恒隆集團
HANG LUNG GROUP

2021
Interim Report

Hang Lung Group Limited
Stock Code: 00010

We Do It Well

CONTENTS

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Roy Y.C. Chen#
H.C. Ho *(Chief Financial Officer)*

\# *Non-Executive Director*
* *Independent Non-Executive Director*

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Martin C.K. Liao *GBS, JP*

AUTHORIZED REPRESENTATIVES

Weber W.P. Lo
Winnie Ma

COMPANY SECRETARY

Winnie Ma

REGISTERED OFFICE

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

AUDITOR

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

RESULTS AND DIVIDEND

For the six months ended June 30, 2021, revenue increased by 18% to HK$5,275 million against a year ago, even though no property sale revenue was recorded. Net profit attributable to shareholders was HK$1,508 million (2020: loss of HK$1,595 million). The corresponding earnings per share was HK$1.11.

When excluding property revaluation gain and all related effects, underlying net profit attributable to shareholders rose 12% to HK$1,498 million. Underlying earnings per share advanced correspondingly to HK$1.10.

The Board has declared an interim dividend of HK21 cents per share payable on September 29, 2021 to shareholders of record on September 15, 2021. It represents an increase of HK2 cents or an increase of 10.5%. The last time that Hang Lung Group (HLG) increased interim dividend was in 2010.

BUSINESS REVIEW

Overall, we have had a satisfactory semi-annual set of results. Hong Kong rental seemed to be bottoming out, and our Mainland business soared. Compared with the same period of the year before, rental revenue of our Mainland portfolio climbed by 31% in local currency, or 42% in Hong Kong Dollars given Renminbi appreciation. In local currency, which is a more accurate measure of performance, our malls saw a rise of 38% —— 46% for the luxury segment and 3% for sub-luxury. Since the first six months of 2020 were abnormal given the onset of the pandemic, we should also compare the results with the second half of 2020 when the market had recovered. Our luxury malls collected 7% more rent while the rest, 2% less. It should be noted that business last year was already very strong after bringing COVID-19 under control around mid-April 2020.

A number which I watch closely is rental margin. It tells us how efficient our mall operations are and, ultimately, how profitable the company is. Compared to Hong Kong's 84% which improved one point, our Mainland portfolio picked up six points to reach 72%, notwithstanding a slight drag from the four-month-old Heartland 66 in Wuhan. Our luxury properties stood at 77% and sub-luxury at about 40%.

The huge Olympia 66 in Dalian is fast improving. The reason for this is that only now is phase two, comprising 13% of the total space, being released into the market. It is filling up fast. The rest of the mall is also undergoing a massive change in tenant mix with top fashion brands moving in. 2021 is the year when this property is transformed into a luxury mall, and so for the first time we recategorized it as such. Of our Mainland portfolio of 10 malls, seven are now considered luxury. By the end of this year, almost all of the world's best fashion names will have opened in Olympia 66. 2022 should be an exciting year for this property.

Comparing the figures of our Mainland portfolio for the first half of 2021 to those of a year before, all but one mall improved in either occupancy rate, average unit rent, or rental reversion. To show how strong the growth was in the last measure, our two best performing facilities, Center 66 in Wuxi and Spring City 66 in Kunming, surged 44% and 43%, respectively. The two Shanghai malls, Grand Gateway 66 and Plaza 66, rose by 29% and 26%, respectively. Forum 66 in Shenyang saw rent increase by 14%, and Olympia 66 in Dalian by 11%. Of our three sub-luxury facilities, Riverside 66 in Tianjin recorded a drop of 5%, while rents rose by 15% at Palace 66 in Shenyang and 13% at Parc 66 in Jinan.

It is obvious that the only way we can increase rent is if our tenants are doing more business. Tenant sales across all our malls have shot up compared to the previous year. In our luxury malls, they did 122% more, and for our sub-luxury malls, 56%. The two best tripled their sales —— 190% at Center 66 in Wuxi and 232% at Spring City 66 in Kunming. Even our worst performing property, Parc 66 in Jinan, still sold almost 50% more goods. A comparison of these numbers with the more stable market conditions of the second half of 2020 reveals that all but one facility, Palace 66 in Shenyang, did more business. Luxury malls sold 12% more and sub-luxury malls, 3% more.

Together with rather low occupancy cost compared to history and some very high turnover rents, one can expect higher rental reversion in the coming year or two. Even if for the time being tenant sales stop growing, which is unrealistic, the sharp rise in the past 15 months already justifies rental increase at the next lease renewal.

All these statistics tell us that we are in a very strong market. Because of the steep rise since the pandemic came under control in the second quarter of last year, percentage growth moving forward may moderate. Nevertheless, I suspect that the bull will still be with us for some time.

Even our Mainland offices have performed well. This surprised many, ourselves included. In these days of social distancing, work from home, and business slowdown due to the lack of international air travel, offices are for now not supposed to be an attractive asset class. Yet in all five cities, where we have a total of eight skyscrapers, rental revenue rose. The overall increase was, in fact, in the double-digit territory of 11%, thanks partly to the three latest additions of Center 66 in Wuxi, Spring City 66 in Kunming, and Heartland 66 in Wuhan. Not counting the last named which is only eight months old, overall rental margin edged up a bit. Occupancy rate rose everywhere; it was particularly strong in Center 66 which increased 20 points and Spring City 66, up 28 points compared to the year before. Average unit rent and rental reversions went up in all cities except Wuxi, where we added a second tower in Center 66.

Contributing to this somewhat surprising but encouraging result was an innovation to the way we lease office space. The ideas are not earth-shattering but nonetheless improved performance by quite a bit. HANGOUT, as we called the first new product, provides flexible space for smaller users. The second is modular offices where we provide fitting out and office equipment. Demands for both are rather strong, even though unit rent is considerably higher than regular rentals. They helped to produce the satisfactory statistics presented above. Our primary thrust now is to quickly fill up the three new towers.

Turning to Hong Kong, the pandemic is well under control with almost no new cases for a run of many weeks, but the conditions are not good enough to resume cross-border travel with the Mainland. Nevertheless, local business activities have resumed somewhat, even though the government is not yet relaxing social distancing rules.

Tenant sales have marginally improved over the first half of 2020. Rental revenue was still considerably lower due partially to rent relief amortization. Nevertheless, compared to the last six months of 2020, the drop has narrowed considerably. The minute improvements in rental margins and occupancy rates are gently encouraging. The picture with offices is even slightly better. Inquiries have increased and rents are firming a little. We will have to see if these are sustainable.

To show how the performance of our Mainland malls have surged ahead, total tenant sales is now over five times that of our entire Hong Kong retail portfolio. Plaza 66 in Shanghai alone sold 2.5 times more. Average unit rent at Plaza 66 is over six times that of the average we received in Hong Kong. Moving forward, these comparisons can only become more pronounced. Our Mainland malls still have tremendous rental upside, while Hong Kong citywide retail, as well as that of our portfolio, must have peaked in 2018. The riots of the second half of 2019 have sealed that fate.

Through our majority-owned subsidiary Hang Lung Properties Limited (HLP), we sold a house at our Blue Pool Road development last month. Conclusion of the transaction is expected in early 2022, so no profit will be booked this year.

All construction projects are basically proceeding within budget and on time. Our sales team in both Hong Kong and on the Mainland will be busy in the next few years. Profits therefrom are expected to be satisfactory.

To conclude this section of the review, I present the following. The reason for the rebound in the Chinese economy since the second quarter of last year was Beijing's success in containing the pandemic. Once the virus was discovered, the government took drastic actions like locking down the entire city of Wuhan with some 11 million inhabitants. It was, frankly, the time-honored way to deal with such public health outbreaks. It was just that humankind probably has never seen this done on such a scale, but nowadays technology has enabled it. As a result, the economy quickly recovered, and loss of life was kept to a minimum.

The West, on the other hand, took a totally different course, resulting in tremendous loss of life and economic activity.

The reality is that, for the past many decades, some two-thirds of the annual global flu first emerged in Southern China, where humans and animals inhabit in close proximity and public hygiene had been found wanting. Conditions have improved tremendously in recent years although there is still some way to go.

Whatever the case, we are fortunate to have operated in an economy that was the least hurt during the pandemic. None of us knows what the future holds, and nature has a way of sneaking up on us. As such, we should all remain vigilant, whether as individuals, businesses, or communities.

PROSPECTS

There are no perfect systems on earth. But surveying the globe, I am of the opinion that the U.S. and China, two of the biggest economies, are actually reasonable places to invest in the coming years. Given present and likely coming geopolitical complications, businesses that are domestically oriented maybe preferred. Since Hang Lung is based in Hong Kong, mainland China is the natural market for us to play. We are fortunate in this regard. We had taken advantage of the country's rise over the past 30 years and will redouble our efforts to create further shareholder value.

Looking back, China went from being among the world's poorest and most insulated to where she is today, the second largest economy and the number one or number two biggest trading nation. In four decades, she has transformed herself from being one of the most backward to one of the most technologically advanced. She has lifted some 800 million of her citizens out of poverty. In fact, now the country has the biggest middle class in the world.

Given the above, I am quite hopeful that our business, which is purely domestic, should perform well. In the absence of serious geopolitical storms or domestic social upheavals, the Chinese economy should consistently outperform almost all major countries. Even if the international environment becomes somewhat difficult compared to most industries, ours is still a relatively safe bet. Being lowly geared, our Company should be able to remain standing. Our top-quality physical assets will not disappear. Short of a catastrophic scenario, our business should do well.

In recent decades, we were unwilling to substantially sell down our Hong Kong investment properties. This city was somehow considered a safer place to be. We wanted to make sure that there would be a steady stream of rental income to pay shareholder dividends. Circumstances of late, especially in Hong Kong, have forced us to reconsider this position. Is this city really a safer place to invest than the Mainland? Even if it is, one must balance it with growth potential where the Mainland is obviously far superior. Moreover, under the threat of tense China-U.S. relations, could Hong Kong actually be more vulnerable than the much bigger and diverse Mainland economy? Most likely so.

Take for instance the recent sanctions initiated by the U.S. against Mainland Chinese and Hong Kong corporates and individuals. Beijing may one day put in place her own anti-sanction measures. If so, then Hong Kong's financial markets, and so our economy, can be seriously hurt. But on the Mainland, it will unlikely affect our industry as much. Take another example of possible confrontations in the Taiwan Strait. The impact on Hong Kong's economy will likely be huge, for it is small and relatively simple. The Mainland will also be affected, but depending on the mode, duration, and outcome of the conflict, those effects may be short-lived.

These are not easy issues to tackle. I can assure you that your management is carefully considering them. As some of us believe, geopolitics will increasingly impact businesses. Those who do not adequately understand it may be caught by surprise. A California-based friend even wrote a book on the subject. As we all know, everything is fine until it is not fine. As responsible managers, we have to think ahead and understand as much as possible impending dangers. This is why over the years, I have presented my analyses of the fast-changing world of which China is an integral part.

