恒隆地產
HANG LUNG PROPERTIES

2023
Interim Report

Hang Lung Properties Limited
Stock Code: 00101

We Do It Well

CONTENTS

DIRECTORS

Ronnie C. Chan *GBM (Chair)*
Adriel Chan *(Vice Chair)*
Weber W.P. Lo *(Chief Executive Officer)*
Nelson W.L. Yuen*
Dominic C.F. Ho*
Philip N.L. Chen*
Andrew K.C. Chan *BBS, JP**
Anita Y.M. Fung *BBS, JP**
Kenneth K.K. Chiu *(Chief Financial Officer)*

* *Independent Non-Executive Director*

AUDIT COMMITTEE

Dominic C.F. Ho *(Chair)*
Andrew K.C. Chan *BBS, JP*
Anita Y.M. Fung *BBS, JP*

NOMINATION AND REMUNERATION COMMITTEE

Nelson W.L. Yuen *(Chair)*
Dominic C.F. Ho
Anita Y.M. Fung *BBS, JP*

AUTHORIZED REPRESENTATIVES

Weber W.P. Lo
Winnie Ma

COMPANY SECRETARY

Winnie Ma

REGISTERED OFFICE

28th Floor, Standard Chartered Bank Building
4 Des Voeux Road Central, Hong Kong
Tel: 2879 0111
Fax: 2868 6086
Website: http://www.hanglung.com
Email: HLProperties@hanglung.com

AUDITOR

KPMG
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance

RESULTS AND DIVIDEND

Compared to the last corresponding period, overall revenue decreased slightly by 1% to HK$5,237 million for the six months ended June 30, 2023. Our solid leasing performance was offset by the depreciation of the Renminbi (RMB), and no contributions were recognized from property sales. For our core business, rental revenue grew by 5% in Hong Kong Dollar terms to HK$5,237 million.

Underlying net profit attributable to shareholders remained flat at HK$2,225 million when excluding all the effects of property revaluation. Underlying earnings per share stayed at HK$0.49.

Net profit attributable to shareholders, after considering all the effects of property revaluation, increased by 23% to HK$2,394 million. Earnings per share rose correspondingly to HK$0.53.

The Board has declared an interim dividend of HK18 cents per share, payable on September 29, 2023 to shareholders of record on September 15, 2023.

BUSINESS REVIEW

Since we opened our first mall on the Mainland in Shanghai in 1999, our rental revenue therefrom has consistently increased in RMB terms, reaching new heights each year. Notably, even during the past three years of COVID-19, its growth has never stopped. The 1% drop in retail revenue in 2022 (over 2021) was more than compensated for by the rise in office rental. We broke the record again these past six months, as reflected in our first half-year results. We are working to continue this winning streak in the second half if the market cooperates. The chances are good.

Frankly, it is difficult for anyone to imagine a similar outcome in the commercial rental space in China. The achievement was a result of the combination of our market positioning and operational efforts. Because the present macro picture is so dire, investors are holding off from China, particularly in retail-related sectors like ours. As a consequence, our share price does not reflect what we consider to be a string of strong results, before, during, and now after the pandemic. But as I have long believed: always do the right thing and the market will eventually acknowledge our success. As our company motto says: **We Do It Right**, and more recently, **We Do It Well**.

When I last wrote to shareholders at the beginning of this year, China was just emerging from an odd series of unprecedented events. After abruptly reversing her almost three years of strict COVID-19 containment policies in early December, herd immunity was quickly achieved in about six weeks. Everyone expected that Beijing would come up with some strong economy-stimulating measures. They did, but the response may not be as they had hoped.

As I have explained before, the Chinese economy has at least four major challenges: the aftermath of COVID-19, consequences of dealing with Internet platform companies and private education institutions, bursting of the housing bubble, and deteriorating China-U.S. relations. Each contributed differently to — but all with financial and socio-psychological effects on — today's economic malaise, something which I will detail in the next section.

With this background, it is very challenging for property companies like us to grow tenant sales and rental revenue. The only sector that would have a chance is truly luxury retail. Even then, it may not be easy. As such, our performance can be considered quite satisfactory, breaking commercial rental records in each of the past 23 years, including the last three under the pandemic.

Given the unique circumstances of the recent public health threat, we should also compare our 2023 performance with that of 2019, which itself was a record high at that time. To eliminate the effect of currency translation, I will use RMB terms to elaborate, which is a better reflection of performance.

All our seven luxury malls made advancement in rental revenue for the six months under review when compared to the same period in 2022. The best performing property was Plaza 66 in Shanghai, which rose by 23%, followed by Olympia 66 in Dalian by 19%, Center 66 in Wuxi 16%, and Grand Gateway 66 in Shanghai 11%. Spring City 66 in Kunming came in at 9%, while Forum 66 in Shenyang recorded a 6% increase. Occupancy basically held steady, and tenant sales were very strong almost across the board.

When comparing rental revenue of the past six months to the first half of pre-COVID 2019, the growth was spectacular. (Spring City 66 in Kunming opened in August 2019 and Heartland 66 in Wuhan in March 2021, so the two cannot be counted.) Center 66 in Wuxi soared by 126%, Olympia 66 in Dalian 80%, and Plaza 66 and Grand Gateway 66, both in Shanghai, rose by 73% and 56%, respectively. In fact, occupancy increased everywhere except at Forum 66 in Shenyang. As before, Forum 66 remains the least successful of all our luxury facilities.

A critical KPI for our business is obviously tenant sales. Compared to the same period in 2022, all our malls grew at double-digit rates except one. Our seven luxury properties on average did 42% more business, and our three sub-luxury ones rose by 36%. In Shanghai, the growth of 68% for Grand Gateway 66 and 62% for Plaza 66 were an anomaly due to a low base, as a result of the two-month citywide closedown last year. Olympia 66 in Dalian, Heartland 66 in Wuhan, and Center 66 in Wuxi all experienced growth rates between 24% and 26%. Forum 66 in Shenyang sold 16% more, and Spring City 66 in Kunming increased by 8%. All malls did better than in the six months immediately prior.

A more meaningful and interesting comparison is made with the same period in 2019 before the pandemic. On average, among our seven luxury properties, our tenants did more than triple the amount of business this year than in the first six months of 2019 — a rise of 217%. Center 66 in Wuxi made more than four times the sales. At Olympia 66 in Dalian, tenants sold 257% more; at Grand Gateway 66 in Shanghai, the increase reached 156%; and at Plaza 66, also in Shanghai, the gain was 136%. Even the shops at Forum 66 in Shenyang did 40% more business. The three sub-luxury properties did marginally better than in pre-COVID 2019. All of these encouraging results strongly underpin the rise in rents that our spaces command.

These figures show that, if done well, as we did, the pandemic did not hurt our business at all. At a time when public information demonstrated a clear trend of rising vacancies and lowering unit rents, our performance seemed to defy gravity. Actually, we do not. We are fortunate to be well-positioned in the right segment of the business — luxury fashion — and have executed this strategy reasonably well.

In recent years, our Mainland office portfolio has grown nicely. Being a steadier product less subjected to fluctuations like retail space, comparison with the same period in 2022 is more reasonable. Due to the weakening of the overall economy, the growth rate has moderated to 6% in local currency terms. When translated to our reporting currency, the Hong Kong Dollar, which appreciated 6.3% over the RMB, the total office rent received was 1% less. Minor weaknesses were identified in a few of our locations, but the two towers in Plaza 66 in Shanghai saw a pleasing rise in rents. More spectacular results in percentage growth came in the two newer skyscrapers, one at Spring City 66 in Kunming and one at Heartland 66 in Wuhan.

People began to travel after the pandemic, so our hotel business has improved significantly. But given its modest scale, it does not change the total picture much for us. There was also no sales activity on our residences at Heartland 66 in Wuhan.

In Hong Kong, both our tenant retail sales and rental revenue have improved from a year ago. These grew, respectively, by 22% and 6%. But when compared to the same period in 2019, i.e., pre-pandemic, they were still down by 7% and 16%, respectively.

Hong Kong office rents have edged up 1% compared to the same period last year. Rents from our residential and serviced apartments were down by 1%.

To summarize, on the Mainland we collected 13% more rents in RMB terms when compared to 2022. Revenue from retail space increased 13% — a 16% rise in luxury and a 3% retreat in sub-luxury. Office rents rose by 6% and hotels by 130%. Due to the devaluation of the currency, the growth rate was 6% in home currency terms. Together with a 4% rise in Hong Kong rents, the total rental revenue advanced by 5%. We did not sell any residential property in the past six months.

To give my readers a sense of our performance compared to 2019 before the pandemic, our Mainland portfolio delivered a growth rate of 66% in revenue in local currency. Retail rents rose by 69% — 93% for the luxury category, while sub-luxury malls retreated by 11%. We collected 40% more revenue from our offices. In Hong Kong, total rents remained 16% below the pre-COVID level — by the same magnitude for both retail and office, and 24% lower for residential and serviced apartments.

Leasing operating profit for the six months was up by 8% from a year ago, and its underlying net profit attributable to shareholders increased by 6% to HK$2,246 million. After a minor net revaluation gain, the net profit attributable to shareholders climbed 31% to HK$2,415 million. Compared to a year ago, the profit margin was up two points to 74% — three points on the Mainland to 70%, and one point in Hong Kong to 82%.

Mainland rental revenue now accounts for 68% of the total and Hong Kong 32%. The net debt-to-equity ratio moved up a little to 30.4%.

Now let me review a little history for my readers. It can be instructive for the future. Our strategy is not altogether unique; many others also develop, manage, and own commercial real estate in mainland China. But examining beneath the surface reveals that perhaps we are somewhat different from most, if not all, of our counterparts.

For example, our projects are invariably centered on a retail mall, usually with a top luxury market positioning. We are more willing to invest in the long term, as evidenced by our insistence on the choice of location, our design and construction, and the Asset Enhancement Initiative (AEI) we execute. During the bear market years from 2012 to 2017, we began a total upgrade of our two flagship Shanghai properties, and we spent a total of over RMB1.5 billion on these two AEIs. Our malls are often strongly supported by our offices. These skyscrapers are of the highest quality in the country, which is reflected in their high occupancy and rents.

Is ours an acceptable strategy? The proof of the pudding is in the eating. Consider the following historical numbers: for the past 23 years since we opened our first mall in December 1999 and up to 2022, our commercial rental portfolio has never suffered a down year. All this was set against rather turbulent times.

While 2000 to 2010 were relatively peaceful years, a prolonged bear market began in the second half of 2011 and was greatly exacerbated by the government's anti-corruption and anti-decadence policies implemented from 2012. Luxury retail was the hardest hit. It was not until early 2018 that the market began to recover.

In those six to seven difficult years, five malls and two office towers were slated to open. Barely two good years passed, and in early 2020 we were confronted with the COVID-19 pandemic, which lasted three years. Between the second half of 2019 and 2021, we inaugurated two sizable shopping centers and three office towers. So almost half of the past 23 years were troubled times.

What sustained the 23-year winning streak was not primarily the addition of new space, for it takes one or two three-year lease cycles for properties to mature after opening. The key is to ensure organic growth. This is amply demonstrated in the successes of all our luxury malls, with one exception.

Due to last year's total closure for two months and partial shuttering for the rest of the year, our two malls in Shanghai naturally recorded a drop in rents — less than 1% for Grand Gateway 66 and 10% for Plaza 66. Before that, there was not a down year for our retail rents except when we closed part of the facilities for the AEIs, as mentioned above. A similar situation occurred in our luxury properties outside Shanghai.

During the last two of the six- to seven-year bear market (2016 and 2017), Center 66 in Wuxi, then not yet in the luxury category, recorded a fall in rents. By 2018, it began to metamorphose into a top-end center. Revenue has jumped every year since. During the four fast-growing years from 2018 to 2021, it achieved an average annual increase rate of almost 28%. Remarkably, even the abnormality of 2022 was unable to stop the rise. Rents rose 7% that year.

Olympia 66 in Dalian followed a similar path and transformed itself even faster into the luxury category. With the exception of the first year of the pandemic in 2020, which brought tremendous business disruptions, the rise in rents was spectacular. For the last two years, it averaged 30% annual growth. This increase may continue for a few more years.

Spring City 66 in Kunming and Heartland 66 in Wuhan were born shortly before and during the pandemic. Their rates of rental rise have shown a healthy upward trajectory. Barring a major market setback, the two malls should continue to grow nicely.

Office rents fluctuate a lot less than their retail cousins, resulting in less frequent rent reductions. Even during the pandemic, our revenue hardly fell. Again, in the past 23 years and apart from AEI purposes, there were only two down years. In both cases, the magnitude was minimal — never exceeding low single digits.

At our two skyscrapers at Plaza 66 in Shanghai, the three years of AEI saw an average annual fall of 3% in rent. This was because we deliberately chose not to renew certain leases. That aside, there was hardly a down year in the project's long history. (A similar condition was observed in Grand Gateway 66 Office Tower, owned by our parent company, Hang Lung Group). Forum 66 in Shenyang saw only a 2% annual decline during two of the three pandemic years, but none before that. The two buildings at Center 66 in Wuxi, taken as a whole, have consistently seen rent increase since their inauguration.

Taking the entire office portfolio together over the span of 22 years (our first skyscraper in Plaza 66 was inaugurated in 2001), there were only two years of fallen rents of about 3.5% each. (The same holds true when the Grand Gateway 66 Office Tower from Hang Lung Group is added.) Spring City 66 in Kunming and Heartland 66 in Wuhan each have one office building, and their rents have been steadily rising. They are, however, quite new — opened in 2019 and 2020, respectively.

