



2024
Interim Report

Hang Lung Properties Limited
Stock Code: 00101

We Do It Well

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HONORARY CHAIR

Ronnie C. Chan *GBM*

DIRECTORS

Adriel Chan (*Chair*)

Weber W.P. Lo (*Chief Executive Officer*)

Nelson W.L. Yuen*

Philip N.L. Chen*

Andrew K.C. Chan *BBS, JP**

Anita Y.M. Fung *BBS, JP**

Holly T.F. Li* (*appointed as an Independent*

Non-Executive Director on March 20, 2024)

Kenneth K.K. Chiu (*Chief Financial Officer*)

* *Independent Non-Executive Director*

AUDIT COMMITTEE

Anita Y.M. Fung *BBS, JP (Chair)*

Philip N.L. Chen

Andrew K.C. Chan *BBS, JP*

NOMINATION AND REMUNERATION COMMITTEE

Nelson W.L. Yuen (*Chair*)

Andrew K.C. Chan *BBS, JP*

Anita Y.M. Fung *BBS, JP*

AUTHORIZED REPRESENTATIVES

Weber W.P. Lo

Winnie Ma

COMPANY SECRETARY

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AUDITOR

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

CHAIR'S LETTER TO SHAREHOLDERS

Dear Stakeholders,

Over the past six months, the operating environment has been among the most challenging we have encountered in recent years. Our total revenue increased by 17% to HK\$6.1 billion, driven by property sales of HK\$1.2 billion. However, our main business — recurring rental revenues — slipped by 7% to HK\$4.9 billion, while the underlying leasing profit attributable to shareholders retreated by 22% to HK\$1.8 billion. We also recorded a valuation loss of HK\$0.6 billion.

Although the decline in underlying net profit was mostly due to the drop in rentals received, it was also significantly impacted by the 52% increase in interest expenses over the same period in 2023 (calculated excluding capitalized interest). If capitalized interest had been included, gross finance costs would have increased by 21%. Also incorporated in the above figures is a 2.8% depreciation of the Renminbi (RMB) against the Hong Kong Dollar.

Even before the start of 2024, we expected that the first half of the year would be challenging, given the first half of 2023 leasing revenues were record-breaking. As a result, management worked hard to try to keep the gap as narrow as possible. Regardless, the market proved to be less cooperative than anticipated, and tenant sales in our Shanghai malls decreased by over 20%, while our ex-Shanghai mall tenant sales fell by single digits. Considering the importance of our two Shanghai malls, this was enough to drag down our entire mainland China portfolio's tenant sales by 13%.

In the first few months of 2024, we — along with many of our luxury tenants — hoped the months that followed might help bring us back into positive territory. Unfortunately, by the second quarter, that looked increasingly unlikely, given weak sales in June. Anecdotally, luxury brands have now been revising down their 2024 full-year forecasts and have announced both delays and cancellations of new store openings. Thankfully, these have not hit us, as of yet.

The two main reasons for our decrease in underlying profits are straightforward: the reduction of tenant sales (resulting in reduced rental receipts), and higher interest expenses.

On the rental drop, there are several issues at play. The largest impact on our luxury sales over the past six months has been the cheaper Japanese Yen (JPY), which has driven outbound luxury tenant sales to Japan. In the first half of 2024, the JPY had devalued by 15%-20% against the RMB compared to the first half of 2023, making it that much cheaper to shop in Japan than onshore in China. The price difference widened to around 30% when tax refunds are taken into account. Partly as a result of that, in May 2024, Chinese tourist arrivals in Japan had increased by over 300% compared to May 2023. Alongside this focused increase in travel to Japan came a huge overall increase in outbound international travel by Chinese tourists, reaching nearly 400% of 2023 levels by the end of the first quarter. Considering the current trend, I do not expect this interest in outbound travel to lessen before the end of the summer.

The next most influential cause of our sales decline was the broad lack of consumer confidence across the market. One might understand this as the primary reason for the 4% fall in tenant sales in our malls outside of Shanghai, both luxury and sub-luxury. With economic uncertainty and tightened budgets, households have been reducing their discretionary spending. In the case of our malls, however, we believe this is more a reduction in visits or basket size rather than a “downgrade” in the quality of goods purchased. This national phenomenon might be reversed by a shift in sentiment or a shift in the macro environment, and most look to the government for signals of such. However, as of this writing, there has not yet been a compelling signal.

Finally, I want to reference a point made in previous discussions with investors and the media during the pandemic, which is the distribution of luxury purchases made by Chinese consumers onshore in mainland China, compared to those made offshore, overseas. One might consider this recent increase in outboard shopping a regression toward a mean. Ignoring the total size of the pie for a moment, Chinese consumers made only 35% of their luxury purchases “at home” on the Mainland before the pandemic. The other 65% was purchased offshore, for example, in Hong Kong, Europe, or Japan. During the pandemic, the onshore purchase amount increased to 100% since travel was impossible. Now that travel has resumed, it is fair to expect onshore Chinese luxury spending to normalize at a new level somewhere between 35% and 100%. Today, that figure sits at around 60%. This is a 40% drop from pandemic-era levels, and explains a significant portion of our sales decline. However, it is worth noting that the level of onshore luxury spending today is still over 70% above pre-pandemic levels. Although it is difficult to say where this number will normalize, I suspect that the worst will soon be behind us, given the previously cooped-up Chinese consumers will soon have had two full summers to travel and shop internationally; enough, I hope, to get the “travel bug” out of their systems.

The other side of our underlying net profit to shareholders equation is higher interest expenses. Unfortunately, interest rates remain more elevated than we had hoped. Although we would rather not increase our gearing or interest costs in this market, we have been well aware, for the past several years, that the Company would reach this level of debt, based on our regularly communicated capital expenditure plans.

Additional borrowings in recent years have been primarily associated with the remaining phases in Kunming, Wuhan, and Wuxi, as well as the construction of Westlake 66 in Hangzhou. Since the completion of Heartland Residences in Wuhan, The Aperture, and 228 Electric Road, we have stopped capitalizing interest on related construction loans, and those interest expenses now flow through our profit and loss statement. Combining these with higher Hong Kong interest rates explains the big jump in our interest costs. Based on the latest projections, we expect our debt and interest levels to peak in the mid-thirties percentage range over the next two years. We are comfortable with this.

Considering our higher interest costs, management has examined multiple options to reduce our debt burden, such as the active management of both capital expenditures and operating expenses, as well as offering scrip dividends in our 2023 final dividends payout. We said in January that our number one priority for additional cash was to pay down debt, followed by paying dividends, and then making new investments. Management envisions our priorities to remain similar until our debt and interest expense situations change.

While I do not see an immediate resolution to these macro headwinds, I am happy to report that the Company has not been sitting idle. We have made good progress on governance, management, operations, and sustainability, which will help us better withstand any external shocks and capture opportunities in the future. Some of you will have seen our appointment of Ms. Holly Li to our Board in March. Ms. Li is a seasoned retail expert who was formerly the CEO of Xtep, one of China's largest domestic sportswear companies. Her vast experience across China and all aspects of fashion and footwear retail is highly complementary to the Company's needs while also filling a skill gap on our Board.

Operationally, two of the most important factors in a retail setting are occupancy and foot traffic. In both metrics, we have improved generally across the board. Our retail occupancy and foot traffic are as strong as ever, achieving a four-point rise in total occupancy against the same period last year across our malls, where we increased the number of luxury tenants by 2%. Similarly, average foot traffic is up across our mainland China portfolio. Despite a dip in sales, these fundamentals prove that our business remains on sound footing. Furthermore, we have increased both our ratio and our absolute amount of fixed rentals despite the period's drop in sales rent.

I am also excited to announce that the first half of 2024 saw strong performance continue outside of Shanghai, broadening our income base and effectively awarding a strong "fourth leg" to our model. The first three legs are: 1) Hong Kong, 2) Shanghai malls, 3) mainland China offices, and now 4) ex-Shanghai malls. Each leg has a slightly different dynamic, so while they don't fully hedge each other, there is a broader base for future income stability.

Sustainability efforts and achievements have gone from strength to strength, with our partnership with LVMH entering its second year and both teams as energetic as ever. In addition to that unprecedented program, we have extended our sustainable tenant partnerships program, *Changemakers*. The program covers 16 tenants (both retail and office) across 14 properties in seven cities, together comprising a total leased area of more than 78,000 square meters. This represents a new milestone in our engagement with tenants and stakeholders to provide the most sustainable spaces in our markets.

Lastly, I will be unconventional and make a few broad observations on our share price — something we rarely do in writing, and even less so in this letter (for good reason). Exploring the details of micro-movements in the share price would be pointless, so I will focus on higher-order factors.

Many investors, including our major shareholders, have questioned why Hang Lung Properties has performed so poorly over the past decade and a half. Our share price has underperformed the Hang Seng Index (HSI) and most of our peers, yet this certainly does not reflect our operational performance. In order of magnitude of impact, I have identified three primary reasons for this:

- Geography – mainly the rotation of capital out of China and China-related businesses
- Sectoral – the entire real estate sector's share price underperformance
- Comparables – the lack of easily comparable companies/competitors.

As those engaged in global markets know, the reason for capital rotation out of China, including Hong Kong, is primarily geopolitical. Of course, the country has not done itself any favors with its unpredictable and, at times, awkwardly timed regulatory changes, but feedback from analysts and investors points to geopolitics being the main reason. Related partly to the market and partly to the regulatory changes mentioned above, the residential real estate market has completely deflated in mainland China. Although we are not selling into that market, stock market indices and categories have lumped us with these hugely underperforming developers. Naturally, this has affected our stock price, despite us being a different type of company.

This brings me to my third point, which is that although our business is not uncommon in and of itself (there are many companies with luxury mall portfolios in China and others with high-end offices), we are quite unique in that no one else has the same level of concentrated exposure to these segments as we do. Our closest competitors have, in addition to their luxury malls, either a huge supply of mid-size and mass malls as well as residential real estate, or much more significant exposure to Hong Kong as a percentage of their revenues. Therefore, it is difficult to benchmark us against our peers in the market since there are no truly direct comparables.

Our business model is quite exceptional, and I am convinced that it is fundamentally sound. Regardless of the recent softening in consumption across China, I see no reason for Chinese consumers to suddenly turn their backs on luxury goods or to stop visiting our malls. In fact, if there is one macro trend that I would bet on, it is that Chinese consumers will continue to seek a higher quality of life, partly through more premium goods and services, which is precisely what our projects offer.

At the end of the day, these are the realities of the market, and management will do what we can to mitigate them.

As this is my first letter as Chair since taking on this role, I wish to express both my thanks and my appreciation to you, our shareholders, for your continued support of Hang Lung over the years. Rest assured that we will continue to work as hard as ever to be the best operator that we can be, and to earn your trust, confidence, and continued support. I also express heartfelt thanks to my colleagues, who continue to work tirelessly to deliver our promise of *Doing it Well*, in order to create the most compelling spaces for our customers.

