嘉里建設有限公司*
KERRY PROPERTIES LIMITED
(Incorporated in Bermuda with limited liability)
website: www.kerryprops.com
(Stock Code: 683)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The Board of Directors (the "**Board**") of the Company announces the consolidated final results of the Group for the year ended 31 December 2020. The Audit and Corporate Governance Committee of the Company has met to review the results and the financial statements of the Group for the year ended 31 December 2020 prior to recommending them to the Board for approval.

OVERALL RESULTS

Kerry Properties Limited recorded strong contracted sales for the year ended 31 December 2020, surpassing our full year contracted sales target of HK$8,000 million for Hong Kong and the Mainland by 61% to achieve HK$12,880 million (2019: HK$8,900 million). The Group's Property Rental business proved resilient and recorded revenues of HK$4,827 million for the year ended 31 December 2020 (2019: HK$4,911 million). Although sales and rental performance was dampened by quarantine and social distancing measures in the first half of 2020, the Group narrowed the gap as market conditions improved in the second half of 2020.

During the year, the Group's total gross profit margin increased to 58% (2019: 50%). This was led by the Property Sales business, which recorded a 25% increase in gross profit margins to 50% (2019: 40%), and the Property Rental business, which maintained gross profit margins of 77% (2019: 77%) for the year ended 31 December 2020.

The Group's profit attributable to shareholders for the year ended 31 December 2020 was HK$5,403 million, representing a decrease of 22% compared with HK$6,897 million reported for 2019. The Group valued its investment property portfolio on a fair value basis and recorded an increase in fair value of investment properties (net of deferred taxation) attributable to shareholders of HK$1,170 million for the year ended 31 December 2020 (2019: HK$1,501 million). Before taking into account the aforementioned increase in fair value, the Group recorded a decrease of 22% in profit attributable to shareholders to HK$4,233 million for the year ended 31 December 2020 (2019: HK$5,396 million).

* *For identification purpose only*

The effect on the Group's profit attributable to shareholders due to the net increase in fair value of the Group's investment properties and related tax effects is as follows:

	Year ended 31 December		
	2020	2019	
	HK$ million	HK$ million	Change
Profit attributable to shareholders before taking into account the net increase in fair value of investment properties and related tax effects	**4,233**	5,396	-22%
Add:			
Net increase in fair value of investment properties and related tax effects	**1,170**	1,501	
Profit attributable to shareholders after taking into account the net increase in fair value of investment properties and related tax effects	**5,403**	6,897	-22%

The decline was mainly due to cyclically lower sales recognition for the year ended 31 December 2020, which recorded revenues of HK$8,519 million (2019: HK$11,161 million); and difficult market conditions caused by global travel restrictions on the Hotel segment, which recorded HK$1,180 million in revenue for the year ended 31 December 2020 (2019: HK$1,953 million). As of December 2020, occupancy rates for Hotel Operations have picked up more momentum going into 2021. The Group recorded land appreciation tax of HK$1,081 million (2019: HK$383 million) on Mainland property sales for the year ended 31 December 2020, representing a 182% increase.

Earnings per share for the year ended 31 December 2020 were HK$3.71, representing a decrease of 22% compared with HK$4.74 per share in 2019.

As of 31 December 2020, the Group's balance sheet remains robust, growing 39% to HK$16,995 million in cash and bank deposits (2019: HK$12,255 million). At the same time, the gearing ratio improved by 170 basis points to 25.1% as of 31 December 2020 (2019: 26.8%).

The Board has recommended the payment of a final dividend of HK$0.95 per share (the "**Final Dividend**") for the year ended 31 December 2020. Together with the interim dividend of HK$0.40 per share, the total cash dividend for the year ended 31 December 2020 will be HK$1.35 per share (2019: HK$1.35 per share).

As set out in the announcement jointly published by the Company, Kerry Logistics Network Limited ("**KLN**") and Flourish Harmony Holdings Company Limited on 10 February 2021 in relation to the partial offer for shares in KLN (the "**Joint Announcement**"), the Company intends to tender its pro rata share of the aggregate acceptances to be tendered under the Controlling Shareholders Irrevocable Undertakings (as defined in the Joint Announcement) (the "**Share Sale**"). Conditional upon completion of the partial offer and Share Sale, the Company expects to receive net proceeds from the partial offer of not less than HK$11,000 million. The Board currently intends to declare a special dividend (the "**Special Dividend**") to distribute approximately 25% to 30% of such net proceeds to all those shareholders of the Company (the "**Shareholders**") who are the Shareholders on record on the relevant record date.

Further details of the Special Dividend and record date for determining Shareholders' entitlement to the Special Dividend, if declared, will be announced in due course. For the avoidance of doubt, there is no assurance that the partial offer and the Share Sale will complete or that the Special Dividend will be declared.

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December **2020** **HK$'000**	2019 HK$'000
Revenue	2	**14,526,102**	18,025,422
Cost of sales and direct expenses		**(6,139,239)**	(9,041,440)
Gross profit	2	**8,386,863**	8,983,982
Other income and net gains		**801,128**	696,712
Selling, administrative and other operating expenses		**(1,613,699)**	(1,602,120)
Increase in fair value of investment properties		**1,087,762**	1,185,018
Operating profit before finance costs		**8,662,054**	9,263,592
Finance costs	3	**(1,089,726)**	(812,565)
Operating profit	3	**7,572,328**	8,451,027
Share of results of associates and joint ventures		**1,597,010**	1,584,917
Profit before taxation		**9,169,338**	10,035,944
Taxation	4	**(3,240,982)**	(2,342,856)
Profit for the year		**5,928,356**	7,693,088
Profit attributable to:			
Company's shareholders		**5,403,203**	6,897,450
Non-controlling interests		**525,153**	795,638
		5,928,356	7,693,088
Earnings per share	5		
- Basic		**HK$3.71**	HK$4.74
- Diluted		**HK$3.71**	HK$4.74

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
Profit for the year	**5,928,356**	7,693,088
Other comprehensive income		
Items that may be reclassified to profit or loss		
Cash flow hedges	**(188,759)**	(23,899)
Share of other comprehensive income of associates and joint ventures	**680,355**	49,056
Net translation differences on foreign operations	**5,056,530**	(1,391,680)
Items that will not be reclassified to profit or loss		
Fair value gains on financial assets at fair value through other comprehensive income	**124,165**	127,482
Other comprehensive income for the year, net of tax	**5,672,291**	(1,239,041)
Total comprehensive income for the year	**11,600,647**	6,454,047
Total comprehensive income attributable to:		
Company's shareholders	**10,134,304**	6,079,120
Non-controlling interests	**1,466,343**	374,927
	11,600,647	6,454,047

