恒隆集團
HANG LUNG GROUP

恒隆集團有限公司

HANG LUNG GROUP LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00010)

2023 INTERIM RESULTS

HANG LUNG GROUP 恒隆集團

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FINANCIAL HIGHLIGHTS

in HK$ Million (unless otherwise stated)

RESULTS

For the six months ended June 30

	2023			2022		
	Property Leasing	**Property Sales**	**Total**	Property Leasing	Property Sales	Total
Revenue	**5,523**	**2**	**5,525**	5,289	316	5,605
- Mainland China	**3,775**	**-**	**3,775**	3,607	-	3,607
- Hong Kong	**1,748**	**2**	**1,750**	1,682	316	1,998
Operating profit/(loss)	**4,066**	**(32)**	**4,034**	3,796	133	3,929
- Mainland China	**2,640**	**(20)**	**2,620**	2,441	(19)	2,422
- Hong Kong	**1,426**	**(12)**	**1,414**	1,355	152	1,507
Underlying net profit/(loss) attributable to shareholders	**1,571**	**(11)**	**1,560**	1,537	63	1,600
Net increase/(decrease) in fair value of properties attributable to shareholders	**122**	**-**	**122**	(161)	-	(161)
Net profit/(loss) attributable to shareholders	**1,693**	**(11)**	**1,682**	1,376	63	1,439

	At June 30, 2023	At December 31, 2022
Shareholders' equity	**91,569**	92,819
Net assets attributable to shareholders per share (HK$)	**$67.3**	$68.2

Earnings and Dividend (HK$)

	2023	2022
Earnings per share		
- Based on underlying net profit attributable to shareholders	**$1.15**	$1.18
- Based on net profit attributable to shareholders	**$1.24**	$1.06
Interim dividend per share	**$0.21**	$0.21

Financial Ratios

	At June 30, 2023	At December 31, 2022
Net debt to equity ratio	**27.1%**	25.9%
Debt to equity ratio	**31.1%**	29.6%

REVIEW OF OPERATIONS

CONSOLIDATED RESULTS

For the six months ended June 30, 2023, the total revenue of Hang Lung Group Limited (the Company) and its subsidiaries (collectively known as "the Group") decreased by 1% to HK$5,525 million compared to the same period last year, as the solid leasing performance realized through our unique positioning and disciplined execution was affected by the Renminbi ("RMB") depreciation and lower contributions from property sales. Property leasing revenue grew by 4% to HK$5,523 million, and revenue from property sales was HK$2 million (2022: HK$316 million). The overall operating profit increased by 3% to HK$4,034 million.

The underlying net profit attributable to shareholders for the first half of 2023 was HK$1,560 million, 3% below the same period last year. The corresponding underlying earnings per share decreased to HK$1.15.

Taking into account a net revaluation gain on properties attributable to shareholders of HK$122 million (2022: net revaluation loss of HK$161 million), the Group reported a net profit attributable to shareholders of HK$1,682 million (2022: HK$1,439 million). The corresponding earnings per share was HK$1.24 (2022: HK$1.06).

Revenue and Operating Profit for the Six Months Ended June 30

	Revenue			**Operating Profit/(Loss)**		
	2023	2022	Change	**2023**	2022	Change
	HK$ Million	HK$ Million		**HK$ Million**	HK$ Million	
Property Leasing	**5,523**	5,289	4%	**4,066**	3,796	7%
Mainland China	**3,775**	3,607	5%	**2,640**	2,441	8%
Hong Kong	**1,748**	1,682	4%	**1,426**	1,355	5%
Property Sales	**2**	316	-99%	**(32)**	133	N/A
Total	**5,525**	5,605	-1%	**4,034**	3,929	3%

DIVIDEND

The Board of Directors has declared an interim dividend of HK21 cents per share for 2023 (2022: HK21 cents) to be paid in cash on September 29, 2023, to shareholders whose names are listed on the register of members on September 15, 2023.

PROPERTY LEASING

The overall rental revenue lifted by 4% to HK$5,523 million for the six months ended June 30, 2023. Rental revenue from our Mainland portfolio improved by 12% in RMB terms and, considering the RMB depreciation, 5% in HKD terms compared to the same period last year. Rental revenue from our Hong Kong portfolio increased by 4%.

On the Mainland, overall business sentiment rapidly recovered following the decline in COVID-19 cases outburst in December last year and the subsequent lift of pandemic containment measures in early January. We successfully captured the post-COVID-19 upsurge by way of a proactive marketing push across our portfolio, including various promotional events and traditional holiday campaigns in the Chinese New Year and Valentine’s Day. Our customer relationship management (CRM) program, HOUSE 66, engaged our loyal customers and attracted new members. In RMB terms, overall tenant sales and rental revenue grew by 18% and 5%, respectively, compared to the first quarter of 2022 when the impacts of COVID-19 remained relatively mild. Overall tenant sales and rental revenue for the first six months of 2023 rose by 42% and 12%, respectively, compared to the same period last year.

