恒隆集團有限公司
HANG LUNG GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00010)

2020 INTERIM RESULTS

CONTENTS

恒隆集團
HANG LUNG GROUP

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	**4,457**	**-**	**4,457**	4,505	-	4,505
Mainland China	**2,480**	**-**	**2,480**	2,409	-	2,409
Hong Kong	**1,977**	**-**	**1,977**	2,096	-	2,096
Operating profit	**3,243**	**(4)**	**3,239**	3,432	-	3,432
Mainland China	**1,620**	**(2)**	**1,618**	1,635	-	1,635
Hong Kong	**1,623**	**(2)**	**1,621**	1,797	-	1,797
Gain on disposal of investment properties	**-**	**-**	**-**	-	868	868
Underlying net profit attributable to shareholders	**1,338**	**(2)**	**1,336**	1,456	868	2,324
Net (decrease)/increase in fair value of properties attributable to shareholders	**(2,931)**	**-**	**(2,931)**	1,385	-	1,385
Net (loss)/profit attributable to shareholders	**(1,593)**	**(2)**	**(1,595)**	2,841	868	3,709

	At June 30, 2020	At December 31, 2019
Shareholders' equity	**87,564**	91,294
Net assets attributable to shareholders per share (HK$)	**$64.3**	$67.0

Earnings and Dividend (HK$)

	2020	2019
(Loss)/earnings per share		
- based on underlying net profit attributable to shareholders	**$0.98**	$1.71
- based on net (loss)/profit attributable to shareholders	**($1.17)**	$2.72
Interim dividend per share	**$0.19**	$0.19

Financial ratio

	At June 30, 2020	At December 31, 2019
Net debt to equity ratio	**20.0%**	17.3%
Debt to equity ratio	**22.4%**	19.7%

REVIEW OF OPERATIONS

CONSOLIDATED RESULTS

For the six months ended June 30, 2020, total revenue of Hang Lung Group Limited (the Company) and its subsidiaries (collectively known as "the Group") declined 1% to HK$4,457 million, and operating profit decreased 6% to HK$3,239 million, owing to the outbreak of the novel coronavirus disease (COVID-19). The performance of the Mainland portfolio was adversely impacted by a 4.5% Renminbi (RMB) depreciation against the Hong Kong Dollar (HKD) over the corresponding period last year. No property sales revenue was recognized during the first half of 2020 and 2019.

Due to a one-off disposal gain recognized in the first half of 2019 in respect of a non-core property, underlying net profit attributable to shareholders period-on-period fell 43% to HK$1,336 million or 8% on a comparable basis. Underlying earnings per share decreased correspondingly to HK$0.98.

With the net revaluation loss of properties attributable to shareholders of HK$2,931 million, net loss attributable to shareholders was HK$1,595 million (2019: net profit of HK$3,709 million). The loss per share was HK$1.17 (2019: earnings per share of HK$2.72).

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	**4,457**	4,505	-1%	**3,243**	3,432	-6%
Mainland China	**2,480**	2,409	3%	**1,620**	1,635	-1%
Hong Kong	**1,977**	2,096	-6%	**1,623**	1,797	-10%
Property Sales	**-**	-	-	**(4)**	-	N/A
Total	**4,457**	4,505	-1%	**3,239**	3,432	-6%

DIVIDEND

The Board of Directors has declared an interim dividend of HK19 cents per share for 2020 (2019: HK19 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

For the six months ended June 30, 2020, the overall leasing revenue of the Group declined by 1% to HK$4,457 million. The rental performance of the Hong Kong portfolio was adversely affected by both the COVID-19 pandemic and social unrest, with leasing revenue shrinking by 6% period-on-period. Various measures including the granting of rent relief were carried out to ease the hardship of tenants. Despite similar challenges brought about by COVID-19 at the beginning of the year, our Mainland leasing properties achieved a revenue growth of 8% in RMB terms and 3% in HKD terms attributable to the rapid recovery of Mainland businesses starting from April onwards.

A relief fund of RMB10 million was established 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, total leasing revenue of the Mainland portfolio grew by 8% to RMB2,246 million, partly attributable to the commencement of new leasing properties, namely Kunming Spring City 66, Office Tower 2 at Wuxi Center 66, and Conrad Shenyang at Shenyang Forum 66 during the third quarter of 2019. Excluding these new properties, rental revenue still advanced 2% period-on-period despite the impact of COVID-19. This set of performance was remarkable in the face of the pandemic.