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**5,224,126**	5,250,030
Investment properties		**83,823,976**	80,209,689
Right-of-use assets		**2,010,595**	2,004,077
Properties under development		**8,306,893**	17,693,616
Land deposits		**14,304,249**	7,981,265
Associates and joint ventures		**30,598,430**	28,426,306
Derivative financial instruments		**293,496**	42,550
Financial assets at fair value through other comprehensive income		**1,577,918**	1,453,753
Financial assets at fair value through profit or loss		**737,532**	1,095,300
Mortgage loans receivable		**1,944,669**	3,062,327
Intangible assets		**122,504**	122,504
		148,944,388	147,341,417
Current assets			
Properties under development		**18,015,885**	5,346,346
Completed properties held for sale		**9,731,371**	10,881,168
Accounts receivable, prepayments and deposits	6	**1,616,939**	1,503,907
Current portion of mortgage loans receivable		**98,301**	33,838
Tax recoverable		**176,984**	325,346
Tax reserve certificates		**189,255**	189,598
Financial assets at fair value through profit or loss		**-**	6,863
Derivative financial instruments		**779**	-
Restricted bank deposits		**565,770**	511,687
Cash and bank balances		**16,429,494**	11,743,843
		46,824,778	30,542,596
Current liabilities			
Accounts payable, deposits received and accrued charges	7	**6,608,922**	6,290,259
Contract liabilities		**4,962,150**	2,549,048
Current portion of lease liabilities		**52,555**	50,461
Taxation		**2,080,298**	2,451,597
Short-term bank loans and current portion of long-term bank loans	8	**4,587,085**	8,494,117
Fixed rate bonds		**2,325,147**	-
Derivative financial instruments		**843**	-
		20,617,000	19,835,482
Net current assets		**26,207,778**	10,707,114
Total assets less current liabilities		**175,152,166**	158,048,531
Non-current liabilities			
Long-term bank loans	8	**37,622,263**	28,712,976
Fixed rate bonds		**-**	2,334,345
Amounts due to non-controlling interests		**2,749,035**	2,772,606
Lease liabilities		**48,444**	99,958
Derivative financial instruments		**261,349**	114,228
Deferred taxation		**9,814,735**	8,631,391
		50,495,826	42,665,504
ASSETS LESS LIABILITIES		**124,656,340**	115,383,027
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		**1,456,501**	1,456,501
Share premium		**13,062,999**	13,061,007
Other reserves		**13,310,301**	8,526,697
Retained profits		**82,042,736**	78,660,305
		109,872,537	101,704,510
Non-controlling interests		**14,783,803**	13,678,517
TOTAL EQUITY		**124,656,340**	115,383,027

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants. In addition, 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 accounting policies are consistent with those as described in the Group's financial statements for the year ended 31 December 2019.

The following amendments to existing standards and framework have been published that are effective for the accounting period of the Group beginning on 1 January 2020:

Amendments to HKAS 1 and HKAS 8, 'Definition of material'
Amendments to HKAS 39, HKFRS 7 and HKFRS 9, 'Hedge accounting'
Conceptual Framework for Financial Reporting 2018

The adoption of the above amendments to existing standards and framework had no material impact on the consolidated financial statements of the Group.

The following standard, amendments to existing standards, interpretation and accounting guideline which are relevant to the operations of the Group, have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2021; but the Group has not early adopted them:

	Applicable for accounting periods beginning on/after
Amendments to HKFRS 16, 'Covid-19-related rent concessions'	1 June 2020
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, 'Interest rate benchmark reform – Phase 2'	1 January 2021
Amendments to HKFRS 3, HKAS 16 and HKAS 37, 'Narrow-scope amendments'	1 January 2022
Annual improvements to HKFRSs 2018-2020 cycle	1 January 2022
Revised Accounting Guideline 5, 'Merger accounting for common control combinations'	1 January 2022
HKFRS 17, 'Insurance contracts'	1 January 2023
Amendments to HKFRS 17, 'Insurance contracts'	1 January 2023
Amendments to HKAS 1, 'Classification of liabilities as current or non-current'	1 January 2023
Hong Kong Interpretation 5 (2020), 'Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause'	1 January 2023
Amendments to HKFRS 10 and HKAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined

The Group will adopt the above standard, amendments to existing standards, interpretation and accounting guideline as and when they become effective. The Group has already commenced the assessment of the impact to the Group and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

2. Principal activities and segmental analysis of operations

An analysis of the Group's revenue and gross profit for the year by principal activity and market is as follows:

	Revenue		**Gross profit**	
	Year ended 31 December		**Year ended 31 December**	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Principal activities:				
Property rental and others				
- Mainland Property	**3,520,141**	3,635,915	**2,671,575**	2,781,823
- Hong Kong Property	**1,306,723**	1,274,510	**1,029,454**	999,175
	4,826,864	4,910,425	**3,701,029**	3,780,998
Property sales (Note)				
- Mainland Property	**5,255,112**	6,150,265	**2,987,140**	2,107,875
- Hong Kong Property	**3,263,951**	5,011,216	**1,313,056**	2,333,765
	8,519,063	11,161,481	**4,300,196**	4,441,640
Hotel operations - Mainland Property	**1,180,175**	1,953,516	**385,638**	761,344
	14,526,102	18,025,422	**8,386,863**	8,983,982
Principal markets:				
- Mainland	**9,955,428**	11,739,696	**6,044,353**	5,651,042
- Hong Kong	**4,570,674**	6,285,726	**2,342,510**	3,332,940
	14,526,102	18,025,422	**8,386,863**	8,983,982

Note: Sales of investment properties for the year ended 31 December 2020 amounting to HK$451,407,000 (2019: HK$117,743,000), comprising sales from Mainland investment properties of HK$26,038,000 (2019: HK$117,743,000) and sales from Hong Kong investment properties of HK$425,369,000 (2019: HK$Nil), are excluded from revenue.

2. Principal activities and segmental analysis of operations (continued)

An analysis of the Group's financial results by operating segment is as follows:

	Year ended 31 December 2020				
	Mainland Property HK$'000	Hong Kong Property HK$'000	Total Operating Segments HK$'000	Others HK$'000	Total HK$'000
Revenue	9,955,428	4,570,674	14,526,102	-	14,526,102
Results					
Segment results - gross profit	6,044,353	2,342,510	8,386,863	-	8,386,863
Other income and net gains					801,128
Selling, administrative and other operating expenses					(1,613,699)
Increase in fair value of investment properties					1,087,762
Operating profit before finance costs					8,662,054
Finance costs					(1,089,726)
Operating profit					7,572,328
Share of results of associates and joint ventures					1,597,010
Profit before taxation					9,169,338
Taxation					(3,240,982)
Profit for the year					5,928,356
Profit attributable to:					
Company's shareholders					5,403,203
Non-controlling interests					525,153
					5,928,356
Depreciation	407,793	67,773	475,566	2,042	477,608

2. Principal activities and segmental analysis of operations (continued)

	Year ended 31 December 2019				
	Mainland Property HK$'000	Hong Kong Property HK$'000	Total Operating Segments HK$'000	Others HK$'000	Total HK$'000
Revenue	11,739,696	6,285,726	18,025,422	-	18,025,422
Results					
Segment results - gross profit	5,651,042	3,332,940	8,983,982	-	8,983,982
Other income and net gains					696,712
Selling, administrative and other operating expenses					(1,602,120)
Increase in fair value of investment properties					1,185,018
Operating profit before finance costs					9,263,592
Finance costs					(812,565)
Operating profit					8,451,027
Share of results of associates and joint ventures					1,584,917
Profit before taxation					10,035,944
Taxation					(2,342,856)
Profit for the year					7,693,088
Profit attributable to:					
Company's shareholders					6,897,450
Non-controlling interests					795,638
					7,693,088
Depreciation	452,758	22,043	474,801	2,712	477,513

3. Operating profit

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
Operating profit is stated after crediting/charging the following:		
Crediting		
Dividend income	**57,267**	63,002
Interest income	**512,704**	570,289
(Loss)/gain on sale of investment properties, net	**(427)**	51,384
Charging		
Depreciation of property, plant and equipment and right-of-use assets	**477,608**	477,513
Total finance costs incurred (Note)	**1,393,239**	1,166,840
Less: amount capitalised in properties under development and investment properties under development	**(303,513)**	(354,275)
	1,089,726	812,565

Note: The amount included net exchange losses of HK$245,954,000 (2019: gains of HK$22,732,000) arising from the translation of RMB bank loans during the year ended 31 December 2020.