Following the re-opening of borders both locally and on the Mainland, Hong Kong’s overall operating environment picked up momentum. Consumer sentiment was further stimulated by our “hello Hang Lung Malls Rewards Program” in conjunction with the government’s “Hello Hong Kong” campaign, added to another round of consumption vouchers which fueled the growth in tenant sales. During the first half of 2023, our Hong Kong portfolio achieved rental growth for the first time since the start of the COVID-19 outbreak in 2020, compared to the same period last year. As a result, overall rental revenue improved by 4%, and tenant sales increased by 21%.

Mainland China[1]

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

	Revenue (RMB Million)		
	2023	2022	Change
Malls	**2,496**	2,210	13%
Offices	**701**	672	4%
Residential & Serviced Apartments	**74**	74	-
Hotel	**62**	27	130%
Total	**3,333**	2,983	12%
Total in HK$ Million equivalent	***3,775***	*3,607*	*5%*

Overall rental revenue and operating profit grew by 12% and 15%, respectively. In HKD terms, the increases were diluted to 5% and 8%, respectively, due to the RMB depreciation. Following a relatively flat result in 2022 impacted by a number of COVID-19-related business disruptions (including mall closures), our mall portfolio has resumed its growth trend with overall mall revenue advanced by 13%. Our premium office portfolio increased by 4%, continuing to provide a solid growth base driven by higher occupancy rates at our younger office towers in Kunming and Wuhan. Fueled by the relaxation of travel restrictions, the revenue of our hotel operations more than doubled compared to the same period last year.

- *Malls*

Our mall portfolio achieved a 13% increase in revenue. Revenue from our luxury malls climbed by 16% while revenue from our sub-luxury malls slipped by 3%. Our two luxury malls in Shanghai, where business was suspended in April and May last year, recorded a 18% hike in revenue. Owing to higher tenant sales, overall rental revenue of our luxury malls outside of Shanghai increased by 11%. The slight drop in revenue from our sub-luxury malls was largely due to lower occupancy.

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

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

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

Overall revenue of our luxury malls increased by 16%. Revenue from the luxury malls, apart from Heartland 66 in Wuhan, increased between 6% and 23% compared to the same period last year. Revenue at Heartland 66 in Wuhan was maintained at 2022 level while its tenant mix is undergoing a restructure. With various pandemic containment measures and business suspensions in 2022, our luxury malls saw better sentiment and tenant sales, especially during the Chinese New Year and Valentine’s Day holidays. Revenue from our sub-luxury malls fell by 3% due to lower occupancy. Following the completion of the first stage of the Asset Enhancement Initiative (AEI) at Parc 66 in Jinan, multiple beauty and first-in-town brands opened in the second half of 2022 and revenue grew by 3%.

Luxury malls

Our flagship **Plaza 66** mall in Shanghai reported a 23% and 62% growth in revenue and tenant sales, respectively, compared to the same period last year. Proactive CRM programs and innovative marketing campaigns, including the “Game of Wonder” held in April this year, created new sales momentum fanned by improved customer sentiment. The results were encouraging, particularly during the Chinese New Year and Valentine's Day when tenant sales surpassed those in 2022. The mall remained fully occupied at the end of the period.

Grand Gateway 66 mall in Shanghai**,** which offers more lifestyle content than its flagship sister Plaza 66 mall, recorded 11% revenue growth compared to the same period last year. Tenant sales rose by 68%. Similar to Plaza 66, the mall outperformed 2022 sales recorded during the Chinese New Year and Valentine's Day holidays. In celebration to the premiere of the Chinese version of "The Phantom of the Opera" in May, Grand Gateway 66 organized an exclusive in-mall event that attracted widespread attention on social media and overwhelming footfall. The occupancy rate stayed high at 98% at the end of the period.

Revenue and tenant sales of **Forum 66** mall in Shenyang grew by 6% and 16%, respectively. Targeted marketing campaigns in partnership with our tenants, and those with our Conrad Shenyang and Palace 66 brands in Shenyang, captured productive synergy and delivered superior customer experiences. The occupancy rate as of June 2023 was 84%.

The leading luxury retail mall in Wuxi, **Center 66**, continued to deliver strong results. Revenue and tenant sales rose by 16% and 24%, respectively. A "Money Can't Buy Experience" concept in collaboration with our tenants attracted prestige customers and fortified our leadership position. The occupancy rate remained high at 99% at the end of the period.

Olympia 66 in Dalian, benefiting from its transformation into a luxury-led mall, achieved 19% and 26% revenue growth and tenant sales growth, respectively, compared to the same period last year. Signature event "Shining Olympia" was held in April and continued to boost consumer sentiment and footfall. The occupancy rate remained stable at the end of the period.

Owing to an increase in tourism, **Spring City 66** mall in Kunming, the city's prime luxury hub, reported a 9% and 8% growth in revenue and tenant sales, respectively. Entering its fourth year of operations, the mall continues to deliver strong base rents with positive rental reversions and a high occupancy rate at 97% as of June 2023.

