恒隆地產
HANG LUNG PROPERTIES

恒隆地產有限公司

HANG LUNG PROPERTIES LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00101)

2022 INTERIM RESULTS

恒隆地產
HANG LUNG PROPERTIES

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FINANCIAL HIGHLIGHTS

in HK$ Million (unless otherwise stated)

RESULTS

For the six months ended June 30

	2022			2021		
	Property Leasing	**Property Sales**	**Total**	Property Leasing	Property Sales	Total
Revenue	**4,986**	**316**	**5,302**	4,975	-	4,975
- Mainland China	**3,367**	**-**	**3,367**	3,295	-	3,295
- Hong Kong	**1,619**	**316**	**1,935**	1,680	-	1,680
Operating profit/(loss)	**3,575**	**133**	**3,708**	3,652	(22)	3,630
- Mainland China	**2,269**	**(19)**	**2,250**	2,257	(9)	2,248
- Hong Kong	**1,306**	**152**	**1,458**	1,395	(13)	1,382
Underlying net profit/(loss) attributable to shareholders	**2,109**	**108**	**2,217**	2,220	(20)	2,200
Net (decrease)/increase in fair value of properties attributable to shareholders	**(269)**	**-**	**(269)**	35	-	35
Net profit/(loss) attributable to shareholders	**1,840**	**108**	**1,948**	2,255	(20)	2,235

	At June 30, 2022	At December 31, 2021
Shareholders' equity	**136,548**	141,719
Net assets attributable to shareholders per share (HK$)	**$30.3**	$31.5

Earnings and Dividend (HK$)

	2022	2021
Earnings per share		
- Based on underlying net profit attributable to shareholders	**$0.49**	$0.49
- Based on net profit attributable to shareholders	**$0.43**	$0.50
Interim dividend per share	**$0.18**	$0.18

Financial Ratios

	At June 30, 2022	At December 31, 2021
Net debt to equity ratio	**26.9%**	24.4%
Debt to equity ratio	**30.2%**	30.0%

REVIEW OF OPERATIONS

CONSOLIDATED RESULTS

The total revenue of Hang Lung Properties Limited (the Company) and its subsidiaries (collectively known as "Hang Lung Properties") for the six months ended June 30, 2022 increased by 7% to HK$5,302 million and operating profit edged up by 2% to HK$3,708 million. Revenue from property leasing remained flat at HK$4,986 million. Property sales revenue of HK$316 million was recognized during the period (2021: Nil).

The underlying net profit attributable to shareholders advanced by 1% to HK$2,217 million. The underlying earnings per share correspondingly stayed flat at HK$0.49.

Hang Lung Properties reported a net profit attributable to shareholders of HK$1,948 million (2021: HK$2,235 million) when including a net revaluation loss on properties attributable to shareholders of HK$269 million (2021: net revaluation gain of HK$35 million). The corresponding earnings per share was HK$0.43 (2021: HK$0.50).

Revenue and Operating Profit for the Six Months Ended June 30

	Revenue			Operating Profit		
	2022	2021	Change	**2022**	2021	Change
	HK$ Million	HK$ Million		**HK$ Million**	HK$ Million	
Property Leasing	**4,986**	4,975	-	**3,575**	3,652	-2%
Mainland China	**3,367**	3,295	2%	**2,269**	2,257	1%
Hong Kong	**1,619**	1,680	-4%	**1,306**	1,395	-6%
Property Sales	**316**	-	N/A	**133**	(22)	N/A
Total	**5,302**	4,975	7%	**3,708**	3,630	2%

DIVIDEND

The Board of Directors has declared an interim dividend of HK18 cents per share for 2022 (2021: HK18 cents) to be paid in cash on September 29, 2022, to shareholders whose names are listed on the register of members on September 15, 2022.

PROPERTY LEASING

The overall rental revenue of Hang Lung Properties for the six months ended June 30, 2022 was flat at HK$4,986 million. Rental revenue of our Mainland portfolio rose by 1% in Renminbi (RMB) terms and 2% in HKD terms, offset by the 4% decline of our Hong Kong portfolio.

