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恒隆地產有限公司
**HANG LUNG PROPERTIES LIMITED**

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00101)

# 2020 INTERIM RESULTS

# CONTENTS

# FINANCIAL HIGHLIGHTS

*in HK$ Million (unless otherwise stated)*

## RESULTS

*For the six months ended June 30*

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | **Property Leasing** | **Property Sales** | **Total** | Property Leasing | Property Sales | Total |
| **Revenue** | **4,184** | - | **4,184** | 4,204 | - | 4,204 |
| Mainland China | **2,277** | - | **2,277** | 2,190 | - | 2,190 |
| Hong Kong | **1,907** | - | **1,907** | 2,014 | - | 2,014 |
| **Operating profit** | **3,045** | **(4)** | **3,041** | 3,217 | - | 3,217 |
| Mainland China | **1,480** | **(2)** | **1,478** | 1,487 | - | 1,487 |
| Hong Kong | **1,565** | **(2)** | **1,563** | 1,730 | - | 1,730 |
| **Underlying net profit attributable to shareholders** | **1,993** | **(4)** | **1,989** | 2,229 | - | 2,229 |
| Net (decrease)/increase in fair value of properties attributable to shareholders | **(4,526)** | - | **(4,526)** | 1,287 | - | 1,287 |
| **Net (loss)/profit attributable to shareholders** | **(2,533)** | **(4)** | **(2,537)** | 3,516 | - | 3,516 |

| | **At June 30, 2020** | At December 31, 2019 |
|---|---|---|
| **Shareholders' equity** | **131,820** | 138,669 |
| **Net assets attributable to shareholders per share (HK$)** | **$29.3** | $30.8 |

## Earnings and Dividend (HK$)

| | **2020** | 2019 |
|---|---|---|
| **(Loss)/earnings per share** | | |
| - based on underlying net profit attributable to shareholders | **$0.44** | $0.50 |
| - based on net (loss)/profit attributable to shareholders | **($0.56)** | $0.78 |
| **Interim dividend per share** | **$0.17** | $0.17 |

## Financial ratio

| | **At June 30, 2020** | At December 31, 2019 |
|---|---|---|
| **Net debt to equity ratio** | **20.8%** | 17.8% |
| **Debt to equity ratio** | **23.1%** | 20.1% |

# REVIEW OF OPERATIONS

## CONSOLIDATED RESULTS

Total revenue of Hang Lung Properties Limited (the Company) and its subsidiaries (collectively known as "Hang Lung Properties") for the six months ended June 30, 2020 stayed flat at HK$4,184 million, and operating profit decreased 5% to HK$3,041 million, mainly attributable to the adverse effects brought on by the outbreak of the novel coronavirus disease (COVID-19). The remarkable performance of our Mainland operations was mitigated by a 4.5% Renminbi (RMB) depreciation against the Hong Kong Dollar (HKD) over the corresponding period of last year. No property sales revenue was recognized during the first half year in 2020, as was the case for 2019.

Underlying net profit attributable to shareholders fell 11% to HK$1,989 million. Underlying earnings per share decreased correspondingly to HK$0.44.

After taking into account the net revaluation loss of properties attributable to shareholders of HK$4,526 million, Hang Lung Properties reported a net loss attributable to shareholders of HK$2,537 million (2019: net profit of HK$3,516 million). The loss per share was HK$0.56 (2019: earnings per share of HK$0.78).

***Revenue and Operating Profit for the Six Months Ended June 30***

| | Revenue | | | Operating Profit | | |
|---|---|---|---|---|---|---|
| | **2020** | 2019 | Change | **2020** | 2019 | Change |
| | **HK$ Million** | HK$ Million | | **HK$ Million** | HK$ Million | |
| **Property Leasing** | **4,184** | 4,204 | - | **3,045** | 3,217 | -5% |
| Mainland China | **2,277** | 2,190 | 4% | **1,480** | 1,487 | - |
| Hong Kong | **1,907** | 2,014 | -5% | **1,565** | 1,730 | -10% |
| **Property Sales** | **-** | **-** | - | **(4)** | **-** | N/A |
| **Total** | **4,184** | 4,204 | - | **3,041** | 3,217 | -5% |

## DIVIDEND

The Board of Directors has declared an interim dividend of HK17 cents per share for 2020 (2019: HK17 cents) to be paid by cash on September 29, 2020, to shareholders whose names appeared on the register of members on September 16, 2020.

## PROPERTY LEASING

Hong Kong leasing revenue fell by 5% period-on-period, reflecting the dual impact of the COVID-19 pandemic and social unrest. Steps were taken to alleviate the extreme pressure on tenants' businesses, including the provision of rent relief and other supporting measures. While facing primarily the COVID-19 challenges in the early part of the year, Mainland businesses recovered swiftly and sharply starting from April onwards, resulting in the growth of 9% in RMB terms and 4% in HKD terms.

The overall leasing performance of Hang Lung Properties for the first half of 2020 stayed flat at HK$4,184 million.

A donation of RMB10 million was made to establish a relief fund in support of measures to stem the spread of COVID-19 on the Mainland and in Hong Kong.

### Mainland China

In the first six months of 2020, leasing revenue of the Mainland portfolio rose by 9% to RMB2,062 million while retail sales grew by 6%. Such growth was partly contributed by new leasing properties which commenced business in the third quarter of 2019, namely Kunming Spring City 66, Office Tower 2 at Wuxi Center 66 and Conrad Shenyang at Shenyang Forum 66. Excluding the income from these new properties, leasing revenue still increased by 3% as compared to the first half of last year despite the impact of COVID-19. This set of performance was remarkable in the face of the pandemic.

Retail sales at Shanghai Plaza 66, Shanghai Grand Gateway 66 and Wuxi Center 66 recorded growth in the range of 7% to 17%, with corresponding increase of 6% to 15% in rental revenue, reflecting the strength of their luxury content.