Heartland 66 mall in Wuhan, our first large-scale commercial development in central China, is making enhancement to its trade mix to further strengthen its competitiveness, which caused a drop in its occupancy rate to 81% at the reporting date. Despite the drop in the occupancy rate, the revenue was flat against 2022 level while tenant sales climbed by 25%. In March, a "Cirque du Soleil First-in-Wuhan" event to commemorate the mall's second anniversary in partnership with tenants, was well received by customers.

Sub-luxury malls

Palace 66 in Shenyang saw a 5% decrease in revenue following a low occupancy rate at the start of the year due to COVID-19 pressures in 2022. The occupancy rate at the reporting date recovered five points against period-end December 2022 to 86% and remained stable against period-end June 2022. Buoyed by the local government's commitment to transform the Zhongjie District into a worldwide commercial center, numerous marketing activities—including a music festival—followed and tenant sales increased by 40%.

Revenue and tenant sales of **Parc 66** in Jinan increased by 3% and 31%, respectively, following the completion of the first phase of its AEI in the second half of 2022. The opening of multiple beauty and first-in-town brands in the mall combined with further phases of the AEI will continue to strengthen Parc 66's long-term competitiveness and profitability. The occupancy rate was 89% at the reporting date.

Riverside 66 in Tianjin also recorded a 12% drop in revenue due to low occupancy at the start of the year as a result of COVID-19 pressures in 2022. The introduction of marketing initiatives to stimulate foot traffic resulted in a 40% increase in tenant sales. The occupancy rate remained stable against period-end December 2022 and reduced by three points against period-end June 2022 to 80%.

- *Offices*

The office portfolio remained a dependable source of growth and income, contributing 21% of our total Mainland rental revenue. The total revenue rose by 4% to RMB701 million period-on-period, driven primarily by Plaza 66 and growth from our newer projects, including the office towers in Kunming and Wuhan.

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

Name of Office and City	Revenue (RMB Million)			Period-end Occupancy Rate		
	2023	2022	Change	**June 2023**	December 2022	June 2022
Plaza 66, Shanghai	**335**	317	6%	**98%**	96%	96%
Grand Gateway 66, Shanghai	**121**	125	-3%	**85%**	97%	98%
Forum 66, Shenyang	**64**	66	-3%	**86%**	91%	92%
Center 66, Wuxi	**59**	61	-3%	**83%**	85%	88%
Spring City 66, Kunming	**70**	59	19%	**87%**	88%	79%
Heartland 66, Wuhan	**52**	44	18%	**72%**	73%	61%
Total	**701**	672	4%			

Leveraging a prime location in the Jing'An District and a high-quality tenant mix, the revenue of our two Grade A office towers at **Plaza 66** in Shanghai increased by 6% during the period. The launch of an innovative digital tool is expected to further enhance tenant experiences and service quality. The occupancy rate remained high at 98% at the end of the reporting period.

Office tower revenue at **Grand Gateway 66** in Shanghai decreased by 3% compared to the same period last year. The occupancy rate dropped to 85% as we worked on optimizing our tenant mix.

The office tower at **Forum 66** in Shenyang recorded a 3% drop in revenue, mainly due to the ongoing soft demand in the market with the occupancy rate fell to 86%.

The two office towers at **Center 66** in Wuxi saw a 3% decrease in total revenue, largely due to the low occupancy rate that has carried over from the end of 2022. In the first half of the year, our high-quality offerings allowed us to maintain consistent unit rent. For the second half of the year, we plan to further enhance the tenant mix and leasing pace. The occupancy rate was 83% as of June 2023.

Driven by the eight points hike in its occupancy rate to 87% against period-end June 2022, the revenue of the office tower at **Spring City 66** in Kunming rose by 19%. Spring City 66 will leverage its prime location and high-quality facilities and services to enhance the leasing pace in the second half of 2023.

Our **Heartland 66** Office Tower in Wuhan saw an increase in revenue of 18% and a rise in occupancy of 11 points compared to period-end June 2022 to 72%. In March this year, the tower's new HANGOUT workspace was launched to provide flexible office solutions to increase its competitiveness and offer tenants more options.

- *Residential & Serviced Apartments*

Income from the residential and serviced apartments at Grand Gateway 66 in Shanghai remained steady. The increase in revenue generated from the higher average room rate was offset by a slight drop in occupancy rate.

- *Hotel*

Owing to easing travel restrictions, revenue growth of 130% was recorded. Following an increase in both business and leisure travel, room and food and beverage businesses performed well. Room revenue grew 1.71 fold due to a surge in business travelers while food and beverage revenue achieved 82% growth.

Hong Kong

Following the re-opening of cross-border travel between Hong Kong and the Mainland, the Hong Kong economy recovered well in the first half of 2023, in particular the retail market.

We supported our tenants with a sales-driven approach to capitalize on the steady rebound in market sentiment. During the first half of 2023, we launched the "hello dollar" rewards program and a series of compelling marketing campaigns to elevate shopping experiences.

Revenue and operating profit improved by 4% to HK$1,748 million and by 5% to HK$1,426 million, respectively, with a rental margin of 82%.

