恒隆集團有限公司

HANG LUNG GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00010)

2022 INTERIM RESULTS

CONTENTS

恒隆集團
HANG LUNG GROUP

FINANCIAL HIGHLIGHTS

in HK$ Million (unless otherwise stated)

RESULTS

For the six months ended June 30

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

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

Earnings and Dividend (HK$)

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

Financial Ratios

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

REVIEW OF OPERATIONS

CONSOLIDATED RESULTS

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

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

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

Revenue and Operating Profit for the Six Months Ended June 30

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

DIVIDEND

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

PROPERTY LEASING

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

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

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

Mainland China[1]

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

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

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

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

- *Malls*

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

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

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

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

Opened in March 2021

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

Luxury malls

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

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

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

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

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

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

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

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

Sub-luxury malls

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

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

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

- *Offices*

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

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

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

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

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

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

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

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

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

- *Residential & Serviced Apartments*

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

- *Hotel*

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

Hong Kong

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

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

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

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

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

- *Retail*

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

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

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

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

- *Offices and Industrial/Office*

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

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

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

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

- *Residential & Serviced Apartments*

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

PROPERTY SALES

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

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

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

SHARE OF RESULTS OF JOINT VENTURES

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

PROPERTY REVALUATION

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

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

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

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

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

PROPERTY DEVELOPMENT AND CAPITAL COMMITMENT

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

Mainland China

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

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

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

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

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

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

Hong Kong

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

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

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

FINANCING MANAGEMENT

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

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

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

As part of our environmental, social and governance (ESG) initiatives, the Group continues to make more use of sustainable finance. During the first half of 2022, we issued green bonds worth HK$1.2 billion, obtained HK$0.6 billion green loan facilities, and HK$0.8 billion sustainability-linked loan facilities. These are collectively referred to as sustainable finance, which now accounts for 31% of our total debts and available facilities. We plan to further increase the proportion.

- *Cash Management*

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

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

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

- *Debt Portfolio*

At the balance sheet date, total borrowings amounted to HK$44,898 million (December 31, 2021: HK$45,883 million), of which 28% was denominated in RMB to act as a natural hedge to net investments in mainland China.

Our fixed-rate borrowings primarily consist of medium-term notes (MTNs) and bank loans that are converted to fixed-rate through the use of interest rate swaps. The percentage of fixed-rate borrowings decreased to 40% of total borrowings as of June 30, 2022 due to the redemption of a US$500 million MTN in June 2022.

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

(i) by currency (after currency swap):

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

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

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

- *Gearing Ratios*

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

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

- *Maturity Profile and Refinancing*

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

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

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

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

- *Net Finance Costs and Interest Cover*

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

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

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

- *Foreign Exchange Management*

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

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

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

- *Charge of Assets*

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

- *Contingent Liabilities*

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

CORPORATE INITIATIVES

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

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

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

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

OUTLOOK

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

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

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

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED JUNE 30, 2022 (UNAUDITED)

	Note	2022 HK$ Million	2021 HK$ Million	*For information purpose only* 2022 RMB Million	*For information purpose only* 2021 RMB Million
Revenue	2(a)	**5,605**	5,275	**4,634**	4,396
Direct costs and operating expenses		**(1,676)**	(1,427)	**(1,385)**	(1,189)
		3,929	3,848	**3,249**	3,207
Other net income	3	**12**	33	**11**	28
Administrative expenses		**(320)**	(286)	**(265)**	(238)
Profit from operations before changes in fair value of properties		**3,621**	3,595	**2,995**	2,997
Net (decrease)/increase in fair value of properties		**(217)**	606	**(185)**	502
Profit from operations after changes in fair value of properties		**3,404**	4,201	**2,810**	3,499
Interest income		**35**	48	**29**	40
Finance costs		**(265)**	(238)	**(219)**	(199)
Net interest expense	4	**(230)**	(190)	**(190)**	(159)
Share of profits/(losses) of joint ventures	13	**116**	(31)	**97**	(26)
Profit before taxation	5	**3,290**	3,980	**2,717**	3,314
Taxation	6	**(783)**	(1,108)	**(649)**	(922)
Profit for the period	2(b)	**2,507**	2,872	**2,068**	2,392
Attributable to:					
Shareholders		**1,439**	1,508	**1,188**	1,257
Non-controlling interests		**1,068**	1,364	**880**	1,135
Profit for the period		**2,507**	2,872	**2,068**	2,392
Earnings per share	8(a)				
Basic		**HK$1.06**	HK$1.11	**RMB0.87**	RMB0.92
Diluted		**HK$1.06**	HK$1.11	**RMB0.87**	RMB0.92

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2022 (UNAUDITED)

			For information purpose only	
	2022 HK$ Million	2021 HK$ Million	**2022 RMB Million**	2021 RMB Million
Profit for the period	**2,507**	2,872	**2,068**	2,392
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss:				
Movement in exchange reserve:				
Exchange difference arising from translation to presentation currency	**(5,336)**	1,289	**1,691**	(318)
Gain/(loss) on net investment hedge	**4**	(10)	**4**	(9)
Movement in hedging reserve:				
Effective portion of changes in fair value	**95**	7	**79**	6
Net amount transferred to profit or loss	**(11)**	7	**(9)**	6
Deferred tax	**(13)**	(1)	**(11)**	(1)
Item that will not be reclassified to profit or loss:				
Net change in fair value of equity investments	**(1)**	(1)	(1)	(1)
Other comprehensive income for the period, net of tax	**(5,262)**	1,291	**1,753**	(317)
Total comprehensive income for the period	**(2,755)**	4,163	**3,821**	2,075
Attributable to:				
Shareholders	**(1,537)**	2,227	**2,305**	1,057
Non-controlling interests	**(1,218)**	1,936	**1,516**	1,018
Total comprehensive income for the period	**(2,755)**	4,163	**3,821**	2,075

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT JUNE 30, 2022

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The interim results set out in the announcement do not constitute the interim report for the six months ended June 30, 2022 of Hang Lung Group Limited (the "Company") and its subsidiaries (collectively the "Group") but are extracted from the report.