4. Taxation

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
The taxation (charge)/credit comprises:		
Mainland taxation		
Current	**(2,143,090)**	(1,389,442)
Under-provision in prior years	**(73,925)**	(1,177)
Deferred	**(643,999)**	(443,237)
	(2,861,014)	(1,833,856)
Hong Kong profits tax		
Current	**(363,937)**	(468,970)
Over-provision in prior years	**1,007**	671
Deferred	**(4,303)**	(23,803)
	(367,233)	(492,102)
Overseas taxation		
Current	**(7,527)**	(8,170)
Over-provision in prior years	**-**	1,131
Deferred	**(5,208)**	(9,859)
	(12,735)	(16,898)
	(3,240,982)	(2,342,856)

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit for the year. Income tax on the Mainland and overseas profits has been calculated on the estimated assessable profit for the year at the respective rates of taxation prevailing in the Mainland and the overseas countries in which the Group operates.

Land appreciation tax in the Mainland is levied on properties developed and sold by the Group, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including land costs, borrowing costs and all property development expenditures.

The Group recorded land appreciation tax of HK$1,081,692,000 (2019: HK$383,225,000) for the year ended 31 December 2020 on sale of properties in the Mainland.

The Group's share of taxation of associates and joint ventures for the year of HK$446,362,000 (2019: HK$451,401,000) is included in the share of results of associates and joint ventures in the consolidated income statement.

5. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2020	2019
Weighted average number of ordinary shares in issue	**1,456,501,228**	1,455,974,642
	HK$'000	HK$'000
Profit attributable to shareholders	**5,403,203**	6,897,450
Basic earnings per share	**HK$3.71**	HK$4.74

Diluted

Diluted earnings per share is calculated by adjusting the profit attributable to shareholders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

	Year ended 31 December	
	2020	2019
Weighted average number of ordinary shares in issue	**1,456,501,228**	1,455,974,642
Adjustment for share options	**-**	514,809
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,456,501,228**	1,456,489,451
	HK$'000	HK$'000
Profit attributable to shareholders	**5,403,203**	6,897,450
Diluted earnings per share	**HK$3.71**	HK$4.74

6. Accounts receivable, prepayments and deposits

Included in accounts receivable, prepayments and deposits are trade receivables. The Group maintains a defined credit policy. The ageing analysis of trade receivables as at 31 December 2020 is as follows:

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Below 1 month	**69,377**	77,960
Between 1 month and 3 months	**50,597**	41,044
Over 3 months	**23,935**	16,496
	143,909	135,500

7. Accounts payable, deposits received and accrued charges

Included in accounts payable, deposits received and accrued charges are trade payables. The ageing analysis of trade payables as at 31 December 2020 is as follows:

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Below 1 month	**288,376**	444,515
Between 1 month and 3 months	**24,121**	22,706
Over 3 months	**6,337**	10,437
	318,834	477,658

8. Bank loans

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Bank loans - unsecured	**42,209,348**	35,288,001
Bank loans - secured	**-**	1,919,092
Total bank loans (note (i))	**42,209,348**	37,207,093
Less : Short-term bank loans and current portion of long-term bank loans	**(4,587,085)**	(8,494,117)
	37,622,263	28,712,976

8. Bank loans (continued)

(i) As at 31 December 2020, the Group's bank loans were repayable as follows:

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Within one year	**4,587,085**	8,494,117
In the second to fifth year		
- In the second year	**8,998,313**	5,586,658
- In the third year	**6,605,746**	11,577,601
- In the fourth year	**7,941,754**	5,298,717
- In the fifth year	**10,681,189**	5,850,000
	34,227,002	28,312,976
Repayable within five years	**38,814,087**	36,807,093
Over five years	**3,395,261**	400,000
	42,209,348	37,207,093

9. Commitments

At 31 December 2020, the Group had capital and other commitments in respect of investment properties, land costs and properties under development contracted for at the end of the year but not provided for in these financial statements as follows:

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Investment properties	**64,367**	779,226
Land costs	**2,710,342**	7,906,141
Properties under development	**6,868,220**	8,711,199
	9,642,929	17,396,566

10. Contingent liabilities

Guarantees for banking facilities

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
- Guarantees for banking facilities of certain associates and joint ventures (note (i))	**4,532,449**	2,702,503
- Guarantees to certain banks for mortgage facilities granted to first buyers of certain properties in the Mainland (note (ii))	**1,639,013**	1,826,090
	6,171,462	4,528,593

(i) The Group has executed guarantees for banking facilities granted to certain associates and joint ventures. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 December 2020 amounted to approximately HK$4,532,449,000 (2019: HK$2,702,503,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2020 amounted to approximately HK$5,071,415,000 (2019: HK$3,303,412,000).

(ii) The Group has executed guarantees to certain banks for mortgage facilities granted to first buyers of certain properties developed by the Group in the Mainland. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 December 2020 amounted to approximately HK$1,639,013,000 (2019: HK$1,826,090,000).

Apart from the above, there are no material changes in contingent liabilities of the Group since 31 December 2019.

11. Pledge of assets

At 31 December 2020, the Group's total bank loans of HK$42,209,348,000 (2019: HK$37,207,093,000) included an aggregate amount of HK$42,209,348,000 (2019: HK$35,288,001,000) which is unsecured and an aggregate amount of HK$Nil (2019: HK$1,919,092,000) which is secured.

As at 31 December 2019, the securities provided for the secured banking facilities available to the Group were as follows:

(i) legal charges over certain properties with an aggregate net book value of HK$16,035,262,000; and

(ii) assignments of insurance proceeds of certain properties.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF PROPERTY BUSINESS

OVERVIEW

The Group's full-year results for 2020 demonstrated our operational resilience against the impact of the coronavirus (COVID-19) outbreak. Despite the challenges brought about by the pandemic, the Group accelerated its sales and leasing momentum from the second quarter as the market began to show signs of recovery. Full-year contracted sales generated in the Mainland and Hong Kong totalled to HK$12,880 million, exceeding our target of HK$8,000 million by 61%.

As of 31 December 2020, the Group's portfolio comprised properties under development with a gross floor area ("**GFA**") of 25.25 million square feet (2019: 26.82 million square feet), completed investment properties of 15.91 million square feet (2019: 14.47 million square feet), hotel properties of 4.67 million square feet (2019: 4.67 million square feet), and properties held for sale of 1.73 million square feet (2019: 2.04 million square feet). The Group is confident that our portfolio will provide a balanced return of cashflow from sales and recurrent rental income to support our sustainable dividend policy.

Property Portfolio Composition

As of 31 December 2020:

	Group's attributable GFA				
	Mainland	Hong Kong	Macau[1]	Overseas	Total
		('000 square feet)			
Completed Investment Properties	9,914	4,128	-	1,867	15,909
Hotel Properties	4,126	38	-	504	4,668
Properties Under Development	19,906	1,295	1,988	2,057	25,246
Properties Held for Sale	1,415	319	-	-	1,734
Total GFA	**35,361**	**5,780**	**1,988**	**4,428**	**47,557**

Note:

(1) The property portfolio in Macau represents the buildable GFA of a site that was surrendered to the Macau SAR Government in September 2009. According to the Macau SAR Government Notice gazetted on 14 October 2009, a piece of land will be granted in exchange for this, with size and location to be identified and agreed upon.

MAINLAND PROPERTY DIVISION

The Mainland Property Division recorded contracted sales of HK$7,281 million, achieving 52% more than the full-year target of HK$4,800 million on continued demand of high-quality residential units in tier-one cities and provincial capital cities. Recurring revenue from property leasing and hotel operations declined 3% and 40% respectively. The pace of recovery for property leasing and hotels noticeably picked up in the second half as foot traffic and retail sales reached 2019 levels for key cities, and hotel occupancy steadily moved on an upward trend as domestic travel increased.

Gross profit increased by 7% to HK$6,045 million (2019: HK$5,651 million), which reflected the relatively higher profit margins from recognised sales of certain completed properties. A gross profit margin of 76% was posted by the Mainland property rental business.