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

	Revenue (HK$ Million)			Period-end Occupancy Rate		
	2023	2022	Change	**June 2023**	December 2022	June 2022
Retail	**1,019**	961	6%	**97%**	98%	97%
Offices and Industrial/Office	**607**	598	2%	**88%**	90%	87%
Residential & Serviced Apartments	**122**	123	-1%	**66%**	73%	70%
Total	**1,748**	1,682	4%			

- *Retail*

Revenue from our Hong Kong retail portfolio grew by 6% to HK$1,019 million. By introducing brands that focus on local consumption to refine the tenant mix, the overall occupancy remained stable at 97%.

Total tenant sales and sales rent increased by 21% and 40%, respectively. The hike is largely attributed to the food and beverage, personal care and beauty, and jewelry and watches segments. The recovery of inbound tourism combined with another round of government consumption vouchers and a series of promotional campaigns under the "hello Hang Lung Malls Rewards Program" contributed to the increase.

The overall revenue of retail properties located in **Central Business and Tourist District Portfolio** grew by 8%. The re-opening of borders and the easing of pandemic control measures had a positive impact on the performance of our retail properties at Mongkok and Causeway Bay. Overall occupancy remained stable at 96%.

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

- *Offices and Industrial/Office*

Despite challenging market conditions brought on by weak demand and excess supply, especially on Hong Kong Island, our office revenue rose slightly by 2%. Several measures were adopted to maintain a relatively high occupancy level of 88%.

In a difficult market environment, revenue for our **Hong Kong Island Portfolio** increased slightly by 1% while occupancy held steady at 82%.

For our **Kowloon portfolio**, revenue rose by 2%. Due to a more resilient semi-retail positioning of Grand Plaza, Grand Centre, and Gala Place, occupancy increased to 94%.

- *Residential & Serviced Apartments*

The revenue of our residential and serviced apartments division slightly dipped by 1%, largely due to lower occupancy at The Summit as it prepares for an upcoming renovation. This was partially offset by a higher average occupancy rate at Kornhill Apartments.

PROPERTY SALES

A revenue of HK$2 million was recognized during the reporting period for the sale of 4 car parking spaces classified under properties for sale following completion in May 2023. In the first half of 2022, revenue of HK$316 million was recognized for the sale of one house on Blue Pool Road following its completion during that period. In the first half of 2023, an operating loss of HK$32 million was recorded for property sales, largely consisting of selling expenses for The Aperture in Kowloon Bay and marketing expenses for Grand Hyatt Residences in Kunming, Center Residences in Wuxi, and Heartland Residences in Wuhan.

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

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

SHARE OF RESULTS OF JOINT VENTURES

Our share of results from joint ventures was HK$70 million (2022: HK$116 million) in the period under review. In the first half of 2022, we recorded a one-off gain of HK$94 million from our acquisition of additional 6.67% interests in Citygate, the mixed-use commercial complex in Tung

Chung, Hong Kong, in 2022. Following the acquisition, our interests in Citygate increased to 26.67%. No such one-off gain was recorded in 2023.

PROPERTY REVALUATION

As of June 30, 2023, the total value of our investment properties and those under development amounted to HK$196,643 million, including the mainland China portfolio of HK$132,867 million and the Hong Kong portfolio of HK$63,776 million. These properties were appraised by Savills, an independent valuer, as of June 30, 2023.

A revaluation gain of HK$241 million was recorded (2022: loss of HK$217 million).

The mainland China portfolio recorded a revaluation gain of HK$208 million (2022: loss of HK$147 million), representing less than 1% of the portfolio value.

The Hong Kong portfolio had a revaluation gain of HK$33 million (2022: loss of HK$70 million), representing a less than 1% increase against the value as of December 31, 2022.

Net revaluation gain after tax and non-controlling interests of HK$122 million was reported (2022: net revaluation loss of HK$161 million).

PROPERTY DEVELOPMENT AND CAPITAL COMMITMENT

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

Mainland China

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

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

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

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

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

Hong Kong

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

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

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

FINANCING MANAGEMENT

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

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

For debt portfolio management, we focus on mitigating foreign exchange, interest rate, and refinancing risks through an appropriate mix of 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, the Group continues to make more use of sustainable finance. During the first half of 2023, we issued green bonds worth HK$0.4 billion and obtained HK$0.5 billion in green loan facilities. These are collectively considered sustainable finance, accounting for 48% of our total debts and available facilities.

- *Cash Management*

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

	At June 30, 2023		At December 31, 2022	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Denominated in:				
HKD	**2,217**	*37%*	2,124	*37%*
RMB	**3,633**	*60%*	3,498	*60%*
USD	**168**	*3%*	163	*3%*
Total cash and bank balances	**6,018**	*100%*	5,785	*100%*

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

- *Debt Portfolio*

At the balance sheet date, total borrowings amounted to HK$47,453 million (December 31, 2022: HK$45,953 million), of which 28% was denominated in RMB to act as a natural hedge for net investments in mainland China.

