc, Post-Graduate Diploma in Surveying, FRICS, ACIB
Executive Director

Cashier Department
Fung Lee Woon King
Chief Treasurer

Human Resources Department
Dr Lam Ko Yin, Colin
SBS, FCILT, FHKIoD, DB (Hon)
Executive Director

Wong Ying Kin, Frankie
MSc, MBA, BBA, DMS, MIHRM
General Manager

Company Secretarial Department
Liu Cheung Yuen, Timon
BEc, FCPA, CA (Aust), FCS, FCG
General Manager

Accounts Department
Wong Wing Kee, Christopher
BSc (Econ), FCA
General Manager

Audit Department
Choi Kam Fai, Thomas
B Comm, CPA(Canada), CMA
General Manager

Information Technology Department
Kum Tak Cheung, Bassanio
General Manager

Corporate Communications Department
Ngan Suet Fong, Bonnie
BBA
General Manager

Financial Calendar

Interim Results	Announced on Thursday, 20 August 2020	
Final Results	Announced on Tuesday, 23 March 2021	
Annual Report	Posted to Shareholders on Monday, 26 April 2021	
Closure of Register of Members	(1)	To be closed from Thursday, 27 May 2021 to Tuesday, 1 June 2021 for the purpose of determining Shareholders who are entitled to attend and vote at the Annual General Meeting
	(2)	To be closed from Monday, 7 June 2021 to Wednesday, 9 June 2021 for the purpose of determining Shareholders who qualify for the proposed final dividend
Annual General Meeting	To be held on Tuesday, 1 June 2021	
Dividends – Interim	HK$0.50 per share (with no scrip option) – paid on Wednesday, 16 September 2020	
– Final (Proposed)	HK$1.30 per share (with no scrip option) – payable on Monday, 21 June 2021	

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恒基兆業地產有限公司
HENDERSON LAND DEVELOPMENT COMPANY LIMITED