The total office rent now approaches that of our second most profitable mall, Grand Gateway 66 in Shanghai, in terms of total revenue. It accounts for almost 20% of our Mainland business and is no longer inconsequential.

Inasmuch as we were able to grow our luxury retail rental business over many years with limited volatility, the addition of a steady office portfolio did help to keep the revenue increase momentum. For example, in the particularly difficult year of 2022, under strict rules fighting COVID-19, Shanghai was the hardest hit, yet our total Mainland rents did not fall. This was because of strong office performance as well as the rapid rental growth in luxury malls elsewhere in the country.

I am not sure if there were other commercial property owners as fortunate. If there were, the number would probably not be large. In that sense, we are quite unique. Over the years, we have had our share of mistakes, but have also done many things well. Apparently, the latter strongly outweighs the former.

There is a more immediate market development that I should review with our shareholders. In the past few years, I have opined that when the pandemic subsides and international travel resumes, the sales leakage of luxury goods to overseas should not be serious. That assessment was based on the prevailing conditions then. At that time, there was a considerable convergence of domestic and international prices, which was not the case for many years. When the price of the same item was much higher at home, Chinese customers would, of course, be tempted to shop overseas. This phenomenon was further affected by the movement of the RMB vis-à-vis foreign currencies of countries or economies (including Hong Kong) of intended purchases. It also depends on the actions of Chinese customs officers at the ports of entry. If there was a period of relaxation in customs regulation, smart Chinese citizens will notice and begin buying overseas, as long as a sufficient price differential exists.

In this regard, it is interesting to observe that when a top European fashion house announced their results last week, it stated publicly that they would raise prices in Japan, in order to reduce the big price gap between Japan and China. One reason is that the Yen has been very weak of late. I will not be surprised if other major brands take similar steps. This is good news for us.

It is always helpful to have external validations of our own experiences and observations. This is why we always compare our results with those of major fashion companies. The announcement last week made by several top fashion houses have confirmed that China, which invariably is their most significant market, is still growing strongly.

Moreover, comparing their growth rates in China with that in our stores tends to indicate that their shops in our malls are more productive. This does not surprise us for we strive to be the best in the business. It leaves us in good stead with the management of those brands, which are important to our future. The issue is how to maintain that outperformance. My team and I will certainly do our best.

Please allow me a final observation for this review. As I have long written on this platform, mass retail, even in what I call four-star malls, is not where we want to be. Such shops have too low a profit margin to pay high rents. They are also much more vulnerable to online shopping. And since the expertise required to build such facilities and manage the business is much lower than luxury ones, many developers can build and own the former. On all counts, the opposite is true of what we strive for and excel in doing.

The latest pandemic has confirmed all that. The lack of people movement in the past three years has accelerated the migration to online shopping. COVID-19 was a boon to e-commerce and a bane to physical retail rental. The only sector that has been spared is the truly five-star malls. Our experiences have borne out that fact. Today, there is a general negativity towards retail space owners. Rightly so, for there are not many malls that are genuinely top-end like ours. The differential in performance between our seven luxury facilities and the three sub-luxury ones speaks to the same. I do not see any possibility of a reversal in the near future.

PROSPECTS

In the last section, I have listed the major causes of weakness in China's economy. There are primarily four.

The first is the cost of fighting the pandemic the way China did. There were direct costs to contain the virus as well as indirect costs, such as diverting limited resources from productive economic activities. The financial consequences were dire. Equally serious was the disappointment of the Chinese populace. The abrupt reversal of her containment policy had baffled many, although, as I had stated six months ago, it was totally explainable. Either way, when people are uncertain about the future, they tend to reduce consumption. They feel the need to save up for rainy days ahead. With the pandemic essentially gone for only six months, society needs time to adjust.

Coinciding with the public health challenge were the government policies to rein in Internet platform companies and private education entities. As I have previously written, the rationale for such policies is certainly justifiable, but the execution and timing were problematic. Worse was perhaps the erroneous impression of sudden policy changes. Guessing what officials will do next generates much anxiety, especially in a top-down society like China. Businesspeople were at a loss to respond, not knowing what may be thrown their way next. This is perceived to be a high-risk period, and the rational and safest thing to do is to do nothing. This loss of confidence is a key driver of the present economic malaise.

A third factor troubling the economy is the bursting of the housing bubble. To be sure, it has been long in the making. Every economic model practiced by major countries in the world comprises two elements: market forces and government policies. What matters is the proportion of these two, which can vary over time. In general, the U.S. economy is more market-oriented, while the European ones are slightly less so. In the case of China, the market is more guided by the visible hand. When that hand does well, the economy can strongly rise; but if mistakes occur, the economy suffers. However, officials are also capable of making corrective actions, as we have witnessed before in China.

In the case of the Chinese housing market, government policies and actions are paramount. A crucial factor that led to today's market condition is that, over the past 30 years or so, developers were basically prevented from going bankrupt. As a result, a moral hazard exists — market participants can be reckless and do not have to bear the consequences. That is, until now. The crisis has become so grave that its financial weight is crushing everyone. In the past, I had written on the technical aspects of the unsustainable nature of that business model, so I will not belabor here. Suffice it to say that being a big part of the overall economy and a socially sensitive sector, the industry's troubles will become a problem for the economy and society. Worse yet, there is no easy solution now that the bubble has burst.

The last of the four challenges is the effects of worsening China-U.S. relations. It started at least 30 years ago with the fall of the Berlin Wall, which negated the raison d'être of the Nixon-era rapprochement. Over time, it has gotten progressively worse, although most people did not feel it until recently. The wild years of Trump cemented the bad relationship and galvanized almost the whole of the U.S. to oppose China. A bipartisan consensus was formed. But the worst may be the Biden administration, which heightened the attack on the grounds of national security and made turning back extremely difficult.

Beyond bilateral trade, which is fundamentally a matter of rational calculation, now the issue is one of politics and emotion, which can be illogical. Facts no longer matter, and common sense can be easily put aside. Being the most powerful nation that humankind has ever seen, the U.S. is forcing everyone to choose sides. The only thing that can hold her back is her self-interest, such as protecting her vital economic needs to preserve the international dominance of the U.S. Dollar. Even so, at times, America would seem to forsake even that for smaller short-term gains. It is madness, and such is the world we live in today.

In the name of protecting these "national interests", the U.S. is hitting China with all she has. High on the agenda is the competition in technology. Following therefrom is the limiting of people flow and capital flow. From what I can tell, this is just the start. More restrictions will come, and these will further bifurcate the world. It will lead to differences in standards from the critical to the mundane. The practical ramifications of all that will be profound and ubiquitous.

Trade flow will change, and so will people flow and capital flow. Dealing with multiple standards and systems will be hugely inflationary. In the short term, it may spur a construction boom from the physical to the digital domains, but the resulting rise in raw material prices and labor costs will fuel inflation. There will be no winners in this game. Frankly, it is the biggest spectacle of our time when the number one power (the U.S.) wants desperately to suppress the number two (China), and the latter has no choice but to fight back. All gloves are off!

The deterioration of this critical international relationship is the fourth drag on the Chinese economy. If the first three were of her own making, this one has been thrown at her whether the ancient country likes it or not. In the end, perhaps the most troubling aspect for Beijing is the timing. Each of these four problems alone is already a handful. Each of them has a financial aspect as well as social and psychological ones. For the four to occur at the same time is truly unfortunate. This will tax the wisdom of her leaders as well as the cohesiveness of her society.

To be sure, there cannot be a winner in this contest of the century. It is much more complicated and dangerous than the last Cold War when the U.S. and U.S.S.R. hardly had any commercial nexus. This time, the U.S. and China are deeply economically intertwined. 60 to 70 years ago, the conflict was, for the most part, hidden from the general public. This time, everyone cannot but feel it everyday.

China will be the first to suffer, but she will not endure alone. Hardly a nation on earth would be spared, although a few may, of course, opportunistically gain. In the end, another big loser besides China could very well be the U.S. China today is not without the means to retaliate, and America like everyone else has her own Achilles' heel, such as her currency. It is truly a lose-lose endeavor.

Our primary interest is China, where our business is based. My assessment is that it may take a few years for Beijing to successfully restart the economic engine. Some in the West mistakenly think that the Chinese leaders are no longer interested in the economy. This cannot be further from the truth. It is not a matter of intention; it is a matter of feasibility. Time is needed, I believe, to get out of the present doldrums.

To a commercial enterprise like ours, the set of environments is simply too uncertain and risky. The risk-reward ratio makes one uncomfortable. This is why in recent editions of my half-yearly letter, I have repeatedly called for caution. It is better to be safe than sorry.

We will, in the coming financial period, focus on improving our operational efficiencies and resilience. As always, we strive to be the best in class, for the best in our business, all things else being equal, will make disproportionately more money given the same capital. After all, there are still many improvements to be made.

We will also build out our projects, chief among them being Westlake 66 in Hangzhou. The mall and two office towers are slated to be completed by the end of 2024. The three remaining mid-rise office buildings, as well as the hotel, should be finished a year later. The world-renowned hospitality group Mandarin Oriental has been engaged, which will further enhance the luxury positioning of the entire project.

So far, we only have one hotel operating on the Mainland — the Conrad at Forum 66 in Shenyang. Business has improved significantly after the pandemic. Several hotels are being planned. In the order of expected completion, they are: Grand Hyatt Kunming, which forms a part of Spring City 66 (2024 opening); a Curio Collection by Hilton at Center 66 in Wuxi (also 2024); and the Mandarin Oriental at Westlake 66 in Hangzhou (2025). A fourth is in the offing which is yet to be announced.

We also have four residential developments for sale in the coming years. They are Heartland Residences in Wuhan, Center Residences in Wuxi, Grand Hyatt Residences in Kunming, and thereafter Forum Residences in Shenyang. All except the last are targeted to be completed in phases in or before 2025. Given this sizable portfolio of projects to be completed, our team will be kept busy. Whether we buy more land would depend on how the political and economic situations evolve over time.

Let me conclude by bringing us back to the more immediate developments. We started this year quite strongly after the relaxation of pandemic and social distancing rules. There was some optimism, and our results of the first few months tended to justify it. But by mid-May, we began to notice some slowdown. We were still growing nicely, but the rate was somewhat moderated.

When examining the domestic economy from various angles, it is not easy to conclude that this will turn around strongly anytime soon. One of the few sectors that remains relatively resilient is luxury goods. I will not be surprised if, for the rest of the year, we manage to maintain some growth. This seems to be in line with the forecasts of top fashion brands. If I am correct, this year will still reach new heights for our Company. Beyond that, the horizon is not clear enough for me to venture a forecast. But through operation efficiency improvements and prudent financial management, we should be able to handle whatever may befall us.

In Hong Kong, retail sales have improved and should gradually be followed by rent increases. However, progress is not expected to be fast. Office rental will remain weak for two key reasons. First, the overall economy, especially our financial service industry, is expected to be sluggish. It is likely that the U.S. will craft further policies directed at us. If so, the sector may yet become a target. Second, the supply of office space in the pipeline is plentiful. As such, one should not have unrealistic expectations of substantial rent increases.

A final word on corporate governance: I would like to think that, over the years, we have kept one of the highest standards on multiple fronts when compared to others in our industry. We are among the most transparent with shareholders and the investment public. That said, we have much room to improve such as diversity. Management has made conscientious efforts to promote a more balanced workforce, as evidenced by our recent and highly successful “Future Women Leaders Program”. Nevertheless, board diversity is an area that needs enhancement. Much work has been carried out in this area and I hope to have good news to report soon.

Ronnie C. Chan
Chair
Hong Kong, July 31, 2023

As you will see from this Interim Report, Hang Lung delivered another solid set of results for the first half of 2023. While the overall numbers were good, if we look more closely, the trajectory was one of plateauing. This trend, combined with a more conservative consumer sentiment, gives us pause, although we remain reasonably confident about the full year's prospects.

With the above in mind, I visited four cities in late July — Kunming, Shenyang, Dalian, and Shanghai — to try to get a more nuanced, on-the-ground sense of consumer sentiment on the Mainland.

As expected, what I *heard* from colleagues, friends, and customers was even more negative than what I heard after the 2012 crackdown on corruption and opulence. Across the board, consumers said they are more conservative in their outlook and are less willing to spend. This tallied with what we have also heard from Hong Kong. However, what I *saw* seemed to tell a different story: buzzing malls, packed flights, and full hotels — all things that appear to point to healthy economic activity.

I want to highlight a few specific examples of the feedback I received:

– Everyone said that they are holding back on large purchases such as cars and housing. However, at least one person said this is partly because the government has rolled back some of the big subsidies they had been offering to stimulate electric vehicle sales, causing end-customer prices to rise.

– When asked about clothing purchases, one white-collar respondent said that while they previously bought around three to four new pieces each season, they have now pared that back to two to three pieces. These are not luxury-brand items but mid-range, average brands. (It appears that luxury brands have not seen the same kind of taper.)

– On Internet shopping, another person (a senior employee for a multinational company's China operations) responded that they have shifted more of their spending to lower-end platforms such as Pinduoduo, from the relatively more full-priced Taobao (Alibaba) and JD.com. This was quite a commonly repeated phenomenon, although there may be a case to be made that Pinduoduo has simply done a better job of improving its products and services (e.g., dramatically improving its customer returns experience.)