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

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

(i) by currency (after currency swap):

	At June 30, 2023		At December 31, 2022	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Denominated in:				
HKD	**34,330**	*72%*	33,152	*72%*
RMB	**13,123**	*28%*	12,801	*28%*
Total borrowings	**47,453**	*100%*	45,953	*100%*

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

	At June 30, 2023		At December 31, 2022	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Fixed	**18,087**	*38%*	17,376	*38%*
Floating	**29,366**	*62%*	28,577	*62%*
Total borrowings	**47,453**	*100%*	45,953	*100%*

- *Gearing Ratios*

At the reporting date, the net debt balance amounted to HK$41,435 million (December 31, 2022: HK$40,168 million). The net debt to equity ratio was 27.1% (December 31, 2022: 25.9%), and the debt to equity ratio was 31.1% (December 31, 2022: 29.6%). The net debt to equity ratio increased primarily due to capital expenditures in both mainland China and Hong Kong.

Excluding the balances of Hang Lung Properties Limited and its subsidiaries (collectively known as "Hang Lung Properties"), the Company and its other subsidiaries had a net cash balance of HK$1,013 million (December 31, 2022: HK$127 million).

- *Maturity Profile and Refinancing*

At the balance sheet date, the average tenure of the entire loan portfolio was 3.2 years (December 31, 2022: 3.1 years). The maturity profile was staggered over more than 10 years. Around 72% of the loans were repayable after two years.

	At June 30, 2023		At December 31, 2022	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Repayable:				
Within 1 year	**4,328**	*9%*	4,729	*11%*
After 1 but within 2 years	**8,837**	*19%*	8,345	*18%*
After 2 but within 5 years	**29,181**	*61%*	27,621	*60%*
Over 5 years	**5,107**	*11%*	5,258	*11%*
Total borrowings	**47,453**	*100%*	45,953	*100%*

As of June 30, 2023, total undrawn committed banking facilities amounted to HK$20,430 million (December 31, 2022: HK$24,789 million). The US$4 billion (December 31, 2022: US$4 billion)

MTN program's available balances amounted to US$2,255 million, equivalent to HK$17,677 million (December 31, 2022: HK$18,343 million).

Excluding the balances of Hang Lung Properties, the undrawn committed banking facilities of the Company and its other subsidiaries amounted to HK$3,550 million (December 31, 2022: HK$3,415 million).

- *Net Finance Costs and Interest Cover*

For the first half of 2023, gross finance costs increased by 21% to HK$897 million, fueled by the rise in average effective cost of borrowing to 4.0% (2022: 3.5%) resulting from interest rate hikes, and by higher borrowings for capital expenditure.

The net amount charged to the statement of profit or loss (after excluding capitalized amounts) increased to HK$315 million accordingly.

Interest cover for the six months of 2023 was 4 times (2022: 5 times).

- *Foreign Exchange Management*

RMB fluctuations are our principal exchange rate risk. Our exposure is primarily determined by the currency translation risk from our subsidiaries' net assets in mainland China.

We refrain from speculating on the movement of the RMB against the HKD. Considering the cash inflows from local operations and RMB borrowings, we maintain an appropriate level of RMB resources to meet our capital needs in mainland China. We regularly conduct business reviews to assess the funding required for our mainland China projects, guided by regulatory restrictions, project development schedules, and the market environment. Our funding plan is modified to accommodate any changes in circumstances.

As of June 30, 2023, net assets denominated in RMB accounted for approximately 71% of our total net assets. Compared to December 31, 2022, the RMB depreciated against the HKD by 3.1%. An exchange loss of HK$3,576 million (2022: loss of HK$5,332 million) was recognized in other comprehensive income/exchange reserve following the translation of these assets from RMB into HKD at the exchange rate on the reporting date.

- *Charge of Assets*

The Group's assets were not charged to third parties as of June 30, 2023.

- *Contingent Liabilities*

The Group had no material contingent liabilities as of June 30, 2023.

CORPORATE INITIATIVES

Accelerating Sustainability Progress Through Partnerships

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

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

Promoting Youth Development and Diversity & Inclusion

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

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

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

OUTLOOK

Our businesses will be affected by international and domestic uncertainties. Generally speaking, post-COVID-19 economies across the globe remain sluggish with rising interest rates and relatively low GDPs. We will continue to redouble our efforts on strong tenant engagements and proactive placemaking initiatives to weather challenges ahead. With these efforts, we are confident in our business outlook across the board, led by well-positioned geographical and business diversification and mature CRM platforms.

On the Mainland, our luxury malls have proven their resilience in the face of numerous challenges over the past few years. We remain committed to mobilizing talk-of-the-town marketing campaigns and leveraging our HOUSE 66 CRM program to solidify our malls' positioning and cultivate stronger connections with loyal customers. We are driven to restore our sub-luxury malls' growth trajectory by rebuilding the occupancy and optimizing the tenant mix of Palace 66 in Shenyang and Riverside 66 in Tianjin. Parc 66 in Jinan, another sub-luxury mall, will continue to benefit from the completion of the first phase of its AEI. For our office portfolio, despite the complex market environment, we anticipate growth in rental as demand for Grade A office towers continues to outweigh the limited supply. Conrad Shenyang will continue to reap the rewards of restriction-free travel while we look forward to the launch of our second premium hotel, Grand Hyatt Kunming, in the first half of 2024.