Retail sales increased by 6%. Contributed by a strong rebound in luxury spending, retail sales at Shanghai Plaza 66, Shanghai Grand Gateway 66 and Wuxi Center 66 recorded growth in the range of 7% to 17%, with a corresponding increase of 6% to 15% in rental revenue.

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. Through product innovation, redistribution of merchandise and targeted promotions on omni-channels, luxury brands seized opportunities to generate sales exceeding pre-pandemic levels. On the other hand, retail properties with fewer luxury tenants, recovered only moderately and recorded negative growth for the period, primarily due to the sales loss during the lock-down. This reflected both government and business have adopted a much more prudent approach towards resumption of normal life.

Our office portfolio in mainland China was less affected by COVID-19 attributable to the high quality of service standard for hygiene and sanitation by the property management of the Group. At Wuxi Center 66, new tenancies in the new Office Tower 2 offset the drop in occupancy at Office Tower 1. Office leasing at the new Kunming Spring City 66 office tower progressed well. As a result, the office sector recorded a 1% income growth 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	**637**	583	9%	94%	96%
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	**2,246**	2,083	8%		
Total in HK$ Million equivalent	***2,480***	*2,409*	*3%*		

* 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*

The total revenue of our portfolio climbed 9% to RMB1,618 million after the opening of the new mall in Kunming in August 2019, adding to our eight existing malls in mainland China. The revenue of the eight existing malls generated 4% more in revenue compared to the first half of last year.

Income from the Shanghai **Plaza 66** mall increased by 9% during the reporting period. The growth was partly offset by rent relief offered during the height of the COVID-19 crisis and 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, Plaza 66 recorded the strongest bounce back from the COVID-19 pandemic among Mainland malls. Its retail sales grew by 17% period on period, benefitting from pent-up demand and the repatriation of luxury spending. Taking advantage of the upward trend in local luxury spending, we will continue to cultivate customer loyalty and boost tenant sales.

Revenue from the Shanghai **Grand Gateway 66** mall advanced 15% to RMB453 million, as the benefits of Asset Enhancement Initiatives (AEI) started to flow through. The basement was reopened in June 2019, and the main atrium of the South Building with its strong collection of luxury brands was opened in December 2019. The North Building, comprising a trendy mix of lifestyle brands and a refurbished cinema, complemented the much-enhanced luxury offering in the South Building. Together, they have turned Grand Gateway 66 into a popular hub for young and affluent customers. The second phase of the renovation covering the upper floors of the South Building will be completed in the third quarter of 2020. Total retail sales have seen a strong recovery in the post-COVID-19 period, exceeding the first half of last year by 7%. The retail sales for the second quarter jumped 41% period-on-period.

Income at the Shenyang **Palace 66** mall retreated by 11% to RMB85 million due to the postponement of new store openings and the closure of some stores under local government directives in light of COVID-19. Retail sales declined 34% period-on-period and occupancy dropped by eight points to 83%. Shopping sentiment has recovered modestly but daily footfall has yet to return to pre-pandemic levels, although over 96% of stores have resumed business as of June 2020. The mall was also affected by extensive road works conducted by the government along the pedestrianized zone during the period. Nevertheless, Palace 66 launched various sales-driven promotional campaigns in conjunction with its 10th Anniversary celebration in June to boost retail sales and footfall.

The leasing performance of 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 2020. Both retail sales and revenue retreated 14%. However, sales in the luxury segment rebounded strongly in May and June. The nationwide CRM program, HOUSE 66, will be launched in August to capture high-level spending and loyalty.

Income at the Jinan **Parc 66** mall fell by 6% to RMB148 million and retail sales dropped by 34% period-on-period. Retail sales at the mall are recovering due to strong marketing efforts and the deployment of the HOUSE 66 program.

The Wuxi **Center 66** mall achieved 6% revenue growth with its continuous improvement in trade mix and is expected to become the center of luxury in the city. The adverse impact from COVID-19 was offset by the higher base and turnover rent from luxury brands. The HOUSE 66 program, launched in 2019, played its part in promoting solid growth and sustainability in luxury sales. Retail sales advanced 13% period-on-period, with a particularly strong recovery from the outbreak seen in the second quarter when retail sales leaped 50% period-on-period.