On the other hand, these were some of the telling divergent observations:

– On eating/F&B, multiple upper-middle-class respondents said that they had not changed their restaurant eating habits at all. They still go to restaurants just as frequently and order the same food and wine. The explanation I received for this divergence from the change in shopping habits was that, “We have to eat anyway, and things aren’t that bad that we need to change how we eat.” This one statement gave me a little bit of (cold) comfort and helped shed more light on just where sentiment stands.

– The resilience of travel was something I managed to experience first-hand. On three of my four flights, business class was full, and economy was either full or nearly full. (I know because I was unable to secure a business class seat on those three flights!)

– Hotels are also doing well, not only in tourist hot spots like Shanghai and Chengdu but even in Shenyang and Dalian. As our Chair alluded to, our Conrad Hotel in Shenyang has been doing strong business, and in July, there were three nights of 100% occupancy, including the presidential suite, with no “comped” (complimentary) rooms! Considering we are the most expensive hotel in Shenyang, as well as the most highly rated Conrad in the country, this further reinforces the relative resilience of high-end consumers.

– Our shopping malls were absolutely bustling. Both foot traffic and sales were strong, which contributed to an energetic atmosphere. Unfortunately, the same cannot be said for some of our competitors. Especially in second-tier cities, a number of mass-market malls were really suffering. In the most extreme example, I walked through six stories of a new competitor mall and saw only five other customers. Although this speaks to our strong ability to attract customers, it does not bode well for non-luxury malls across the country.

So, how is this discrepancy explained? Broadly speaking, most consumers do not have materially reduced spending power, so they can still spend when and where they choose. It's more that they lack confidence in the broader economy, so they choose to spend more selectively. There have not been mass layoffs, nor have there been significant income reductions. Considering the scale of savings and balance sheet wealth that most urban Chinese have already amassed, potential short-term impacts on their disposable income will hopefully be minimal. Therefore, their spending adjustments are primarily a reaction to lower confidence levels rather than a lower spending ability. Of course, this is painful for some vendors — mainly mass and lower-end retailers — but it does not spell the end of Chinese retail, and especially not high-end retail. The question is, from here, in which direction will the economy go?

I believe there is still the opportunity for the government to stem falling sentiment. However, it will take more than the announcement of new policy measures — in order to rebuild confidence, consumers are keenly watching how the government makes good on any announcements.

As an operator of high-end malls and offices in mainland China — a scarce and unique product — rather than a developer of mass residential or commoditized offices, we are subject to a slightly modified set of challenges compared to our peers. Our customers are more affluent and less cost-conscious, and are less likely to have suffered catastrophic financial losses over the past several years and in the years to come. Whatever the scenario, I think it is a reasonable expectation that Hang Lung continues to outperform the broader industry.

Adriel Chan
Vice Chair
Hong Kong, July 31, 2023

Financial Highlights

in HK$ Million (unless otherwise stated)

RESULTS

	For the six months ended June 30					
	2023			2022		
	Property Leasing	**Property Sales**	**Total**	Property Leasing	Property Sales	Total
Revenue	**5,237**	**–**	**5,237**	4,986	316	5,302
– Mainland China	**3,554**	**–**	**3,554**	3,367	–	3,367
– Hong Kong	**1,683**	**–**	**1,683**	1,619	316	1,935
Operating profit/(loss)	**3,858**	**(34)**	**3,824**	3,575	133	3,708
– Mainland China	**2,483**	**(20)**	**2,463**	2,269	(19)	2,250
– Hong Kong	**1,375**	**(14)**	**1,361**	1,306	152	1,458
Underlying net profit/(loss) attributable to shareholders	**2,246**	**(21)**	**2,225**	2,109	108	2,217
Net increase/(decrease) in fair value of properties attributable to shareholders	**169**	**–**	**169**	(269)	–	(269)
Net profit/(loss) attributable to shareholders	**2,415**	**(21)**	**2,394**	1,840	108	1,948

	At June 30, 2023	At December 31, 2022
Shareholders' equity	**130,073**	133,381
Net assets attributable to shareholders per share (HK$)	**$28.9**	$29.6

Earnings and Dividend (HK$)

	2023	2022
Earnings per share		
– Based on underlying net profit attributable to shareholders	**$0.49**	$0.49
– Based on net profit attributable to shareholders	**$0.53**	$0.43
Interim dividend per share	**$0.18**	$0.18

Financial Ratios

	At June 30, 2023	At December 31, 2022
Net debt to equity ratio	**30.4%**	28.1%
Debt to equity ratio	**33.7%**	31.8%

CONSOLIDATED RESULTS

The total revenue of Hang Lung Properties Limited (the Company) and its subsidiaries (collectively known as "Hang Lung Properties") for the six months ended June 30, 2023 was HK$5,237 million, 1% lower than the same period last year as the solid leasing performance achieved through our unique positioning and disciplined execution was dragged by the depreciation of the Renminbi ("RMB"), and no contributions were recognized from property sales. The overall operating profit rose by 3% to HK$3,824 million. Revenue from property leasing increased by 5% to HK$5,237 million. No property sales revenue was recognized during the period (2022: HK$316 million).

The underlying net profit attributable to shareholders remained flat at HK$2,225 million. The underlying earnings per share correspondingly stayed at HK$0.49.

Hang Lung Properties reported a net profit attributable to shareholders of HK$2,394 million (2022: HK$1,948 million) when including a net revaluation gain on properties attributable to shareholders of HK$169 million (2022: net revaluation loss of HK$269 million). The corresponding earnings per share was HK$0.53 (2022: HK$0.43).

Revenue and Operating Profit for the Six Months Ended June 30

	Revenue			Operating Profit/(Loss)		
	2023	2022		**2023**	2022	
	HK$ Million	HK$ Million	Change	**HK$ Million**	HK$ Million	Change
Property Leasing	**5,237**	4,986	5%	**3,858**	3,575	8%
Mainland China	**3,554**	3,367	6%	**2,483**	2,269	9%
Hong Kong	**1,683**	1,619	4%	**1,375**	1,306	5%
Property Sales	**–**	316	-100%	**(34)**	133	N/A
Total	**5,237**	5,302	-1%	**3,824**	3,708	3%

DIVIDEND

The Board of Directors has declared an interim dividend of HK18 cents per share for 2023 (2022: HK18 cents) to be paid in cash on September 29, 2023, to shareholders whose names are listed on the register of members on September 15, 2023.

PROPERTY LEASING

For the six months ended June 30, 2023, the overall rental revenue increased by 5% to HK$5,237 million. Rental revenue of our Mainland portfolio rose by 13% in RMB terms and 6% in HKD terms after taking into account the RMB depreciation against the same period last year. Our Hong Kong portfolio recorded 4% growth in rental revenue.

On the Mainland, overall business sentiment affected by the COVID-19 outburst in December last year quickly rebounded when the spread of cases subsided in early January and related pandemic containment measures were lifted. A proactive marketing push via various promotional events, together with traditional holiday campaigns in the Chinese New Year and Valentine's Day, were launched across our portfolio to capture the post-COVID-19 upsurge. HOUSE 66, our customer relationship management (CRM) program, effectively engaged our loyal customers and acquired new members. Compared with the first quarter of 2022 when the impacts of COVID-19 remained relatively mild, overall tenant sales and rental revenue grew by 18% and 5%, respectively, in RMB terms. For the first six months of 2023, overall tenant sales and rental revenue were 42% and 13% higher, respectively, against the corresponding period.

Hong Kong's overall operating environment is gradually improving following the re-opening of borders both locally and on the Mainland. Our "hello Hang Lung Malls Rewards Program" along with the government's "Hello Hong Kong" campaign and another round of consumption vouchers, further stimulated consumer sentiment and supported growth in tenant sales. For the first time since the COVID-19 outbreak in 2020, our Hong Kong portfolio delivered rental growth against the same period of the previous year. Overall rental revenue increased by 4%, and tenant sales improved by 22% compared to the same period last year.

Mainland China[1]

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

	Revenue (RMB Million)		
	2023	2022	Change
Malls	**2,496**	2,210	13%
Offices	**580**	547	6%
Hotel	**62**	27	130%
Total	**3,138**	2,784	13%
Total in HK$ Million equivalent	***3,554***	*3,367*	*6%*

Overall rental revenue and operating profit rose by 13% and 17%, respectively. In HKD terms, the increases were diluted to 6% and 9%, respectively, due to the depreciation of the RMB. Our mall portfolio resumed its growth trend and its revenue climbed 13% after a relatively flattish result in 2022, which was hampered by multiple COVID-19-related business disruptions (including mall closures). Our premium office portfolio continued to deliver a firm growth foundation and rose by 6%, driven mainly by an increase in occupancy rates at our younger office towers in Kunming and Wuhan. Our hotel operations benefited from the relaxation of travel restrictions with revenue more than doubling period-on-period.

- *Malls*

Our mall portfolio revenue grew by 13%, with our luxury-positioned malls achieving a 16% increase in revenue, while our sub-luxury malls recorded a slight revenue drop of 3%. Our two luxury malls in Shanghai, which experienced business suspensions in April and May last year, reported 18% higher revenue. For our luxury malls outside Shanghai, overall rental revenue growth reached 11%, benefiting from higher tenant sales. The slight fall in revenue for our sub-luxury malls was largely attributable to lower occupancy.

1 Percentage changes pertaining to the mainland China portfolio are expressed in RMB terms unless otherwise specified.

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

	Revenue (RMB Million)			Period-end Occupancy Rate		
Name of Mall and City	**2023**	2022	Change	**June 2023**	December 2022	June 2022
Luxury malls						
Plaza 66, Shanghai	**891**	724	23%	**100%**	100%	98%
Grand Gateway 66, Shanghai	**613**	553	11%	**98%**	99%	99%
Forum 66, Shenyang	**50**	47	6%	**84%**	87%	90%
Center 66, Wuxi	**226**	195	16%	**99%**	99%	98%
Olympia 66, Dalian	**133**	112	19%	**89%**	89%	89%
Spring City 66, Kunming	**154**	141	9%	**97%**	95%	94%
Heartland 66, Wuhan	**122**	122	–	**81%**	86%	84%
	2,189	1,894	16%			
Sub-luxury malls						
Palace 66, Shenyang	**78**	82	-5%	**86%**	81%	86%
Parc 66, Jinan	**156**	151	3%	**89%**	90%	92%
Riverside 66, Tianjin	**73**	83	-12%	**80%**	80%	83%
	307	316	-3%			
Total	**2,496**	2,210	13%			

Our luxury malls recorded an overall 16% increase in revenue. While revenue at Heartland 66 in Wuhan was flat as its tenant mix is being restructured, revenue from the remaining luxury malls increased by a range of 6% to 23% period-on-period. With various business suspensions and pandemic containment measures in 2022, our luxury malls benefited from improved sentiment and tenant sales, particularly during the Chinese New Year and Valentine's Day holidays. Our sub-luxury malls recorded an overall 3% drop in revenue due to lower occupancy. Parc 66 in Jinan reported 3% growth in revenue after the opening of multiple beauty and first-in-town brands in the second half of 2022 following the completion of the first stage of the mall's Asset Enhancement Initiative (AEI).

Luxury malls

Revenue and tenant sales of our flagship **Plaza 66** mall in Shanghai increased by 23% and 62% period-on-period, respectively. We helped create new sales momentum and capture the improved customer sentiment by launching proactive CRM programs and innovative marketing campaigns, including the "Game of Wonder" held in April this year. The results were encouraging, especially during the Chinese New Year and Valentine's Day, when our tenant sales exceeded those in 2022. The mall continued to be fully occupied at the end of the period.

Another mall in Shanghai, **Grand Gateway 66**, which carries more lifestyle content than its flagship sister, generated revenue growth of 11% period-on-period, with tenant sales rising by 68%. As seen with Plaza 66, business performance during the Chinese New Year and Valentine's Day holidays exceeded that of 2022. Grand Gateway 66 also organized an exclusive in-mall event tied with the May premiere of the Chinese version of "The Phantom of the Opera", became the talk of the town with overwhelming footfall and viral social media reach. The occupancy rate remained high at 98% at the end of the period.

Forum 66 mall in Shenyang generated 6% and 16% higher revenue and tenant sales, respectively. Targeted marketing events in collaboration with our tenants, and those with our Conrad Shenyang and Palace 66 brands in Shenyang, created productive synergy and enhanced customer experiences. The occupancy rate as of June 2023 was 84%.

Center 66, the leading luxury retail mall in Wuxi, continued to deliver strong results, with revenue and tenant sales rising by 16% and 24%, respectively. A tenant collaboration with a "Money Can't Buy Experience" concept appealed to our prestige customers and helped fortify our leadership position. The occupancy rate remained high at 99%.

Olympia 66 in Dalian continued to reap the rewards of its transformation into a luxury-led mall with its revenue and tenant sales climbing 19% and 26% period-on-period, respectively. Its signature event, "Shining Olympia", was held in April and continued to boost consumer sentiment and footfall. The occupancy rate remained stable at the end of the period.

Revenue and tenant sales of **Spring City 66** mall in Kunming, the city's prime luxury hub, benefited from an expanding tourist market and rose by 9% and 8%, respectively. Entering its fourth year of operations, the mall continues to provide strong base rents with positive rental reversions and a high occupancy rate, which stood at 97% as of June 2023.

Heartland 66 mall in Wuhan, our first large-scale commercial development in central China, is undergoing a revamp in trade mix to bolster its competitiveness, and as a result, a drop in its occupancy rate to 81% at the reporting date. Despite the drop in the occupancy rate, the revenue was maintained at 2022 level while tenant sales increased by 25%. To celebrate the mall's second anniversary, a "Cirque du Soleil First-in-Wuhan" event was held in March with comprehensive tenant collaborations and encouraging response from customers.