Despite challenging market conditions in the first half due to the pandemic, the Mainland's domestic growth engine supported the pace of recovery for the overall economy. The Group benefitted from both property sales momentum spurred by pent-up demand for high-quality residential units and increased domestic spending at shopping malls and staycations at hotels. Moreover, gradual work resumption also allowed our properties under development to progress without notable delay to our schedules.

INVESTMENT PROPERTIES

During the year, the Mainland portfolio of completed investment properties delivered a revenue of HK$3,520 million (2019: HK$3,636 million) and a gross profit of HK$2,672 million (2019: HK$2,782 million), representing year-on-year declines of 3% and 4% respectively.

As of 31 December 2020, the completed investment property portfolio in the Mainland constituted an aggregate GFA of 9.91 million square feet (2019: 8.40 million square feet), comprising residential, office and retail properties, together with added office and retail spaces from Qianhai Kerry Centre Phase I. Their respective composition and occupancy rates were as follows:

As of 31 December 2020:

	Group's attributable GFA								
	Beijing	**Shanghai**	**Shenzhen**	**Hangzhou**	**Shenyang**	**Tianjin**	**Jinan**	**Total**	**Occupancy Rate**
	('000 square feet)								
Office	**711**	**1,388**	**2,839**	**102**	**354**	**-**	**195**	**5,589**	**91% #**
Retail	**98**	**1,096**	**327**	**798**	**486**	**435**	**34**	**3,274**	**89% #**
Residential	**277**	**774**	**-**	**-**	**-**	**-**	**-**	**1,051**	**84%**
	1,086	**3,258**	**3,166**	**900**	**840**	**435**	**229**	**9,914**	

As of 31 December 2019:

	Group's attributable GFA								
	Beijing	Shanghai	Shenzhen	Hangzhou	Shenyang	Tianjin	Jinan	Total	Occupancy Rate
	('000 square feet)								
Office	711	1,388	1,552	102	354	-	195	4,302	90%
Retail	98	1,096	104	798	486	435	34	3,051	93%
Residential	277	774	-	-	-	-	-	1,051	79%
	1,086	3,258	1,656	900	840	435	229	8,404	

Note:
\# *Excluding offices and retail space of Qianhai Kerry Centre Phase I with leasing commenced in third quarter of 2020.*

Comparative occupancy rates of key investment properties are outlined below:

Property	**Occupancy rate as of 31 December 2020**	Occupancy rate as of 31 December 2019
Jing An Kerry Centre Phase I	**92%**	97%
Jing An Kerry Centre Phase II [(1)]	**95%**	96%
Kerry Parkside [(1)]	**97%**	94%
Beijing Kerry Centre [(1)]	**89%**	96%
Shenzhen Kerry Plaza	**93%**	92%
Hangzhou Kerry Centre [(1)]	**93%**	94%
Shenyang Kerry Centre [(1)]	**81%**	66%

Note:
(1) Excluding the hotel portion.

Major Mixed-use Developments in the Mainland

Jing An Kerry Centre, Shanghai

Jing An Kerry Centre, situated in Shanghai's Jing An District, is a mixed-use development which the Group holds 74.25% and 51.00% interests in its Phases I and II respectively. With a total GFA of 3.7 million square feet, Jing An Kerry Centre integrates office, residential and retail components and a Shangri-La Hotel. As of 31 December 2020, 95% of the office space (2019: 97%) and 91% of the retail space (2019: 95%) were leased.

Jing An Shangri-La Hotel achieved an average occupancy rate of 51% during the year (2019: 78%), with the occupancy improved to 64% for the month of December (2019: 74%).

Kerry Parkside, Shanghai

Kerry Parkside, located in Shanghai's Pudong New Area, is a 40.80%-held mixed-use development comprising office, residential and retail properties and a Kerry Hotel with a total GFA of 2.7 million square feet. As of 31 December 2020, both retail space and offices were 98% leased (2019: 94% and 98% respectively), while the residential portion was 92% occupied (2019: 82%).

Kerry Hotel Pudong, Shanghai reported an average occupancy rate of 39% during the year (2019: 74%), and an occupancy of 46% was recorded for the month of December (2019: 61%).

Beijing Kerry Centre

Beijing Kerry Centre, located in Chaoyang District is a 71.25%-held mixed-use development comprising office, residential and retail properties and a Kerry Hotel with a total GFA of 2.2 million square feet. As of 31 December 2020, the occupancy rate of the retail space was 87% (2019: 94%), and the offices were 88% leased (2019: 98%). The residential portion was 92% leased (2019: 92%).

Kerry Hotel Beijing recorded an average occupancy rate of 35% during the year (2019: 86%). The hotel's occupancy rate gradually improved to 61% for the month of December 2020 (2019: 84%).

Hangzhou Kerry Centre

Hangzhou Kerry Centre, located in Xiacheng District, is 75.00% held by the Group. This 2.2 million square-foot mixed-use development comprises office, residential and retail properties and a Shangri-La Hotel. As of 31 December 2020, the offices were 95% leased (2019: 94%), and 92% of the retail space was leased (2019: 94%).

Midtown Shangri-La, Hangzhou reported an average occupancy rate of 57% during the year (2019: 76%), with the occupancy increased to 76% for the month of December (2019: 75%).

Shenzhen Kerry Plaza

Shenzhen Kerry Plaza is situated at the core of the Futian CBD and is wholly owned by the Group. The 1.7 million square-foot development comprises three office towers and retail properties. As of 31 December 2020, the occupancy rate of the development was 93% (2019: 92%).

Shenyang Kerry Centre

Shenyang Kerry Centre is located in Shenhe District. The Group holds a 60.00% stake in this mixed-use project that includes office, residential and retail properties and a Shangri-La Hotel, delivering a GFA of 11 million square feet. As of 31 December 2020, the occupancy of the offices increased to 80% (2019: 51%), and 81% of the retail space was leased (2019: 88%).

Shangri-La Hotel, Shenyang reported an average occupancy rate of 36% during the year (2019: 67%), with the rate gradually improving to 49% for the month of December (2019: 56%).

Tianjin Kerry Centre

Tianjin Kerry Centre, a riverfront property, is located in the Hedong CBD. Phase I of this 49.00%-owned mixed-use project includes residential and retail properties and a Shangri-La Hotel, delivering a total GFA of approximately 3.6 million square feet. Construction of the Phase II development commenced in July 2020. As of 31 December 2020, the Riverview Place mall was 79% leased (2019: 82%).

Shangri-La Hotel, Tianjin reported an average occupancy rate of 40% during the year (2019: 72%). An occupancy rate of 42% was recorded for the hotel for the month of December 2020 (2019: 59%).

Qianhai Kerry Centre Phase I

Situated in the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Qianhai Kerry Centre will be developed in three phases. All three sites are designated for a mixed-use development comprising office, residential and retail properties and a hotel. This development represents the first substantial investment in Qianhai by a major Hong Kong corporation.

The Phase I development is wholly owned by the Group and has a total buildable GFA of approximately 2.2 million square feet, on a commercial site of 350,000 square feet. This phase includes a portfolio of office, residential and retail properties, with the office and retail portions completed in the third quarter of 2020. As of 31 December 2020, the offices were 15% leased (2019: N/A).

Jinan Enterprise Square

Jinan Enterprise Square is located in Lixia District. The Group holds a 55.00% stake in the project comprising office and retail properties and a Shangri-La Hotel. The project has a total GFA of approximately 1 million square feet. As of 31 December 2020, the offices were 80% leased (2019: 84%), and 100% of the retail space was leased (2019: 97%).

Shangri-La Hotel, Jinan reported an average occupancy rate of 55% during the year (2019: 69%), as well as an occupancy rate of 72% for the month of December (2019: 66%).

