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RESULTS AND DIVIDEND

For the six months ended June 30, 2023, overall revenue fell marginally by 1% to HK$5,525 million. The improved leasing performance was affected by the depreciation of the Renminbi (RMB) and lower contributions from property sales. Rental revenue increased by 4% to HK$5,523 million.

When excluding all the effects of property revaluation, underlying net profit attributable to shareholders decreased by 3% to HK$1,560 million. Underlying earnings per share decreased similarly to HK$1.15.

Net profit attributable to shareholders, after including all the effects of property revaluation, increased by 17% to HK$1,682 million. Earnings per share rose correspondingly to HK$1.24.

The Board has declared an interim dividend of HK21 cents per share, payable on September 29, 2023, to shareholders of record on September 15, 2023.

BUSINESS REVIEW

In 1960, my late father, Mr. T.H. Chan, founded Hang Lung. Its subsequent progress mimicked the overall growth of the city, the region, and indeed the world. The economic boom in much of East Asia, including Japan and the Four Asian Tigers of South Korea, Taiwan, Singapore, and Hong Kong, was nothing short of spectacular. Within Hong Kong, history showed that real estate was a particularly lucrative industry. It was truly an opportunity of a lifetime.

There were multiple factors that contributed to this phenomenon. The post-World War II (WWII) era saw the fast rise of economies in much of the then so-called free world. Hong Kong was part of it and benefited greatly. Immigrants are known to be hard-working and entrepreneurial, and our city has plenty of them. Given a globalizing world and a somewhat laissez-faire local government, Hong Kong and real estate thrived.

In the first 30-some years after WWII, China was closed to much of the world. Hong Kong became one of the very few windows in and out of the country. We thrived as a result. After China opened up right before the 1980's, our city's role expanded, and more economic opportunities came our way. We must have been among the top beneficiaries of the country's Reform and Opening-Up Policy. Together with the high land price policies of the then colonial master that limited land supply, helped by Beijing during the Sino-British negotiations on Hong Kong's 1997 return to her motherland, our real estate prices became one of the most expensive in the world. The lack of quantity, in terms of total number of residential units and commercial space square footage, was more than offset by the super high unit prices. Some developers were able to take better advantage of the opportunities than others, but even the also-rans did well.

Hang Lung was certainly a beneficiary. While 30 or so years ago, we began to turn our attention to top-end commercial properties on the Mainland, it was the financial resources, industry expertise, and reputation garnered in Hong Kong that laid the foundation for our subsequent successes up north. Although the property market of our home city is no longer where our future lies, our headquarters is still here, and about 30% of our recurrent rental income is derived from this market. None of that should cloud our assessment of this city.

For several reasons, I believe that Hong Kong is undergoing a systemic change. For decades, we were an integral part of an increasingly globalized world whose economy grew almost incessantly. Amid America's fight with China, this city has become the first collateral damage. The global economy will become bifurcated to a significant extent. The global market that we once served so well to everyone's benefit has shrunk and will continue to shrink. Commercial activities are already slowing. The flow of sensitive or strategic products, however defined, no longer passes through us. People flow and capital flow are clearly being curbed by the U.S. All this can only worsen in the coming months and years.

This does not mean that Hong Kong's economy will disappear altogether, but it does mean the city must adjust and adapt quickly to stay relevant. The process is bound to be challenging and painful. Failure to recognize or deny the need for change will be detrimental.

There are further reasons why the real estate sector in our city would weaken. The riots of 2019 have chased away many locals as well as expatriates. More left because of the way we handled the three-year pandemic. All that means is diminished demand. Ironically, those who opposed the government, which led to the violence of 2019, kept property prices high. By indiscriminately fighting anything the government did after the city's return to her motherland, such as selling more land, they prolonged the decade-long bull market, which kept residential prices extremely high. In so doing, these opposers shoveled money into the pockets of local developers, whom they also disliked.

Now that the opposers are no longer making waves, the government can finally release more land into the market. Occurring at a time when the economy is weakened for the reasons given above, both land and residential prices are coming under pressure. As the supply of land increases, housing prices will moderate. In fact, this has already begun. I expect it to be a systemic and not just a cyclical change. In the long run, this will make Hong Kong more competitive. The timing, however, is challenging. The sustaining fall in prices may add frost to our economic chill.

For decades in Hong Kong, there have been two truisms that are historically infallible but no longer. The first is that when the Mainland is in trouble, we benefit, and when it thrives, we thrive even more. Given the U.S. is now denying the existence of the One-Country-Two-Systems construct, this city will suffer when the Mainland suffers. The second is that you can never go wrong buying real estate; time will always bail you out. Hong Kong people must change their mindset when the external environment changes.

In this, we can count ourselves fortunate. Having diversified into Mainland commercial properties about 30 years ago, we are not that affected by these Hong Kong realities. As I have explained in previous editions of this *Letter to Shareholders*, I believe that, present weaknesses notwithstanding, the Mainland economy should perform acceptably in the coming years as long as society remains relatively peaceful.

Over the past four decades since the Chinese economy opened up, enormous wealth has been accumulated in society, along with much expertise and experience in both the domestic and international markets. These cover much of the value chain upstream and downstream with a sufficient breadth of industries, all supported by reasonably good tertiary education institutions. As such, the economy should be able to sustain itself for a very long time.

That said, like any other economic system, there will be cycles, just as human nature has fluctuations. Each time the causes may differ somewhat, but ups and downs are unavoidable. As I explained six months ago in my *Letter to Shareholders* of Hang Lung Properties, our major subsidiary, China is currently in a rather difficult position. This is a combination of the cost of fighting COVID-19 the way China did, the reining in of Internet platform companies and private education institutions, the bursting of the residential bubble, and the consequences of a full-scale American attack just short of kinetic conflicts. The presence of these four factors at the same time is what makes the current economic challenge particularly daunting.

All these factors are, for various reasons, new to Beijing leaders. Together, the first three affected the desire of individual citizens to spend, and businesses to invest. It will take time to remedy the situation. But perhaps the most concerning is the fourth and last factor, for it is at its root a political issue. One misstep may seriously affect the country's future for decades to come. Frankly, there is limited room to maneuver, so extreme caution must be exercised. For many decades, the truly perilous challenges were often domestic in nature. This time, they are domestic and international all at once.

Given this background, uncertainties in both the overall economy and our industry are exceptionally high. There is no excuse to ignore the many risks, almost all of which are beyond our control. As such, this is not a time for expansive business adventurism. Rather, it is a time for great caution.

All three domestic factors mentioned above took place during the past three years of COVID-19. This makes our luxury retail industry and our performance all the more intriguing. While general consumption was weak, high-end spending never stopped growing. The results of top European fashion houses bear out this point, which is in line with our own experiences. In fact, taking a longer-term view reveals something rather amazing.

