恒隆地產有限公司
HANG LUNG PROPERTIES LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00101)

2019 ANNUAL RESULTS

恒隆地產 HANG LUNG PROPERTIES

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恒隆地產 HANG LUNG PROPERTIES

FINANCIAL HIGHLIGHTS

in HK$ Million (unless otherwise stated)

RESULTS

	2019	2018	Change
Revenue	**8,852**	9,408	-6%
Property Leasing	**8,556**	8,181	5%
Property Sales	**296**	1,227	-76%
Operating Profit	**6,487**	6,822	-5%
Property Leasing	**6,325**	6,060	4%
Property Sales	**162**	762	-79%
Net Profit Attributable to Shareholders	**6,172**	8,078	-24%
Earnings Per Share (HK$)	**$1.37**	$1.80	-24%
Dividends Per Share (HK$)	**$0.76**	$0.75	1%
Interim (Paid)	**$0.17**	$0.17	-
Final (Proposed)	**$0.59**	$0.58	2%

UNDERLYING RESULTS

	2019	2018	Change
Underlying Net Profit Attributable to Shareholders	**4,474**	4,093	9%
Property Leasing	**4,338**	3,361	29%
Property Sales	**136**	732	-81%
Underlying Earnings Per Share (HK$)	**$0.99**	$0.91	9%

FINANCIAL POSITION

	At December 31		
	2019	2018	Change
Shareholders' Equity	**138,669**	137,561	1%
Net Assets	**147,812**	143,594	3%
Net Debt	**26,367**	14,890	77%
Financial Ratio			
Net Debt to Equity Ratio	**17.8%**	10.4%	7.4 pts
Debt to Equity Ratio	**20.1%**	19.0%	1.1 pts
Net Assets Attributable to Shareholders Per Share (HK$)	**$30.8**	$30.6	1%

REVIEW OF OPERATIONS

CONSOLIDATED RESULTS

With the robust growth and continuing expansion of our Mainland portfolio and the resilient performance of the Hong Kong portfolio, the revenue of our core property leasing business grew 5% year-on-year for the financial year ended December 31, 2019, despite a 4.3% Renminbi (RMB) depreciation against the Hong Kong Dollar. Property sales income dropped 76% to HK$296 million due to fewer residential units sold during the reporting year. As a result, the total revenue of Hang Lung Properties Limited (the Company) and its subsidiaries (collectively known as “Hang Lung Properties”) retreated 6% to HK$8,852 million. Total operating profit decreased 5% to HK$6,487 million in the reporting period.

Underlying net profit attributable to shareholders increased 9% to HK$4,474 million. Underlying earnings per share increased correspondingly to HK$0.99. Including the revaluation gain and the related effects of income tax and non-controlling interests, net profit attributable to shareholders decreased 24% to HK$6,172 million. Earnings per share decreased similarly to HK$1.37.

Revenue and Operating Profit

	Revenue			Operating Profit		
	2019	2018	Change	**2019**	2018	Change
	HK$ Million	HK$ Million		**HK$ Million**	HK$ Million	
Property Leasing	**8,556**	8,181	5%	**6,325**	6,060	4%
Mainland China	**4,544**	4,244	7%	**2,938**	2,739	7%
Hong Kong	**4,012**	3,937	2%	**3,387**	3,321	2%
Property Sales	**296**	1,227	-76%	**162**	762	-79%
Total	**8,852**	9,408	-6%	**6,487**	6,822	-5%

DIVIDEND

The Board of Directors has recommended a final dividend of HK59 cents per share for 2019 (2018: HK58 cents) to be paid by cash on May 20, 2020, to shareholders whose names appeared on the register of members on May 7, 2020. Together with an interim dividend of HK17 cents per share (2018: HK17 cents), the full year dividends for 2019 amounted to HK76 cents per share (2018: HK75 cents).

PROPERTY LEASING

Against the backdrop of the US-China trade dispute and the social unrest in Hong Kong, our property leasing performance recorded mild growth in both income and profit. Total property leasing revenue grew 5% to HK$8,556 million of which 53% was contributed by the Mainland operations. Mainland leasing properties achieved a revenue growth of 12% year-on-year in RMB terms, while the Hong Kong leasing portfolio recorded 2% growth in revenue under the shadow of the social unrest.

The retail market sentiment of Hong Kong had been weak this year even before the social unrest began in June, with year-on-year growth falling into negative territory after February 2019. Coupled with a drastic drop in tourist arrivals since the third quarter, the retail market shrank 23.6% year-on-year in November 2019. Retail sales lost momentum in the second half of 2019, especially in popular tourist districts such as Causeway Bay and Mongkok. As our retail portfolio in Hong Kong is not excessively exposed to the tourism sector and is more geographically dispersed, we maintained mild growth in rental revenue for the reporting year.

Across the border, mainland China’s GDP increased by 6.2% for the first three quarters of 2019, while total retail sales growth remained robust at 8.2%. Supportive government measures and a weaker RMB relative to 2018 continued to boost domestic consumption and the repatriation of spending. The strong growth in the sale of luxury goods in mainland China might partly be due to the diversion of sales from Hong Kong, given the social situation dampened visitors from mainland China.

Customer Engagement

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

Constantly measuring customer satisfaction is key for us to explore ways to improve customer experience. Conducting online customer surveys and referencing to our Net Promoter Score to gauge satisfaction level of members of HOUSE 66 are some of the tools we use to engage customers.