As a core player with deep roots in Hong Kong, we value our role in strengthening the city's position as a preferred destination for both businesses and tourists. Likewise, we remain committed to providing our loyal Hong Kong customers with elevated shopping experiences through our "hello Hang Lung Malls Rewards Program". For our office portfolio, we will keep working to maintain the occupancy in our existing buildings while also extending a warm welcome to our newest member, the recently completed 228 Electric Road. Through AEI and capital recycling exercises, we are continuously reviewing opportunities to upgrade our Hong Kong portfolio.

Subject to market conditions, we are gearing up for the launch of our premium serviced residences brand on the Mainland, Hang Lung Residences (comprising Heartland Residences in Wuhan, Grand Hyatt Residences in Kunming, and Center Residences in Wuxi). Our goal is to hand over the first batch of units at Heartland Residences to buyers by the end of 2023. In Hong Kong, completion of the transaction for The Aperture is slightly delayed to mid-2024, at which time the pre-sale revenue will be recognized.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED JUNE 30, 2023 (UNAUDITED)

	Note	**2023 HK$ Million**	2022 HK$ Million	*For information purpose only* **2023 RMB Million**	2022 RMB Million
Revenue	2(a)	**5,525**	5,605	**4,881**	4,634
Direct costs and operating expenses		**(1,491)**	(1,676)	**(1,317)**	(1,385)
		4,034	3,929	**3,564**	3,249
Other net income	3	**15**	12	**13**	11
Administrative expenses		**(339)**	(320)	**(299)**	(265)
Profit from operations before changes in fair value of properties		**3,710**	3,621	**3,278**	2,995
Increase/(decrease) in fair value of properties		**241**	(217)	**220**	(185)
Profit from operations after changes in fair value of properties		**3,951**	3,404	**3,498**	2,810
Interest income		**50**	35	**44**	29
Finance costs		**(315)**	(265)	**(279)**	(219)
Net interest expense	4	**(265)**	(230)	**(235)**	(190)
Share of profits of joint ventures		**70**	116	**62**	97
Profit before taxation	5	**3,756**	3,290	**3,325**	2,717
Taxation	6	**(847)**	(783)	**(749)**	(649)
Profit for the period	2(b)	**2,909**	2,507	**2,576**	2,068
Attributable to:					
Shareholders		**1,682**	1,439	**1,490**	1,188
Non-controlling interests		**1,227**	1,068	**1,086**	880
Profit for the period		**2,909**	2,507	**2,576**	2,068
Earnings per share	8(a)				
Basic		**HK$1.24**	HK$1.06	**RMB1.09**	RMB0.87
Diluted		**HK$1.24**	HK$1.06	**RMB1.09**	RMB0.87

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2023 (UNAUDITED)

			For information purpose only	
	2023 HK$ Million	2022 HK$ Million	**2023 RMB Million**	2022 RMB Million
Profit for the period	**2,909**	2,507	**2,576**	2,068
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss:				
Movement in exchange reserve:				
Exchange difference arising from translation to presentation currency	**(3,580)**	(5,336)	**1,364**	1,691
Gain on net investment hedge	**4**	4	**4**	4
Movement in hedging reserve:				
Effective portion of changes in fair value	**77**	95	**69**	79
Net amount transferred to profit or loss	**(48)**	(11)	**(42)**	(9)
Deferred tax	**(7)**	(13)	**(6)**	(11)
Item that will not be reclassified to profit or loss:				
Net change in fair value of equity investments	**1**	(1)	**1**	(1)
Other comprehensive income for the period, net of tax	**(3,553)**	(5,262)	**1,390**	1,753
Total comprehensive income for the period	**(644)**	(2,755)	**3,966**	3,821
Attributable to:				
Shareholders	**(390)**	(1,537)	**2,388**	2,305
Non-controlling interests	**(254)**	(1,218)	**1,578**	1,516
Total comprehensive income for the period	**(644)**	(2,755)	**3,966**	3,821