Adriel Chan

Chair

Hong Kong, July 30, 2024

FINANCIAL HIGHLIGHTS

in HK\$ Million (unless otherwise stated)

RESULTS

| | For the six months ended June 30 | | | | | |
|--|----------------------------------|----------------|--------------|------------------|----------------|-------|
| | 2024 | | | 2023 | | |
| | Property Leasing | Property Sales | Total | Property Leasing | Property Sales | Total |
| Revenue | 4,886 | 1,228 | 6,114 | 5,237 | – | 5,237 |
| – Mainland China | 3,338 | 25 | 3,363 | 3,554 | – | 3,554 |
| – Hong Kong | 1,548 | 1,203 | 2,751 | 1,683 | – | 1,683 |
| Operating profit/(loss) | 3,441 | (11) | 3,430 | 3,858 | (34) | 3,824 |
| – Mainland China | 2,224 | (20) | 2,204 | 2,483 | (20) | 2,463 |
| – Hong Kong | 1,217 | 9 | 1,226 | 1,375 | (14) | 1,361 |
| Underlying net profit/(loss) attributable to shareholders | 1,757 | (22) | 1,735 | 2,246 | (21) | 2,225 |
| Net (decrease)/increase in fair value of properties attributable to shareholders | (674) | – | (674) | 169 | – | 169 |
| Net profit/(loss) attributable to shareholders | 1,083 | (22) | 1,061 | 2,415 | (21) | 2,394 |

| | At June 30, 2024 | At December 31, 2023 |
|---|------------------|----------------------|
| Shareholders' equity | 131,979 | 132,408 |
| Net assets attributable to shareholders per share (HK\$) | \$28.0 | \$29.4 |

Earnings and Dividend (HK\$)

| | 2024 | 2023 |
|---|---------------|--------|
| Earnings per share | | |
| – Based on underlying net profit attributable to shareholders | \$0.38 | \$0.49 |
| – Based on net profit attributable to shareholders | \$0.23 | \$0.53 |
| Interim dividend per share | \$0.12 | \$0.18 |

Financial Ratios

| | At June 30, 2024 | At December 31, 2023 |
|---------------------------------|------------------|----------------------|
| Net debt to equity ratio | 32.9% | 31.9% |
| Debt to equity ratio | 37.5% | 35.7% |

CONSOLIDATED RESULTS

The total revenue of Hang Lung Properties Limited (the “Company”) and its subsidiaries (collectively known as “Hang Lung Properties”) for the six months ended June 30, 2024 was HK\$6,114 million, representing a 17% increase against the same period last year with the recognition of property sales revenue of HK\$1,228 million (2023: Nil). Revenue from property leasing decreased by 7% to HK\$4,886 million, primarily affected by weakened luxury consumption in the Mainland, the softening of retail and office markets in Hong Kong, and the Renminbi (RMB) depreciation. The overall operating profit dropped by 10% to HK\$3,430 million.

The underlying net profit attributable to shareholders declined by 22% to HK\$1,735 million, mainly attributable to lower operating leasing profits and higher finance costs. The underlying earnings per share fell correspondingly to HK\$0.38.

Hang Lung Properties reported a net profit attributable to shareholders of HK\$1,061 million (2023: HK\$2,394 million) when including a net revaluation loss on properties attributable to shareholders of HK\$674 million (2023: net revaluation gain of HK\$169 million). The corresponding earnings per share was HK\$0.23 (2023: HK\$0.53).

Revenue and Operating Profit for the Six Months Ended June 30

| | Revenue | | | Operating Profit/(Loss) | | |
|-------------------------|----------------------|----------------------|--------|-------------------------|----------------------|--------|
| | 2024 HK\$ Million | 2023 HK\$ Million | Change | 2024 HK\$ Million | 2023 HK\$ Million | Change |
| Property Leasing | 4,886 | 5,237 | -7% | 3,441 | 3,858 | -11% |
| Mainland China | 3,338 | 3,554 | -6% | 2,224 | 2,483 | -10% |
| Hong Kong | 1,548 | 1,683 | -8% | 1,217 | 1,375 | -11% |
| Property Sales | 1,228 | – | N/A | (11) | (34) | 68% |
| Mainland China | 25 | – | N/A | (20) | (20) | – |
| Hong Kong | 1,203 | – | N/A | 9 | (14) | N/A |
| Total | 6,114 | 5,237 | 17% | 3,430 | 3,824 | -10% |

DIVIDEND

The board of directors (the “Board”) of the Company has declared an interim dividend of HK12 cents per share for 2024 (2023: HK18 cents) to shareholders whose names are listed on the register of members on August 16, 2024.

The Board proposes that eligible shareholders be given the option to elect to receive the interim dividend in cash, or in the form of new shares in lieu of cash in respect of part or all of such dividend (the “Scrip Dividend Arrangement”). The Scrip Dividend Arrangement is conditional upon The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued pursuant to the Scrip Dividend Arrangement.

A circular containing details of the Scrip Dividend Arrangement and the form of election for scrip dividend has been despatched to the eligible shareholders on August 26, 2024. It is expected that the interim dividend warrants and the share certificates to be issued under the Scrip Dividend Arrangement will be despatched to the shareholders on or about September 25, 2024.

PROPERTY LEASING

For the six months ended June 30, 2024, the overall rental revenue decreased by 7% to HK\$4,886 million. Rental revenue of our Mainland portfolio dropped by 3% in RMB terms and 6% in HKD terms after considering the RMB depreciation against the same period last year. Our Hong Kong portfolio recorded a decline of 8% in rental revenue.

On the Mainland, after a strong rebound in the first half of 2023, momentum began to wane with softening sentiment continuing into 2024. As a result, luxury retail consumption remained sluggish. In the first half of the year, our overall rental revenue and tenant sales retreated by 3% and 13%, respectively, in RMB terms. Although our mall revenue declined from sales rent, the confidence of our tenants in our malls’ leadership position in respective cities has improved the overall occupancy rate. Ongoing trade mix refinement, customer-centric promotions and relevant events supported business momentum. Our offices, particularly those in Shanghai, face challenges due to the oversupply of office spaces and soft demand. We will continue to provide the highest customer service and property management standards to attract and engage potential tenants.

In Hong Kong, the market experienced a slower-than-expected recovery in the first half of the year. Uncertainties in the geopolitical and economic environment led to negative reversion of some anchor tenants and dragged down our rental revenue and operating profit, which declined by 8% and 11%, respectively, in the first half of the year. Despite the drop in revenue, occupancy was well-managed and remained high. We will continue to optimize our tenant mix and launch various “hello Hang Lung Malls Rewards Program” incentives to boost footfall and stimulate consumer spending.

Mainland China¹

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

| | Revenue | | |
|---|---------------|-------|--------|
| | (RMB Million) | | |
| | 2024 | 2023 | Change |
| Malls | 2,414 | 2,496 | -3% |
| Offices | 556 | 580 | -4% |
| Hotel | 64 | 62 | 3% |
| Total | 3,034 | 3,138 | -3% |
| <i>Total in HK\$ Million equivalent</i> | 3,338 | 3,554 | -6% |

Overall rental revenue and operating profit in RMB terms declined by 3% and 8%, respectively. The depreciation of the RMB during the period inflated the decreases to 6% and 10%, respectively, in HKD terms. Our mall's revenue retreated by 3%, mainly driven by cooling consumer sentiment in the local luxury market and the rising number of outbound travelers for luxury spending. Our premium office portfolio fell by 4%, primarily due to weakened demand for office space within a highly competitive market. The number of business and leisure travels continued to pick up. Our hotel operations delivered a gentle growth in revenue of 3% period-on-period.

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

- *Malls*

Consumer sentiment in the luxury market continued to weaken in the first half of 2024. Revenue of our mall portfolio for the period decreased by 3%, with our luxury-positioned malls receding by 4%, due to the high base comparison in the first half of 2023 when consumer sentiment swiftly rebounded in January 2023 following the lifting of related COVID-19 counter-measures. Yet, overall occupancy as of June 2024 remained at a high level. Our sub-luxury malls maintained growth ranging from 1% at Parc 66 in Jinan to 15% at Riverside 66 in Tianjin as occupancy increases continued.

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 | | |
|-------------------------------|--------------------------|-------|--------|---------------------------|---------------|-----------|
| | 2024 | 2023 | Change | June 2024 | December 2023 | June 2023 |
| Luxury malls | | | | | | |
| Plaza 66, Shanghai | 819 | 891 | -8% | 100% | 100% | 100% |
| Grand Gateway 66, Shanghai | 589 | 613 | -4% | 97% | 99% | 98% |
| Forum 66, Shenyang | 43 | 50 | -14% | 82% | 81% | 84% |
| Center 66, Wuxi | 226 | 226 | – | 99% | 98% | 99% |
| Olympia 66, Dalian | 144 | 133 | 8% | 93% | 90% | 89% |
| Spring City 66, Kunming | 152 | 154 | -1% | 98% | 98% | 97% |
| Heartland 66, Wuhan | 119 | 122 | -2% | 83% | 82% | 81% |
| | 2,092 | 2,189 | -4% | | | |
| Sub-luxury malls | | | | | | |
| Palace 66, Shenyang | 80 | 78 | 3% | 92% | 90% | 86% |
| Parc 66, Jinan | 158 | 156 | 1% | 92% | 93% | 89% |
| Riverside 66, Tianjin | 84 | 73 | 15% | 94% | 90% | 80% |
| | 322 | 307 | 5% | | | |
| Total | 2,414 | 2,496 | -3% | | | |

In the first half of 2024, the revenue of our luxury malls dropped by 4%, influenced by weakening consumer sentiment in the luxury market, particularly in Shanghai, but partly compensated by the growth at Olympia 66 in Dalian. The revenue of the sub-luxury malls grew by 5% period-on-period. Our unwavering dedication to promotion, marketing efforts and refinement of tenant composition contributed to the enhancement of retail offering and customers' experience, which resulted in the continuous growth in occupancy and footfall.

Luxury malls

Our flagship **Plaza 66** mall in Shanghai maintained its leading position in the luxury market. Our top-tier customers remained active to purchase exclusive and luxurious products offered in the mall. Revenue and tenant sales dipped 8% and 23%, respectively, mainly because our lower-tier customers were more cautious on luxury spending and looking for bargain from outbound travels. The mall continued to be fully occupied at the end of the period. We continued to leverage HOUSE 66, our customer relationship management (CRM) program, to further engage loyal customers and acquire new members, helping to solidify our market position. The “Spring Wonderland” celebration, held in April in collaboration with international luxury brands, offered customers a captivating shopping experience.

Our other mall in Shanghai, **Grand Gateway 66**, which carries more lifestyle content than its flagship sister, reported a decrease in revenue and tenant sales of 4% and 14%, respectively, in the first half of 2024. Marketing initiatives were rolled out during Chinese New Year and other festive periods to boost consumer engagement. We also organized the exclusive in-mall “Love in the Summer” event, which became the talk of the town, achieving overwhelming footfall and viral social media reach. The occupancy rate remained high at 97% at the end of the period.

Since market conditions stayed challenging, the revenue and tenant sales of the **Forum 66** mall in Shenyang fell by 14% and 20%, respectively. Joint marketing initiatives with Palace 66 in Shenyang continued to create productive synergy and enhance customer experiences. The occupancy rate was 82% as of June 2024.

Revenue and tenant sales of **Center 66**, the leading luxury retail mall in Wuxi, remained stable. The addition of several top-tier luxury brands in late 2023 further strengthened its positioning as a leading luxury location. The mall was almost fully occupied at the end of the period.

Olympia 66 in Dalian demonstrated a remarkable transformation into a regional luxury landmark. Revenue and tenant sales grew by 8% and 2%, respectively, as the mall attracted more luxury brands, particularly in beauty and cosmetics. The upgrade in retail content of trade categories such as food and beverage, athleisure, fashion and accessories, etc. also enriched our offering for one-stop shopping experience. With effective marketing initiatives, including the mall’s signature event held in April, “Blooming Dreams,” consumer sentiment continued to improve. The occupancy rate rose by four points to 93% against the same period last year.

Revenue and tenant sales of the **Spring City 66** mall in Kunming dropped by 1% and 6%, respectively, due to a dip in consumer sentiment in Kunming. We launched several signature events, including the “520” festival in May, to boost consumer engagement and footfall. Now entering its fifth year of operations, the mall continued to enjoy a relatively high occupancy of 98% and further enhanced base rents and management fees.

Revenue and tenant sales of the **Heartland 66** mall in Wuhan reduced by 2% and 15%, respectively, against the first half of 2023. Riding on the back of its third anniversary in April, the mall launched an array of sales-driven promotional campaigns to encourage consumption and footfall. Heartland 66’s VIC lounge, The Lounge, was opened in May to provide privileged shopping experiences for our HOUSE 66 members. The occupancy rate was 83% as of June 2024.