Mainland China

The performance of our Mainland leasing portfolio in 2019 was encouraging. During the third quarter of 2019, various new properties in our leasing portfolio commenced business, namely the mall and office tower at Kunming Spring City 66, the second office tower at Wuxi Center 66, and Conrad Shenyang at Shenyang Forum 66. Total revenue climbed 12% to RMB4,003 million, or 10% when excluding the impact of the new properties. Operating profit grew 12% after taking up ramp-up losses of the new properties, while average margin for the period stood at 65%.

The growth momentum of the Mainland portfolio continued. Revenue in RMB terms achieved growth rates at 7% and 16% in the first half and second half of 2019. In particular, revenue of properties outside Shanghai grew 19% for the year, with a 24% growth for the second half. Revenue of the two Shanghai properties also advanced 8% year-on-year, with the second half year achieving a 12% increase.

The overall growth of our Mainland portfolio was stimulated by the remarkable revenue advancement at our eight existing malls with the new revenue stream from the opening of our new mall in Kunming in August 2019. Altogether, revenue from our Mainland malls increased by 14% to RMB3,129 million. Revenue of our Shanghai retail properties advanced 11% year-on-year, with Plaza 66 maintaining its growth momentum at 14% and milder growth of 6% at Grand Gateway 66 given the short-term rental interruption as a result of the ongoing renovation. Outside of Shanghai, all existing malls saw good improvement leading to an overall 14% increase in revenue.

Our office portfolio in mainland China generated 3% more in revenue for a total of RMB845 million in 2019 as compared to the previous year. The office towers at Shanghai Plaza 66 recorded a stable year-on-year income growth of 1%, against keen competition and new office supply in Shanghai. Income from all office towers accounted for 21% of our total Mainland leasing revenue.

Mainland China Property Leasing Portfolio

City and Name of Property	Revenue (RMB Million)			Occupancy Rate*	
	2019	2018	Change	Mall	Office
Shanghai Plaza 66	**1,696**	1,554	9%	99%	93%
Shanghai Grand Gateway 66	**853**	803	6%	91%	N/A
Shenyang Palace 66	**194**	162	20%	95%	N/A
Shenyang Forum 66#	**257**	216	19%	94%	87%
Jinan Parc 66	**322**	292	10%	98%	N/A
Wuxi Center 66#	**289**	252	15%	95%	65%
Tianjin Riverside 66	**186**	179	4%	89%	N/A
Dalian Olympia 66	**152**	119	28%	82%	N/A
Kunming Spring City 66#	**54**	-	N/A	82%	13%
Total	**4,003**	3,577	12%		
Total in HK$ Million equivalent	***4,544***	*4,244*	*7%*		

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

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

- *Shanghai Plaza 66*

Total revenue at Plaza 66 increased 9% to RMB1,696 million, mainly resulting from the strong performance of the mall.

The Plaza 66 mall has firmly established its positioning as the Home to Luxury following the completion of the major asset enhancement program in 2017 and the debut launch of HOUSE 66 in 2018. In 2019, we continued to leverage on House 66 to strengthen customer loyalty and drive tenant sales, with the highlight being the Home to Luxury Party. The party has also strengthened the mall's engagement with our valued business partners and customers. As a result, double-digit growth in revenue and sales, at 14% and 21% respectively, had been reported for the third consecutive year. The mall was almost fully let at the end of 2019.

Set against ample new supply of Grade A offices in nearby areas, our efforts in bringing new lettings and recruiting quality long-term tenants drove up average occupancy. Income from the two office towers at Plaza 66 grew 1% year-on-year to RMB630 million, with occupancy rate fell two points to 93% at the end of 2019.

- *Shanghai Grand Gateway 66 (Mall only)*

Revenue at the Grand Gateway 66 mall increased 6% to RMB853 million, benefiting greatly from the full year effect of the re-opening of the North Building since September 2018 and its basement in June 2019. The North Building, housing a mix of lifestyle brands and a refurbished cinema, has become a popular hub for young, affluent customers. More varieties of food and beverage offerings have also been a factor in successful positioning. The second phase of the renovation covering the bulk of the South Building and its basement is in the process of stage-by-stage completion and has been partially re-opened. A new cosmetics zone housing top global brands and fast fashion retailers has energized the newly renovated basement. The luxury flagship stores at the main atrium of the South Building commenced business in December 2019. The entire South Building renovation is scheduled for completion in the third quarter of 2020.

- *Shenyang Palace 66*

The Palace 66 mall collected 20% more in rents at RMB194 million, driven by higher occupancy rate and increased turnover rents. Retail sales rose by 20%, reflecting the mall’s successful positioning as the leading contemporary lifestyle mall in the Zhongjie district and Shenyang city. International sports brands and popular lifestyle fashion brands recorded remarkable sales performance during the reporting year. The revamped kids’ zone on the third floor was opened in the second quarter, further enhancing the tenant mix with an increase in family footfall. The occupancy rate rose seven points to 95%. In December 2019, HOUSE 66 was also launched at Palace 66.

- *Shenyang Forum 66*

Total revenue at Forum 66 increased 19% year-on-year to RMB257 million, mainly contributed by the newly opened Conrad Shenyang and the revenue growth from the office tower.

The Forum 66 mall edged up 3% and 6% year-on-year respectively in revenue and retail sales, reflecting our efforts to reshuffle the tenant portfolio and diversify trade mix amid strong competition in the luxury retail sector. The occupancy rate rose one point to 94%, with the introduction of quality food and beverage tenants and shops targeting families and children. Some international brands also made their debuts into the Shenyang market with pop-up stores on the first floor of the mall.