As COVID-19 in mainland China subsided, luxury sales rebounded significantly starting from April, reflecting the pent-up demand that was also fueled by reshoring of spending in this sector. Major luxury brands did their part with product innovation, redistribution of merchandise and targeted promotions on omni-channels. On the other hand, the recovery among other retail properties carrying lighter luxury contents, has been modest, reflecting a much more prudent approach on the part of both government and business towards resumption of normal life. These retail properties presented negative growth primarily due to the sales loss during lock-down.

The office portfolio on the Mainland was less affected by COVID-19, which reflected the tenacity of high quality tenants and the high standard of hygiene and sanitation maintained by our property management. Occupancy receded in Wuxi Center 66 Office Tower 1, which was more than compensated by the new tenancies added to the new Office Tower 2 of the same project. Office leasing at the new Kunming Spring City 66 office tower progressed well. Therefore the office portfolio enjoyed a 2% growth in revenue in the first half of 2020.

Overall operating profit for the Mainland portfolio grew by 4% while the average rental margin was 65%.

***Mainland China Property Leasing Portfolio for the Six Months Ended June 30***

| **City and Name of Property** | **Revenue** (RMB Million) | | | **Occupancy Rate** * | |
|---|---|---|---|---|---|
| | **2020** | 2019 | Change | Mall | Office |
| Shanghai Plaza 66 | **861** | 827 | 4% | 95% | 91% |
| Shanghai Grand Gateway 66 | **453** | 394 | 15% | 94% | N/A |
| Shenyang Palace 66 | **85** | 95 | -11% | 83% | N/A |
| Shenyang Forum 66 # | **127** | 113 | 12% | 83% | 88% |
| Jinan Parc 66 | **148** | 158 | -6% | 92% | N/A |
| Wuxi Center 66 # | **154** | 140 | 10% | 92% | 64% |
| Tianjin Riverside 66 | **80** | 93 | -14% | 84% | N/A |
| Dalian Olympia 66 | **67** | 74 | -9% | 80% | N/A |
| Kunming Spring City 66 # | **87** | - | N/A | 84% | 22% |
| **Total** | **2,062** | 1,894 | 9% | | |
| *Total in HK$ Million equivalent* | ***2,277*** | *2,190* | *4%* | | |

* All occupancy rates stated herein were as of June 30, 2020.

# New properties opened in the second half of 2019: Conrad Shenyang at Shenyang Forum 66, Office Tower 2 at Wuxi Center 66, and the mall and office tower at Kunming Spring City 66.

- *Malls*

With the addition of the new mall in Kunming, which opened in August 2019, to our eight existing malls in mainland China, our portfolio collected 9% more revenue at RMB1,618 million, while the revenue of the eight existing malls grew by 4% period-on-period.

The Shanghai **Plaza 66** mall collected 9% more in rents despite rent relief offered during the height of COVID-19 and the transitional voids to accommodate brand expansions and relocations. Firmly positioned as the Home to Luxury and leveraging on HOUSE 66, our nationwide customer relationship management (CRM) program, the mall recorded the strongest rebound from the COVID-19 pandemic among Mainland malls. It benefitted from pent-up demand and, more specifically, the repatriation of luxury spending. Retail sales rose by 17% for the six months of the reporting period despite business interruptions during the outbreak. We will continue to cultivate customer loyalty and drive tenant sales by taking advantage of the upward trend in local luxury spending.

The Shanghai **Grand Gateway 66** mall delivered remarkable results with revenue jumping 15% to RMB453 million, as the benefits of its Asset Enhancement Initiatives (AEI) began to flow through. The basement was reopened in June 2019, followed by the opening of the main atrium of the South Building to a strong collection of luxury brands in December 2019. The North Building, housing a trendy mix of lifestyle brands and a refurbished cinema, complimented the much-enhanced luxury offering in the South Building. Together, they have turned the mall into a popular hub for young and affluent customers. The second phase of the renovation covering the upper floors of the South Building is scheduled for completion in the third quarter of 2020. Total retail sales have seen a strong recovery in the post-COVID-19, exceeding the first half of last year by 7%. It is worth noting that there was a strong recovery in the second quarter with a 41% increase compared to the same period last year.

The Shenyang **Palace 66** mall was deeply affected by the postponement of new store openings and the closure of some stores under local government directives amidst COVID-19. Revenue fell by 11% to RMB85 million. With the resumption of business by over 96% of stores as of June 2020, shopping sentiment has recovered modestly but daily footfall has yet to return to pre-pandemic levels. The mall business was also affected by extensive public roadworks along the pedestrianized zone during the reporting period. As a result, retail sales dropped by 34% period-on-period. Occupancy fell by eight points to 83%. In spite of these challenges, Palace 66 launched an array of sales-driven promotional campaigns to boost retail sales and footfall riding on the back of its 10th Anniversary in June.

The Shenyang **Forum 66** mall was likewise negatively impacted by the pandemic and witnessed a drop in footfall, overall sales and revenue in the first half of the reporting year. Both retail sales and revenue retreated 14%. However, sales in luxury segment rebounded strongly in May and June. The nationwide CRM program HOUSE 66 will also be launched in August to provide bespoke service to our Very Important Customers (VICs) and capture high-level spending and loyalty.

Revenue at the Jinan **Parc 66** mall declined by 6% period-on-period to RMB148 million, again due to the impact of COVID-19. Retail sales fell by 34% period-on-period but are beginning to see the first signs of recovery as a result of strong marketing efforts and the engagement of the HOUSE 66 program.

The Wuxi **Center 66** mall is fast establishing itself as the center of luxury in the city. As the trade mix continued to improve, the mall recorded a 6% growth in revenue. Higher base and turnover rent from luxury brands were more than compensated for the impact of COVID-19. The HOUSE 66 program, launched in 2019, played its part in driving solid and sustainable growth in luxury sales. Retail sales advanced by 13%, most notably in the second quarter which saw a leap of 50% against the corresponding period of last year, as the mall recovered strongly from the outbreak.

