恒隆集團
HANG LUNG GROUP

2022
Interim Report

Hang Lung Group Limited
Stock Code: 00010

We Do It Well

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RESULTS AND DIVIDEND

Against the backdrop of the resurgence of COVID-19 in both mainland China and Hong Kong, revenue increased by 6% to HK$5,605 million for the six months ended June 30, 2022. Overall rental revenue remained stable at HK$5,289 million.

Net profit attributable to shareholders decreased by 5% to HK$1,439 million. Earnings per share dropped correspondingly to HK$1.06.

Underlying net profit attributable to shareholders rose by 7% to HK$1,600 million when all the effects of property revaluation are excluded. Underlying earnings per share increased similarly to HK$1.18.

The Board has declared an interim dividend of HK21 cents per share payable on September 29, 2022 to shareholders of record on September 15, 2022.

BUSINESS REVIEW

There are periods of time in history that are particularly critical and fraught with danger. Somehow, a few pivotal events, in quick succession of each other, changed the world forever. In modern times, this phenomenon occurs every few decades. I believe that we are at one such point. This time, China may not be at the epicenter, yet she cannot but be impacted. Almost all major businesses will be affected, including ours. It is time to be cautious.

In the past 30 years, the U.S. became increasingly worried about the rise of China, and about a decade ago, America's actions in this regard became more open. She began to throw all her weight behind efforts to slow down China's growth. Beijing was not a threat to the world; she was at best a threat to American supremacy. When Donald Trump assumed the U.S. presidency in 2017, things became ugly. President Joe Biden is merely continuing what the American body politics has talked itself into. Things have gone from bad to worse.

Then COVID-19 hit every corner of the world, beginning in early 2020. I do not recall a time in history when a pandemic could spread so far and so fast, largely thanks to technology-enabled globalization.

This was followed by the Ukraine War earlier this year. There have been plenty of wars in recent decades so it should not come as a surprise — remember Korea, Vietnam, Iran, Iraq, Afghanistan, Yemen, among others. What is particularly significant this time is the reactions of the West. That, much more than the war itself, will change the world for many years to come.

This is not the first time that the U.S. has, at will, frozen the assets of other countries or people. Not long ago, Afghanistan suffered that fate. But, primarily because of her energy resources, Russia is far more significant. If banks can be barred from transacting through SWIFT at any moment, will anyone, including U.S. allies, trust Washington, D.C. anymore? Such actions will likely change global capital flow in the coming decades.

The face of global energy politics will also not be the same. Russia is a major supplier of natural gas to Western Europe. From where will the latter now buy, and to whom will the former sell? These are huge changes which will alter economies and businesses. Being an integral and significant part of the global trading system, China, which is our primary market, will have to adjust, for better or worse.

When Donald Trump first became president, he might have wanted the U.S. to ally with Russia against China. Now President Biden has driven Moscow into the bosom of Beijing. All that took place within a few short years. Not only has China averted a historical enemy from the north; she has also gained a friend who increasingly needs her.

Global inflation, exacerbated by hikes in energy and food prices as a result of the Ukraine War, will have dire consequences in almost all nations. Famine in some regions will bring political instability and refugee migrations. Such will be the fate of certain poorer countries. Wealthier nations will also suffer, albeit in different ways. Raising interest rates to combat inflation will hit debt-ridden developed economies as it will less developed ones. What will happen to the U.S. and the U.S. dollar? These are troubling questions that will affect all of us.

Will China be spared? For better or worse, no. The long-term effects may in fact be positive, as a weakened and isolated Moscow will need Beijing more than ever. China will be able to buy much needed energy, food, and minerals more easily, for Russia is rich in all these commodities. The two economies are quite complementary to each other.

The one area to watch is obviously the Taiwan Strait. It seems that Washington, D.C. is keen to provoke Beijing into action so as to turn the world against China. This is similar to the position that the U.S. has taken against Russia during the Ukraine War to weaken her. So far, China is keeping her cool, but America's goading has definitely moved forward Beijing's schedule to take back the Island. Irrespective of the outcome, it will be complicated.

In the more immediate term, an issue of concern to Beijing and to our business is Mainland's economy. Recent government policies have left local and international companies unsure of the future. As is often the case with business people, when in doubt, wait it out. Consequently, no one is in a hurry to make investment decisions. Some of the same government actions have also pushed up unemployment. To make matters worse, Shanghai responded to the pandemic by imposing total lockdown, while several other cities experienced partial shutdowns. The combined effect of all these is a very hesitant economic future.

That said, I believe that Beijing is capable of stimulating the economy if she wants to. While the West is raising interest rates, China is moving in the opposite direction. Unlike many major countries elsewhere, China's national debt is relatively low. Moreover, exports are still faring well.

Yet, another worry relating to mainland China is her housing market. Since we are basically not in that sector, it is not our primary concern. Nevertheless, it is such a major part of the economy that its health will affect a lot of things.

As I have publicly stated repeatedly, China's housing industry is a crisis long in the making. The business model adopted by almost all private sector home developers was unsustainable. They seemed to only care about the size of their land bank and the top-line revenue. To accomplish that, and to beat their competitors in these measures, they overborrow. How could they not get into trouble?! What I cannot comprehend is why the Central Government did not take action sooner to rein it in.

Interestingly, the present problem is not industry-wide. It only affects private developers and not state-owned enterprises (SOEs). The latter are under the tight control of the government ministry in terms of their debt levels. Such restraints were absent in privately held home builders. So, when new government tightening policies were introduced, their balance sheets were severely strained. Many of them are now fighting for survival. Nowadays, land buyers are primarily SOEs.

While there will always be a housing market given continuous urbanization, the relative share of the market may have changed considerably by the time the dust settles. Whereas in the past, SOEs only had roughly 30% of the country's housing market, they may, one day soon, account for more like 70%. The final form will depend on what further policies will be enacted.

The only residential units we have to sell on the Mainland are luxury serviced apartments. They are invariably a part of a much larger commercial development with a mall and high-rise office towers for rental. Nevertheless, today's poor market sentiment does affect the sales of our serviced apartments. Our first project with a residential element for sale is in Heartland 66 in Wuhan. It will not be ready for occupancy until the second half of 2023. As such, we still have time to wait for market recovery.

In Hong Kong, the fifth wave of the pandemic struck soon after the beginning of the year. Government measures dealing with it continued to render our economy isolated. We cannot travel freely either to the Mainland or the rest of the world. So far, we are stuck. This cannot be good for business, including our property rental operations.

Set against this background, I believe that our set of results for the past six months is rather satisfactory. Rental revenue on the Mainland rose 2% from a year ago, while in Hong Kong, it fell 4%. Together, total rent collected was on par with the year before. Our home market now accounts for 32% of rental income, while the Mainland garners 68%. Rental margin retreated one point on the Mainland to 68% and two points in Hong Kong to 81%.

The sale of a luxury house on Blue Pool Road in Hong Kong contributed to the growth in total revenue of 6%.

PROSPECTS

From the description above, this is not an easy environment to do business in. Both internationally and within China, there are simply too many uncertainties. As such, Management believes that it is time to be very cautious. As longtime followers of our group activities know, historically, we had taken advantage of bear markets — we invariably bought when others did not have the guts or the money. In the past three decades, it was a fun game which had made a lot of profit for our shareholders. Remember 1994, 2000-2001 in Hong Kong, and 2005-2007, again 2013 on the Mainland. But this time it is different. As I have said at a Mainland real estate conference, the present environment is unlike any that I have seen. This bear is not those bears of the past.

We have always been conservative in our finances, and this is not the time to change this policy. If anything, we must be even more careful, especially with capital investments. Unless something very attractive comes along, we will wait before making new commitments. Major capital projects that can be postponed should be postponed.

As long as we do that, we should be in a comfortable position. We are lowly geared and have multiple sources of further financing lined up. That said, we do not expect to draw upon them beyond what is the normal course of business. We only have one new large-scale commercial complex under construction, that of Westlake 66 in Hangzhou, that requires significant capital spending. The project is scheduled for completion in phases from 2024 onwards. Most other projects can be put on hold if necessary. So far, we have not made that decision.

Moreover, we have already completed our two big Asset Enhancement Initiative (AEI) efforts at Plaza 66 and Grand Gateway 66 in Shanghai. As such, our older properties are in tip-top shape while the others are much newer. There is no urgent need for further major improvement projects. Finally, our business model is also rather defensive — we rely on rental income and our tenants are among the most solid business names in China and internationally. It is highly unlikely that our revenue will disappear overnight. The same cannot be said of real estate companies relying exclusively or predominantly on property sales.

What about the long-term prospects for our primary business of high-end commercial property leasing? I believe that they are, in fact, quite good. Frankly, there are not many industries that are as attractive as ours. Here are my reasons.

In the longer run, China should still be a relatively stable place to invest. As long as China-U.S. relations do not deteriorate into military conflict, such as over the Taiwan Strait, the huge Chinese domestic market will continue to be attractive. Average economic growth for the coming few years may settle at 4% to 5% per annum, but it will still be much higher than most, if not all, other major regions of the world. Personal consumption will be an increasingly important economic driver, and I will not be surprised if luxury spending grows slightly faster than regular spending. Neither do I, for now, foresee adverse industry-specific government measures in our sector. If so, then we are in a sweet spot of a relatively strong economy.

As I have written in previous years, there are industry-specific characteristics that make the core of our business — luxury retail rental — particularly attractive. The amount of experience and knowledge required to be successful are considerable and are not easily acquired. Consequently, there are not many companies in mainland China that have successfully built and operated luxury malls. The number of such players is probably not much more than half a dozen in the entire country. Needless to say, we are one of them.

In each city, there is rarely room for more than a few such malls. Of those, the top one or two always collect much of the sales dollars and hence rent dollars as well. As long as you are the top one or two, it is not easy for newcomers to dislodge you. In all but one of our luxury retail markets, we have achieved this to varying degrees. It is highly likely that in the coming years, these favorable positions of ours will be further strengthened. Once Westlake 66 in Hangzhou opens in two to three years, we expect to occupy a similarly pleasing spot.

Given the above, at present we do not see the need to change our long-held strategy. What needs constant tweaking, however, are operational and tactical issues, such as when and where to buy land; how much we are willing to pay for each plot; what product to build; what market position we want to occupy, etc. These are issues which we constantly have to tackle anyway, and we are improving as we go.

For the rest of this year, Management is cautious. Nevertheless, we hold out hope that, given no further deterioration in the pandemic situation, our results for the rest of this year may be slightly better than the half year just reviewed.

A year and a half ago, I asked Mr. Adriel Chan to start penning a *Vice Chair's Notes* alongside this writing. I encourage my readers to read that piece as well. It complements this letter.

Ronnie C. Chan
Chair
Hong Kong, July 28, 2022

The past six months have been unpredictably unpredictable, even by the stretched standards that have been set over the past three years. Investors will first note that this period has been trying on our share price, especially in Q2. Operationally, it has also been challenging: it was at the same time a live stress-test, a test of our planning and budgeting abilities, an operational obstacle course, and mentally fatiguing. What we would have previously considered black swan events almost seemed commonplace.