Revenue from the office tower at Forum 66 advanced 8% year-on-year to RMB127 million, benefiting from the full year effect of leasing commencement at six high-zone floors in the second half of 2018. The year-end occupancy rate slipped one point to 87% amid new office supply in the market.

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

- *Jinan Parc 66*

Income at the Parc 66 mall advanced 10% year-on-year to RMB322 million. The revenue growth was mainly attributable to favorable rental reversions and a two-point increase in occupancy rate to 98%. Retail sales rose 6%. The mall achieved higher unit rents and sales through tenant portfolio upgrade by introducing a good brand mix on the first floor, as well as new contemporary luxury brands and the new Starbucks Reserve and Heytea flagship stores. The themed zones on the upper floors were also upgraded with a sports zone on the fourth floor and new food and beverage offerings on the top floor.

HOUSE 66, launched in Parc 66 in December 2018, has been well received, with tenant sales as well as turnover rents boosted through collaboration with tenants in offering exclusive promotions and events to members.

- *Wuxi Center 66*

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

Revenue at the mall jumped 22% mainly due to an increase in turnover rent after tenant reshuffling, favorable rental reversions and higher occupancy. HOUSE 66 was launched in May 2019, and retail sales surged 21% with the occupancy rate rising six points to 95%. Some luxury brands consolidated their stores in Wuxi after opening their stores at Center 66 and we expect to see more brand migrating to Center 66 in the coming year.

Including the revenue from the new 54,000-square-meter Office Tower Two which was opened in August 2019, total income of the two office towers stayed flat at RMB83 million in 2019. Occupancy rate at Office Tower One increased four points to 90% at the end of 2019.

- *Tianjin Riverside 66*

Revenue at the Riverside 66 mall rose 4% year-on-year to RMB186 million. In August 2019, Starbucks opened a unique flagship store in the iconic and historic Zhejiang Industrial Bank Building. Part of the fourth floor was also converted into a themed zone to attract the younger generation while the overall trade mix of the mall had been further refined with more sportswear and lifestyle tenants. As a result, retail sales increased by 5% while the occupancy rate fell one point to 89% as tenant mix refinement continues.

- *Dalian Olympia 66*

The Olympia 66 mall delivered remarkable results in 2019 with revenue and retail sales jumping 28% and 29%, respectively, riding on the business growth among popular contemporary lifestyle and food and beverage tenants. The occupancy rate increased three points to 82%. Phase two of the mall is scheduled to open in phases during 2020 with more luxury brands set to join the tenant portfolio.

- *Kunming Spring City 66*

The mall and office tower at Spring City 66, our first project in the southwestern region of mainland China, were opened in late August 2019 and contributed RMB54 million in revenue during the reporting year.

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

The four-month old 153,000-square-meter office tower collected RMB5 million in rents, with 13% occupancy rate at the end of 2019.

Hong Kong

Like many businesses in Hong Kong, the performance of our Hong Kong leasing properties was adversely affected by the social unrest. Total revenue mildly advanced 2% to HK$4,012 million while operating profit also grew 2%. Rental margin remained at 84%.

With significant decrease in tourist arrivals, transport disruptions and shop closures, a significant drop in retail sales in all trades was inevitable. Nevertheless, the scheduled re-opening of Peak Galleria after a two-year asset enhancement initiative made a positive contribution to both retail sales and rental revenue in 2019.

Hong Kong Property Leasing Portfolio

	Revenue (HK$ Million)			Occupancy Rate*
	2019	2018	Change	
Commercial	**2,374**	2,326	2%	98%
Office and Industrial / Offices	**1,315**	1,286	2%	93%
Residential & Serviced Apartments	**323**	325	-1%	74%
Total	**4,012**	3,937	2%	

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

- *Commercial*

Revenue from our Hong Kong commercial portfolio increased 2% year-on-year to HK$2,374 million. While total retail sales dropped 4% year-on-year, sales in the second half of the year slumped 17% compared to the corresponding period in 2018. Occupancy rate at the end of 2019 edged up to 98%, three points above a year ago.

The **Causeway Bay portfolio** was hit hardest due to the social unrest in Hong Kong. Revenue from this portfolio dropped 1% to HK$628 million year-on-year. Retail sales decreased by 10% with occupancy rate declining two points to 97%.

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

Our community malls, namely **Kornhill Plaza in Hong Kong East** and **Amoy Plaza in Kowloon East,** were less affected by socio-political issues and saw an income growth of 2% to 3%, primarily due to the positive rental reversion of AEON STYLE in Kornhill Plaza, and the upgrade of food and beverage tenants at Amoy Plaza, which also benefitted from the opening of the UA Amoy cinema in August 2018. Retail sales of both malls decreased by 3% year-on-year.

Peak Galleria was re-opened in the second half of 2019 after closure for major asset enhancement works in October 2018. Despite re-opening at a challenging time, the mall had secured a 91% occupancy rate at end of the reporting year.

- *Offices*

The Hong Kong office portfolio recorded 2% year-on-year growth in revenue to HK$1,315 million, mainly due to positive rental reversions. The overall occupancy rate slipped one point to 93%. Our offices in Central and Mongkok achieved revenue growth of 6% and 5% respectively. Revenue from the Causeway Bay portfolio, which has a good presence of semi-retail element, dropped 4%. Hong Kong office rental accounted for 33% of total leasing income in Hong Kong.

