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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)

**2019 INTERIM RESULTS**

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## FINANCIAL HIGHLIGHTS

*in HK\$ Million (unless otherwise stated)*

### RESULTS

	<i>For the Six Months Ended June 30</i>		
	<b>2019</b>	2018	Change
<b>Revenue</b>	<b>4,204</b>	5,150	-18%
Property Leasing	<b>4,204</b>	4,118	2%
Property Sales	-	1,032	-100%
<b>Operating Profit</b>	<b>3,217</b>	3,682	-13%
Property Leasing	<b>3,217</b>	3,117	3%
Property Sales	-	565	-100%
<b>Net Profit Attributable to Shareholders</b>	<b>3,516</b>	4,689	-25%
<b>Earnings Per Share (HK\$)</b>	<b>\$0.78</b>	\$1.04	-25%
<b>Interim Dividend Per Share (HK\$)</b>	<b>\$0.17</b>	\$0.17	-

### UNDERLYING RESULTS

	<i>For the Six Months Ended June 30</i>		
	<b>2019</b>	2018	Change
<b>Underlying Net Profit Attributable to Shareholders</b>	<b>2,229</b>	2,319	-4%
Property Leasing	<b>2,229</b>	1,777	25%
Property Sales	-	542	-100%
<b>Underlying Earnings Per Share (HK\$)</b>	<b>\$0.50</b>	\$0.52	-4%

### FINANCIAL POSITION

	<b>At June 30</b>	At December 31	
	<b>2019</b>	2018	Change
<b>Shareholders' Equity</b>	<b>138,191</b>	137,561	-
<b>Net Assets</b>	<b>144,243</b>	143,594	-
<b>Net Debt</b>	<b>25,407</b>	14,890	71%
<b>Financial Ratio</b>			
Net Debt to Equity Ratio	<b>17.6%</b>	10.4%	7.2 pts
Debt to Equity Ratio	<b>21.9%</b>	19.0%	2.9 pts
<b>Shareholders' Equity Per Share (HK\$)</b>	<b>\$30.7</b>	\$30.6	-
<b>Net Assets Per Share (HK\$)</b>	<b>\$32.1</b>	\$31.9	1%

## REVIEW OF OPERATIONS

### CONSOLIDATED RESULTS

The core property leasing business sustained its growth with a 2% period-on-period increase in leasing revenue in spite of a 6% Renminbi depreciation against the Hong Kong Dollar. As no property sales were recognized during the period, total revenue of Hang Lung Properties (the Company) and its subsidiaries (collectively known as “Hang Lung Properties”) for the six months ended June 30, 2019 decreased 18% to HK\$4,204 million, and operating profit fell 13% to HK\$3,217 million. With a smaller valuation gain when compared with the same period last year, net profit attributable to shareholders dropped 25% to HK\$3,516 million. Earnings per share decreased correspondently to HK\$0.78.

When excluding the property revaluation gain and all related effects, underlying net profit attributable to shareholders retreated by 4% to HK\$2,229 million.

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

	Revenue			Operating Profit		
	2019	2018	Change	2019	2018	Change
	HK\$ Million	HK\$ Million		HK\$ Million	HK\$ Million	
<b>Property Leasing</b>	<b>4,204</b>	4,118	2%	<b>3,217</b>	3,117	3%
Mainland China	<b>2,190</b>	2,171	1%	<b>1,487</b>	1,447	3%
Hong Kong	<b>2,014</b>	1,947	3%	<b>1,730</b>	1,670	4%
<b>Property Sales</b>	-	1,032	-100%	-	565	-100%
<b>Total</b>	<b>4,204</b>	5,150	-18%	<b>3,217</b>	3,682	-13%

### DIVIDEND

The Board of Directors has declared an interim dividend of HK17 cents per share for 2019 (2018: HK17 cents) to be paid by cash on September 26, 2019, to shareholders whose names appeared on the register of members on September 13, 2019.

## PROPERTY LEASING

In the first half of 2019, our property leasing performance sustained the solid growth momentum built up since the second half of last year. Both the tenant retail sales and our rental turnover were resilient and on a sustainable trend. Total revenue of our leasing properties grew to HK\$4,204 million. Revenue from our Mainland portfolio increased 7% in RMB terms and that of our Hong Kong portfolio rose 3% period-on-period. The performance was promising amid the US-China trade dispute and other global uncertainties.

### Mainland China

Growth momentum of our mainland China leasing portfolio continued. All our mainland properties, except Shanghai Grand Gateway 66 mall which is under a major upgrading program and Wuxi Center 66 office tower, recorded revenue growth during the period. Revenue of the entire portfolio advanced 7% to RMB1,894 million. Operating profit increased 9% to RMB1,286 million. Average margin improved to 68%.

Revenue of our Shanghai properties advanced 4% period-on-period despite the short-term rental interruption caused by the major renovation at Grand Gateway 66. Properties outside Shanghai achieved a remarkable 14% revenue growth period-on-period and continued the growth momentum with a 7% increment comparing to the second half of last year.

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

<b>City and Name of the Property</b>	<b>Revenue</b>			<b>Occupancy Rate</b> *	
	<b>(RMB Million)</b>			<b>Mall</b>	<b>Office</b>
	<b>2019</b>	<b>2018</b>	<b>Change</b>		
Shanghai Plaza 66	<b>827</b>	763	8%	98%	93%
Shanghai Grand Gateway 66	<b>394</b>	410	-4%	86%	N/A
Shenyang Palace 66	<b>95</b>	77	23%	91%	N/A
Shenyang Forum 66	<b>113</b>	105	8%	94%	89%
Jinan Parc 66	<b>158</b>	141	12%	95%	N/A
Wuxi Center 66	<b>140</b>	121	16%	93%	90%
Tianjin Riverside 66	<b>93</b>	90	3%	83%	N/A
Dalian Olympia 66	<b>74</b>	57	30%	79%	N/A
<b>Total</b>	<b>1,894</b>	1,764	7%		
<i>Total in HK\$ Million equivalent</i>	<b>2,190</b>	2,171	1%		

\* All occupancy rates stated therein were as of June 30, 2019.