The Tianjin **Riverside 66** mall did not fare as well in the first half, as it was subject to a government-ordered shutdown for disease prevention, for five weeks between February and March. Revenue decreased by 14% period-on-period to RMB80 million. As a result of the business closure, retail sales dropped by 40%. The mall has been collaborating with tenants since its reopening and is on the road to recovery.

The Dalian **Olympia 66** mall was also not spared from the wrath of COVID-19. It offered rent relief to tenants and revenue fell by 9% to RMB67 million. On a brighter note, Olympia 66 has secured a strong line-up of luxury brands and several of them started to take possession in the second quarter, paving the way for the arrival of a very attractive cluster over the rest of the year and into 2021. During the reporting period, retail sales retreated 27% but have been showing a healthy rebound since the second quarter. The HOUSE 66 program was successfully launched in June 2020.

The Kunming **Spring City 66** mall is preparing for the planned arrival of a line-up of new luxury brands throughout the summer. The mall collected RMB74 million in rents during the reporting period. Retail performance of key luxury brands led a rebound to pre-pandemic levels, while sales in other trades also showed upward momentum.

- *Offices*

During the reporting period, our six office towers in four cities recorded a revenue growth of 2%

to RMB422 million, driven by the new income contribution from the second office tower at Wuxi Center 66 and the office tower at Kunming Spring City 66, both of which commenced operations in the third quarter of 2019. Revenue from existing office towers retreated mildly by 3% as leasing activities remained subdue in the wake of the COVID-19 pandemic.

Income from the two office towers at Shanghai **Plaza 66** fell by 4% period-on-period. While a handful of smaller tenants gave up space amidst COVID-19, larger international groups in the fashion and professional service sectors continued to use the opportunity to expand under one roof at this desirable address, enhancing the overall quality of our tenant portfolio. By and large, Plaza 66 was able to retain its long-term tenants on the strength of quality services and facilities. Income is expected to stabilize once the pandemic-related transitional adjustments are settled.

Revenue from the office tower at Shenyang **Forum 66** dropped by 1% period-on-period. The period-end occupancy rate fell slightly by one point to 88% as a small number of tenants reacted to the impact of the pandemic by downsizing.

With tenants gradually taking occupancy at the new Office Tower 2 at Wuxi **Center 66**, total income from the two towers increased by 18% in the first half of 2020. The new lettings and occupancy of Office Tower 2 more than compensated the minor retreat in Office Tower 1 due, again, to the effects of the pandemic. The absorption rate of Office Tower 2 was satisfactory with occupancy reaching 33% as of June 30, 2020. It successfully captured demand from the insurance and technology sectors as well as industries from the new economy.

The office tower at Kunming **Spring City 66** collected rental revenue of RMB13 million for the first half of 2020. The occupancy rate was 22% at period-end. With the advantage of prime location and premium facilities, the office tower attracted renowned tenants from fast growing industries in Southwest China, including insurance, banking, finance, e-commerce and pharmaceutical.

- *Hotel*

Conrad Shenyang, opened in September 2019, contributed revenue of RMB22 million for the reporting period. Both room sales and the food and beverage business were significantly hampered by the COVID-19 pandemic. Revenue was gradually recovering in May as the restaurants were reopened and business and leisure travels started to resume. The pace of recovery would depend on the stability of disease control measures on a nationwide scale.

**Hong Kong**

The Hong Kong economy was hit hard by the COVID-19 pandemic and social unrest, our portfolio unavoidably felt the impact. Revenue fell by 5% to HK$1,907 million while operating profit dropped by 10% to HK$1,565 million. Rental margin was at 82%.

The more tourist-oriented trades with street frontage in Fashion Walk Causeway Bay and Mongkok were the worst hit within the portfolio, both in terms of tenant sales and rental revenue, while community malls like Kornhill Plaza and Amoy Plaza were more resilient.

The office sector also faced challenges with a decline in business for the semi-retail trades and food and beverage tenants, a decrease of patients at medical clinics, and extensive shut-down of education centers, gyms and beauty services, some by government order.

***Hong Kong Property Leasing Portfolio for the Six Months Ended June 30***

| | **Revenue** (HK$ Million) | | | **Occupancy Rate*** |
|---|---|---|---|---|
| | **2020** | 2019 | Change | |
| Commercial | **1,133** | 1,198 | -5% | 97% |
| Office and Industrial / Offices | **635** | 655 | -3% | 90% |
| Residential & Serviced Apartments | **139** | 161 | -14% | 58% |
| **Total** | **1,907** | 2,014 | -5% | |

* All occupancy rates stated herein were as of June 30, 2020.

- *Commercial*

Revenue from our Hong Kong commercial portfolio decreased by 5% period-on-period to HK$1,133 million. The overall occupancy rate increased one point to 97%.

The **Causeway Bay portfolio** was the hardest hit due to the significant decrease in tourists and associated retail spending. Revenue from this portfolio dropped by 13% to HK$281 million period-on-period, with the occupancy rate declining seven points to 92%.

Our Mongkok portfolio was severely affected as well, given its exposure to tourism related businesses. Revenue at **Grand Plaza** and **Gala Place in Mongkok** decreased by 9% during the period. Both properties remained fully let at the reporting date.

**Kornhill Plaza in Hong Kong East** and **Amoy Plaza in Kowloon East**, our community malls, were less affected. Revenue at Kornhill Plaza increased by 1% while revenue at Amoy Plaza retreated moderately at 5%. In contrast to other trades, our mega department store AEON STYLE at Kornhill Plaza continued to perform well, reflecting its strong positioning even under adverse market conditions.

**Peak Galleria** was reopened in the second half of 2019 after the completion of a two-year extensive AEI. Despite reopening at a challenging time, the occupancy rate of the mall reached 89% by the end of the reporting period.