- *Residential and Serviced Apartments*

Revenue from the apartments dropped 1% year-on-year to HK$323 million, mainly due to lower occupancy at Kornhill Apartments.

PROPERTY SALES

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

During the reporting period, we also disposed of 111 car parking spaces at Laichikok Bay Garden, previously held as investment properties. The gain on the disposal of HK$69 million was recognized as part of the fair value gain of properties.

PROPERTY REVALUATION

The total value of our investment properties amounted to HK$159,534 million as of December 31, 2019, comprising the value of the Hong Kong portfolio and the mainland China portfolio standing at HK$64,659 million and HK$94,875 million, respectively. Our investment properties were revalued by Savills, an independent valuer, as of December 31, 2019.

A total revaluation gain of HK$8,797 million (2018: HK$4,170 million) was recorded, representing a 5% growth in valuation compared to the value recorded at December 31, 2018.

Investment properties in mainland China recorded an overall gain of HK$9,281 million (2018: HK$318 million); revaluation gain of properties in Shanghai supported by robust rental growth and projections and capitalization rates compression by the valuer was partly offset by the revaluation loss of properties in second tier cities in light of the challenging market environment. Properties for leasing in Hong Kong had a revaluation loss of HK$950 million reflecting the adverse impact of a weakened economy and retail sales arising from the social unrest, which was partly offset by the HK$466 million gain of properties for sales upon transfer to investment properties. As a result, properties in Hong Kong recorded an overall revaluation loss of HK$484 million (2018: gain of HK$3,852 million).

PROPERTY DEVELOPMENT AND CAPITAL COMMITMENT

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

Mainland China

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

Phase two of Wuxi **Center 66** comprises luxury serviced apartments and a boutique hotel, with a total gross floor area of 108,000 square meters. The master layout plan of the project was approved in March 2019. Excavation works commenced in July 2019, and the project is expected to reach completion from 2023 onwards.

The remaining development of Kunming **Spring City 66** comprises a five-star hotel and luxury apartments. The planning permit is expected to be obtained in the first quarter of 2020 and construction is estimated to require about four years for completion.

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

The master layout plan of the remaining phases of Shenyang **Forum 66,** consisting of a total gross floor area of 503,000 square meters, was submitted in November 2019. The development is made up of offices, apartments and a retail area. Construction works will commence by phases beginning from 2020.

Hong Kong

Joining hands with our parent company, Hang Lung Group Limited, we commenced a re-development project at 226-240 Electric Road in North Point for the construction of a Grade A office tower with a total gross floor area of approximately 105,000 square feet, inclusive of a retail area on the lower floors. Completion of construction is expected in 2022.

In April 2019, we consolidated the entire ownership of the Amoycan Industrial Centre in Ngau Tau Kok through the Compulsory Sale for Redevelopment Order. As the site is close to Kowloon Bay station and the future East Kowloon Cultural Centre, it will be re-developed into residential units for sale with commercial areas on the lower floors. The total gross floor area is about 155,000 square feet. The project is targeted for completion in 2023.

LIQUIDITY AND FINANCIAL RESOURCES

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

- *Liquidity and Financing Management*

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

As of December 31, 2019, total cash and bank balances amounted to HK$3,306 million (December 31, 2018: HK$12,363 million). All deposits are placed with banks with strong credit ratings and the counterparty risk is monitored on a regular basis.

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

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

As of December 31, 2019, total borrowings amounted to HK$29,673 million (December 31, 2018: HK$27,253 million), of which about 39% was denominated in RMB. The higher debt balance year-on-year was due to payments for the various projects under development in mainland China and Hong Kong, including the final payment of 50% of the land cost for Hangzhou Westlake 66. The following table shows the composition of our debt portfolio:

	At December 31, 2019		At December 31, 2018	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Floating rate HKD bank loans	**5,764**	*19.4%*	255	*0.9%*
Floating rate RMB bank loans	**10,443**	*35.2%*	13,490	*49.5%*
Fixed rate bonds	**13,466**	*45.4%*	13,508	*49.6%*
Denominated in USD	***7,789***	*26.2%*	*7,832*	*28.7%*
Denominated in HKD	***4,563***	*15.4%*	*4,540*	*16.7%*
Denominated in RMB	***1,114***	*3.8%*	*1,136*	*4.2%*
Total borrowings	**29,673**	*100%*	27,253	*100%*

At the reporting date, the average tenure of the entire loan portfolio was 2.9 years (December 31, 2018: 3.3 years). The maturity profile was well staggered and spread over a period of 6 years. Around 67% of the loans were repayable after 2 years.

	At December 31, 2019		At December 31, 2018	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Repayable:				
Within 1 year	**2,694**	*9.1%*	2,414	*8.8%*
After 1 but within 2 years	**7,235**	*24.4%*	3,514	*12.9%*
After 2 but within 5 years	**18,172**	*61.2%*	17,900	*65.7%*
Over 5 years	**1,572**	*5.3%*	3,425	*12.6%*
Total borrowings	**29,673**	*100%*	27,253	*100%*

As of December 31, 2019, total undrawn committed banking facilities amounted to HK$9,399 million (December 31, 2018: HK$16,224 million). The available balances of the USD3 billion Medium Term Note Program and the RMB10 billion Green Panda Bond Program amounted to USD1,408 million and RMB9,000 million, respectively, equivalent to HK$21,004 million in total (December 31, 2018: HK$21,297 million).