Despite the long succession of external headwinds and uncertainty in 1H22, we have delivered a strong and resilient set of results. Top line rentals are up, although retail sales are down. There are many reasons for our good performance despite the duress of the times, but I want to highlight two that I feel are most important: the first is our resolute focus with important aspects of diversity — commercial real estate coupled with geographic and product diversity, and the second is our great people and robust processes.

FOCUS WITH DIVERSITY

Geographic Diversity

In the dozen years since we opened Palace 66 in Shenyang — our first development outside of Shanghai — we have strengthened and consolidated our position in each of our markets. Our portfolio now consists of 10 centers in eight cities, of which eight centers are outside of Shanghai.

This meant that when Shanghai went into its 60+ day lockdown earlier this year, we were supported by our other centers to make up for the lost rent. In previous years, our non-Shanghai portfolio was only a fraction of our Shanghai income, and so analysts and shareholders often ignored them, even as they grew in number and sales. Each non-Shanghai center was simply too small to move the consolidated needle.

However, over the past year or so, this has dramatically changed. Coinciding with roughly two lease terms since the clamp-down on corruption and opulence in 2012 (the start of a long, cold "winter"), we have seen a mass migration of luxury brands into most of our non-Shanghai malls. To illustrate the impact of this using retail sales, just one mall today — Wuxi Center 66 — sells more than all other non-Shanghai malls did, combined, at this point five years ago (1H17). That represents a CAGR of almost 40% over five years. Even more dramatically, Olympia 66 in Dalian has nearly tripled its retail sales in just 18 months.

The combined incremental sales growth across Wuxi Center 66, Dalian Olympia 66, Kunming Spring City 66, and Wuhan Heartland 66 were able to more than offset our loss of two months in Shanghai. This would have been unimaginable to many of our shareholders just two or three years ago, but it has actually been our intent since day one, when we crafted this strategy to expand outside of Shanghai.

It is as if a 17-year-long proof-of-concept has finally been validated. This concept began with the investment in our first plot outside Shanghai, Riverside 66 in Tianjin in 2005, was tested by the challenging operating environment in the decade after our first opening in Shenyang in 2010, and is finally turning the corner with the broad adoption of luxury brands across our portfolio, which started about 18 months ago. The challenges of the past six months have been the first test of our current iteration, and I think our results prove themselves.

Product Diversity

I would be remiss not to highlight our growing office portfolio, which now accounts for ~20% of our mainland China income, thanks to the addition of 168,000 sqm at Kunming Spring City 66 in 2020, and 152,000 sqm at Wuhan Heartland 66 in 2021. These two Grade A towers are now respectively 80% and over 60% leased, and feature our higher-margin “modular office” product which caters to tenants who do not want to deal with the administrative and financial hassle of office design and capex.

In addition to our modular offices, we have HANGOUT in Wuxi, a flexible office space (analogous to co-working) which has also contributed nicely to our office margins in the city. Having run HANGOUT for several years, it has proven itself as a concept, and we are at work to roll it out in some of our other office towers across the country.

As our Chair has pointed out in his previous letters to shareholders, and as we have discussed in our media, investor, and analyst briefings, our unique strategy of building true international Grade A office towers in second tier Chinese cities has several key value drivers. We are usually the only true international Grade A office tower(s) in each city, thanks to our understanding of the market, experience, and design. The higher cost of construction for an international Grade A product is also a deterrent to competitors, who almost always construct to sell, rather than to operate themselves. As you would expect, a developer will design and build a product for sale differently from one that they intend to keep.

As a result, as the market grows to appreciate the differentiation of our product, we end up almost “cornering the market”. There are simply no comparable towers in cities such as Wuxi, Wuhan, Kunming, or Shenyang. As such, our higher-than-most construction cost that had previously been considered a handicap, is now yielding a competitive advantage.

If our retail portfolio growth outpaces our office growth, which is a reasonable assumption, the office contribution to our top line will likely normalize a few percentage points lower than today’s ~20%. Unfortunately, since offices are generally a lower-yielding asset class, it will pull down our overall rental yield. That being said, offices bring value in the diversity that they add to our otherwise retail-heavy portfolio, and I expect it to continue to be a strong pillar to our leasing income.

Lastly, we have our serviced apartments and hotels. The residential market in mainland China has been through a particularly tumultuous period. Sales are dramatically down, and almost all the local players are in dire straits. Many are facing an existential moment. In this environment, it is easy to be blindly bearish; however, I think there is reason for Hang Lung to have hope. As a developer, we are in a completely separate class, and do not face the financial pressures that local developers face. We will comfortably and happily complete our current pipeline of apartments for sale, so our current full-speed construction is taking place against a backdrop of record-low land sales and record-slow apartment construction. Thus, projecting two to three years out, I see a market with very limited apartment supply. Yet for us, that will be a time when our projects are coming to market. Even if the market has not fully recovered by then, we will still be selling at a time when consumers have less choice.

Admittedly, the outlook for hotels is more hazy. While the domestic tourism market has inevitably grown, not all of our cities are leisure hot spots, and international travel will probably be more difficult than it was, pre-COVID, for the foreseeable future. That being said, our hotels will all be among the best properties in very vibrant cities, so I would expect them to outperform their peers in each city.

GREAT PEOPLE, STRONG PROCESSES (AND GOOD GOVERNANCE)

I regularly say — both externally and internally — that one of the top KPIs by which I measure my own performance is "people". (The KPI that I mention in the same breath is "culture", with which "people" sits in a tight binary orbit.)

Over the past five years, Hang Lung's executive team has seen significant change. Firstly, with the Hang Lung Boards' blessing, I brought in Weber Lo to join us as CEO, succeeding Philip Chen, who retired due to health reasons, and who still sits on our board today. In the years since Weber joined, several of our top managers reached retirement, among them the CFO (now Kenneth Chiu), our Executive Director and head of leasing (now Derek Pang and Mikael Jaeraas), and our head of corporate communications (now Maggie Ma and Joyce Kwock). In each case, we filled these roles with strong, mostly internal candidates, all of whom are a decade, or more, younger than their predecessors.

The fact that internal candidates took most of these senior roles reflects our significantly strengthened management bench. (In our previous round of senior hires, most were external.) In the cases where we have hired externally, we have attracted top talent, which speaks to the quality of our operations, our culture, and our reputation in the market.

Weber's ability to quickly identify, attract, and promote talent has already shown results, in the form of a senior management team which I believe is now stronger than at any previous time. This was partly made possible by the thoughtful and intentionally-paced churn of our senior management team since 2010.

I intend to continue this trend, which I see as part of the path to creating a more meaningful and rewarding workplace. I also expect our level of diversity to increase, and the average age to decrease.

People are often appreciated as the most important asset of a company. Due to the relative simplicity of our industry, and other aspects of our environment, *processes* often go under-appreciated.

However, it is no coincidence that both our current-and immediate-past CEO came from organizations with extremely strong processes and systems. (Weber came from banking, and Philip came from airlines.) Hang Lung is committed to building robust processes that ensure stability and resilience, and that are appropriate for our business and context. In the past 10 years, we have reviewed all levels of our processes, systems, and structure; each time, we have not shied away from making difficult, even fundamental, changes. As I write this, we are in the midst of an extensive exercise to further digitize, upgrade, and streamline ourselves, which will bring both financial and non-financial returns.

Looking at scenarios for the combined systemic threats that we face — climate change, reverberations from the war in Ukraine, COVID-19, etc., in almost all outcomes, a key requirement is for Hang Lung to be very resilient. I am thus thankful that we embarked on this long journey of self-improvement over a decade ago, and that we have made significant progress which is tangible today.

Hang Lung's great people and robust processes, coupled with strong governance and sound financials, are the foundations that will hold us through what I predict will be a period of further change and uncertainty.

Adriel Chan
Vice Chair
Hong Kong, July 28, 2022

in HK$ Million (unless otherwise stated)

RESULTS

	For the six months ended June 30					
	2022			2021		
	Property Leasing	**Property Sales**	**Total**	Property Leasing	Property Sales	Total
Revenue	**5,289**	**316**	**5,605**	5,275	–	5,275
– Mainland China	**3,607**	**–**	**3,607**	3,526	–	3,526
– Hong Kong	**1,682**	**316**	**1,998**	1,749	–	1,749
Operating profit/(loss)	**3,796**	**133**	**3,929**	3,870	(22)	3,848
– Mainland China	**2,441**	**(19)**	**2,422**	2,419	(9)	2,410
– Hong Kong	**1,355**	**152**	**1,507**	1,451	(13)	1,438
Underlying net profit/(loss) attributable to shareholders	**1,537**	**63**	**1,600**	1,510	(12)	1,498
Net (decrease)/increase in fair value of properties attributable to shareholders	**(161)**	**–**	**(161)**	10	–	10
Net profit/(loss) attributable to shareholders	**1,376**	**63**	**1,439**	1,520	(12)	1,508

	At June 30, 2022	At December 31, 2021
Shareholders' equity	**93,953**	95,842
Net assets attributable to shareholders per share (HK$)	**$69.0**	$70.4

Earnings and Dividend (HK$)

	2022	2021
Earnings per share		
– Based on underlying net profit attributable to shareholders	**$1.18**	$1.10
– Based on net profit attributable to shareholders	**$1.06**	$1.11
Interim dividend per share	**$0.21**	$0.21

Financial Ratios

	At June 30, 2022	At December 31, 2021
Net debt to equity ratio	**24.8%**	22.3%
Debt to equity ratio	**28.2%**	27.9%

CONSOLIDATED RESULTS

For the six months ended June 30, 2022, total revenue of Hang Lung Group Limited (the Company) and its subsidiaries (collectively known as "the Group") grew by 6% to HK$5,605 million, while operating profit edged up by 2% to HK$3,929 million. The revenue of our property leasing business stayed flat at HK$5,289 million. Property sales revenue of HK$316 million was recognized during the period (2021: Nil).

The underlying net profit attributable to shareholders advanced by 7% to HK$1,600 million. The underlying earnings per share rose to HK$1.18 correspondingly.

After taking into account a net revaluation loss on properties attributable to shareholders of HK$161 million (2021: net revaluation gain of HK$10 million), the Group reported a net profit attributable to shareholders of HK$1,439 million (2021: HK$1,508 million). The corresponding earnings per share was HK$1.06 (2021: HK$1.11).

Revenue and Operating Profit for the Six Months Ended June 30

	Revenue			Operating Profit		
	2022 HK$ Million	2021 HK$ Million	Change	**2022 HK$ Million**	2021 HK$ Million	Change
Property Leasing	**5,289**	5,275	–	**3,796**	3,870	-2%
Mainland China	**3,607**	3,526	2%	**2,441**	2,419	1%
Hong Kong	**1,682**	1,749	-4%	**1,355**	1,451	-7%
Property Sales	**316**	–	N/A	**133**	(22)	N/A
Total	**5,605**	5,275	6%	**3,929**	3,848	2%

DIVIDEND

The Board of Directors has declared an interim dividend of HK21 cents per share for 2022 (2021: HK21 cents) to be paid in cash on September 29, 2022, to shareholders whose names are listed on the register of members on September 15, 2022.