As part of pandemic control measures, the Tianjin **Riverside 66** mall was ordered to close for five weeks between February and March by the local government. Revenue decreased by 14% period-on-period to RMB80 million, and retail sales plunged by 40%. The mall has been collaborating with tenants since its re-opening and is now on the road to recovery.

The Dalian **Olympia 66** mall was also not spared from the wrath of COVID-19. Revenue at the mall fell by 9% to RMB67 million. Nevertheless, the mall 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 an attractive cluster over the balance of the year and into 2021. For the reporting period, retail sales retreated 27% in the first half but have been demonstrating a healthy rebound since the second quarter. The HOUSE 66 program was successfully launched in June 2020.

In Kunming **Spring City 66**, top luxury brands are arriving throughout the summer as planned. The mall generated rental revenue of RMB74 million in the first half of 2020. The retail performance of key luxury brands has led a rebound to pre-pandemic levels, while sales in other trades also showed upward momentum.

- *Offices*

During the first six months of 2020, our seven office towers in four cities generated 1% more in revenue for a total of RMB542 million, mainly due to the new income stream 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. In the wake of the COVID-19 pandemic, leasing activities remained subdued and revenue at existing office towers decreased mildly by 2%.

Revenue from the two office towers at Shanghai **Plaza 66** dropped by 4% period-on-period. Despite some smaller tenants deciding to vacate during the pandemic, larger international groups in fashion and professional services took the opportunity to expand under one roof at Plaza 66, enhancing the overall quality of our tenant portfolio. As a result, rental income is expected to stabilize once pandemic-related transitional adjustments are settled.

Revenue from the office tower at Shanghai **Grand Gateway 66** was flat at RMB120 million. Occupancy rate was stable at 96%. The competitive position of the office tower was enhanced as the AEI of the mall is close to completion, attracting more quality tenants such as multinational corporations and large domestic enterprises.

Income at the Shenyang **Forum 66** office tower decreased by 1% period-on-period. The occupancy rate slipped one point to 88% as a few tenants downsized in response to the pandemic.

Total revenue from the two office towers at Wuxi **Center 66** rose by 18% in the first half of 2020. The new lettings and occupancy at Office Tower 2 more than offset a minor retreat in Office Tower 1 due, again, to the effects of the pandemic. Office Tower 2 successfully captured demand from the insurance and technology sectors as well as industries from the new economy, achieving a satisfactory absorption rate with its occupancy rate reaching 33% as of June 30, 2020.

The office tower at Kunming **Spring City 66** collected RMB13 million in rents during the period. The occupancy rate was 22% at period-end. Benefitting from its location and premium facilities, the office tower attracted renowned tenants from fast growing industries in the Southwest, including insurance, banking, finance, e-commerce and pharmaceutical.

- *Hotel*

Conrad Shenyang was opened in September 2019, and contributed RMB22 million in revenue for the first half of 2020. Both room sales and the food and beverage business were significantly impacted by the COVID-19 pandemic. As the restaurants reopened and business and leisure travels started to resume, revenue was gradually picking up in May. The pace of recovery will depend on the stability of disease control measures on a nationwide scale.

- *Residential and Serviced Apartments*

Income from residential and serviced apartments at Shanghai **Grand Gateway 66** declined by 7% period-on-period. The occupancy rate dropped by 12 points to 79% owing to softened demand from expatriates.

Hong Kong

The performance of Hong Kong portfolio was severely affected by the COVID-19 pandemic and the social unrest. Revenue dropped 6% to HK$1,977 million while operating profit declined by 10% to HK$1,623 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, as there was a decline in business for the semi-retail trades and food and beverage tenants, a decrease in 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	**1,143**	1,207	-5%	97%
Office and Industrial / Offices	**695**	728	-5%	89%
Residential & Serviced Apartments	**139**	161	-14%	58%
Total	**1,977**	2,096	-6%	

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

- *Commercial*

Revenue from our Hong Kong commercial portfolio decreased 5% period-on-period to HK$1,143 million. The overall occupancy rate increased one point to 97%.