- *Gearing Ratios and Interest Cover*

At the end of 2019, the net debt balance amounted to HK$26,367 million (December 31, 2018: HK$14,890 million). Net debt to equity ratio was 17.8% (December 31, 2018: 10.4%) and debt to equity ratio was 20.1% (December 31, 2018: 19.0%).

For the year ended December 31, 2019, the total amount of gross borrowing costs increased by 12% to HK$1,475 million. The net amount charged to the statement of profit or loss for the year decreased by 96% to HK$46 million due to the capitalization of borrowing costs to projects under development and the adoption of an amendment to the accounting standard on the capitalization of borrowing costs effective on January 1, 2019.

Interest income for the year decreased 67% to HK$146 million. The decrease was mainly due to a reduction in average deposit balance after settling the payments on capital expenditures and the Hangzhou land premium.

The amount of net interest income for 2019, i.e. the excess of interest income over finance costs, was HK$100 million (2018: net interest expense of HK$624 million). The average effective cost of borrowings for the year was lowered to 4.8% (2018: 4.9%).

Interest cover for 2019 was 4 times (2018: 7 times).

- *Foreign Exchange Management*

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

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

	At December 31, 2019		At December 31, 2018	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Denominated in:				
HKD	**2,056**	*62.2%*	4,673	*37.8%*
RMB	**1,150**	*34.8%*	7,681	*62.1%*
USD	**100**	*3.0%*	9	*0.1%*
Total cash and bank balances	**3,306**	*100%*	12,363	*100%*

(a) RMB Exposure

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

As of December 31, 2019, net assets denominated in RMB accounted for about 63% of our total net assets. As the RMB had depreciated by about 2.2% against the HKD between the two balance sheet dates, the re-translation of these net assets denominated in RMB into HKD using the exchange rate as of the reporting date resulted in a re-translation loss of HK$2,028 million (2018: HK$3,658 million). The re-translation loss was recognized in other comprehensive income/exchange reserve.

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

(b) USD Exposure

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

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

- *Charge of Assets*

Assets of Hang Lung Properties were not charged to any third parties as of December 31, 2019.

- *Contingent Liabilities*

Hang Lung Properties did not have any material contingent liabilities as of December 31, 2019.

OUTLOOK

Despite uncertainties caused by the US-China trade tensions, Brexit, RMB depreciation, and the social unrest in Hong Kong, we maintain an optimistic view towards our property leasing business as a whole. Revenue growth will be fueled by the Mainland retail sector and contributions from new properties.

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

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

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

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

On the property development side, work on the two re-development projects in Hong Kong has already commenced. On the Mainland, luxurious serviced apartments in our four mixed-use projects are intended for sale. We have begun the construction work for serviced apartments in our Wuhan project, and those on our Wuxi, Kunming and Shenyang projects are set to start in phases.

As our parent company Hang Lung Group is celebrating its 60 years of establishment in 2020, the Company will, together, continue to look for opportunities to expand our portfolio in Hong Kong and mainland China, ultimately delivering sustainable value to our shareholders and stakeholders.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2019 (AUDITED)

	Note	2019 HK$ Million	2018 HK$ Million	2019 RMB Million (For information purpose only)	2018 RMB Million (For information purpose only)
Revenue	2(a)	**8,852**	9,408	**7,810**	7,914
Direct costs and operating expenses		**(2,365)**	(2,586)	**(2,090)**	(2,173)
		6,487	6,822	**5,720**	5,741
Other net income	3	**9**	93	**8**	78
Administrative expenses		**(593)**	(637)	**(524)**	(539)
Profit from operations before changes in fair value of properties		**5,903**	6,278	**5,204**	5,280
Net increase in fair value of properties	2(b)	**8,797**	4,170	**7,869**	3,531
Profit from operations after changes in fair value of properties		**14,700**	10,448	**13,073**	8,811
Interest income		**146**	445	**127**	373
Finance costs		**(46)**	(1,069)	**(41)**	(902)
Net interest income/(expense)	4	**100**	(624)	**86**	(529)
Share of profits of joint ventures		**9**	97	**8**	82
Profit before taxation	2(b) & 5	**14,809**	9,921	**13,167**	8,364
Taxation	6(a)	**(5,009)**	(1,269)	**(4,476)**	(1,114)
Profit for the year		**9,800**	8,652	**8,691**	7,250
Attributable to:					
Shareholders		**6,172**	8,078	**5,440**	6,763
Non-controlling interests		**3,628**	574	**3,251**	487
		9,800	8,652	**8,691**	7,250
Earnings per share	8(a)				
Basic		**HK$1.37**	HK$1.80	**RMB1.21**	RMB1.50
Diluted		**HK$1.37**	HK$1.80	**RMB1.21**	RMB1.50

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2019 (AUDITED)

				For information purpose only	
	Note	**2019 HK$ Million**	2018 HK$ Million	**2019 RMB Million**	2018 RMB Million
Profit for the year		**9,800**	8,652	**8,691**	7,250
Other comprehensive income	*6(b)*				
Items that are or may be reclassified subsequently to profit or loss:					
Movement in exchange reserve:					
Exchange difference arising from translation to presentation currency		**(2,048)**	(3,658)	**925**	2,801
Net investment hedge - net gain		**20**	-	**18**	-
Movement in hedging reserve:					
Effective portion of changes in fair value		**82**	(4)	**72**	(7)
Net amount transferred to profit or loss		**54**	(5)	**48**	(1)
Item that will not be reclassified to profit or loss:					
Net change in fair value of equity investments		**(6)**	8	**(5)**	7
		(1,898)	(3,659)	**1,058**	2,800
Total comprehensive income for the year		**7,902**	4,993	**9,749**	10,050
Total comprehensive income attributable to:					
Shareholders		**4,415**	4,703	**6,511**	9,565
Non-controlling interests		**3,487**	290	**3,238**	485
		7,902	4,993	**9,749**	10,050