PROPERTY LEASING

In the first six months of 2022, the Group's total rental revenue stayed flat at HK$5,289 million. Rental revenue from our Mainland portfolio edged up by 1% in Renminbi (RMB) terms and 2% in HKD terms, outweighing the 4% decline of our Hong Kong portfolio.

At the beginning of 2022, revenue growth momentum continued on the Mainland. Retail consumption continued to enhance as we launched a variety of promotional activities, refined our tenant mix, and enriched our HOUSE 66 customer relationship management program offerings. However, the outbreak of the highly contagious Omicron variant of COVID-19 in mid-March 2022 resulted in the reintroduction of stringent pandemic containment measures in affected cities, and interrupted the growth momentum. Our retail performance in Shanghai was greatly affected by the citywide lockdown in April and May. Fortunately, our geographical diversification bolstered resilience across our portfolio. Our shopping malls outside Shanghai recorded overall respectable growth, and offset most of the effects brought by the Shanghai's lockdown. After Plaza 66 and Grand Gateway 66 in Shanghai reopened on June 1, we implemented tactical plans, including proactive support to our tenants by offering privileges to members of HOUSE 66, to drive sales and footfall that supported a prompt rebound in tenant sales. Retail performance in June demonstrated a healthy recovery with revenue at our malls for the first half of 2022 dipping by just 1% in RMB terms, while rental revenue for the entire Mainland portfolio increased by 1% compared to the same period last year.

Our leasing performance in Hong Kong was still suffering from the impacts of the pandemic. Government's tightened social distancing restrictions during the fifth wave of the COVID-19 pandemic resulted in a sharp reduction in traffic. Our retail performance in the first six months of 2022 was affected. We maintained close communication with our tenants and provided them with supports to weather the storm, including but not limited to granting rent relief on a case-by-case basis. Rental revenue decreased by 4% but tenant sales grew by 1% against the first half of 2021.

Mainland China[1]

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

	Revenue (RMB Million)		
	2022	2021	Change
Malls	**2,210**	2,232	-1%
Offices	**672**	599	12%
Residential & Serviced Apartments	**74**	67	10%
Hotel	**27**	41	-34%
Total	**2,983**	2,939	1%
Total in HK$ Million equivalent	***3,607***	*3,526*	*2%*

Total rental revenue rose by 1% and operating profit remained flat in RMB terms in the first half of 2022, recording in HKD terms, an increase of 2% and 1%, respectively. The tightened COVID-19 containment measures across cities negatively affected our malls particularly from March to May. After the end of Shanghai's lockdown on June 1, leasing performance of the malls there regained momentum in tandem with improvements in consumption sentiment. Our office portfolio demonstrated resilience and generated stable income during the reporting period.

After excluding the rental contributions from the Heartland 66 mall in Wuhan, which opened in March 2021, overall leasing revenue in RMB terms dropped slightly by 1% period-on-period.

- *Malls*

The mall portfolio recorded a 1% decline in revenue. Owing to the tightened COVID-19 containment measures, revenue of luxury-positioned malls fell by 1%, while revenue of sub-luxury malls retreated by 2%.

[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	**2022**	2021	Change	**June 2022**	December 2021	June 2021
Luxury malls						
Plaza 66, Shanghai	**724**	874	-17%	**98%**	100%	99%
Grand Gateway 66, Shanghai	**553**	565	-2%	**99%**	100%	99%
Forum 66, Shenyang	**47**	51	-8%	**90%**	90%	88%
Center 66, Wuxi	**195**	183	7%	**98%**	98%	95%
Olympia 66, Dalian	**112**	67	67%	**89%**	87%	82%
Spring City 66, Kunming	**141**	127	11%	**94%**	97%	95%
Heartland 66, Wuhan #	**122**	43	184%	**84%**	84%	71%
	1,894	1,910	-1%			
Sub-luxury malls						
Palace 66, Shenyang	**82**	90	-9%	**86%**	90%	92%
Parc 66, Jinan	**151**	150	1%	**92%**	93%	94%
Riverside 66, Tianjin	**83**	82	1%	**83%**	86%	76%
	316	322	-2%			
Total	**2,210**	2,232	-1%			

Opened in March 2021

In the first half of 2022, lockdowns and other tightened COVID-19 containment measures adversely affected the leasing performance of our malls in Shanghai (Plaza 66 and Grand Gateway 66) and Shenyang (Forum 66 and Palace 66). Revenue from luxury malls outside Shanghai and Shenyang, on the other hand, rose by a range of 7% to 184% period-on-period, mainly driven by the substantial revenue growth experienced by Heartland 66 in Wuhan, which opened in March 2021, and continued refinement of other luxury malls' tenant mix. During the reporting period, revenue at our sub-luxury malls fell by 2% against the same period last year.

Luxury malls

Our flagship **Plaza 66** mall in Shanghai achieved satisfactory leasing revenue in early 2022 due to buoyant consumption sentiment boosted by effective marketing campaigns in conjunction with Chinese New Year and Valentine's Day. However, the citywide lockdown in Shanghai resulted in the suspension of business in April and May, which led to a decrease in both revenue and tenant sales by 17% and 38%, respectively, in the first half of 2022.

After reopening on June 1, both revenue and tenant sales of the Plaza 66 mall recorded a healthy recovery in the month of June. Market sentiment is picking up modestly following the government's introduction of a series of support measures to a wide spectrum of business segments and the general community in early June. We will roll out more compelling marketing and promotion initiatives to accelerate the recovery.

The **Grand Gateway 66** mall in Shanghai recorded a mild drop in revenue of 2% with tenant sales recording a decline of 32% in the first half of 2022. The completion of the Asset Enhancement Initiative (AEI) in late 2020, and the subsequent refinement of the trade mix, achieved a higher base rent from quality tenants, which helped alleviate the adverse impact of the Shanghai's lockdown in April and May on tenant sales.

The mall at **Forum 66** in Shenyang was subject to a temporary closure for nearly a month as a part of local government mandated pandemic countermeasures beginning in mid-March. Revenue and tenant sales slipped by 8% and 16% period-on-period, respectively, as a result of the short-term disruption to business operations. It is worth mentioning that both revenue and tenant sales have climbed steadily since the reopening of the mall in mid-April. As 2022 marks the 10th anniversary of Forum 66, online and offline marketing initiatives will be rolled out to further ramp up business.

Despite challenging circumstances, performance of the **Center 66** mall, the undisputed leader in luxury retail in Wuxi, was fairly solid. All the malls in the city, including Center 66 were closed for more than one week from end of March to early April as the government sought to contain the spread of COVID-19. We rolled out a series of compelling promotions to attract footfall and encourage consumption after the gradual easing of containment measures. Positive rental reversion and an improvement in the occupancy rate by three points to 98%, contributed to a 7% period-on-period increase in revenue despite a gentle decline in tenant sales of 1%.

After reinforcing its position as Dalian's destination of choice for luxury shopping and leisure with a newly realigned tenant mix and distinctive marketing campaigns, **Olympia 66** enjoyed a 67% growth in revenue period-on-period to RMB112 million, while tenant sales soared 1.2 times. As a rich line-up of luxury tenants opened stores during the period, the occupancy rate rose by seven points to 89%.

As the city's hub of prime luxury, revenue from the **Spring City 66** mall in Kunming advanced by 11%, mainly benefiting from positive rental reversions. The first half of 2022 saw new international brands entering the mall either with local debut openings or city flagship store launches, keeping the mall's offering fresh and engaging for consumers. Although under tightened social distancing measures to prevent a resurgence of COVID-19, tenant sales increased by 1% period-on-period.

Being our tenth mall on the Mainland, tenant sales and footfall at the **Heartland 66** mall in Wuhan have been growing steadily since its opening in March 2021. The mall is located in the flourishing Qiaokou District and is well connected to the commercial and business heart of Wuhan. Revenue jumped more than 1.8 times period-on-period to RMB122 million taking advantage of strong luxury tenant sales and the introduction of flagship stores and brand debuts. The occupancy rate of the mall rose by 13 points and reached 84% by end of June 2022.

Sub-luxury malls

Palace 66 in Shenyang was also adversely affected by the COVID-19 resurgence. Revenue and tenant sales shrank by 9% and 26%, respectively. Under Shenyang government's pandemic containment measures, the mall was temporarily closed for nearly a month beginning in mid-March. In mid-April, business resumed and consumption sentiment has recovered gently.

Parc 66 in Jinan recorded mild revenue growth of 1% although the local government imposed restrictions on tenants' businesses including control measures in several communities and a ban on dine-in services throughout the entire month of April 2022. The comprehensive AEI commenced in June 2021 is progressing well and the re-opening of the first phase is anticipated in the fourth quarter of 2022. Minimal disruption was brought to our tenants by renovation works and the occupancy rate dropped by two points to 92% period-on-period.

Revenue from **Riverside 66** in Tianjin edged up by 1%, although the Heping district where the mall is located was locked down for more than a week in May 2022 due to the resurgence of COVID-19 cases. We took the opportunity to refresh and enhance the tenant mix, by introducing more competitive and unique brands to replace non-performing tenants. The occupancy rate rose by seven points to 83%.

- *Offices*

With the quality and diversity of our tenant base, our office portfolio demonstrated resilience and occupancy remained high despite the weak market. Total revenue advanced by 12% to RMB672 million period-on-period and occupancy rates at our most recently inaugurated office towers in Wuxi, Kunming, and Wuhan continued their upward trajectory. Tenants were attracted by the prestigious location and competitive edge of our Grade A buildings (being part of the mixed developments), and the high standard of our customer services and property management.

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

	Revenue (RMB Million)			Period-end Occupancy Rate		
Name of Office and City	**2022**	2021	Change	**June 2022**	December 2021	June 2021
Plaza 66, Shanghai	**317**	310	2%	**96%**	97%	95%
Grand Gateway 66, Shanghai	**125**	126	-1%	**98%**	98%	98%
Forum 66, Shenyang	**66**	65	2%	**92%**	92%	97%
Center 66, Wuxi	**61**	53	15%	**88%**	88%	84%
Spring City 66, Kunming	**59**	35	69%	**79%**	71%	50%
Heartland 66, Wuhan	**44**	10	340%	**61%**	57%	34%
Total	**672**	599	12%			

The two world-class office towers at **Plaza 66** in Shanghai continued to deliver pleasing rental performance during the reporting period. Despite new supply in non-core areas, office rents in central business districts remained stable due to limited supply, resulting in a modest increase of 2% in revenue. The occupancy rate remained high at 96%.

Revenue of the office tower at **Grand Gateway 66** in Shanghai remained stable during the period and the occupancy rate stayed high at 98%.