We collected our first rental dollar from the Mainland during the last three days of 1999 with the inauguration of our mall at Grand Gateway 66 in Shanghai. From that time until now, in local currency terms, we have never had a down year with our commercial property rental business in mainland China. Luxury retail underwent a six- to seven-year bear market between late 2011 and 2018. In fact, in July 2011, I already wrote about the chill in the market that was felt at our two Shanghai malls. At that time, we only had one property elsewhere on the Mainland — the sub-luxury shopping center Palace 66 in Shenyang which opened in 2010. (Parc 66 in Jinan started doing business in August 2011.) Even during the three pandemic years, we managed to grow our rents consistently year after year. Between 2000 (when we had full-year results on our first property) and 2022, we increased our rental revenue by more than 42 times. That is a compound annual growth rate of 18%.

It would not be easy indeed to find another business where revenue can increase continually for 23 years. Granted, we did have new properties added to the portfolio from time to time, but the organic growth of our projects was rather consistent.

For example, our two malls in Shanghai have only experienced down years attributable to two incidents in the 23 years for Grand Gateway 66 and the 22 years for Plaza 66 (which opened in 2001). Because the entire city was shut down for two months last year with periodic business suspensions for the rest of the year, rents received could not have risen compared to 2021. The only other time the two shopping centers had a fall in revenue was during the initial stages of their respective Asset Enhancement Initiative (AEI) when we voluntarily closed parts of the properties. This history strongly indicates that, left to market forces alone, the two properties are capable of sustaining persistent rental rises.

Rents collected from Grand Gateway 66 in Shanghai increased 9.4 times from its opening until 2021 (thus excluding the abnormal 2022). This translated to a compound annual growth rate of more than 11%. In the case of Plaza 66 in Shanghai, counting from the full-year results of 2002 to 2021, revenue rose over 20 times, giving a compound annual growth rate of over 17%.

Luxury malls outside Shanghai also performed well. Center 66 in Wuxi opened in 2013 during the long bear market, so we were forced to take in only sub-luxury brands as tenants. Once some normalcy returned, we immediately transformed it into a top-end property with high-fashion stores. In the five years since then, rents rose 1.8 times, representing a compound annual growth rate of about 23%.

Olympia 66 in Dalian, inaugurated in 2016, followed a similar trajectory as Center 66 in Wuxi. Its upward migration from a sub-luxury mall began around 2019. Its only down year was in 2020 at the onset of the pandemic. Over the six years of full-year operations, revenue rose 1.6 times, yielding a compound annual growth rate of 17%.

What must be said here is that, for both Center 66 in Wuxi and Olympia 66 in Dalian, the rental rise is still very fast. In other words, these properties are still in their maturation stages. Barring external disasters, I expect them to continue generating considerable growth rates for several more years.

Spring City 66 in Kunming and Heartland 66 in Wuhan are still very young, having opened for business in 2019 and 2021, respectively. Both have seen rising rents, and this momentum should continue.

As I have explained in previous years, sub-luxury malls are a less desirable asset class to own and manage. The competition dynamics are very different from their fancier cousins. In an economy where e-commerce is super strong and prevailing, such businesses are easily replaced by online shopping.

Office rental is another area where we excel. We collected our first office rent dollar from the Mainland in 2001. It was the first tower at Plaza 66 in Shanghai. In the subsequent 21 years, only twice have we seen a dip in rents — in 2010 and 2017. We now have eight skyscrapers — two each at Plaza 66 in Shanghai and Center 66 in Wuxi, and one each at Grand Gateway 66 in Shanghai, Forum 66 in Shenyang, Spring City 66 in Kunming, and Heartland 66 in Wuhan. Together, these account for 21% of our total Mainland rental revenue. In Shanghai, the fall in rents is mostly related to AEIs. For the entire portfolio, whether the annual drop in rents are AEI-related or not, the magnitude is mild, usually less than 4%.

Given this history, it is perhaps not surprising that we did well in the six months under review. In the first few months of the year, everyone (including ourselves) was expecting a quick market recovery. That happened but did not last. Momentum began to slow down, at the latest in mid-May. Nevertheless, compared to the year before, tenant sales remain strong. The same is true for our revenue growth. It is quite possible that these conditions will hold for the rest of the year, in which case our full-year results will continue the tradition of the previous 23 years — an uninterrupted rise in Mainland rental revenue in local currency terms.

In RMB terms, Mainland rental revenue of the past six months increased by 12%. Due to a 6.3% currency devaluation vis-à-vis our home currency, the Hong Kong Dollar, we only reported a 5% rise. What is encouraging is the improvements in rental margins. Our retail portfolio has advanced by three points to 72% — by two points to 76% for our luxury malls, and by five points to 44% for the sub-luxury kind. The rental margin for our Mainland offices remained unchanged at 69%. In comparison, our Hong Kong retail space saw a rise of two points to 84%, while offices stayed the same at 83%.

Occupancy remained basically stable, while the average unit rents and rental reversions rose across all properties except a few sub-luxury ones. Rental reversions at our luxury malls outside Shanghai were particularly strong. The fact that turnover rents for such facilities, as a percentage of total rents, remains at a historically high level tends to indicate that rent rises at the next lease renewal seems assured. This is confirmed by the fact that, compared to the past, occupancy costs are at a relatively low level.

In the past six months, Hong Kong retail sales continued to rise, and to a lesser extent, our rental revenue as well. Our office rents also advanced a bit but are rather anemic.

It is interesting to compare the performance of various product types to that of the pre-COVID-19 days, namely, the first six months of 2019.

For our luxury malls, tenant sales have in all cases but one more than doubled. Two properties recorded 2.5 to 3 times more business transacted. Two other facilities saw sales more than doubled. As a result, we collected much more rent. The story is very different for our sub-luxury shopping centers. Although tenant sales have recovered, rental revenue is only about 90% of the pre-pandemic days. Hong Kong retail exhibited a similar pattern but is even slightly weaker.

In terms of leasing revenue, the Mainland now accounts for 68% of the total, and Hong Kong is 32%. The former contributed 65% to the operating profit, while Hong Kong produced 35%. Compared to years past, the operational efficiency of Mainland properties is catching up.

Unlike the previous year, we had a much lower contribution from property sales in the first half of this year. As a result, the underlying net profit attributable to shareholders was down by 3%. Looking at property leasing only, the number went up by 2% to HK$1,571 million. After a minor net revaluation gain this year versus a moderate net revaluation loss in 2022, the net profit attributable to shareholders rose by 17% to HK$1,682 million. The net leasing profit attributable to shareholders rose by 23% to HK$1,693 million.

PROSPECTS

There is no denying that the Mainland economy is undergoing serious challenges. The combination of the four factors mentioned in the last section and occurring at the same time makes them particularly difficult to address. Since China's opening-up some 45 years ago, there have been many extremely tough situations. From 1989 to 1991, the entire opening-up was almost scuttled. The cause was domestic politics and ideology that led to economic malaise. This time, it is primarily economic but exacerbated by international politics. The latter is a new phenomenon that we have not seen before — an external political attack that has severe economic consequences.