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2019 (AUDITED)

				For information purpose only	
	Note	**2019 HK$ Million**	2018 HK$ Million	**2019 RMB Million**	2018 RMB Million
Non-current assets					
Property, plant and equipment					
Investment properties	*9*	**159,534**	136,676	**142,956**	119,895
Investment properties under development	*9*	**27,602**	31,186	**24,726**	27,325
Other property, plant and equipment		**234**	216	**210**	189
		187,370	168,078	**167,892**	147,409
Interest in joint ventures		**1,296**	1,330	**1,162**	1,168
Other assets		**87**	93	**78**	82
Deposits with banks		**-**	1,853	**-**	1,628
		188,753	171,354	**169,132**	150,287
Current assets					
Cash and deposits with banks		**3,306**	10,510	**2,963**	9,222
Trade and other receivables	*10*	**2,279**	2,046	**2,042**	1,794
Properties for sale		**5,642**	2,442	**5,057**	2,145
Assets held for sale	*12*	**-**	101	**-**	89
		11,227	15,099	**10,062**	13,250
Current liabilities					
Bank loans and other borrowings		**2,694**	2,414	**2,414**	2,116
Trade and other payables	*11*	**8,911**	5,974	**7,986**	5,236
Lease liabilities		**23**	22	**21**	19
Current tax payable		**809**	533	**725**	470
Liabilities directly associated with assets held for sale	*12*	**-**	3	**-**	3
		12,437	8,946	**11,146**	7,844
Net current (liabilities)/assets		**(1,210)**	6,153	**(1,084)**	5,406
Total assets less current liabilities		**187,543**	177,507	**168,048**	155,693
Non-current liabilities					
Bank loans and other borrowings		**26,979**	24,839	**24,182**	21,792
Lease liabilities		**293**	298	**262**	261
Deferred tax liabilities		**12,459**	8,776	**11,161**	7,690
		39,731	33,913	**35,605**	29,743
NET ASSETS		**147,812**	143,594	**132,443**	125,950
Capital and reserves					
Share capital		**39,915**	39,915	**37,433**	37,433
Reserves		**98,754**	97,646	**86,820**	83,231
Shareholders' equity		**138,669**	137,561	**124,253**	120,664
Non-controlling interests		**9,143**	6,033	**8,190**	5,286
TOTAL EQUITY		**147,812**	143,594	**132,443**	125,950

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The financial information relating to the years ended December 31, 2019 and 2018 included in this announcement of annual results does not constitute the statutory annual consolidated financial statements of Hang Lung Properties Limited (the "Company") and its subsidiaries (collectively the "Group") for those years but is derived from those consolidated financial statements in accordance with section 436 of the Hong Kong Companies Ordinance (Cap.622). The Company has delivered the consolidated financial statements for the year ended December 31, 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the consolidated financial statements for the year ended December 31, 2019 in due course. The Company's auditor has reported on the consolidated financial statements for both years. The auditor's reports were unqualified and they did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports, and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

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

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

The significant accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2018, except for the changes summarized below.

1. Basis of preparation (Continued)

Impact of adoption of HKFRS 16

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

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

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

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

<u>As a lessor</u>
HKFRS 16 does not substantially change how a lessor accounts for leases under HKAS 17.

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

Transition

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

1. Basis of preparation (Continued)

Impact of adoption of HKFRS 16 (Continued)

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

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

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

- applied the exemption not to recognize right-of-use assets and liabilities for leases with a remaining lease term of less than 12 months as of January 1, 2019; and

- excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

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

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

Impacts on the consolidated financial statements

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

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

1. Basis of preparation (Continued)

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

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

Impacts on the consolidated financial statements

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

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

The presentation currency of these consolidated financial statements is Hong Kong dollar. In view of the Group's significant business operations in mainland China, management has included additional financial information prepared in Renminbi in the consolidated financial statements. Such supplementary information is prepared on the same basis as 2018 as if the presentation currency is Renminbi.

2. Revenue and segment information

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

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

Management evaluates performance primarily based on profit before taxation.

Segment assets principally comprise all non-current assets and current assets directly attributable to each segment with the exception of interest in joint ventures, other assets, cash and deposits with banks and assets held for sale. The investment properties of the Group are included in segment assets at their fair values whilst the changes in fair value of properties are not included in segment profits. No segment liabilities analysis is presented as the Group monitors and manages liabilities on a group basis.