The office tower at **Forum 66** in Shenyang maintained a steady revenue and occupancy rate period-on-period. Facing the pressure on office rents caused by rising supply of office space and soft demand in Shenyang, Forum 66 still retained its market leadership through leveraging its distinguished location, top-grade design, and premium management services.

Overall revenue of the two office towers at **Center 66** in Wuxi rose by 15% to RMB61 million while the occupancy rate increased by four points to 88% at end of the reporting period. The self-operated multifunctional workspace, HANGOUT, increased our competitiveness against our peers as occupancy rose among small-sized tenants of excellent caliber attracted by our offering.

Revenue from the office tower at **Spring City 66** in Kunming was up by 69% to RMB59 million as the occupancy rate surged by 29 points to 79%. We accelerated the leasing pace by offering modular offices with high-quality fit-outs and furnishings, and premium facilities and value-added services to address keen competition in Kunming.

The **Heartland 66** office tower in Wuhan started operations in November 2020. In the first half of 2022, revenue rose to RMB44 million, and the occupancy rate climbed by 27 points to 61% by the end of June, despite the increasingly competitive market landscape.

- *Residential & Serviced Apartments*

Income from residential and serviced apartments at Grand Gateway 66 in Shanghai increased by 10% period-on-period. The occupancy rate increased by four points to 91% by the end of the reporting period.

- *Hotel*

There was a remarkable rebound in the first two months of 2022 since various dining promotions and staycation packages were launched to attract the local customers. However, the Shenyang government imposed lockdowns within the city for nearly a month from mid-March to contain the rise in COVID-19 cases and tightened travel measures continued to be in place after relaxation of the lockdown measures. The rebound derailed and a decline in revenue of 34% to RMB27 million was reported in the first half of 2022.

Hong Kong

Due to the outbreak of the fifth wave of COVID-19 in January, the first half of 2022 has been another tough time for businesses in Hong Kong. The government implemented tight social distancing measures which included suspension or partial suspension of some businesses like restaurants, cinemas, education centers, gyms, and beauty salons against the backdrop of record-high daily new confirmed cases, leading to a substantial decline in foot traffic and relatively weak consumer sentiment. However, we were able to manage the occupancy and maintain it at a satisfactory level by refining the tenant mix at our malls in line with local consumption patterns and by launching promotion initiatives via the "hello Hang Lung Malls Rewards Program" in conjunction with the government's electronic Consumption Voucher Scheme. We maintained close communication with our tenants and provided them assistance including but not limited to granting rent relief on a case-by-case basis.

Properties located in Causeway Bay and Peak Galleria were still under pressure due to their reliance on tourism. The social distancing measures imposed by the government in the first quarter of 2022 directly impacted tenants of specific trades such as cinemas, gyms and restaurants.

Revenue and operating profit decreased by 4% to HK$1,682 million and 7% to HK$1,355 million, respectively, with rental margin at 81%. Tenant sales rose by 1% against the first half of 2021.

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

	Revenue (HK$ Million)			Period-end Occupancy Rate		
				June	December	June
	2022	2021	Change	2022	2021	2021
Retail	961	990	-3%	97%	97%	97%
Offices and Industrial/ Office	598	643	-7%	87%	87%	88%
Residential & Serviced Apartments	123	116	6%	70%	72%	56%
Total	**1,682**	1,749	-4%			

- *Retail*

Owing to negative rental reversions, revenue from our Hong Kong retail portfolio dropped 3% to HK$961 million.

Having suffered from negative rental reversions and with the grant of rent relief to tenants, the revenue of the **Causeway Bay and Central portfolio** declined by 9%. Mitigating the effects of border restrictions by introducing more local brands and quality food and beverage tenants to capture domestic demand helped to sustain the occupancy rate at 94%.

Our **Mongkok portfolio** recorded a 1% increase in rental income despite the closure of a gym at Grand Plaza in late 2021. The two-floor vacated area was leased to a medical center in early 2022. The portfolio was fully let at June 30, 2022.

Our community malls, **Kornhill Plaza in Hong Kong East** and **Amoy Plaza in Kowloon East** were relatively defensive. Revenue of both properties remained flat against the first half of 2021.

- *Offices and Industrial/Office*

Revenue slipped by 7% to HK$598 million as a result of negative rental reversions.

After the downsizing of a major tenant upon lease expiry, our **Central portfolio** recorded a revenue drop of 17% with the occupancy rate at 80%. We offered refurbished ready-to-use office spaces to address the demand of potential tenants who have capex constraints and diversified our product mix and tenancy profile.

With social distancing measures and border restrictions imposed by the government affecting some semi-retail tenants in the **Causeway Bay portfolio**, its revenue shrank by 11%.

Driven by the rise in occupancy at Grand Plaza, a well-established medical hub in the district, the rental income of the **Mongkok portfolio** advanced by 5% period-on-period.

- *Residential & Serviced Apartments*

Our residential & serviced apartments segment earned 6% more in revenue period-on-period and the occupancy rate rose by 14 points to 70% by the end of the period. This was mainly due to the improvement in occupancy at Kornhill Apartments as a result of the adoption of an aggressive pricing strategy since the second half of 2021.

PROPERTY SALES

Revenue of HK$316 million was recognized during the period for the sale of one house on Blue Pool Road upon completion in 2022 with a corresponding profit margin of 52%. An operating profit of HK$133 million was recorded from property sales for the six months of 2022 after considering the selling expenses for The Aperture, a new development project in Kowloon Bay, marketing expenses for Heartland Residences in Wuhan, and other operating expenditures.

The Group sold three more residential units of The Aperture during the reporting period. Up to June 30, 2022, the Group pre-sold 125 residential units at a total consideration of HK$1,098 million. This revenue is expected to be recognized in 2023 upon sale completion.

We continuously sought for opportunities to dispose of non-core investment properties for capital recycling. In May 2022, we signed an agreement with third parties to dispose of a retail unit at Laichikok Bay Garden in Hong Kong. The transaction is expected to be completed in August 2022. The property was reclassified as assets held for sale as of June 2022 with reference to the selling price, and a fair value gain of HK$11 million was recognized for the period.

SHARE OF RESULTS OF JOINT VENTURES

Our share of results from joint ventures improved from losses of HK$31 million in the first half of 2021 to profits of HK$116 million in the period under review. Apart from the period-on-period reduction in joint venture investment properties' revaluation losses, we recorded a one-off gain of HK$94 million from our acquisition of an additional 6.67% interest in Citygate, the mixed-use commercial complex in Tung Chung, Hong Kong, in 2022. After the acquisition, our interest in Citygate increased to 26.67%.

PROPERTY REVALUATION

As of June 30, 2022, the total value of our investment properties and those under development amounted to HK$203,417 million, including the mainland China portfolio of HK$140,203 million and the Hong Kong portfolio of HK$63,214 million. These properties were appraised by Savills, an independent valuer, as of June 30, 2022.

A revaluation loss of HK$217 million was recorded (2021: gain of HK$606 million).

The mainland China portfolio recorded a gentle revaluation loss of HK$147 million (2021: gain of HK$1,360 million), representing less than 1% of the portfolio value. The impact from the outbreak of the Omicron variant in 2022 was considered to be temporary, and hence, had no significant impact on the valuation.

The Hong Kong portfolio had a revaluation loss of HK$70 million (2021: loss of HK$754 million), representing a less than 1% decrease against the value as of December 31, 2021.

Net revaluation loss after tax and non-controlling interests of HK$161 million was reported (2021: net revaluation gain of HK$10 million).

PROPERTY DEVELOPMENT AND CAPITAL COMMITMENT

The total values of our development projects for leasing and sale were HK$22,268 million and HK$10,125 million, respectively. These represent mainland China projects in Wuhan, Wuxi, Kunming, Hangzhou, and Shenyang, and redevelopment projects in Hong Kong. As of the reporting date, the capital commitments for the development of our investment properties amounted to HK$18 billion.

Mainland China

In the first half of 2022, our development progress was slowed by supply chain disruption of construction materials and labor shortages caused by the lockdowns in various Mainland cities. We expect to catch up in the second half of the year after these lockdown measures are eventually eased.

Heartland Residences (武漢恒隆府) in Wuhan, the inaugural project of our premium serviced residences brand on the Mainland, comprises three towers offering a total of more than 490 units and is situated in the immediate proximity of Heartland 66. The sales gallery and show flats were launched in April 2022. Pre-sale marketing activities commenced in July 2022 and the public launch will be subject to market assessment. The project is scheduled for completion in phases from the second half of 2023.

Center Residences (無錫恒隆府) in Wuxi and **Curio Collection by Hilton-branded hotel**, a lifestyle boutique hotel form the Phase 2 development of Center 66. The Residences comprise two high-rise residential towers housing around 600 units. In addition, there will be a seven-story new-build tower and a three-floor heritage building offering a total of 106 hotel rooms. Construction has been progressing as scheduled and the project is scheduled for completion in phases from 2024 onwards. Pre-sale of Center Residences is expected to be launched in 2023.

Grand Hyatt Residences Kunming (昆明君悦居) and **Grand Hyatt Kunming** are integral components of the Spring City 66 development. The Residences sit above the hotel and house 254 apartments and three immaculate penthouses. Grand Hyatt Kunming offers more than 330 guestrooms and suites. Site development kick-started after possession of the construction permit in May 2021. The hotel-and-residence tower was topped out in June 2022 representing another milestone in the development. Presale of the Residences is expected to commence in the first half of 2023 with completion in phases targeted from 2024 onwards, while the opening of the Grand Hyatt Kunming is scheduled for late 2023.

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 basement works are progressing well, and the project is targeted for completion in phases from 2024 onwards. Mandarin Oriental Hangzhou, offering more than 190 premium guestrooms and suites, is slated for opening in 2025.

Forum Residences (瀋陽恒隆府) forms part of the mixed-use Forum 66 development in Shenyang. The remaining developments of Forum 66 yield a gross floor area of more than 500,000 square meters. The master layout plan is presently in the refining stage. The pre-sale of the project is expected to be launched from 2024 onwards with completion in stages from 2027.

Hong Kong

The pre-sale of The Aperture was launched in December 2021. Construction is on track and scheduled for completion in 2023.

Construction works at the Grade A office tower redevelopment on 228 Electric Road in North Point are in progress. The project is a joint development with our subsidiary, Hang Lung Properties Limited, and includes a retail area across the lower floors. Superstructure works are underway. The outbreak of the fifth wave of the pandemic impacted the construction progress and the project is targeted for completion in 2023.

The land acquisition at 37 Shouson Hill Road in the Southern District of Hong Kong Island was completed in February 2021. A redevelopment of the land site into luxurious detached houses is now in the planning stage.

FINANCING MANAGEMENT

An appropriate capital structure with multiple financing channels has been maintained. We aim to ensure financial resources are always available to meet operational needs and expansions. A sufficient level of standby banking facilities and other debt capital funding has been sustained to cushion the Group from any unexpected market dislocation. All financial risk management, including debt refinancing, foreign exchange exposure, and interest rate volatility, is centrally managed and controlled at the corporate level.