The **Causeway Bay portfolio** was the hardest hit owing to the drastic drop in tourists and associated retail spending. Income of this portfolio dropped 13% to HK$281 million period-on-period and the occupancy rate declined 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.

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

Peak Galleria was reopened in the second half of 2019 after major asset enhancement. Despite reopening at a challenging time, the occupancy rate of the mall reached 89% by the end of the reporting period.

- *Offices*

Income of the Hong Kong office portfolio fell by 5% period-on-period to HK$695 million as the market stumbled under pressure from COVID-19. The overall occupancy rate fell by four points to 89%. Our offices in Central were more resilient and collected 4% more rent during the reporting period mainly due to positive rental reversions and stable occupancy. The Mongkok and Causeway Bay portfolios have a heavy mix of medical and semi-retail tenants and revenues there dropped by 5% and 10% respectively due to lower occupancy and rent relief granted. Hong Kong office rental accounted for 35% 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, owing to lower occupancy at Kornhill Apartments and The Summit.

PROPERTY SALES

During the first six months of 2020, we sold the last unit (duplex) of The Long Beach. 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

As of June 30, 2020, the total value of our investment properties and investment properties under development amounted to HK$189,257 million. The value of the Hong Kong portfolio and the mainland China portfolio was HK$64,719 million and HK$124,538 million, respectively. These properties were revalued by Savills, an independent valuer, as of June 30, 2020.

A revaluation loss of HK$4,805 million (2019: gain of HK$2,039 million) was recorded, representing a 2% decrease in valuation compared to the value recorded at December 31, 2019.

The mainland China portfolio recorded a loss of HK$2,419 million (2019: HK$359 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$2,386 million (2019: gain of HK$2,398 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.

Our investment properties are held as long-term investments for recurring income. 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 total 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 represented 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 with project completion scheduled for 2023.

Hangzhou **Westlake 66** project, a high-end commercial complex with a total gross floor area of 194,100 square meters above-ground, comprises a retail podium with five Grade A office towers and a luxury hotel. Piling works have already started and the project 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 a joint venture project with our subsidiary, Hang Lung Properties Limited (Hang Lung Properties), the Group is re-developing 226-240 Electric Road in North Point into a Grade A office tower. Total gross floor area of the project is 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.

Ownership of the former Amoycan Industrial Centre in Ngau Tau Kok was consolidated by Hang Lung Properties through Compulsory Sale for Redevelopment Order in April 2019. The site is well located with proximity to MTR Kowloon Bay Station and the future East Kowloon Cultural Centre. It 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. The project is targeted for completion in 2023.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained an appropriate capital structure with a high degree of agility. The objective is to have access to multiple channels of funding for meeting operational needs and business expansions and 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$3,626 million (December 31, 2019: HK$3,660 million). All deposits are placed with banks with strong credit ratings and the counterparty risk is monitored on a regular basis.

We focus on mitigating foreign exchange, interest rate, and re-financing risks in managing our debt portfolio. 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$33,856 million (December 31, 2019: HK$31,113 million), of which about 35% 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, the Group 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. The Group has also printed additional Medium Term Notes of HK$4.0 billion in the first half of 2020, of which HK$1.2 billion were classified 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 63% of the total borrowings of the Group 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	**22,121**	*65%*	19,556	*63%*
RMB	**11,735**	*35%*	11,557	*37%*
Total borrowings	**33,856**	*100%*	31,113	*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**	*63%*	13,466	*43%*
Floating	**12,392**	*37%*	17,647	*57%*
Total borrowings	**33,856**	*100%*	31,113	*100%*

At the reporting date, the average tenure of the entire loan portfolio was 3.0 years (December 31, 2019: 2.9 years) with maturity 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	**6,493**	*19%*	3,241	*10%*
After 1 but within 2 years	**8,141**	*24%*	7,632	*25%*
After 2 but within 5 years	**16,004**	*47%*	18,668	*60%*
Over 5 years	**3,218**	*10%*	1,572	*5%*
Total borrowings	**33,856**	*100%*	31,113	*100%*

At the balance sheet date, total undrawn committed banking facilities amounted to HK$15,178 million (December 31, 2019: HK$14,627 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).