(a) Disaggregation of revenue

Revenue for the year is analyzed as follows:

	2019	2018
	HK$ Million	HK$ Million
Under the scope of HKFRS 16 (2018: HKAS 17), *Leases:*		
Rental income	**7,713**	7,344
Under the scope of HKFRS 15, *Revenue from contracts with customers*:		
Sales of completed properties	**296**	1,227
Building management fees and other income from property leasing	**843**	837
	1,139	2,064
	8,852	9,408

2. Revenue and segment information (Continued)

(b) Revenue and results by segments

	Revenue		Profit before taxation	
	2019	2018	**2019**	2018
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Segment				
Property leasing				
- Mainland China	**4,544**	4,244	**2,938**	2,739
- Hong Kong	**4,012**	3,937	**3,387**	3,321
	8,556	8,181	**6,325**	6,060
Property sales				
- Mainland China	**-**	-	**(2)**	-
- Hong Kong	**296**	1,227	**164**	762
	296	1,227	**162**	762
Segment total	**8,852**	9,408	**6,487**	6,822
Other net income			**9**	93
Administrative expenses			**(593)**	(637)
Profit from operations before changes in fair value of properties			**5,903**	6,278
Net increase/(decrease) in fair value of properties			**8,797**	4,170
- property leasing in Hong Kong (Note)			**(950)**	3,852
- property leasing in mainland China (Note)			**9,281**	318
- properties for sale in Hong Kong upon transfer to investment properties			**466**	-
Net interest income/(expense)			**100**	(624)
- interest income			**146**	445
- finance costs			**(46)**	(1,069)
Share of profits of joint ventures			**9**	97
Profit before taxation			**14,809**	9,921

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

2. Revenue and segment information (Continued)

(c) Total assets by segments

	Total assets	
	2019	2018
	HK$ Million	HK$ Million
Segment		
Property leasing		
- Mainland China	**123,824**	103,489
- Hong Kong	**65,824**	66,634
	189,648	170,123
Property sales		
- Mainland China	**1,604**	-
- Hong Kong	**4,039**	2,443
	5,643	2,443
Segment total	**195,291**	172,566
Interest in joint ventures	**1,296**	1,330
Other assets	**87**	93
Cash and deposits with banks	**3,306**	12,363
Assets held for sale	**-**	101
Total assets	**199,980**	186,453

3. Other net income

	2019	2018
	HK$ Million	HK$ Million
Dividend income from equity investments	**3**	-
Ineffectiveness on cash flow hedges	**1**	(1)
Gain on disposal of investment properties	**-**	71
Gain on disposal of assets held for sale	**-**	25
Others	**5**	(2)
	9	93

4. Net interest income/(expense)

	2019 HK$ Million	2018 HK$ Million
Interest income on bank deposits	**146**	445
Interest expense on bank loans and other borrowings	**1,415**	1,271
Interest on lease liabilities	**16**	16
Other borrowing costs	**44**	33
Total borrowing costs	**1,475**	1,320
Less: Borrowing costs capitalized	**(1,429)**	(251)
Finance costs	**46**	1,069
Net interest income/(expense)	**100**	(624)

5. Profit before taxation

	2019 HK$ Million	2018 HK$ Million
Profit before taxation is arrived at after charging:		
Cost of properties sold	**121**	373
Staff costs (Note)	**1,340**	1,338
Depreciation	**50**	45

Note: The staff costs included employee share-based payments of HK$67 million (2018: HK$71 million). If the amounts not recognized in the statement of profit or loss, including amounts capitalized to investment properties under development, were accounted for, staff costs would have been HK$1,604 million (2018: HK$1,568 million).

6. Taxation

(a) Provision for Hong Kong Profits Tax is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year. Mainland China Income Tax represents mainland China Corporate Income Tax calculated at 25% (2018: 25%) and mainland China withholding income tax calculated at the applicable rates. The withholding tax rate applicable to Hong Kong companies in respect of dividend distributions from foreign investment enterprises in mainland China was 5% (2018: 5%).

	2019	2018
	HK$ Million	HK$ Million
Current tax		
Hong Kong Profits Tax	**470**	482
Under-provision in prior years	**4**	7
	474	489
Mainland China Income Tax	**669**	635
Total current tax	**1,143**	1,124
Deferred tax		
Changes in fair value of properties	**3,766**	66
Other origination and reversal of temporary differences	**100**	79
Total deferred tax	**3,866**	145
Total income tax expense	**5,009**	1,269

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

7. Dividends

(a) Dividends attributable to the year

	2019 **HK$ Million**	2018 HK$ Million
Interim dividend declared and paid of HK17 cents (2018: HK17 cents) per share	**765**	765
Final dividend of HK59 cents (2018: HK58 cents) per share proposed after the end of the reporting period	**2,653**	2,609
	3,418	3,374

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

(b) The final dividend of HK$2,609 million (calculated based on HK58 cents per share and the total number of issued shares as of the dividend pay-out date) for the year ended December 31, 2018 was approved and paid in the year ended December 31, 2019 (2018: HK$2,609 million).

8. Earnings per share

(a) The calculation of basic and diluted earnings per share is based on the following data:

	2019 **HK$ Million**	2018 HK$ Million
Earnings for calculation of basic and diluted earnings per share (net profit attributable to shareholders)	**6,172**	8,078

8. Earnings per share (Continued)

(a) (Continued)

	Number of shares	
	2019	2018
Weighted average number of shares used in calculating basic and diluted earnings per share (Note)	**4,497,718,670**	4,497,682,333

Note: Diluted earnings per share were the same as the basic earnings per share as there was no dilutive effect on the potential ordinary shares during the years.