Without the foreign element, the purely domestic problems would take time to resolve, if they can be resolved. Now, with the added exogenous factor, economic recovery would be even more challenging. The orientation of economic development will have to change. Recognizing this a few years ago, Beijing has, for example, redirected the formerly externally driven economy to one emphasizing domestic circulation, such as household consumption.

Hong Kong has its own challenges, as I have written previously. Our economy will not disappear, but it will suffer if the Mainland economy suffers — and suffer it will. The real estate sector in particular is undergoing structural changes. It is now a different game. Land supply will be increased and the days of exorbitant profits will be gone. The only bright spot may be the high-end residential market, for many affluent Chinese north of the border desire to move here.

We have not been active in the mass residential market for over 20 years. Many money-making opportunities were perhaps lost, but we can now count ourselves fortunate. At least we are not stuck with highly priced land and buildings.

While I was giving a speech on the Mainland in 2021, someone from the audience asked: when would Hang Lung take advantage of the bear market to buy land, since we were known to do exactly that in previous decades? My answer: today's bear is a different kind of bear! This is not a cyclical downturn but a structural or systemic change. Now is the time to preserve cash, not expand the business.

Are there some bright spots in this otherwise grim picture? One is the luxury sector on the Mainland. Sales have been strong, although the momentum has weakened of late. At the same time, overseas sales by Chinese shoppers have increased, as noticed by top fashion houses. Some of the latter have publicly announced that they are taking measures to equalize prices. For example, the weak Japanese Yen has attracted many Chinese shoppers to Japan, a phenomenon that is now being addressed. All that means that total purchasing power from the Mainland is still strong. It is just a matter of where these shoppers choose to spend their money. Any repatriation of sales should be beneficial to our business.

Can such luxury consumption growth continue? Yes, as long as China's overall economy remains steady. I suspect it will, but only time can tell. Looking at 5 to 10 years down the road, the country should be able to transform her economy in accordance with the new realities. In that case, her luxury retail should remain sustainable.

Compare the wealthy Chinese to those in Japan, South Korea, Hong Kong, Singapore, and Thailand. About 40 to 60 years after their respective economies took off, one still finds these citizens buying high-end fashion brands at home and abroad. Besides Putonghua being spoken in such stores in Paris, London, Milan, or New York City, Japanese, Korean, and Thai are regularly heard. Our Plaza 66 in Shanghai may well be the first luxury mall in mainland China, and it is merely 22 years old. Top fashion houses will be selling to desirous and wealthy Chinese customers for many decades ahead.

Besides Asia's propensity for branded products, China also has a huge population. As long as her economy is relatively healthy, there will always be new generations of younger shoppers in the coming decades. The Chinese customers of luxury goods are probably among the youngest; they are certainly much younger than those in the U.S. and Europe. In China, they start to buy in their late 20's and are expected to continue for, say, four to five decades. As such, the total number of customers accumulates over time. It means that, at present, this sector is only tapping into a small number of potential purchasers.

Although unlikely this year, there will come a time when we will be tempted to buy land again. It is hard to predict the timing, but my team never stops looking. Hopefully, we will not miss the next bargain. After all, we have a fairly good track record of buying right. Needless to say, for us, buying right is never just buying on the cheap because of timing. It is to successfully acquire plots of land that are well located and with reasonable developmental briefs by the local government.

For now, China will have to first address her various economic challenges. Together with serious conflicts in China-U.S. relations, exports can only be weak. Having printed a lot of money in recent years also makes public investments less likely to be a growth engine. Such investments work better when the economic pie is small. Now, as the world's second largest economy, it will take a lot more input to produce the same percentage output. If it is any encouragement at all, there are few places around the globe that have healthy growth.

That leaves household consumption as the only reliable source of impetus. But at present, consumer confidence is weak, and it will take time to recover. For now, luxury spending is one of the few areas that are still growing. Because of troubled geopolitics, Chinese people are traveling less overseas, especially to the West. This will affect the global tourism scene. For the same reason, domestic tourism is booming — all tourist spots are packed, and hotels are doing well. But even then, per capita spending is not on par with pre-pandemic levels. There are exceptions, such as our Conrad Hotel in Shenyang, which is doing superbly. However, it may not be representative of the overall industry.

Another issue of the economy is the lack of business confidence. Unless they have more clarity over where government policies are heading, it is unlikely that businesspeople will reinvest. For the most part, they are a cautious group, especially now.

Whatever the case, in the long run, China will have to rely much more heavily on personal consumption as an economic driver. In developed countries in the West or the East, its share in GDP is usually between 50% and 70%. For example, the U.S. is at 68% and most Western European countries have a percentage figure in the 50s. India, a huge developing economy like China, stands at 63%. Yet this number for China is about 38%. There is much room for growth.

Hong Kong's difficulties pale in comparison to those of mainland China. This city is slowly recovering from the pandemic. A prompt and lively rise is not expected, but hopefully, it will be steady. Retail sales are already improving somewhat, and a slow rise in shop rents can be expected.

Office rents reflect overall commercial activity, especially those of the financial sector and related professional services. Anticipating further attacks from the U.S. on those fields, recovery will be slow. The speed will be further impeded by the amount of imminent supply of Grade A office space in downtown areas in the coming few years. Secondary locations may fare less well in terms of occupancies and rent rises.

At issue is the lack of clarity on what may boost Hong Kong's economy. While tourism is improving, per capita spending remains wimpish. Given lackluster international trade, due to feeble economies overseas and fierce political currents, the logistics sectors will not be robust. Consequently, it is doubtful that personal consumption will be strong. Together with structural changes in the housing market mentioned earlier, it is now hard to be overly optimistic about the future.

Given such an economic outlook, it may surprise some that Hang Lung may yet have our best year ever in terms of reaching new heights for total rental revenue. The chances are fairly good. We performed well in the first half of the year and will likely continue to do fine in the second half, although the rate of growth has slowed. For 2024, however, I do not have much visibility. Hopefully, by the time I write to you again in late January next year, some clouds may have lifted.

Ronnie C. Chan
Chair
Hong Kong, July 31, 2023

As you will see from this Interim Report, Hang Lung delivered another solid set of results for the first half of 2023. While the overall numbers were good, if we look more closely, the trajectory was one of plateauing. This trend, combined with a more conservative consumer sentiment, gives us pause, although we remain reasonably confident about the full year's prospects.

With the above in mind, I visited four cities in late July — Kunming, Shenyang, Dalian, and Shanghai — to try to get a more nuanced, on-the-ground sense of consumer sentiment on the Mainland.

As expected, what I *heard* from colleagues, friends, and customers was even more negative than what I heard after the 2012 crackdown on corruption and opulence. Across the board, consumers said they are more conservative in their outlook and are less willing to spend. This tallied with what we have also heard from Hong Kong. However, what I *saw* seemed to tell a different story: buzzing malls, packed flights, and full hotels — all things that appear to point to healthy economic activity.

I want to highlight a few specific examples of the feedback I received:

– Everyone said that they are holding back on large purchases such as cars and housing. However, at least one person said this is partly because the government has rolled back some of the big subsidies they had been offering to stimulate electric vehicle sales, causing end-customer prices to rise.