As we all know, China has challenges of all sorts, some of which will impact our business. Her society is constantly evolving at lightning speed; her policies are regularly crafted to lead or to respond to unending changes. The objectives of many policies are transparent, while others are not. The methods used to effect these changes may be difficult to comprehend.

Frankly, we have had to live with many similar complications ever since we entered the Mainland market almost 30 years ago. As I had written six months ago to HLP shareholders, in the past three decades of my chairmanship, we had seen extraordinarily turbulent times. At any one point, there were many who predicted an imminent collapse of the Chinese economy. Our tendency is to sympathize with them, for it is better to be safe than sorry. To survive, we have to be a perpetual pessimist. Yet somehow Beijing has managed to push through those difficulties and usually emerged stronger. Today, the country is again at a critical juncture.

It is said that a pessimist can never make money. There is a certain truth to this claim. Consequently, a good manager must somehow by definition have a split personality. While planning for the worst, we should also be shrewd enough to reach for the best. There are always opportunities.

Barring cataclysmic events, the Chinese economy should continue its growth at around 6% annually for the next few years. (Given the pandemic last year which provided a lower base, the 2021 numbers should be well above 6%, but that is an anomaly.) General consumption should rise more than the overall economy and the luxury sector by an even wider margin. If so, then we should do well for the rest of this year and into the next.

Looking at our portfolio, I expect the luxury malls outside Shanghai to outperform. The recent excellent results of Center 66 in Wuxi may well continue, although the rate of increase may be surpassed by Spring City 66 in Kunming, Heartland 66 in Wuhan, and Olympia 66 in Dalian. Our two flagships in Shanghai should also trade well, especially Grand Gateway 66 with its many new top fashion brands. Forum 66 in Shenyang should also improve, although breakthrough is only anticipated a few years later when we open the phase two shops beneath the new residential towers.

In line with the industry, sub-luxury properties will underperform their luxury cousins. Parc 66 in Jinan which has been a stalwart in our portfolio has commenced its Asset Enhancement Initiative (AEI) last month. Business will be slightly affected but the effort should yield positive results in the long run. We expect some luxury brands to move in two to three years from now, thus gradually transforming the property from sub-luxury to luxury. The other two malls in the sub-luxury category will require more work to significantly improve their performance. That we are trying.

Our Hong Kong portfolio should slowly recover but the upside will likely be limited. This is true of both our retail space and our offices.

A pleasant spot of our business for the next few years should be the sales of development properties both in Hong Kong and on the Mainland. In addition to the existing houses on Blue Pool Road, which we hope to sell more, is the high-rise residential tower on the site of the former Amoycan Industrial Centre. Presale will begin later this year and completion is expected in 2023. The office tower on Electric Road in North Point is expected to complete late next year. Design for the newly acquired Shouson Hill site is ongoing. We will build five to six luxury houses on which many inquiries have been received. In due course, I expect pleasing profits.

Next year we will pre-sell the serviced apartments at Heartland Residences in Wuhan. Completion is scheduled for the last quarter of 2022. On the Mainland, we have built up a proprietary brand of residences with the Chinese name of Hang Lung in it. Also to be pre-sold next year will be the Grand Hyatt Residences Kunming, which is part of Spring City 66 in Kunming. The hotel in that complex will be managed by Grand Hyatt, hence the special name. It is anticipated to be completed in 2023. The year after should see the occupancy of the residential units and boutique hotel at Center 66 in Wuxi.

The mall, the first two office towers, and the Mandarin Oriental Hotel at Westlake 66 in Hangzhou are expected to top out in 2024, with opening likely in the first half of 2025. The last three office towers should be ready by the end of that year. Pre-leasing activities for the mall are already proceeding, and the omens are good for yet another world-class complex.

Our share price together with that of our majority-owned subsidiary HLP were among the top performers in the sector throughout the 2000's. Since 2012, the table was turned. As the retail rental market recovered, the two counters were again among the very best last year.

Looking further down the road, there are reasons to believe that we will again do well. Consumption growth in mainland China is likely to be strong, especially in the luxury sector where we are a market leader. Rental margin of all of our Mainland facilities outside Shanghai should continue to rise. (Our two in Shanghai are mature and so have reached their potential, or are close to it.) Properties inaugurated in the past two years are growing fast. Experiences gained over the past decade bode well for them and for subsequent projects. Hong Kong rental should have bottomed out. And in the coming several years, we should have a steady flow of income from property sales. As profit rises, so should our share price. I am hopeful as long as the external environment remains relatively uneventful.

This is the 31st year that I have written twice annually to shareholders. I have personally penned every letter of HLG and HLP. The analyses presented in each are mostly on different aspects relevant to our business. As such, I encourage you to also read the one to HLP. You can find it on our website.

Ronnie C. Chan
Chair
Hong Kong, July 29, 2021

Six months ago, I wrote my inaugural *Vice Chair's Notes* from Shanghai. After four months there, I have returned to Hong Kong, where I write this interim note. The information garnered from that trip, where I visited 20 cities (including Wuhan —— four times), has been both valuable and surprising. At the end of this note, I will highlight a few of our sustainability initiatives, which we have spent much time and energy crystalizing and refining, in order to align with our 2030 goals and targets announced last December.

In short, it is gratifying to see that the observations that I made earlier this year have come through in our very healthy interim results. Without exception, tenant sales, foot traffic, and rentals are up across our Mainland portfolio, and not insignificantly. Here in Hong Kong, we continue to suffer from the drag-on effects of the COVID-19 pandemic and closed borders, but it looks like we have reached the trough.

Year-on-year, our overall Mainland property leasing business grew by 31% in RMB terms, within which mall rentals grew by 38%, and offices by 11%. Notably, our luxury mall rentals grew by a staggering 46%, while sub-luxury malls grew by a modest 3%. This shows a two-tiered recovery, clearly driven by high-end consumption. I will return to this later.

In this note, I hope to add some color to our financials: how our stakeholders and consumers feel, the attitude on the street, and how Hang Lung is responding.

On my travels, I gauged the economy and sentiment in various non-scientific ways. In addition to what you might expect, i.e., the standard itinerary of visiting retail malls and outlets, meeting customers, tenants, local governments, contractors, consultants, etc., I have endeavored collection of less formal data. This comes partially from my strong network of on-the-ground friends and acquaintances —— built over dozens of years visiting mainland China, and six years living in Shanghai —— who give me genuine, unbiased feedback, and partially from my unique approach to getting to know cities.

Firstly, our mid-term results show very clearly that mainland China has been experiencing a super-strong recovery; this much is obvious when you walk through our malls (or, in fact, any main street on the Mainland.) Speaking with anyone living in mainland China, there is an immense sense of optimism, dynamism, and progress. This is difficult to quantify, but the excitement is palpable, and I have cross-checked this with multiple sources, from regional consumer brand heads, to investors, to China observers; everyone senses the same intense buzz. If we accept that the sentiment and sales performance are reliable indicators, the natural follow-up questions are: what is driving such robust consumption, and is it sustainable?

There are many reasons for the especially strong luxury consumption, but I will only focus on three:

1) Primarily, as a result of the global pandemic, international travel has all but stopped. If you trust the Bain & Company's report on mainland China's luxury consumption, which came out several years before the pandemic, the mainland Chinese had been spending something like two times as much on luxury goods outside of mainland China as they had within. That is, for every RMB100 spent on Louis Vuitton on the Mainland, they were spending around RMB200 outside. Mathematically, this tracks surprisingly closely to our observed first half tenant sales increase of over 122% in our luxury malls. Of course, our tenant sales also include those of other trades like entertainment and F&B, not just luxury, which is why our figure was less than 200%.

2) In addition to the inability to travel, there is, of course, the continuing structural growth of the Chinese middle class, which brings with it a desire for better living standards, including luxury products. I expect this trend to continue for the foreseeable future, which you might tie very roughly with the country's GDP growth. If you believe in China's ability to execute her latest five-year-plan, then it should be safe to assume that this growth will continue for at least the next five years. On top of this, we also expect to benefit from the increased focus on internal high-quality consumption, and urbanization.

3) Another unique driver for luxury consumption in mainland China is the lack of domestic investment options. (Similarly, this partly explains the Chinese love for investing in property.) Unlike in developed countries that have deep and sophisticated investment markets which include stocks, bonds, derivatives, foreign currency, real estate, wine, art, and everything in-between, a wealthy Chinese individual has a comparatively limited set of investment options. There is a large but relatively unsophisticated stock market, a recently opened bond market (with few good options), many questionable "wealth management products", and not much else. This explains why the Chinese real estate sector is as popular as it is, but also explains the P2P (peer to peer) lending craze several years back. As affluent Chinese continue to look for investment opportunities, the art and fine wine markets have understandably made leaps and bounds over recent years. It is no wonder, then, that wealthy Chinese should also spend freely on luxury goods. After all, do not LVMH, Kering, Richemont, Chanel, and Hermès seem to be constantly raising prices? Why not invest in a Birkin or a Rolex, since it is all but guaranteed to appreciate, and can be enjoyed immediately?

With these three reasons for sales volumes in mind, the question turns to whether or not it is sustainable.

Given the current state of the world, the most immediate question surrounds point 1), that is, the repatriation of luxury consumption to mainland China as a result of the pandemic. Will the Chinese flock back to Paris, Milan, London, Tokyo, or Hong Kong once travel restrictions have eased, thus re-expatriating all the retail growth that we have seen in the past year or so?

For several reasons, I am confident that we will not see a mass exodus when travel returns. Firstly, and quite unfortunately, it seems that this state of pandemic uncertainty will linger for quite a while longer. Optimists point at 2022, while I have heard more conservative experts talking about 2024 or even 2025 for a return to normal. That said, even when “normal” does return, it will almost certainly not come overnight. Secondly, by the time we reach that point, Chinese luxury consumers will have built up both the habit and the relationships that are so crucial in luxury spending. They will no longer want to line up in the rain on the Champs-Elysees, and then not be able to buy the bag that they want because they do not have the purchase history with that store nor the relationship with a sales associate. However, due to the pandemic, within mainland China, the same customer will have built up the purchase history as well as the relationships, which will allow them access to the most coveted bags, not to mention much better service. On top of these, Hang Lung is also building strong relationships with customers, which we hope will make them even more loyal to us.

Points 2) and 3) are relatively more structural, or at least further out of our zone of influence, so I will not expand on them here, though I would love to discuss these with you at our next AGM or on an investor call.

Coming back to my earlier point on a two-tiered recovery, there are two observations that give me pause. First is that our recovery is clearly driven by our luxury malls, and so there is a question about the type of returns that we should expect from our sub-luxury malls. Second, and perhaps more disconcerting, is that there appear to be lingering regional hangovers from the pandemic. On my travels, I asked my friends and colleagues about the status of *their* friends’ and family’s income and employment, and only in the Northeast were there colleagues whose friends or family were asked to take no-pay leave, to take pay cuts, or to leave their companies. Especially since the world, including mainland China, is now facing the rapid spread of the Delta and other variants, this is something to keep an eye on.

The point about luxury outperforming sub-luxury is also worth exploring. There are several explanations for this. I believe that the main reason is the uneven impact of the pandemic on different strata of society. The pandemic has shown, across the world, that the under-privileged/poor suffer disproportionately more than the wealthy. Malls that cater to a more mass market will naturally reflect this.