● *Malls*

Total revenue of our eight malls in mainland China increased 8% to RMB1,479 million. In Shanghai, our investments in asset enhancement are paying off. Plaza 66 continued to report strong growth in both sales and rental revenue, two years after its renovation. Grand Gateway 66 is expected to follow the successful footsteps of Plaza 66 to achieve strong revenue growth and enhanced tenant mix after completion of the upgrading program. Outside Shanghai, all malls achieved growth in both revenue and sales, most in double-digit.

The Shanghai **Plaza 66** mall reported double-digit increases in revenue and retail sales at 11% and 15%, respectively. The mall has firmly established its positioning as the Home to Luxury, and continues to add new and renowned luxury labels and high-end restaurants to its tenant portfolio. In addition, after the debut launch of HOUSE 66, our nationwide Customer Relationship Management (CRM) program, in September 2018, we have seen more quality tenant collaborations and direct engagements with our customers. Our investment and focus on deploying the CRM program will further cultivate customer loyalty and drive both tenant sales and boost leasing performance over time.

Revenue of the Shanghai **Grand Gateway 66** mall retreated 4% to RMB394 million due to the short-term interruption caused by a major upgrading program commenced in 2017. The first phase of the upgrade works was completed with the North Building re-opened in September 2018. The renovated area was fully let, with higher rental income, comprising a good mix of young and trend-setting brands, food & beverage tenants, and the refurbished cinema. The second phase, covering the bulk of the South Building and its basement, is in full swing and the progress made is on track. The basement has partially re-opened and a variety of new cosmetics brands will be introduced. The works of the second phase are expected to be completed in stages from late 2019.

The Shenyang **Palace 66** mall collected 23% more in rents to RMB95 million resulting from increases in both turnover rent and occupancy. Retail sales jumped 29%. Our efforts to introduce more sporting and popular lifestyle fashion brands are bearing fruit. It further strengthens our leading trendy lifestyle mall positioning in Zhongjie and Shenyang city. Occupancy also rose four points to 91%. To inject more family and children's content into the mall, the kids' zone on the third floor was revamped.

Revenue of the Shenyang **Forum 66** mall rose 3%, with our efforts to reshuffle tenants and diversify trade mix continuing. Occupancy rate further jumped seven points to 94%. Retail sales also advanced 3%. More quality food & beverage tenants were introduced, drawing a good reception from shoppers. Some luxury brands making their first landing in Shenyang were also enrolled to set up kiosks on the first floor.

Income of the Jinan **Parc 66** mall increased 12% to RMB158 million mainly driven by the increase in occupancy rate and positive rental reversions. Occupancy rate edged up one point to 95%. Retail sales rose 11%. The mall achieved a higher unit rent through upgrading its tenant portfolio, including the introduction of some international brands to Jinan for the first time. These brands delivered a good sales performance by successfully satisfying the younger generation's spending appetite. Following its successful debut in Shanghai Plaza 66, HOUSE 66 was launched in Parc 66 in December 2018, and the responses from both customers and tenants have been enthusiastic.

The Wuxi **Center 66** mall achieved a remarkable 26% growth in revenue mainly attributable to increased turnover rent and favorable rental reversions. Retail sales surged 25%. Occupancy rate improved six points to 93%. Part of the area temporarily closed for construction of the second office tower re-opened in May 2019, housing a brand new premium cinema complex which will help to enrich the tenant mix and attract footfall. Hang Lung's CRM program

HOUSE 66 was also launched at Center 66 in May 2019. We are experiencing a promising trend of brand migration from other venues in Wuxi to Center 66 and expect to see the opening of more luxury brands in our mall in the near future.

Revenue of the Tianjin **Riverside 66** mall rose 3%. Occupancy rate dropped three points to 83% as the efforts on tenant reshuffling and trade mix enhancement continued. Part of the fourth floor is being converted into a theme zone to attract the younger generation and will open this year. Retail sales increased by 2%.

The Dalian **Olympia 66** mall delivered a strong performance in the first half of 2019. Revenue and retail sales jumped 30% and 27%, respectively, riding on the business growth of trendy lifestyle and food & beverage tenants. Occupancy rate increased four points to 79%. The Phase 2 area of the mall is planned to open by phases from the second quarter of 2020.

- *Offices*

During the period, our four office towers at Shanghai Plaza 66, Shenyang Forum 66 and Wuxi Center 66 recorded a revenue growth of 5% to RMB415 million. Revenue from all the office towers accounted for 22% of our mainland China leasing revenue. It proved to be a solid and stable income stream.

Income of **Plaza 66** offices grew 4% to RMB312 million because of higher occupancy. Average occupancy rate advanced three points to 94% as a result of the effort made on new lettings and the expansion by long-term quality tenants.

The office tower at **Forum 66** collected 11% more revenue to RMB63 million. Occupancy rate advanced four points to 89% as the six floors in the high zone of the tower were completed in July 2018. The Conrad Hotel, residing on the top 19 floors of the office tower, is expected to open later this year.

Revenue of the office tower at **Center 66** decreased 3% to RMB40 million. Occupancy rate slipped one point to 90%. The second tower will be ready for handing over to tenants in the second half of 2019. Pre-leasing activities are underway.



## Hong Kong

The performance of our Hong Kong leasing properties was stable. Total revenue and operating profit recorded growth of 3% and 4% to HK\$2,014 million and HK\$1,730 million, respectively. Overall rental margin was 86%.