On the Mainland, the revenue growth momentum continued in early 2022. The launch of a variety of promotions, improved tenant mix, and the enriched offerings of our customer relationship management program, HOUSE 66, successfully boosted consumption. This growth momentum was interrupted when the outbreak of the highly contagious Omicron variant of COVID-19 in mid-March 2022 prompted the reintroduction of stringent COVID-19 containment measures by local governments in various cities. The citywide lockdown in Shanghai in April and May significantly affected our retail performance there. Despite this, our geographical diversification helped maintain overall business resilience. The growth of certain shopping malls outside Shanghai minimized the impact of Shanghai's lockdown. Subsequent to the reopening of Plaza 66 and Grand Gateway 66 in Shanghai on June 1, we proactively supported our tenants by offering privileges to members of HOUSE 66 and tactically reallocating resources to drive sales and footfall for a quick rebound. Retail performance in June demonstrated a healthy improvement. In RMB terms, revenue of our malls in the first half of 2022 slipped by 1% and overall Mainland rental revenue grew by 1% against the corresponding period last year.

In Hong Kong, the pandemic continued to weigh on our leasing performance. The government tightened social distancing restrictions in face of the fifth wave of the COVID-19 pandemic. The reduced traffic affected retail performance in the first half of 2022. We continued to closely communicate with our tenants and offered support including but not limited to rent relief on a case-by-case basis, to get through the challenging times together with our tenants. Rental revenue dropped 4% but tenant sales increased by 1% against the first half of 2021.

Mainland China[1]

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

	Revenue (RMB Million)		
	2022	2021	Change
Malls	**2,210**	2,232	-1%
Offices	**547**	473	16%
Hotel	**27**	41	-34%
Total	**2,784**	2,746	1%
Total in HK$ Million equivalent	***3,367***	*3,295*	*2%*

In the first six months of 2022, overall rental revenue rose by 1% and operating profit stayed flat in RMB terms. In HKD terms, they rose 2% and 1%, respectively. Our malls were adversely affected by the tightened COVID-19 containment measures across cities, particularly from March to May. The consumption sentiment in Shanghai improved after the end of the citywide lockdown on June 1 and leasing performance at the malls gradually recovered. Our office portfolio continued to be a stable and resilient income stream during the reporting period.

When excluding the rental contributions from the Heartland 66 mall in Wuhan, which opened in March 2021, total leasing revenue in RMB terms retreated mildly by 2% period-on-period.

- *Malls*

The mall portfolio revenue dropped by 1%. The revenue of sub-luxury malls decreased by 2%, while luxury-positioned malls recorded a revenue drop of 1% due to tightened COVID-19 containment measures.

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

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

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

Opened in March 2021

The leasing performance of our malls in Shanghai (Plaza 66 and Grand Gateway 66) and Shenyang (Forum 66 and Palace 66) were negatively affected by lockdowns and other tightened COVID-19 containment measures in the first half of 2022. Luxury malls outside Shanghai and Shenyang delivered satisfactory results with revenue advancing by a range of 7% to 184% period-on-period, mainly driven by the substantial revenue growth experienced by Heartland 66 in Wuhan, which opened in March 2021, and continued refinement of other luxury malls' tenant mix. Revenue of our sub-luxury malls reduced by 2% during the reporting period.

Luxury malls

Leasing performance from our flagship **Plaza 66** mall in Shanghai was satisfactory in early 2022 as marketing initiatives rolled out for the Chinese New Year and Valentine's Day effectively boosted consumption sentiment. However, owing to Shanghai's citywide lockdown and resulting business suspension in April and May, both revenue and tenant sales receded by 17% and 38%, respectively, in the first half of 2022.

Both revenue and tenant sales of the Plaza 66 mall recorded a healthy recovery in the month of June after reopening on June 1. Following the government's introduction of a series of support measures to a wide spectrum of business segments and the general community in early June, market sentiment has been picking up gently. More compelling marketing and promotion initiatives will be rolled out to accelerate the recovery.

The revenue of **Grand Gateway 66** mall in Shanghai shrank marginally by 2% in the first half of 2022 despite a fall in tenant sales of 32%. The improved trade mix following completion of the Asset Enhancement Initiative (AEI) in late 2020 secured higher base rent from quality tenants, making the mall more immune to the negative impact on tenant sales of the Shanghai's lockdown in April and May.