Secondly, the relative underperformance of our sub-luxury malls reflects the acceleration of a trend that was already far along in China, that is, the shift to e-commerce for goods that are most suited to it. This has meant that mass-market malls which sell lower priced discretionary products have been impacted more than luxury malls. I interpret the fact that we have still seen growth in our sub-luxury malls as a continued consolidation of the market into our best-in-market offerings.

I would also like to take this opportunity to highlight the solid progress Hang Lung has made in our sustainability endeavors over the past six months. Working toward the 2030 sustainability goals and targets that we announced last year, we have started and completed various programs covering all ESG aspects. Some highlights include identifying specific KPIs for each department to achieve this year (under "governance"), an annual greenhouse gas (GHG) mitigation plan for our scope 1 and scope 2 GHG emissions (under "environment"), and our first ever employee engagement survey, which managed to capture feedback from over 97% of our staff across both Hong Kong and mainland China (under "social").

To help us achieve our ambitious sustainability goals, we have expanded the sustainability team this year. However, rather than continuously growing the team into a blunt instrument, my goal is to use the purposefully small team as a lever, working with every department to ensure that the entire company is angled toward sustainability, embedding the necessary metrics and culture to achieve sustainability leadership.

Despite the uncertain backdrop of the COVID-19 pandemic, China-U.S. relations, and climate change, I feel very good about both Hang Lung's business as well as the direction in which the market is heading. We occupy a very unique —— but also unparalleled —— space in mainland China's high-end retail sector which has already begun to blossom, and I look forward to reaping the rewards in the coming years.

The velocity of change over the past year has been immense, but our strong and experienced team has managed to help us deliver an outstanding set of results. For this, I must give my colleagues every credit —— and my sincere thanks —— for helping us navigate these uncharted waters.

Adriel Chan
Vice Chair
Hong Kong, July 29, 2021

in HK$ Million (unless otherwise stated)

RESULTS

	For the six months ended June 30					
	2021			2020		
	Property Leasing	**Property Sales**	**Total**	Property Leasing	Property Sales	Total
Revenue	**5,275**	**–**	**5,275**	4,457	–	4,457
– Mainland China	**3,526**	**–**	**3,526**	2,480	–	2,480
– Hong Kong	**1,749**	**–**	**1,749**	1,977	–	1,977
Operating profit	**3,870**	**(22)**	**3,848**	3,243	(4)	3,239
– Mainland China	**2,419**	**(9)**	**2,410**	1,620	(2)	1,618
– Hong Kong	**1,451**	**(13)**	**1,438**	1,623	(2)	1,621
Underlying net profit attributable to shareholders	**1,510**	**(12)**	**1,498**	1,338	(2)	1,336
Net increase/(decrease) in fair value of properties attributable to shareholders	**10**	**–**	**10**	(2,931)	–	(2,931)
Net profit/(loss) attributable to shareholders	**1,520**	**(12)**	**1,508**	(1,593)	(2)	(1,595)

	At June 30, 2021	At December 31, 2020
Shareholders' equity	**93,475**	92,105
Net assets attributable to shareholders per share (HK$)	**$68.6**	$67.6

Earnings and Dividend (HK$)

	2021	2020
Earnings/(loss) per share		
– based on underlying net profit attributable to shareholders	**$1.10**	$0.98
– based on net profit/(loss) attributable to shareholders	**$1.11**	($1.17)
Interim dividend per share	**$0.21**	$0.19

Financial ratios

	At June 30, 2021	At December 31, 2020
Net debt to equity ratio	**22.5%**	20.1%
Debt to equity ratio	**25.5%**	24.3%

CONSOLIDATED RESULTS

For the six months ended June 30, 2021, total revenue and operating profit of Hang Lung Group Limited (the Company) and its subsidiaries (collectively known as "the Group") advanced by 18% and 19% to HK$5,275 million and HK$3,848 million respectively.

All revenue and profit growth were contributed solely by our property leasing business as no property sales revenue was recognized during the first half of 2021, nor the year prior.

The underlying net profit attributable to shareholders rose by 12% to HK$1,498 million. Underlying earnings per share climbed correspondingly to HK$1.10.

With a net revaluation gain of properties attributable to shareholders of HK$10 million, the net profit attributable to shareholders was HK$1,508 million (2020: net loss of HK$1,595 million). Earnings per share were HK$1.11 (2020: loss per share of HK$1.17).

Revenue and Operating Profit for the Six Months Ended June 30

	Revenue			Operating Profit		
	2021	2020		**2021**	2020	
	HK$ Million	HK$ Million	Change	**HK$ Million**	HK$ Million	Change
Property Leasing	**5,275**	4,457	18%	**3,870**	3,243	19%
Mainland China	**3,526**	2,480	42%	**2,419**	1,620	49%
Hong Kong	**1,749**	1,977	–12%	**1,451**	1,623	–11%
Property Sales	**–**	–	N/A	**(22)**	(4)	450%
Total	**5,275**	4,457	18%	**3,848**	3,239	19%

DIVIDEND

The Board of Directors has declared an interim dividend of HK21 cents per share for 2021 (2020: HK19 cents) to be paid by cash on September 29, 2021, to shareholders whose names are listed on the register of members on September 15, 2021.

PROPERTY LEASING

Total rental revenue of the Group grew by 18% to HK$5,275 million in the first half of 2021 as robust rental growth on the Mainland outweighed the decline in Hong Kong.

Our business on the Mainland showed strong resilience. Malls with a predominantly luxury tenant portfolio continued to report a surge in tenant sales since April 2020. Overall tenant sales doubled that of the first half of 2020 and were 10% above that of the second half of 2020, while the rental revenue of the malls jumped 38% in Renminbi (RMB) terms against the same period last year.

During the first half of 2021, Hong Kong was still suffering from the impacts of COVID-19 but started to show signs of recovery. Businesses and the overall retail environment in Hong Kong have yet to return to pre-pandemic levels under prolonged tightening of social distancing measures. We continued to grant rent relief to selected trades during the reporting period, but at a much-lowered level than in the same period last year, as market conditions started to stabilize.

Mainland China[1]

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

	Revenue (RMB Million)		
	2021	2020	Change
Malls	**2,232**	1,618	38%
Offices	**599**	542	11%
Residential & Serviced Apartments	**67**	64	5%
Hotel	**41**	22	86%
Total	**2,939**	2,246	31%
Total in HK$ Million equivalent	***3,526***	*2,480*	*42%*

Rental revenue and operating profit increased by 31% and 37% respectively in RMB terms. Including the 8.6% RMB appreciation against HKD compared to the last corresponding period, overall rental revenue and operating profit increased by 42% and 49% respectively in HKD terms.

All segments experienced significant growth partly due to a lower base in 2020 caused by the full force of the COVID-19 pandemic. A rise in the turnover rent of the malls and the improved occupancy rate of the offices played a role as well. Overall rental margin was at 69%.

The leasing portfolio has been demonstrating a healthy and sustainable upward trend. The revenue in the second half of 2020 was up 22% compared to the same period in 2019, or up 25% compared to the first half of 2020. It rose further, by 5% during the first half of 2021, versus the preceding six months.

After excluding the contribution from the Heartland 66 office tower and mall in Wuhan that opened in November 2020 and March 2021 respectively, revenue of our existing properties climbed by 28% against the first half of 2020 and by 3% against the second half of 2020.

1 percentage changes in respect of the mainland China portfolio are expressed in RMB terms unless otherwise specified.

- *Malls*

The entire mall portfolio on the Mainland collected 38% more in rents. Notable growth of 46% was captured by luxury-positioned malls, while the increase at sub-luxury malls was moderate at 3%.

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	**2021**	2020	Change	**June 2021**	December 2020	June 2020
Luxury malls						
Plaza 66, Shanghai	**874**	561	56%	**99%**	99%	95%
Grand Gateway 66, Shanghai	**565**	453	25%	**99%**	98%	94%
Forum 66, Shenyang	**51**	43	19%	**88%**	89%	83%
Center 66, Wuxi	**183**	107	71%	**95%**	96%	92%
Olympia 66, Dalian	**67**	67	–	**82%**	77%	80%
Spring City 66, Kunming	**127**	74	72%	**95%**	91%	84%
Heartland 66, Wuhan #	**43**	–	N/A	**71%**	N/A	N/A
	1,910	1,305	46%			
Sub-luxury malls						
Palace 66, Shenyang	**90**	85	6%	**92%**	88%	83%
Parc 66, Jinan	**150**	148	1%	**94%**	94%	92%
Riverside 66, Tianjin	**82**	80	3%	**76%**	76%	84%
	322	313	3%			
Total	**2,232**	1,618	38%			

opened in March 2021

Period-on-period tenant sales growth at our luxury malls ranged from 65% to 232%. Significant growth in the high-end goods market began in April 2020 as the effects of COVID-19 gradually subsided on the Mainland. Most of our luxury malls enjoyed double-digit growth in revenue except for Olympia 66 in Dalian, where major luxury brands will be opening only in the second half of 2021.

Sub-luxury malls, on the other hand, experienced a slower foot traffic-led consumption partly due to the sporadic COVID-19 outbreaks in those regions, leading to mild growth of 3%.

Luxury malls

The rental revenue derived from the **Plaza 66** mall in Shanghai and corresponding tenant sales leaped by 56% and 101% respectively, benefiting from the mall's Home to Luxury positioning together with the success of the HOUSE 66 customer relationship management (CRM) program. Intensified collaborations with tenants also contributed to the delivery of value and premium services to loyal customers, which in turn boosted tenant sales.

The **Grand Gateway 66** mall in Shanghai successfully completed its Asset Enhancement Initiative (AEI) and has started to reap its reward. Revenue and tenant sales were up 25% and 116% compared to the same period last year with the raising of the mall's positioning after the AEI and the addition of luxury content. The mall has established itself firmly as a regional lifestyle center with a comprehensive offering.

Despite sporadic cases of COVID-19 appearing during the period from late December 2020 to mid-January 2021, revenue of the **Forum 66** mall in Shenyang was up by 19% while tenant sales rose by 65% compared to the first half of 2020. The adverse impact of the recent COVID-19 cases was eased by effective marketing campaigns and customer engagement associated with the HOUSE 66 CRM program launched in August 2020.

Revenue and tenant sales of the **Center 66** mall in Wuxi rose by 71% and 190% respectively versus the same period last year, benefiting from the continued migration of luxury brands from other shopping malls in Wuxi, placing the mall in a solid position for sustainable growth.

With the transformation of the **Olympia 66** mall in Dalian into a luxury-led regional mall, a strong line-up of top-luxury brands has been progressively introduced since the third quarter of 2020. The majority will be opening in the third and fourth quarters of 2021. Although there were temporary vacancies during the transformation, the revenue of the mall was able to stay flat. Tenant sales posted a promising increase of 80% period-on-period, partly reflecting a low baseline. The subway connecting the mall to the metro station on Line 2, which opened in April 2021, was another contributing factor, bringing an improvement in footfall due to the added convenience to customers.