- *Offices*

The Hong Kong office portfolio was also directly affected by COVID-19. Its revenue dropped by 3% period-on-period to HK$635 million. The overall occupancy rate fell by two points to 90%. Our offices in Central were more resilient and collected 4% more rents during the reporting period mainly due to positive rental reversions and stable occupancy. Revenue from the Mongkok and Causeway Bay portfolios, which have a heavy mix of medical and semi-retail uses, decreased by 5% and 10% respectively as a result of lower occupancy and rent relief granted. Hong Kong office rental accounted for 33% of total leasing income in Hong Kong.

- *Residential and Serviced Apartments*

Revenue from the apartments shrank by 14% period-on-period to HK$139 million, mainly due to lower occupancy at Kornhill Apartments and The Summit.

## PROPERTY SALES

During the first six months, the last unit (duplex) of The Long Beach was sold. As the sale will be recognized upon completion of legal assignment later this year, no revenue or profit in respect of the transaction was recorded in the first half of 2020.

## PROPERTY REVALUATION

The total value of our investment properties and investment properties under development amounted to HK$180,865 million as of June 30, 2020, comprising the value of the Hong Kong portfolio and the mainland China portfolio standing at HK$62,849 million and HK$118,016 million, respectively. These properties were revalued by Savills, an independent valuer, as of June 30, 2020.

A revaluation loss of HK$4,642 million (2019: gain of HK$1,438 million) was recorded, representing a 2% decrease in valuation compared to the value as of December 31, 2019.

The mainland China portfolio recorded a loss of HK$2,307 million (2019: HK$362 million), mainly reflecting the drop in market rents during the period. Although the performance of our Mainland leasing portfolio has been demonstrating a healthy recovery since the second quarter, tenants remained cautious about capital expenditures on expansions and rental reversions on lease renewals, particularly for the office tenants.

The Hong Kong portfolio had a revaluation loss of HK$2,335 million (2019: gain of HK$1,800 million). The decrease in appraised value of our investment properties in Hong Kong reflected the drop in market rents and weakened consumer spending as a result of the pandemic and in the aftermath of social unrest.

As our investment properties are held as long-term investments for stable and recurring income and the revaluation loss is non-cash in nature, there will be no material effect on the operating cash flow and dividend distribution capability.

# PROPERTY DEVELOPMENT AND CAPITAL COMMITMENT

The aggregated values of development projects in investment properties for leasing and properties for sale were HK$26,441 million and HK$5,389 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 investment properties amounted to HK$24 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 works were suspended after the COVID-19 outbreak in January, but have resumed since April 2020. The completion of the mall and the office tower will be around the last quarter of 2020. Construction of the three residential towers has commenced 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 108,982 square meters. The master layout plan of the project has been approved and excavation works commenced in 2019. The project is expected to reach completion from 2023 onwards.

The remaining development at Kunming **Spring City 66** comprises a five-star hotel and luxury apartments. The planning permit was obtained in May 2020. Project completion is planned for 2023.

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

The master layout plan of the remaining phases of Shenyang **Forum 66**, consisting of offices, apartments and a retail podium with a total gross floor area of 502,660 square meters, was approved in April 2020. Construction works will commence, in phases, beginning the second half of 2020.

**Hong Kong**

In 2019, joining hands with our parent company, Hang Lung Group Limited, we commenced a redevelopment 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 lower floors. Construction works have been started and the project is expected to complete in 2022.

The former Amoycan Industrial Centre in Ngau Tau Kok, close to MTR Kowloon Bay Station and the future East Kowloon Cultural Centre, will be redeveloped into residential units for sale with a total gross floor area of 155,000 square feet, and some commercial areas on the podium floors. Construction works are progressing well and 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 business expansions. We also strive to establish multiple channels of debt financing for risk mitigation purposes. 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 regularly reviewed to ensure that we have a good degree of financial flexibility and liquidity while optimizing net financial costs.

As of June 30, 2020, total cash and bank balances amounted to HK$3,190 million (December 31, 2019: HK$3,306 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 of June 30, 2020, total borrowings amounted to HK$32,582 million (December 31, 2019: HK$29,673 million), of which about 36% was denominated in RMB. The higher debt balance against the previous year-end was due to construction payments for the various projects under development in mainland China and Hong Kong.

During the period, Hang Lung Properties entered into a number of interest rate swap contracts swapping a total of HK$4.5 billion floating rate borrowings to fixed rate with the objectives of mitigating interest rate volatility risks and optimizing interest costs. Additional Medium Term Notes of HK$4.0 billion has also been issued in the first half of 2020, of which HK$1.2 billion were issued as green bonds under our Green Finance Framework established in 2019 as part of our ESG (environmental, social and governance) initiatives. As a result, fixed rate borrowings accounted for 66% of our total borrowings as of June 30, 2020.

The composition of our debt portfolio can be categorized as follows:

i) by currency (after currency swap):

| | **At June 30, 2020** | | At December 31, 2019 | |
|---|---|---|---|---|
| | **HK$ Million** | *% of Total* | HK$ Million | *% of Total* |
| Denominated in: | | | | |
| HKD | **20,847** | *64%* | 18,116 | *61%* |
| RMB | **11,735** | *36%* | 11,557 | *39%* |
| Total borrowings | **32,582** | *100%* | 29,673 | *100%* |

ii) by fixed or floating interest (after interest rate swap):

| | **At June 30, 2020** | | At December 31, 2019 | |
|---|---|---|---|---|
| | **HK$ Million** | *% of Total* | HK$ Million | *% of Total* |
| Fixed | **21,464** | *66%* | 13,466 | *45%* |
| Floating | **11,118** | *34%* | 16,207 | *55%* |
| Total borrowings | **32,582** | *100%* | 29,673 | *100%* |