SALES OF PROPERTIES

During the year, sales of completed properties in the Mainland delivered a revenue of HK$5,255 million (2019: HK$6,150 million), mainly from recognised sales of Qianhai Kerry Centre Phase I, Lake Grandeur in Hangzhou, Arcadia Height in Shenyang and Habitat in Qinhuangdao. A gross profit of HK$2,987 million (2019: HK$2,108 million) was derived therefrom.

After a brief interruption at the start of 2020, our sales activity in the Mainland resumed in the second quarter as the market made a steady recovery from the pandemic. The Mainland segment registered strong sales results, while being able to sustain price points in the market's high-end range. During the year, the Division achieved contracted sales, from pre-sales and sales of properties, of HK$7,281 million, 52% above the 2020 target of HK$4,800 million. Out of the contracted sales of HK$7,281 million, approximately HK$3,800 million were from the pre-sale of Qianhai Kerry Centre Phase I in Shenzhen, Rivercity in Fuzhou, Arcadia Court of Zhengzhou and The Arcadia of Shenyang Phase III. The 2021 target of contracted sales in the Mainland has been set at approximately HK$7,900 million with additional launches in the pipeline, which is approximately 59% of the total contracted sales target of HK$13,500 million for the Group.

Qianhai Kerry Centre Phase I

Two residential towers of Qianhai Kerry Centre Phase I, with a GFA of approximately 459,000 square feet, were launched for pre-sale to a strong response in June 2018 and July 2020 respectively. As of 31 December 2020, 75% of the 449 units launched had been sold and pre-sold, and partially handed over.

Lake Grandeur, Hangzhou

Lake Grandeur, with a GFA of approximately 330,000 square feet, is situated at Hangzhou Kerry Centre. The project's sale received a strong market response. As of 31 December 2020, 74% of the total of 121 units had been sold.

Arcadia Height, Shenyang

Two towers of Arcadia Height with a GFA of approximately 1.2 million square feet at the Shenyang Kerry Centre Phase II development have been completed and delivered for occupation. Sales of this project have met with a strong response and as of 31 December 2020, 98% of the total of 495 Phase II residential units had been sold.

Habitat, Qinhuangdao

Phase I of Habitat, the Group's 60.00%-owned residential project in Haigang District, has been completed. As of 31 December 2020, 91% of the total of 778 Phase I residential units had been sold. The Phase I development has a GFA of approximately 1.6 million square feet.

PROPERTIES UNDER DEVELOPMENT

These projects will support our ongoing sales momentum and add further value to our compelling investment portfolio.

Shenyang

The Group's 60.00%-owned Shenyang Kerry Centre project will yield a GFA of approximately 11 million square feet according to the current plan. This mixed-use project will include office, residential and retail properties and a hotel. Phases I and II of the development have been completed, and Phase III is now under construction.

Wuhan

The Group has acquired the land-use rights of a site located in Jianghan District. This wholly owned project, with an aggregate site area of approximately 700,000 square feet, is designed to yield a total GFA of approximately 4.4 million square feet. The Group plans to develop a large-scale complex with office, residential, retail and educational components. With governmental support, the project has kickstarted its development in stages subsequent to its ground breaking in December 2020.

Qianhai, Shenzhen

Qianhai Kerry Centre is a mixed-use project to be developed in three phases.

The Phase I development is wholly owned by the Group and has a total buildable GFA of approximately 2.2 million square feet, on a commercial site of 350,000 square feet. This phase includes a portfolio of office, residential and retail properties, and was partially completed in 2020.

The Group, Kerry Holdings Limited and The Bank of East Asia, Limited are jointly developing Phase II on an adjacent site with an area of approximately 207,000 square feet. This phase is designed to yield a GFA of approximately 1.3 million square feet for the development of office, retail and hotel properties. The Group holds a 25.00% interest in the Phase II development, which was topped out during the year.

Phase III of the project is situated on a parcel of land in the Qianwan area, adjacent to the other two phases. This new phase has an area of approximately 184,000 square feet, which is planned to yield a GFA of approximately 886,000 square feet, accommodating office and retail spaces, as well as complementary community facilities. This phase, in which the Group holds a 70.00% interest, is developed through a joint venture with Sino Land Company Limited ("**Sino Land**").

Fuzhou

The Group has an office, residential and retail development in Sanjiangkou area of Cangshan District. This wholly owned project, with an aggregate site area of approximately 1.4 million square feet, is planned to yield a total GFA of approximately 3.5 million square feet. The pre-sale of the residential portion was launched in April 2020. As of 31 December 2020, 35% of the 639 units available for sale had been pre-sold.

Qinhuangdao

The Habitat in Haigang District is planned for development into residential and retail properties in two phases. Towers Two and Three of the Phase I development have been completed, with the sold units already delivered. The construction permit for Phase II with a GFA of approximately 3.2 million square feet was issued in January 2021. The Group holds a 60.00% interest in the project.

Hangzhou

In 2019, the Group won a bid for a residential and commercial site in Xiacheng District. With a site area of approximately 1 million square feet, this wholly owned project is planned to yield a GFA of approximately 2.7 million square feet. The Group's plan is to develop the site into a large-scale complex with office, residential and retail properties and a hotel.

Zhengzhou

The Group and Shangri-La Asia Limited ("**Shangri-La**") are collaborating on a development located in Jinshui District. The site will yield a GFA of approximately 2.1 million square feet for development into office, residential and retail properties and a hotel. The project is scheduled to be completed in phases from 2023 onwards with pre-sales of the residential portion commenced in the second half of 2020. The Group holds a 55.00% interest in this project.

Tianjin

The Group has a 49.00% interest in this mixed-use project in the Hedong CBD. The site, with a GFA of approximately 5.1 million square feet, is planned to be developed in two phases. Phase I of the development has been completed and the construction of Phase II commenced in July 2020.

Kunming

The Group, together with Shangri-La, is developing two adjoining sites in Panlong District. The sites are designated for residential and hotel use, with a GFA of approximately 696,000 square feet. Pre-sale of the residential portion will commence in 2021. The Group holds a 55.00% interest in this project, which is slated for completion in 2023.

Nanchang

In Nanchang, the Group is developing a project through a joint venture with Shangri-La. This 80.00%-held project is situated on the west bank of the Ganjiang River in Honggutan Central District. The development includes office, residential and retail properties and a hotel. The hotel and residential portions of Phase I of the development have been completed. Phase II will deliver a GFA of approximately 640,000 square feet with basement excavation work in progress.

Shanghai

On 23 February 2021, the Group, together with GIC (Realty) Pte. Ltd., was awarded a mixed-use development site in Shanghai's Pudong New Area. The site has an area of approximately 711,000 square feet and, subject to planning and construction approvals, is expected to yield a GFA of approximately 4.2 million square feet, with approximately 484,000 square feet being assigned for residential use, approximately 269,000 square feet for offices, approximately 2.4 million square feet for retail purpose and approximately 1.0 million square feet for carparks and others. The Group holds a 40.00% interest in this mixed-use project, which will feature offices, residential offerings and a mega shopping complex.

Properties under development in the Mainland

As of 31 December 2020:

	Group's Attributable GFA Upon Completion#				
	Residential	**Office**	**Retail**	**Hotel**	**Total**
		('000 square feet)			
Wuhan	2,632	1,325	483	-	4,440
Fuzhou	2,033	685	800	-	3,518
Shenyang	1,995	461	482	-	2,938
Hangzhou	1,203	245	1,109	174	2,731
Qinhuangdao	1,819	-	77	-	1,896
Shenzhen	436	707	128	108	1,379
Zhengzhou	557	349	23	226	1,155
Tianjin	150	489	92	-	731
Nanchang	-	496	18	-	514
Kunming	125	-	-	258	383
Putian	-	-	21	200	221
Total	**10,950**	**4,757**	**3,233**	**966**	**19,906**

Note:
\# *Excluding Shanghai Pudong site which was awarded on 23 February 2021.*

HONG KONG PROPERTY DIVISION

During the year ended 31 December 2020, the Hong Kong Property Division recorded revenue of HK$4,571 million (2019: HK$6,286 million) and a gross profit of HK$2,342 million (2019: HK$3,333 million).