Sub-luxury malls

Revenue and tenant sales of **Palace 66** in Shenyang increased by 3% and 2%, respectively, during the period under review. This followed a series of compelling marketing initiatives, including Chinese New Year promotions and music performances. We continued enriching our brand mix to help expand our target customer base. The occupancy rate rose by six points to 92% against the same period last year. The planned renovations of the food court will further enhance the mall’s food and beverage offerings, appealing to a variety of tastes and boosting footfall.

Revenue of **Parc 66** in Jinan edged up by 1% period-on-period. After the completion of the first phase of the mall’s Asset Enhancement Initiative (AEI), several beauty and brand stores have exclusively opened. The remaining phases of the AEI are expected to conclude between late 2024 and early 2025 which will strengthen the mall’s desirability for customers and long-term profitability. The occupancy rate grew by three points to 92% against the same period last year.

Revenue and tenant sales of **Riverside 66** in Tianjin rose by 15% and 9%, respectively, period-on-period. The occupancy rate leapt by 14 points to 94%. Through relentless promotion and marketing efforts, leveraging on cooperations with local government for the organization of campaigns, such as New Year’s Eve countdown, begonia flowers decoration on the centennial wall in April and youth art festival in May, together with additions of various placemaking initiatives such as jewelry garden and kids’ amusement zone, drawing more customers to the cold area, stimulating footfall and sales.

- *Offices*

Our office portfolio, accounting for 18% of our total Mainland rental revenue, continued to serve as a reliable source of income. The total revenue dropped by 4% to RMB556 million period-on-period, mainly due to robust competition in the office leasing market in Shanghai and Shenyang. Despite the soft office demand, our office towers in Wuxi continued to report a mild growth in occupancy from an upward trajectory.

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

| Name of Office and City | Revenue | | | Period-end Occupancy Rate | | |
|-------------------------|---------------|------------|------------|---------------------------|----------|------|
| | (RMB Million) | | | June | December | June |
| | 2024 | 2023 | Change | 2024 | 2023 | 2023 |
| Plaza 66, Shanghai | 312 | 335 | -7% | 88% | 96% | 98% |
| Forum 66, Shenyang | 61 | 64 | -5% | 90% | 89% | 86% |
| Center 66, Wuxi | 60 | 59 | 2% | 89% | 85% | 83% |
| Spring City 66, Kunming | 70 | 70 | – | 87% | 88% | 87% |
| Heartland 66, Wuhan | 53 | 52 | 2% | 68% | 76% | 72% |
| Total | 556 | 580 | -4% | | | |

Revenue of our two Grade A office towers at **Plaza 66** in Shanghai dropped by 7% after a decline in the occupancy rate by 10 points to 88% against the same period last year following the expiry of a few anchor tenant leases. Weakened demand in Shanghai, coupled with an increasing supply of office space, posed challenges to the office leasing market.

Revenue of the office tower at **Forum 66** in Shenyang retreated by 5% despite the occupancy rate rising by four points to 90% against the period-end of June 2023. Local market conditions remain challenging with an expanding supply of office space and continuing soft demand.

The total revenue of the two office towers at **Center 66** in Wuxi increased by 2%, thanks to the occupancy rate growth by six points to 89% against the same period last year. Our high-quality offerings and superior services enabled us to maintain a steady level of unit rent during the period.

With the advantage of premium services and facilities, our office tower at **Spring City 66** in Kunming maintained revenue at a stable level when compared to the same period last year. Occupancy has remained steady at 87% throughout the first half of the year.

For the **Heartland 66** Office Tower in Wuhan, revenue climbed by 2% period-on-period while the occupancy rate dropped by four points to 68% at end of the reporting period. Despite keen competition in Wuhan, our high specifications and convenient transport network differentiated us from our peers in the region. Our self-operated multifunctional workspace, HANGOUT, which opened in March 2023, broadened our tenant base and has attracted numerous influential corporations, including Fortune 500 pharmaceutical companies and several of China's top 500 insurance companies.

- *Hotel*

Revenue grew by 3% in the first half of 2024. Benefitting from local authorities' efforts to promote business and leisure travel in the region, our room revenue which achieved 9% growth was partially offset by the slight decline in the food and beverage business.

Hong Kong

The first half of 2024 has been another challenging period in Hong Kong. The retail market was heavily impacted by changes in consumption and travel patterns. Supply and demand imbalances in the office market exerted downward pressure on rental prices.

Revenue and operating profit retreated by 8% to HK\$1,548 million and by 11% to HK\$1,217 million, respectively, with a rental margin of 79%.

With the refinement of our trade and brand mix to cater the preferences and behaviors of both locals and tourists, occupancy has been well-managed and attained at a high level.

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

| | Revenue | | | Period-end Occupancy Rate | | |
|--------------------------------------|----------------|--------------|------------|---------------------------|----------|------|
| | (HK\$ Million) | | | June | December | June |
| | 2024 | 2023 | Change | 2024 | 2023 | 2023 |
| Retail | 940 | 1,009 | -7% | 97% | 95% | 97% |
| Offices | 507 | 552 | -8% | 89% | 89% | 88% |
| Residential & Serviced Apartments | 101 | 122 | -17% | 73% | 77% | 66% |
| Total | 1,548 | 1,683 | -8% | | | |

- *Retail*

Revenue from our Hong Kong retail portfolio declined by 7% to HK\$940 million. To tackle changes in consumer spending patterns, we continue to refine and diversify our trade and brand mix to appeal to locals and visitors alike. As of the reporting date, the overall occupancy remained high at 97%.

Amid weak market sentiment, tenant sales dropped mildly by 3%. To encourage consumption, we will continue to launch targeted marketing campaigns under the “hello Hang Lung Malls Rewards Program”.

The revenue of retail properties in our **Central Business and Tourist District Portfolio** receded by 10% due to negative rental reversions that were concluded for some anchor tenants. Overall occupancy remained high at 96% at the end of the reporting period.

Our **Community Mall Portfolio** was comparatively resilient, with overall revenue slightly down by 4% against the same period last year. Occupancy at Kornhill Plaza in Hong Kong East and Amoy Plaza in Kowloon East stayed strong at 98% and 95%, respectively, as of the reporting date.

- *Offices*

Revenue declined by 8% to HK\$507 million following negative rental reversions resulting from sluggish demand and abundant supply on Hong Kong Island. Proactive measures were implemented to secure a relatively high occupancy level of 89% as of the reporting date.

Our **Hong Kong Island Portfolio** recorded a 14% drop in revenue due to negative rental reversions, mostly in Central, while occupancy remained at 83% in a challenging market environment.

Revenue of our **Kowloon Portfolio** rose by 2% with the occupancy increased to 96% due to the more resilient semi-retail positioning of Grand Plaza and Gala Place and a strategic focus on medical businesses at Grand Centre.

- *Residential & Serviced Apartments*

Revenue of our residential and serviced apartments segment declined by 17% period-on-period, primarily due to the necessary removal of tenants at The Summit in the Mid-Levels district for renovations from September 2023. If excluding the impacts of The Summit, revenue grew by 1% period-on-period, mostly because of improvements in occupancy at Burnside Villa in Repulse Bay.

PROPERTY SALES

In the first half of 2024, revenue of HK\$1,228 million (2023: Nil) was recognized for the sale of 114 residential units at The Aperture and one house on Blue Pool Road in Hong Kong, and four units at Heartland Residences in Wuhan. Taking into account the gross profit from the sale of properties in the Mainland and Hong Kong and corresponding selling expenses, the marketing expenses for the Grand Hyatt Residences Kunming and Center Residences in Wuxi, and other operating expenditures, an operating loss from property sales of HK\$11 million was recorded for the reporting period.

As of June 30, 2024, the contracted property sales amounted to HK\$385 million, comprising pre-sale of 12 units at The Aperture, one house on Blue Pool Road, one unit at Heartland Residences, and five units at Grand Hyatt Residences Kunming. The revenue will be recognized upon sale completion.

PROPERTY REVALUATION

As of June 30, 2024, the total value of our investment properties and those under development amounted to HK\$193,007 million, including the mainland China portfolio of HK\$130,765 million and the Hong Kong portfolio of HK\$62,242 million. These properties were appraised by Savills, an independent valuer, as of June 30, 2024.

A revaluation loss of HK\$634 million was recorded (2023: gain of HK\$251 million).

The mainland China portfolio recorded a revaluation loss of HK\$351 million (2023: gain of HK\$216 million), representing less than 1% of the portfolio value.

The Hong Kong portfolio had a revaluation loss of HK\$283 million (2023: gain of HK\$35 million), representing a less than 1% decrease against the value as of December 31, 2023.

Net revaluation loss after tax and non-controlling interests of HK\$674 million was reported (2023: net revaluation gain of HK\$169 million).

PROPERTY DEVELOPMENT AND CAPITAL COMMITMENT

The aggregated values of our projects under development for leasing and sale were HK\$24,430 million and HK\$7,825 million, respectively. These comprised mainland China projects in Kunming, Wuxi, Hangzhou, Shanghai and Shenyang, as well as redevelopment projects in Hong Kong. As of the reporting date, our capital commitments for the development of investment properties amounted to HK\$15 billion.

Mainland China

Grand Hyatt Residences Kunming (昆明君悦居) and **Grand Hyatt Kunming** are integral components of the remaining Spring City 66 development. The Residences sit above the hotel and house 254 apartment units, including three premium penthouses. Grand Hyatt Kunming features 331 guestrooms and suites. The sales launch of the Residences commenced at the end of 2023. Completion certificates of both properties were obtained in April 2024. The opening of the Grand Hyatt Kunming is planned in the third quarter of 2024.

Center Residences (無錫恒隆府) in Wuxi and **Curio Collection by Hilton**, a lifestyle boutique hotel, form the Phase 2 development of Center 66. The Residences comprise two high-rise residential towers housing 573 units. There will also be a seven-story new-build tower and a three-story heritage building offering a combined total of 105 hotel rooms. Construction is on track with topping-out occurring in December 2023. The project is scheduled for completion in phases from 2025 onwards. The Center Residences pre-sale is subject to market conditions, while the opening of Curio Collection by Hilton is slated for the second half of 2025.

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**. Featuring more than 190 premium guestrooms and suites, the hotel is expected to open in the second half of 2026. The remaining sections of the development are scheduled for completion in phases from 2025 onwards. Westlake 66 recently won the Gold Award in the “Best New Mega Development” Category at the MIPIM Asia Awards 2023 in recognition of its ingenious blend of Hangzhou’s urban cultural heritage with the intricate details and sophisticated aesthetic of modern architecture.

To enhance our offering at **Plaza 66** in Shanghai, we have obtained approval from the local government to utilize an existing landscape area to build a retail structure, with a gross floor area of approximately 3,000 square meters. Expected to be completed in 2026, the development will provide customers with a more comprehensive shopping experience and further strengthen the mall’s leading position in the city.

Design and planning works of the remaining mixed-use development of **Forum 66** in Shenyang are ongoing.

Hong Kong

The construction of The Aperture was completed in the first half of 2024. The residential and retail portions were classified as completed properties held for sale and investment properties, respectively.

The land acquisition at 37 Shouson Hill Road in the Southern District of Hong Kong Island was completed in February 2021. The land site will be redeveloped into luxurious detached houses, and the general building plan was approved in August 2022. Demolition work is expected to commence in the second half of 2024.

FINANCING MANAGEMENT

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

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

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

As part of our environmental, social and governance (ESG) initiatives, Hang Lung Properties procure an increasing proportion of sustainable finance. During the first half of 2024, we issued green bonds worth RMB0.8 billion, obtained RMB1.9 billion in green loan facilities and HK\$3.2 billion in sustainability-linked loan facilities. These are collectively referred to as sustainable finance, which now accounts for 60% of our total debts and available facilities as of June 30, 2024.