Sub-luxury malls

The revenue of **Palace 66** in Shenyang dropped by 5% as the low occupancy rate inherited at the beginning of the year due to COVID-19 impacts on its performance. The occupancy rate recovered five points against period-end December 2022 to 86% and remained stable against period-end June 2022. Capturing the local government's dedication to transform the Zhongjie District into an international commercial hub, various marketing activities were held—including a music festival—and tenant sales increased by 40%.

Following the completion of the first phase of its AEI in the second half of 2022, **Parc 66** in Jinan increased its revenue and tenant sales by 3% and 31%, respectively. Multiple beauty and first-in-town brands opened stores in the mall and further phases of the AEI will continue to bolster Parc 66's long-term competitiveness and profitability. The occupancy rate as of June 2023 was 89%.

Revenue from **Riverside 66** in Tianjin decreased by 12% due to low occupancy, which was inherited at the beginning of the year due to COVID-19 pressures in 2022. Marketing initiatives were introduced to strengthen footfall, which led to a 40% boost in tenant sales. The occupancy rate remained stable against period-end December 2022 and decreased by three points against period-end June 2022 to 80%.

- *Offices*

The office portfolio, accounting for 18% of our total Mainland rental revenue, continued to provide a reliable source of growth and income stream. The total revenue rose by 6% to RMB580 million period-on-period, driven primarily by the good performance of Plaza 66 and growth from our newer projects, such as the office towers in Kunming and Wuhan.

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

Name of Office and City	Revenue (RMB Million) 2023	2022	Change	Period-end Occupancy Rate June 2023	December 2022	June 2022
Plaza 66, Shanghai	**335**	317	6%	**98%**	96%	96%
Forum 66, Shenyang	**64**	66	-3%	**86%**	91%	92%
Center 66, Wuxi	**59**	61	-3%	**83%**	85%	88%
Spring City 66, Kunming	**70**	59	19%	**87%**	88%	79%
Heartland 66, Wuhan	**52**	44	18%	**72%**	73%	61%
Total	**580**	547	6%			

Our two Grade A office towers at **Plaza 66** in Shanghai generated rental growth of 6% during the period, leveraging their prime location in Jing'An District and high-quality tenant mix. An innovative digital tool is also being introduced to further enhance tenant experiences and service quality. The occupancy rate remained high at 98% at the end of the reporting period.

Revenue of the office tower at **Forum 66** in Shenyang fell by 3%, mainly due to continuing soft demand in the market with the occupancy rate dropped to 86%.

The total revenue of the two office towers at **Center 66** in Wuxi dropped by 3%, primarily because of the low occupancy rate that has carried over from the end of 2022. Our high-quality offerings enabled us to maintain a steady level of unit rent in the first half of the year, and we intend to further improve the tenant mix and leasing pace in the second half of the year. The occupancy rate was 83% at the end of the reporting period.

Revenue of the office tower at **Spring City 66** in Kunming increased by 19%, driven by the eight points rise in its occupancy rate to 87% against period-end June 2022. Spring City 66 will look to enhance its leasing pace in the second half of 2023 through leveraging its prime location and premium facilities and services.

Revenue of the **Heartland 66** Office Tower in Wuhan increased by 18% and the occupancy rate increased by 11 points against period-end June 2022 to 72%. To further enhance Heartland's competitiveness and provide more offerings to tenants, Heartland's new HANGOUT workspace opened in March 2023 to provide flexible office solutions for tenants.

- *Hotel*

Revenue grew by 130% after the relaxation of travel restrictions. Both room and food and beverage businesses performed well following an increase in both business and leisure travel, with room revenue contributing 1.71 times growth due to an influx of business travelers while food and beverage revenue achieved 82% growth.

Hong Kong

With the resumption of cross-border travel between Hong Kong and the Mainland, the Hong Kong economy achieved a stable recovery in the first half of 2023, especially in the retail market.

To capitalize on this steady rebound in market sentiment, we supported our tenants with a sales-driven approach. The “hello dollar” rewards program and a series of compelling marketing campaigns were launched in the first half of 2023 to help elevate customer shopping experiences.

Revenue and operating profit increased by 4% to HK$1,683 million and by 5% to HK$1,375 million, respectively, with a rental margin of 82%.

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

	Revenue (HK$ Million)			Period-end Occupancy Rate		
	2023	2022	Change	**June 2023**	December 2022	June 2022
Retail	**1,009**	951	6%	**97%**	98%	98%
Offices	**552**	545	1%	**88%**	90%	87%
Residential & Serviced Apartments	**122**	123	-1%	**66%**	73%	70%
Total	**1,683**	1,619	4%			

- *Retail*

Revenue from our Hong Kong retail portfolio rose by 6% to HK$1,009 million. As the tenant mix was refined by introducing brands that focus on local consumption, the overall occupancy dropped mildly to 97%.

The recovery of inbound tourism and another round of government consumption vouchers, together with a series of promotional campaigns under the “hello Hang Lung Malls Rewards Program”, contributed to a rise in total tenant sales and sales rent by 22% and 40%, respectively, mainly in the food and beverage, personal care and beauty, and jewelry and watches segments.

Retail properties located in **Central Business and Tourist District Portfolio** generated overall rental growth of 8%. The performance of our retail properties at Mongkok and Causeway Bay benefited from the re-opening of borders and the relaxation of pandemic control measures. Overall occupancy remained stable at 96%.

Our **Community Mall Portfolio** continued to record strong performance, with overall revenue increasing by 4% against the same period last year. The occupancy of Kornhill Plaza in Hong Kong East and Amoy Plaza in Kowloon East remained high at 99% and 97%, respectively, at the reporting date.

- *Offices*

Our office revenue edged up by 1% in the face of a challenging market environment with weak demand and an abundance of market supply in the pipeline, especially on Hong Kong Island. Various measures were adopted to maintain a relatively high occupancy level of 88%.

For our **Hong Kong Island Portfolio**, revenue rose slightly by 1% while occupancy remained at 82% under a difficult market environment.

Revenue at our **Kowloon Portfolio** grew by 1% as the occupancy increased to 95% due to a more resilient semi-retail positioning of Grand Plaza, Grand Centre, and Gala Place.

- *Residential & Serviced Apartments*

Revenue of our residential and serviced apartments segment dropped gently by 1%, largely due to lower occupancy at The Summit as it prepares for an upcoming renovation; however, this was partially compensated by higher average occupancy rate at Kornhill Apartments.

PROPERTY SALES

No property sales revenue was recorded during the reporting period. In the first half of 2022, revenue of HK$316 million was recognized for the sale of one house on Blue Pool Road upon its completion during that period. The operating loss from property sales for the reporting period was HK$34 million, mostly made up of the selling expenses for The Aperture in Kowloon Bay, and marketing expenses for the Grand Hyatt Residences Kunming, Center Residences in Wuxi and Heartland Residences in Wuhan.

As of June 30, 2023, 126 residential units at The Aperture had been sold at a total of HK$1,108 million since 2021. The revenue is expected to be recognized in mid-2024 upon sale completion.

We continued to seize opportunities to dispose of non-core investment properties for capital recycling. During the reporting period, 11 car parking spaces held as investment properties were disposed, and a total net gain on disposal of HK$11 million was recognized as other net income.

PROPERTY REVALUATION

As of June 30, 2023, the total value of our investment properties and those under development amounted to HK$188,320 million, including the mainland China portfolio of HK$126,352 million and the Hong Kong portfolio of HK$61,968 million. These properties were appraised by Savills, an independent valuer, as of June 30, 2023.

A revaluation gain of HK$251 million was recorded (2022: loss of HK$221 million).

The mainland China portfolio recorded a revaluation gain of HK$216 million (2022: loss of HK$149 million), representing less than 1% of the portfolio value.

The Hong Kong portfolio had a revaluation gain of HK$35 million (2022: loss of HK$72 million), representing a less than 1% increase against the value as of December 31, 2022.

Net revaluation gain after tax and non-controlling interests of HK$169 million was reported (2022: net revaluation loss of HK$269 million).

PROPERTY DEVELOPMENT AND CAPITAL COMMITMENT

The aggregated values of our projects under development for leasing and sale were HK$21,494 million and HK$11,222 million, respectively. These comprised mainland China projects in Wuhan, Wuxi, Kunming, Hangzhou, and Shenyang, and redevelopment projects in Hong Kong. As of the reporting date, our capital commitments for the development of investment properties amounted to HK$15 billion.

Mainland China

Heartland Residences (武漢恒隆府) in Wuhan—the inaugural project of our premium serviced residences brand on the Mainland—is situated in the immediate proximity of Heartland 66 and comprises three towers offering a total of 492 units. The sales gallery and show flats were launched in April 2022 and sales and marketing efforts will continue. The project is scheduled for completion in phases from the end of 2023.

Grand Hyatt Residences Kunming (昆明君悦居) and **Grand Hyatt Kunming** are integral components of the remaining Spring City 66 development. The Residences sit above the hotel and house 254 apartment units, including three premium penthouses. Grand Hyatt Kunming features 332 guestrooms and suites. The hotel-and-residence tower was topped out in June 2022. Pre-sale marketing activities for the Residences have been started in July 2023. Completion is scheduled in phases from 2024, while the opening of the Grand Hyatt Kunming is planned for the first half of 2024.

Center Residences (無錫恒隆府) in Wuxi and **Curio Collection by Hilton**, a lifestyle boutique hotel, forms the Phase 2 development of Center 66. The Residences comprise two high-rise residential towers housing 573 units. In addition, there will be a seven-story new-build tower and a three-floor heritage building offering a combined total of 106 hotel rooms. Construction is progressing as planned, and the project is scheduled for completion in phases from 2024 onwards. The Center Residences pre-sale is expected to be launched in 2024, subject to market conditions, while the opening of Curio Collection by Hilton is planned in late 2024.

Westlake 66 in Hangzhou is an integrated high-end commercial development comprising a retail podium, five Grade A office towers, and a luxury hotel: **Mandarin Oriental Hangzhou**. The construction works are progressing well, and the project is scheduled for completion in phases from 2024 onwards. Mandarin Oriental Hangzhou, featuring more than 190 premium guestrooms and suites, is slated to open in late 2025.

The remaining mixed-use development of Forum 66 in Shenyang yields a gross floor area of more than 500,000 square meters, including **Forum Residences** (瀋陽恒隆府). Design and planning works are on-going.

Hong Kong

The construction of 228 Electric Road—a Grade A office tower in North Point—was completed in the first half of 2023. Consequently, the property's value was transferred from investment properties under development to investment properties during the reporting period. The project is a joint development with our parent company, Hang Lung Group Limited (Hang Lung Group), and includes a retail area that spans the lower floors.

The pre-sale of The Aperture was launched in December 2021, and construction is targeted for completion in the first quarter of 2024.

The land acquisition at 37 Shouson Hill Road in the Southern District of Hong Kong Island was completed in February 2021. The land site will be redeveloped into luxury detached houses, and the general building plan was approved in August 2022.

FINANCING MANAGEMENT

We have been maintaining an appropriate capital structure with multiple financing channels to ensure that financial resources are always available to meet operational needs and expansions. A sufficient level of standby banking facilities and other debt capital fundings is in place to cushion Hang Lung Properties from any unexpected external economic shocks. All financial risk management, including debt refinancing, foreign exchange exposure, and interest rate volatility, is centrally managed and controlled at the corporate level.

Funding needs are closely monitored and regularly reviewed to allow a fair degree of financial flexibility and liquidity while optimizing the cost of funds. We also maintain various sources of debt financing to mitigate concentration risks.

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

As part of our environmental, social and governance (ESG) initiatives, Hang Lung Properties continues to make more use of sustainable finance. During the first half of 2023, we issued green bonds worth HK$0.4 billion and obtained HK$0.5 billion in green loan facilities. These are collectively referred to as sustainable finance, which now accounts for 49% of our total debts and available facilities.

- *Cash Management*

Total cash and bank balances at the reporting date by currency:

	At June 30, 2023		At December 31, 2022	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Denominated in:				
HKD	**1,527**	*33%*	2,102	*40%*
RMB	**3,028**	*64%*	2,974	*57%*
USD	**157**	*3%*	153	*3%*
Total cash and bank balances	**4,712**	*100%*	5,229	*100%*

All deposits are placed with banks carrying strong credit ratings. The counterparty risk is routinely monitored.

- *Debt Portfolio*

At the balance sheet date, total borrowings amounted to HK$47,160 million (December 31, 2022: HK$45,524 million), of which 28% was denominated in RMB to act as a natural hedge to net investments in mainland China.

Our fixed-rate borrowings primarily consist of medium-term notes (MTNs) and bank loans that are converted to fixed-rate through the use of interest rate swaps. The percentage of fixed-rate borrowings stayed flat at 38% of total borrowings as of June 30, 2023. After excluding the onshore floating-rate debts, the percentage of fixed-rate borrowings would be 52% of total offshore borrowings as of June 30, 2023 (December 31, 2022: 53%).