– When asked about clothing purchases, one white-collar respondent said that while they previously bought around three to four new pieces each season, they have now pared that back to two to three pieces. These are not luxury-brand items but mid-range, average brands. (It appears that luxury brands have not seen the same kind of taper.)

– On Internet shopping, another person (a senior employee for a multinational company's China operations) responded that they have shifted more of their spending to lower-end platforms such as Pinduoduo, from the relatively more full-priced Taobao (Alibaba) and JD.com. This was quite a commonly repeated phenomenon, although there may be a case to be made that Pinduoduo has simply done a better job of improving its products and services (e.g., dramatically improving its customer returns experience.)

On the other hand, these were some of the telling divergent observations:

– On eating/F&B, multiple upper-middle-class respondents said that they had not changed their restaurant eating habits at all. They still go to restaurants just as frequently and order the same food and wine. The explanation I received for this divergence from the change in shopping habits was that, “We have to eat anyway, and things aren’t that bad that we need to change how we eat.” This one statement gave me a little bit of (cold) comfort and helped shed more light on just where sentiment stands.

– The resilience of travel was something I managed to experience first-hand. On three of my four flights, business class was full, and economy was either full or nearly full. (I know because I was unable to secure a business class seat on those three flights!)

– Hotels are also doing well, not only in tourist hot spots like Shanghai and Chengdu but even in Shenyang and Dalian. As our Chair alluded to, our Conrad Hotel in Shenyang has been doing strong business, and in July, there were three nights of 100% occupancy, including the presidential suite, with no “comped” (complimentary) rooms! Considering we are the most expensive hotel in Shenyang, as well as the most highly rated Conrad in the country, this further reinforces the relative resilience of high-end consumers.

– Our shopping malls were absolutely bustling. Both foot traffic and sales were strong, which contributed to an energetic atmosphere. Unfortunately, the same cannot be said for some of our competitors. Especially in second-tier cities, a number of mass-market malls were really suffering. In the most extreme example, I walked through six stories of a new competitor mall and saw only five other customers. Although this speaks to our strong ability to attract customers, it does not bode well for non-luxury malls across the country.

So, how is this discrepancy explained? Broadly speaking, most consumers do not have materially reduced spending power, so they can still spend when and where they choose. It's more that they lack confidence in the broader economy, so they choose to spend more selectively. There have not been mass layoffs, nor have there been significant income reductions. Considering the scale of savings and balance sheet wealth that most urban Chinese have already amassed, potential short-term impacts on their disposable income will hopefully be minimal. Therefore, their spending adjustments are primarily a reaction to lower confidence levels rather than a lower spending ability. Of course, this is painful for some vendors — mainly mass and lower-end retailers — but it does not spell the end of Chinese retail, and especially not high-end retail. The question is, from here, in which direction will the economy go?

I believe there is still the opportunity for the government to stem falling sentiment. However, it will take more than the announcement of new policy measures — in order to rebuild confidence, consumers are keenly watching how the government makes good on any announcements.

As an operator of high-end malls and offices in mainland China — a scarce and unique product — rather than a developer of mass residential or commoditized offices, we are subject to a slightly modified set of challenges compared to our peers. Our customers are more affluent and less cost-conscious, and are less likely to have suffered catastrophic financial losses over the past several years and in the years to come. Whatever the scenario, I think it is a reasonable expectation that Hang Lung continues to outperform the broader industry.

Adriel Chan
Vice Chair
Hong Kong, July 31, 2023

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%

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		**2023**	2022	
	HK$ Million	HK$ Million	Change	**HK$ Million**	HK$ Million	Change
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 in respect of the mainland China portfolio are expressed in RMB terms unless otherwise specified.

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

	Revenue (RMB Million)			Period-end Occupancy Rate		
Name of Mall and City	**2023**	2022	Change	**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

	Revenue (RMB Million)			Period-end Occupancy Rate		
Name of Office and City	**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		
				June	December	June
	2023	2022	Change	**2023**	2022	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 4.4 times (2022: 5.1 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.

CORPORATE GOVERNANCE

We are committed to maintaining the highest standards of corporate governance. During the six months ended June 30, 2023, 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 2022 annual report, which is available on our website under "Financial Report" in the "Financial Information" subsection of the "Investor" section.

The Board

The Board currently consists of 11 members: comprising four Executive Directors, three Non-Executive Directors, and four Independent Non-Executive Directors. There is a clear division of responsibilities between the Chair and the Chief Executive Officer to ensure a balance of power and authority. The Board continues to review its practices from time to time, constantly seeking to improve the corporate governance procedures of the Company and its subsidiaries (the "Group") in accordance with international best practices. An updated list of Board members identifying their roles and functions and whether they are Independent Non-Executive Directors is maintained on both our website and the website of Hong Kong Exchanges and Clearing Limited ("HKEX"). The biographical details of Board members are also maintained on our website under "Our Management" of the "Corporate Governance" section.

Nomination and Remuneration Committee

Our Nomination and Remuneration Committee, which is chaired by an Independent Non-Executive Director, currently consists of three Independent Non-Executive Directors. The Committee members meet at least once a year. Its duties include reviewing significant changes to the salary structure within the Group and the terms and conditions affecting Executive Board Members and senior management. The Committee members also conduct regular reviews of the Board's structure, size and diversity, and make recommendations to the Board on the appointment, re-appointment and succession planning of Directors of the Board. The terms of reference of the Committee are available on both our website under "Nomination & Remuneration Committee" 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 and one Non-Executive Director. The Committee members meet at least four times a year. Meetings are normally attended by external and internal auditors, the Chief Financial Officer and the Company Secretary for the purposes of, *inter alia*, discussing the nature and scope of internal audit work and assessing the Company's internal controls. The terms of reference of the Committee, which include duties pertaining to corporate governance functions and the oversight of risk management, are available on both our website under "Audit Committee" 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, 2023, and has recommended their adoption by the Board.

This interim financial report is unaudited but has been reviewed by KPMG, our auditor, in accordance with the Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. The Independent Auditor's Review Report is set out on pages 48 and 49 of this interim report.

Compliance with Corporate Governance Code

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

Compliance with Model Code contained in Appendix 10 to the Listing Rules

We have adopted a code of conduct with regard to securities transactions by Directors of the Board (the "Code of Conduct") on terms that are no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code"). The Company has made specific enquiries with all Directors of the Board and confirmed that they have complied with the required standard set out in the Model Code and the Code of Conduct regarding securities transactions by Directors of the Board throughout the six months ended June 30, 2023.