- *Cash Management*

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

| | At June 30, 2024 | | At December 31, 2023 | |
|-------------------------------------|------------------|-------------|----------------------|-------------|
| | HK\$ Million | % of Total | HK\$ Million | % of Total |
| Denominated in: | | | | |
| HKD | 4,297 | 65% | 3,311 | 62% |
| RMB | 2,275 | 35% | 1,877 | 35% |
| USD | 1 | – | 164 | 3% |
| Total cash and bank balances | 6,573 | 100% | 5,352 | 100% |

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

- *Debt Portfolio*

At the balance sheet date, total borrowings amounted to HK\$53,229 million (December 31, 2023: HK\$50,704 million), of which 35% was denominated in RMB, which acts as a natural hedge to net investments in mainland China.

Our fixed-rate borrowings primarily consist of bonds, fixed-rate bank loans and floating-rate bank loans that are converted to fixed-rate through the use of interest rate swaps. The percentage of fixed-rate borrowings accounted for 41% of total borrowings as of June 30, 2024. After excluding the onshore floating-rate debts, the percentage of fixed-rate borrowings would be 56% of total offshore borrowings as of June 30, 2024 (December 31, 2023: 50%).

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

(i) by currency (after currency swap):

| | At June 30, 2024 | | At December 31, 2023 | |
|-------------------------|------------------|-------------|----------------------|-------------|
| | HK\$ Million | % of Total | HK\$ Million | % of Total |
| Denominated in: | | | | |
| HKD | 34,478 | 65% | 35,920 | 71% |
| RMB | 18,751 | 35% | 14,784 | 29% |
| Total borrowings | 53,229 | 100% | 50,704 | 100% |

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

| | At June 30, 2024 | | At December 31, 2023 | |
|-------------------------|------------------|-------------|----------------------|-------------|
| | HK\$ Million | % of Total | HK\$ Million | % of Total |
| Fixed | 21,821 | 41% | 18,576 | 37% |
| Floating | 31,408 | 59% | 32,128 | 63% |
| Total borrowings | 53,229 | 100% | 50,704 | 100% |

- *Gearing Ratios*

At the balance sheet date, the net debt balance amounted to HK\$46,656 million (December 31, 2023: HK\$45,352 million). The net debt to equity ratio was 32.9% (December 31, 2023: 31.9%), and the debt to equity ratio was 37.5% (December 31, 2023: 35.7%). The increase in net debt to equity ratio was largely due to the increase in borrowings primarily used for capital expenditures in both mainland China and Hong Kong.

- *Maturity Profile and Refinancing*

At the balance sheet date, the average tenure of our debt portfolio was 3.0 years (December 31, 2023: 3.0 years). The maturity profile was staggered over more than 12 years. Around 65% of our outstanding debt would be repayable after two years.

| | At June 30, 2024 | | At December 31, 2023 | |
|----------------------------|-------------------------|-------------------|----------------------|-------------------|
| | HK\$ Million | <i>% of Total</i> | HK\$ Million | <i>% of Total</i> |
| Repayable: | | | | |
| Within 1 year | 6,011 | <i>11%</i> | 4,434 | <i>9%</i> |
| After 1 but within 2 years | 12,672 | <i>24%</i> | 14,091 | <i>28%</i> |
| After 2 but within 5 years | 31,054 | <i>58%</i> | 27,779 | <i>55%</i> |
| Over 5 years | 3,492 | <i>7%</i> | 4,400 | <i>8%</i> |
| Total borrowings | 53,229 | <i>100%</i> | 50,704 | <i>100%</i> |

As of June 30, 2024, total undrawn committed banking facilities amounted to HK\$14,255 million (December 31, 2023: HK\$15,717 million). The available balances of the US\$4 billion (December 31, 2023: US\$4 billion) medium-term note program amounted to US\$2,107 million, equivalent to HK\$16,452 million (December 31, 2023: HK\$17,584 million).

- *Net Finance Costs and Interest Cover*

For the first half of 2024, gross finance costs rose by 21% to HK\$1,063 million following the higher average effective cost of borrowing of 4.3% (2023: 3.9%) (attributed to the higher interest rate environment) and the increase in borrowings primarily for capital expenditure.

The net amount charged to the statement of profit or loss (after excluding capitalized amounts) increased to HK\$455 million accordingly.

Interest cover for the six months of 2024 was 3.0 times (2023: 4.2 times).

- *Foreign Exchange Management*

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

We practice strict discipline of not speculating on the exchange rate movement of RMB against HKD and maintaining an appropriate level of RMB-denominated resources for capital requirements in mainland China, including cash inflows from local operations and RMB-denominated borrowings. Regular business reviews are carried out to assess the level of funding needed for our projects in mainland China, taking into account factors such as regulatory updates, project development timelines, and the macroeconomic environment. Appropriate modifications to our funding plan will be conducted whenever necessary.

As of June 30, 2024, net assets denominated in RMB accounted for approximately 71% of our total net assets. RMB depreciated against the HKD by 0.7% as compared to that as of December 31, 2023. The translation of these net assets from RMB into HKD at the exchange rate as of the reporting date resulted in a translation loss of HK\$682 million (2023: loss of HK\$3,394 million), recognized in other comprehensive income/exchange reserve.

- *Charge of Assets*

None of Hang Lung Properties' assets was charged to third parties as of June 30, 2024.

- *Contingent Liabilities*

Hang Lung Properties had no material contingent liabilities as of June 30, 2024.

CORPORATE INITIATIVES

Renewable Energy Powers 50% of Hang Lung's Mainland Properties

With power purchase agreements effective from April 1, 2024, half of Hang Lung's operating properties in mainland China are now powered by renewable energy. This remarkable milestone in Hang Lung's sustainability journey benefits five properties across four cities, including Plaza 66 and Grand Gateway 66 in Shanghai, Center 66 in Wuxi, Spring City 66 in Kunming, and Parc 66 in Jinan. Hang Lung is already set to go well beyond its 2025 sustainability target of 25% renewable energy for the Mainland portfolio.

Tenant Partnership Program Celebrates Sustainability Efforts

Launched in December 2023, Hang Lung's Changemakers: Tenant Partnerships on Sustainability program fosters collaboration between landlords and tenants to address sustainability challenges that affect our properties, occupants, and communities in Hong Kong and mainland China. Open to all tenants, the program recognizes efforts to reduce carbon emissions, minimize waste, advance circularity, and enhance community wellbeing.

Altogether 16 Hong Kong and Mainland tenants across 14 properties are participating in the program's pilot phase, covering a combined leased area of more than 78,000 square meters. Our participating tenants include local and multinational companies across various industries, including banking and finance, luxury retail, lifestyle retail, food and beverage, and technology.

Hang Lung Supports Dementia Patients and Their Carers

Hang Lung's three-year "Love·No·Limit" Dementia Friendly Program returned for a second edition in June 2024. Seeking to create a diverse and inclusive community, the program offers respite for elderly people with dementia, including leisure activities for carers and cognitive training for patients. Amoy Plaza is not only the first shopping mall in Hong Kong with Carer Cafés in partnership with food and beverage tenants, but also the site of a dedicated station for free cognitive assessments and referrals plus carer consultations.

OUTLOOK

Heading into the second half of 2024, we continue navigating a complex and uncertain macroeconomic landscape. High interest rate environment would persist but the transition to a downward trend is expected to improve the sentiment of global economy. In an effort to boost consumer confidence and business momentum, the Mainland and Hong Kong governments have embarked on numerous stimulus measures for which signs of recovery are yet to be seen. We will continue enhancing our operational flexibility to ensure agility during economic downturns.

In mainland China, despite economic headwinds, affluent buyers are now seeking exclusive shopping experiences in addition to luxury items. Following the success of our first VIC lounge at Plaza 66 in Shanghai, we are excited to announce the launch of a second VIC lounge at Heartland 66 in Wuhan during May 2024, followed by a third location at Spring City 66 in Kunming by end of the year. We continue leveraging our portfolio-wide HOUSE 66 CRM program to better engage with top-tier customers and improve shopper loyalty. Our sub-luxury malls are reaping the rewards of a gradual uplift in occupancy and footfall following tenant mix refinements. Despite a setback in our office portfolio's performance during this challenging time, our Grade A office premises in core downtown locations will attract high-quality tenants when business confidence improves.

Hong Kong continues to grapple with a persistent drop in consumer sentiment, stiff competition from mega malls in neighboring regions, and changing tourism spending patterns. To offset a conservative outlook for retail performance in the second half of 2024, we will continue rolling out thematic campaigns and leveraging our "hello Hang Lung Malls Rewards Program" to enhance shopping experiences and engage with loyal customers. Given the prevailing sluggish market conditions, we expect demand for office leasing to remain subdued for the remainder of the year.

Subject to market conditions, we will continue rolling out Hang Lung Residences, our premium serviced residences in mainland China, which comprises Heartland Residences in Wuhan, Grand Hyatt Residences in Kunming, and Center Residences in Wuxi. Our premium management services and superior product quality set us apart from our peers to attract discerning buyers when the economy recovers.

CORPORATE GOVERNANCE

We are committed to maintaining the highest standards of corporate governance. During the six months ended June 30, 2024, 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 2023 annual report, which is available on our website under “Financial Report” in the “Financial Information” subsection of the “Investor” section.

The Board

The Board comprises three Executive Directors and five Independent Non-Executive Directors. The Independent Non-Executive Directors make up 62.5% of the Board, surpassing the requirement of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). An updated list of Board members with 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 the Board members are also available on our website under “Our Management” of the “Corporate Governance” section. 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 meets six times a year and continues to review its practices from time to time, constantly seeking to improve the corporate governance practices of the Company and its subsidiaries (the “Group”) in accordance with international best practices.

Nomination and Remuneration Committee

Our Nomination and Remuneration Committee comprises entirely of Independent Non-Executive Directors, and is chaired by an Independent Non-Executive Director. 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 Directors 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. The terms of reference of the Committee are available on both our website under “Nomination & Remuneration Committee” of the “Corporate Governance” section, and the website of HKEX.

Audit Committee

Our Audit Committee, which is chaired by an Independent Non-Executive Director, currently consists of three Independent Non-Executive Directors. The Committee members meet at least four times a year. Meetings are attended by external and internal auditors, the Chief Executive Officer, 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 the duties pertaining to corporate governance functions and the oversight of risk management, are available on both our website under "Audit Committee" of the "Corporate Governance" section, and the website of HKEX. The Audit Committee has reviewed this interim report, including the unaudited interim financial report for the six months ended June 30, 2024, and has recommended their adoption by the Board.

This unaudited interim financial report was 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 37 and 38 of this interim report.

Compliance with Corporate Governance Code contained in Appendix C1 to the Listing Rules

During the six months ended June 30, 2024, we complied with the code provisions set out in the Corporate Governance Code as stated in Appendix C1 to the Listing Rules.

Compliance with Model Code contained in Appendix C3 to the Listing Rules

We have adopted a code of conduct with regard to securities transactions by Directors (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 C3 to the Listing Rules (the "Model Code"). The Company has made specific enquiries with all Directors and confirmed that they have complied with the required standard set out in the Model Code and the Code of Conduct throughout the six months ended June 30, 2024.