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

	Revenue (HK\$ Million)			Occupancy Rate*
	2019	2018	Change	
Commercial	<b>1,198</b>	1,155	4%	96%
Office and Industrial / Offices	<b>655</b>	638	3%	93%
Residential & Serviced Apartments	<b>161</b>	154	5%	78%
<b>Total</b>	<b>2,014</b>	1,947	3%	

\* All occupancy rates stated therein were as of June 30, 2019.

#### ● *Commercial*

Revenue of our Hong Kong commercial portfolio increased 4% to HK\$1,198 million, mainly driven by positive rental reversions of our major tenants. Total retail sales advanced 7% period-on-period. Occupancy fell one point to 96%.

Revenue of the **Causeway Bay portfolio** increased 3%. Retail sales grew 4%. We are further refining the tenant mix to strengthen Fashion Walk's positioning as a vibrant integrated hub for fashion and lifestyle shopping and experiences. The pop-up store of a luxury beauty brand introduced during the period was well received. We will introduce more beauty and make-up shops, building an appealing beauty cluster at Fashion Walk.

**Kornhill Plaza in Hong Kong East** collected 4% more in rents mainly contributed by the anchor tenants. Retail sales decreased 2%. The property was fully let.

Revenues of **Grand Plaza and Gala Place in Mongkok** rose 6% supported by the good sales performance of the tenants. Both properties were fully let. The Mongkok portfolio continues its efforts to add new healthcare, beauty and lifestyle tenants and enrich its gourmet options to

attract style-seekers and the younger generation among locals and tourists. Total retail sales increased 36%.

**Amoy Plaza in Kowloon East** achieved revenue growth of 5%, benefitting from favorable rental reversions and the opening of the UA Amoy cinema in August 2018. Retail sales rose 2%.

The major renovation at **Peak Galleria** continued. The mall has been closed since October 2018 except two restaurants commenced business in the first half of 2019. This iconic property as well as a destination for tourists and local people at The Peak is expected to fully re-open by phases from the summer of 2019.

- *Offices*

Revenue from our Hong Kong office portfolio grew 3% to HK\$655 million mainly driven by positive rental reversions. Overall occupancy rate declined one point to 93%. Our offices in Central and Mongkok recorded income growth of 5% and 6%, respectively, while revenue from those in Causeway Bay dropped 5%. The Hong Kong office rental amount accounted for 33% of our total leasing income in Hong Kong.

- *Residential and Serviced Apartments*

Income from our residential and serviced apartments increased 5% to HK\$161 million due to higher occupancy at The Summit and Burnside Villa.

## **PROPERTY SALES**

During the first six months, one semi-detached house at 23-39 Blue Pool Road (2018: three houses) was sold. As the sale will be recognized upon completion of legal assignment later this year, no revenue or profit in respect of property sales was recorded in the first half of 2019.

During the period, 111 car parking spaces held as investment properties at Laichikok Bay Garden were disposed of. The transaction will be completed in the second half of 2019. These properties were reclassified as assets held for sale as of June 30, 2019, at valuation with reference to the selling price. A gain of HK\$69 million was included as part of the fair value gain of properties. Meanwhile, the sale made in 2018 regarding the remaining apartment and

car parking spaces at Garden Terrace was completed in April 2019.

## PROPERTY REVALUATION

The total value of our investment properties amounted to HK\$136,970 million as of June 30, 2019, comprising the value of the Hong Kong portfolio and the mainland China portfolio of HK\$66,382 million and HK\$70,588 million, respectively. Our investment properties were revalued by Savills, an independent valuer, as of June 30, 2019.

An overall revaluation gain of HK\$1,438 million, representing a 1% growth in valuation as compared to the value as of December 31, 2018, was recorded in the first half of 2019 (2018: HK\$2,456 million), mostly attributable to the gains of our Hong Kong portfolio.

## PROPERTY DEVELOPMENT AND CAPITAL COMMITMENT

The aggregated value of investment properties under development was HK\$40,335 million. They comprised mainland China projects in Kunming, Wuhan, Hangzhou and the remaining phases of the developments in Shenyang and Wuxi. The portfolio consists of malls, office towers, hotels and serviced apartments.

The construction work at Kunming **Spring City 66** is progressing as planned. Testing and commissioning works are in progress. This mixed-use development, covering a total gross floor area of 432,000 square meters, comprises a world-class mall, a Grade A office tower, serviced apartments, a hotel and car parking spaces. Both the mall and the office tower are expected to open in the second half of this year. About 85% of the mall's area has been leased, and the pre-leasing of the office tower has also made good progress.

The construction of Wuhan **Heartland 66**, a mixed-use commercial project with a total gross floor area of 460,000 square meters, is progressing as planned. This project will house a premier mall, a Grade A office tower, serviced apartments and car parking spaces, and is expected to be completed in stages starting from 2020. Leasing activities for both the mall and office tower have commenced.

The conversion of the top 19 floors of the office tower at Shenyang Forum 66 into a **Conrad Hotel** is close to completion. The hotel is planned to commence operation in the second half of this year. This five-star hotel will have 315 guest rooms and a grand ballroom which can

accommodate more than 500 guests. The addition of this hotel will complement the positioning of Forum 66 as the destination of choice for those seeking high-end shopping, entertainment, business and hospitality experiences.

The construction work for the second office tower at Wuxi Center 66 is almost completed. This Grade A office tower, built above the southeastern section of the Center 66 mall, will add 52,000 square meters in gross floor area available for leasing. Leasing activity has commenced and the tower will be ready for handing over to tenants in the second half of 2019.