The **Forum 66** mall in Shenyang was temporarily closed for nearly a month beginning in mid-March as a result of the Shenyang government's pandemic containment measures. The revenue and tenant sales dropped by 8% and 16% period-on-period, respectively, as affected by the short-term disruption to business operations. It is worth noting that both revenue and tenant sales has been increasing pleasingly after the reopening of the mall in mid-April. As 2022 marks the 10th anniversary of Forum 66, online and offline marketing initiatives are in the pipeline to shore up market sentiment and consumption.

The performance of the **Center 66** mall, the undisputed leader in luxury retail in Wuxi, was relatively solid despite the challenging landscape. Under the government's policy to curb the spread of COVID-19, all malls in the city including Center 66 were ordered to close for more than one week from end of March to early April. Following the gradual relaxation of pandemic countermeasures, more compelling marketing campaigns were rolled out to boost footfall and consumption. Despite a mild drop in tenant sales by 1%, revenue grew by 7% period-on-period, benefiting from positive rental reversion and improvement in the occupancy rate by three points to 98%.

Having reinforced its position as the premium shopping and leisure destination in the city, **Olympia 66** in Dalian has performed impressively well during the period under review. Revenue recorded a 67% growth period-on-period to RMB112 million with tenant sales leaping 1.2 times due to improved tenant mix and distinctive marketing initiatives. The occupancy rate rose by seven points to 89% as a rich line-up of luxury tenants opened stores during the period.

As the city's hub of prime luxury, the **Spring City 66** mall in Kunming collected 11% more in rents, mainly contributed by positive rental reversions. The first half of 2022 saw new international brands entering the mall either with local debut openings or city flagship store launches, keeping the mall's offering fresh and engaging for consumers. Tenant sales improved by 1% period-on-period even under tightened social distancing measures to curb the COVID-19 resurgence.

Tenant sales and footfall at the **Heartland 66** mall in Wuhan, our tenth mall on the Mainland, have been building momentum since its opening in March 2021. The mall is located in the bustling Qiaokou District with good connectivity to the commercial and business heart of Wuhan. By tapping into strong luxury tenant sales as well as the introduction of flagship stores and brand debuts, revenue surged more than 1.8 times period-on-period to RMB122 million. The mall's occupancy rate increased by 13 points and reached 84% as of June 2022.

<u>Sub-luxury malls</u>

Palace 66 in Shenyang was likewise negatively impacted by the COVID-19 resurgence and witnessed a drop in revenue and tenant sales by 9% and 26%, respectively. The mall was temporarily closed for nearly a month beginning in mid-March as a result of the Shenyang government's pandemic containment measures. Following resumption of business in mid-April, consumption sentiment has recovered modestly.

The revenue of **Parc 66** in Jinan edged up by 1% despite local government restrictions on business activities including a ban on dine-in services throughout the entire month of April 2022 and control measures in certain communities. The comprehensive AEI which commenced in June 2021 is making good progress and the first phase is expected to reopen in the fourth quarter of 2022. The renovation works brought little disturbance to our tenants and the occupancy rate fell by two points to 92% period-on-period.

Revenue from **Riverside 66** in Tianjin increased slightly by 1% despite the lockdown of Heping district, where the mall is situated, for more than a week in May 2022 due to the COVID-19 resurgence. We took the opportunity to refresh and refine the tenant mix, replacing non-performing tenants with more competitive and unique brands. The occupancy rate rose by seven points to 83%.

- *Offices*

Our office portfolio demonstrated resilience and occupancy remained high despite the weak market, reflecting the premium location and competitive edge of our Grade A buildings as part of mixed developments, the quality and diversity of our tenant base, and the high standard of customer services and property management. Total revenue grew by 16% to RMB547 million period-on-period as occupancy rates at our most recently inaugurated office towers in Wuxi, Kunming, and Wuhan continued their upward climb.