At the reporting date, the average tenure of the entire loan portfolio was 3.0 years (December 31, 2019: 2.9 years). The maturity profile was well staggered and spread over a period of over 10 years. Around 57% of the loans were repayable after 2 years.

| | **At June 30, 2020** | | At December 31, 2019 | |
|---|---|---|---|---|
| | **HK$ Million** | *% of Total* | HK$ Million | *% of Total* |
| Repayable: | | | | |
| Within 1 year | **6,344** | *19%* | 2,694 | *9%* |
| After 1 but within 2 years | **7,743** | *24%* | 7,235 | *25%* |
| After 2 but within 5 years | **15,277** | *47%* | 18,172 | *61%* |
| Over 5 years | **3,218** | *10%* | 1,572 | *5%* |
| Total borrowings | **32,582** | *100%* | 29,673 | *100%* |

As of June 30, 2020, total undrawn committed banking facilities amounted to HK$11,129 million (December 31, 2019: HK$9,399 million). The available balances of the USD4 billion (December 31, 2019: USD3 billion) Medium Term Note Program amounted to USD1,941 million, equivalent to HK$15,044 million in total (December 31, 2019: HK$10,965 million).

- *Gearing Ratios & Interest Cover*

As of June 30, 2020, the net debt balance amounted to HK$29,392 million (December 31, 2019: HK$26,367 million). Net debt to equity ratio was 20.8% (December 31, 2019: 17.8%) and debt to equity ratio was 23.1% (December 31, 2019: 20.1%).

For the six months ended June 30, 2020, gross amount of finance costs decreased by 5% to HK$719 million. The net amount charged to the statement of profit or loss for the first half of 2020 increased to HK$53 million due to a reduction in finance costs being capitalized to projects under development after the completion and opening of a few new properties during 2019.

Interest income for the period decreased 68% to HK$31 million. The decrease was mainly the result of the utilization of surplus cash to meet construction payments.

For the first six months of 2020, the amount of finance costs in excess of interest income, i.e. net interest expense, was HK$22 million (2019: net interest income of HK$88 million). The average effective cost of borrowings for the period was lowered to 4.6% (2019: 4.8%).

Interest cover for the first six months of 2020 was 4 times (2019: 4 times).

- *Foreign Exchange Management*

Our business activities are exposed to foreign exchange risks, mainly arising from normal 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 June 30, 2020** | | At December 31, 2019 | |
|---|---|---|---|---|
| | **HK$ Million** | *% of Total* | HK$ Million | *% of Total* |
| Denominated in: | | | | |
| HKD | **2,105** | *66%* | 2,056 | *62%* |
| RMB | **985** | *31%* | 1,150 | *35%* |
| USD | **100** | *3%* | 100 | *3%* |
| Total cash and bank balances | **3,190** | *100%* | 3,306 | *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 June 30, 2020, net assets denominated in RMB accounted for about 64% of our total net assets. As the RMB has depreciated by about 1.9% against the HKD compared to December 31, 2019, 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$1,897 million (2019: HK$402 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 change of circumstances.

(b) USD Exposure

The USD foreign exchange exposure is related to the two USD500 million fixed rate bonds issued, equivalent to HK$7,751 million at the reporting date. The related currency exchange risk was covered back-to-back by two USD/HKD cross currency swap contracts.

- *Charge of Assets*

Assets of Hang Lung Properties were not charged to any third parties as of June 30, 2020.

- *Contingent Liabilities*

Hang Lung Properties did not have any material contingent liabilities as of June 30, 2020.

## OUTLOOK

Our performance in the second half of 2020 will depend on the retail sales recovery on the Mainland, particularly in the lifestyle sector given the luxury sector proved to recover much faster than expected as well as the socio-economic stability in Hong Kong.

Our Mainland properties are expected to fully recover by the end of third quarter and will continue to deliver solid organic growth. Properties commencing business in 2019 will show their full year effect in 2020. On the marketing side, the gradual maturity of the portfolio-wide CRM program HOUSE 66 and the deployment of a variety of digital social platforms will complement the rise in our malls' luxury offering. By strengthening the Hang Lung branded experience and delivering tailor-made services to customers and tenants alike, these programs will continue to bring in new business and enhance relationships. The continued opening of new luxury shops according to plan in various malls, along with the completion of the AEI at Shanghai Grand Gateway 66 mall in the second half of this year, are drivers of revenue growth.

Subject to market conditions, we will continue to sell completed residential properties in Hong Kong and explore opportunities to dispose of non-core properties.

On the property development side, two redevelopment projects in Hong Kong are in progress and we will continue to look for development opportunities. On the Mainland, construction of luxury/high-end serviced apartments in our projects in Wuhan, Wuxi, Kunming and Shenyang will continue. Sales and marketing plans for the sales of those apartments are being developed.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED JUNE 30, 2020 (UNAUDITED)