With a leap in turnover rent from strong luxury tenant sales, the **Spring City 66** mall in Kunming recorded 72% more revenue. The mall has positioned itself as the hub of prime luxury in the city and Yunnan province with several new prestigious brand openings in the second half of 2020.

Heartland 66 in Wuhan, being our tenth mall on the Mainland, was opened in March 2021. In just over three months of operation, the mall generated RMB43 million revenue and the occupancy rate reached 71% at the reporting date. 52% of leasable area have commenced operations as of June 30, 2021, while the majority of the well-known brands are scheduled to open in the second half of 2021. The mall has all the pedigrees to be the leader in the luxury-led regional lifestyle segment.

Sub-luxury malls

In spite of the local outbreak of COVID-19 in December 2020 and January 2021, tenant sales and footfall at the **Palace 66** mall in Shenyang quickly returned to normal once the pandemic subsided. Revenue and tenant sales climbed 6% and 51% respectively against the same period last year. We took the opportunity to replace non-performing shops with competitive and unique brands during the difficult times in 2020, in order to refresh and refine the tenant mix of the mall.

Revenue of the **Parc 66** mall in Jinan rose at a modest pace of 1% in the first half of 2021 while tenant sales grew by 48%. A three-year AEI was begun in June 2021 to enhance the positioning of the mall after almost a decade since opening in August 2011. The renovation is scheduled for completion in phases from 2022 onwards. We expect the transformation of Parc 66 to be another great success, leveraging on our experience in major asset enhancement initiatives in Shanghai. We will strive to keep the disturbance to our tenants and customers during the renovation to a minimal level.

The **Riverside 66** mall in Tianjin recorded revenue growth of 3% and a tenant sales increase of 79%. With the introduction of popular sports brands, fashion and accessories, and a variety of high-quality goods and services for families and children, along with a revamp in the food and beverage offering, we continue to strengthen the content of the mall.

- *Offices*

The office portfolio on the Mainland posted a 11% growth in revenue as more tenants moved in to our new towers opened during 2019 and 2020. Revenue from the other five towers located in Shanghai, Wuxi and Shenyang, on average, grew steadily by 3%.

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	**2021**	2020	Change	**June 2021**	December 2020	June 2020
Plaza 66, Shanghai	**310**	300	3%	**95%**	93%	91%
Grand Gateway 66, Shanghai	**126**	120	5%	**98%**	99%	96%
Forum 66, Shenyang	**65**	62	5%	**97%**	90%	88%
Center 66, Wuxi [(a)]	**53**	47	13%	**84%**	72%	64%
Spring City 66, Kunming [(b)]	**35**	13	169%	**50%**	41%	22%
Heartland 66, Wuhan [(c)]	**10**	–	N/A	**34%**	15%	N/A
Total	**599**	542	11%			

(a) Center 66 Office Tower 2 in Wuxi opened in August 2019

(b) Spring City 66 office tower in Kunming opened in August 2019

(c) Heartland 66 office tower in Wuhan opened in November 2020

Facing keen competition from offices in non-core areas in Shanghai, the two office towers at **Plaza 66** in Shanghai recorded a mild revenue growth of 3%. With the high-quality tenant-customer engagement programs, superior customer service, and premium hardware, Plaza 66 reaffirmed its leading position in a highly competitive market.

Office tower revenue at **Grand Gateway 66** in Shanghai was up by 5%. The completion of the major AEI at the mall provided synergy for the office tower contributing to the retention of its quality tenants.

Revenue from the office tower of **Forum 66** in Shenyang was up by 5% with the occupancy rate reaching 97%. Forum 66 attracted and retained quality tenants despite ample new supplies in Shenyang. Forum 66 stands out for its prime location and high quality property management and services.

Revenue from the two office towers at **Center 66** in Wuxi climbed by 13% on an uplift in the occupancy rate, largely driven by the relocation of tenants from other properties as well as the internal expansion of existing tenants. Our first branded and self-operated multifunctional workspace, HANGOUT, launched in September 2020, was welcome by tenants and accelerated the leasing of the second tower.

Income from the **Spring City 66** office tower in Kunming soared by 169%. Prominent tenants were attracted by the prestigious location and premium facilities of this premier Grade A office tower. Modular spaces with high standard fit-out and furnishings were offered to enhance our product mix which in turn piqued the interest of high quality tenants looking for value-added services and premium products. This effective model has stimulated the leasing demands for the office tower.

The **Heartland 66** office tower in Wuhan, being the eighth office tower in our Mainland portfolio, commenced operations in November 2020. Rental revenue recognized during the period was RMB10 million, while the period-end occupancy rate was 34%. Like Spring City 66 in Kunming, we provided ready-to-use office premises to strengthen our competitive advantage. Heartland 66 established a landmark status in Wuhan as its popularity grew.

- *Residential & Serviced Apartments*

Income from residential and serviced apartments at **Grand Gateway 66** in Shanghai rose by 5%. The occupancy rate increased by eight points to 87% driven by higher domestic demand.

- *Hotel*

Conrad Shenyang generated revenue of RMB41 million, 86% more than in the first half of 2020. Room sales improved on the back of strengthening domestic demand, while food and beverage income bounced back as restaurants resumed full service, and meeting and events demand started to return.

Hong Kong

The Hong Kong economy continues to suffer from intermittent waves of the pandemic, with the fourth wave hitting the city from November 2020 to May 2021. Restaurants, cinemas, gyms, travel businesses, fashion wholesalers and education centers were markedly affected by the tightened social distancing measures and continued travel restrictions. During the reporting period, we continued to grant rent relief to selected tenants and trades to help them survive in the longer term. These relief measures along with our tenancy renewal and refinement strategy, helped to maintain a high occupancy rate and will further facilitate medium-term growth in the post-pandemic period. Through these efforts, revenue and operating profit were HK$1,749 million and HK$1,451 million respectively, 12% and 11% less than the last corresponding period. Rental margin increased by one point to 83%. Compared to the second half of 2020, revenue was down by 2%.

Properties located in Causeway Bay and Mongkok, which rely heavily on tourist footfall have been more affected. Tenants in specific industries, such as cinemas, gyms, restaurants, among others, have been more directly impacted by the social distancing measures introduced by the government.

Recent improvements in market sentiment have shown signs of recovery of the Hong Kong retail market since February 2021. Likewise, the amount of rent relief granted to selected trades was much lowered than in the second half of 2020. The launch of "hello Hang Lung Malls Rewards Program" along with the Hang Lung Malls App in March 2021 is targeted to accelerate this recovery. Customers can use the mobile platform to earn points and obtain promotional offers from our tenants with ease when visiting our malls.

We launched initiatives worth over HK$10 million in support of the government's COVID-19 vaccination drive. One such initiative includes "hello Hang Lung Malls Rewards Program" members who are fully vaccinated before the end of September 2021 will be entitled to e-shopping coupons upon a spending in our malls. The majority of our tenants have pledged their support of initiatives to bolster the vaccination drive.

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

	Revenue (HK$ Million)			Period-end Occupancy Rate		
				June	December	June
	2021	2020	Change	2021	2020	2020
Commercial	990	1,143	–13%	97%	96%	97%
Offices and Industrial/Office	643	695	–7%	88%	87%	89%
Residential & Serviced Apartments	116	139	–17%	56%	56%	58%
Total	1,749	1,977	–12%			

- *Commercial*

The Hong Kong commercial portfolio recorded a 13% revenue drop to HK$990 million.

The **Causeway Bay portfolio** was acutely affected by the significant retreat in tourist arrivals and associated spending on beauty and fashion and accessories. Income from this portfolio contracted by 20%.

With high exposure to the fast-moving youth lifestyle and tourist-oriented trades, our **Mongkok portfolio** was also adversely impacted. Revenue at Grand Plaza and Gala Place declined by 25%. Nevertheless, we were able to maintain full occupancy of commercial zones at Gala Place with the successful leasing of the space vacated by the former three-story anchor tenant. The successor tenants are Foot Locker, a leading global athletic footwear and apparel brand, a new AEON STYLE concept store, and restaurants in a newly created dining cluster in the basement.

Kornhill Plaza in Hong Kong East and **Amoy Plaza in Kowloon East,** our community strongholds, were relatively defensive. Revenue at Kornhill Plaza and Amoy Plaza slipped by 7% and 9% respectively.

Peak Galleria earned 2% more in revenue versus the same period last year as the occupancy rate achieved 96% after refinement of the trade mix to better meet the needs of local consumers.

- *Offices and Industrial/Office*

Revenue of the office portfolio shrank by 7% to HK$643 million as a result of rent relief and a lower average occupancy rate. Hong Kong office rentals accounted for 37% of the total rental revenue in Hong Kong.

The impact of COVID-19 was most notable among our tenants in the businesses of beauty, gym, travel, fashion wholesale and education. The Mongkok and Causeway Bay portfolios recorded revenue drops of 4% and 29% respectively because of their weighting towards tenants with retail exposure. By contrast, the Central portfolio remained stable.

- *Residential & Serviced Apartments*

Serviced apartments are susceptible to the impact of travel restrictions, which have prevailed throughout the reporting period. Revenue retreated by 17% to HK$116 million together with the average occupancy rate at Kornhill Apartments and The Summit.

PROPERTY SALES

In June 2021, one Blue Pool Road house was sold. Sales revenue and profit from this transaction will be recognized upon completion of legal assignment in the first quarter of 2022. As such, no property sales revenue was recorded during the reporting period. Taking into account the pre-sale marketing expenses for projects to be launched in 2021 and other operating expenditures, operating loss from property sales for the six months ended June 30, 2021 was HK$22 million.

We continued to grab opportunities to dispose of non-core investment properties for capital recycling. In addition to the completion of sales of 44 car parking spaces made in 2020, we sold 15 more car parking spaces during the current period. The overall sale price was close to the valuation as of December 31, 2020; therefore, the amount of gain or loss was minimal.

PROPERTY REVALUATION

As of June 30, 2021, the total value of our investment properties and investment properties under development amounted to HK$204,048 million. The value of the mainland China portfolio and the Hong Kong portfolio was HK$141,886 million and HK$62,162 million, respectively. These properties were revalued by Savills, an independent valuer, as of June 30, 2021.

A revaluation gain of HK$606 million (2020: loss of HK$4,805 million) was recorded, representing a slight increase in valuation compared to the value as of December 31, 2020.

The mainland China portfolio recorded a gain of HK$1,360 million (2020: loss of HK$2,419 million), a 1% increase in valuation against year-end 2020, largely reflecting the expected recovery in the luxury malls. Valuation of offices was stable.

The Hong Kong portfolio had a revaluation loss of HK$754 million (2020: loss of HK$2,386 million), a 1% decline versus year-end 2020. The decrease was smaller compared to the 4% and 3% half-on-half drop in the first and second halves of 2020. Commercial and office segments reported a deeper drop, while apartments were more stable.