The undrawn committed banking facilities of the Company and its other subsidiaries, excluding the balances of Hang Lung Properties and its subsidiaries (HLP Group), amounted to HK$4,049 million (December 31, 2019: HK$5,228 million).

- *Gearing Ratios and Interest Cover*

As of June 30, 2020, the net debt balance amounted to HK$30,230 million (December 31, 2019: HK$27,453 million). Net debt to equity ratio was 20.0% (December 31, 2019: 17.3%) and debt to equity ratio was 22.4% (December 31, 2019: 19.7%).

Excluding the balances of HLP Group, the net debt balance of the Company and its other subsidiaries amounted to HK$838 million (December 31, 2019: HK$1,086 million). The corresponding net debt to shareholders' equity ratio (on an attributable net asset basis) was 1.0% (December 31, 2019: 1.2%).

Gross amount of finance costs decreased by 8% to HK$751 million for the reporting period. The net amount charged to the statement of profit or loss for the six months increased to HK$85 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 66% to HK$35 million. The decrease was mainly the result of the utilization of surplus cash to meet construction payments.

For the first half of 2020, the amount of finance costs in excess of interest income, i.e. net interest expense, was HK$50 million (2019: net interest income of HK$39 million). The average effective cost of borrowings for the period was lowered to 4.5% (2019: 4.7%).

Interest cover for the first six months of 2020 was 4 times (2019: 5 times).

- *Foreign Exchange Management*

The Group has limited exposure 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 of the following currencies:

	At June 30, 2020		At December 31, 2019	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Denominated in:				
HKD	**2,136**	*59%*	2,102	*57%*
RMB	**1,381**	*38%*	1,449	*40%*
USD	**109**	*3%*	109	*3%*
Total cash and bank balances	**3,626**	*100%*	3,660	*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 63% of our total net assets. As the RMB had 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$2,007 million (2019: HK$425 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 the Group were not charged to any third parties as of June 30, 2020.

- *Contingent Liabilities*

The Group did not have any material contingent liabilities as of June 30, 2020.

OUTLOOK

Two factors that will have major bearings on our performance in the second half of 2020: the sustainability of the retail sales recovery on the Mainland, particularly in the lifestyle sector given the luxury sector proved to recover much faster than expected, and 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 very well. These programs will continue to bring in new business and enhance relationships through strengthening the Hang Lung branded experience and delivering tailor-made services to customers and tenants alike. 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 contribute to revenue growth.

Depending on 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)	**4,457**	4,505	**4,039**	3,899
Direct costs and operating expenses		**(1,218)**	(1,073)	**(1,104)**	(928)
		3,239	3,432	**2,935**	2,971
Other net income	3	**27**	874	**25**	771
Administrative expenses		**(307)**	(334)	**(279)**	(290)
Profit from operations before changes in fair value of properties		**2,959**	3,972	**2,681**	3,452
Net (decrease)/increase in fair value of properties		**(4,805)**	2,039	**(4,393)**	1,775
(Loss)/profit from operations after changes in fair value of properties		**(1,846)**	6,011	**(1,712)**	5,227
Interest income		**35**	104	**32**	90
Finance costs		**(85)**	(65)	**(77)**	(57)
Net interest (expense)/income	4	**(50)**	39	**(45)**	33
Share of (losses)/profits of joint ventures		**(167)**	124	**(154)**	108
(Loss)/profit before taxation	2(b) & 5	**(2,063)**	6,174	**(1,911)**	5,368
Taxation	6	**(433)**	(734)	**(391)**	(635)
(Loss)/profit for the period		**(2,496)**	5,440	**(2,302)**	4,733
Attributable to:					
Shareholders		**(1,595)**	3,709	**(1,469)**	3,231
Non-controlling interests		**(901)**	1,731	**(833)**	1,502
		(2,496)	5,440	**(2,302)**	4,733
(Loss)/earnings per share	8(a)				
Basic		**(HK$1.17)**	HK$2.72	**(RMB1.08)**	RMB2.37
Diluted		**(HK$1.17)**	HK$2.72	**(RMB1.08)**	RMB2.37