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

As at June 30, 2023, the interests or short positions of each of the Directors of the Board in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which were recorded in the register required to be kept by the Company under section 352 of the SFO are as follows:

		The Company (Long Positions)		Hang Lung Properties Limited (Long Positions)		
Name	**Capacity**	**Number of Shares**	**% of Total Number of Issued Shares**	**Number of Shares**	**% of Total Number of Issued Shares**	**Number of Share Options** *(Note 3)*
Ronnie C. Chan	Personal & Other	40,369,500 *(Note 1)*	2.96	17,155,000	0.38	17,600,000
Adriel Chan	Personal & Other	551,002,580 *(Notes 1 & 2)*	40.47	2,733,898,340 *(Note 2)*	60.76	13,200,000
Weber W.P. Lo	Personal	290,000	0.02	790,000	0.02	21,750,000
Gerald L. Chan	–	–	–	–	–	–
Simon S.O. Ip	–	–	–	–	–	–
P.W. Liu	Personal & Family	–	–	100,000	–	–
L.C. Tsui	–	–	–	–	–	–
Martin C.K. Liao	–	–	–	–	–	–
George K.K. Chang	–	–	–	–	–	–
Roy Y.C. Chen	–	–	–	–	–	–
Kenneth K.K. Chiu	Personal	–	–	–	–	6,200,000

Notes:

1. Other interests included 28,579,500 shares of the Company held by a trust of which Mr. Ronnie C. Chan was a discretionary beneficiary, and Mr. Adriel Chan was a settlor and a discretionary beneficiary. Accordingly, Mr. Ronnie C. Chan and Mr. Adriel Chan were deemed to be interested in such shares under the SFO.

2. Other interests included another 522,423,080 shares of the Company and 2,733,898,340 shares of Hang Lung Properties Limited ("HLP") held or deemed to be held by another trust of which Mr. Adriel Chan was a discretionary beneficiary. Accordingly, Mr. Adriel Chan was deemed to be interested in such shares under the SFO.

3. Movements of Directors' share options under the share option scheme of HLP adopted on April 18, 2012 (the "2012 Share Option Scheme") and another share option scheme of HLP 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 of the Board had, as at June 30, 2023, 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, 2023 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Board to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEMES

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

Under the Share Option Schemes, the board of directors of HLP is authorized to grant options to selected participants, including employees and directors of any company in HLP group, subject to the terms and conditions such as performance targets as the board of directors of HLP may specify on a case-by-case basis or generally.

Pursuant to the resolutions passed by the shareholders of the Company and HLP at their respective annual general meetings held on April 27, 2022, the 2022 Share Option Scheme was adopted on the same date. Upon the adoption of the 2022 Share Option Scheme, the 2012 Share Option Scheme was terminated. As at January 1, 2023, no further share option 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 337,444,550.

During the six months ended June 30, 2023, 54,569,000 options were granted under the 2022 Share Option Scheme. As at June 30, 2023, 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 215,978,600 and 54,147,000, respectively, representing approximately 4.8% and 1.2% of the total number of issued shares of HLP. 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 is 282,875,550, representing approximately 6.29% of the total number of issued shares of HLP.

The total number of HLP 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 shall not exceed 1% of HLP shares in issue.

The number of HLP shares that may be issued in respect of options granted under the Share Option Schemes during the six months ended June 30, 2023 divided by the weighted average number of HLP ordinary shares in issue for the six months ended June 30, 2023 is 0.02. 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 HLP shares subject to each option under the Share Option Schemes are determined by the board of directors of HLP at the time of grant.

Movements of share options under the 2012 Share Option Scheme were set out below:

Date of Grant	Category of Participants *(Note 1)*	Number of Share Options: Outstanding as at Jan 1, 2023	Granted during the Period	Exercised during the Period	Lapsed/ Forfeited during the Period	Outstanding as at Jun 30, 2023	Exercise Price per Share HK$	Vesting Dates *(Note 2)*	Expiry Date *(Note 2)*
Jun 4, 2013	*Current Directors:*						28.20	Jun 4, 2015: 10%	Jun 3, 2023
	Ronnie C. Chan	4,500,000	–	–	(4,500,000)	–		Jun 4, 2016: 20%	
	Adriel Chan	200,000	–	–	(200,000)	–		Jun 4, 2017: 30%	
								Jun 4, 2018: 40%	
	Employees	17,560,000	–	–	(17,560,000)	–			
		22,260,000	–	–	(22,260,000)	–			
Dec 5, 2014	*Current Directors:*						22.60	Dec 5, 2016: 10%	Dec 4, 2024
	Ronnie C. Chan	2,750,000	–	–	–	2,750,000		Dec 5, 2017: 20%	
	Adriel Chan	150,000	–	–	–	150,000		Dec 5, 2018: 30%	
								Dec 5, 2019: 40%	
	Employees	16,390,000	–	–	(450,000)	15,940,000			
		19,290,000	–	–	(450,000)	18,840,000			
Aug 10, 2017	*Current Directors:*						19.98	Aug 10, 2019: 10%	Aug 9, 2027
	Ronnie C. Chan	1,925,000	–	–	–	1,925,000		Aug 10, 2020: 20%	
	Adriel Chan	1,850,000	–	–	–	1,850,000		Aug 10, 2021: 30%	
								Aug 10, 2022: 40%	
	Employees	24,880,000	–	–	(860,000)	24,020,000			
		28,655,000	–	–	(860,000)	27,795,000			
May 16, 2018	*Current Director:*						18.98	May 16, 2020: 10%	May 15, 2028
	Weber W.P. Lo	10,000,000	–	–	–	10,000,000		May 16, 2021: 20%	
		10,000,000	–	–	–	10,000,000		May 16, 2022: 30%	
								May 16, 2023: 40%	
Jun 28, 2019	*Current Directors:*						18.58	Jun 28, 2021: 10%	Jun 27, 2029
	Ronnie C. Chan	3,025,000	–	–	–	3,025,000		Jun 28, 2022: 20%	
	Adriel Chan	2,200,000	–	–	–	2,200,000		Jun 28, 2023: 30%	
	Weber W.P. Lo	2,750,000	–	–	–	2,750,000		Jun 28, 2024: 40%	
	Employees	33,891,700	–	–	(1,629,600)	32,262,100			
		41,866,700	–	–	(1,629,600)	40,237,100			
May 12, 2021	*Current Directors:*						19.95	May 12, 2023: 10%	May 11, 2031
	Ronnie C. Chan	3,300,000	–	–	–	3,300,000		May 12, 2024: 20%	
	Adriel Chan	3,000,000	–	–	–	3,000,000		May 12, 2025: 30%	
	Weber W.P. Lo	3,000,000	–	–	–	3,000,000		May 12, 2026: 40%	
	Employees	49,095,000	–	–	(2,128,000)	46,967,000			
		58,395,000	–	–	(2,128,000)	56,267,000			
Oct 6, 2021	*Current Director:*						17.65	Oct 6, 2023: 10%	Oct 5, 2031
	Kenneth K.K. Chiu	2,000,000	–	–	–	2,000,000		Oct 6, 2024: 20%	
		2,000,000	–	–	–	2,000,000		Oct 6, 2025: 30%	
								Oct 6, 2026: 40%	