PROPERTY DEVELOPMENT AND CAPITAL COMMITMENT

The total values of development projects for leasing and for sale were HK$20,816 million and HK$10,220 million, respectively. These represented mainland China projects in Wuhan, Wuxi, Kunming, Hangzhou and Shenyang, and redevelopment projects in Hong Kong. At the reporting date, our capital commitments for the development of investment properties amounted to HK$19 billion.

Mainland China

With the opening of the **Heartland 66** mall in Wuhan in March 2021, remaining developments of three blocks of Heartland Residences are scheduled for completion in the last quarter of 2022. Superstructure construction works are in progress and, with prospect engagement to commence in end of 2021, we expect to launch the pre-sale of Heartland Residences in the first half of 2022.

Phase two of **Center 66** in Wuxi comprises two blocks of Center Residences and a hotel. Excavation and piling works are in progress. The project is expected to reach completion from 2023 onwards.

Remaining developments at **Spring City 66** in Kunming comprise the five-star Grand Hyatt Kunming hotel and luxury branded residences. Construction has begun and is scheduled for completion in 2023. The hotel is expected to open in the second half of 2023.

The piling works at **Westlake 66** in Hangzhou are making good progress. The project is an integrated high-end commercial development, consisting of a retail podium, five Grade A office towers and a Mandarin Oriental hotel. The project is scheduled for completion, in phases, from 2024 onwards.

The remaining phases of **Forum 66** in Shenyang comprise offices, the Forum Residences, and a retail podium with a total gross floor area of 502,660 square meters. Piling works are in progress and we are refining the master layout plan in parallel. The project is scheduled for completion, in stages, from 2025 onwards.

Hong Kong

Construction works at the Grade A office tower redevelopment at 226-240 Electric Road in North Point are in progress. The project is a joint development with our subsidiary, Hang Lung Properties Limited (Hang Lung Properties), inclusive of a retail area across the lower floors. Superstructure works have started and the project is scheduled for completion in late 2022.

The former Amoycan Industrial Centre in Ngau Tau Kok, close to MTR Kowloon Bay Station and the future East Kowloon Cultural Centre, is being redeveloped into residential units and some commercial areas on the podium floors. Construction works are on schedule, and the project is targeted for completion in 2023. The pre-sale of apartments is planned for the second half of 2021.

The land acquisition at 37 Shouson Hill Road in the Southern District of Hong Kong Island was completed in February 2021. We expected to receive the government approval of the plan to redevelop the site into low-density residential properties before the end of 2021.

FINANCING MANAGEMENT

An appropriate capital structure with multiple channels of financing and a high degree of agility has been maintained. We aim to ensure access to sufficient financial resources for meeting operational needs and business expansions and to cushion the Group from unexpected external financial shock. All financial risk management including debt refinancing, foreign exchange exposure, and interest rate volatility, is centrally managed and controlled at the corporate level.

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

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

As part of our ESG (Environmental, Social and Governance) initiatives, the Group continues to focus on sustainable finance with plans to increase its proportion in our entire debt portfolio. During the first half of 2021, we issued green bonds worth HK$2 billion and obtained three sustainability-linked loan facilities totaling HK$4 billion. All those are collectively referred as sustainable finance, which now accounts for 22% of our total debts and available facilities. We have plans to increase that proportion further.

- *Cash Management*

As of June 30, 2021, total cash and bank balances amounted to HK$4,845 million (December 31, 2020: HK$6,793 million). The balance decreased after discharge of construction fees for various projects under development and the balance payment for the acquisition of 37 Shouson Hill Road in Hong Kong. All deposits are placed with banks with high credit ratings. The counterparty risk is monitored on a regular basis.

The cash and bank balances at the reporting date comprised the following currencies:

	At June 30, 2021		At December 31, 2020	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Denominated in:				
HKD	**319**	*7%*	2,631	*39%*
RMB	**4,374**	*90%*	4,021	*59%*
USD	**152**	*3%*	141	*2%*
Total cash and bank balances	**4,845**	*100%*	6,793	*100%*

- *Debt Portfolio*

At the balance sheet date, total borrowings amounted to HK$41,254 million (December 31, 2020: HK$38,770 million), of which 33% was denominated in RMB as a natural hedge to net investments in mainland China. The increase in debt balance against December 31, 2020 was mainly due to payments for construction in mainland China and Hong Kong.

Our fixed-rate borrowings mainly consist of Medium Term Notes (MTNs) and bank loans which are converted to fixed-rate by the use of interest rate swaps. The percentage of fixed-rate borrowings fell to 53% of total borrowings as of June 30, 2021 as a USD500 million MTN was redeemed in April 2021, despite a total of HK$2.7 billion MTNs issued during the first six months of 2021.

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

i) by currency (after currency swap):

	At June 30, 2021		At December 31, 2020	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Denominated in:				
HKD	**27,814**	*67%*	25,860	*67%*
RMB	**13,440**	*33%*	12,910	*33%*
Total borrowings	**41,254**	*100%*	38,770	*100%*

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

	At June 30, 2021		At December 31, 2020	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Fixed	**21,976**	*53%*	23,772	*61%*
Floating	**19,278**	*47%*	14,998	*39%*
Total borrowings	**41,254**	*100%*	38,770	*100%*

- *Gearing Ratios*

At the reporting date, the net debt balance amounted to HK$36,409 million (December 31, 2020: HK$31,977 million). Net debt to equity ratio was 22.5% (December 31, 2020: 20.1%) and debt to equity ratio was 25.5% (December 31, 2020: 24.3%). The increase in both ratios was largely due to capital expenditures and the balance payment for the acquisition of 37 Shouson Hill Road in Hong Kong.

Excluding the balances of Hang Lung Properties and its subsidiaries (HLP Group), the Company and its other subsidiaries had a net cash balance amounted to HK$455 million (December 31, 2020: net debt balance of HK$379 million).

- *Maturity Profile and Refinancing*

At the reporting date, the average tenure of the entire loan portfolio was 3.0 years (December 31, 2020: 2.8 years). The maturity profile was staggered over more than 10 years. Around 63% of the loans were repayable after two years.

	At June 30, 2021		At December 31, 2020	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Repayable:				
Within 1 year	**8,594**	*21%*	7,863	*20%*
After 1 but within 2 years	**6,817**	*16%*	8,582	*22%*
After 2 but within 5 years	**20,903**	*51%*	19,102	*50%*
Over 5 years	**4,940**	*12%*	3,223	*8%*
Total borrowings	**41,254**	*100%*	38,770	*100%*

As of June 30, 2021, total undrawn committed banking facilities amounted to HK$14,281 million (December 31, 2020: HK$16,538 million). The available balances of the USD4 billion (December 31, 2020: USD4 billion) MTN Program amounted to USD1,905 million, equivalent to HK$14,792 million (December 31, 2020: HK$12,945 million).

Excluding the balances of HLP Group, the undrawn committed banking facilities of the Company and its other subsidiaries amounted to HK$3,650 million (December 31, 2020: HK$3,975 million).

- *Net Finance Costs and Interest Cover*

For the first half of 2021, gross finance costs increased 3% to HK$775 million. The impact of the increase in total borrowings was partially offset by the drop in the average effective cost of borrowings which was lowered to 3.9% (2020: 4.5%), favored by lower interest rates upon the refinancing of maturing debts.

The net amount charged to the statement of profit or loss increased to HK$238 million as finance costs capitalized for projects under development decreased after the completion of the mall and office at Heartland 66 in Wuhan.

Interest income for the period increased by 37% to HK$48 million mainly due to a temporary increase in average deposit balance.

Interest cover for the first six months of 2021 was 5 times (2020: 4 times).

- *Foreign Exchange Management*

Normal operations in mainland China and the MTN denominated in USD expose our business activities to foreign exchange fluctuations. Appropriate measures have been taken to mitigate our risk.

(a) RMB Exposure

Our RMB exposure mainly arises from the currency translation risk of the net assets of our subsidiaries in mainland China.

As of June 30, 2021, RMB denominated net assets accounted for about 71% of our total net assets. The RMB appreciated against the HKD by 1.1% compared with December 31, 2020. The translation of these net assets from RMB into HKD at the exchange rate as of the reporting date resulted in a translation gain of HK$1,279 million (2020: loss of HK$1,987 million), recognized in other comprehensive income/exchange reserve.

Our business operations and projects under development in mainland China are funded by internally generated cash flows, RMB borrowings, and capital injections from Hong Kong. We have adopted a systematic approach to mitigate the currency risks and practiced the strict discipline of not speculating on the movement of the RMB against the HKD. We regularly assess the level of funding needed for our mainland China projects based on factors such as regulatory constraints, project development timelines, and the market environment. Appropriate modifications to our funding plan will be conducted in light of changing circumstances.

(b) USD Exposure

Our USD foreign exchange exposure is related to the USD500 million fixed-rate bond issued in 2012, equivalent to HK$3,882 million at the reporting date. The related currency exchange risk was covered back-to-back by a USD/HKD cross-currency swap contract.

- *Charge of Assets*

Assets of the Group were not charged to any third parties as of June 30, 2021.

- *Contingent Liabilities*

The Group did not have any material contingent liabilities as of June 30, 2021.

CORPORATE INITIATIVES

The journey beyond our 60th anniversary, celebrated last year, has seen steps undertaken to inspire sustainable success for the coming six decades. The introduction of a new expression of our vision, mission, and values places sustainability at the core as a part of an integrated, long-term approach to embedding sustainability throughout our business lifecycle, while the updating of our motto, in English, to **We Do It Well**, emphasizes our commitment to action in the name of what is right and good. We have also refreshed our "66" brand with the "Pulse of the City" design concept for all large-scale complexes and assets across the Mainland and launched new staff uniforms for our front-of-house staff and supervisors in Hong Kong and on the Mainland, to distill our business development goals into clear company-wide purpose and a cogent branded customer experience.

Staff wellbeing has always been a central focus and plays a pivotal role in our corporate success. During the reporting period, we launched our first-ever employee engagement survey to better understand the needs and aspirations of our people. In support of community health and safety and the HKSAR Government's COVID-19 vaccination drive, we implemented an incentive scheme for our employees, including e-shopping coupons and paid vaccination leave, to get fully vaccinated by the end of September 2021, with additional incentives should vaccination among our Hong Kong workforce reach 70% by October 31, 2021.

Our sustainability goals and targets for 2030 continue to be an operational priority with Key Performance Indicators linked to established ESG standards fully integrated across all our businesses and linked to employee annual performance reviews. In the coming 18 months, more than HK$450 million of our spending will be on ESG priorities – HK$200 million more than what we had previously incurred on ESG priorities over an 18 month period. Our primary focus of this increased spending will be on carbon emissions reduction through energy efficiency initiatives and renewable energy applications for our existing and new properties. In addition, we are committed to investing more in health and wellbeing for employees and communities and in various initiatives related to resource management.

OUTLOOK

The robust performance of our luxury malls in mainland China is expected to continue. As more luxury brands will open in the second half at Olympia 66 in Dalian and Heartland 66 in Wuhan, they will fuel the revenue growth of our luxury malls. Our HOUSE 66 CRM program and tenant collaboration initiatives are also growth engines for tenant sales. The success of our non-conventional office leasing models, HANGOUT and modular office, will continue to accelerate the pace of leasing at the new office towers.