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT JUNE 30, 2023

	Note	**(Unaudited)** **June 30, 2023** **HK$ Million**	(Audited) December 31, 2022 HK$ Million	*For information purpose only* **June 30, 2023** **RMB Million**	December 31, 2022 RMB Million
Non-current assets					
Property, plant and equipment					
Investment properties	9	**175,149**	176,381	**161,832**	157,657
Investment properties under development	9	**21,494**	22,703	**19,817**	20,283
Other property, plant and equipment		**332**	317	**307**	283
		196,975	199,401	**181,956**	178,223
Interests in joint ventures		**4,451**	4,492	**4,128**	4,020
Other assets		**1,435**	1,434	**1,331**	1,283
Deferred tax assets		**143**	144	**133**	129
		203,004	205,471	**187,548**	183,655
Current assets					
Cash and deposits with banks		**6,018**	5,785	**5,564**	5,173
Trade and other receivables	10	**3,751**	3,589	**3,467**	3,208
Properties for sale		**12,210**	11,689	**11,292**	10,451
		21,979	21,063	**20,323**	18,832
Current liabilities					
Bank loans and other borrowings		**4,328**	4,729	**4,002**	4,229
Trade and other payables	11	**9,404**	9,712	**8,685**	8,680
Lease liabilities		**28**	27	**26**	24
Current tax payable		**522**	457	**483**	408
		14,282	14,925	**13,196**	13,341
Net current assets		**7,697**	6,138	**7,127**	5,491
Total assets less current liabilities		**210,701**	211,609	**194,675**	189,146
Non-current liabilities					
Bank loans and other borrowings		**43,125**	41,224	**39,939**	36,875
Lease liabilities		**253**	266	**233**	238
Deferred tax liabilities		**14,675**	14,906	**13,534**	13,315
		58,053	56,396	**53,706**	50,428
NET ASSETS		**152,648**	155,213	**140,969**	138,718
Capital and reserves					
Share capital		**4,065**	4,065	**3,164**	3,164
Reserves		**87,504**	88,754	**81,414**	79,795
Shareholders' equity		**91,569**	92,819	**84,578**	82,959
Non-controlling interests		**61,079**	62,394	**56,391**	55,759
TOTAL EQUITY		**152,648**	155,213	**140,969**	138,718

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The interim results set out in the announcement do not constitute the interim report for the six months ended June 30, 2023 of Hang Lung Group Limited (the "Company") and its subsidiaries (collectively the "Group") but are extracted from the report.

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

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

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

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

The presentation currency of these consolidated financial statements is Hong Kong dollar. In view of the Group's significant business operations in mainland China, management has included additional financial information prepared in Renminbi in the consolidated financial statements. Such supplementary information is prepared on the same basis as 2022 as if the presentation currency is Renminbi.

1. BASIS OF PREPARATION (Continued)

The financial information relating to the financial year ended December 31, 2022 included in this announcement of interim results as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended December 31, 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

2. REVENUE AND SEGMENT INFORMATION

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

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

(a) Disaggregation of revenue

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

HK$ Million	**2023**	2022
Under the scope of HKFRS 16, *Leases*:		
Rental income	**4,766**	4,624
Under the scope of HKFRS 15, *Revenue from contracts with customers*:		
Sales of completed properties	**2**	316
Building management fees and other income from property leasing	**757**	665
	759	981
	5,525	5,605

2. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Revenue and results by segments

HK$ Million	**2023**			2022		
	Property Leasing	**Property Sales**	**Total**	Property Leasing	Property Sales	Total
Revenue						
- Mainland China	**3,775**	**-**	**3,775**	3,607	-	3,607
- Hong Kong	**1,748**	**2**	**1,750**	1,682	316	1,998
	5,523	**2**	**5,525**	5,289	316	5,605
Profit/(loss) from operations before changes in fair value of properties						
- Mainland China	**2,424**	**(20)**	**2,404**	2,246	(19)	2,227
- Hong Kong	**1,307**	**(1)**	**1,306**	1,242	152	1,394
	3,731	**(21)**	**3,710**	3,488	133	3,621
Increase/(decrease) in fair value of properties	**241**	**-**	**241**	(217)	-	(217)
- Mainland China	**208**	**-**	**208**	(147)	-	(147)
- Hong Kong	**33**	**-**	**33**	(70)	-	(70)
Net interest expense	**(265)**	**-**	**(265)**	(230)	-	(230)
- Interest income	**50**	**-**	**50**	35	-	35
- Finance costs	**(315)**	**-**	**(315)**	(265)	-	(265)
Share of profits of joint ventures	**70**	**-**	**70**	116	-	116
Profit/(loss) before taxation	**3,777**	**(21)**	**3,756**	3,157	133	3,290
Taxation	**(849)**	**2**	**(847)**	(758)	(25)	(783)
Profit/(loss) for the period	**2,928**	**(19)**	**2,909**	2,399	108	2,507
Net profit/(loss) attributable to shareholders	**1,693**	**(11)**	**1,682**	1,376	63	1,439

2. REVENUE AND SEGMENT INFORMATION (Continued)

(c) Total segment assets

HK$ Million	**June 30, 2023**			December 31, 2022		
	Property Leasing	**Property Sales**	**Total**	Property Leasing	Property Sales	Total
Mainland China	**135,299**	**5,749**	**141,048**	138,208	5,498	143,706
Hong Kong	**65,350**	**6,538**	**71,888**	64,576	6,397	70,973
	200,649	**12,287**	**212,936**	202,784	11,895	214,679
Interests in joint ventures			**4,451**			4,492
Other assets			**1,435**			1,434
Deferred tax assets			**143**			144
Cash and deposits with banks			**6,018**			5,785
			224,983			226,534

3. OTHER NET INCOME

HK$ Million	**2023**	2022
Government grants	**5**	11
Gain on disposal of investment properties	**11**	-
Others	**(1)**	1
	15	12

4. NET INTEREST EXPENSE

HK$ Million	**2023**	2022
Interest income on bank deposits	**50**	35
Interest expense on bank loans and other borrowings	**843**	692
Interest on lease liabilities	**7**	8
Other borrowing costs	**47**	44
Total borrowing costs	**897**	744
Less: Borrowing costs capitalized	**(582)**	(479)
Finance costs	**315**	265
Net interest expense	**(265)**	(230)

5. PROFIT BEFORE TAXATION

HK$ Million	**2023**	2022
Profit before taxation is arrived at after charging:		
Cost of properties sold	**-**	135
Staff costs (Note)	**797**	801
Depreciation	**46**	49

Note: The staff costs included employee share-based payments of HK$40 million (2022: HK$45 million). If the amounts not recognized in the statement of profit or loss, including amounts capitalized, were accounted for, staff costs would have been HK$950 million (2022: HK$947 million).