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

			For information purpose only	
	2020 HK$ Million	2019 HK$ Million	**2020 RMB Million**	2019 RMB Million
(Loss)/profit for the period	**(2,496)**	5,440	**(2,302)**	4,733
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	**(2,007)**	(425)	**907**	63
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**	-
Item that will not be reclassified to profit or loss:				
Net change in fair value of equity investments	**1**	1	**1**	1
Other comprehensive income for the period, net of tax	**(1,981)**	(354)	**931**	125
Total comprehensive income for the period	**(4,477)**	5,086	**(1,371)**	4,858
Total comprehensive income attributable to:				
Shareholders	**(2,696)**	3,514	**(905)**	3,309
Non-controlling interests	**(1,781)**	1,572	**(466)**	1,549
	(4,477)	5,086	**(1,371)**	4,858

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2020

	Note	**(Unaudited)**	(Audited)	*For information purpose only*	
		June 30, 2020	December 31, 2019	**June 30, 2020**	December 31, 2019
		HK$ Million	HK$ Million	**RMB Million**	RMB Million
Non-current assets					
Property, plant and equipment					
Investment properties	9	**162,816**	168,218	**148,683**	150,737
Investment properties under development	9	**26,441**	27,602	**24,152**	24,726
Other property, plant and equipment		**231**	231	**211**	207
		189,488	196,051	**173,046**	175,670
Interest in joint ventures		**3,931**	4,119	**3,588**	3,693
Other assets		**1,446**	1,445	**1,320**	1,295
Deferred tax assets		**5**	4	**5**	4
		194,870	201,619	**177,959**	180,662
Current assets					
Cash and deposits with banks		**3,626**	3,660	**3,311**	3,280
Trade and other receivables	10	**2,375**	2,298	**2,169**	2,059
Properties for sale		**6,364**	5,662	**5,811**	5,075
Assets held for sale	11	**3**	-	**3**	-
		12,368	11,620	**11,294**	10,414
Current liabilities					
Bank loans and other borrowings		**6,493**	3,241	**5,928**	2,903
Trade and other payables	12	**7,626**	8,752	**6,965**	7,842
Lease liabilities		**23**	23	**21**	21
Current tax payable		**505**	847	**461**	759
		14,647	12,863	**13,375**	11,525
Net current liabilities		**2,279**	1,243	**2,081**	1,111
Total assets less current liabilities		**192,591**	200,376	**175,878**	179,551

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

	(Unaudited)	(Audited)	*For information purpose only*	
	June 30, 2020	December 31, 2019	**June 30, 2020**	December 31, 2019
	HK$ Million	HK$ Million	**RMB Million**	RMB Million
Non-current liabilities				
Bank loans and other borrowings	**27,363**	27,872	**24,983**	24,967
Lease liabilities	**284**	293	**259**	262
Deferred tax liabilities	**13,551**	13,884	**12,378**	12,437
	41,198	42,049	**37,620**	37,666
NET ASSETS	**151,393**	158,327	**138,258**	141,885
Capital and reserves				
Share capital	**4,065**	4,065	**3,164**	3,164
Reserves	**83,499**	87,229	**76,801**	78,659
Shareholders' equity	**87,564**	91,294	**79,965**	81,823
Non-controlling interests	**63,829**	67,033	**58,293**	60,062
TOTAL EQUITY	**151,393**	158,327	**138,258**	141,885

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 Group 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	**3,948**	4,033
Under the scope of HKFRS 15, *Revenue from contracts with customers*:		
Building management fees and other income from property leasing	**509**	472
	4,457	4,505

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	**2,480**	**-**	**2,480**	2,409	-	2,409
- Hong Kong	**1,977**	**-**	**1,977**	2,096	-	2,096
	4,457	**-**	**4,457**	4,505	-	4,505
Profit from operations before changes in fair value of properties						
- Mainland China	**1,488**	**(2)**	**1,486**	1,476	-	1,476
- Hong Kong	**1,475**	**(2)**	**1,473**	1,628	868	2,496
	2,963	**(4)**	**2,959**	3,104	868	3,972
Net (decrease)/increase in fair value of properties	**(4,805)**	**-**	**(4,805)**	2,039	-	2,039
Net interest (expense)/income	**(50)**	**-**	**(50)**	39	-	39
- Interest income	**35**	**-**	**35**	104	-	104
- Finance costs	**(85)**	**-**	**(85)**	(65)	-	(65)
Share of (losses)/profits of joint ventures	**(167)**	**-**	**(167)**	124	-	124
(Loss)/profit before taxation	**(2,059)**	**(4)**	**(2,063)**	5,306	868	6,174
Taxation	**(433)**	**-**	**(433)**	(734)	-	(734)
(Loss)/profit for the period	**(2,492)**	**(4)**	**(2,496)**	4,572	868	5,440
Net (loss)/profit attributable to shareholders	**(1,593)**	**(2)**	**(1,595)**	2,841	868	3,709