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

As at June 30, 2024, the interests or short positions of each Director in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which were recorded in the register required to be kept by the Company under section 352 of the SFO were as follows:

| Name | Capacity | The Company (Long Positions) | | | Hang Lung Group Limited (Long Positions) | |
|-------------------|------------------|----------------------------------|---|--|---|---|
| | | Number of Shares | % of Total Number of Issued Shares | Number of Share Options <i>(Note 3)</i> | Number of Shares | % of Total Number of Issued Shares |
| Adriel Chan | Personal & Other | 3,008,793,632 <i>(Note 2)</i> | 63.85 | 13,200,000 | 551,502,580 <i>(Notes 1 & 2)</i> | 40.50 |
| Weber W.P. Lo | Personal | 1,037,266 | 0.02 | 21,750,000 | 460,000 | 0.03 |
| Nelson W.L. Yuen | Personal | 8,000,000 | 0.17 | – | – | – |
| Philip N.L. Chen | Personal | – | – | 5,000,000 | – | – |
| Andrew K.C. Chan | – | – | – | – | – | – |
| Anita Y.M. Fung | – | – | – | – | – | – |
| Holly T.F. Li | – | – | – | – | – | – |
| Kenneth K.K. Chiu | Personal | – | – | 6,200,000 | – | – |

Notes:

- Other interests included 28,579,500 shares of Hang Lung Group Limited ("HLG"), the holding company of the Company, held by a trust of which Mr. Adriel Chan was a settlor and a discretionary beneficiary. Accordingly, Mr. Adriel Chan was deemed to be interested in such shares under the SFO.
- Other interests included 3,008,256,189 shares of the Company and another 522,423,080 shares of HLG held or deemed to be held by another trust of which Mr. Adriel Chan was a discretionary beneficiary. Accordingly, Mr. Adriel Chan was deemed to be interested in such shares under the SFO. Mr. Adriel Chan was also personally interested in 537,443 shares of the Company and 500,000 shares of HLG respectively.
- Movements of Directors' share options under the share option scheme of the Company adopted on April 18, 2012 (the "2012 Share Option Scheme") and another share option scheme of the Company adopted on April 27, 2022 (the "2022 Share Option Scheme") are set out under the section below headed under "Share Option Schemes".

Save as disclosed above, none of the Directors had, as at June 30, 2024, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO).

Other than as stated above, at no time during the six months ended June 30, 2024 was the Company, its holding company or any of their respective subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEMES

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

Under the Share Option Schemes, the Board is authorized to grant options to selected participants, including employees and directors of any company in the Group, subject to the terms and conditions as the Board may specify generally or on a case-by-case basis. The Share Option Schemes do not provide for any minimum vesting period. The vesting period, the period open for acceptance of the option and amount payable thereon, the exercisable period and the number of shares subject to each option under the Share Option Schemes are determined by the Board at the time of grant. The exercise price of the options is determined by the Board at the time of grant, and shall not be less than the higher of the nominal value of shares, the closing price of shares at the date of grant and the average closing price of shares for the five business days immediately preceding the date of grant.

Pursuant to the resolutions passed by the shareholders of the Company and HLG at their respective annual general meetings held on April 27, 2022, the 2022 Share Option Scheme was adopted and became effective on the same date for a period of 10 years. Upon the adoption of the 2022 Share Option Scheme, the 2012 Share Option Scheme was terminated upon its expiry.

As at January 1, 2024, no further share options shall be granted under the 2012 Share Option Scheme and the total number of share options available for grant under the 2022 Share Option Scheme was 282,875,550.

During the six months ended June 30, 2024, no share option was granted under the 2022 Share Option Scheme. As at June 30, 2024, the total number of share options available for grant under the 2022 Share Option Scheme was 282,875,550.

As at the date of this interim report, the total number of shares available for issue in respect of the share options granted under the 2012 Share Option Scheme and the 2022 Share Option Scheme were 200,893,200 and 49,544,000, respectively, representing approximately 4.3% and 1.1% of the total number of issued shares of the Company. As at the date of this interim report, the total number of shares available for issue in respect of which options may be granted under the 2022 Share Option Scheme was 282,875,550, representing approximately 6.0% of the total number of issued shares of the Company.

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

The number of shares that may be issued in respect of options granted under the share option schemes during the six months ended June 30, 2024 divided by the weighted average number of ordinary shares in issue for the six months ended June 30, 2024 is 0.02.

Movements of share options under the 2012 Share Option Scheme during the six months ended June 30, 2024 were set out below:

| Date of Grant | Category of Participants <i>(Note 1)</i> | Number of Share Options | | | | Outstanding as at Jun 30, 2024 | Exercise Price per Share HK\$ | Vesting Dates <i>(Note 2)</i> | Expiry Date <i>(Note 2)</i> |
|---------------|---|-------------------------------|---------------------------|-----------------------------|-------------------------------------|--------------------------------|----------------------------------|----------------------------------|--------------------------------|
| | | Outstanding as at Jan 1, 2024 | Granted during the Period | Exercised during the Period | Lapsed/ Forfeited during the Period | | | | |
| Dec 5, 2014 | <i>Honorary Chair:</i> | | | | | 22.60 | Dec 5, 2016: 10% | Dec 4, 2024 | |
| | Ronnie C. Chan <i>(Note 3)</i> | 2,750,000 | - | - | - | 2,750,000 | Dec 5, 2017: 20% | | |
| | | | | | | | Dec 5, 2018: 30% | | |
| | | | | | | | Dec 5, 2019: 40% | | |
| | <i>Directors:</i> | | | | | | | | |
| | Adriel Chan | 150,000 | - | - | - | 150,000 | | | |
| | Philip N.L. Chen | 2,500,000 | - | - | - | 2,500,000 | | | |
| | <i>Employees</i> | 13,350,000 | - | - | (530,000) | 12,820,000 | | | |
| | | 18,750,000 | - | - | (530,000) | 18,220,000 | | | |
| Aug 10, 2017 | <i>Honorary Chair:</i> | | | | | 19.98 | Aug 10, 2019: 10% | Aug 9, 2027 | |
| | Ronnie C. Chan <i>(Note 3)</i> | 1,925,000 | - | - | - | 1,925,000 | Aug 10, 2020: 20% | | |
| | | | | | | | Aug 10, 2021: 30% | | |
| | | | | | | | Aug 10, 2022: 40% | | |
| | <i>Directors:</i> | | | | | | | | |
| | Adriel Chan | 1,850,000 | - | - | - | 1,850,000 | | | |
| | Philip N.L. Chen | 2,500,000 | - | - | - | 2,500,000 | | | |
| | <i>Employees</i> | 21,380,000 | - | - | (580,000) | 20,800,000 | | | |
| | | 27,655,000 | - | - | (580,000) | 27,075,000 | | | |
| May 16, 2018 | <i>Director:</i> | | | | | 18.98 | May 16, 2020: 10% | May 15, 2028 | |
| | Weber W.P. Lo | 10,000,000 | - | - | - | 10,000,000 | May 16, 2021: 20% | | |
| | | | | | | | May 16, 2022: 30% | | |
| | | | | | | | May 16, 2023: 40% | | |
| | | 10,000,000 | - | - | - | 10,000,000 | | | |
| Jun 28, 2019 | <i>Honorary Chair:</i> | | | | | 18.58 | Jun 28, 2021: 10% | Jun 27, 2029 | |
| | Ronnie C. Chan <i>(Note 3)</i> | 3,025,000 | - | - | - | 3,025,000 | Jun 28, 2022: 20% | | |
| | | | | | | | Jun 28, 2023: 30% | | |
| | | | | | | | Jun 28, 2024: 40% | | |
| | <i>Directors:</i> | | | | | | | | |
| | Adriel Chan | 2,200,000 | - | - | - | 2,200,000 | | | |
| | Weber W.P. Lo | 2,750,000 | - | - | - | 2,750,000 | | | |
| | <i>Employees</i> | 31,716,100 | - | - | (1,573,000) | 30,143,100 | | | |
| | | 39,691,100 | - | - | (1,573,000) | 38,118,100 | | | |

Movements of share options under the 2012 Share Option Scheme during the six months ended June 30, 2024 were set out below:

| Date of Grant | Category of Participants <i>(Note 1)</i> | Number of Share Options | | | | Outstanding as at Jun 30, 2024 | Exercise Price per Share HK\$ | Vesting Dates <i>(Note 2)</i> | Expiry Date <i>(Note 2)</i> |
|---------------|--|-------------------------------------|---------------------------|-----------------------------|-------------------------------------|-------------------------------------|----------------------------------|--|--------------------------------|
| | | Outstanding as at Jan 1, 2024 | Granted during the Period | Exercised during the Period | Lapsed/ Forfeited during the Period | | | | |
| May 12, 2021 | <i>Honorary Chair:</i> Ronnie C. Chan <i>(Note 3)</i> | 3,300,000 | - | - | - | 3,300,000 | 19.95 | May 12, 2023: 10% May 12, 2024: 20% May 12, 2025: 30% May 12, 2026: 40% | May 11, 2031 |
| | <i>Directors:</i> Adriel Chan Weber W.P. Lo | 3,000,000 3,000,000 | - - | - - | - - | 3,000,000 3,000,000 | | | |
| | <i>Employees</i> | 45,221,000 | - | - | (3,130,500) | 42,090,500 | | | |
| | | 54,521,000 | - | - | (3,130,500) | 51,390,500 | | | |
| Oct 6, 2021 | <i>Director:</i> Kenneth K.K. Chiu | 2,000,000 | - | - | - | 2,000,000 | 17.65 | Oct 6, 2023: 10% Oct 6, 2024: 20% Oct 6, 2025: 30% Oct 6, 2026: 40% | Oct 5, 2031 |
| | | 2,000,000 | - | - | - | 2,000,000 | | | |
| Feb 21, 2022 | <i>Honorary Chair:</i> Ronnie C. Chan <i>(Note 3)</i> | 3,300,000 | - | - | - | 3,300,000 | 16.38 | Feb 21, 2024: 10% Feb 21, 2025: 20% Feb 21, 2026: 30% Feb 21, 2027: 40% | Feb 20, 2032 |
| | <i>Directors:</i> Adriel Chan Weber W.P. Lo Kenneth K.K. Chiu | 3,000,000 3,000,000 2,100,000 | - - - | - - - | - - - | 3,000,000 3,000,000 2,100,000 | | | |
| | <i>Employees</i> | 47,740,000 | - | - | (4,087,000) | 43,653,000 | | | |
| | | 59,140,000 | - | - | (4,087,000) | 55,053,000 | | | |
| | Honorary Chair | 14,300,000 | - | - | - | 14,300,000 | | | |
| | Directors | 38,050,000 | - | - | - | 38,050,000 | | | |
| | Employees | 159,407,100 | - | - | (9,900,500) | 149,506,600 | | | |
| Total | | 211,757,100 | - | - | (9,900,500) | 201,856,600 | | | |

Movements of share options under the 2022 Share Option Scheme during the six months ended June 30, 2024 were set out below:

| Date of Grant | Category of Participants <i>(Note 1)</i> | Number of Share Options | | | | Outstanding as at Jun 30, 2024 | Exercise Price per Share HK\$ | Vesting Dates <i>(Note 2)</i> | Expiry Date <i>(Note 2)</i> |
|---------------|---|-------------------------------|---------------------------|-----------------------------|-------------------------------------|--------------------------------|----------------------------------|----------------------------------|--------------------------------|
| | | Outstanding as at Jan 1, 2024 | Granted during the Period | Exercised during the Period | Lapsed/ Forfeited during the Period | | | | |
| Jun 28, 2023 | <i>Honorary Chair:</i> | | | | | 12.49 | Jun 28, 2025: 20% | Jun 27, 2033 | |
| | Ronnie C. Chan <i>(Note 3)</i> | 3,300,000 | - | - | - | 3,300,000 | Jun 28, 2026: 30% | | |
| | | | | | | | Jun 28, 2027: 50% | | |
| | <i>Directors:</i> | | | | | | | | |
| | Adriel Chan | 3,000,000 | - | - | - | 3,000,000 | | | |
| | Weber W.P. Lo | 3,000,000 | - | - | - | 3,000,000 | | | |
| | Kenneth K.K. Chiu | 2,100,000 | - | - | - | 2,100,000 | | | |
| | <i>Employees</i> | 41,578,000 | - | - | (3,284,000) | 38,294,000 | | | |
| | | 52,978,000 | - | - | (3,284,000) | 49,694,000 | | | |
| | Honorary Chair | 3,300,000 | - | - | - | 3,300,000 | | | |
| | Directors | 8,100,000 | - | - | - | 8,100,000 | | | |
| | Employees | 41,578,000 | - | - | (3,284,000) | 38,294,000 | | | |
| Total | | 52,978,000 | - | - | (3,284,000) | 49,694,000 | | | |

Notes:

1. "Employees" include current and former employees of the Group and persons who were granted share options as an incentive to enter into employment contracts with the Company and/or any of its subsidiaries.
2. Exercise periods of the share options start from the respective vesting dates and end on the respective expiry dates.
3. Mr. Ronnie C. Chan retired as the Chair and an Executive Director on April 26, 2024, and the Board bestowed upon him the title of "Honorary Chair" on the same date.