The leasing environment in Hong Kong has shown signs of recovery. The decline in global infection rates and mass vaccination programs around the world have shed some light on the situation. We can foresee a significant recovery when international travel normalizes and social distancing rules are relaxed. We believe the electronic Consumption Voucher Scheme organized by the HKSAR Government will be a catalyst for local spending in the second half this year. In the meantime, we focus on optimizing our tenant mix, protecting occupancy and stepping up our engagement with customers to capture local consumption.

For the property sales segment, the Group announced in June 2021 the debut of Hang Lung Residences, a premium serviced residences brand in mainland China with a planned rollout in Wuhan, Wuxi, Kunming and Shenyang. This new property sales revenue stream forms part of the Group's long-term vision for sustainable growth, further capitalizing our gross floor area and optimizing shareholder value. Pre-sale of Heartland Residences in Wuhan will begin in the first half of 2022.

The progress of the three redevelopment projects in Hong Kong are proceeding well. We continue to look for opportunities to sell completed residential properties and recycle capital out of non-core properties under favorable market conditions.

CORPORATE GOVERNANCE

We are committed to maintaining the highest standards of corporate governance. During the six months ended June 30, 2021, 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 2020 annual report, which is available on our website under "Financial Report" in the "Financial Information" subsection of 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 Group's corporate governance procedures 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 of 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 can be accessed on both our website under "Nomination & Remuneration Committee" in the "Corporate Governance" subsection of 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 of 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, 2021, 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 43 and 44 of this interim report.

Compliance with Corporate Governance Code

During the six months ended June 30, 2021, we complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Rules Governing the Listing of Securities (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, 2021.

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

As at June 30, 2021, 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 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 Position)		*Hang Lung Properties Limited (Long Position)*		
Name	Capacity	Number of Shares	% of Number of Issued Shares	Number of Shares	% of Number of Issued Shares	Number of Shares under Option *(Note 3)*
Ronnie C. Chan	Personal & Other	22,400,500 *(Note 1)*	1.65	17,155,000	0.38	15,500,000
Adriel Chan	Personal & Other	533,032,080 *(Notes 1 & 2)*	39.15	2,644,956,340 *(Note 2)*	58.79	7,400,000
Weber W.P. Lo	Personal	–	–	–	–	15,750,000
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	–	–	–	–	–	–
H.C. Ho	Personal	–	–	–	–	10,700,000

Notes

1. Other interests included 10,610,500 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 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 522,421,580 shares of the Company and 2,644,956,340 shares of Hang Lung Properties Limited ("HLP") held/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 Options under the Share Option Schemes of HLP

(i) Share Option Scheme adopted on November 22, 2002

		Number of Shares under Option					
Date Granted (mm/dd/yyyy)	Name	As at Jan 1, 2021	Lapsed during the Period	As at Jun 30, 2021	Exercise Price per Share (HK$)	Vested Dates (mm/dd/yyyy)	Expiry Date (mm/dd/yyyy)
06/13/2011	Ronnie C. Chan	4,500,000	4,500,000	–	$30.79	06/13/2013: 10%	06/12/2021
	H.C. Ho	3,000,000	3,000,000	–		06/13/2014: 20%	
						06/13/2015: 30%	
						06/13/2016: 40%	

(ii) Share Option Scheme adopted on April 18, 2012

		Number of Shares under Option						
Date Granted (mm/dd/yyyy)	Name	As at Jan 1, 2021	Granted during the Period	Exercised during the Period	As at Jun 30, 2021	Exercise Price per Share (HK$)	Vested Dates (mm/dd/yyyy)	Expiry Date (mm/dd/yyyy)
06/04/2013	Ronnie C. Chan	4,500,000	–	–	4,500,000	$28.20	06/04/2015: 10%	06/03/2023
	Adriel Chan	200,000	–	–	200,000		06/04/2016: 20%	
	H.C. Ho	3,000,000	–	–	3,000,000		06/04/2017: 30%	
							06/04/2018: 40%	
12/05/2014	Ronnie C. Chan	2,750,000	–	–	2,750,000	$22.60	12/05/2016: 10%	12/04/2024
	Adriel Chan	150,000	–	–	150,000		12/05/2017: 20%	
	H.C. Ho	1,850,000	–	–	1,850,000		12/05/2018: 30%	
							12/05/2019: 40%	
08/10/2017	Ronnie C. Chan	2,750,000	–	825,000	1,925,000	$19.98	08/10/2019: 10%	08/09/2027
	Adriel Chan	1,850,000	–	–	1,850,000		08/10/2020: 20%	
	H.C. Ho	1,850,000	–	–	1,850,000		08/10/2021: 30%	
							08/10/2022: 40%	

3. Movements of Options under the Share Option Schemes of HLP (continued)

(ii) Share Option Scheme adopted on April 18, 2012 (continued)

Date Granted (mm/dd/yyyy)	Name	Number of Shares under Option As at Jan 1, 2021	Granted during the Period	Exercised during the Period	As at Jun 30, 2021	Exercise Price per Share (HK$)	Vested Dates (mm/dd/yyyy)	Expiry Date (mm/dd/yyyy)
05/16/2018	Weber W.P. Lo	10,000,000	–	–	10,000,000	$18.98	05/16/2020: 10% 05/16/2021: 20% 05/16/2022: 30% 05/16/2023: 40%	05/15/2028
06/28/2019	Ronnie C. Chan	3,025,000	–	–	3,025,000	$18.58	06/28/2021: 10%	06/27/2029
	Adriel Chan	2,200,000	–	–	2,200,000		06/28/2022: 20%	
	Weber W.P. Lo	2,750,000	–	–	2,750,000		06/28/2023: 30%	
	H.C. Ho	1,900,000	–	–	1,900,000		06/28/2024: 40%	
05/12/2021	Ronnie C. Chan	–	3,300,000	–	3,300,000	$19.95	05/12/2023: 10%	05/11/2031
	Adriel Chan	–	3,000,000	–	3,000,000		05/12/2024: 20%	
	Weber W.P. Lo	–	3,000,000	–	3,000,000		05/12/2025: 30%	
	H.C. Ho	–	2,100,000	–	2,100,000		05/12/2026: 40%	

As at June 30, 2021, save as disclosed above, none of the Directors of the Board had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations.

Other than as stated above, at no time during the six months ended June 30, 2021 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.

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

As at June 30, 2021, 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 Position)***	**% of Number of Issued Shares *(Long Position)***
Adriel Chan	*1*	533,032,080	39.15
Chan Tan Ching Fen	*2*	522,421,580	38.37
Cole Enterprises Holdings (PTC) Limited	*2*	522,421,580	38.37
Merssion Limited	*2*	522,421,580	38.37
Kingswick Investment Limited	*3*	103,609,000	7.61
Dodge & Cox	*4*	121,729,800	8.94
Silchester International Investors LLP	*4*	110,342,000	8.10
Schroders Plc	*4*	68,315,500	5.02

Notes

1. These shares were held by two trusts, 522,421,580 shares of which were held by Merssion Limited under a trust and 10,610,500 shares of which were held by another trust. As Mr. Adriel Chan was a discretionary beneficiary (for 522,421,580 shares) of a trust and both a settlor and discretionary beneficiary (for 10,610,500 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 533,032,080 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 522,421,580 shares held by Merssion Limited.

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

Save as disclosed above, as at June 30, 2021, 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 LISTING RULES

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

Mr. Adriel Chan
– appointed as a director of China Institute for Knowledge, a member organization of Our Hong Kong Foundation

Mr. Weber W.P. Lo
– ceased to be a director of The Real Estate Developers Association of Hong Kong

Mr. H.C. Ho
– acted as the Company Secretary of the Company and HLP (a listed subsidiary of the Company) from May 1, 2021 to June 15, 2021

Save as disclosed above, there is no other information to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

HLP Finance Limited, a non-wholly owned subsidiary of the Company, fully redeemed the US$500 million 4.45% guaranteed notes due 2021 (stock code: 5726) at principal amount upon maturity on April 16, 2021.

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, 2021.

EMPLOYEES

As at June 30, 2021, the number of employees was 4,315 (comprising 1,060 Hong Kong employees and 3,255 mainland China employees). The total employee costs for the six months ended June 30, 2021, amounted to HK$893 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 trainings 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 46 to 72 which comprises the consolidated statement of financial position of Hang Lung Group Limited ("the Company") as at June 30, 2021 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, 2021 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 29, 2021

Consolidated Statement of Profit or Loss

For the six months ended June 30, 2021 (Unaudited)

				For information purpose only	
		2021	2020	**2021**	2020
	Note	**HK$ Million**	HK$ Million	**RMB Million**	RMB Million
Revenue	2(a)	**5,275**	4,457	**4,396**	4,039
Direct costs and operating expenses		**(1,427)**	(1,218)	**(1,189)**	(1,104)
		3,848	3,239	**3,207**	2,935
Other net income	3	**33**	27	**28**	25
Administrative expenses		**(286)**	(307)	**(238)**	(279)
Profit from operations before changes in fair value of properties		**3,595**	2,959	**2,997**	2,681
Net increase/(decrease) in fair value of properties	2(b)	**606**	(4,805)	**502**	(4,393)
Profit/(loss) from operations after changes in fair value of properties		**4,201**	(1,846)	**3,499**	(1,712)
Interest income		**48**	35	**40**	32
Finance costs		**(238)**	(85)	**(199)**	(77)
Net interest expense	4	**(190)**	(50)	**(159)**	(45)
Share of losses of joint ventures		**(31)**	(167)	**(26)**	(154)
Profit/(loss) before taxation	5	**3,980**	(2,063)	**3,314**	(1,911)
Taxation	6	**(1,108)**	(433)	**(922)**	(391)
Profit/(loss) for the period	2(b)	**2,872**	(2,496)	**2,392**	(2,302)
Attributable to:					
Shareholders		**1,508**	(1,595)	**1,257**	(1,469)
Non-controlling interests		**1,364**	(901)	**1,135**	(833)
Profit/(loss) for the period		**2,872**	(2,496)	**2,392**	(2,302)
Earnings/(loss) per share	8(a)				
Basic		**HK$1.11**	(HK$1.17)	**RMB0.92**	(RMB1.08)
Diluted		**HK$1.11**	(HK$1.17)	**RMB0.92**	(RMB1.08)

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, 2021 (Unaudited)

			For information purpose only	
	2021	2020	**2021**	2020
	HK$ Million	HK$ Million	**RMB Million**	RMB Million
Profit/(loss) for the period	**2,872**	(2,496)	**2,392**	(2,302)
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss:				
Movement in exchange reserve:				
Exchange difference arising from translation to presentation currency	**1,289**	(2,007)	**(318)**	907
Net investment hedge – net (loss)/gain	**(10)**	20	**(9)**	18
Movement in hedging reserve:				
Effective portion of changes in fair value	**7**	(44)	**6**	(40)
Net amount transferred to profit or loss	**7**	46	**6**	42
Deferred tax	**(1)**	3	**(1)**	3
Item that will not be reclassified to profit or loss:				
Net change in fair value of equity investments	**(1)**	1	**(1)**	1
Other comprehensive income for the period, net of tax	**1,291**	(1,981)	**(317)**	931
Total comprehensive income for the period	**4,163**	(4,477)	**2,075**	(1,371)
Attributable to:				
Shareholders	**2,227**	(2,696)	**1,057**	(905)
Non-controlling interests	**1,936**	(1,781)	**1,018**	(466)
Total comprehensive income for the period	**4,163**	(4,477)	**2,075**	(1,371)

The accompanying notes form part of the interim financial report.