The unaudited interim financial report has been prepared in accordance with Hong Kong Accounting Standard (HKAS) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The preparation of interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

The HKICPA has issued certain amendments to Hong Kong Financial Reporting Standards (HKFRSs) that are first effective for the current accounting period of 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 the announcement. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements.

The presentation currency of these consolidated financial statements is Hong Kong dollar. In view of the Group's significant business operations in mainland China, management has included additional financial information prepared in Renminbi in the consolidated financial statements. Such supplementary information is prepared on the same basis as 2021 as if the presentation currency is Renminbi.

1. BASIS OF PREPARATION (Continued)

The financial information relating to the financial year ended December 31, 2021 included in this announcement of interim results as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended December 31, 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

2. REVENUE AND SEGMENT INFORMATION

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

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

(a) Disaggregation of revenue

Revenue for the six months ended June 30, 2022 is analyzed as follows:

HK$ Million	**2022**	2021
Under the scope of HKFRS 16, *Leases*:		
Rental income	**4,624**	4,673
Under the scope of HKFRS 15, *Revenue from contracts with customers*:		
Sales of completed properties	**316**	-
Building management fees and other income from property leasing	**665**	602
	981	602
	5,605	5,275

2. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Revenue and results by segments

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

2. REVENUE AND SEGMENT INFORMATION (Continued)

(c) Total segment assets

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

3. OTHER NET INCOME

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

4. NET INTEREST EXPENSE

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

5. PROFIT BEFORE TAXATION

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

Note: The staff costs included employee share-based payments of HK$45 million (2021: HK$29 million). If the amounts not recognized in the statement of profit or loss, including amounts capitalized, were accounted for, staff costs would have been HK$947 million (2021: HK$893 million).

6. TAXATION IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Provision for Hong Kong Profits Tax is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the period. Mainland China Income Tax represents mainland China Corporate Income Tax calculated at 25% (2021: 25%) and mainland China withholding income tax calculated at the applicable rates. The withholding tax rate applicable to Hong Kong companies in respect of dividend distributions from foreign investment enterprises in mainland China was 5% (2021: 5%).

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

7. DIVIDENDS

(a) Interim dividend

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

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

(b) Final dividend approved and paid during the six months ended June 30, 2022

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

8. EARNINGS PER SHARE

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

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

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

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

8. EARNINGS PER SHARE (Continued)

(b) The underlying net profit attributable to shareholders, which excluded changes in fair value of properties net of related income tax and non-controlling interests, is calculated as follows:

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

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

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

9. INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES UNDER DEVELOPMENT

(a) Additions

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

(b) Valuation

The investment properties and investment properties under development of the Group were revalued as of June 30, 2022 by Mr. Charles C.K. Chan, Registered Professional Surveyor (General Practice), of Savills Valuation and Professional Services Limited, on a market value basis.

10. TRADE AND OTHER RECEIVABLES

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

HK$ Million	**June 30, 2022**	December 31, 2021
Not past due or less than 1 month past due	**141**	117
1 – 3 months past due	**60**	7
More than 3 months past due	**4**	4
	205	128

(b) The Group maintains a defined credit policy including stringent credit evaluation on and payment of a rental deposit from tenants. In addition to the payment of rental deposits, tenants are required to pay monthly rents in respect of leased properties in advance. Receivables are regularly reviewed and closely monitored to minimize any associated credit risk.

Provision for expected credit losses was assessed and adequately made on a tenant-by-tenant basis, based on the historical default experience and forward-looking information that may impact the tenants' ability to repay the outstanding balances.

(c) Included in "other receivables" of the Group is a deposit of land acquisition in mainland China of HK$292 million (December 31, 2021: HK$306 million).

11. ASSETS HELD FOR SALE

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

12. TRADE AND OTHER PAYABLES

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

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

13. ACQUISITION OF ADDITIONAL INTERESTS IN JOINT VENTURES

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

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

OTHER INFORMATION

Employees

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

Purchase, Sale or Redemption of Listed Securities

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

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

Compliance with Corporate Governance Code

During the six months ended June 30, 2022, the Company complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Review of Interim Results

The interim results for the six months ended June 30, 2022, have been reviewed by the Company's Audit Committee and auditor, KPMG.

Book Close Dates

Book close dates (both days inclusive)	September 14 to 15, 2022
Latest time to lodge transfers	4:30 pm on September 13, 2022
Record date for interim dividend	September 15, 2022
Payment date for interim dividend	September 29, 2022

On Behalf of the Board
Ronnie C. Chan
Chair

Hong Kong, July 28, 2022

As of the date of this announcement, the board of directors of the Company comprises the following directors:
Executive Directors: Mr. Ronnie C. CHAN, Mr. Adriel CHAN, Mr. Weber W.P. LO and Mr. Kenneth K.K. CHIU
Non-Executive Directors: Mr. Gerald L. CHAN, Mr. George K.K. CHANG and Mr. Roy Y.C. CHEN
Independent Non-Executive Directors: Mr. Simon S.O. IP, Prof. P.W. LIU, Prof. L.C. TSUI and Mr. Martin C.K. LIAO

GLOSSARY

Financial Terms

Finance costs: Total of interest expense on total borrowings and other borrowing costs, net of amount capitalized

Total borrowings: Total of bank loans and other borrowings, net of unamortized other borrowing costs

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

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

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

Financial Ratios

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

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

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

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

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