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

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

As at June 30, 2024, 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 were as follows:

| Name | Note | Number of Shares or Underlying Shares Held (Long Positions) | % of Total Number of Issued Shares (Long Positions) (Note 4) |
|---|------|--|--|
| Adriel Chan | 1 | 3,008,793,632 | 63.85 |
| Chan Tan Ching Fen | 1 | 3,008,256,189 | 63.84 |
| Cole Enterprises Holdings (PTC) Limited | 1 | 3,008,256,189 | 63.84 |
| Merssion Limited | 1 | 3,008,256,189 | 63.84 |
| HLG | 2 | 2,979,923,089 | 63.23 |
| Prosperland Housing Limited | 3 | 1,362,445,391 | 28.91 |
| Purotat Limited | 3 | 380,754,770 | 8.08 |
| Curicao Company Limited | 3 | 303,659,167 | 6.44 |
| Cokage Limited | 3 | 238,328,661 | 5.06 |

Notes:

1. These shares were the same parcel of shares held by controlled corporations of Merssion Limited which was held under a trust. As Ms. Chan Tan Ching Fen was the founder, Cole Enterprises Holdings (PTC) Limited was the trustee and Mr. Adriel Chan was a discretionary beneficiary of the trust, they were deemed to be interested in such shares under the SFO. Mr. Adriel Chan was also personally interested in 537,443 shares of the Company.

The controlled corporations included HLG in which Merssion Limited had 38.37% interests. Accordingly, the 2,979,923,089 shares held by HLG through its subsidiaries were included in the 3,008,256,189 shares.

2. These shares were held by wholly-owned subsidiaries of HLG.
3. These companies were wholly-owned subsidiaries of HLG. Their interests were included in the 2,979,923,089 shares held by HLG.
4. Shareholding percentages were calculated based on the total number of issued shares of the Company as at June 30, 2024, being 4,712,497,588 shares.

Save as disclosed above, as at June 30, 2024, 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 RULE 13.51B(1) OF THE LISTING RULES

Save as disclosed below, there is no other information required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules since the date of the 2023 annual report of the Company.

Mr. Ronnie C. Chan retired as the Chair and an Executive Director of the Company and HLG on April 26, 2024, and the Board bestowed upon him the title of “Honorary Chair” on the same date.

Mr. Adriel Chan was appointed as the Chair of the Company and HLG on April 26, 2024.

Mr. Weber W.P. Lo ceased to be a member of the Board of Inland Revenue of the Government of HKSAR on February 29, 2024.

Mr. Philip N.L. Chen was appointed as a member of the Judicial Officers Recommendation Commission on July 1, 2024.

Dr. Andrew K.C. Chan was appointed as a member of the Nomination and Remuneration Committee of the Company on April 24, 2024.

Ms. Anita Y.M. Fung was appointed as the Chair of the Audit Committee of the Company on April 24, 2024 and ceased to be a member of the Board of M Plus Museum Limited on March 31, 2024.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

EMPLOYEES

As at June 30, 2024, the number of employees was 4,059 (comprising 936 Hong Kong employees and 3,123 mainland China employees). The total employee costs for the six months ended June 30, 2024, amounted to HK\$928 million. We provide competitive remuneration packages for all employees including discretionary bonuses payable based on individual performance. We regularly review remuneration packages to ensure that they comply with relevant regulatory requirements and market conditions. The Company has a share option scheme and provides professional and high-quality trainings for employees.



Review report to the Board of Directors of Hang Lung Properties Limited

(Incorporated in the Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 40 to 62 which comprises the consolidated statement of financial position of Hang Lung Properties Limited (“the Company”) as at June 30, 2024 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, 2024 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 30, 2024

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2024 (Unaudited)

| | Note | 2024 | | 2023 | |
|---|------|--------------|--------------|--------------|-------------|
| | | HK\$ Million | HK\$ Million | RMB Million | RMB Million |
| Revenue | 2(a) | 6,114 | 5,237 | 5,606 | 4,626 |
| Direct costs and operating expenses | | (2,684) | (1,413) | (2,471) | (1,247) |
| | | 3,430 | 3,824 | 3,135 | 3,379 |
| Other net income | 3 | 23 | 20 | 21 | 18 |
| Administrative expenses | | (341) | (325) | (314) | (287) |
| Profit from operations before changes in fair value of properties | | 3,112 | 3,519 | 2,842 | 3,110 |
| (Decrease)/increase in fair value of properties | | (634) | 251 | (584) | 229 |
| Profit from operations after changes in fair value of properties | | 2,478 | 3,770 | 2,258 | 3,339 |
| Interest income | | 26 | 39 | 24 | 35 |
| Finance costs | | (455) | (299) | (419) | (265) |
| Net interest expense | 4 | (429) | (260) | (395) | (230) |
| Share of profits of joint ventures | | 19 | 20 | 17 | 18 |
| Profit before taxation | 5 | 2,068 | 3,530 | 1,880 | 3,127 |
| Taxation | 6 | (729) | (798) | (663) | (707) |
| Profit for the period | 2(b) | 1,339 | 2,732 | 1,217 | 2,420 |
| Attributable to: | | | | | |
| Shareholders | | 1,061 | 2,394 | 964 | 2,120 |
| Non-controlling interests | | 278 | 338 | 253 | 300 |
| Profit for the period | | 1,339 | 2,732 | 1,217 | 2,420 |
| Earnings per share | 8(a) | | | | |
| Basic | | HK\$0.23 | HK\$0.53 | RMB0.21 | RMB0.47 |
| Diluted | | HK\$0.23 | HK\$0.53 | RMB0.21 | RMB0.47 |

For information purpose only

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, 2024 (Unaudited)

| | 2024 | | 2023 | |
|---|--------------|--------------|--------------|-------------|
| | HK\$ Million | HK\$ Million | RMB Million | RMB Million |
| Profit for the period | 1,339 | 2,732 | 1,217 | 2,420 |
| 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 | (765) | (3,398) | 824 | 1,126 |
| Gain on net investment hedge | 83 | 4 | 76 | 4 |
| Movement in hedging reserve: | | | | |
| Effective portion of changes in fair value | 114 | 77 | 106 | 69 |
| Net amount transferred to profit or loss | (34) | (48) | (32) | (42) |
| Deferred tax | (12) | (7) | (11) | (6) |
| 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 | (613) | (3,371) | 964 | 1,152 |
| Total comprehensive income for the period | 726 | (639) | 2,181 | 3,572 |
| Attributable to: | | | | |
| Shareholders | 520 | (649) | 1,934 | 3,283 |
| Non-controlling interests | 206 | 10 | 247 | 289 |
| Total comprehensive income for the period | 726 | (639) | 2,181 | 3,572 |

For information purpose only

2024 2023
RMB Million RMB Million

1,217 2,420

824 1,126

76 4

106 69

(32) (42)

(11) (6)

1 1

964 1,152

2,181 3,572

1,934 3,283

247 289

2,181 3,572

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2024

| | | (Unaudited) June 30, 2024 | (Audited) December 31, 2023 | <i>For information purpose only</i> | |
|--|------|---------------------------------|-----------------------------------|-------------------------------------|----------------------|
| | Note | HK\$ Million | HK\$ Million | June 30, 2024 | December 31, 2023 |
| | | | | RMB Million | RMB Million |
| Non-current assets | | | | | |
| Property, plant and equipment | | | | | |
| Investment properties | 9 | 168,577 | 169,046 | 155,258 | 153,511 |
| Investment properties under development | 9 | 24,430 | 23,610 | 22,297 | 21,398 |
| Other property, plant and equipment | | 327 | 331 | 301 | 300 |
| | | 193,334 | 192,987 | 177,856 | 175,209 |
| Interests in joint ventures | | 1,113 | 1,116 | 1,041 | 1,017 |
| Other assets | | 76 | 76 | 71 | 68 |
| Deferred tax assets | | 140 | 142 | 131 | 129 |
| | | 194,663 | 194,321 | 179,099 | 176,423 |
| Current assets | | | | | |
| Cash and deposits with banks | | 6,573 | 5,352 | 6,094 | 4,868 |
| Trade and other receivables | 10 | 3,902 | 3,406 | 3,603 | 3,093 |
| Properties for sale | | 13,801 | 14,223 | 12,754 | 12,929 |
| | | 24,276 | 22,981 | 22,451 | 20,890 |
| Current liabilities | | | | | |
| Bank loans and other borrowings | | 6,011 | 4,434 | 5,576 | 4,030 |
| Trade and other payables | 11 | 9,544 | 10,216 | 8,779 | 9,275 |
| Lease liabilities | | 27 | 30 | 25 | 27 |
| Current tax payable | | 416 | 457 | 384 | 415 |
| | | 15,998 | 15,137 | 14,764 | 13,747 |
| Net current assets | | 8,278 | 7,844 | 7,687 | 7,143 |
| Total assets less current liabilities | | 202,941 | 202,165 | 186,786 | 183,566 |
| Non-current liabilities | | | | | |
| Bank loans and other borrowings | | 47,218 | 46,270 | 43,889 | 42,110 |
| Lease liabilities | | 241 | 248 | 220 | 225 |
| Deferred tax liabilities | | 13,582 | 13,524 | 12,409 | 12,259 |
| | | 61,041 | 60,042 | 56,518 | 54,594 |
| NET ASSETS | | 141,900 | 142,123 | 130,268 | 128,972 |
| Capital and reserves | | | | | |
| Share capital | 12 | 41,658 | 39,950 | 39,052 | 37,462 |
| Reserves | | 90,321 | 92,458 | 82,166 | 82,707 |
| Shareholders' equity | | 131,979 | 132,408 | 121,218 | 120,169 |
| Non-controlling interests | | 9,921 | 9,715 | 9,050 | 8,803 |
| TOTAL EQUITY | | 141,900 | 142,123 | 130,268 | 128,972 |

The accompanying notes form part of the interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2024 (Unaudited)

| HK\$ Million | Shareholders' equity | | | | | |
|---|----------------------------|-----------------------------|-------------------------------|----------------|---------------------------|----------------|
| | Share capital (Note 12) | Other reserves (Note 14) | Retained profits (Note 14) | Total | Non-controlling interests | Total equity |
| At January 1, 2024 | 39,950 | (4,929) | 97,387 | 132,408 | 9,715 | 142,123 |
| Profit for the period | – | – | 1,061 | 1,061 | 278 | 1,339 |
| Exchange difference arising from translation to presentation currency | – | (693) | – | (693) | (72) | (765) |
| Gain on net investment hedge | – | 83 | – | 83 | – | 83 |
| Cash flow hedges: net movement in hedging reserve | – | 68 | – | 68 | – | 68 |
| Net change in fair value of equity investments | – | 1 | – | 1 | – | 1 |
| Total comprehensive income for the period | – | (541) | 1,061 | 520 | 206 | 726 |
| Final dividend in respect of previous year | – | – | (2,699) | (2,699) | – | (2,699) |
| Shares issued in respect of scrip dividend of 2023 final dividend | 1,708 | – | – | 1,708 | – | 1,708 |
| Employee share-based payments | – | 34 | 8 | 42 | – | 42 |
| At June 30, 2024 | 41,658 | (5,436) | 95,757 | 131,979 | 9,921 | 141,900 |
| At January 1, 2023 | 39,950 | (3,308) | 96,739 | 133,381 | 9,765 | 143,146 |
| Profit for the period | – | – | 2,394 | 2,394 | 338 | 2,732 |
| Exchange difference arising from translation to presentation currency | – | (3,070) | – | (3,070) | (328) | (3,398) |
| Gain on net investment hedge | – | 4 | – | 4 | – | 4 |
| Cash flow hedges: net movement in hedging reserve | – | 22 | – | 22 | – | 22 |
| Net change in fair value of equity investments | – | 1 | – | 1 | – | 1 |
| Total comprehensive income for the period | – | (3,043) | 2,394 | (649) | 10 | (639) |
| Final dividend in respect of previous year | – | – | (2,699) | (2,699) | – | (2,699) |
| Employee share-based payments | – | (144) | 184 | 40 | – | 40 |
| At June 30, 2023 | 39,950 | (6,495) | 96,618 | 130,073 | 9,775 | 139,848 |

The accompanying notes form part of the interim financial report.