The Division's revenue for the year was mainly derived from recognised sales of completed residential properties at Mantin Heights, Mont Rouge and The Bloomsway.

The challenges of the pandemic were more pronounced in Hong Kong. Nevertheless, the Group posted a relatively stable sales performance despite slower activity in the luxury segment. Our investment portfolio also generated steady income streams across the residential and office segments. Results for the retail segment, on the other hand, were dampened by several waves of the pandemic and related social restriction measures.

INVESTMENT PROPERTIES

The rental performance of the Group's portfolio of residential, retail and office properties in Hong Kong remained stable and resilient in 2020. Revenue generated by our completed investment properties in Hong Kong totalled HK$1,307 million (2019: HK$1,275 million), producing a gross profit of HK$1,029 million for the year (2019: HK$999 million).

As the local economy was hit by several waves of COVID-19 infections and an unstable socio-political climate, the Group has taken proactive initiatives to support its tenants through challenging times. These included lease-restructuring arrangements, promotional programmes to boost retail footfall, and redoubled efforts to maintain a safe and hygienic environment for tenants.

The aggregate GFA of the completed investment property portfolio in Hong Kong amounted to 4.12 million square feet as of 31 December 2020 (2019: 4.20 million square feet). Set out below is a breakdown of the GFA and the respective occupancy rates, together with comparative figures:

	As of 31 December 2020		As of 31 December 2019	
	Group's attributable GFA *('000 square feet)*	**Occupancy rate**	Group's attributable GFA *('000 square feet)*	Occupancy rate
Residential	**871**	**83%**	871	81%
Retail	**1,213**	**100%**	1,224	100%
Office	**778**	**98%**	835	97%
Warehouse	**1,266**	**85%**	1,266	69%
	4,128		4,196	

Enterprise Square Five/MegaBox, Kowloon Bay

MegaBox, a retail mall at No. 38 Wang Chiu Road in Kowloon Bay, has a GFA of 1.1 million square feet. With a focus on local family consumers, MegaBox was able to maintain a stable performance amid the pandemic. As of 31 December 2020, this wholly owned project had an occupancy rate of 99.9% (2019: nearly 100%).

The mall's entertainment and F&B tenants were affected by several rounds of social gathering restrictions during the year. In view of this, MegaBox has worked with affected tenants to optimise their floor space usage through collaborative activities to generate footfall and consumption. For the longer term, the Group will explore options for aligning the mall's offerings with the future CBD2 development of Kowloon East.

The two Grade-A office towers of Enterprise Square Five, with a GFA of 519,000 square feet, recorded stable rental rates and were 97% leased as of 31 December 2020 (2019: 97%).

Kerry Centre, Quarry Bay

Kerry Centre, situated at No. 683 King's Road, Quarry Bay, is the Group's 40.00%-held flagship office property in Hong Kong. This office tower has a GFA of approximately 511,000 square feet. Benefiting from the trend of office decentralisation, Kerry Centre continues to record high occupancy rates and stable rentals. As of 31 December 2020, 100% of the office space was leased (2019: 100%).

Resiglow – Happy Valley

Resiglow – Happy Valley, the Group's wholly owned residential project, is located at No. 7A Shan Kwong Road, Happy Valley. It offers 106 units with a GFA of approximately 81,000 square feet. As of 31 December 2020, 88% of the units (2019: 87%) were leased.

Resiglow – Bonham, Sai Ying Pun

Resiglow – Bonham is situated at No. 8 Hing Hon Road, and has a GFA of approximately 68,000 square feet with 156 units. This wholly owned residential property was completed in 2019 with leasing commenced from August 2019. As of 31 December 2020, 75% of the units (2019: 59%) were leased.

SALES OF PROPERTIES

During the year, recognised sales of completed properties in Hong Kong contributed a revenue of HK$3,264 million (2019: HK$5,011 million) to the Group. A gross profit of HK$1,313 million (2019: HK$2,334 million) was generated, mainly from recognised sales of Mantin Heights, Mont Rouge and The Bloomsway.

The Hong Kong segment achieved contracted sales of HK$5,599 million during the year, which included HK$799 million from sales of non-core properties, exceeding the set target of HK$3,200 million. Out of the contracted sales of HK$5,599 million, approximately HK$3,200 million were unrecognised income available to be recognised in 2021 and subsequent years. The 2021 target of contracted sales in Hong Kong has been set at approximately HK$5,600 million, which is approximately 41% of the Group's total contracted sales target of HK$13,500 million.

Mantin Heights, Ho Man Tin

Mantin Heights, a residential project wholly owned by the Group, is situated at No. 28 Sheung Shing Street, Ho Man Tin. The project has a saleable area of approximately 992,000 square feet. As of 31 December 2020, 99.8% of the total of 1,429 units had been sold.

Mont Rouge, Beacon Hill

Mont Rouge, at No. 9 Lung Kui Road in Beacon Hill, has a saleable area of approximately 115,000 square feet. This wholly owned low-density residential project comprises two towers and 19 houses. As of 31 December 2020, 33% of the total 45 units had been sold.

The Bloomsway, So Kwun Wat

The Bloomsway is a wholly owned residential project at Nos. 18, 28 and 29 Tsing Ying Road, So Kwun Wat. This project has a saleable area of approximately 838,000 square feet. As of 31 December 2020, 99% of the total of 1,100 units had been sold.

10 LaSalle, Ho Man Tin

10 LaSalle, a wholly owned residential project, is located at No. 10 La Salle Road in Ho Man Tin, which is adjacent to the Group's another residential development, 8 LaSalle. With a saleable area of approximately 36,000 square feet, the project obtained its Certificate of Compliance in January 2021 with sales launched subsequently in February.

PROPERTIES UNDER DEVELOPMENT

Lung Kui Road, Beacon Hill

The site, at No. 3 Lung Kui Road and occupying an area of 235,000 square feet, will be developed into a low-density residential property with a buildable GFA of approximately 343,000 square feet. This wholly owned project lies adjacent to Mont Rouge and is scheduled to be completed in the first half of 2021.

THE SOUTHSIDE Package Two Property Development, Wong Chuk Hang

Together with Sino Land, the Group is co-developing THE SOUTHSIDE Package Two Property Development at 11 Heung Yip Road in Wong Chuk Hang. The Group holds a 50.00% stake in this residential project. Located on the south-western segment of the Wong Chuk Hang Station property development, it occupies an area of approximately 92,000 square feet and will provide about 600 residential units over a buildable GFA of approximately 493,000 square feet. The project is scheduled for completion in 2023.

THE SOUTHSIDE Package Four Property Development, Wong Chuk Hang

In 2019, a consortium comprising the Group, Sino Land and Swire Properties Limited was awarded the tender for THE SOUTHSIDE Package Four Property Development project at 11 Heung Yip Road in Wong Chuk Hang. Located on the south-eastern segment of the Wong Chuk Hang Station property development, this residential project is expected to offer a total of about 800 units over a buildable GFA of approximately 638,000 square feet. The Group holds a 50.00% interest in this project, which is scheduled for completion in 2025.