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

(i) by currency (after currency swap):

	At June 30, 2023		At December 31, 2022	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Denominated in:				
HKD	**34,037**	*72%*	32,723	*72%*
RMB	**13,123**	*28%*	12,801	*28%*
Total borrowings	**47,160**	*100%*	45,524	*100%*

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

	At June 30, 2023		At December 31, 2022	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Fixed	**18,087**	*38%*	17,376	*38%*
Floating	**29,073**	*62%*	28,148	*62%*
Total borrowings	**47,160**	*100%*	45,524	*100%*

- *Gearing Ratios*

At the reporting date, the net debt balance amounted to HK$42,448 million (December 31, 2022: HK$40,295 million). The net debt to equity ratio was 30.4% (December 31, 2022: 28.1%), and the debt to equity ratio was 33.7% (December 31, 2022: 31.8%). The net debt to equity ratio increase was largely due to capital expenditures in both mainland China and Hong Kong.

- *Maturity Profile and Refinancing*

At the balance sheet date, the average tenure of the entire loan portfolio was 3.2 years (December 31, 2022: 3.2 years). The maturity profile was staggered over more than 10 years. Around 72% of the loans were repayable after two years.

	At June 30, 2023		At December 31, 2022	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Repayable:				
Within 1 year	**4,130**	*9%*	4,533	*10%*
After 1 but within 2 years	**8,837**	*19%*	8,112	*18%*
After 2 but within 5 years	**29,086**	*61%*	27,621	*61%*
Over 5 years	**5,107**	*11%*	5,258	*11%*
Total borrowings	**47,160**	*100%*	45,524	*100%*

As of June 30, 2023, total undrawn committed banking facilities amounted to HK$16,880 million (December 31, 2022: HK$21,374 million). The available balances of the US$4 billion (December 31, 2022: US$4 billion) MTN program amounted to US$2,255 million, equivalent to HK$17,677 million (December 31, 2022: HK$18,343 million).

- *Net Finance Costs and Interest Cover*

For the first half of 2023, gross finance costs rose by 20% to HK$881 million following the higher average effective cost of borrowing, which was at 3.9% (2022: 3.5%), attributed to the hike in average interest rates, and the increase in borrowings for capital expenditure.

The net amount charged to the statement of profit or loss (after excluding capitalized amounts) increased to HK$299 million accordingly.

Interest cover for the six months of 2023 was 4.2 times (2022: 4.9 times).

- *Foreign Exchange Management*

The primary exchange rate risk that we are exposed to is RMB fluctuations. Such RMB exposure is mainly derived from the currency translation risk arising from the net assets of our subsidiaries in mainland China.

We practice the strict discipline of not speculating on the movement of the RMB against the HKD and maintain an appropriate level of RMB resources for capital requirements in mainland China, including cash inflows from local operations and RMB borrowings. Regular business reviews are carried out to assess the level of funding needed for our mainland China projects, taking into account factors such as regulatory constraints, project development timelines, and the market environment. Appropriate modifications to our funding plan will be conducted in light of any changes in circumstances.

As of June 30, 2023, net assets denominated in RMB accounted for approximately 74% of our total net assets. The RMB depreciated against the HKD by 3.1% compared with December 31, 2022. The translation of these net assets from RMB into HKD at the exchange rate as of the reporting date resulted in a translation loss of HK$3,394 million (2022: loss of HK$5,011 million), recognized in other comprehensive income/exchange reserve.

- *Charge of Assets*

Assets of Hang Lung Properties were not charged to third parties as of June 30, 2023.

- *Contingent Liabilities*

Hang Lung Properties had no material contingent liabilities as of June 30, 2023.

CORPORATE INITIATIVES

Accelerating Sustainability Progress Through Partnerships

Hang Lung recognizes the importance of collaborating with like-minded partners to accelerate sustainability progress by addressing systemic challenges and amplifying positive impacts. As the next important step after announcing a first-of-its-kind sustainability partnership agreement between Hang Lung and LVMH Group in October 2022, the two Groups worked together to formulate an ambitious agenda for sustainability action. The Common Charter: Joining Forces to Accelerate Change plan outlines 20 innovative actions under four pillars, including Climate Resilience, Resource Management, People and Wellbeing, and Sustainability Governance, which will be pursued starting in 2023. This follows the Groups' inaugural Real Estate & Climate Forum, held in November 2022, which brought together hundreds of thought leaders and stakeholders and generated more than 200 ideas. An updated Charter will be provided in March 2024 and March 2025, including updates on previously agreed actions as well as newly identified actions.

Hang Lung has also further bolstered its collaboration with Tsinghua University by establishing the Hang Lung Center for Real Estate at Tsinghua University. The Center will concentrate on industry–university collaborations in the fields of sustainability, proptech innovations, and exceptional talent cultivation. We have also initiated a "Sustainable Real Estate Scheme" for Tsinghua University teachers and postgraduates, which funds creative academic research projects on topics such as green buildings, healthy buildings, low-carbon development, and digitalization, and helps promote the incorporation of the findings into daily life.

Promoting Youth Development and Diversity & Inclusion

The inaugural edition of the nationwide “Hang Lung Future Women Leaders Program” (the Program) concluded with great success in June 2023. Since the Program’s launch, around 180 participating female university students—75% of them being the first in three generations of their families to attend university—received more than 6,300 hours of training and mentorship. The Program led to the creation and implementation of 31 sustainable community projects, benefiting 4,500 people and aligning with the United Nations Sustainable Development Goals. Furthermore, it advocated the spirit of building a society that values diversity and inclusion, which will be widely promoted as the students continue to exercise leadership and influence in their careers, contributing to a more sustainable future. The Program also fostered exchange and cooperation between Hong Kong and mainland China. Shanghai–Hong Kong Inspiration Talks were held to bring together female leaders from Hong Kong and the Mainland, while the top three Hong Kong performers were awarded the chance to visit Hang Lung in Shanghai and go on exchange with Shanghai students. We will also offer over 20 placements with Hang Lung and our mentor partners to outstanding participants.

Attaining a WELL HSR Rating for over 80% of Our Total Construction Floor Area

Hang Lung is committed to maintaining a healthy, inclusive, and safe environment for our employees, customers, and communities. In January 2023, we achieved the WELL Health-Safety Rating (WELL HSR) from the International WELL Building Institute, which covers 19 properties including an office tower in Hong Kong and all our shopping malls and office towers across eight cities on the Mainland. WELL HSR was created in response to the COVID-19 pandemic and consists of operational interventions that can be made to help mitigate the spread of the virus and similar diseases. As the world moves beyond the pandemic, the WELL HSR seal at our properties indicates confidence and trust that the Company has achieved third-party verification for evidence-based measures and best practices for health and safety. As of June 30, 2023, over 80% of our total construction floor area is certified with the WELL HSR.

OUTLOOK

Looking ahead, both international and domestic uncertainties will have vital impacts on our business operations. In general, economies across the globe remain sluggish coming out of COVID-19, with relatively low GDPs and rising interest rates. We will continue to double down on our efforts, with our proactive placemaking initiatives and strong tenant engagements, in overcoming these challenges ahead. With these efforts, along with our well-positioned geographical and business diversification, as well as our established CRM platforms, we are confident in our overall business outlook.

On the Mainland, our luxury malls have proven their strengths in overcoming numerous challenges over the years. We will continue to dedicate our efforts to rolling out talk-of-the-town marketing campaigns and leveraging our HOUSE 66 CRM program to reinforce our malls' positioning and strengthen our relationships with loyal customers. For our sub-luxury malls, we are determined to rebuild the occupancy in Palace 66 in Shenyang and Riverside 66 in Tianjin with the right mix of tenants to return these malls to a growth trajectory. Another sub-luxury mall, Parc 66 in Jinan, will continue to benefit from the completion of the first phase of its AEI. Our office portfolio is expected to maintain rental growth despite a complex market environment, as demand still outweighs the limited supply of genuinely Grade A office towers. Conrad Shenyang will continue to reap the rewards of restriction-free travel while we look forward to the introduction of our second premium hotel, Grand Hyatt Kunming, in the first half of 2024.

As a key player with deep roots in Hong Kong, we are ready to do our part in strengthening the city's position as the preferred destination for both businesses and tourists. Equally important, we will provide our loyal customers in Hong Kong with elevated shopping experiences through our "hello Hang Lung Malls Rewards Program". For our office portfolio, we will continue to implement measures to sustain our occupancy in our existing buildings while we welcome our newest member, 228 Electric Road, which was recently completed. We will continue to seek opportunities to enhance our Hong Kong portfolio through AEI and capital recycling exercises.

Preparation is underway for the public launches of our premium serviced residences brand on the Mainland, Hang Lung Residences (comprising Heartland Residences in Wuhan, Grand Hyatt Residences in Kunming, and Center Residences in Wuxi), with the timing of the launch subject to market conditions. The first batch of units at Heartland Residences is targeted for handover to buyers in late 2023. In Hong Kong, the transaction completion of The Aperture is slightly deferred to mid-2024, at which point the revenue from pre-sale efforts will be recognized.

CORPORATE GOVERNANCE

We are committed to maintaining the highest standards of corporate governance. During the six months ended June 30, 2023, we adopted corporate governance principles that emphasize a qualified Board of Directors (the “Board”), sound internal controls, and effective risk management to enhance transparency and accountability towards our stakeholders. The general framework of our corporate governance practices is set out in our corporate governance report in the 2022 annual report, which is available on our website under “Financial Report” in the “Financial Information” subsection of the “Investor” section.

The Board

The Board currently consists of 9 members: comprising four Executive Directors and five Independent Non-Executive Directors. There is a clear division of responsibilities between the Chair and the Chief Executive Officer to ensure a balance of power and authority. The Board continues to review its practices from time to time, constantly seeking to improve the corporate governance procedures of the Company and its subsidiaries (the “Group”) in accordance with international best practices. An updated list of Board members identifying their roles and functions and whether they are Independent Non-Executive Directors is maintained on both our website and the website of Hong Kong Exchanges and Clearing Limited (“HKEX”). The biographical details of Board members are also maintained on our website under “Our Management” of the “Corporate Governance” section.

Nomination and Remuneration Committee

Our Nomination and Remuneration Committee, which is chaired by an Independent Non-Executive Director, currently consists of three Independent Non-Executive Directors. The Committee members meet at least once a year. Its duties include reviewing significant changes to the salary structure within the Group and the terms and conditions affecting Executive Board Members and senior management. The Committee members also conduct regular reviews of the Board’s structure, size and diversity, and make recommendations to the Board on the appointment, re-appointment and succession planning of Directors of the Board. The terms of reference of the Committee are available on both our website under “Nomination & Remuneration Committee” of the “Corporate Governance” section, and the website of HKEX.

Audit Committee

Our Audit Committee, which is chaired by an Independent Non-Executive Director, currently consists of three Independent Non-Executive Directors. The Committee members meet at least four times a year. Meetings are normally attended by external and internal auditors, the Chief Financial Officer and the Company Secretary for the purposes of, *inter alia*, discussing the nature and scope of internal audit work and assessing the Company's internal controls. The terms of reference of the Committee, which include duties pertaining to corporate governance functions and the oversight of risk management, are available on both our website under "Audit Committee" of the "Corporate Governance" section, and the website of HKEX. The Audit Committee has reviewed this interim report, including the unaudited interim financial report for the six months ended June 30, 2023, and has recommended their adoption by the Board.

This interim financial report is unaudited but has been reviewed by KPMG, our auditor, in accordance with the Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. The Independent Auditor's Review Report is set out on pages 48 and 49 of this interim report.

Compliance with Corporate Governance Code

During the six months ended June 30, 2023, we complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Compliance with Model Code contained in Appendix 10 to the Listing Rules

We have adopted a code of conduct with regard to securities transactions by Directors of the Board (the "Code of Conduct") on terms that are no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code"). The Company has made specific enquiries with all Directors of the Board and confirmed that they have complied with the required standard set out in the Model Code and the Code of Conduct regarding securities transactions by Directors of the Board throughout the six months ended June 30, 2023.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at June 30, 2023, the interests or short positions of each of the Directors of the Board in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which were recorded in the register required to be kept by the Company under section 352 of the SFO are as follows:

		The Company (Long Positions)			Hang Lung Group Limited (Long Positions)	
Name	**Capacity**	**Number of Shares**	**% of Total Number of Issued Shares**	**Number of Share Options** *(Note 3)*	**Number of Shares**	**% of Total Number of Issued Shares**
Ronnie C. Chan	Personal & Other	17,155,000	0.38	17,600,000	40,369,500 *(Note 1)*	2.96
Adriel Chan	Personal & Other	2,733,898,340 *(Note 2)*	60.76	13,200,000	551,002,580 *(Notes 1 & 2)*	40.47
Weber W.P. Lo	Personal	790,000	0.02	21,750,000	290,000	0.02
Nelson W.L. Yuen	Personal	8,000,000	0.18	–	–	–
Dominic C.F. Ho	–	–	–	–	–	–
Philip N.L. Chen	Personal	–	–	5,000,000	–	–
Andrew K.C. Chan	–	–	–	–	–	–
Anita Y.M. Fung	–	–	–	–	–	–
Kenneth K.K. Chiu	Personal	–	–	6,200,000	–	–

Notes:

1. Other interests included 28,579,500 shares of Hang Lung Group Limited ("HLG"), the holding company of the Company, held by a trust of which Mr. Ronnie C. Chan was a discretionary beneficiary, and Mr. Adriel Chan was a settlor and a discretionary beneficiary. Accordingly, Mr. Ronnie C. Chan and Mr. Adriel Chan were deemed to be interested in such shares under the SFO.

2. Other interests included 2,733,898,340 shares of the Company and another 522,423,080 shares of HLG held or deemed to be held by another trust of which Mr. Adriel Chan was a discretionary beneficiary. Accordingly, Mr. Adriel Chan was deemed to be interested in such shares under the SFO.