For information purpose only

RMB Million

| | Shareholders' equity | | | | Non-controlling interests | Total equity |
|---|----------------------|----------------|------------------|----------------|---------------------------|----------------|
| | Share capital | Other reserves | Retained profits | Total | | |
| At January 1, 2024 | 37,462 | 1,380 | 81,327 | 120,169 | 8,803 | 128,972 |
| Profit for the period | - | - | 964 | 964 | 253 | 1,217 |
| Exchange difference arising from translation to presentation currency | - | 830 | - | 830 | (6) | 824 |
| Gain on net investment hedge | - | 76 | - | 76 | - | 76 |
| Cash flow hedges: net movement in hedging reserve | - | 63 | - | 63 | - | 63 |
| Net change in fair value of equity investments | - | 1 | - | 1 | - | 1 |
| Total comprehensive income for the period | - | 970 | 964 | 1,934 | 247 | 2,181 |
| Final dividend in respect of previous year | - | - | (2,514) | (2,514) | - | (2,514) |
| Shares issued in respect of scrip dividend of 2023 final dividend | 1,590 | - | - | 1,590 | - | 1,590 |
| Employee share-based payments | - | 32 | 7 | 39 | - | 39 |
| At June 30, 2024 | 39,052 | 2,382 | 79,784 | 121,218 | 9,050 | 130,268 |
| At January 1, 2023 | 37,462 | 995 | 80,750 | 119,207 | 8,722 | 127,929 |
| Profit for the period | - | - | 2,120 | 2,120 | 300 | 2,420 |
| Exchange difference arising from translation to presentation currency | - | 1,137 | - | 1,137 | (11) | 1,126 |
| Gain on net investment hedge | - | 4 | - | 4 | - | 4 |
| Cash flow hedges: net movement in hedging reserve | - | 21 | - | 21 | - | 21 |
| Net change in fair value of equity investments | - | 1 | - | 1 | - | 1 |
| Total comprehensive income for the period | - | 1,163 | 2,120 | 3,283 | 289 | 3,572 |
| Final dividend in respect of previous year | - | - | (2,408) | (2,408) | - | (2,408) |
| Employee share-based payments | - | (134) | 169 | 35 | - | 35 |
| At June 30, 2023 | 37,462 | 2,024 | 80,631 | 120,117 | 9,011 | 129,128 |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended June 30, 2024 (Unaudited)

| | | | <i>For information purpose only</i> | |
|---|----------------------|----------------------|-------------------------------------|---------------------|
| | 2024 HK\$ Million | 2023 HK\$ Million | 2024 RMB Million | 2023 RMB Million |
| Operating activities | | | | |
| Cash generated from operations | 2,691 | 2,802 | 2,458 | 2,484 |
| Income tax paid | (629) | (532) | (574) | (468) |
| Net cash generated from operating activities | 2,062 | 2,270 | 1,884 | 2,016 |
| Investing activities | | | | |
| Payment for property, plant and equipment | (1,493) | (1,240) | (1,367) | (1,104) |
| Increase in bank deposits with maturity greater than 3 months | (33) | (193) | (30) | (170) |
| Other cash flows arising from investing activities | 65 | 86 | 61 | 76 |
| Net cash used in investing activities | (1,461) | (1,347) | (1,336) | (1,198) |
| Financing activities | | | | |
| Proceeds from new bank loans and other borrowings | 22,100 | 23,387 | 20,402 | 20,671 |
| Repayment of bank loans and other borrowings | (19,483) | (21,373) | (17,991) | (18,891) |
| Interest and other borrowing costs paid | (1,008) | (833) | (923) | (736) |
| Dividend paid | (991) | (2,699) | (924) | (2,408) |
| Other cash flows used in financing activities | (15) | (14) | (13) | (13) |
| Net cash generated from/(used in) financing activities | 603 | (1,532) | 551 | (1,377) |
| Increase/(decrease) in cash and cash equivalents | 1,204 | (609) | 1,099 | (559) |
| Effect of foreign exchange rate changes | (16) | (93) | 97 | 66 |
| Cash and cash equivalents at January 1 | 5,271 | 5,148 | 4,794 | 4,604 |
| Cash and cash equivalents at June 30 | 6,459 | 4,446 | 5,990 | 4,111 |
| Analysis of the balance of cash and cash equivalents | | | | |
| Cash and deposits with banks | 6,573 | 4,712 | 6,094 | 4,356 |
| Less: Bank deposits with maturity greater than 3 months | (114) | (266) | (104) | (245) |
| Cash and cash equivalents at June 30 | 6,459 | 4,446 | 5,990 | 4,111 |

Notes to the Consolidated Financial Statements

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 37 to 38.

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 2023 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 2023 as if the presentation currency is Renminbi.

The financial information relating to the financial year ended December 31, 2023 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, 2023 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, 2024 is analyzed as follows:

| HK\$ Million | 2024 | 2023 |
|--|-------|-------|
| Under the scope of HKFRS 16, Leases: | | |
| Rental income | 4,243 | 4,582 |
| Under the scope of HKFRS 15, Revenue from contracts with customers: | | |
| Sales of completed properties | 1,228 | – |
| Building management fees and other income from property leasing | 643 | 655 |
| | 1,871 | 655 |
| | 6,114 | 5,237 |

2. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Revenue and results by segments

| HK\$ Million | 2024 | | | 2023 | | |
|--|------------------|----------------|--------------|------------------|----------------|-------|
| | Property Leasing | Property Sales | Total | Property Leasing | Property Sales | Total |
| Revenue | | | | | | |
| – Mainland China | 3,338 | 25 | 3,363 | 3,554 | – | 3,554 |
| – Hong Kong | 1,548 | 1,203 | 2,751 | 1,683 | – | 1,683 |
| | 4,886 | 1,228 | 6,114 | 5,237 | – | 5,237 |
| Profit/(loss) from operations before changes in fair value of properties | | | | | | |
| – Mainland China | 2,023 | (20) | 2,003 | 2,278 | (20) | 2,258 |
| – Hong Kong | 1,100 | 9 | 1,109 | 1,264 | (3) | 1,261 |
| | 3,123 | (11) | 3,112 | 3,542 | (23) | 3,519 |
| (Decrease)/increase in fair value of properties | (634) | – | (634) | 251 | – | 251 |
| – Mainland China | (351) | – | (351) | 216 | – | 216 |
| – Hong Kong | (283) | – | (283) | 35 | – | 35 |
| Net interest expense | (429) | – | (429) | (260) | – | (260) |
| – Interest income | 26 | – | 26 | 39 | – | 39 |
| – Finance costs | (455) | – | (455) | (299) | – | (299) |
| Share of profits of joint ventures | 19 | – | 19 | 20 | – | 20 |
| Profit/(loss) before taxation | 2,079 | (11) | 2,068 | 3,553 | (23) | 3,530 |
| Taxation | (718) | (11) | (729) | (800) | 2 | (798) |
| Profit/(loss) for the period | 1,361 | (22) | 1,339 | 2,753 | (21) | 2,732 |
| Net profit/(loss) attributable to shareholders | 1,083 | (22) | 1,061 | 2,415 | (21) | 2,394 |

2. REVENUE AND SEGMENT INFORMATION (Continued)

(c) Total segment assets

| HK\$ Million | June 30, 2024 | | | December 31, 2023 | | |
|------------------------------|------------------|----------------|----------------|-------------------|----------------|----------------|
| | Property Leasing | Property Sales | Property Total | Property Leasing | Property Sales | Property Total |
| Mainland China | 133,033 | 6,764 | 139,797 | 132,919 | 6,447 | 139,366 |
| Hong Kong | 62,618 | 8,622 | 71,240 | 62,516 | 8,734 | 71,250 |
| | 195,651 | 15,386 | 211,037 | 195,435 | 15,181 | 210,616 |
| Interests in joint ventures | | | 1,113 | | | 1,116 |
| Other assets | | | 76 | | | 76 |
| Deferred tax assets | | | 140 | | | 142 |
| Cash and deposits with banks | | | 6,573 | | | 5,352 |
| | | | 218,939 | | | 217,302 |

3. OTHER NET INCOME

| HK\$ Million | 2024 | 2023 |
|--|-----------|------|
| Government grants | 6 | 5 |
| Gain/(loss) on disposal of other property, plant and equipment | 14 | (11) |
| Net exchange (loss)/gain | (2) | 8 |
| Gain on disposal of investment properties | – | 11 |
| Others | 5 | 7 |
| | 23 | 20 |

4. NET INTEREST EXPENSE

| HK\$ Million | 2024 | 2023 |
|---|--------------|-------|
| Interest income on bank deposits | 26 | 39 |
| Interest expense on bank loans and other borrowings | 1,011 | 835 |
| Interest on lease liabilities | 7 | 7 |
| Other borrowing costs | 45 | 39 |
| Total borrowing costs | 1,063 | 881 |
| Less: Borrowing costs capitalized | (608) | (582) |
| Finance costs | 455 | 299 |
| Net interest expense | (429) | (260) |

5. PROFIT BEFORE TAXATION

| HK\$ Million | 2024 | 2023 |
|--|-------|------|
| Profit before taxation is arrived at after charging: | | |
| Cost of properties sold | 1,012 | – |
| Staff costs (Note) | 765 | 779 |
| Depreciation | 46 | 46 |

Note: The staff costs included employee share-based payments of HK\$42 million (2023: HK\$40 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\$928 million (2023: HK\$942 million).

6. TAXATION IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Provision for Hong Kong Profits Tax is calculated at 16.5% (2023: 16.5%) of the estimated assessable profits for the period. Mainland China Income Tax represents mainland China Corporate Income Tax calculated at 25% (2023: 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% (2023: 5%).

| HK\$ Million | 2024 | 2023 |
|---|------|------|
| Current tax | | |
| Hong Kong Profits Tax | 134 | 159 |
| Mainland China Income Tax | 456 | 447 |
| Total current tax | 590 | 606 |
| Deferred tax | | |
| Changes in fair value of properties | 31 | 43 |
| Other origination and reversal of temporary differences | 108 | 149 |
| Total deferred tax | 139 | 192 |
| Total income tax expense | 729 | 798 |

7. DIVIDENDS

(a) Interim dividend

| HK\$ Million | 2024 | 2023 |
|--|------|------|
| Declared after the end of the reporting period: HK12 cents (2023: HK18 cents) per share | 566 | 810 |

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

The Board of Directors proposes that eligible shareholders be given the option to elect to receive the interim dividend in cash, or in the form of new shares in lieu of cash in respect of part or all of such dividend (the “Scrip Dividend Arrangement”). The Scrip Dividend Arrangement is conditional upon The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued pursuant to the Scrip Dividend Arrangement.

(b) Final dividend approved and paid during the six months ended June 30, 2024

| HK\$ Million | 2024 | 2023 |
|---|-------|-------|
| 2023 final dividend of HK60 cents (2022: HK60 cents) per share | 2,699 | 2,699 |

Included in 2023 final dividend paid during the period, HK\$1,708 million was settled through scrip dividend pursuant to the scrip dividend arrangement announced by the Company on January 30, 2024.