Date of Grant	Category of Participants *(Note 1)*	Outstanding as at Jan 1, 2023	Granted during the Period	Exercised during the Period	Lapsed/ Forfeited during the Period	Outstanding as at Jun 30, 2023	Exercise Price per Share HK$	Vesting Dates *(Note 2)*	Expiry Date *(Note 2)*
		Number of Share Options							
Feb 21, 2022	*Current Directors:*						16.38	Feb 21, 2024: 10%	Feb 20, 2032
	Ronnie C. Chan	3,300,000	–	–	–	3,300,000		Feb 21, 2025: 20%	
	Adriel Chan	3,000,000	–	–	–	3,000,000		Feb 21, 2026: 30%	
	Weber W.P. Lo	3,000,000	–	–	–	3,000,000		Feb 21, 2027: 40%	
	Kenneth K.K. Chiu	2,100,000	–	–	–	2,100,000			
	Employees	52,830,000	–	–	(2,630,000)	50,200,000			
		64,230,000	–	–	(2,630,000)	61,600,000			
	Current Directors	52,050,000	–	–	(4,700,000)	47,350,000			
	Employees	194,646,700	–	–	(25,257,600)	169,389,100			
Total		**246,696,700**	**–**	**–**	**(29,957,600)**	**216,739,100**			

Movements of share options under the 2022 Share Option Scheme were set out below:

Date of Grant	Category of Participants *(Note 1)*	Outstanding as at Jan 1, 2023	Granted during the Period	Exercised during the Period	Lapsed/ Forfeited during the Period	Outstanding as at Jun 30, 2023	Exercise Price per Share HK$	Vesting Dates *(Note 2)*	Expiry Date *(Note 2)*
		Number of Share Options							
Jun 28, 2023	*Current Directors:*						12.49	Jun 28, 2025: 20%	Jun 27, 2033
	Ronnie C. Chan	–	3,300,000	–	–	3,300,000		Jun 28, 2026: 30%	
	Adriel Chan	–	3,000,000	–	–	3,000,000		Jun 28, 2027: 50%	
	Weber W.P. Lo	–	3,000,000	–	–	3,000,000			
	Kenneth K.K. Chiu	–	2,100,000	–	–	2,100,000			
	Employees	–	43,169,000	–	–	43,169,000			
		–	54,569,000	–	–	54,569,000			
	Current Directors	–	11,400,000	–	–	11,400,000			
	Employees	–	43,169,000	–	–	43,169,000			
Total		**–**	**54,569,000**	**–**	**–**	**54,569,000**			

Notes:

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

2. Exercise periods of the share options start from the respective vesting dates and end on the respective expiry dates.

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

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

As at June 30, 2023, to the best of the knowledge of the Directors of the Board, details of substantial shareholders' and other persons' (who are required to disclose their interests pursuant to Part XV of the SFO) interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Name	*Note*	**Number of Shares or Underlying Shares Held (Long Positions)**	**% of Total Number of Issued Shares (Long Positions)** *(Note 5)*
Adriel Chan	*1*	551,002,580	40.47
Chan Tan Ching Fen	*2*	522,423,080	38.37
Cole Enterprises Holdings (PTC) Limited	*2*	522,423,080	38.37
Merssion Limited	*2*	522,423,080	38.37
Kingswick Investment Limited	*3*	103,609,000	7.61
Silchester International Investors LLP	*4*	110,342,000	8.10
Dodge & Cox	*4*	105,320,900	7.73
Schroders Plc	*4*	68,315,500	5.02

Notes:

1. These shares were the same parcel of shares held by two trusts, 522,423,080 shares of which were held by Merssion Limited under a trust and 28,579,500 shares of which were held by another trust. As Mr. Adriel Chan was a discretionary beneficiary (for 522,423,080 shares) of a trust and both a settlor and a discretionary beneficiary (for 28,579,500 shares) of another trust, he was deemed to be interested in such shares under the SFO.

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

   These shares were included in the 551,002,580 shares deemed to be interested by Mr. Adriel Chan.

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

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

5. Shareholding percentages were calculated based on the total number of issued shares of the Company as at June 30, 2023, being 1,361,618,242 shares.

Save as disclosed above, as at June 30, 2023, no other interests or short positions in the shares or underlying shares of the Company required to be recorded in the register kept under section 336 of the SFO has been notified to the Company.

CHANGES IN INFORMATION OF DIRECTORS PURSUANT TO THE LISTING RULES

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

Mr. Ronnie C. Chan
- ceased as a board member of Peterson Institute for International Economics

Mr. Simon S.O. Ip
- appointed as the Chairman of the Advisory Committee on Post-office Employment for Former Chief Executives and Politically Appointed Officials

Mr. Martin C.K. Liao
- elected as the Deputy Chairman of The Hong Kong Jockey Club

Prof. P.W. Liu
- ceased as the Chairman of the Advisory Committee on Post-office Employment for Former Chief Executives and Politically Appointed Officials

Save as disclosed above, there is no other information required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules since the date of the 2022 annual report of the Company.

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.

EMPLOYEES

As at 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 has the Share Option Schemes and provides professional and high-quality trainings for employees.

KPMG

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

(Incorporated in the Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 51 to 74 which comprises the consolidated statement of financial position of Hang Lung Group Limited ("the Company") as at June 30, 2023 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, 2023 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 31, 2023

Consolidated Statement of Profit or Loss

For the six months ended June 30, 2023 (Unaudited)

	Note	2023 HK$ Million	2022 HK$ Million	2023 RMB Million (For information purpose only)	2022 RMB Million (For information purpose only)
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	15	**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

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, 2023 (Unaudited)

			For information purpose only	
	2023	2022	**2023**	2022
	HK$ Million	HK$ Million	**RMB Million**	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	*For information purpose only* 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	15	**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	12	**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

The accompanying notes form part of the interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended June 30, 2023 (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, 2023	**4,065**	**4,590**	**84,164**	**92,819**	**62,394**	**155,213**
Profit for the period	**–**	**–**	**1,682**	**1,682**	**1,227**	**2,909**
Exchange difference arising from translation to presentation currency	**–**	**(2,088)**	**–**	**(2,088)**	**(1,492)**	**(3,580)**
Gain on net investment hedge	**–**	**2**	**–**	**2**	**2**	**4**
Cash flow hedges: net movement in hedging reserve	**–**	**13**	**–**	**13**	**9**	**22**
Net change in fair value of equity investments	**–**	**1**	**–**	**1**	**–**	**1**
Total comprehensive income for the period	**–**	**(2,072)**	**1,682**	**(390)**	**(254)**	**(644)**
Final dividend in respect of previous year	**–**	**–**	**(885)**	**(885)**	**–**	**(885)**
Employee share-based payments	**–**	**(88)**	**113**	**25**	**15**	**40**
Dividend paid to non-controlling interests	**–**	**–**	**–**	**–**	**(1,076)**	**(1,076)**
At June 30, 2023	**4,065**	**2,430**	**85,074**	**91,569**	**61,079**	**152,648**
At January 1, 2022	4,065	9,167	82,610	95,842	68,645	164,487
Profit for the period	–	–	1,439	1,439	1,068	2,507
Exchange difference arising from translation to presentation currency	–	(3,019)	–	(3,019)	(2,317)	(5,336)
Gain on net investment hedge	–	2	–	2	2	4
Cash flow hedges: net movement in hedging reserve	–	42	–	42	29	71
Net change in fair value of equity investments	–	(1)	–	(1)	–	(1)
Total comprehensive income for the period	–	(2,976)	1,439	(1,537)	(1,218)	(2,755)
Final dividend in respect of previous year	–	–	(885)	(885)	–	(885)
Employee share-based payments	–	25	5	30	15	45
Change in non-controlling interests arising from decrease of the Group's shareholding in a subsidiary	–	503	–	503	(942)	(439)
Dividend paid to non-controlling interests	–	–	–	–	(1,107)	(1,107)
At June 30, 2022	4,065	6,719	83,169	93,953	65,393	159,346

The accompanying notes form part of the interim financial report.