LOHAS Park Package Thirteen Property Development, Tseung Kwan O

On 30 October 2020, a consortium comprising the Group, Sino Land, K. Wah International Holdings Limited and China Merchants Land Limited won the tender for the LOHAS Park Package Thirteen Property Development at 1 Lohas Park Road in Tseung Kwan O. Fronting Tseung Kwan O Bay, the parcel of land is the last one on offer across the entire lot, and will be connected to The LOHAS mall. This residential project is the largest waterfront development atop LOHAS Park Station, and is planned to yield a total GFA of approximately 1.55 million square feet over an estimated provision of 2,550 units. The Group holds a 25.00% interest in this project, which is scheduled for completion in 2026.

Properties under development in Hong Kong

As of 31 December 2020:	**Group's attributable GFA upon completion ('000 square feet)**
Residential	1,295
	1,295

Macau

Development projects in Macau include a site at Nam Van Lake designated for luxury apartment development and a further residential project currently under discussion with the Macau SAR Government as regards the land exchange issue.

In May 2018, the Macau SAR Government gazetted the expiry of the land lease of the Nam Van Lake project for the reason of non-development. All appeals filed by the Group seeking to overturn the decision of the Chief Executive of Macau SAR in declaring the expiry of the land lease were dismissed by the relevant courts including the Court of Final Appeal of Macau SAR. In July 2019, the Group also filed with the Administrative Court of Macau SAR a petition against the Macau SAR Government claiming, inter alia, due compensation for damages and loss of profits caused. The case is still under judicial proceedings.

As for the land exchange project, the Group was notified by the Macau SAR Government in July 2019 that the project would be considered together with all the land debt cases in Macau. In April 2020, the Group was further informed by the Macau SAR Government that in order for the government to handle all the land debt cases together, they have commenced a study and assessment of the land identified for exchange.

OVERSEAS PROPERTY DIVISION

The Philippines

The Group maintains a portfolio of upscale properties in the Philippines. These investments are held through Shang Properties, Inc. ("**SPI**"), in which the Division maintains a 34.61% equity interest and a 30.75% interest in its depository receipts. SPI wholly owns the Shangri-La Plaza Mall, Manila, and holds a 70.04% interest in The Enterprise Center, which is an office and retail property in Makati, Manila's financial district. As of 31 December 2020, the occupancy rates of Shangri-La Plaza Mall and The Enterprise Center were 90% and 96% respectively (2019: 94% and 98%, respectively).

SPI holds a 60.00% interest in a hotel and luxury residential development in Fort Bonifacio, Taguig, Manila. The development includes a hotel with a total area of more than 850,000 square feet, residential units covering 593,000 square feet, and retail space with a total area of 47,400 square feet. All 94 units available for sale have been sold, while four units, including two penthouse units, are being retained for long-term investment. The hotel operations were also affected by the COVID-19 pandemic and recorded an average occupancy rate of 21% during the year (2019: 71%).

Apart from these completed projects, SPI currently has three major projects under development:

The first is being developed on a site of more than 116,000 square feet located in Malugay Street, Makati City. This project, The Rise, will have a GFA of approximately 1.63 million square feet, comprising 3,044 residential units and approximately 96,000 square feet of retail space. Sales of The Rise have met with a strong market response. As of 31 December 2020, excluding 25 units held for long-term investment, 97% of the total of 3,019 units had been sold.

SPI launched another project in 2018, located at Wack Wack Road, Mandaluyong City, with a site area of more than 36,000 square feet. This project, Shang Residences at Wack Wack, will have a GFA of approximately 860,000 square feet, comprising 404 residential units. Sales of this project were launched in September 2018, and as of 31 December 2020, excluding four units to be held for long-term investment, 50% of the total of 400 units had been reserved and sold.

SPI also has a 50.00% interest in a joint venture to develop a site of more than 98,000 square feet in Fort Bonifacio Global City, Manila. Pre-sale of this residential development, Aurelia, commenced in September 2019, and 53% of the total of 279 units had been reserved and sold as of 31 December 2020.

Sri Lanka

The Group and SPI have formed a joint venture, Shang Properties (Pvt) Ltd, in Sri Lanka, to develop a mixed-use project strategically located in the heart of Colombo, the country's commercial capital and largest city. The site is situated on a six-acre parcel of leased land on Sir James Peiris Mawatha overlooking Beira Lake. The Group holds an 80.00% stake, while SPI holds a 20.00% interest in the joint venture.

The project will be developed in two phases. Phase I will include a high-rise residential tower, and Phase II will comprise residential and retail components. The development will be complemented by an integrated podium featuring jogging tracks, a clubhouse fully equipped with swimming pools and other facilities, a garden, and car-parking floors.

The original plan was to develop the entire project over a period of eight to nine years. However, the development is being postponed owing to the incidents that occurred in Sri Lanka in April 2019 and the COVID-19 pandemic in 2020. The schedule of the project will be reviewed at the end of 2021.

Singapore

The Group and Allgreen Properties Limited ("**Allgreen**") have formed a joint venture in which the Group holds a 30.00% interest. The joint venture won a tender for a land parcel located at Pasir Ris Central on 22 March 2019. With an area of approximately 409,000 square feet, the site is planned for residential and retail uses.

This joint development aligns with the business strategies of the Group in building up a prime property portfolio and pursuing sound investment opportunities. In addition, the co-operation between the Group and Allgreen will provide a synergistic effect for both parties and will allow them to share their management and strategic expertise in the project.

Overseas Property Portfolio

As of 31 December 2020:	**Group's attributable GFA ('000 square feet)**
Investment properties	
Office	406
Retail	1,362
Residential	99
Sub-total	**1,867**
Hotel properties	
Hotel	335
Hotel lease	169
Sub-total	**504**
Properties under development	
Residential	1,941
Retail	116
Sub-total	**2,057**
Total	**4,428**

OUTLOOK

MAINLAND PROPERTY DIVISION

As one of the first countries to effectively manage the spread of COVID-19 Mainland China's overall economy was able to recover and grow from the second quarter onwards. The Group was able to record encouraging growth in its contracted sales in 2020, as well as achieve positive growth for our gross profit margins.

On development properties, we expect the Mainland's residential property demand to remain robust, especially in tier-one cities and provincial capital cities where the Group has a strong pipeline of stock for sale in the coming years. In particular, we look forward to the new launches in the second half of 2021 of our Kunming and Qinhuangdao Phase II projects, together with the ongoing sales of our projects in Fuzhou, Qianhai, Shenyang and Zhengzhou.

Our investment properties performed reasonably well in 2020. Our revenue remained stable and we were able to maintain high gross profit margins. As the COVID-19 cases were increasingly brought under control, we saw foot traffic and retail sales growing to pre-COVID levels for our assets especially in key cities in the second half of 2020. We are cautiously optimistic that our office and retail leasing business will continue to be in demand as the country continues to grow through higher investments and growing domestic demand for goods and services.

As domestic travel restrictions eased across Mainland cities, business and leisure travelers supported the rebound of the Group's hotel operations. Specifically, we saw the second half and December 2020 record higher occupancies, while banqueting and conferencing revenues increased to encouraging levels. The Group is confident in this sector's long-term growth prospects, and as borders open, we look ahead to our growth trajectory continuing its steady path.

The Group has a number of projects in the pipeline that will eventually grow our recurring income base. Qianhai Kerry Centre Phase I is now handing over office and retail units to tenants, and we are pleased with the growing leasing demand and occupancy. In Wuhan, we have taken possession of our mixed-use site, and have commenced early stage construction works with good support from the local government. In Hangzhou, we are looking forward to infuse new elements into our mixed-use site that would include heritage preservation and district revitalisation elements.

In terms of land banking, our strategy is to continue to invest in and develop mixed-use developments by deep rooting in our core cities in Beijing, Shanghai, Hangzhou, and the Greater Bay Area. We see this as a key driver to add to our solid recurrent income pipeline to support our sustainable dividend policy. We will achieve this in part with the cash flow from our development property sales, and the strategic disposal of non-core assets to support capital recycling into new projects with higher growth prospects.