(b) The underlying net profit attributable to shareholders, which excluded changes in fair value of properties net of related income tax and non-controlling interests, is calculated as follows:

	2019	2018
	HK$ Million	HK$ Million
Net profit attributable to shareholders	**6,172**	8,078
Effect of changes in fair value of properties	**(8,797)**	(4,170)
Effect of corresponding income tax	**3,842**	66
Effect of changes in fair value of investment properties of joint ventures	**38**	(48)
	(4,917)	(4,152)
Non-controlling interests	**3,219**	167
	(1,698)	(3,985)
Underlying net profit attributable to shareholders	**4,474**	4,093

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

	2019	2018
Basic	**HK$0.99**	HK$0.91
Diluted	**HK$0.99**	HK$0.91

9. Investment properties and investment properties under development

(a) Addition

During the year, total additions to investment properties and investment properties under development amounted to HK$16,270 million (2018: HK$12,113 million). The additions to investment properties under development included the final payment to Hangzhou Land Resources Bureau for acquiring the land in Xiacheng District, Hangzhou, Zhejiang Province, PRC and assets acquired through obtaining control of a group of subsidiaries.

(b) Valuation

The investment properties and investment properties under development of the Group were revalued as of December 31, 2019 by Mr. Charles C.K. Chan, Registered Professional Surveyor (General Practice), of Savills Valuation and Professional Services Limited, on a market value basis.

10. Trade and other receivables

(a) Included in trade and other receivables are trade receivables (based on the due date) with the following aging analysis:

	2019 **HK$ Million**	2018 HK$ Million
Not past due or less than 1 month past due	**23**	13
1 - 3 months past due	**27**	4
More than 3 months past due	**2**	2
	52	19

The Group measures loss allowances for trade receivables at an amount equal to lifetime expected credit losses, which are calculated using a provision matrix. Given the Group has not experienced any significant credit losses in the past and holds sufficient rental deposits from tenants to cover the potential exposure to credit risk, the allowance for expected credit losses is therefore insignificant.

(b) Included in other receivables of the Group is a deposit of land acquisition in mainland China of HK$279 million (2018: HK$285 million).

11. Trade and other payables

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

	2019	2018
	HK$ Million	HK$ Million
Due within 3 months	**3,995**	1,737
Due after 3 months	**816**	850
	4,811	2,587

(b) Included in trade and other payables is an amount of HK$601 million (2018: Nil) due to a fellow subsidiary, which is the joint developer of a project in which the Group and the fellow subsidiary hold respective interests of 66.67% and 33.33%. The amount represents the contribution by the fellow subsidiary in proportion to its interest to finance the project, and is unsecured, non-interest bearing and has no fixed terms of repayment.

12. Assets held for sale

	2018
	HK$ Million
Investment properties	101
Deferred tax liabilities	3

The balance at December 31, 2018 represented the following:

(a) a residential unit and several car parking spaces at Garden Terrace in Hong Kong which were disposed of in April 2019; and

(b) an investment property of a car parking space at The Long Beach in Hong Kong which was disposed of in February 2019.

The investment properties were stated at fair value with reference to the agreed selling prices as stated in the sale and purchase agreements.

OTHER INFORMATION

Employees

As of December 31, 2019, the number of employees was 4,626 (comprising 1,181 Hong Kong employees and 3,445 mainland China employees). The total employee costs for the year ended December 31, 2019, amounted to HK$1,604 million. We provide competitive remuneration packages for all employees including discretionary bonuses payable based on individual performance. We regularly review the remuneration packages to ensure that they comply with relevant regulatory requirements and market conditions. The Company has share option schemes for the employees and provides professional and high-quality training for all employees.

Purchase, Sale or Redemption of Listed Securities

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

Compliance with Corporate Governance Code

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

Audit Committee

The annual results for the year ended December 31, 2019, have been reviewed by the Audit Committee of the Company. Hang Lung Properties' consolidated financial statements have been audited by the Company's auditor, KPMG, and it has issued an unmodified opinion.

Book Close Dates

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

Book close dates (both days inclusive)	April 24 to 29, 2020
Latest time to lodge transfers	4:30 pm on April 23, 2020
Record date	April 29, 2020
AGM	April 29, 2020

For ascertaining shareholders' entitlement to the proposed final dividend

Book close date	May 7, 2020
Latest time to lodge transfers	4:30 pm on May 6, 2020
Record date	May 7, 2020
Final dividend payment date	May 20, 2020

On Behalf of the Board
Ronnie C. Chan
Chairman

Hong Kong, January 21, 2020

As of the date of this announcement, the board of directors of the Company comprises the following directors:
Executive Directors: Mr. Ronnie C. CHAN, Mr. Weber W.P. LO, Mr. H.C. HO and Mr. Adriel W. CHAN
Non-Executive Director: Mr. Philip N.L. CHEN
Independent Non-Executive Directors: Mr. Ronald J. ARCULLI, Mr. Nelson W.L. YUEN, Mr. Dominic C.F. HO, Dr. Andrew K.C. CHAN, Prof. H.K. CHANG and Ms. Anita Y.M. FUNG

GLOSSARY

Financial Terms

Finance costs: Total of interest expense on total borrowings and other borrowing costs, net of amount capitalized

Total borrowings: Total of bank loans & other borrowings, net of unamortized other borrowing costs

Net debt: Total borrowings net of cash and deposits with banks

Net profit attributable to shareholders: Profit for the year (after tax) less amounts attributable to non-controlling interests

Underlying net profit attributable to shareholders: Net profit attributable to shareholders excluded changes in fair value of properties net of related income tax and non-controlling interests

Financial Ratios

$$\text{Basic earnings per share} = \frac{\text{Profit attributable to shareholders}}{\text{Weighted average number of shares in issue during the year}}$$

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

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

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

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