Consolidated Statement of Financial Position

At June 30, 2021

	Note	**(Unaudited) June 30, 2021 HK$ Million**	(Audited) December 31, 2020 HK$ Million	*For information purpose only* **June 30, 2021 RMB Million**	*For information purpose only* December 31, 2020 RMB Million
Non-current assets					
Property, plant and equipment					
Investment properties	9	**183,232**	173,235	**152,499**	145,654
Investment properties under development	9	**20,816**	27,544	**17,321**	23,181
Other property, plant and equipment		**249**	250	**207**	210
		204,297	201,029	**170,027**	169,045
Interest in joint ventures		**3,731**	3,781	**3,107**	3,173
Other assets		**1,435**	1,436	**1,195**	1,205
Deferred tax assets		**88**	91	**73**	76
		209,551	206,337	**174,402**	173,499
Current assets					
Cash and deposits with banks		**4,845**	6,793	**4,033**	5,706
Trade and other receivables	10	**3,124**	3,531	**2,600**	2,969
Properties for sale		**11,251**	8,009	**9,366**	6,731
Assets held for sale	11	**2**	69	**2**	58
		19,222	18,402	**16,001**	15,464
Current liabilities					
Bank loans and other borrowings		**8,594**	7,863	**7,155**	6,604
Trade and other payables	12	**9,699**	10,853	**8,072**	9,129
Lease liabilities		**26**	26	**22**	22
Current tax payable		**489**	659	**407**	554
		18,808	19,401	**15,656**	16,309
Net current assets/(liabilities)		**414**	(999)	**345**	(845)
Total assets less current liabilities		**209,965**	205,338	**174,747**	172,654

	Note	(Unaudited) June 30, 2021 HK$ Million	(Audited) December 31, 2020 HK$ Million	*For information purpose only* June 30, 2021 RMB Million	*For information purpose only* December 31, 2020 RMB Million
Non-current liabilities					
Bank loans and other borrowings		**32,660**	30,907	**27,188**	25,962
Lease liabilities		**300**	302	**250**	254
Deferred tax liabilities		**15,416**	14,790	**12,828**	12,447
		48,376	45,999	**40,266**	38,663
NET ASSETS		**161,589**	159,339	**134,481**	133,991
Capital and reserves					
Share capital	13	**4,065**	4,065	**3,164**	3,164
Reserves		**89,410**	88,040	**74,631**	74,283
Shareholders' equity		**93,475**	92,105	**77,795**	77,447
Non-controlling interests		**68,114**	67,234	**56,686**	56,544
TOTAL EQUITY		**161,589**	159,339	**134,481**	133,991

The accompanying notes form part of the interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended June 30, 2021 (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, 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**
Net investment hedge – net loss	**–**	**(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**
At January 1, 2020	4,065	3,280	83,949	91,294	67,033	158,327
Loss for the period	–	–	(1,595)	(1,595)	(901)	(2,496)
Exchange difference arising from translation to presentation currency	–	(1,117)	–	(1,117)	(890)	(2,007)
Net investment hedge – net gain	–	12	–	12	8	20
Cash flow hedges: net movement in hedging reserve	–	3	–	3	2	5
Net change in fair value of equity investments	–	1	–	1	–	1
Total comprehensive income for the period	–	(1,101)	(1,595)	(2,696)	(1,781)	(4,477)
Dividends in respect of previous year						
– Special	–	–	(354)	(354)	–	(354)
– Final	–	–	(858)	(858)	–	(858)
Employee share-based payments	–	(45)	66	21	11	32
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	–	157	–	157	(323)	(166)
Dividend paid to non-controlling interests	–	–	–	–	(1,111)	(1,111)
At June 30, 2020	4,065	2,291	81,208	87,564	63,829	151,393

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, 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)**
Net investment hedge – net loss	**–**	**(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**
At January 1, 2020	3,164	8,462	70,197	81,823	60,062	141,885
Loss for the period	–	–	(1,469)	(1,469)	(833)	(2,302)
Exchange difference arising from translation to presentation currency	–	549	–	549	358	907
Net investment hedge – net gain	–	11	–	11	7	18
Cash flow hedges: net movement in hedging reserve	–	3	–	3	2	5
Net change in fair value of equity investments	–	1	–	1	–	1
Total comprehensive income for the period	–	564	(1,469)	(905)	(466)	(1,371)
Dividends in respect of previous year						
– Special	–	–	(325)	(325)	–	(325)
– Final	–	–	(789)	(789)	–	(789)
Employee share-based payments	–	(41)	60	19	10	29
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	–	142	–	142	(292)	(150)
Dividend paid to non-controlling interests	–	–	–	–	(1,021)	(1,021)
At June 30, 2020	3,164	9,127	67,674	79,965	58,293	138,258

Condensed Consolidated Cash Flow Statement

For the six months ended June 30, 2021 (Unaudited)

	2021 HK$ Million	2020 HK$ Million	*For information purpose only* 2021 RMB Million	*For information purpose only* 2020 RMB Million
Operating activities				
Operating cash flow before changes in working capital	**3,658**	3,018	**3,049**	2,735
Increase in properties for sale	**(2,674)**	(63)	**(2,230)**	(58)
Other changes in working capital	**59**	(410)	**40**	(364)
Income tax paid	**(813)**	(846)	**(678)**	(766)
Net cash generated from operating activities	**230**	1,699	**181**	1,547
Investing activities				
Payment for property, plant and equipment	**(1,979)**	(1,530)	**(1,661)**	(1,361)
Decrease in bank deposits with maturity greater than 3 months	**12**	–	**10**	–
Other cash flows arising from investing activities	**147**	41	**124**	35
Net cash used in investing activities	**(1,820)**	(1,489)	**(1,527)**	(1,326)
Financing activities				
Proceeds from new bank loans and other borrowings	**12,592**	11,606	**10,493**	10,571
Repayment of bank loans and other borrowings	**(10,290)**	(8,603)	**(8,575)**	(7,852)
Interest and other borrowing costs paid	**(732)**	(719)	**(609)**	(651)
Dividend paid	**(858)**	(1,212)	**(711)**	(1,114)
Dividend paid to non-controlling interests	**(1,110)**	(1,111)	**(920)**	(1,021)
Other cash flows arising from/(used in) financing activities	**13**	(177)	**11**	(160)
Net cash used in financing activities	**(385)**	(216)	**(311)**	(227)
Decrease in cash and cash equivalents	**(1,975)**	(6)	**(1,657)**	(6)
Effect of foreign exchange rate changes	**29**	(28)	**(5)**	5
Cash and cash equivalents at January 1	**5,508**	1,727	**4,627**	1,547
Cash and cash equivalents at June 30	**3,562**	1,693	**2,965**	1,546
Analysis of the balance of cash and cash equivalents				
Cash and deposits with banks	**4,845**	3,626	**4,033**	3,311
Less: Bank deposits with maturity greater than 3 months	**(1,283)**	(1,933)	**(1,068)**	(1,765)
Cash and cash equivalents at June 30	**3,562**	1,693	**2,965**	1,546

The accompanying notes 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 43 to 44.

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 2020 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 2020 as if the presentation currency is Renminbi.

The financial information relating to the financial year ended December 31, 2020 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, 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

2. REVENUE AND SEGMENT INFORMATION

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

Segment assets principally comprise all non-current assets and current assets directly attributable to each segment with the exception of interest in joint ventures, other assets, deferred tax assets and cash and deposits with banks.

(a) Disaggregation of revenue

Revenue for the six months ended June 30, 2021 is analyzed as follows:

HK$ Million	**2021**	2020
Under the scope of HKFRS 16, *Leases*:		
Rental income	**4,673**	3,948
Under the scope of HKFRS 15, *Revenue from contracts with customers:*		
Building management fees and other income from property leasing	**602**	509
	5,275	4,457

2. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Revenue and results by segments

HK$ Million	**2021**			2020		
	Property Leasing	**Property Sales**	**Total**	Property Leasing	Property Sales	Total
Revenue						
– Mainland China	**3,526**	**–**	**3,526**	2,480	–	2,480
– Hong Kong	**1,749**	**–**	**1,749**	1,977	–	1,977
	5,275	**–**	**5,275**	4,457	–	4,457
Profit from operations before changes in fair value of properties						
– Mainland China	**2,269**	**(9)**	**2,260**	1,488	(2)	1,486
– Hong Kong	**1,348**	**(13)**	**1,335**	1,475	(2)	1,473
	3,617	**(22)**	**3,595**	2,963	(4)	2,959
Net increase/(decrease) in fair value of properties	**606**	**–**	**606**	(4,805)	–	(4,805)
– Mainland China	**1,360**	**–**	**1,360**	(2,419)	–	(2,419)
– Hong Kong	**(754)**	**–**	**(754)**	(2,386)	–	(2,386)
Net interest expense	**(190)**	**–**	**(190)**	(50)	–	(50)
– Interest income	**48**	**–**	**48**	35	–	35
– Finance costs	**(238)**	**–**	**(238)**	(85)	–	(85)
Share of losses of joint ventures	**(31)**	**–**	**(31)**	(167)	–	(167)
Profit/(loss) before taxation	**4,002**	**(22)**	**3,980**	(2,059)	(4)	(2,063)
Taxation	**(1,110)**	**2**	**(1,108)**	(433)	–	(433)
Profit/(loss) for the period	**2,892**	**(20)**	**2,872**	(2,492)	(4)	(2,496)
Net profit/(loss) attributable to shareholders	**1,520**	**(12)**	**1,508**	(1,593)	(2)	(1,595)

2. REVENUE AND SEGMENT INFORMATION (Continued)

(c) Total segment assets

HK$ Million	**June 30, 2021**			December 31, 2020		
	Property Leasing	**Property Sales**	**Total**	Property Leasing	Property Sales	Total
Mainland China	**144,164**	**4,116**	**148,280**	140,137	3,739	143,876
Hong Kong	**63,257**	**7,137**	**70,394**	64,422	4,340	68,762
	207,421	**11,253**	**218,674**	204,559	8,079	212,638
Interest in joint ventures			**3,731**			3,781
Other assets			**1,435**			1,436
Deferred tax assets			**88**			91
Cash and deposits with banks			**4,845**			6,793
			228,773			224,739

3. OTHER NET INCOME

HK$ Million	**2021**	2020
Government grants	**29**	21
Ineffectiveness on cash flow hedges	**–**	1
Others	**4**	5
	33	27

4. NET INTEREST EXPENSE

HK$ Million	**2021**	2020
Interest income on bank deposits	**48**	35
Interest expense on bank loans and other borrowings	**729**	708
Interest on lease liabilities	**8**	8
Other borrowing costs	**38**	35
Total borrowing costs	**775**	751
Less: Borrowing costs capitalized	**(537)**	(666)
Finance costs	**238**	85
Net interest expense	**(190)**	(50)

5. PROFIT/(LOSS) BEFORE TAXATION

HK$ Million	**2021**	2020
Profit/(loss) before taxation is arrived at after charging:		
Staff costs (Note)	**760**	694
Depreciation	**33**	28

Note: The staff costs included employee share-based payments of HK$29 million (2020: HK$32 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$893 million (2020: HK$816 million).