In line with our land banking strategy, in February of this year, the Group partnered with GIC (Realty) Pte. Ltd to win a site in Shanghai's Pudong New Area. With its prime location, and central accessibility by public and private transportation, Kerry Properties is confident of the site's strong development potential and we look forward to our first partnership with GIC. Shanghai is one of our key markets, and we expect the Jinqiao project to further fortify Kerry Properties' strategic focus in the city.

HONG KONG PROPERTY DIVISION

The Hong Kong division enjoyed strong contracted sales in 2020 despite the challenging environment, while its investment properties portfolio demonstrated its resiliency by recording an increase in revenue, gross profit, and gross profit margins. As the vaccine roll-out continues, we are cautiously optimistic that the pace of recovery and growth will improve.

Hong Kong's development properties will have a busy year with the launch of three new and diversified projects – our single tower project in Ho Man Tin, 10 LaSalle; Phase II of our Beacon Hill ultra-luxury residential project, 3 Lung Kui Road, and our MTR-station JV project, THE SOUTHSIDE Package Two Property Development in Wong Chuk Hang. This is in addition to the ongoing sales of Mont Rouge, Mantin Heights and The Bloomsway. On this basis, we are cautiously optimistic for the year ahead, keeping in view the progress of the eventual border re-opening with the Mainland and improved business sentiment.

Investment properties in Hong Kong have provided steady results over the years, and in the coming year, we expect our office buildings in Quarry Bay and Kowloon East to provide stable returns. Similarly, MegaBox in Kowloon East has weathered the pandemic relatively well, given our mid-tier focus on consumer staples and popular anchor stores such as Aeon and Ikea, and we see this formula remaining resilient. Our luxury residential portfolio should see an improvement in occupancy as travel restrictions eventually ease, and global vaccine programmes continue.

In terms of land banking, the Hong Kong division will continue to proactively grow our land bank through both single and joint-venture land bids, while diversifying our project mix. Our successful bids for two attractive sea-view sites atop the Wong Chuk Hang MTR station anchors our mid-tier offering, while our winning bid for the waterfront LOHAS Park site will add a high-volume mass market position to our portfolio.

To support our land banking strategy in Hong Kong, the Group continues to review and divest its non-core asset disposals. Looking ahead, we remain confident in Hong Kong's long-term prospects, and towards actively participating in its residential property market and selective commercial development opportunities.

FINANCIAL REVIEW

The Group has centralized funding for all its operations. This policy achieves better control of treasury operations and lower average cost of funds.

The Group closely reviews and monitors its foreign exchange exposure. As of 31 December 2020, total foreign currency borrowings (excluding RMB bank loans) amounted to the equivalence of HK$6,002 million and RMB bank loans amounted to the equivalence of HK$7,106 million. Therefore, non-RMB total foreign currency borrowings and RMB bank loans represented approximately 13% and 16% respectively, of the Group's total borrowings of HK$44,534 million as of 31 December 2020.

The non-RMB total foreign currency borrowings of HK$6,002 million include US$300 million Fixed Rate Bonds (net of direct issue costs), JPY8,000 million bank loan and approximately AUD516 million bank loans. The Group has arranged cross currency swap contracts amounting to US$297 million, JPY8,000 million and approximately AUD516 million to hedge the exchange rate exposure between United States dollars and Hong Kong dollars, between Japanese Yen and Hong Kong dollars and between Australian dollars and Hong Kong dollars, respectively.

Out of the Group's total borrowings as of 31 December 2020, HK$6,912 million (representing approximately 15%) was repayable within one year, HK$8,998 million (representing approximately 20%) was repayable in the second year, HK$25,229 million (representing approximately 57%) was repayable in the third to fifth years and HK$3,395 million (representing approximately 8%) was repayable over five years. The Group continued to maintain most of its borrowings on an unsecured basis, with unsecured debt accounting for 100% of total borrowings as of 31 December 2020. The Group will continue to obtain financing on an unsecured basis whenever possible, and supplement such borrowings with secured project financing as and when the need arises.

As of 31 December 2020, the gearing ratio for the Group was 25.1% (2019: 26.8%), calculated based on net debt of HK$27,539 million and shareholders' equity of HK$109,873 million.

As of 31 December 2020, the Group had outstanding interest rate swap contracts which amounted to HK$2,500 million in total, enabling the Group to hedge its interest rate exposure and to have a more stable interest rate profile.

Despite the impact on leasing and hotel operations during the year amid the impact of COVID-19, the Group's financial resources remained strong. As of 31 December 2020, the Group had total undrawn bank loan facilities of HK$16,131 million and cash and bank deposits of HK$16,995 million. The Group's investment portfolio and hotel operations will continue to contribute strong recurrent cashflows to support its solid financial position, while providing opportunities for the Group to reap the benefits of asset value gains from the investment properties it holds as and when they arise.

Details of contingent liabilities and pledge of assets are set out in notes 10 and 11 to the financial statements of the Group included in this announcement.

REVIEW OF FINAL RESULTS

The financial information and the related notes in respect of this results announcement of the Group's results for the year ended 31 December 2020 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor on this results announcement.

STAFF

As at 31 December 2020, the Company and its subsidiaries had approximately 7,800 employees. Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis. Other employee benefits include provident fund, insurance, medical cover, subsidised educational and training programmes as well as share option schemes.

SHARE OPTIONS

On 20 May 2020, the Shareholders approved the adoption of a new share option scheme (the "**2020 Scheme**") and the termination of a share option scheme adopted in 2011 (the "**2011 Scheme**") to the effect that no further share options of the Company (the "**Share Options**") shall be offered under the 2011 Scheme but the Share Options which had been granted during the life of the 2011 Scheme shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects.

The 2020 Scheme is designed to motivate executives and key employees and other persons who may make a contribution to the Group, and enables the Group to attract and retain individuals with experience and ability and to reward them for their contributions. No Share Option was granted under the 2020 Scheme since its adoption.

As at 31 December 2020, options to subscribe for a total of 18,953,500 Share Options were still outstanding under the 2011 Scheme.

CORPORATE GOVERNANCE

During the financial year ended 31 December 2020, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2021 ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Thursday, 27 May 2021 at 2:30 p.m. (the "**2021 AGM**") at Atrium Room, Level 39, Island Shangri-La Hotel, Pacific Place, Supreme Court Road, Central, Hong Kong.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members of the Company (the "**Registers of Members**") will be closed from Monday, 24 May 2021 to Thursday, 27 May 2021, both days inclusive, for the purpose of determining Shareholders' eligibility to attend and vote at the 2021 AGM and during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the 2021 AGM, all transfers accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 21 May 2021.

The Registers of Members will also be closed on Wednesday, 2 June 2021 for the purpose of determining Shareholders' entitlement to the Final Dividend and no transfer of shares will be effected on that date. In order to qualify for the Final Dividend, all transfers accompanied by the relevant share certificates must be lodged for registration with Tricor Abacus Limited at the above address not later than 4:30 p.m. on Tuesday, 1 June 2021. The Final Dividend is payable on Friday, 11 June 2021 to Shareholders whose names appear on the Registers of Members on Wednesday, 2 June 2021.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

By Order of the Board
Wong Siu Kong
Chairman

Hong Kong, 18 March 2021

As at the date of this announcement, the Directors of the Company are:

Executive Directors:	*Messrs. Wong Siu Kong, Kuok Khoon Hua, Bryan Pallop Gaw and Wong Chi Kong, Louis*
Independent Non-executive Directors:	*Ms. Wong Yu Pok, Marina, JP, Mr. Chang Tso Tung, Stephen and Mr. Hui Chun Yue, David*