For information purpose only

RMB Million	Shareholders' equity					
	Share capital	**Other reserves**	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
At January 1, 2023	**3,164**	**9,601**	**70,194**	**82,959**	**55,759**	**138,718**
Profit for the period	**–**	**–**	**1,490**	**1,490**	**1,086**	**2,576**
Exchange difference arising from translation to presentation currency	**–**	**883**	**–**	**883**	**481**	**1,364**
Gain on net investment hedge	**–**	**2**	**–**	**2**	**2**	**4**
Cash flow hedges: net movement in hedging reserve	**–**	**12**	**–**	**12**	**9**	**21**
Net change in fair value of equity investments	**–**	**1**	**–**	**1**	**–**	**1**
Total comprehensive income for the period	**–**	**898**	**1,490**	**2,388**	**1,578**	**3,966**
Final dividend in respect of previous year	**–**	**–**	**(790)**	**(790)**	**–**	**(790)**
Employee share-based payments	**–**	**(82)**	**103**	**21**	**14**	**35**
Dividend paid to non-controlling interests	**–**	**–**	**–**	**–**	**(960)**	**(960)**
At June 30, 2023	**3,164**	**10,417**	**70,997**	**84,578**	**56,391**	**140,969**

At January 1, 2022	3,164	6,318	68,878	78,360	56,124	134,484
Profit for the period	–	–	1,188	1,188	880	2,068
Exchange difference arising from translation to presentation currency	–	1,081	–	1,081	610	1,691
Gain on net investment hedge	–	2	–	2	2	4
Cash flow hedges: net movement in hedging reserve	–	35	–	35	24	59
Net change in fair value of equity investments	–	(1)	–	(1)	–	(1)
Total comprehensive income for the period	–	1,117	1,188	2,305	1,516	3,821
Final dividend in respect of previous year	–	–	(756)	(756)	–	(756)
Employee share-based payments	–	21	4	25	13	38
Change in non-controlling interests arising from decrease of the Group's shareholding in a subsidiary	–	404	–	404	(789)	(385)
Dividend paid to non-controlling interests	–	–	–	–	(946)	(946)
At June 30, 2022	3,164	7,860	69,314	80,338	55,918	136,256

Condensed Consolidated Cash Flow Statement

For the six months ended June 30, 2023 (Unaudited)

				For information purpose only	
	Note	**2023 HK$ Million**	2022 HK$ Million	**2023 RMB Million**	2022 RMB Million
Operating activities					
Cash generated from operations		**2,968**	2,765	**2,628**	2,286
Income tax paid		**(571)**	(691)	**(498)**	(574)
Net cash generated from operating activities		**2,397**	2,074	**2,130**	1,712
Investing activities					
Payment for property, plant and equipment		**(1,262)**	(1,389)	**(1,114)**	(1,158)
Acquisition of additional interests in joint ventures	15	**–**	(879)	**–**	(729)
Repayment from a joint venture		**80**	162	**71**	134
(Increase)/decrease in bank deposits with maturity greater than 3 months		**(193)**	30	**(170)**	25
Other cash flows arising from investing activities		**95**	47	**84**	38
Net cash used in investing activities		**(1,280)**	(2,029)	**(1,129)**	(1,690)
Financing activities					
Proceeds from new bank loans and other borrowings		**23,736**	17,649	**20,975**	14,656
Repayment of bank loans and other borrowings		**(21,851)**	(18,072)	**(19,314)**	(14,979)
Interest and other borrowing costs paid		**(859)**	(716)	**(757)**	(592)
Dividend paid		**(885)**	(885)	**(790)**	(756)
Dividend paid to non-controlling interests		**(1,076)**	(1,107)	**(960)**	(946)
Decrease in non-controlling interests in a subsidiary		**–**	(451)	**–**	(395)
Other cash flows used in financing activities		**(14)**	(15)	**(13)**	(13)
Net cash used in financing activities		**(949)**	(3,597)	**(859)**	(3,025)
Increase/(decrease) in cash and cash equivalents		**168**	(3,552)	**142**	(3,003)
Effect of foreign exchange rate changes		**(120)**	(156)	**77**	171
Cash and cash equivalents at January 1		**5,704**	9,016	**5,100**	7,370
Cash and cash equivalents at June 30		**5,752**	5,308	**5,319**	4,538
Analysis of the balance of cash and cash equivalents					
Cash and deposits with banks		**6,018**	5,401	**5,564**	4,618
Less: Bank deposits with maturity greater than 3 months		**(266)**	(93)	**(245)**	(80)
Cash and cash equivalents at June 30		**5,752**	5,308	**5,319**	4,538

The accompanying notes form part of the interim financial report.

1. BASIS OF PREPARATION

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

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

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on pages 48 to 49.

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 2022 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 2022 as if the presentation currency is Renminbi.

The financial information relating to the financial year ended December 31, 2022 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, 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

10. TRADE AND OTHER RECEIVABLES (Continued)

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

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

(c) Included in "other receivables" of the Group is a deposit of land acquisition in mainland China of HK$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. SHARE CAPITAL

	At January 1, 2023 and June 30, 2023		At January 1, 2022 and December 31, 2022	
	Number of shares Million	**Amount of share capital HK$ Million**	Number of shares Million	Amount of share capital HK$ Million
Ordinary shares, issued and fully paid:	**1,362**	**4,065**	1,362	4,065

There was no movement in the share capital of the Company during the year ended December 31, 2022 and the six months ended June 30, 2023.

13. SHARE OPTION SCHEMES

The share option scheme adopted by the Company's subsidiary, Hang Lung Properties Limited (HLP), on April 18, 2012 (the "2012 Share Option Scheme") was terminated upon the adoption of a new share option scheme on April 27, 2022 (the "2022 Share Option Scheme", 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 ten years commencing from the date of adoption. No further share options shall be offered or granted under the 2012 Share Option Scheme but in all other respects the provisions of the 2012 Share Option Scheme shall remain in full force and effect, and all share options granted prior to such termination and not exercised nor forfeited/lapsed at the date of termination shall remain valid.