The master layout plan for the Wuxi Phase Two development was approved by the government in March 2019. The project includes luxury serviced apartments and a boutique hotel.

The development of Hangzhou **Westlake 66**, a high-end commercial mixed-use complex with a total above-ground gross floor area of 194,100 square meters comprising a world-class mall, office towers and a hotel, has started. The land was fully paid for and handed over to us during the period. The project is planned for completion in phases from 2024.

The projects mentioned above represented the majority of our capital commitments at the reporting date, amounting to HK\$32 billion. They will be completed in phases over a number of years.

In Hong Kong, we have consolidated the entire interests in the Amoycan Industrial Centre in Ngau Tau Kok through the Compulsory Sale for Redevelopment Order. With its proximity to Mass Transit Railway the site is also well located near the future East Kowloon Cultural Centre and is planned to be re-developed into residential properties for sale. In addition, jointly with our parent company, Hang Lung Group Limited, we are embarking on a re-development project at Electric Road in North Point. The project will encompass the clearance of the site for construction of a commercial and office tower with a gross floor area of 105,000 square feet.

## **LIQUIDITY AND FINANCIAL RESOURCES**

Our major financial management objective is to maintain an appropriate capital structure with a high degree of agility. This is to ensure access to sufficient financial resources for meeting operational needs and capital commitments, and to seize investment opportunities when they arise for sustaining long-term growth. We also strive to establish multiple channels of debt financing for risk mitigation. All financial risk management, including debt re-financing,

foreign exchange exposure and interest rate volatility, etc., are centrally managed and controlled at the corporate level.

● *Liquidity and Financing Management*

The cash flow position and funding needs are closely reviewed and monitored to ensure that Hang Lung Properties has a good degree of financial flexibility and liquidity while optimizing net financial costs.

As of June 30, 2019, Hang Lung Properties had total cash and bank balances of HK\$6,208 million (December 31, 2018: HK\$12,363 million). All the deposits are placed with banks with strong credit ratings and the counterparty risk is monitored on a regular basis.

For debt portfolio management, Hang Lung Properties focuses on mitigating the re-financing, interest rate and foreign exchange 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, 2019, total borrowings of Hang Lung Properties amounted to HK\$31,615 million (December 31, 2018: HK\$27,253 million), of which about 43% was denominated in RMB. The higher debt balance against last year-end was due to payments for the various projects under development in mainland China and Hong Kong, including the final payment for the remaining 50% land cost of Hangzhou Westlake 66. The following table shows the composition of our debt portfolio:

	<b>At June 30, 2019</b>		<b>At December 31, 2018</b>	
	<b>HK\$ Million</b>	<b>% of Total</b>	<b>HK\$ Million</b>	<b>% of Total</b>
Floating rate HKD bank loans	<b>5,735</b>	<i>18.1%</i>	255	<i>0.9%</i>
Floating rate RMB bank loans	<b>12,379</b>	<i>39.2%</i>	13,490	<i>49.5%</i>
Fixed rate bonds	<b>13,501</b>	<i>42.7%</i>	13,508	<i>49.6%</i>
<i>Denominated in USD</i>	<b>7,815</b>	<i>24.7%</i>	7,832	<i>28.7%</i>
<i>Denominated in HKD</i>	<b>4,552</b>	<i>14.4%</i>	4,540	<i>16.7%</i>
<i>Denominated in RMB</i>	<b>1,134</b>	<i>3.6%</i>	1,136	<i>4.2%</i>
<b>Total borrowings</b>	<b>31,615</b>	<i>100%</i>	<b>27,253</b>	<i>100%</i>

At the reporting date, the average tenor of the entire loan portfolio was 3.3 years (December 31, 2018: 3.3 years). The maturity profile was well staggered and spread over a period of 7 years. Around 69% of the loans was repayable after 2 years.

	At June 30, 2019		At December 31, 2018	
	HK\$ Million	% of Total	HK\$ Million	% of Total
Repayable:				
Within 1 year	<b>3,079</b>	9.7%	2,414	8.8%
After 1 but within 2 years	<b>6,806</b>	21.6%	3,514	12.9%
After 2 but within 5 years	<b>19,790</b>	62.6%	17,900	65.7%
Over 5 years	<b>1,940</b>	6.1%	3,425	12.6%
Total borrowings	<b>31,615</b>	100%	27,253	100%

As of June 30, 2019, Hang Lung Properties' undrawn committed banking facilities amounted to HK\$11,283 million (December 31, 2018: HK\$16,224 million). The available balances of the USD3 billion Medium Term Note Program and the RMB10 billion Green Panda Bond Program amounted to USD1,410 million and RMB9,000 million, respectively, equivalent to HK\$21,247 million in total (December 31, 2018: HK\$21,297 million).

- *Gearing Ratios & Interest Cover*

As of June 30, 2019, the net debt balance of Hang Lung Properties amounted to HK\$25,407 million (December 31, 2018: HK\$14,890 million). Net debt to equity ratio was 17.6% (December 31, 2018: 10.4%) and debt to equity ratio was 21.9% (December 31, 2018: 19.0%).

For the six months ended June 30, 2019, the total amount of borrowing costs incurred increased by HK\$113 million to HK\$755 million. The net amount charged to the statement of profit or loss for the first half of 2019 decreased by HK\$534 million to HK\$8 million because more borrowing costs were capitalized to the projects under development with additions of construction costs for projects under development, full payment of land premium of Hangzhou Westlake 66 and the adoption of an amendment to the accounting standard on the capitalization of borrowing costs effective on January 1, 2019.

Interest income for the period dropped to HK\$96 million (2018: HK\$256 million). The decrease was mainly due to the reduction of average deposit balance after settling payments on capital expenditures and the Hangzhou land premium.