6. TAXATION IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Provision for Hong Kong Profits Tax is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the period. Mainland China Income Tax represents mainland China Corporate Income Tax calculated at 25% (2022: 25%) and mainland China withholding income tax calculated at the applicable rates. The withholding tax rate applicable to Hong Kong companies in respect of dividend distributions from foreign investment enterprises in mainland China was 5% (2022: 5%).

HK$ Million	**2023**	2022
Current tax		
Hong Kong Profits Tax	**160**	158
Mainland China Income Tax	**481**	479
Total current tax	**641**	637
Deferred tax		
Changes in fair value of properties	**41**	18
Other origination and reversal of temporary differences	**165**	128
Total deferred tax	**206**	146
Total income tax expense	**847**	783

7. DIVIDENDS

(a) Interim dividend

HK$ Million	**2023**	2022
Proposed after the end of the reporting period:		
HK21 cents (2022: HK21 cents) per share	**286**	286

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

(b) Final dividend approved and paid during the six months ended June 30, 2023

HK$ Million	**2023**	2022
2022 final dividend of HK65 cents		
(2021: HK65 cents) per share	**885**	885

8. EARNINGS PER SHARE

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

HK$ Million	**2023**	2022
Net profit attributable to shareholders	**1,682**	1,439

	Number of shares	
	2023	2022
Weighted average number of shares used in calculating basic and diluted earnings per share (Note)	**1,361,618,242**	1,361,618,242

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

8. EARNINGS PER SHARE (Continued)

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

HK$ Million	**2023**	2022
Net profit attributable to shareholders	**1,682**	1,439
Effect of changes in fair value of properties	**(241)**	217
Effect of income tax for changes in fair value of properties	**41**	18
Effect of changes in fair value of investment properties of joint ventures	**(2)**	20
	(202)	255
Non-controlling interests	**80**	(94)
	(122)	161
Underlying net profit attributable to shareholders	**1,560**	1,600

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

	2023	2022
Basic	**HK$1.15**	HK$1.18
Diluted	**HK$1.15**	HK$1.18

9. INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES UNDER DEVELOPMENT

(a) Additions

During the six months ended June 30, 2023, additions to investment properties and investment properties under development amounted to HK$1,591 million (2022: HK$1,101 million).

(b) Valuation

The investment properties and investment properties under development of the Group were revalued as of June 30, 2023 by Mr. Charles C.K. Chan, Registered Professional Surveyor (General Practice), of Savills Valuation and Professional Services Limited, on a market value basis.

10. TRADE AND OTHER RECEIVABLES

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

HK$ Million	**June 30, 2023**	December 31, 2022
Not past due or less than 1 month past due	**122**	118
1 – 3 months past due	**9**	27
More than 3 months past due	**3**	4
	134	149

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

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

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

11. TRADE AND OTHER PAYABLES

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

HK$ Million	**June 30, 2023**	December 31, 2022
Due within 3 months	**1,543**	1,384
Due after 3 months	**2,427**	2,745
	3,970	4,129

12. ACQUISITION OF ADDITIONAL INTERESTS IN JOINT VENTURES

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

The fair value of the identifiable net assets and the shareholders' loans acquired was HK$973 million. The HK$94 million excess over the consideration paid was recognized as a gain under "share of profits of joint ventures" in 2022.

OTHER INFORMATION

Employees

As of June 30, 2023, the number of employees was 4,204 (comprising 988 Hong Kong employees and 3,216 mainland China employees). The total employee costs for the six months ended June 30, 2023, amounted to HK$950 million. We provide competitive remuneration packages for all employees including discretionary bonuses payable based on individual performance. We regularly review remuneration packages to ensure that they comply with relevant regulatory requirements and market conditions. The Group also has a share option scheme and provides professional and high-quality training for employees.

Purchase, Sale or Redemption of Listed Securities

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

Compliance with Corporate Governance Code

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

Review of Interim Results

The interim results for the six months ended June 30, 2023, have been reviewed by the Company's Audit Committee and auditor, KPMG.

Book Close Dates

Book close dates (both days inclusive)	September 14 to 15, 2023
Latest time to lodge transfers	4:30 pm on September 13, 2023
Record date for interim dividend	September 15, 2023
Payment date for interim dividend	September 29, 2023

On Behalf of the Board
Ronnie C. Chan
Chair

Hong Kong, July 31, 2023

GLOSSARY

Financial Terms

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

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

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

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

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

Financial Ratios

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

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

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

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

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