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

13. SHARE OPTION SCHEMES (Continued)

The movements of share options during the six months ended June 30, 2023 are as follows:

(a) 2012 Share Option Scheme

	Number of share options				
Date granted	Outstanding on January 1, 2023	Forfeited/ Lapsed	**Outstanding on June 30, 2023**	Period during which share options are exercisable	Exercise price (HK$)
June 4, 2013	22,260,000	(22,260,000)	**–**	June 4, 2015 to June 3, 2023	28.20
December 5, 2014	19,290,000	(450,000)	**18,840,000**	December 5, 2016 to December 4, 2024	22.60
August 10, 2017	28,655,000	(860,000)	**27,795,000**	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	41,866,700	(1,629,600)	**40,237,100**	June 28, 2021 to June 27, 2029	18.58
May 12, 2021	58,395,000	(2,128,000)	**56,267,000**	May 12, 2023 to May 11, 2031	19.95
October 6, 2021	2,000,000	–	**2,000,000**	October 6, 2023 to October 5, 2031	17.65
February 21, 2022	64,230,000	(2,630,000)	**61,600,000**	February 21, 2024 to February 20, 2032	16.38
Total	246,696,700	(29,957,600)	**216,739,100**		

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, 2023.

During the six months ended June 30, 2023, 8,047,600 share options (2022: 9,354,600 share options) were forfeited upon cessations of the grantees' employments and 21,910,000 share options (2022: Nil) lapsed due to the expiry of the period for exercising the share options.

13. SHARE OPTION SCHEMES (Continued)

(b) 2022 Share Option Scheme

	Number of share options				
Date granted	Outstanding on January 1, 2023	Granted	**Outstanding on June 30, 2023**	Period during which share options are exercisable	Exercise price (HK$)
June 28, 2023	–	54,569,000	**54,569,000**	June 28, 2025 to June 27, 2033	12.49
Total	–	54,569,000	**54,569,000**		

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, 2023.

In respect of share options granted during the six months ended June 30, 2023, the closing share price of HLP immediately before the date of grant was HK$12.40.

The fair value of share options granted was estimated at the date of grant using the Black-Scholes pricing model taking into account the terms and conditions upon which the share options were granted. In respect of the share options granted during the six months ended June 30, 2023, the fair value, terms and conditions, and assumptions are as follows:

Fair value at grant date	HK$1.64
Share price at grant date	HK$12.34
Exercise price	HK$12.49
Risk-free interest rate	3.44%
Expected life (in years)	6
Expected volatility	27.02%
Expected dividends per share	HK$0.78

The expected volatility is based on the historical volatility and the expected dividends per share are based on historical dividends. Changes in the above assumptions could materially affect the fair value estimate.

14. RESERVES

HK$ Million	Other reserves								
	Exchange reserve	**Hedging reserve**	**Investment revaluation reserve**	**Employee share-based compensation reserve**	**General reserve**	**Other capital reserve**	**Total**	**Retained profits**	**Total reserves**
At January 1, 2023	**(2,246)**	**33**	**61**	**343**	**275**	**6,124**	**4,590**	**84,164**	**88,754**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,682**	**1,682**
Exchange difference arising from translation to presentation currency	**(2,088)**	**–**	**–**	**–**	**–**	**–**	**(2,088)**	**–**	**(2,088)**
Gain on net investment hedge	**2**	**–**	**–**	**–**	**–**	**–**	**2**	**–**	**2**
Cash flow hedges:									
net movement in hedging reserve	**–**	**13**	**–**	**–**	**–**	**–**	**13**	**–**	**13**
Net change in fair value of equity investments	**–**	**–**	**1**	**–**	**–**	**–**	**1**	**–**	**1**
Total comprehensive income for the period	**(2,086)**	**13**	**1**	**–**	**–**	**–**	**(2,072)**	**1,682**	**(390)**
Final dividend in respect of previous year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(885)**	**(885)**
Employee share-based payments	**–**	**–**	**–**	**(88)**	**–**	**–**	**(88)**	**113**	**25**
At June 30, 2023	**(4,332)**	**46**	**62**	**255**	**275**	**6,124**	**2,430**	**85,074**	**87,504**
At January 1, 2022	3,554	(7)	61	290	275	4,994	9,167	82,610	91,777
Profit for the period	–	–	–	–	–	–	–	1,439	1,439
Exchange difference arising from translation to presentation currency	(3,019)	–	–	–	–	–	(3,019)	–	(3,019)
Gain on net investment hedge	2	–	–	–	–	–	2	–	2
Cash flow hedges:									
net movement in hedging reserve	–	42	–	–	–	–	42	–	42
Net change in fair value of equity investments	–	–	(1)	–	–	–	(1)	–	(1)
Total comprehensive income for the period	(3,017)	42	(1)	–	–	–	(2,976)	1,439	(1,537)
Final dividend in respect of previous year	–	–	–	–	–	–	–	(885)	(885)
Employee share-based payments	–	–	–	25	–	–	25	5	30
Change in non-controlling interests arising from decrease of the Group's shareholding in a subsidiary	–	–	–	–	–	503	503	–	503
At June 30, 2022	537	35	60	315	275	5,497	6,719	83,169	89,888

15. 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.

16. 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

16. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets and liabilities measured at fair value

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

HK$ Million	Fair value		Fair value measurements categorized into
	June 30, 2023	December 31, 2022	
Financial assets			
Trade and other receivables			
Cross currency swaps (cash flow hedges)	**–**	3	Level 2
Interest rate swaps (cash flow hedges)	**101**	59	Level 2
Other assets			
Investment in equity instruments	**94**	93	Level 3
Financial liabilities			
Trade and other payables			
Cross currency swaps (cash flow hedges)	**(8)**	–	Level 2

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

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

16. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

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

During the six months ended June 30, 2023, 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, 2022 and June 30, 2023.

17. COMMITMENTS

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

HK$ Million	**June 30, 2023**	December 31, 2022
Contracted for	**6,145**	1,836
Authorized but not contracted for	**9,105**	14,168
	15,250	16,004

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

18. REVIEW AND APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report is unaudited, but has been reviewed by the Audit Committee. It was authorized for issue by the Board of Directors on July 31, 2023.

FINANCIAL TERMS

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

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

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

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

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

FINANCIAL RATIOS

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

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

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

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

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

FINANCIAL CALENDAR

Financial period	January 1, 2023 to June 30, 2023
Announcement of interim results	July 31, 2023
Latest time for lodging transfers	4:30 p.m. on September 13, 2023
Closure of share register	September 14 to 15, 2023 (both days inclusive)
Record date for interim dividend	September 15, 2023
Payment date for interim dividend	September 29, 2023

SHARE LISTING

As at June 30, 2023, 1,361,618,242 shares are listed on The Stock Exchange of Hong Kong Limited. The Company has a sponsored American Depositary Receipt (ADR) Program in the New York market.

STOCK CODE

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

SHARE INFORMATION

Share price as at June 30, 2023: HK$11.88
Market capitalization as at June 30, 2023: HK$16.18 billion

SHARE REGISTRAR

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