| | Note | **2020 HK$ Million** | 2019 HK$ Million | *For information purpose only* **2020 RMB Million** | 2019 RMB Million |
|---|---|---|---|---|---|
| Revenue | 2(a) | **4,184** | 4,204 | **3,791** | 3,639 |
| Direct costs and operating expenses | | **(1,143)** | (987) | **(1,036)** | (854) |
| | | **3,041** | 3,217 | **2,755** | 2,785 |
| Other net income | 3 | **25** | 4 | **23** | 3 |
| Administrative expenses | | **(292)** | (317) | **(265)** | (275) |
| Profit from operations before changes in fair value of properties | | **2,774** | 2,904 | **2,513** | 2,513 |
| Net (decrease)/increase in fair value of properties | | **(4,642)** | 1,438 | **(4,245)** | 1,259 |
| (Loss)/profit from operations after changes in fair value of properties | | **(1,868)** | 4,342 | **(1,732)** | 3,772 |
| Interest income | | **31** | 96 | **28** | 83 |
| Finance costs | | **(53)** | (8) | **(48)** | (7) |
| Net interest (expense)/income | 4 | **(22)** | 88 | **(20)** | 76 |
| Share of (losses)/profits of joint ventures | | **(38)** | 38 | **(35)** | 33 |
| (Loss)/profit before taxation | 2(b) & 5 | **(1,928)** | 4,468 | **(1,787)** | 3,881 |
| Taxation | 6 | **(415)** | (698) | **(375)** | (604) |
| **(Loss)/profit for the period** | | **(2,343)** | 3,770 | **(2,162)** | 3,277 |
| Attributable to: | | | | | |
| Shareholders | | **(2,537)** | 3,516 | **(2,336)** | 3,057 |
| Non-controlling interests | | **194** | 254 | **174** | 220 |
| | | **(2,343)** | 3,770 | **(2,162)** | 3,277 |
| (Loss)/earnings per share | 8(a) | | | | |
| Basic | | **(HK$0.56)** | HK$0.78 | **(RMB0.52)** | RMB0.68 |
| Diluted | | **(HK$0.56)** | HK$0.78 | **(RMB0.52)** | RMB0.68 |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2020 (UNAUDITED)

| | | | *For information purpose only* | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **HK$ Million** | HK$ Million | **RMB Million** | RMB Million |
| **(Loss)/profit for the period** | **(2,343)** | 3,770 | **(2,162)** | 3,277 |
| **Other comprehensive income** | | | | |
| Items that are or may be reclassified subsequently to profit or loss: | | | | |
| Movement in exchange reserve: | | | | |
| Exchange difference arising from translation to presentation currency | **(1,897)** | (402) | **853** | 46 |
| Net investment hedge – net gain | **20** | - | **18** | - |
| Movement in hedging reserve: | | | | |
| Effective portion of changes in fair value | **(44)** | 48 | **(40)** | 41 |
| Net amount transferred to profit or loss | **46** | 22 | **42** | 20 |
| Deferred tax | **3** | - | **3** | - |
| Other comprehensive income for the period, net of tax | **(1,872)** | (332) | **876** | 107 |
| **Total comprehensive income for the period** | **(4,215)** | 3,438 | **(1,286)** | 3,384 |
| **Total comprehensive income attributable to:** | | | | |
| Shareholders | **(4,228)** | 3,213 | **(1,459)** | 3,165 |
| Non-controlling interests | **13** | 225 | **173** | 219 |
| | **(4,215)** | 3,438 | **(1,286)** | 3,384 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT JUNE 30, 2020

| | Note | **(Unaudited)** **June 30, 2020** **HK$ Million** | (Audited) December 31, 2019 HK$ Million | *For information purpose only* **June 30, 2020** **RMB Million** | *For information purpose only* December 31, 2019 RMB Million |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Property, plant and equipment | | | | | |
| Investment properties | 9 | **154,424** | 159,534 | **141,019** | 142,956 |
| Investment properties under development | 9 | **26,441** | 27,602 | **24,152** | 24,726 |
| Other property, plant and equipment | | **234** | 234 | **214** | 210 |
| | | **181,099** | 187,370 | **165,385** | 167,892 |
| Interest in joint ventures | | **1,238** | 1,296 | **1,130** | 1,162 |
| Other assets | | **87** | 87 | **79** | 78 |
| Deferred tax assets | | **3** | - | **3** | - |
| | | **182,427** | 188,753 | **166,597** | 169,132 |
| **Current assets** | | | | | |
| Cash and deposits with banks | | **3,190** | 3,306 | **2,913** | 2,963 |
| Trade and other receivables | 10 | **2,356** | 2,279 | **2,152** | 2,042 |
| Properties for sale | | **6,343** | 5,642 | **5,791** | 5,057 |
| Assets held for sale | 11 | **3** | - | **3** | - |
| | | **11,892** | 11,227 | **10,859** | 10,062 |
| **Current liabilities** | | | | | |
| Bank loans and other borrowings | | **6,344** | 2,694 | **5,792** | 2,414 |
| Trade and other payables | 12 | **7,817** | 8,911 | **7,139** | 7,986 |
| Lease liabilities | | **23** | 23 | **21** | 21 |
| Current tax payable | | **474** | 809 | **433** | 725 |
| | | **14,658** | 12,437 | **13,385** | 11,146 |
| **Net current liabilities** | | **2,766** | 1,210 | **2,526** | 1,084 |
| **Total assets less current liabilities** | | **179,661** | 187,543 | **164,071** | 168,048 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued) AT JUNE 30, 2020

| | (Unaudited) | (Audited) | *For information purpose only* | |
|---|---|---|---|---|
| | **June 30, 2020 HK$ Million** | December 31, 2019 HK$ Million | **June 30, 2020 RMB Million** | December 31, 2019 RMB Million |
| **Non-current liabilities** | | | | |
| Bank loans and other borrowings | **26,238** | 26,979 | **23,956** | 24,182 |
| Lease liabilities | **284** | 293 | **259** | 262 |
| Deferred tax liabilities | **12,163** | 12,459 | **11,110** | 11,161 |
| | **38,685** | 39,731 | **35,325** | 35,605 |
| **NET ASSETS** | **140,976** | 147,812 | **128,746** | 132,443 |
| **Capital and reserves** | | | | |
| Share capital | **39,915** | 39,915 | **37,433** | 37,433 |
| Reserves | **91,905** | 98,754 | **82,950** | 86,820 |
| Shareholders' equity | **131,820** | 138,669 | **120,383** | 124,253 |
| Non-controlling interests | **9,156** | 9,143 | **8,363** | 8,190 |
| **TOTAL EQUITY** | **140,976** | 147,812 | **128,746** | 132,443 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. Basis of preparation

The interim results set out in the announcement do not constitute the interim report for the six months ended June 30, 2020 of Hang Lung Properties Limited (the "Company") and its subsidiaries (collectively the "Group") but are extracted from the report.