The amount of net interest income for the first half of 2019, i.e. the excess of interest income over finance costs, was HK\$88 million (2018: net interest expense of HK\$286 million). The average effective cost of borrowings during the period was 4.8% (2018: 4.9%) given a portfolio of debts comprising 39% in RMB bank loan, 18% in HKD bank loan, 39% in HKD and USD bonds and 4% in RMB bond.

Interest cover for the first six months of 2019 was 4 times (2018: 9 times).

● *Foreign Exchange Management*

The activities of Hang Lung Properties are exposed to foreign currency risks mainly arising from its operations in mainland China and certain bank deposits denominated in RMB held in and relating to mainland China entities. There is also exposure in USD arising from the two USD500 million bonds issued. Appropriate measures have been taken to mitigate the foreign exchange risk exposure.

The currencies of cash and bank balances at the reporting date were as follows:

	<b>At June 30, 2019</b>		<b>At December 31, 2018</b>	
	<b>HK\$ Million</b>	<b>% of Total</b>	<b>HK\$ Million</b>	<b>% of Total</b>
Denominated in:				
HKD	<b>3,484</b>	<i>56.1%</i>	4,673	<i>37.8%</i>
RMB	<b>2,715</b>	<i>43.7%</i>	7,681	<i>62.1%</i>
USD	<b>9</b>	<i>0.2%</i>	9	<i>0.1%</i>
Total cash and bank balances	<b>6,208</b>	<i>100%</i>	12,363	<i>100%</i>

(a) *RMB Exposure*

The RMB exposure of Hang Lung Properties is mainly derived from two aspects of the operations: firstly, currency translation risk arising from the net assets of our Mainland subsidiaries; secondly, the RMB deposits held in and relating to mainland China entities which are primarily for the purpose of settling future construction payments in RMB.

As of June 30, 2019, net assets denominated in RMB accounted for about 60% of Hang Lung Properties' total net assets. 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\$402

million (2018: HK\$759 million), as RMB depreciated by about 0.4% against HKD compared to December 31, 2018. The re-translation loss was recognized in other comprehensive income/exchange reserve.

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

(b) USD Exposure

The USD foreign exchange exposure is related to the two USD500 million fixed rate bonds issued, equivalent to HK\$7,815 million at the reporting date. The related currency exchange risk was covered back-to-back by two USD/HKD cross currency swap contracts. The swap contracts were entered into in order to effectively fix the exchange rate between USD and HKD for future interest payments and principal repayments.

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

● *Charge of Assets*

Assets of Hang Lung Properties were not charged to any third parties as of June 30, 2019.

● *Contingent Liabilities*

Hang Lung Properties did not have any material contingent liabilities as of June 30, 2019.



## OUTLOOK

While the US-China trade dispute shows no sign of abating, we are cautiously optimistic that our business would continue to deliver sustainable growth in both Hong Kong and the Mainland. The growth will be fueled by a number of key drivers.

Our established properties are expected to continue delivering solid organic growth and will sustain the momentum. With the implementation of various customer-centric initiatives, including the roll-out of the HOUSE 66 CRM program and adoption of new technologies, we will build stronger engagement with both our tenants and customers and offer a unique Hang Lung Brand experience, boosting sales and leasing revenue.

In addition, our investment in asset upgrading programs will also pay off. The progressive completion of the major renovation at Shanghai Grand Gateway 66 mall later this year is expected to deliver a similar increase in revenue as experienced in Plaza 66.

In the second half of 2019, a number of new properties will commence business, including the mall and office tower of Kunming Spring City 66, the second office tower of Wuxi Center 66, and the Conrad Hotel at Shenyang Forum 66. They will provide another impetus for business growth.

Depending on market conditions, we will continue to sell down residential units on hand in Hong Kong. At the same time, we will extract more value from our property portfolio through disposal of non-core properties.

On the property development side, in Hong Kong, we have started two re-development projects, and will continue to look for opportunities. On the Mainland, four mixed-use projects have serviced apartment element and are intended for sale. We have started the construction work of luxurious serviced apartments at Wuhan Heartland 66. Similar development at projects in Wuxi, Kunming and Shenyang would also start by phases.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED JUNE 30, 2019 (UNAUDITED)

	Note	2019		2018	
		HK\$ Million	HK\$ Million	RMB Million	RMB Million
				<i>For information purpose only</i>	
				2019	2018
				RMB Million	RMB Million
Revenue	2(a)	4,204	5,150	3,639	4,187
Direct costs and operating expenses		(987)	(1,468)	(854)	(1,193)
Gross profit		3,217	3,682	2,785	2,994
Other net income	3	4	70	3	58
Administrative expenses		(317)	(292)	(275)	(237)
Operating profit before changes in fair value of properties		2,904	3,460	2,513	2,815
Net increase in fair value of properties		1,438	2,456	1,259	2,021
Operating profit after changes in fair value of properties		4,342	5,916	3,772	4,836
Interest income		96	256	83	208
Finance costs		(8)	(542)	(7)	(441)
Net interest income/(expense)	4	88	(286)	76	(233)
Share of profits of joint ventures		38	54	33	44
Profit before taxation	2(b) & 5	4,468	5,684	3,881	4,647
Taxation	6(a)	(698)	(736)	(604)	(599)
<b>Profit for the period</b>		<b>3,770</b>	<b>4,948</b>	<b>3,277</b>	<b>4,048</b>
Attributable to:					
Shareholders		3,516	4,689	3,057	3,837
Non-controlling interests		254	259	220	211
		3,770	4,948	3,277	4,048
Earnings per share	8(a)				
Basic		HK\$0.78	HK\$1.04	RMB0.68	RMB0.85
Diluted		HK\$0.78	HK\$1.04	RMB0.68	RMB0.85