3. Movements of Directors' share options under the share option scheme of the Company adopted on April 18, 2012 (the "2012 Share Option Scheme") and another share option scheme of the Company adopted on April 27, 2022 (the "2022 Share Option Scheme") are set out under the section below headed under "Share Option Schemes".

Save as disclosed above, none of the Directors of the Board had, as at June 30, 2023, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO).

Other than as stated above, at no time during the six months ended June 30, 2023 was the Company, its holding company or any of their respective subsidiaries a party to any arrangement to enable the Directors of the Board to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEMES

The purposes of the 2012 Share Option Scheme and the 2022 Share Option Scheme (together, the "Share Option Schemes") are to enable the Company to grant options to selected participants as incentives or rewards for their contributions to the Group, to attract skilled and experienced personnel, to incentivize them to remain with the Group and to motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interest in the Company.

Under the Share Option Schemes, the Board is authorized to grant options to selected participants, including employees and directors of any company in the Group, subject to the terms and conditions such as performance targets as the Board may specify on a case-by-case basis or generally.

Pursuant to the resolutions passed by the shareholders of HLG and the Company at their respective annual general meetings held on April 27, 2022, the 2022 Share Option Scheme was adopted on the same date. Upon the adoption of the 2022 Share Option Scheme, the 2012 Share Option Scheme was terminated. As at January 1, 2023, no further share option shall be granted under the 2012 Share Option Scheme and the total number of share options available for grant under the 2022 Share Option Scheme was 337,444,550.

During the six months ended June 30, 2023, 54,569,000 options were granted under the 2022 Share Option Scheme. As at June 30, 2023, the total number of share options available for grant under the 2022 Share Option Scheme was 282,875,550. As at the date of this interim report, the total number of shares available for issue in respect of the share options granted under the 2012 Share Option Scheme and the 2022 Share Option Scheme were 215,978,600 and 54,147,000, respectively, representing approximately 4.8% and 1.2% of the total number of issued shares of the Company. As at the date of this interim report, the total number of shares available for issue in respect of which options may be granted under the 2022 Share Option Scheme is 282,875,550, representing approximately 6.29% of the total number of issued shares of the Company.

The total number of shares issued and to be issued upon exercise of options (including both exercised and outstanding) granted to each participant under the 2012 Share Option Scheme and the 2022 Share Option Scheme in any 12-month period shall not exceed 1% of the shares of the Company in issue.

The number of shares that may be issued in respect of options granted under the Share Option Schemes during the six months ended June 30, 2023 divided by the weighted average number of ordinary shares in issue for the six months ended June 30, 2023 is 0.02. The Share Option Schemes do not provide for any minimum vesting period. The vesting period, the period open for acceptance of the option and amount payable thereon, the exercisable period and the number of shares subject to each option under the Share Option Schemes are determined by the Board at the time of grant.

Movements of share options under the 2012 Share Option Scheme were set out below:

Date of Grant	Category of Participants *(Note 1)*	Number of Share Options: Outstanding as at Jan 1, 2023	Granted during the Period	Exercised during the Period	Lapsed/ Forfeited during the Period	Outstanding as at Jun 30, 2023	Exercise Price per Share HK$	Vesting Dates *(Note 2)*	Expiry Date *(Note 2)*
Jun 4, 2013	*Current Directors:*						28.20	Jun 4, 2015: 10%	Jun 3, 2023
	Ronnie C. Chan	4,500,000	–	–	(4,500,000)	–		Jun 4, 2016: 20%	
	Adriel Chan	200,000	–	–	(200,000)	–		Jun 4, 2017: 30%	
	Philip N.L. Chen	4,500,000	–	–	(4,500,000)	–		Jun 4, 2018: 40%	
	Employees	13,060,000	–	–	(13,060,000)	–			
		22,260,000	–	–	(22,260,000)	–			
Dec 5, 2014	*Current Directors:*						22.60	Dec 5, 2016: 10%	Dec 4, 2024
	Ronnie C. Chan	2,750,000	–	–	–	2,750,000		Dec 5, 2017: 20%	
	Adriel Chan	150,000	–	–	–	150,000		Dec 5, 2018: 30%	
	Philip N.L. Chen	2,500,000	–	–	–	2,500,000		Dec 5, 2019: 40%	
	Employees	13,890,000	–	–	(450,000)	13,440,000			
		19,290,000	–	–	(450,000)	18,840,000			
Aug 10, 2017	*Current Directors:*						19.98	Aug 10, 2019: 10%	Aug 9, 2027
	Ronnie C. Chan	1,925,000	–	–	–	1,925,000		Aug 10, 2020: 20%	
	Adriel Chan	1,850,000	–	–	–	1,850,000		Aug 10, 2021: 30%	
	Philip N.L. Chen	2,500,000	–	–	–	2,500,000		Aug 10, 2022: 40%	
	Employees	22,380,000	–	–	(860,000)	21,520,000			
		28,655,000	–	–	(860,000)	27,795,000			
May 16, 2018	*Current Director:*						18.98	May 16, 2020: 10%	May 15, 2028
	Weber W.P. Lo	10,000,000	–	–	–	10,000,000		May 16, 2021: 20%	
		10,000,000	–	–	–	10,000,000		May 16, 2022: 30%	
								May 16, 2023: 40%	
Jun 28, 2019	*Current Directors:*						18.58	Jun 28, 2021: 10%	Jun 27, 2029
	Ronnie C. Chan	3,025,000	–	–	–	3,025,000		Jun 28, 2022: 20%	
	Adriel Chan	2,200,000	–	–	–	2,200,000		Jun 28, 2023: 30%	
	Weber W.P. Lo	2,750,000	–	–	–	2,750,000		Jun 28, 2024: 40%	
	Employees	33,891,700	–	–	(1,629,600)	32,262,100			
		41,866,700	–	–	(1,629,600)	40,237,100			
May 12, 2021	*Current Directors:*						19.95	May 12, 2023: 10%	May 11, 2031
	Ronnie C. Chan	3,300,000	–	–	–	3,300,000		May 12, 2024: 20%	
	Adriel Chan	3,000,000	–	–	–	3,000,000		May 12, 2025: 30%	
	Weber W.P. Lo	3,000,000	–	–	–	3,000,000		May 12, 2026: 40%	
	Employees	49,095,000	–	–	(2,128,000)	46,967,000			
		58,395,000	–	–	(2,128,000)	56,267,000			

		Number of Share Options							
Date of Grant	Category of Participants *(Note 1)*	Outstanding as at Jan 1, 2023	Granted during the Period	Exercised during the Period	Lapsed/ Forfeited during the Period	Outstanding as at Jun 30, 2023	Exercise Price per Share HK$	Vesting Dates *(Note 2)*	Expiry Date *(Note 2)*
Oct 6, 2021	*Current Director:*						17.65	Oct 6, 2023: 10%	Oct 5, 2031
	Kenneth K.K. Chiu	2,000,000	–	–	–	2,000,000		Oct 6, 2024: 20%	
		2,000,000	–	–	–	2,000,000		Oct 6, 2025: 30%	
								Oct 6, 2026: 40%	
Feb 21, 2022	*Current Directors:*						16.38	Feb 21, 2024: 10%	Feb 20, 2032
	Ronnie C. Chan	3,300,000	–	–	–	3,300,000		Feb 21, 2025: 20%	
	Adriel Chan	3,000,000	–	–	–	3,000,000		Feb 21, 2026: 30%	
	Weber W.P. Lo	3,000,000	–	–	–	3,000,000		Feb 21, 2027: 40%	
	Kenneth K.K. Chiu	2,100,000	–	–	–	2,100,000			
	Employees	52,830,000	–	–	(2,630,000)	50,200,000			
		64,230,000	–	–	(2,630,000)	61,600,000			
	Current Directors	61,550,000	–	–	(9,200,000)	52,350,000			
	Employees	185,146,700	–	–	(20,757,600)	164,389,100			
Total		**246,696,700**	**–**	**–**	**(29,957,600)**	**216,739,100**			

Movements of share options under the 2022 Share Option Scheme were set out below:

		Number of Share Options							
Date of Grant	Category of Participants *(Note 1)*	Outstanding as at Jan 1, 2023	Granted during the Period	Exercised during the Period	Lapsed/ Forfeited during the Period	Outstanding as at Jun 30, 2023	Exercise Price per Share HK$	Vesting Dates *(Note 2)*	Expiry Date *(Note 2)*
Jun 28, 2023	*Current Directors:*						12.49	Jun 28, 2025: 20%	Jun 27, 2033
	Ronnie C. Chan	–	3,300,000	–	–	3,300,000		Jun 28, 2026: 30%	
	Adriel Chan	–	3,000,000	–	–	3,000,000		Jun 28, 2027: 50%	
	Weber W.P. Lo	–	3,000,000	–	–	3,000,000			
	Kenneth K.K. Chiu	–	2,100,000	–	–	2,100,000			
	Employees	–	43,169,000	–	–	43,169,000			
		–	54,569,000	–	–	54,569,000			
	Current Directors	–	11,400,000	–	–	11,400,000			
	Employees	–	43,169,000	–	–	43,169,000			
Total		**–**	**54,569,000**	**–**	**–**	**54,569,000**			

Notes:

1. In respect of the categories of participants, "employees" include current and former employees of the Group and persons who were granted share options as an incentive to enter into employment contracts with the Company and/or any of its subsidiaries.

2. Exercise periods of the share options start from the respective vesting dates and end on the respective expiry dates.

Please also refer to note 13 to the consolidated financial statements for further details of the Share Option Schemes.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at June 30, 2023, to the best of the knowledge of the Directors of the Board, details of substantial shareholders' and other persons' (who are required to disclose their interests pursuant to Part XV of the SFO) interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Name	*Note*	**Number of Shares or Underlying Shares Held (Long Positions)**	**% of Total Number of Issued Shares (Long Positions)** *(Note 4)*
Chan Tan Ching Fen	*1*	2,733,898,340	60.76
Cole Enterprises Holdings (PTC) Limited	*1*	2,733,898,340	60.76
Merssion Limited	*1*	2,733,898,340	60.76
Adriel Chan	*1*	2,733,898,340	60.76
HLG	*2*	2,705,565,240	60.13
Prosperland Housing Limited	*3*	1,267,523,511	28.17
Purotat Limited	*3*	354,227,500	7.87

Notes:

1. These shares were the same parcel of shares held by controlled corporations of Merssion Limited which was held under a trust. As Ms. Chan Tan Ching Fen was the founder, Cole Enterprises Holdings (PTC) Limited was the trustee and Mr. Adriel Chan was a discretionary beneficiary of the trust, they were deemed to be interested in such shares under the SFO.

   The controlled corporations included HLG in which Merssion Limited had 38.37% interests. Accordingly, the 2,705,565,240 shares held by HLG through its subsidiaries were included in the 2,733,898,340 shares.

2. These shares were held by wholly-owned subsidiaries of HLG.

3. These companies were wholly-owned subsidiaries of HLG. Their interests were included in the 2,705,565,240 shares held by HLG.

4. Shareholding percentages were calculated based on the total number of issued shares of the Company as at June 30, 2023, being 4,499,260,670 shares.

Save as disclosed above, as at June 30, 2023, no other interests or short positions in the shares or underlying shares of the Company required to be recorded in the register kept under section 336 of the SFO has been notified to the Company.

CHANGES IN INFORMATION OF DIRECTORS PURSUANT TO THE LISTING RULES

The changes in the information of the Directors of the Board are set out below:

Mr. Ronnie C. Chan
- ceased as a board member of Peterson Institute for International Economics

Mr. Dominic C.F. Ho
- retired as a Non-Executive Chairman of DBS Bank (China) Limited

Ms. Anita Y.M. Fung
- ceased as a Member of the Judicial Officers Recommendation Commission

Save as disclosed above, there is no other information required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules since the date of the 2022 annual report of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

EMPLOYEES

As at June 30, 2023, the number of employees was 4,115 (comprising 988 Hong Kong employees and 3,127 mainland China employees). The total employee costs for the six months ended June 30, 2023, amounted to HK$942 million. We provide competitive remuneration packages for all employees including discretionary bonuses payable based on individual performance. We regularly review remuneration packages to ensure that they comply with relevant regulatory requirements and market conditions. The Company has the Share Option Schemes and provides professional and high-quality trainings for employees.