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	**126,494**	**2,229**	**128,723**	131,104	1,608	132,712
Hong Kong	**65,368**	**4,139**	**69,507**	67,243	4,056	71,299
	191,862	**6,368**	**198,230**	198,347	5,664	204,011
Interest in joint ventures			**3,931**			4,119
Other assets			**1,446**			1,445
Deferred tax assets			**5**			4
Cash and deposits with banks			**3,626**			3,660
			207,238			213,239

3. Other net income

HK$ Million	**2020**	2019
Government grants	**21**	-
Ineffectiveness on cash flow hedges	**1**	1
Gain on disposal of a subsidiary	**-**	868
Others	**5**	5
	27	874

4. Net interest (expense)/income

HK$ Million	**2020**	2019
Interest income on bank deposits	**35**	104
Interest expense on bank loans and other borrowings	**708**	766
Interest on lease liabilities	**8**	8
Other borrowing costs	**35**	38
Total borrowing costs	**751**	812
Less: Borrowing costs capitalized	**(666)**	(747)
Finance costs	**85**	65
Net interest (expense)/income	**(50)**	39

5. (Loss)/profit before taxation

HK$ Million	**2020**	2019
(Loss)/profit before taxation is arrived at after charging:		
Staff costs (Note)	**694**	679
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$816 million (2019: HK$824 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	**172**	269
Mainland China Income Tax	**335**	353
Total current tax	**507**	622
Deferred tax		
Changes in fair value of properties	**(180)**	41
Other origination and reversal of temporary differences	**106**	71
Total deferred tax	**(74)**	112
Total income tax expense	**433**	734

7. Dividends

(a) Interim dividend

HK$ Million	**2020**	2019
Proposed after the end of the reporting period:		
HK19 cents (2019: HK19 cents) per share	**258**	258

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) Special and final dividends approved and paid during the six months ended June 30, 2020

HK$ Million	**2020**	2019
2019 special dividend of HK26 cents (2018: Nil) per share	**354**	-
2019 final dividend of HK63 cents (2018: HK61 cents) per share	**858**	831
	1,212	831

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)	**(1,595)**	3,709

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)	**1,361,618,242**	1,361,618,242

Note: Diluted (loss)/earnings per share were the same as the basic (loss)/earnings per share for the periods as there were no dilutive potential ordinary shares in existence 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	**(1,595)**	3,709
Effect of changes in fair value of properties	**4,805**	(2,039)
Effect of corresponding income tax	**(180)**	108
Effect of changes in fair value of investment properties of joint ventures	**237**	(56)
	4,862	(1,987)
Non-controlling interests	**(1,931)**	602
	2,931	(1,385)
Underlying net profit attributable to shareholders	**1,336**	2,324

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

	2020	2019
Basic	**HK$0.98**	HK$1.71
Diluted	**HK$0.98**	HK$1.71

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$1,328 million (2019: HK$9,934 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	**81**	24
1 - 3 months past due	**33**	27
More than 3 months past due	**8**	2
	122	53

(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

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	**2,850**	4,125
Due after 3 months	**973**	838
	3,823	4,963

OTHER INFORMATION

Employees

As of June 30, 2020, the number of employees was 4,618 (comprising 1,155 Hong Kong employees and 3,463 mainland China employees). The total employee costs for the six months ended June 30, 2020, amounted to HK$816 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 Group 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 Directors: Mr. Gerald L. CHAN, Mr. George K.K. CHANG and Mr. Roy Y.C. CHEN
Independent Non-Executive Directors: Mr. Simon S.O. IP, Prof. P.W. LIU, Prof. L.C. TSUI and Mr. Martin C.K. LIAO

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

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

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

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

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

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