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED JUNE 30, 2019 (UNAUDITED)**

	Note	2019		2018	
		HK\$ Million	HK\$ Million	RMB Million	RMB Million
<b>Profit for the period</b>		<b>3,770</b>	4,948	<b>3,277</b>	4,048
<b>Other comprehensive income</b>	6(b)				
Items that are or may be reclassified subsequently to profit or loss:					
Exchange difference arising from translation to presentation currency		(402)	(759)	46	552
Movement in hedging reserve:					
Effective portion of changes in fair value		48	38	41	30
Net amount transferred to profit or loss		22	(27)	20	(22)
Item that will not be reclassified to profit or loss:					
Net change in fair value of equity investments		-	2	-	1
		<b>(332)</b>	(746)	<b>107</b>	561
<b>Total comprehensive income for the period</b>		<b>3,438</b>	4,202	<b>3,384</b>	4,609
<b>Total comprehensive income attributable to:</b>					
Shareholders		3,213	4,007	3,165	4,404
Non-controlling interests		225	195	219	205
		<b>3,438</b>	4,202	<b>3,384</b>	4,609

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### AT JUNE 30, 2019

	Note	(Unaudited)	(Audited)	<i>For information purpose only</i>	
		June 30, 2019 HK\$ Million	December 31, 2018 HK\$ Million	June 30, 2019 RMB Million	December 31, 2018 RMB Million
<b>Non-current assets</b>					
Property, plant and equipment					
Investment properties	9	136,970	136,676	120,492	119,895
Investment properties under development	9	40,335	31,186	35,481	27,325
Other property, plant and equipment		209	216	184	189
		<b>177,514</b>	168,078	<b>156,157</b>	147,409
Interest in joint ventures		1,346	1,330	1,184	1,168
Other assets		93	93	82	82
Deposits with banks		1,853	1,853	1,630	1,628
		<b>180,806</b>	171,354	<b>159,053</b>	150,287
<b>Current assets</b>					
Cash and deposits with banks		4,355	10,510	3,831	9,222
Trade and other receivables	10	2,309	2,046	2,031	1,794
Properties for sale		4,336	2,442	3,815	2,145
Assets held for sale	12	110	101	97	89
		<b>11,110</b>	15,099	<b>9,774</b>	13,250
<b>Current liabilities</b>					
Bank loans and other borrowings		3,079	2,414	2,709	2,116
Trade and other payables	11	6,288	5,974	5,533	5,236
Lease liabilities		24	22	21	19
Current tax payable		599	533	527	470
Liabilities directly associated with assets held for sale	12	-	3	-	3
		<b>9,990</b>	8,946	<b>8,790</b>	7,844
<b>Net current assets</b>		<b>1,120</b>	6,153	<b>984</b>	5,406
<b>Total assets less current liabilities</b>		<b>181,926</b>	177,507	<b>160,037</b>	155,693
<b>Non-current liabilities</b>					
Bank loans and other borrowings		28,536	24,839	25,103	21,792
Lease liabilities		302	298	266	261
Deferred tax liabilities		8,845	8,776	7,781	7,690
		<b>37,683</b>	33,913	<b>33,150</b>	29,743
<b>NET ASSETS</b>		<b>144,243</b>	143,594	<b>126,887</b>	125,950
<b>Capital and reserves</b>					
Share capital		39,915	39,915	37,433	37,433
Reserves		98,276	97,646	84,130	83,231
Shareholders' equity		<b>138,191</b>	137,561	<b>121,563</b>	120,664
Non-controlling interests		6,052	6,033	5,324	5,286
<b>TOTAL EQUITY</b>		<b>144,243</b>	143,594	<b>126,887</b>	125,950

## 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, 2019 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. Except for HKFRS 16, *Leases*, and Amendments to HKAS 23, *Borrowing costs*, the adoption of these new or amended HKFRSs does not have significant impact on the Group’s interim financial report.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the changes summarized below.

## 1. Basis of preparation (Continued)

### *Impact of adoption of HKFRS 16, Leases*

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

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

#### As a lessee

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

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

#### As a lessor

HKFRS 16 does not substantially change how a lessor accounts for leases under HKAS 17.

### ***Transition***

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

## 1. Basis of preparation (Continued)

### *Impact of adoption of HKFRS 16, Leases (Continued)*

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

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

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

- applied the exemption not to recognize right-of-use assets and liabilities for leases with a remaining lease term of less than 12 months as of January 1, 2019; and
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

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

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

### *Impacts on the consolidated financial statements*

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

## 1. Basis of preparation (Continued)

### *Annual Improvement to HKFRSs 2015 – 2017 cycles: Amendments to HKAS 23, Borrowing costs*

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

### *Impacts on the consolidated financial statements*

In accordance with the transitional provisions, the Group has applied those amendments to borrowing costs incurred on or after January 1, 2019, the date of initial application. Consequently, additional borrowing costs of HK\$323 million were capitalized to properties under development for the six months ended June 30, 2019.

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

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

The financial information relating to the financial year ended December 31, 2018 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:



## 1. Basis of preparation (Continued)

The Company has delivered the financial statements for the year ended December 31, 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

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

Management evaluates performance primarily based on profit before taxation.