Review report to the Board of Directors of Hang Lung Properties Limited
(Incorporated in the Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 51 to 72 which comprises the consolidated statement of financial position of Hang Lung Properties Limited ("the Company") as at June 30, 2023 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at June 30, 2023 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

July 31, 2023

Consolidated Statement of Profit or Loss

For the six months ended June 30, 2023 (Unaudited)

	Note	2023 HK$ Million	2022 HK$ Million	*For information purpose only* 2023 RMB Million	2022 RMB Million
Revenue	2(a)	**5,237**	5,302	**4,626**	4,383
Direct costs and operating expenses		**(1,413)**	(1,594)	**(1,247)**	(1,316)
		3,824	3,708	**3,379**	3,067
Other net income	3	**20**	12	**18**	10
Administrative expenses		**(325)**	(306)	**(287)**	(253)
Profit from operations before changes in fair value of properties		**3,519**	3,414	**3,110**	2,824
Increase/(decrease) in fair value of properties		**251**	(221)	**229**	(189)
Profit from operations after changes in fair value of properties		**3,770**	3,193	**3,339**	2,635
Interest income		**39**	30	**35**	25
Finance costs		**(299)**	(254)	**(265)**	(211)
Net interest expense	4	**(260)**	(224)	**(230)**	(186)
Share of profits of joint ventures		**20**	11	**18**	9
Profit before taxation	5	**3,530**	2,980	**3,127**	2,458
Taxation	6	**(798)**	(723)	**(707)**	(599)
Profit for the period	2(b)	**2,732**	2,257	**2,420**	1,859
Attributable to:					
Shareholders		**2,394**	1,948	**2,120**	1,603
Non-controlling interests		**338**	309	**300**	256
Profit for the period		**2,732**	2,257	**2,420**	1,859
Earnings per share	8(a)				
Basic		**HK$0.53**	HK$0.43	**RMB0.47**	RMB0.36
Diluted		**HK$0.53**	HK$0.43	**RMB0.47**	RMB0.36

The accompanying notes form part of the interim financial report.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2023 (Unaudited)

			For information purpose only	
	2023 HK$ Million	2022 HK$ Million	**2023 RMB Million**	2022 RMB Million
Profit for the period	**2,732**	2,257	**2,420**	1,859
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	**(3,398)**	(5,015)	**1,126**	1,499
Gain on net investment hedge	**4**	4	**4**	4
Movement in hedging reserve:				
Effective portion of changes in fair value	**77**	95	**69**	79
Net amount transferred to profit or loss	**(48)**	(11)	**(42)**	(9)
Deferred tax	**(7)**	(13)	**(6)**	(11)
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	**(3,371)**	(4,941)	**1,152**	1,561
Total comprehensive income for the period	**(639)**	(2,684)	**3,572**	3,420
Attributable to:				
Shareholders	**(649)**	(2,517)	**3,283**	3,163
Non-controlling interests	**10**	(167)	**289**	257
Total comprehensive income for the period	**(639)**	(2,684)	**3,572**	3,420

Consolidated Statement of Financial Position

At June 30, 2023

	Note	**(Unaudited) June 30, 2023 HK$ Million**	(Audited) December 31, 2022 HK$ Million	*For information purpose only* **June 30, 2023 RMB Million**	December 31, 2022 RMB Million
Non-current assets					
Property, plant and equipment					
Investment properties	9	**166,826**	167,861	**154,148**	150,043
Investment properties under development	9	**21,494**	22,703	**19,817**	20,283
Other property, plant and equipment		**336**	320	**310**	286
		188,656	190,884	**174,275**	170,612
Interests in joint ventures		**1,119**	1,130	**1,038**	1,011
Other assets		**78**	77	**72**	69
Deferred tax assets		**140**	140	**130**	125
		189,993	192,231	**175,515**	171,817
Current assets					
Cash and deposits with banks		**4,712**	5,229	**4,356**	4,677
Trade and other receivables	10	**3,714**	3,560	**3,433**	3,182
Properties for sale		**12,189**	11,668	**11,273**	10,433
		20,615	20,457	**19,062**	18,292
Current liabilities					
Bank loans and other borrowings		**4,130**	4,533	**3,818**	4,053
Trade and other payables	11	**9,552**	9,829	**8,824**	8,785
Lease liabilities		**28**	27	**26**	24
Current tax payable		**502**	434	**464**	388
		14,212	14,823	**13,132**	13,250
Net current assets		**6,403**	5,634	**5,930**	5,042
Total assets less current liabilities		**196,396**	197,865	**181,445**	176,859
Non-current liabilities					
Bank loans and other borrowings		**43,030**	40,991	**39,851**	36,666
Lease liabilities		**253**	266	**233**	238
Deferred tax liabilities		**13,265**	13,462	**12,233**	12,026
		56,548	54,719	**52,317**	48,930
NET ASSETS		**139,848**	143,146	**129,128**	127,929
Capital and reserves					
Share capital	12	**39,950**	39,950	**37,462**	37,462
Reserves		**90,123**	93,431	**82,655**	81,745
Shareholders' equity		**130,073**	133,381	**120,117**	119,207
Non-controlling interests		**9,775**	9,765	**9,011**	8,722
TOTAL EQUITY		**139,848**	143,146	**129,128**	127,929

The accompanying notes form part of the interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended June 30, 2023 (Unaudited)

HK$ Million	Shareholders' equity					
	Share capital (Note 12)	**Other reserves** (Note 14)	**Retained profits** (Note 14)	**Total**	**Non-controlling interests**	**Total equity**
At January 1, 2023	**39,950**	**(3,308)**	**96,739**	**133,381**	**9,765**	**143,146**
Profit for the period	**–**	**–**	**2,394**	**2,394**	**338**	**2,732**
Exchange difference arising from translation to presentation currency	**–**	**(3,070)**	**–**	**(3,070)**	**(328)**	**(3,398)**
Gain on net investment hedge	**–**	**4**	**–**	**4**	**–**	**4**
Cash flow hedges: net movement in hedging reserve	**–**	**22**	**–**	**22**	**–**	**22**
Net change in fair value of equity investments	**–**	**1**	**–**	**1**	**–**	**1**
Total comprehensive income for the period	**–**	**(3,043)**	**2,394**	**(649)**	**10**	**(639)**
Final dividend in respect of previous year	**–**	**–**	**(2,699)**	**(2,699)**	**–**	**(2,699)**
Employee share-based payments	**–**	**(144)**	**184**	**40**	**–**	**40**
At June 30, 2023	**39,950**	**(6,495)**	**96,618**	**130,073**	**9,775**	**139,848**
At January 1, 2022	39,950	5,368	96,401	141,719	10,665	152,384
Profit for the period	–	–	1,948	1,948	309	2,257
Exchange difference arising from translation to presentation currency	–	(4,539)	–	(4,539)	(476)	(5,015)
Gain on net investment hedge	–	4	–	4	–	4
Cash flow hedges: net movement in hedging reserve	–	71	–	71	–	71
Net change in fair value of equity investments	–	(1)	–	(1)	–	(1)
Total comprehensive income for the period	–	(4,465)	1,948	(2,517)	(167)	(2,684)
Final dividend in respect of previous year	–	–	(2,699)	(2,699)	–	(2,699)
Employee share-based payments	–	37	8	45	–	45
At June 30, 2022	39,950	940	95,658	136,548	10,498	147,046

The accompanying notes form part of the interim financial report.

For information purpose only

RMB Million	Shareholders' equity					
	Share capital	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
At January 1, 2023	**37,462**	**995**	**80,750**	**119,207**	**8,722**	**127,929**
Profit for the period	**–**	**–**	**2,120**	**2,120**	**300**	**2,420**
Exchange difference arising from translation to presentation currency	**–**	**1,137**	**–**	**1,137**	**(11)**	**1,126**
Gain on net investment hedge	**–**	**4**	**–**	**4**	**–**	**4**
Cash flow hedges: net movement in hedging reserve	**–**	**21**	**–**	**21**	**–**	**21**
Net change in fair value of equity investments	**–**	**1**	**–**	**1**	**–**	**1**
Total comprehensive income for the period	**–**	**1,163**	**2,120**	**3,283**	**289**	**3,572**
Final dividend in respect of previous year	**–**	**–**	**(2,408)**	**(2,408)**	**–**	**(2,408)**
Employee share-based payments	**–**	**(134)**	**169**	**35**	**–**	**35**
At June 30, 2023	**37,462**	**2,024**	**80,631**	**120,117**	**9,011**	**129,128**
At January 1, 2022	37,462	(2,086)	80,495	115,871	8,720	124,591
Profit for the period	–	–	1,603	1,603	256	1,859
Exchange difference arising from translation to presentation currency	–	1,498	–	1,498	1	1,499
Gain on net investment hedge	–	4	–	4	–	4
Cash flow hedges: net movement in hedging reserve	–	59	–	59	–	59
Net change in fair value of equity investments	–	(1)	–	(1)	–	(1)
Total comprehensive income for the period	–	1,560	1,603	3,163	257	3,420
Final dividend in respect of previous year	–	–	(2,311)	(2,311)	–	(2,311)
Employee share-based payments	–	31	7	38	–	38
At June 30, 2022	37,462	(495)	79,794	116,761	8,977	125,738

Condensed Consolidated Cash Flow Statement

For the six months ended June 30, 2023 (Unaudited)

	2023 HK$ Million	2022 HK$ Million	*For information purpose only* 2023 RMB Million	2022 RMB Million
Operating activities				
Cash generated from operations	**2,802**	2,500	**2,484**	2,072
Income tax paid	**(532)**	(637)	**(468)**	(535)
Net cash generated from operating activities	**2,270**	1,863	**2,016**	1,537
Investing activities				
Payment for property, plant and equipment	**(1,240)**	(1,387)	**(1,104)**	(1,156)
(Increase)/decrease in bank deposits with maturity greater than 3 months	**(193)**	30	**(170)**	25
Other cash flows arising from investing activities	**86**	40	**76**	33
Net cash used in investing activities	**(1,347)**	(1,317)	**(1,198)**	(1,098)
Financing activities				
Proceeds from new bank loans and other borrowings	**23,387**	16,323	**20,671**	13,565
Repayment of bank loans and other borrowings	**(21,373)**	(17,069)	**(18,891)**	(14,147)
Interest and other borrowing costs paid	**(833)**	(709)	**(736)**	(588)
Dividend paid	**(2,699)**	(2,699)	**(2,408)**	(2,311)
Other cash flows used in financing activities	**(14)**	(15)	**(13)**	(13)
Net cash used in financing activities	**(1,532)**	(4,169)	**(1,377)**	(3,494)
Decrease in cash and cash equivalents	**(609)**	(3,623)	**(559)**	(3,055)
Effect of foreign exchange rate changes	**(93)**	(131)	**66**	159
Cash and cash equivalents at January 1	**5,148**	8,391	**4,604**	6,860
Cash and cash equivalents at June 30	**4,446**	4,637	**4,111**	3,964
Analysis of the balance of cash and cash equivalents				
Cash and deposits with banks	**4,712**	4,730	**4,356**	4,044
Less: Bank deposits with maturity greater than 3 months	**(266)**	(93)	**(245)**	(80)
Cash and cash equivalents at June 30	**4,446**	4,637	**4,111**	3,964

1. BASIS OF PREPARATION

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 interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on pages 48 to 49.

The HKICPA has issued certain amendments to Hong Kong Financial Reporting Standards (HKFRSs) that are first effective for the current accounting period of the Company and its subsidiaries (collectively the "Group"). These developments have no material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements.

1. BASIS OF PREPARATION (Continued)

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 2022 as if the presentation currency is Renminbi.

The financial information relating to the financial year ended December 31, 2022 included in the interim financial report 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, 2022 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 interests in joint ventures, other assets, deferred tax assets and cash and deposits with banks.

(a) Disaggregation of revenue

Revenue for the six months ended June 30, 2023 is analyzed as follows:

HK$ Million	**2023**	2022
Under the scope of HKFRS 16, *Leases*:		
Rental income	**4,625**	4,409
Under the scope of HKFRS 15, *Revenue from contracts with customers*:		
Sales of completed properties	**–**	316
Building management fees and other income from property leasing	**612**	577
	612	893
	5,237	5,302

2. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Revenue and results by segments

HK$ Million	**2023**			2022		
	Property Leasing	**Property Sales**	**Total**	Property Leasing	Property Sales	Total
Revenue						
– Mainland China	**3,554**	**–**	**3,554**	3,367	–	3,367
– Hong Kong	**1,683**	**–**	**1,683**	1,619	316	1,935
	5,237	**–**	**5,237**	4,986	316	5,302
Profit/(loss) from operations before changes in fair value of properties						
– Mainland China	**2,278**	**(20)**	**2,258**	2,085	(19)	2,066
– Hong Kong	**1,264**	**(3)**	**1,261**	1,196	152	1,348
	3,542	**(23)**	**3,519**	3,281	133	3,414
Increase/(decrease) in fair value of properties	**251**	**–**	**251**	(221)	–	(221)
– Mainland China	**216**	**–**	**216**	(149)	–	(149)
– Hong Kong	**35**	**–**	**35**	(72)	–	(72)
Net interest expense	**(260)**	**–**	**(260)**	(224)	–	(224)
– Interest income	**39**	**–**	**39**	30	–	30
– Finance costs	**(299)**	**–**	**(299)**	(254)	–	(254)
Share of profits of joint ventures	**20**	**–**	**20**	11	–	11
Profit/(loss) before taxation	**3,553**	**(23)**	**3,530**	2,847	133	2,980
Taxation	**(800)**	**2**	**(798)**	(698)	(25)	(723)
Profit/(loss) for the period	**2,753**	**(21)**	**2,732**	2,149	108	2,257
Net profit/(loss) attributable to shareholders	**2,415**	**(21)**	**2,394**	1,840	108	1,948

2. REVENUE AND SEGMENT INFORMATION (Continued)

(c) Total segment assets

HK$ Million	June 30, 2023			December 31, 2022		
	Property Leasing	**Property Sales**	**Total**	Property Leasing	Property Sales	Total
Mainland China	**128,763**	**5,745**	**134,508**	131,472	5,494	136,966
Hong Kong	**63,530**	**6,521**	**70,051**	62,766	6,380	69,146
	192,293	**12,266**	**204,559**	194,238	11,874	206,112
Interests in joint ventures			**1,119**			1,130
Other assets			**78**			77
Deferred tax assets			**140**			140
Cash and deposits with banks			**4,712**			5,229
			210,608			212,688

3. OTHER NET INCOME

HK$ Million	**2023**	2022
Government grants	**5**	11
Gain on disposal of investment properties	**11**	–
Others	**4**	1
	20	12

4. NET INTEREST EXPENSE

HK$ Million	**2023**	2022
Interest income on bank deposits	**39**	30
Interest expense on bank loans and other borrowings	**835**	689
Interest on lease liabilities	**7**	8
Other borrowing costs	**39**	36
Total borrowing costs	**881**	733
Less: Borrowing costs capitalized	**(582)**	(479)
Finance costs	**299**	254
Net interest expense	**(260)**	(224)

5. PROFIT BEFORE TAXATION

HK$ Million	**2023**	2022
Profit before taxation is arrived at after charging:		
Cost of properties sold	**–**	135
Staff costs (Note)	**779**	779
Depreciation	**46**	49

Note: The staff costs included employee share-based payments of HK$40 million (2022: HK$45 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$942 million (2022: HK$937 million).