6. TAXATION IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Provision for Hong Kong Profits Tax is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the period. Mainland China Income Tax represents mainland China Corporate Income Tax calculated at 25% (2020: 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% (2020: 5%).

HK$ Million	**2021**	2020
Current tax		
Hong Kong Profits Tax	**155**	172
Mainland China Income Tax	**484**	335
Total current tax	**639**	507
Deferred tax		
Changes in fair value of properties	**340**	(180)
Other origination and reversal of temporary differences	**129**	106
Total deferred tax	**469**	(74)
Total income tax expense	**1,108**	433

7. DIVIDENDS

(a) Interim dividend

HK$ Million	**2021**	2020
Proposed after the end of the reporting period:		
HK21 cents (2020: HK19 cents) per share	**286**	258

The dividend proposed after the end of the reporting period has not been recognized as a liability at the end of the reporting period.

(b) Final dividend approved and paid during the six months ended June 30, 2021

HK$ Million	**2021**	2020
2020 final dividend of HK63 cents		
(2019: HK63 cents) per share	**858**	858
2019 special dividend of HK26 cents per share	**–**	354
	858	1,212

8. EARNINGS/(LOSS) PER SHARE

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

HK$ Million	**2021**	2020
Net profit/(loss) attributable to shareholders	**1,508**	(1,595)

	Number of shares	
	2021	2020
Weighted average number of shares used in calculating basic and diluted earnings/(loss) per share (Note)	**1,361,618,242**	1,361,618,242

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

8. EARNINGS/(LOSS) 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	**2021**	2020
Net profit/(loss) attributable to shareholders	**1,508**	(1,595)
Effect of changes in fair value of properties	**(606)**	4,805
Effect of corresponding income tax	**340**	(180)
Effect of changes in fair value of investment properties of joint ventures	**79**	237
	(187)	4,862
Non-controlling interests	**177**	(1,931)
	(10)	2,931
Underlying net profit attributable to shareholders	**1,498**	1,336

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

	2021	2020
Basic	**HK$1.10**	HK$0.98
Diluted	**HK$1.10**	HK$0.98

9. INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES UNDER DEVELOPMENT

(a) Additions

During the six months ended June 30, 2021, additions to investment properties and investment properties under development amounted to HK$1,118 million (2020: HK$1,328 million).

(b) Valuation

The investment properties and investment properties under development of the Group were revalued as of June 30, 2021 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, 2021**	December 31, 2020
Not past due or less than 1 month past due	**84**	116
1 – 3 months past due	**8**	26
More than 3 months past due	**6**	11
	98	153

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$300 million (December 31, 2020: HK$297 million).

11. ASSETS HELD FOR SALE

On June 17, 2021, the Group entered into a sale and purchase agreement with an independent third party to dispose of a car parking space at AquaMarine in Hong Kong. Accordingly, the asset is presented as "assets held for sale". The transaction is scheduled to be completed in August 2021.

The balance at December 31, 2020 represented 44 car parking spaces at AquaMarine and The Long Beach in Hong Kong which were disposed of in the first half of 2021.

12. TRADE AND OTHER PAYABLES

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

HK$ Million	**June 30, 2021**	December 31, 2020
Due within 3 months	**1,775**	4,424
Due after 3 months	**3,516**	2,040
	5,291	6,464

13. SHARE CAPITAL

	At January 1, 2021 and June 30, 2021		At January 1, 2020 and December 31, 2020	
	Number of shares	**Amount of share capital**	Number of shares	Amount of share capital
	Million	**HK$ Million**	Million	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, 2020 and the six months ended June 30, 2021.

14. SHARE OPTION SCHEMES

The share option scheme adopted by the Company's subsidiary, Hang Lung Properties Limited (HLP), on November 22, 2002 (the "2002 Share Option Scheme") was terminated upon the adoption of a new share option scheme on April 18, 2012 (the "2012 Share Option Scheme"). No further options shall be offered under the 2002 Share Option Scheme, but in all other respects the provisions of the 2002 Share Option Scheme shall remain in full force and effect and all options granted prior to such termination and not exercised at the date of termination shall remain valid. The share options granted under the above two share option schemes to the directors and employees of HLP group 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 of HLP during the six months ended June 30, 2021 were as follows:

(a) 2002 Share Option Scheme

Date granted	Number of share options: Outstanding on January 1, 2021	Number of share options: Forfeited/ Lapsed	Number of share options: **Outstanding on June 30, 2021**	Period during which options are exercisable	Exercise price (HK$)
June 13, 2011	17,620,000	(17,620,000)	**–**	June 13, 2013 to June 12, 2021	30.79

All the above 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 options were exercised or cancelled during the six months ended June 30, 2021.

During the six months ended June 30, 2021, 600,000 options (2020: Nil) were forfeited upon cessations of a grantee's employment and 17,020,000 options (2020: 13,380,000 options) lapsed due to the expiry of the period for exercising the options.

14. SHARE OPTION SCHEMES (Continued)

(b) 2012 Share Option Scheme

	Number of share options					Period during	Exercise
Date granted	Outstanding on January 1, 2021	Granted	Exercised	Forfeited/ Lapsed	**Outstanding on June 30, 2021**	which options are exercisable	price (HK$)
June 4, 2013	24,220,000	–	–	(680,000)	**23,540,000**	June 4, 2015 to June 3, 2023	28.20
December 5, 2014	20,820,000	–	–	(600,000)	**20,220,000**	December 5, 2016 to December 4, 2024	22.60
August 10, 2017	32,931,000	–	(1,291,000)	(770,000)	**30,870,000**	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	48,819,000	–	(11,000)	(2,239,000)	**46,569,000**	June 28, 2021 to June 27, 2029	18.58
May 12, 2021	–	65,505,000	–	(710,000)	**64,795,000**	May 12, 2023 to May 11, 2031	19.95
Total	136,790,000	65,505,000	(1,302,000)	(4,999,000)	**195,994,000**		

All the above 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 options were cancelled during the six months ended June 30, 2021.

In respect of options granted during the six months ended June 30, 2021, the closing share price of HLP immediately before the date of grant was HK$19.48.

The weighted average closing share prices of HLP immediately before the dates of exercise by the director and employees during the six months ended June 30, 2021 were HK$19.46 and HK$21.34 respectively.

The weighted average closing share price of HLP at the dates of exercise for share options exercised during the six months ended June 30, 2021 was HK$20.46.

14. SHARE OPTION SCHEMES (Continued)

(b) 2012 Share Option Scheme (Continued)

During the six months ended June 30, 2021, 4,999,000 options (2020: 4,202,000 options) were forfeited upon cessations of the grantees' employments.

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 options were granted. In respect of the share options granted during the six months ended June 30, 2021, the fair value, terms and conditions, and assumptions are as follows:

Fair value at grant date	HK$2.66
Share price at grant date	HK$19.60
Exercise price	HK$19.95
Risk-free interest rate	0.73%
Expected life (in years)	6
Expected volatility	25.34%
Expected dividends per share	HK$0.76

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, 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**
Net investment hedge – net loss	**(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**
At January 1, 2020	(1,978)	(1)	68	443	275	4,473	3,280	83,949	87,229
Loss for the period	–	–	–	–	–	–	–	(1,595)	(1,595)
Exchange difference arising from translation to presentation currency	(1,117)	–	–	–	–	–	(1,117)	–	(1,117)
Net investment hedge – net gain	12	–	–	–	–	–	12	–	12
Cash flow hedges: net movement in hedging reserve	–	3	–	–	–	–	3	–	3
Net change in fair value of equity investments	–	–	1	–	–	–	1	–	1
Total comprehensive income for the period	(1,105)	3	1	–	–	–	(1,101)	(1,595)	(2,696)
Dividends in respect of previous year									
– Special	–	–	–	–	–	–	–	(354)	(354)
– Final	–	–	–	–	–	–	–	(858)	(858)
Employee share-based payments	–	–	–	(45)	–	–	(45)	66	21
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	–	–	–	–	–	157	157	–	157
At June 30, 2020	(3,083)	2	69	398	275	4,630	2,291	81,208	83,499

16. 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

16. 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		Fair value measurements categorized into
	June 30, 2021	December 31, 2020	
Financial assets			
Trade and other receivables			
Cross currency swaps (cash flow hedges)	**3**	2	Level 2
Other assets			
Investment in equity instruments	**95**	96	Level 3
Financial liabilities			
Trade and other payables			
Cross currency swaps (cash flow hedges)	**–**	(1)	Level 2
Interest rate swaps (cash flow hedges)	**(50)**	(59)	Level 2

16. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

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

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

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

During the six months ended June 30, 2021, there were no transfers of instruments between Level 1 and Level 2, or transfers into or out of Level 3 (2020: Nil). 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 cost or amortized cost were not materially different from their fair values as of December 31, 2020 and June 30, 2021.

17. COMMITMENTS

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

HK$ Million	**June 30, 2021**	December 31, 2020
Contracted for	**4,005**	4,304
Authorized but not contracted for	**15,004**	15,049
	19,009	19,353

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.

18. 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 29, 2021.

FINANCIAL TERMS

Finance costs:	Total of interest expense on total borrowings and other borrowing costs, net of amount capitalized
Total borrowings:	Total of bank loans & other borrowings, net of unamortized other borrowing costs
Net debt:	Total borrowings net of cash and deposits with banks
Net profit/(loss) attributable to shareholders:	Profit/(loss) for the period (after tax) less amounts attributable to non-controlling interests
Underlying net profit attributable to shareholders:	Net profit/(loss) attributable to shareholders excluding changes in fair value of properties net of related income tax and non-controlling interests

FINANCIAL RATIOS

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

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

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

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

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

FINANCIAL CALENDAR

Financial period	January 1, 2021 to June 30, 2021
Announcement of interim results	July 29, 2021
Latest time for lodging transfers	4:30 p.m. on September 13, 2021
Closure of share register	September 14 to 15, 2021 (both days inclusive)
Record date for interim dividend	September 15, 2021
Payment date for interim dividend	September 29, 2021

SHARE LISTING

As at June 30, 2021, 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: 10 HK
CUSIP Number/Ticker Symbol for ADR Code: 41043E102/HNLGY

SHARE INFORMATION

Share price as at June 30, 2021: HK$19.80
Market capitalization as at June 30, 2021: HK$26.96 billion

SHARE REGISTRAR

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

INVESTOR RELATIONS CONTACT

C.F. Kwan
Email: ir@hanglung.com