The unaudited interim financial report has been prepared in accordance with Hong Kong Accounting Standard (HKAS) 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The preparation of interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

The HKICPA has issued a number of new or amended Hong Kong Financial Reporting Standards (HKFRSs) that are first effective for the current accounting period of the Group. The adoption of these new or amended HKFRSs does not have significant impact on the Group's interim financial report.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements.

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 2019 as if the presentation currency is Renminbi.

**1. Basis of preparation (Continued)**

The financial information relating to the financial year ended December 31, 2019 included in this announcement of interim results as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

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

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

## 2. Revenue and segment information

The Group manages businesses according to the nature of services and products provided. Management has determined property leasing and property sales to be the reportable operating segments for the measurement of performance and the allocation of resources.

Segment assets principally comprise all non-current assets and current assets directly attributable to each segment with the exception of interest in joint ventures, other assets, deferred tax assets and cash and deposits with banks. No segment liabilities analysis is presented as the Group monitors and manages liabilities on a group basis.

(a) Disaggregation of revenue

Revenue for the six months ended June 30, 2020 is analyzed as follows:

| HK$ Million | **2020** | 2019 |
|---|---|---|
| **Under the scope of HKFRS 16, *Leases*:** | | |
| Rental income | **3,751** | 3,808 |
| **Under the scope of HKFRS 15, *Revenue from contracts with customers*:** | | |
| Building management fees and other income from property leasing | **433** | 396 |
| | **4,184** | 4,204 |

## 2. Revenue and segment information (Continued)

### (b) Revenue and results by segments

| HK$ Million | **2020** | | | 2019 | | |
|---|---|---|---|---|---|---|
| | **Property Leasing** | **Property Sales** | **Total** | Property Leasing | Property Sales | Total |
| Revenue | | | | | | |
| - Mainland China | **2,277** | **-** | **2,277** | 2,190 | - | 2,190 |
| - Hong Kong | **1,907** | **-** | **1,907** | 2,014 | - | 2,014 |
| | **4,184** | **-** | **4,184** | 4,204 | - | 4,204 |
| Profit from operations before changes in fair value of properties | | | | | | |
| - Mainland China | **1,359** | **(2)** | **1,357** | 1,340 | - | 1,340 |
| - Hong Kong | **1,419** | **(2)** | **1,417** | 1,564 | - | 1,564 |
| | **2,778** | **(4)** | **2,774** | 2,904 | - | 2,904 |
| Net (decrease)/increase in fair value of properties | **(4,642)** | **-** | **(4,642)** | 1,438 | - | 1,438 |
| Net interest (expense)/income | **(22)** | **-** | **(22)** | 88 | - | 88 |
| - Interest income | **31** | **-** | **31** | 96 | - | 96 |
| - Finance costs | **(53)** | **-** | **(53)** | (8) | - | (8) |
| Share of (losses)/profits of joint ventures | **(38)** | **-** | **(38)** | 38 | - | 38 |
| (Loss)/profit before taxation | **(1,924)** | **(4)** | **(1,928)** | 4,468 | - | 4,468 |
| Taxation | **(415)** | **-** | **(415)** | (698) | - | (698) |
| (Loss)/profit for the period | **(2,339)** | **(4)** | **(2,343)** | 3,770 | - | 3,770 |
| Net (loss)/profit attributable to shareholders | **(2,533)** | **(4)** | **(2,537)** | 3,516 | - | 3,516 |

## 2. Revenue and segment information (Continued)

### (c) Total segment assets

| HK$ Million | **June 30, 2020** | | | **December 31,** 2019 | | |
|---|---|---|---|---|---|---|
| | **Property Leasing** | **Property Sales** | **Total** | Property Leasing | Property Sales | Total |
| Mainland China | **119,954** | **2,225** | **122,179** | 123,824 | 1,604 | 125,428 |
| Hong Kong | **63,500** | **4,122** | **67,622** | 65,824 | 4,039 | 69,863 |
| | **183,454** | **6,347** | **189,801** | 189,648 | 5,643 | 195,291 |
| Interest in joint ventures | | | **1,238** | | | 1,296 |
| Other assets | | | **87** | | | 87 |
| Deferred tax assets | | | **3** | | | - |
| Cash and deposits with banks | | | **3,190** | | | 3,306 |
| | | | **194,319** | | | 199,980 |

## 3. Other net income

| HK$ Million | **2020** | 2019 |
|---|---|---|
| Government grants | **21** | - |
| Ineffectiveness on cash flow hedges | **1** | 1 |
| Others | **3** | 3 |
| | **25** | 4 |

## 4. Net interest (expense)/income

| HK$ Million | **2020** | 2019 |
|---|---|---|
| Interest income on bank deposits | **31** | 96 |
| Interest expense on bank loans and other borrowings | **687** | 724 |
| Interest on lease liabilities | **8** | 8 |
| Other borrowing costs | **24** | 23 |
| Total borrowing costs | **719** | 755 |
| Less: Borrowing costs capitalized | **(666)** | (747) |
| Finance costs | **53** | 8 |
| Net interest (expense)/income | **(22)** | 88 |

## 5. (Loss)/profit before taxation

| HK$ Million | **2020** | 2019 |
|---|---|---|
| (Loss)/profit before taxation is arrived at after charging: | | |
| Staff costs (Note) | **670** | 652 |
| Depreciation | **28** | 22 |

Note: The staff costs included employee share-based payments of HK$32 million (2019: HK$26 million). If the amounts not recognized in the statement of profit or loss, including amounts capitalized, were accounted for, staff costs would have been HK$807 million (2019: HK$813 million).