We closely monitor and regularly review our funding needs to allow a fair degree of financial flexibility and liquidity while optimizing the cost of funds. Various sources of debt financing are in place to mitigate concentration risks.

For debt portfolio management, we focus on mitigating foreign exchange, interest rate, and refinancing risks through an appropriate mix of RMB/HKD/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, the Group continues to make more use of sustainable finance. During the first half of 2022, we issued green bonds worth HK$1.2 billion, obtained HK$0.6 billion green loan facilities, and HK$0.8 billion sustainability-linked loan facilities. These are collectively referred to as sustainable finance, which now accounts for 31% of our total debts and available facilities. We plan to further increase the proportion.

- *Cash Management*

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

	At June 30, 2022		At December 31, 2021	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Denominated in:				
HKD	**1,733**	*32%*	5,617	*61%*
RMB	**3,512**	*65%*	3,367	*37%*
USD	**156**	*3%*	156	*2%*
Total cash and bank balances	**5,401**	*100%*	9,140	*100%*

All deposits are placed with banks carrying high credit ratings. The counterparty risk is monitored on a regular basis.

- *Debt Portfolio*

At the balance sheet date, total borrowings amounted to HK$44,898 million (December 31, 2021: HK$45,883 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 decreased to 40% of total borrowings as of June 30, 2022 due to the redemption of a US$500 million MTN in June 2022.

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

(i) by currency (after currency swap):

	At June 30, 2022		At December 31, 2021	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Denominated in:				
HKD	**32,219**	*72%*	33,384	*73%*
RMB	**12,679**	*28%*	12,499	*27%*
Total borrowings	**44,898**	*100%*	45,883	*100%*

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

	At June 30, 2022		At December 31, 2021	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Fixed	**18,007**	*40%*	21,998	*48%*
Floating	**26,891**	*60%*	23,885	*52%*
Total borrowings	**44,898**	*100%*	45,883	*100%*

- *Gearing Ratios*

At the reporting date, the net debt balance amounted to HK$39,497 million (December 31, 2021: HK$36,743 million). The net debt to equity ratio was 24.8% (December 31, 2021: 22.3%), and the debt to equity ratio was 28.2% (December 31, 2021: 27.9%). The net debt to equity ratio increased primarily as a result of capital expenditures in both mainland China and Hong Kong.

Excluding the balances of Hang Lung Properties Limited and its subsidiaries (collectively known as "Hang Lung Properties"), the Company and its other subsidiaries had a net cash balance amounting to HK$110 million (December 31, 2021: net cash balance of HK$437 million).

- *Maturity Profile and Refinancing*

At the balance sheet date, the average tenure of the entire loan portfolio was 3.2 years (December 31, 2021: 3.0 years). The maturity profile was staggered over more than 10 years. Around 68% of the loans were repayable after two years.

	At June 30, 2022		At December 31, 2021	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Repayable:				
Within 1 year	**3,590**	*8%*	8,079	*18%*
After 1 but within 2 years	**10,564**	*24%*	7,753	*17%*
After 2 but within 5 years	**25,710**	*57%*	23,869	*52%*
Over 5 years	**5,034**	*11%*	6,182	*13%*
Total borrowings	**44,898**	*100%*	45,883	*100%*

As of June 30, 2022, total undrawn committed banking facilities amounted to HK$20,354 million (December 31, 2021: HK$18,295 million). The available balances of the US$4 billion (December 31, 2021: US$4 billion) MTN program amounted to US$2,282 million, equivalent to HK$17,910 million (December 31, 2021: HK$13,722 million).

Excluding the balances of Hang Lung Properties, the undrawn committed banking facilities of the Company and its other subsidiaries amounted to HK$3,280 million (December 31, 2021: HK$3,650 million).

- *Net Finance Costs and Interest Cover*

For the first half of 2022, gross finance costs dropped by 4% to HK$744 million mainly because the average effective cost of borrowings decreased to 3.5% (2021: 3.9%), taking the advantage of lower interest rates upon the refinancing of maturing debts.

Despite the decrease in gross finance costs, the net amount charged to the statement of profit or loss increased to HK$265 million as the finance costs capitalized for projects under development decreased after the completion of the mall at Heartland 66 in Wuhan in March 2021.

Interest cover for the six months of 2022 was 5 times (2021: 5 times).

- *Foreign Exchange Management*

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

We do not speculate on the movement of the RMB against the HKD. We maintain an appropriate level of RMB resources to meet capital needs in mainland China, after considering the cash inflows from local operations and level of RMB borrowings. We conduct business reviews regularly to assess the level of funding needed for our mainland China projects, considering factors such as regulatory restrictions, project development schedules, and the market environment. Our funding plan will be modified appropriately in response to any changing circumstances.

As of June 30, 2022, net assets denominated in RMB accounted for approximately 72% of our total net assets. The RMB depreciated against the HKD by 4.4% compared with December 31, 2021. An exchange loss of HK$5,332 million (2021: gain of HK$1,279 million) was recognized in other comprehensive income/exchange reserve as these net assets were translated from RMB into HKD at the exchange rate as of the reporting date.

- *Charge of Assets*

Assets of the Group were not charged to any third parties as of June 30, 2022.

- *Contingent Liabilities*

The Group did not have any material contingent liabilities as of June 30, 2022.

CORPORATE INITIATIVES

We continued to make progress towards our goal of achieving sustainability leadership during the reporting period. We have become Hong Kong's first real estate developer, and among the first in Asia, to commit to ULI Greenprint's net zero carbon operations goal, launched by the Urban Land Institute Greenprint Center for Building Performance. The goal is in line with the Paris Agreement and the Intergovernmental Panel on Climate Change's recommendation to keep global warming below 1.5° Celsius. By adopting this goal, we strive to reduce the operational carbon emissions of the portfolio under our operational control to net zero by 2050.

Sustainable business growth goes hand-in-hand with sustainable growth in the communities in which we work and live. In view of the severe challenges brought by the COVID-19 pandemic in both Hong Kong and many parts of mainland China, the Company set up the "Hang Lung COVID-19 Relief Fund 2.0" with an injection of over HK$13 million to support urgent pandemic countermeasures in Hong Kong and mainland China, particularly Shanghai and Shenyang. The Relief Fund provided targeted support to contain the spread of COVID-19 through provision of health protection items and other daily necessities to community groups in need, as well as the operations of "mobile cabin hospitals" in Hong Kong. We have also implemented a wide range of measures to safeguard the health and wellbeing of our employees, tenants and customers.

Staff wellbeing is critical to our business success and to realizing our goal of becoming one of the most sustainable real estate companies in the world. During the reporting period, we continued to follow through on action items raised by colleagues during the employee engagement survey rolled out last year. To gauge employee support for our sustainability journey, we initiated an internal sustainability communication campaign with the launch of the Hang Lung Sustainability Charter. Over 90% employees pledged their commitment to build a sustainable future with us.

Lastly, we published our 10th Sustainability Report in May with detailed mapping of our approach to addressing climate-related issues in support of the recommendations of the Task Force on Climate-related Financial Disclosures. We also made our best effort to report against metrics required by the Sustainability Accounting Standards Board (SASB) for the real estate sector.

OUTLOOK

Looking forward, we remain cautiously optimistic. Without doubt, ongoing concerns regarding COVID-19 prompt a degree of uncertainty over market conditions in Hong Kong and on the Mainland. Yet, the results of our strategic positioning and marketing efforts have demonstrated resilience in the face of challenges.

After two months of lockdown in Shanghai, this resilience has seen Plaza 66 and Grand Gateway 66 return to near-2021 performance levels. Our younger luxury-positioned malls, Spring City 66 in Kunming, and Heartland 66 in Wuhan, as well as Olympia 66 in Dalian, which was recently repositioned to tap the luxury market, are delivering stronger than ever financial results in a market segment that is burgeoning despite the backdrop of the pandemic.

In this context, it would not be unreasonable to expect our Mainland portfolio to remain a strong growth engine. We will roll out more customer-centric marketing initiatives, including taking advantage on the HOUSE 66 to further strengthen customer loyalty, to drive footfall and stimulate consumer spending at our malls. Meanwhile, our office portfolio continue to be resilient and will contribute steady income as demand for well-situated, high-quality and sustainable office space remains buoyant.

In Hong Kong, we have seen a solid recovery in overall market sentiment since mid-April 2022, when the fifth wave of COVID-19 subsided and the government rolled out targeted measures to boost domestic consumption. Building on this sentiment, we will better position our malls for further recovery in consumption with the eventual reopening of the border with the Mainland by refining and enhancing our tenant mix. Furthermore, we continue to seek opportunities to enhance the financial performance of our Hong Kong portfolio through asset enhancement initiatives and capital recycling exercises.

The contribution of property sales income is also set to increase with the debut of our premium serviced residences brand, Hang Lung Residences, on the Mainland. The inaugural project of the brand, Heartland Residences in Wuhan, commenced pre-sales marketing activities in July 2022 and the public launch will be subject to market assessment. As for property sales in Hong Kong, over 40% of saleable units of The Aperture have been sold since its launch in December 2021, revenue from which is expected to be recognized in 2023 upon transaction completion.

CORPORATE GOVERNANCE

We are committed to maintaining the highest standards of corporate governance. During the six months ended June 30, 2022, 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 2021 annual report, which is available on our website under "Financial Report" in the "Financial Information" subsection headed under the "Investor Relations" section.

The Board

The Board currently consists of 11 members: comprising four Executive Directors, three Non-Executive Directors, and four 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 "Board of Directors" in the "Corporate Governance" subsection headed under the "Investor Relations" 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" in the "Corporate Governance" subsection headed under the "Investor Relations" 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 and one Non-Executive Director. 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" in the "Corporate Governance" subsection headed under the "Investor Relations" 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, 2022, 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 44 and 45 of this interim report.

Compliance with Corporate Governance Code

During the six months ended June 30, 2022, 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, 2022.