8. EARNINGS PER SHARE

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

| HK\$ Million | 2024 | 2023 |
|---|----------------------|---------------|
| Net profit attributable to shareholders | 1,061 | 2,394 |
| | Number of shares | |
| | 2024 | 2023 |
| Weighted average number of shares used in calculating basic and diluted earnings per share (Note) | 4,519,178,404 | 4,499,260,670 |

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

- (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 | 2024 | 2023 |
|--|--------------|-------|
| Net profit attributable to shareholders | 1,061 | 2,394 |
| Effect of changes in fair value of properties | 634 | (251) |
| Effect of income tax for changes in fair value of properties | 31 | 43 |
| Effect of changes in fair value of investment properties of joint ventures | 1 | – |
| | 666 | (208) |
| Non-controlling interests | 8 | 39 |
| | 674 | (169) |
| Underlying net profit attributable to shareholders | 1,735 | 2,225 |

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

| | 2024 | 2023 |
|---------|-----------------|----------|
| Basic | HK\$0.38 | HK\$0.49 |
| Diluted | HK\$0.38 | HK\$0.49 |

9. INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES UNDER DEVELOPMENT

(a) Additions

During the six months ended June 30, 2024, additions to investment properties and investment properties under development amounted to HK\$1,915 million (2023: HK\$1,569 million).

(b) Valuation

The investment properties and investment properties under development of the Group were revalued as of June 30, 2024 by 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, 2024 | December 31, 2023 |
|--|------------------|----------------------|
| Not past due or less than 1 month past due | 726 | 138 |
| 1 – 3 months past due | 17 | 9 |
| More than 3 months past due | 3 | 1 |
| | 746 | 148 |

- (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\$274 million (December 31, 2023: HK\$276 million).

11. TRADE AND OTHER PAYABLES

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

| HK\$ Million | June 30, 2024 | December 31, 2023 |
|---------------------|--------------------------|----------------------|
| Due within 3 months | 1,353 | 2,053 |
| Due after 3 months | 2,844 | 2,289 |
| | 4,197 | 4,342 |

- (b) Included in trade and other payables is an amount of HK\$601 million (December 31, 2023: HK\$601 million) due to a fellow subsidiary, which is the joint developer of a project in which the Group and the fellow subsidiary hold respective interests of 66.67% and 33.33%. The amount represents the contribution by the fellow subsidiary in proportion to its interest to finance the project, and is unsecured, non-interest bearing and has no fixed terms of repayment.

12. SHARE CAPITAL

| | 2024 | | 2023 | |
|--|--------------------------------|--|--------------------------------|--|
| | Number of shares Million | Amount of share capital HK\$ Million | Number of shares Million | Amount of share capital HK\$ Million |
| Ordinary shares, issued and fully paid: | | | | |
| At January 1 | 4,499 | 39,950 | 4,499 | 39,950 |
| Shares issued in respect of scrip dividend | 213 | 1,708 | – | – |
| At June 30/December 31 | 4,712 | 41,658 | 4,499 | 39,950 |

On June 14, 2024, the Company issued and allotted a total of 213 million ordinary shares at an issue price of HK\$8.012 per ordinary share to the shareholders who elected to receive shares in the Company in lieu of cash in respect of 2023 final dividend pursuant to the scrip dividend arrangement announced by the Company on January 30, 2024. The new ordinary shares rank pari passu in all respects with existing ordinary shares of the Company.

13. SHARE OPTION SCHEMES

The share option scheme adopted by the Company on April 18, 2012 (the “2012 Share Option Scheme”) was terminated upon the adoption of a new share option scheme on April 27, 2022 (the “2022 Share Option Scheme”, together with the 2012 Share Option Scheme are referred to as the “Schemes”). The 2022 Share Option Scheme became valid and effective for a period of 10 years commencing from the date of adoption. Upon termination of the 2012 Share Option Scheme, no further share options could be granted under the 2012 Share Option Scheme but in all other respects the provisions of the 2012 Share Option Scheme remain in full force and effect, and all share options granted prior to such termination and not exercised nor forfeited/lapsed at the date of termination remain valid.

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

13. SHARE OPTION SCHEMES (Continued)

The movements of share options during the six months ended June 30, 2024 are as follows:

(a) 2012 Share Option Scheme

| Date granted | Number of share options | | | Period during which share options are exercisable (subject to different vesting schedule) | Exercise price (HK\$) |
|-------------------|--------------------------------|--------------------|------------------------------|---|-----------------------|
| | Outstanding on January 1, 2024 | Forfeited/ Lapsed | Outstanding on June 30, 2024 | | |
| December 5, 2014 | 18,750,000 | (530,000) | 18,220,000 | December 5, 2016 to December 4, 2024 | 22.60 |
| August 10, 2017 | 27,655,000 | (580,000) | 27,075,000 | 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 | 39,691,100 | (1,573,000) | 38,118,100 | June 28, 2021 to June 27, 2029 | 18.58 |
| May 12, 2021 | 54,521,000 | (3,130,500) | 51,390,500 | May 12, 2023 to May 11, 2031 | 19.95 |
| October 6, 2021 | 2,000,000 | – | 2,000,000 | October 6, 2023 to October 5, 2031 | 17.65 |
| February 21, 2022 | 59,140,000 | (4,087,000) | 55,053,000 | February 21, 2024 to February 20, 2032 | 16.38 |
| Total | 211,757,100 | (9,900,500) | 201,856,600 | | |

All the above share options may vest after two to five years of the grant date and are exercisable up to the tenth anniversary of the date of grant, after which they will lapse. No share options were exercised or cancelled during the six months ended June 30, 2024.

During the six months ended June 30, 2024, 9,900,500 share options (2023: 8,047,600 share options) were forfeited upon cessations of the grantees' employments and no share options (2023: 21,910,000 share options) lapsed due to the expiry of the period for exercising the share options.

13. SHARE OPTION SCHEMES (Continued)

(b) 2022 Share Option Scheme

| Date granted | Number of share options | | | Period during which share options are exercisable (subject to different vesting schedule) | Exercise price (HK\$) |
|---------------|--------------------------------|-------------------|-------------------------------------|---|-----------------------|
| | Outstanding on January 1, 2024 | Forfeited/ Lapsed | Outstanding on June 30, 2024 | | |
| June 28, 2023 | 52,978,000 | (3,284,000) | 49,694,000 | June 28, 2025 to June 27, 2033 | 12.49 |
| Total | 52,978,000 | (3,284,000) | 49,694,000 | | |

All the above share options may vest after two to four years of the grant date and are exercisable up to the tenth anniversary of the date of grant, after which they will lapse. No share options were exercised or cancelled during the six months ended June 30, 2024.

During the six months ended June 30, 2024, 3,284,000 share options (2023: Nil) were forfeited upon cessations of the grantees' employments and no share options (2023: Nil) lapsed due to the expiry of the period for exercising the share options.

14. RESERVES

HK\$ Million

| | Other reserves | | | | Total | Retained profits | Total reserves |
|---|------------------|-----------------|--------------------------------|---|----------------|------------------|----------------|
| | Exchange reserve | Hedging reserve | Investment revaluation reserve | Employee share-based compensation reserve | | | |
| At January 1, 2024 | (5,448) | (23) | 76 | 466 | (4,929) | 97,387 | 92,458 |
| Profit for the period | - | - | - | - | - | 1,061 | 1,061 |
| Exchange difference arising from translation to presentation currency | (693) | - | - | - | (693) | - | (693) |
| Gain on net investment hedge | 83 | - | - | - | 83 | - | 83 |
| Cash flow hedges: | | | | | | | |
| net movement in hedging reserve | - | 68 | - | - | 68 | - | 68 |
| Net change in fair value of equity investments | - | - | 1 | - | 1 | - | 1 |
| Total comprehensive income for the period | (610) | 68 | 1 | - | (541) | 1,061 | 520 |
| Final dividend in respect of previous year | - | - | - | - | - | (2,699) | (2,699) |
| Employee share-based payments | - | - | - | 34 | 34 | 8 | 42 |
| At June 30, 2024 | (6,058) | 45 | 77 | 500 | (5,436) | 95,757 | 90,321 |
| At January 1, 2023 | (4,005) | 50 | 77 | 570 | (3,308) | 96,739 | 93,431 |
| Profit for the period | - | - | - | - | - | 2,394 | 2,394 |
| Exchange difference arising from translation to presentation currency | (3,070) | - | - | - | (3,070) | - | (3,070) |
| Gain on net investment hedge | 4 | - | - | - | 4 | - | 4 |
| Cash flow hedges: | | | | | | | |
| net movement in hedging reserve | - | 22 | - | - | 22 | - | 22 |
| Net change in fair value of equity investments | - | - | 1 | - | 1 | - | 1 |
| Total comprehensive income for the period | (3,066) | 22 | 1 | - | (3,043) | 2,394 | (649) |
| Final dividend in respect of previous year | - | - | - | - | - | (2,699) | (2,699) |
| Employee share-based payments | - | - | - | (144) | (144) | 184 | 40 |
| At June 30, 2023 | (7,071) | 72 | 78 | 426 | (6,495) | 96,618 | 90,123 |

15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

(a) Financial assets and liabilities measured at fair value

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

| HK\$ Million | Fair value | | Fair value measurements categorized into |
|---|---------------|-------------------|--|
| | June 30, 2024 | December 31, 2023 | |
| Financial assets | | | |
| Trade and other receivables | | | |
| Interest rate swaps (cash flow hedges) | 65 | 5 | Level 2 |
| Other assets | | | |
| Investment in equity instruments | 76 | 76 | Level 3 |
| Financial liabilities | | | |
| Trade and other payables | | | |
| Cross currency swaps (cash flow hedges) | (7) | (13) | Level 2 |
| Interest rate swaps (cash flow hedges) | – | (14) | Level 2 |

15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

(i) *The level of fair value hierarchy within which the fair value measurements are categorized and analyzed below: (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, 2024, there were no transfers of instruments between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognize transfers between levels of fair value hierarchy as of the end of the reporting period in which they occur.

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

The carrying amounts of the Group's financial instruments carried at amortized cost were not materially different from their fair values as of December 31, 2023 and June 30, 2024.

16. COMMITMENTS

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

| HK\$ Million | June 30, 2024 | December 31, 2023 |
|-----------------------------------|--------------------------|----------------------|
| Contracted for | 6,213 | 6,279 |
| Authorized but not contracted for | 8,955 | 9,145 |
| | 15,168 | 15,424 |

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

17. REVIEW AND APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report is unaudited, but has been reviewed by the Audit Committee. It was authorized for issue by the Board of Directors on July 30, 2024.

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

| | | | | | |
|---|---|--|--------------------|---|---|
| Basic earnings per share | = | $\frac{\text{Net profit attributable to shareholders}}{\text{Weighted average number of shares in issue during the period}}$ | Debt to equity | = | $\frac{\text{Total borrowings}}{\text{Total equity}}$ |
| Net assets attributable to shareholders per share | = | $\frac{\text{Shareholders' equity}}{\text{Number of shares issued at the end of the reporting period}}$ | Net debt to equity | = | $\frac{\text{Net debt}}{\text{Total equity}}$ |
| 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, 2024 to June 30, 2024 |
| Announcement of interim results | July 30, 2024 |
| Latest time for lodging transfers | 4:30 p.m. on August 15, 2024 |
| Closure of share register | August 16, 2024 |
| Record date for interim dividend | August 16, 2024 |
| Payment date for interim dividend | September 25, 2024 |

SHARE LISTING

As at June 30, 2024, 4,712,497,588 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: 00101

Reuters: 0101.HK

Bloomberg: 101 HK

CUSIP Number/Ticker Symbol for ADR Code: 41043M104/HLPPY

SHARE INFORMATION

Share price as at June 30, 2024: HK\$6.66 per share

Market capitalization as at June 30, 2024: HK\$31.39 billion

SHARE REGISTRAR

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