## 6. Taxation in the consolidated statement of profit or loss

Provision for Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the period. Mainland China Income Tax represents mainland China Corporate Income Tax calculated at 25% (2019: 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% (2019: 5%).

| HK$ Million | **2020** | 2019 |
|---|---|---|
| Current tax | | |
| Hong Kong Profits Tax | **170** | 269 |
| Mainland China Income Tax | **306** | 327 |
| Total current tax | **476** | 596 |
| Deferred tax | | |
| Changes in fair value of properties | **(153)** | 40 |
| Other origination and reversal of temporary differences | **92** | 62 |
| Total deferred tax | **(61)** | 102 |
| Total income tax expense | **415** | 698 |

## 7. Dividends

(a) Interim dividend

| HK$ Million | **2020** | 2019 |
|---|---|---|
| Proposed after the end of the reporting period: | | |
| HK17 cents (2019: HK17 cents) per share | **765** | 765 |

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) Final dividend approved and paid during the six months ended June 30, 2020

| HK$ Million | **2020** | 2019 |
|---|---|---|
| 2019 final dividend of HK59 cents (2018: HK58 cents) per share | **2,653** | 2,609 |

## 8. (Loss)/earnings per share

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

| HK$ Million | **2020** | 2019 |
|---|---|---|
| (Loss)/earnings for calculation of basic and diluted (loss)/earnings per share (net (loss)/profit attributable to shareholders) | **(2,537)** | 3,516 |

**8. (Loss)/earnings per share (Continued)**

(a) (Continued)

| | Number of shares | |
|---|---|---|
| | **2020** | 2019 |
| Weighted average number of shares used in calculating basic and diluted (loss)/earnings per share (Note) | **4,497,718,670** | 4,497,718,670 |

Note: Diluted (loss)/earnings per share were the same as the basic (loss)/earnings per share as there was no dilutive effect on the potential ordinary shares during the periods.

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

| HK$ Million | **2020** | 2019 |
|---|---|---|
| Net (loss)/profit attributable to shareholders | **(2,537)** | 3,516 |
| Effect of changes in fair value of properties | **4,642** | (1,438) |
| Effect of corresponding income tax | **(153)** | 107 |
| Effect of changes in fair value of investment properties of joint ventures | **60** | (13) |
| | **4,549** | (1,344) |
| Non-controlling interests | **(23)** | 57 |
| | **4,526** | (1,287) |
| Underlying net profit attributable to shareholders | **1,989** | 2,229 |

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

| | **2020** | 2019 |
|---|---|---|
| Basic | **HK$0.44** | HK$0.50 |
| Diluted | **HK$0.44** | HK$0.50 |

## 9. Investment properties and investment properties under development

(a) Additions

During the six months ended June 30, 2020, additions to investment properties and investment properties under development amounted to HK$1,327 million (2019: HK$9,929 million).

(b) Valuation

The investment properties and investment properties under development of the Group were revalued as of June 30, 2020 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:

| HK$ Million | **June 30, 2020** | December 31, 2019 |
|---|---|---|
| Not past due or less than 1 month past due | **79** | 23 |
| 1 - 3 months past due | **32** | 27 |
| More than 3 months past due | **8** | 2 |
| | **119** | 52 |

(b) The Group maintains a defined credit policy including stringent credit evaluation on and payment of a rental deposit from tenants. In addition to the payment of rental deposits, tenants are required to pay monthly rents in respect of leased properties in advance. Receivables are regularly reviewed and closely monitored to minimize any associated credit risk.

Provision for expected credit losses was assessed and adequately made on a case-by-case basis, based on the historical default experience and forward-looking information that may impact the tenants' ability to repay the outstanding balances.

## 10. Trade and other receivables (Continued)

(c) Included in other receivables of the Group is a deposit of land acquisition in mainland China of HK$274 million (December 31, 2019: HK$279 million).

## 11. Assets held for sale

On June 22, 2020, the Group entered into a sale and purchase agreement with an independent third party to dispose of investment properties of two car parking spaces at The Long Beach in Hong Kong. Accordingly, the assets are presented as assets held for sale. The completion of the transaction is scheduled to take place in July 2020.

## 12. Trade and other payables

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

| HK$ Million | **June 30, 2020** | December 31, 2019 |
|---|---|---|
| Due within 3 months | **2,754** | 3,995 |
| Due after 3 months | **953** | 816 |
| | **3,707** | 4,811 |

(b) Included in trade and other payables is an amount of HK$601 million (December 31, 2019: HK$601 million) 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.

# OTHER INFORMATION

## Employees

As of June 30, 2020, the number of employees was 4,516 (comprising 1,155 Hong Kong employees and 3,361 mainland China employees). The total employee costs for the six months ended June 30, 2020, amounted to HK$807 million. We provide competitive remuneration packages for all employees including discretionary bonuses payable based on individual performance. We regularly review 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 opportunities.

## Purchase, Sale or Redemption of Listed Securities

During the six months ended June 30, 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

## Compliance with Corporate Governance Code

During the six months ended June 30, 2020, 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.

## Review of Interim Results

The interim results for the six months ended June 30, 2020, have been reviewed by the Company's Audit Committee and auditor, KPMG.

## Book Close Dates

| | |
|---|---|
| Book close dates (both days inclusive) | September 15 to 16, 2020 |
| Latest time to lodge transfers | 4:30 pm on September 14, 2020 |
| Record date for interim dividend | September 16, 2020 |
| Payment date for interim dividend | September 29, 2020 |

On Behalf of the Board
**Ronnie C. Chan**
*Chairman*

Hong Kong, July 30, 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 (loss)/profit attributable to shareholders:** (Loss)/profit for the period (after tax) less amounts attributable to non-controlling interests

**Underlying net profit attributable to shareholders:** Net (loss)/profit attributable to shareholders excluding changes in fair value of properties net of related income tax and non-controlling interests

## Financial Ratios

$$\text{Basic (loss)/earnings per share} = \frac{\text{Net (loss)/profit attributable to shareholders}}{\text{Weighted average number of shares in issue during the period}}$$

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

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

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

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