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

As at June 30, 2022, 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 Properties Limited (Long Positions)**		
Name	**Capacity**	**Number of Shares**	**% of Total Number of Issued Shares**	**Number of Shares**	**% of Total Number of Issued Shares**	**Number of Share Options** *(Note 3)*
Ronnie C. Chan	Personal & Other	35,675,500 *(Note 1)*	2.62	17,155,000	0.38	18,800,000
Adriel Chan	Personal & Other	546,308,580 *(Notes 1 & 2)*	40.12	2,699,591,340 *(Note 2)*	60.00	10,400,000
Weber W.P. Lo	Personal	200,000	0.01	600,000	0.01	18,750,000
Gerald L. Chan	–	–	–	–	–	–
Simon S.O. Ip	–	–	–	–	–	–
P.W. Liu	Personal & Family	–	–	100,000	–	–
L.C. Tsui	–	–	–	–	–	–
Martin C.K. Liao	–	–	–	–	–	–
George K.K. Chang	–	–	–	–	–	–
Roy Y.C. Chen	–	–	–	–	–	–
Kenneth K.K. Chiu	Personal	–	–	–	–	4,100,000

Notes:

1. Other interests included 23,885,500 shares 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 another 522,423,080 shares of the Company and 2,699,591,340 shares of Hang Lung Properties Limited ("HLP"), the listed subsidiary of the Company, 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 HLP adopted on April 18, 2012 (the "2012 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, 2022, 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, 2022 was the Company or any of its 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

Pursuant to the resolutions passed by the shareholders of the Company and HLP at their respective annual general meetings held on April 27, 2022, the 2012 Share Option Scheme was terminated and a new share option scheme of HLP was adopted on the same date (the "2022 Share Option Scheme"). No share options have been granted under the 2022 Share Option Scheme since its adoption and up to and including June 30, 2022, and movements of share options under the 2012 Share Option Scheme are set out below:

		Number of Share Options							
Date of Grant	**Category of Participants** *(Note 1)*	**Outstanding as at Jan 1, 2022**	**Granted during the Period**	**Exercised during the Period**	**Lapsed/ Forfeited during the Period**	**Outstanding as at Jun 30, 2022**	**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%	
								Jun 4, 2018: 40%	
	Former Director:								
	H.C. Ho *(Note 3)*	3,000,000	–	–	–	3,000,000			
	Employees	15,140,000	–	–	(440,000)	14,700,000			
		22,840,000	–	–	(440,000)	22,400,000			
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%	
								Dec 5, 2019: 40%	
	Former Director:								
	H.C. Ho *(Note 3)*	1,850,000	–	–	–	1,850,000			
	Employees	15,070,000	–	–	(350,000)	14,720,000			
		19,820,000	–	–	(350,000)	19,470,000			

Date of Grant	Category of Participants *(Note 1)*	Number of Share Options: Outstanding as at Jan 1, 2022	Granted during the Period	Exercised during the Period	Lapsed/ Forfeited during the Period	Outstanding as at Jun 30, 2022	Exercise Price per Share HK$	Vesting Dates *(Note 2)*	Expiry Date *(Note 2)*
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%	
								Aug 10, 2022: 40%	
	Former Director:								
	H.C. Ho *(Note 3)*	1,850,000	–	–	–	1,850,000			
	Employees	24,558,000	–	–	(1,113,000)	23,445,000			
		30,183,000	–	–	(1,113,000)	29,070,000			
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%	
	Former Director:								
	H.C. Ho *(Note 3)*	1,900,000	–	–	–	1,900,000			
	Employees	35,086,900	–	–	(2,526,600)	32,560,300			
		44,961,900	–	–	(2,526,600)	42,435,300			
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%	
	Former Director:								
	H.C. Ho *(Note 3)*	2,100,000	–	–	–	2,100,000			
	Employees	51,705,000	–	–	(3,595,000)	48,110,000			
		63,105,000	–	–	(3,595,000)	59,510,000			
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%	

		Number of Share Options							
Date of Grant	**Category of Participants** *(Note 1)*	**Outstanding as at Jan 1, 2022**	**Granted during the Period**	**Exercised during the Period**	**Lapsed/ Forfeited during the Period**	**Outstanding as at Jun 30, 2022**	**Exercise Price per Share** HK$	**Vesting Dates** *(Note 2)*	**Expiry Date** *(Note 2)*
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			
	Former Director:								
	H.C. Ho *(Note 3)*	–	2,100,000	–	–	2,100,000			
	Employees	–	53,570,000	–	(1,330,000)	52,240,000			
		–	67,070,000	–	(1,330,000)	65,740,000			
	Current Directors	40,650,000	11,400,000	–	–	52,050,000			
	Former Director	10,700,000	2,100,000	–	–	12,800,000			
	Employees	141,559,900	53,570,000	–	(9,354,600)	185,775,300			
Total		**192,909,900**	**67,070,000**	**–**	**(9,354,600)**	**250,625,300**			

Notes:

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

3. Mr. H.C. Ho retired as an Executive Director on March 1, 2022.

Please also refer to note 14 to the consolidated financial statements for further details of the share option schemes of HLP.

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

As at June 30, 2022, 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 5)*
Adriel Chan	*1*	546,308,580	40.12
Chan Tan Ching Fen	*2*	522,423,080	38.37
Cole Enterprises Holdings (PTC) Limited	*2*	522,423,080	38.37
Merssion Limited	*2*	522,423,080	38.37
Kingswick Investment Limited	*3*	103,609,000	7.61
Dodge & Cox	*4*	122,545,600	8.99
Silchester International Investors LLP	*4*	110,342,000	8.10
Schroders Plc	*4*	68,315,500	5.02

Notes:

1. These shares were the same parcel of shares held by two trusts, 522,423,080 shares of which were held by Merssion Limited under a trust and 23,885,500 shares of which were held by another trust. As Mr. Adriel Chan was a discretionary beneficiary (for 522,423,080 shares) of a trust and both a settlor and a discretionary beneficiary (for 23,885,500 shares) of another trust, he was deemed to be interested in such shares under the SFO.

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

   These shares were included in the 546,308,580 shares deemed to be interested by Mr. Adriel Chan.

3. This company was a wholly-owned subsidiary of Merssion Limited, its interests were included in the 522,423,080 shares held by Merssion Limited.

4. These shares were held in the capacity of investment managers.

5. Shareholding percentages were calculated based on the total number of issued shares of the Company as at June 30, 2022, being 1,361,618,242 shares.

Save as disclosed above, as at June 30, 2022, 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. Gerald L. Chan

– appointed as a Director of LumiraDx Limited

Prof. P.W. Liu

– resigned as an independent non-executive director of China Zheshang Bank Co., Ltd.

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 2021 annual report of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

HLP Finance Limited, a non-wholly owned subsidiary of the Company, fully redeemed the US$500 million 4.75% guaranteed notes due 2022 (stock code: 4558) at principal amount upon maturity on June 25, 2022.

Saved as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the six months ended June 30, 2022.

EMPLOYEES

As at June 30, 2022, the number of employees was 4,199 (comprising 1,028 Hong Kong employees and 3,171 mainland China employees). The total employee costs for the six months ended June 30, 2022, amounted to HK$947 million. We provide competitive remuneration packages for all employees including discretionary bonuses payable based on individual performance. We regularly review remuneration packages to ensure that they comply with relevant regulatory requirements and market conditions. The Group has share option schemes and provides professional and high-quality training for employees.

KPMG

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

INTRODUCTION

We have reviewed the interim financial report set out on pages 47 to 70 which comprises the consolidated statement of financial position of Hang Lung Group Limited ("the Company") as at June 30, 2022 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, 2022 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 28, 2022

Consolidated Statement of Profit or Loss

For the six months ended June 30, 2022 (Unaudited)

	Note	2022 HK$ Million	2021 HK$ Million	*For information purpose only* 2022 RMB Million	2021 RMB Million
Revenue	2(a)	**5,605**	5,275	**4,634**	4,396
Direct costs and operating expenses		**(1,676)**	(1,427)	**(1,385)**	(1,189)
		3,929	3,848	**3,249**	3,207
Other net income	3	**12**	33	**11**	28
Administrative expenses		**(320)**	(286)	**(265)**	(238)
Profit from operations before changes in fair value of properties		**3,621**	3,595	**2,995**	2,997
Net (decrease)/increase in fair value of properties		**(217)**	606	**(185)**	502
Profit from operations after changes in fair value of properties		**3,404**	4,201	**2,810**	3,499
Interest income		**35**	48	**29**	40
Finance costs		**(265)**	(238)	**(219)**	(199)
Net interest expense	4	**(230)**	(190)	**(190)**	(159)
Share of profits/(losses) of joint ventures	16	**116**	(31)	**97**	(26)
Profit before taxation	5	**3,290**	3,980	**2,717**	3,314
Taxation	6	**(783)**	(1,108)	**(649)**	(922)
Profit for the period	2(b)	**2,507**	2,872	**2,068**	2,392
Attributable to:					
Shareholders		**1,439**	1,508	**1,188**	1,257
Non-controlling interests		**1,068**	1,364	**880**	1,135
Profit for the period		**2,507**	2,872	**2,068**	2,392
Earnings per share	8(a)				
Basic		**HK$1.06**	HK$1.11	**RMB0.87**	RMB0.92
Diluted		**HK$1.06**	HK$1.11	**RMB0.87**	RMB0.92

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, 2022 (Unaudited)

			For information purpose only	
	2022	2021	**2022**	2021
	HK$ Million	HK$ Million	**RMB Million**	RMB Million
Profit for the period	**2,507**	2,872	**2,068**	2,392
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	**(5,336)**	1,289	**1,691**	(318)
Gain/(loss) on net investment hedge	**4**	(10)	**4**	(9)
Movement in hedging reserve:				
Effective portion of changes in fair value	**95**	7	**79**	6
Net amount transferred to profit or loss	**(11)**	7	**(9)**	6
Deferred tax	**(13)**	(1)	**(11)**	(1)
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	**(5,262)**	1,291	**1,753**	(317)
Total comprehensive income for the period	**(2,755)**	4,163	**3,821**	2,075
Attributable to:				
Shareholders	**(1,537)**	2,227	**2,305**	1,057
Non-controlling interests	**(1,218)**	1,936	**1,516**	1,018
Total comprehensive income for the period	**(2,755)**	4,163	**3,821**	2,075

Consolidated Statement of Financial Position

At June 30, 2022

	Note	(Unaudited) June 30, 2022 HK$ Million	(Audited) December 31, 2021 HK$ Million	*For information purpose only* June 30, 2022 RMB Million	*For information purpose only* December 31, 2021 RMB Million
Non-current assets					
Property, plant and equipment					
Investment properties	9	**181,149**	186,582	**154,895**	152,549
Investment properties under development	9	**22,268**	22,399	**19,043**	18,314
Other property, plant and equipment		**270**	286	**231**	234
		203,687	209,267	**174,169**	171,097
Interests in joint ventures	16	**4,553**	3,729	**3,892**	3,049
Other assets		**1,434**	1,435	**1,226**	1,173
Deferred tax assets		**78**	84	**67**	69
		209,752	214,515	**179,354**	175,388
Current assets					
Cash and deposits with banks		**5,401**	9,140	**4,618**	7,472
Trade and other receivables	10	**3,818**	3,555	**3,265**	2,906
Properties for sale		**11,040**	10,811	**9,439**	8,839
Assets held for sale	11	**15**	–	**13**	–
		20,274	23,506	**17,335**	19,217
Current liabilities					
Bank loans and other borrowings		**3,590**	8,079	**3,070**	6,605
Trade and other payables	12	**9,528**	10,790	**8,147**	8,822
Lease liabilities		**29**	31	**25**	25
Current tax payable		**480**	551	**410**	451
		13,627	19,451	**11,652**	15,903
Net current assets		**6,647**	4,055	**5,683**	3,314
Total assets less current liabilities		**216,399**	218,570	**185,037**	178,702
Non-current liabilities					
Bank loans and other borrowings		**41,308**	37,804	**35,316**	30,909
Lease liabilities		**285**	305	**244**	249
Deferred tax liabilities		**15,460**	15,974	**13,221**	13,060
		57,053	54,083	**48,781**	44,218
NET ASSETS		**159,346**	164,487	**136,256**	134,484
Capital and reserves					
Share capital	13	**4,065**	4,065	**3,164**	3,164
Reserves		**89,888**	91,777	**77,174**	75,196
Shareholders' equity		**93,953**	95,842	**80,338**	78,360
Non-controlling interests		**65,393**	68,645	**55,918**	56,124
TOTAL EQUITY		**159,346**	164,487	**136,256**	134,484