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

**2. Revenue and segment information (Continued)**

## (a) Disaggregation of revenue

Revenue for the six months ended June 30, 2019 is analyzed as follows:

	<b>2019</b>	2018
	<b>HK\$ Million</b>	HK\$ Million
<b>Under the scope of HKFRS 16</b>		
<b>(2018: HKAS 17), Leases:</b>		
Rental income	<u>3,808</u>	<u>3,700</u>
<b>Under the scope of HKFRS 15, Revenue from</b>		
<b><i>contracts with customers:</i></b>		
Sales of completed properties	-	1,032
Building management fees and other rental related income	<u>396</u>	<u>418</u>
	<u>396</u>	<u>1,450</u>
	<u>4,204</u>	<u>5,150</u>

**2. Revenue and segment information (Continued)**

## (b) Revenue and results by segments

	Revenue		Profit before taxation	
	2019 HK\$ Million	2018 HK\$ Million	2019 HK\$ Million	2018 HK\$ Million
<b>Segment</b>				
Property leasing				
- Mainland China	<b>2,190</b>	2,171	<b>1,487</b>	1,447
- Hong Kong	<b>2,014</b>	1,947	<b>1,730</b>	1,670
	<b>4,204</b>	4,118	<b>3,217</b>	3,117
Property sales				
- Hong Kong	-	1,032	-	565
Segment total	<b>4,204</b>	5,150	<b>3,217</b>	3,682
Other net income			<b>4</b>	70
Administrative expenses			<b>(317)</b>	(292)
Operating profit before changes in fair value of properties			<b>2,904</b>	3,460
Net increase in fair value of properties			<b>1,438</b>	2,456
- Property leasing in Hong Kong			<b>1,334</b>	2,216
- Property leasing in mainland China			<b>(362)</b>	240
- Upon transfer from completed properties for sale in Hong Kong to investment properties			<b>466</b>	-
Net interest income/(expense)			<b>88</b>	(286)
- Interest income			<b>96</b>	256
- Finance costs			<b>(8)</b>	(542)
Share of profits of joint ventures			<b>38</b>	54
Profit before taxation			<b>4,468</b>	5,684

**2. Revenue and segment information (Continued)**

## (c) Total assets by segments

<u>Segment</u>	<b>Total assets</b>	
	<b>June 30, 2019 HK\$ Million</b>	December 31, 2018 HK\$ Million
Property leasing		
- Mainland China	<b>112,166</b>	103,489
- Hong Kong	<b>67,656</b>	66,634
	<b>179,822</b>	170,123
Property sales		
- Hong Kong	<b>4,337</b>	2,443
Segment total	<b>184,159</b>	172,566
Interest in joint ventures	<b>1,346</b>	1,330
Other assets	<b>93</b>	93
Cash and deposits with banks	<b>6,208</b>	12,363
Assets held for sale	<b>110</b>	101
Total assets	<b>191,916</b>	186,453

**3. Other net income**

	<b>2019 HK\$ Million</b>	2018 HK\$ Million
Ineffectiveness on cash flow hedges	<b>1</b>	-
Gain on disposal of investment properties	-	45
Gain on disposal of assets held for sale	-	25
Others	<b>3</b>	-
	<b>4</b>	70

**4. Net interest income/(expense)**

	<b>2019</b>	2018
	<b>HK\$ Million</b>	HK\$ Million
Interest income on bank deposits	<u>96</u>	<u>256</u>
Interest expense on bank loans and other borrowings	<b>724</b>	619
Interest expense on lease liabilities	<b>8</b>	8
Other borrowing costs	<u>23</u>	<u>15</u>
Total borrowing costs	<b>755</b>	642
Less: Borrowing costs capitalized	<u>(747)</u>	<u>(100)</u>
Finance costs	<u>8</u>	<u>542</u>
Net interest income/(expense)	<u><b>88</b></u>	<u>(286)</u>

**5. Profit before taxation**

	<b>2019</b>	2018
	<b>HK\$ Million</b>	HK\$ Million
Profit before taxation is arrived at after charging:		
Cost of properties sold	-	350
Staff costs (Note)	<b>652</b>	633
Depreciation	<u>22</u>	<u>22</u>

Note: The staff costs included employee share-based payments of HK\$26 million (2018: HK\$34 million). If the amounts not recognized in the statement of profit or loss, such as amounts capitalized to investment properties under development, were accounted for, staff costs would have been HK\$813 million (2018: HK\$755 million).

## 6. Taxation

- (a) Provision for Hong Kong Profits Tax is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the period. Mainland China Income Tax mainly represents mainland China Corporate Income Tax calculated at 25% (2018: 25%) and mainland China withholding income tax calculated at the applicable rates. A withholding tax of 5% is levied on the Hong Kong companies in respect of dividend distributions arising from profits of foreign investment enterprises in mainland China earned after January 1, 2008.

	<b>2019</b>	2018
	<b>HK\$ Million</b>	HK\$ Million
Current tax		
Hong Kong Profits Tax	<b>269</b>	283
Mainland China Income Tax	<b>327</b>	379
Total current tax	<b>596</b>	662
Deferred tax		
Changes in fair value of properties	<b>40</b>	66
Other origination and reversal of temporary differences	<b>62</b>	8
Total deferred tax	<b>102</b>	74
Total income tax expense	<b>698</b>	736

- (b) There is no tax effect relating to the components of the other comprehensive income for the period.

## 7. Dividends

### (a) Interim dividend

	<b>2019</b>	2018
	<b>HK\$ Million</b>	HK\$ Million
Proposed after the end of reporting period:		
HK17 cents (2018: HK17 cents) per share	<u><b>765</b></u>	<u>765</u>

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, 2019

	<b>2019</b>	2018
	<b>HK\$ Million</b>	HK\$ Million
2018 Final dividend of HK58 cents		
(2017: HK58 cents) per share	<u><b>2,609</b></u>	<u>2,609</u>

## 8. Earnings per share

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

	<b>2019</b>	2018
	<b>HK\$ Million</b>	HK\$ Million
Earnings used in calculating basic and diluted earnings per share (net profit attributable to shareholders)	<u><b>3,516</b></u>	<u>4,689</u>

**8. Earnings per share (Continued)**

(a) (Continued)

	<b>Number of shares</b>	
	<b>2019</b>	2018
Weighted average number of shares used in calculating basic earnings per share	<b>4,497,718,670</b>	4,497,645,393
Effect of dilutive potential shares - share options	-	754,332
Weighted average number of shares used in calculating diluted earnings per share	<b>4,497,718,670</b>	4,498,399,725

Note: Diluted earnings per share were the same as the basic earnings per share for the period as there was no dilutive effect on the potential ordinary shares during the six months ended 30 June 2019.