6. TAXATION IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Provision for Hong Kong Profits Tax is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the period. Mainland China Income Tax represents mainland China Corporate Income Tax calculated at 25% (2022: 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% (2022: 5%).

HK$ Million	**2023**	2022
Current tax		
Hong Kong Profits Tax	**159**	154
Mainland China Income Tax	**447**	448
Total current tax	**606**	602
Deferred tax		
Changes in fair value of properties	**43**	18
Other origination and reversal of temporary differences	**149**	103
Total deferred tax	**192**	121
Total income tax expense	**798**	723

7. DIVIDENDS

(a) Interim dividend

HK$ Million	**2023**	2022
Proposed after the end of the reporting period:		
HK18 cents (2022: HK18 cents) per share	**810**	810

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, 2023

HK$ Million	**2023**	2022
2022 final dividend of HK60 cents		
(2021: HK60 cents) per share	**2,699**	2,699

8. EARNINGS PER SHARE

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

HK$ Million	**2023**	2022
Net profit attributable to shareholders	**2,394**	1,948

	Number of shares	
	2023	2022
Weighted average number of shares used in calculating basic and diluted earnings per share (Note)	**4,499,260,670**	4,499,260,670

Note: Diluted earnings per share was the same as the basic earnings per share for the periods as there were no dilutive potential ordinary shares in existence during both periods.

8. EARNINGS PER SHARE (Continued)

(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	**2023**	2022
Net profit attributable to shareholders	**2,394**	1,948
Effect of changes in fair value of properties	**(251)**	221
Effect of income tax for changes in fair value of properties	**43**	18
Effect of changes in fair value of investment properties of joint ventures	**–**	7
	(208)	246
Non-controlling interests	**39**	23
	(169)	269
Underlying net profit attributable to shareholders	**2,225**	2,217

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

	2023	2022
Basic	**HK$0.49**	HK$0.49
Diluted	**HK$0.49**	HK$0.49

9. INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES UNDER DEVELOPMENT

(a) Additions

During the six months ended June 30, 2023, additions to investment properties and investment properties under development amounted to HK$1,569 million (2022: HK$1,100 million).

(b) Valuation

The investment properties and investment properties under development of the Group were revalued as of June 30, 2023 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, 2023**	December 31, 2022
Not past due or less than 1 month past due	**121**	116
1 – 3 months past due	**9**	27
More than 3 months past due	**2**	4
	132	147

(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 tenant-by-tenant basis, based on the historical default experience and forward-looking information that may impact the tenants' ability to repay the outstanding balances.

(c) Included in "other receivables" of the Group is a deposit of land acquisition in mainland China of HK$271 million (December 31, 2022: HK$280 million).

11. TRADE AND OTHER PAYABLES

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

HK$ Million	**June 30, 2023**	December 31, 2022
Due within 3 months	**1,487**	1,318
Due after 3 months	**2,410**	2,726
	3,897	4,044

11. TRADE AND OTHER PAYABLES (Continued)

(b) Included in trade and other payables is an amount of HK$601 million (December 31, 2022: HK$601 million) due to a fellow subsidiary, which is the joint developer of a project in which the Group and the fellow subsidiary hold respective interests of 66.67% and 33.33%. The amount represents the contribution by the fellow subsidiary in proportion to its interest to finance the project, and is unsecured, non-interest bearing and has no fixed terms of repayment.

12. SHARE CAPITAL

	At January 1, 2023 and June 30, 2023		At January 1, 2022 and December 31, 2022	
	Number of shares Million	**Amount of share capital HK$ Million**	Number of shares Million	Amount of share capital HK$ Million
Ordinary shares, issued and fully paid:	**4,499**	**39,950**	4,499	39,950

There was no movement in the share capital of the Company during the year ended December 31, 2022 and the six months ended June 30, 2023.

13. SHARE OPTION SCHEMES

The share option scheme adopted by the Company on April 18, 2012 (the "2012 Share Option Scheme") was terminated upon the adoption of a new share option scheme on April 27, 2022 (the "2022 Share Option Scheme", together with the 2012 Share Option Scheme are referred to as the "Schemes"). The 2022 Share Option Scheme became valid and effective for a period of ten years commencing from the date of adoption. No further share options shall be offered or granted under the 2012 Share Option Scheme but in all other respects the provisions of the 2012 Share Option Scheme shall remain in full force and effect, and all share options granted prior to such termination and not exercised nor forfeited/lapsed at the date of termination shall remain valid.

The share options granted under the Schemes to the directors and employees are at nominal consideration and each share option gives the holder the right to subscribe for one share of the Company.

13. SHARE OPTION SCHEMES (Continued)

The movements of share options during the six months ended June 30, 2023 are as follows:

(a) 2012 Share Option Scheme

Date granted	Number of share options			Period during which share options are exercisable	Exercise price (HK$)
	Outstanding on January 1, 2023	Forfeited/ Lapsed	**Outstanding on June 30, 2023**		
June 4, 2013	22,260,000	(22,260,000)	**–**	June 4, 2015 to June 3, 2023	28.20
December 5, 2014	19,290,000	(450,000)	**18,840,000**	December 5, 2016 to December 4, 2024	22.60
August 10, 2017	28,655,000	(860,000)	**27,795,000**	August 10, 2019 to August 9, 2027	19.98
May 16, 2018	10,000,000	–	**10,000,000**	May 16, 2020 to May 15, 2028	18.98
June 28, 2019	41,866,700	(1,629,600)	**40,237,100**	June 28, 2021 to June 27, 2029	18.58
May 12, 2021	58,395,000	(2,128,000)	**56,267,000**	May 12, 2023 to May 11, 2031	19.95
October 6, 2021	2,000,000	–	**2,000,000**	October 6, 2023 to October 5, 2031	17.65
February 21, 2022	64,230,000	(2,630,000)	**61,600,000**	February 21, 2024 to February 20, 2032	16.38
Total	246,696,700	(29,957,600)	**216,739,100**		

All the above share options may vest after two to five years of the grant date and are exercisable up to the tenth anniversary of the date of grant, after which they will lapse. No share options were exercised or cancelled during the six months ended June 30, 2023.

During the six months ended June 30, 2023, 8,047,600 share options (2022: 9,354,600 share options) were forfeited upon cessations of the grantees' employments and 21,910,000 share options (2022: Nil) lapsed due to the expiry of the period for exercising the share options.

13. SHARE OPTION SCHEMES (Continued)

(b) 2022 Share Option Scheme

Date granted	Number of share options: Outstanding on January 1, 2023	Granted	**Outstanding on June 30, 2023**	Period during which share options are exercisable	Exercise price (HK$)
June 28, 2023	–	54,569,000	**54,569,000**	June 28, 2025 to June 27, 2033	12.49
Total	–	54,569,000	**54,569,000**		

All the above share options may vest after two to four years of the grant date and are exercisable up to the tenth anniversary of the date of grant, after which they will lapse. No share options were exercised or cancelled during the six months ended June 30, 2023.

In respect of share options granted during the six months ended June 30, 2023, the closing share price of the Company immediately before the date of grant was HK$12.40.

The fair value of share options granted was estimated at the date of grant using the Black-Scholes pricing model taking into account the terms and conditions upon which the share options were granted. In respect of the share options granted during the six months ended June 30, 2023, the fair value, terms and conditions, and assumptions are as follows:

Fair value at grant date	HK$1.64
Share price at grant date	HK$12.34
Exercise price	HK$12.49
Risk-free interest rate	3.44%
Expected life (in years)	6
Expected volatility	27.02%
Expected dividends per share	HK$0.78

The expected volatility is based on the historical volatility and the expected dividends per share are based on historical dividends. Changes in the above assumptions could materially affect the fair value estimate.

14. RESERVES

HK$ Million	Other reserves						
	Exchange reserve	Hedging reserve	Investment revaluation reserve	Employee share-based compensation reserve	Total	Retained profits	Total reserves
At January 1, 2023	**(4,005)**	**50**	**77**	**570**	**(3,308)**	**96,739**	**93,431**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**2,394**	**2,394**
Exchange difference arising from translation to presentation currency	**(3,070)**	**–**	**–**	**–**	**(3,070)**	**–**	**(3,070)**
Gain on net investment hedge	**4**	**–**	**–**	**–**	**4**	**–**	**4**
Cash flow hedges: net movement in hedging reserve	**–**	**22**	**–**	**–**	**22**	**–**	**22**
Net change in fair value of equity investments	**–**	**–**	**1**	**–**	**1**	**–**	**1**
Total comprehensive income for the period	**(3,066)**	**22**	**1**	**–**	**(3,043)**	**2,394**	**(649)**
Final dividend in respect of previous year	**–**	**–**	**–**	**–**	**–**	**(2,699)**	**(2,699)**
Employee share-based payments	**–**	**–**	**–**	**(144)**	**(144)**	**184**	**40**
At June 30, 2023	**(7,071)**	**72**	**78**	**426**	**(6,495)**	**96,618**	**90,123**
At January 1, 2022	4,814	(17)	78	493	5,368	96,401	101,769
Profit for the period	–	–	–	–	–	1,948	1,948
Exchange difference arising from translation to presentation currency	(4,539)	–	–	–	(4,539)	–	(4,539)
Gain on net investment hedge	4	–	–	–	4	–	4
Cash flow hedges: net movement in hedging reserve	–	71	–	–	71	–	71
Net change in fair value of equity investments	–	–	(1)	–	(1)	–	(1)
Total comprehensive income for the period	(4,535)	71	(1)	–	(4,465)	1,948	(2,517)
Final dividend in respect of previous year	–	–	–	–	–	(2,699)	(2,699)
Employee share-based payments	–	–	–	37	37	8	45
At June 30, 2022	279	54	77	530	940	95,658	96,598

15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The fair value of the Group's financial instruments is measured at the end of the reporting period on a recurring basis, categorized into a three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified and determined with reference to the observability and significance of the inputs used in the valuation technique is as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs

(a) Financial assets and liabilities measured at fair value

(i) The level of fair value hierarchy within which the fair value measurements are categorized and analyzed below:

HK$ Million	**Fair value**		Fair value measurements categorized into
	June 30, 2023	December 31, 2022	
Financial assets			
Trade and other receivables			
Cross currency swaps (cash flow hedges)	**–**	3	Level 2
Interest rate swaps (cash flow hedges)	**101**	59	Level 2
Other assets			
Investment in equity instruments	**78**	77	Level 3
Financial liabilities			
Trade and other payables			
Cross currency swaps (cash flow hedges)	**(8)**	–	Level 2

15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

The fair value of the cross currency swaps and interest rate swaps is determined based on the amount that the Group would receive or pay to terminate the swaps at the end of the reporting period taking into account current interest rates and current creditworthiness of the swap counter-parties.

The fair value of non-publicly traded equity investments is determined by reference to the net asset value of these investments.

(ii) Transfers of instruments between the three-level fair value hierarchy

During the six months ended June 30, 2023, there were no transfers of instruments between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognize transfers between levels of fair value hierarchy as of the end of the reporting period in which they occur.

(b) Fair value of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortized cost were not materially different from their fair values as of December 31, 2022 and June 30, 2023.

16. COMMITMENTS

At the end of the reporting period, capital commitments not provided for in the financial statements were as follows:

HK$ Million	**June 30, 2023**	December 31, 2022
Contracted for	**6,142**	1,830
Authorized but not contracted for	**9,066**	14,135
	15,208	15,965

The above commitments include mainly the construction related costs to be incurred in respect of the Group's development of investment properties in various cities in mainland China.

17. REVIEW AND APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report is unaudited, but has been reviewed by the Audit Committee. It was authorized for issue by the Board of Directors on July 31, 2023.

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

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

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

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

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

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

FINANCIAL CALENDAR

Financial period	January 1, 2023 to June 30, 2023
Announcement of interim results	July 31, 2023
Latest time for lodging transfers	4:30 p.m. on September 13, 2023
Closure of share register	September 14 to 15, 2023 (both days inclusive)
Record date for interim dividend	September 15, 2023
Payment date for interim dividend	September 29, 2023

SHARE LISTING

As at June 30, 2023, 4,499,260,670 shares are listed on The Stock Exchange of Hong Kong Limited. The Company has a sponsored American Depositary Receipt (ADR) Program in the New York market.

STOCK CODE

Hong Kong Stock Exchange: 00101
Reuters: 0101.HK
Bloomberg: 101HK
CUSIP Number/Ticker Symbol for ADR Code: 41043M104/HLPPY

SHARE INFORMATION

Share price as at June 30, 2023: HK$12.1
Market capitalization as at June 30, 2023: HK$54.44 billion

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wan Chai, Hong Kong
Tel : 2862 8555
Fax : 2865 0990

INVESTOR RELATIONS CONTACT

Joyce Kwock
Email: ir@hanglung.com