The accompanying notes form part of the interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended June 30, 2022 (Unaudited)

HK$ Million	Shareholders' equity					
	Share capital (Note 13)	**Other reserves** (Note 15)	**Retained profits** (Note 15)	**Total**	**Non-controlling interests**	**Total equity**
At January 1, 2022	**4,065**	**9,167**	**82,610**	**95,842**	**68,645**	**164,487**
Profit for the period	**–**	**–**	**1,439**	**1,439**	**1,068**	**2,507**
Exchange difference arising from translation to presentation currency	**–**	**(3,019)**	**–**	**(3,019)**	**(2,317)**	**(5,336)**
Gain on net investment hedge	**–**	**2**	**–**	**2**	**2**	**4**
Cash flow hedges: net movement in hedging reserve	**–**	**42**	**–**	**42**	**29**	**71**
Net change in fair value of equity investments	**–**	**(1)**	**–**	**(1)**	**–**	**(1)**
Total comprehensive income for the period	**–**	**(2,976)**	**1,439**	**(1,537)**	**(1,218)**	**(2,755)**
Final dividend in respect of previous year	**–**	**–**	**(885)**	**(885)**	**–**	**(885)**
Employee share-based payments	**–**	**25**	**5**	**30**	**15**	**45**
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	**–**	**503**	**–**	**503**	**(942)**	**(439)**
Dividend paid to non-controlling interests	**–**	**–**	**–**	**–**	**(1,107)**	**(1,107)**
At June 30, 2022	**4,065**	**6,719**	**83,169**	**93,953**	**65,393**	**159,346**
At January 1, 2021	4,065	6,992	81,048	92,105	67,234	159,339
Profit for the period	–	–	1,508	1,508	1,364	2,872
Exchange difference arising from translation to presentation currency	–	718	–	718	571	1,289
Loss on net investment hedge	–	(6)	–	(6)	(4)	(10)
Cash flow hedges: net movement in hedging reserve	–	8	–	8	5	13
Net change in fair value of equity investments	–	(1)	–	(1)	–	(1)
Total comprehensive income for the period	–	719	1,508	2,227	1,936	4,163
Final dividend in respect of previous year	–	–	(858)	(858)	–	(858)
Employee share-based payments	–	(96)	110	14	15	29
Change in non-controlling interests arising from decrease of the Group's shareholding in a subsidiary	–	(13)	–	(13)	39	26
Dividend paid to non-controlling interests	–	–	–	–	(1,110)	(1,110)
At June 30, 2021	4,065	7,602	81,808	93,475	68,114	161,589

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, 2022	**3,164**	**6,318**	**68,878**	**78,360**	**56,124**	**134,484**
Profit for the period	**–**	**–**	**1,188**	**1,188**	**880**	**2,068**
Exchange difference arising from translation to presentation currency	**–**	**1,081**	**–**	**1,081**	**610**	**1,691**
Gain on net investment hedge	**–**	**2**	**–**	**2**	**2**	**4**
Cash flow hedges: net movement in hedging reserve	**–**	**35**	**–**	**35**	**24**	**59**
Net change in fair value of equity investments	**–**	**(1)**	**–**	**(1)**	**–**	**(1)**
Total comprehensive income for the period	**–**	**1,117**	**1,188**	**2,305**	**1,516**	**3,821**
Final dividend in respect of previous year	**–**	**–**	**(756)**	**(756)**	**–**	**(756)**
Employee share-based payments	**–**	**21**	**4**	**25**	**13**	**38**
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	**–**	**404**	**–**	**404**	**(789)**	**(385)**
Dividend paid to non-controlling interests	**–**	**–**	**–**	**–**	**(946)**	**(946)**
At June 30, 2022	**3,164**	**7,860**	**69,314**	**80,338**	**55,918**	**136,256**
At January 1, 2021	3,164	6,707	67,576	77,447	56,544	133,991
Profit for the period	–	–	1,257	1,257	1,135	2,392
Exchange difference arising from translation to presentation currency	–	(201)	–	(201)	(117)	(318)
Loss on net investment hedge	–	(5)	–	(5)	(4)	(9)
Cash flow hedges: net movement in hedging reserve	–	7	–	7	4	11
Net change in fair value of equity investments	–	(1)	–	(1)	–	(1)
Total comprehensive income for the period	–	(200)	1,257	1,057	1,018	2,075
Final dividend in respect of previous year	–	–	(711)	(711)	–	(711)
Employee share-based payments	–	(79)	91	12	12	24
Change in non-controlling interests arising from decrease of the Group's shareholding in a subsidiary	–	(10)	–	(10)	32	22
Dividend paid to non-controlling interests	–	–	–	–	(920)	(920)
At June 30, 2021	3,164	6,418	68,213	77,795	56,686	134,481

Condensed Consolidated Cash Flow Statement

For the six months ended June 30, 2022 (Unaudited)

	Note	2022 HK$ Million	2021 HK$ Million	2022 RMB Million (For information purpose only)	2021 RMB Million (For information purpose only)
Operating activities					
Operating cash flow before changes in working capital		**3,716**	3,658	**3,063**	3,049
Increase in properties for sale		**(422)**	(2,674)	**(339)**	(2,230)
Other changes in working capital		**(529)**	59	**(438)**	40
Income tax paid		**(691)**	(813)	**(574)**	(678)
Net cash generated from operating activities		**2,074**	230	**1,712**	181
Investing activities					
Payment for property, plant and equipment		**(1,389)**	(1,979)	**(1,158)**	(1,661)
Acquisition of additional interests in joint ventures	16	**(879)**	–	**(729)**	–
Repayment from a joint venture		**162**	–	**134**	–
Decrease in bank deposits with maturity greater than 3 months		**30**	12	**25**	10
Other cash flows arising from investing activities		**47**	147	**38**	124
Net cash used in investing activities		**(2,029)**	(1,820)	**(1,690)**	(1,527)
Financing activities					
Proceeds from new bank loans and other borrowings		**17,649**	12,592	**14,656**	10,493
Repayment of bank loans and other borrowings		**(18,072)**	(10,290)	**(14,979)**	(8,575)
Interest and other borrowing costs paid		**(716)**	(732)	**(592)**	(609)
Dividend paid		**(885)**	(858)	**(756)**	(711)
Dividend paid to non-controlling interests		**(1,107)**	(1,110)	**(946)**	(920)
(Decrease)/increase in non-controlling interests in a subsidiary		**(451)**	26	**(395)**	22
Other cash flows used in financing activities		**(15)**	(13)	**(13)**	(11)
Net cash used in financing activities		**(3,597)**	(385)	**(3,025)**	(311)
Decrease in cash and cash equivalents		**(3,552)**	(1,975)	**(3,003)**	(1,657)
Effect of foreign exchange rate changes		**(156)**	29	**171**	(5)
Cash and cash equivalents at January 1		**9,016**	5,508	**7,370**	4,627
Cash and cash equivalents at June 30		**5,308**	3,562	**4,538**	2,965
Analysis of the balance of cash and cash equivalents					
Cash and deposits with banks		**5,401**	4,845	**4,618**	4,033
Less: Bank deposits with maturity greater than 3 months		**(93)**	(1,283)	**(80)**	(1,068)
Cash and cash equivalents at June 30		**5,308**	3,562	**4,538**	2,965

The accompanying note form part of the interim financial report.

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 44 to 45.

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 2021 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 2021 as if the presentation currency is Renminbi.

The financial information relating to the financial year ended December 31, 2021 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, 2021 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, 2022 is analyzed as follows:

HK$ Million	**2022**	2021
Under the scope of HKFRS 16, *Leases*:		
Rental income	**4,624**	4,673
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	**665**	602
	981	602
	5,605	5,275

2. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Revenue and results by segments

HK$ Million	**2022**			2021		
	Property Leasing	**Property Sales**	**Total**	Property Leasing	Property Sales	Total
Revenue						
– Mainland China	**3,607**	**–**	**3,607**	3,526	–	3,526
– Hong Kong	**1,682**	**316**	**1,998**	1,749	–	1,749
	5,289	**316**	**5,605**	5,275	–	5,275
Profit/(loss) from operations before changes in fair value of properties						
– Mainland China	**2,246**	**(19)**	**2,227**	2,269	(9)	2,260
– Hong Kong	**1,242**	**152**	**1,394**	1,348	(13)	1,335
	3,488	**133**	**3,621**	3,617	(22)	3,595
Net (decrease)/increase in fair value of properties	**(217)**	**–**	**(217)**	606	–	606
– Mainland China	**(147)**	**–**	**(147)**	1,360	–	1,360
– Hong Kong	**(70)**	**–**	**(70)**	(754)	–	(754)
Net interest expense	**(230)**	**–**	**(230)**	(190)	–	(190)
– Interest income	**35**	**–**	**35**	48	–	48
– Finance costs	**(265)**	**–**	**(265)**	(238)	–	(238)
Share of profits/(losses) of joint ventures	**116**	**–**	**116**	(31)	–	(31)
Profit/(loss) before taxation	**3,157**	**133**	**3,290**	4,002	(22)	3,980
Taxation	**(758)**	**(25)**	**(783)**	(1,110)	2	(1,108)
Profit/(loss) for the period	**2,399**	**108**	**2,507**	2,892	(20)	2,872
Net profit/(loss) attributable to shareholders	**1,376**	**63**	**1,439**	1,520	(12)	1,508

2. REVENUE AND SEGMENT INFORMATION (Continued)

(c) Total segment assets

HK$ Million	June 30, 2022			December 31, 2021		
	Property Leasing	**Property Sales**	**Total**	Property Leasing	Property Sales	Total
Mainland China	**142,764**	**5,123**	**147,887**	148,623	4,887	153,510
Hong Kong	**64,452**	**6,221**	**70,673**	64,169	5,954	70,123
	207,216	**11,344**	**218,560**	212,792	10,841	223,633
Interests in joint ventures			**4,553**			3,729
Other assets			**1,434**			1,435
Deferred tax assets			**78**			84
Cash and deposits with banks			**5,401**			9,140
			230,026			238,021

3. OTHER NET INCOME

HK$ Million	2022	2021
Government grants	**11**	29
Others	**1**	4
	12	33

4. NET INTEREST EXPENSE

HK$ Million	**2022**	2021
Interest income on bank deposits	**35**	48
Interest expense on bank loans and other borrowings	**692**	729
Interest on lease liabilities	**8**	8
Other borrowing costs	**44**	38
Total borrowing costs	**744**	775
Less: Borrowing costs capitalized	**(479)**	(537)
Finance costs	**265**	238
Net interest expense	**(230)**	(190)

5. PROFIT BEFORE TAXATION

HK$ Million	**2022**	2021
Profit before taxation is arrived at after charging:		
Cost of properties sold	**135**	–
Staff costs (Note)	**801**	760
Depreciation	**49**	33

Note: The staff costs included employee share-based payments of HK$45 million (2021: HK$29 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$947 million (2021: HK$893 million).