(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:

	<b>2019</b>	2018
	<b>HK\$ Million</b>	HK\$ Million
Net profit attributable to shareholders	<b>3,516</b>	4,689
Effect of changes in fair value of properties	<b>(1,438)</b>	(2,456)
Effect of corresponding income tax	<b>107</b>	66
Effect of changes in fair value of investment properties of joint ventures	<b>(13)</b>	(28)
	<b>(1,344)</b>	(2,418)
Non-controlling interests	<b>57</b>	48
	<b>(1,287)</b>	(2,370)
Underlying net profit attributable to shareholders	<b>2,229</b>	2,319

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

	<b>2019</b>	2018
Basic	<b>HK\$0.50</b>	HK\$0.52
Diluted	<b>HK\$0.50</b>	HK\$0.52



## 9. Investment properties and investment properties under development

### (a) Additions

During the six months ended June 30, 2019, additions to investment properties and investment properties under development amounted to HK\$9,929 million (2018: HK\$4,936 million). The additions included the final payment to Hangzhou Land Resources Bureau for acquiring the land in Xiacheng District, Hangzhou, Zhejiang Province, PRC.

### (b) Valuation

The investment properties and investment properties under development of the Group were revalued as of June 30, 2019 by Mr. Charles C.K. Chan, Registered Professional Surveyor (General Practice), of Savills Valuation and Professional Services Limited, on a market value basis.

## 10. Trade and other receivables

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

	<b>June 30, 2019</b>	December 31, 2018
	<b>HK\$ Million</b>	HK\$ Million
Not past due or less than 1 month past due	<b>16</b>	13
1 - 3 months past due	<b>3</b>	4
More than 3 months past due	<b>2</b>	2
	<b>21</b>	19

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. Given the Group has not experienced any significant credit losses in the past and holds sufficient rental deposits from tenants to cover the potential exposure to credit risk, the allowance for expected credit losses is therefore insignificant.

## 10. Trade and other receivables (Continued)

- (b) Included in other receivables of the Group is a deposit of land acquisition in mainland China of HK\$284 million (December 31, 2018: HK\$285 million).

## 11. Trade and other payables

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

	<b>June 30, 2019</b>	December 31, 2018
	<b>HK\$ Million</b>	HK\$ Million
Due within 3 months	<b>1,787</b>	1,737
Due after 3 months	<b>665</b>	850
	<u><b>2,452</b></u>	<u>2,587</u>

- (b) Included in trade and other payables is an amount of HK\$601 million (December 31, 2018: Nil) due to a fellow subsidiary, which is the joint developer of a project at Electric Road 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 above project, and is unsecured, non-interest bearing and has no fixed terms of repayment.

## 12. Assets held for sale

On June 26, 2019, the Group entered into a sale and purchase agreement with an independent third party to dispose of all the car parking spaces held at Laichikok Bay Garden in Hong Kong. Accordingly, the relevant assets are presented as assets held for sale. The completion of the transaction is scheduled to take place in September 2019.

**12. Assets held for sale (Continued)**

	<b>June 30, 2019</b>	December 31, 2018
	<b>HK\$ Million</b>	HK\$ Million
Investment properties	<u>110</u>	<u>101</u>
Deferred tax liabilities	<u>-</u>	<u>3</u>

The balance at December 31, 2018 represented:

- (a) a disposal group relating to the residential unit and several car parking spaces at Garden Terrace in Hong Kong which were disposed of in April 2019; and
- (b) an investment property of a car parking space at The Long Beach in Hong Kong which was disposed of in February 2019.

## **OTHER INFORMATION**

### **Employees**

As of June 30, 2019, the number of employees was 4,530 (comprising 1,128 Hong Kong employees and 3,402 mainland China employees). The total employee costs for the six months ended June 30, 2019, amounted to HK\$813 million. We provide competitive remuneration packages for all employees including discretionary bonuses payable based on individual performance. We regularly review the remuneration packages to ensure that they comply with relevant regulatory requirements and market conditions. The Company has share option schemes for the employees and provides professional and high-quality training for all employees.

### **Purchase, Sale or Redemption of Listed Securities**

During the six months ended June 30, 2019, 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, 2019, 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, 2019, have been reviewed by the Company's Audit Committee and auditor, KPMG.

## Book Close Dates

Book close dates (both days inclusive)	September 12 to 13, 2019
Latest time to lodge transfers	4:30 pm on September 11, 2019
Record date for interim dividend	September 13, 2019
Payment date for interim dividend	September 26, 2019

On Behalf of the Board

**Ronnie C. Chan**

*Chairman*

Hong Kong, July 30, 2019

*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 and other borrowings, net of unamortized other borrowing costs

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

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

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

### Financial Ratios

Basic earnings per share	=	$\frac{\text{Profit attributable to shareholders}}{\text{Weighted average number of shares in issue during the period}}$	Debt to equity	=	$\frac{\text{Total borrowings}}{\text{Total equity}}$
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Net assets per share	=	$\frac{\text{Net assets}}{\text{Weighted average number of shares in issue during the period}}$	Net debt to equity	=	$\frac{\text{Net debt}}{\text{Total equity}}$
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Interest cover	=	$\frac{\text{Operating profit before changes in fair value of properties}}{\text{Finance costs before capitalization less interest income}}$
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