6. TAXATION IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Provision for Hong Kong Profits Tax is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the period. Mainland China Income Tax represents mainland China Corporate Income Tax calculated at 25% (2021: 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% (2021: 5%).

HK$ Million	**2022**	2021
Current tax		
Hong Kong Profits Tax	**158**	155
Mainland China Income Tax	**479**	484
Total current tax	**637**	639
Deferred tax		
Changes in fair value of properties	**18**	340
Other origination and reversal of temporary differences	**128**	129
Total deferred tax	**146**	469
Total income tax expense	**783**	1,108

7. DIVIDENDS

(a) Interim dividend

HK$ Million	**2022**	2021
Proposed after the end of the reporting period: HK21 cents (2021: HK21 cents) per share	**286**	286

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, 2022

HK$ Million	**2022**	2021
2021 final dividend of HK65 cents (2020: HK63 cents) per share	**885**	858

8. EARNINGS PER SHARE

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

HK$ Million	**2022**	2021
Net profit attributable to shareholders	**1,439**	1,508

	Number of shares	
	2022	2021
Weighted average number of shares used in calculating basic and diluted earnings per share (Note)	**1,361,618,242**	1,361,618,242

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	**2022**	2021
Net profit attributable to shareholders	**1,439**	1,508
Effect of changes in fair value of properties	**217**	(606)
Effect of corresponding income tax	**18**	340
Effect of changes in fair value of investment properties of joint ventures	**20**	79
	255	(187)
Non-controlling interests	**(94)**	177
	161	(10)
Underlying net profit attributable to shareholders	**1,600**	1,498

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

	2022	2021
Basic	**HK$1.18**	HK$1.10
Diluted	**HK$1.18**	HK$1.10

9. INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES UNDER DEVELOPMENT

(a) Additions

During the six months ended June 30, 2022, additions to investment properties and investment properties under development amounted to HK$1,101 million (2021: HK$1,118 million).

(b) Valuation

The investment properties and investment properties under development of the Group were revalued as of June 30, 2022 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, 2022**	December 31, 2021
Not past due or less than 1 month past due	**141**	117
1 – 3 months past due	**60**	7
More than 3 months past due	**4**	4
	205	128

10. TRADE AND OTHER RECEIVABLES (Continued)

(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$292 million (December 31, 2021: HK$306 million).

11. ASSETS HELD FOR SALE

In May 2022, the Group entered into a sale and purchase agreement with independent third parties to dispose of a retail unit at Laichikok Bay Garden in Hong Kong. Accordingly, the relevant asset is presented as assets held for sale. The transaction is expected to be completed in August 2022.

12. TRADE AND OTHER PAYABLES

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

HK$ Million	**June 30, 2022**	December 31, 2021
Due within 3 months	**1,093**	1,751
Due after 3 months	**2,908**	3,155
	4,001	4,906

13. SHARE CAPITAL

	At January 1, 2022 and June 30, 2022		At January 1, 2021 and December 31, 2021	
	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:	**1,362**	**4,065**	1,362	4,065

There was no movement in the share capital of the Company during the year ended December 31, 2021 and the six months ended June 30, 2022.

14. SHARE OPTION SCHEMES

The share option scheme adopted by the Company's subsidiary, Hang Lung Properties Limited (HLP), 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"). 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. No share options have been granted under the 2022 Share Option Scheme since its adoption, and the share options granted under the 2012 Share Option Scheme to the directors and employees of HLP and its subsidiaries are at nominal consideration and each share option gives the holder the right to subscribe for one share of HLP.

14. SHARE OPTION SCHEMES (Continued)

The movements of share options under the 2012 Share Option Scheme during the six months ended June 30, 2022 are as follows:

	Number of share options					
Date granted	Outstanding on January 1, 2022	Granted	Forfeited/ Lapsed	**Outstanding on June 30, 2022**	Period during which share options are exercisable	Exercise price (HK$)
June 4, 2013	22,840,000	–	(440,000)	**22,400,000**	June 4, 2015 to June 3, 2023	28.20
December 5, 2014	19,820,000	–	(350,000)	**19,470,000**	December 5, 2016 to December 4, 2024	22.60
August 10, 2017	30,183,000	–	(1,113,000)	**29,070,000**	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	44,961,900	–	(2,526,600)	**42,435,300**	June 28, 2021 to June 27, 2029	18.58
May 12, 2021	63,105,000	–	(3,595,000)	**59,510,000**	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	–	67,070,000	(1,330,000)	**65,740,000**	February 21, 2024 to February 20, 2032	16.38
Total	192,909,900	67,070,000	(9,354,600)	**250,625,300**		

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, 2022.

In respect of share options granted during the six months ended June 30, 2022, the closing share price of HLP immediately before the date of grant was HK$16.32.

During the six months ended June 30, 2022, 9,354,600 share options (2021: 4,999,000 share options) were forfeited upon cessations of the grantees' employments.

14. SHARE OPTION SCHEMES (Continued)

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, 2022, the fair value, terms and conditions, and assumptions are as follows:

Fair value at grant date	HK$2.07
Share price at grant date	HK$16.32
Exercise price	HK$16.38
Risk-free interest rate	1.55%
Expected life (in years)	6
Expected volatility	24.79%
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.

15. RESERVES

HK$ Million	Other reserves								
	Exchange reserve	Hedging reserve	Investment revaluation reserve	Employee share-based compensation reserve	General reserve	Other capital reserve	Total	Retained profits	Total reserves
At January 1, 2022	**3,554**	**(7)**	**61**	**290**	**275**	**4,994**	**9,167**	**82,610**	**91,777**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,439**	**1,439**
Exchange difference arising from translation to presentation currency	**(3,019)**	**–**	**–**	**–**	**–**	**–**	**(3,019)**	**–**	**(3,019)**
Gain on net investment hedge	**2**	**–**	**–**	**–**	**–**	**–**	**2**	**–**	**2**
Cash flow hedges: net movement in hedging reserve	**–**	**42**	**–**	**–**	**–**	**–**	**42**	**–**	**42**
Net change in fair value of equity investments	**–**	**–**	**(1)**	**–**	**–**	**–**	**(1)**	**–**	**(1)**
Total comprehensive income for the period	**(3,017)**	**42**	**(1)**	**–**	**–**	**–**	**(2,976)**	**1,439**	**(1,537)**
Final dividend in respect of previous year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(885)**	**(885)**
Employee share-based payments	**–**	**–**	**–**	**25**	**–**	**–**	**25**	**5**	**30**
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	**–**	**–**	**–**	**–**	**–**	**503**	**503**	**–**	**503**
At June 30, 2022	**537**	**35**	**60**	**315**	**275**	**5,497**	**6,719**	**83,169**	**89,888**
At January 1, 2021	1,693	(36)	63	367	275	4,630	6,992	81,048	88,040
Profit for the period	–	–	–	–	–	–	–	1,508	1,508
Exchange difference arising from translation to presentation currency	718	–	–	–	–	–	718	–	718
Loss on net investment hedge	(6)	–	–	–	–	–	(6)	–	(6)
Cash flow hedges: net movement in hedging reserve	–	8	–	–	–	–	8	–	8
Net change in fair value of equity investments	–	–	(1)	–	–	–	(1)	–	(1)
Total comprehensive income for the period	712	8	(1)	–	–	–	719	1,508	2,227
Final dividend in respect of previous year	–	–	–	–	–	–	–	(858)	(858)
Employee share-based payments	–	–	–	(96)	–	–	(96)	110	14
Change in non-controlling interests arising from decrease of the Group's shareholding in a subsidiary	–	–	–	–	–	(13)	(13)	–	(13)
At June 30, 2021	2,405	(28)	62	271	275	4,617	7,602	81,808	89,410

16. ACQUISITION OF ADDITIONAL INTERESTS IN JOINT VENTURES

On March 31, 2022, the Group acquired additional 6.67% interests in Newfoundworld Investment Holdings Limited, Newfoundworld Holdings Limited and Newfoundworld Finance Limited and the respective shareholders' loans at a consideration of HK$879 million, which are the project companies of the commercial properties of Citygate in Hong Kong. The Group's interests in these joint ventures increased from 20% to 26.67%.

The fair value of the identifiable net assets and the shareholders' loans acquired was HK$973 million. The HK$94 million excess over the consideration paid was recognized as a gain under "share of profits of joint ventures."

17. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The fair value of the Group's financial instruments are measured at the end of the reporting period on a recurring basis, categorized into the 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

17. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(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 June 30, 2022	Fair value December 31, 2021	Fair value measurements categorized into
Financial assets			
Trade and other receivables			
Cross currency swaps (cash flow hedges)	**6**	26	Level 2
Interest rate swaps (cash flow hedges)	**63**	–	Level 2
Other assets			
Investment in equity instruments	**93**	94	Level 3
Financial liabilities			
Trade and other payables			
Interest rate swaps (cash flow hedges)	**–**	(15)	Level 2

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.

17. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

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

During the six months ended June 30, 2022, 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, 2021 and June 30, 2022.

18. COMMITMENTS

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

HK$ Million	**June 30, 2022**	December 31, 2021
Contracted for	**5,177**	5,983
Authorized but not contracted for	**12,783**	13,195
	17,960	19,178

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.

19. 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 28, 2022.

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, 2022 to June 30, 2022
Announcement of interim results	July 28, 2022
Latest time for lodging transfers	4:30 p.m. on September 13, 2022
Closure of share register	September 14 to 15, 2022 (both days inclusive)
Record date for interim dividend	September 15, 2022
Payment date for interim dividend	September 29, 2022

SHARE LISTING

As at June 30, 2022, 1,361,618,242 shares are listed on The Stock Exchange of Hong Kong Limited. It has a sponsored American Depositary Receipt (ADR) Program in the New York market.

STOCK CODE

Hong Kong Stock Exchange: 00010
Reuters: 0010.HK
Bloomberg: 10HK
CUSIP Number/Ticker Symbol for ADR Code: 41043E102/HNLGY

SHARE INFORMATION

Share price as at June 30, 2022: HK$14.80
Market capitalization as at June 30, 2022: HK$20.15 billion

SHARE REGISTRAR

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