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

Name of Office and City	Revenue (RMB Million)			Period-end Occupancy Rate		
	2022	2021	Change	**June 2022**	December 2021	June 2021
Plaza 66, Shanghai	**317**	310	2%	**96%**	97%	95%
Forum 66, Shenyang	**66**	65	2%	**92%**	92%	97%
Center 66, Wuxi	**61**	53	15%	**88%**	88%	84%
Spring City 66, Kunming	**59**	35	69%	**79%**	71%	50%
Heartland 66, Wuhan	**44**	10	340%	**61%**	57%	34%
Total	**547**	473	16%			

The two premium office towers at **Plaza 66** in Shanghai continued to record satisfactory rental performance during the reporting period. Revenue increased by 2% and the occupancy rate remained high at 96%. Despite new supply in decentralized areas, office rents in core business districts remained stable due to limited supply.

The revenue of the office tower at **Forum 66** in Shenyang remained stable period-on-period. Subdued demand and increasing supply of office space put pressure on office rents in the city. Forum 66 was able to maintain its market-leading position by leveraging its top-grade design, prestigious location, and premium management services.

The total revenue of the two office towers at **Center 66** in Wuxi advanced by 15% to RMB61 million. The occupancy rate rose by four points to 88%. The self-operated multifunctional workspace, HANGOUT, elevated our competitiveness against our peers. It continued to attract small-sized tenants of excellent caliber and further improved occupancy rates.

Revenue of the office tower at **Spring City 66** in Kunming grew by 69% to RMB59 million with a jump in the occupancy rate by 29 points to 79%. Despite keen competition in Kunming, premium facilities and value-added services gave us competitive edge, and leasing pace was further accelerated by the offering of modular offices with high-standard fit-outs and furnishings.

The **Heartland 66** office tower in Wuhan commenced operations in November 2020. Revenue reached RMB44 million in the first half of 2022 and the occupancy rate increased by 27 points to 61% by the end of June, despite increasingly keen competition.

- *Hotel*

We proactively launched various dining promotions and staycation packages to attract local customers and saw a significant rebound in the first two months of 2022. This rebound was, however, short lived, as the Shenyang government imposed lockdowns within the city for nearly a month from mid-March to curb the resurgence of COVID-19 cases. Tightened travel measures continued to be in place after relaxation of the lockdown measures. Revenue declined by 34% to RMB27 million in the first half of 2022.

Hong Kong

The first half of 2022 has been another challenging period for businesses in Hong Kong due to the outbreak of the fifth wave of the COVID-19 pandemic in January. Against the backdrop of record-high daily new confirmed cases, the government imposed stringent social distancing measures including the closure or partial closure of certain businesses, such as restaurants, cinemas, education centers, gyms and beauty parlors, resulting in a significant reduction in foot traffic and a weakening of consumer sentiment. Nevertheless, occupancy was well-managed and maintained at a satisfactory level due to refinement of the tenant mix at our malls in line with local consumption patterns and the launch of marketing campaigns via the “hello Hang Lung Malls Rewards Program” in conjunction with the government’s electronic Consumption Voucher Scheme. We continued to closely communicate with our tenants and offered assistance including but not limited to rent relief on a case-by-case basis, to weather the challenging times together with our tenants.

Properties located in Causeway Bay and Peak Galleria remained under pressure due to their exposure to the tourist market. Tenants of specific trades, such as cinemas, gyms and restaurants, were more directly affected by social distancing measures imposed by the government in the first quarter of 2022.

Revenue retreated by 4% to HK$1,619 million and operating profit receded by 6% to HK$1,306 million with rental margin at 81%. Tenant sales edged up by 1% against the first half of 2021.

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

	Revenue (HK$ Million)			Period-end Occupancy Rate		
	2022	2021	Change	**June 2022**	December 2021	June 2021
Retail	**951**	980	-3%	**98%**	97%	97%
Offices	**545**	584	-7%	**87%**	87%	88%
Residential & Serviced Apartments	**123**	116	6%	**70%**	72%	56%
Total	**1,619**	1,680	-4%			

- *Retail*

Revenue from our Hong Kong retail portfolio decreased by 3% to HK$951 million due to negative rental reversions.

The **Causeway Bay and Central portfolio** recorded a 9% drop in revenue due to negative rental reversions and rent relief granted to tenants. With travel restrictions still in place, we introduced more local brands as well as quality food and beverage tenants to capture domestic demand. The occupancy rate declined by four points to 94%.

Rental income of our **Mongkok portfolio** increased by 1% against the same period last year. Even a gym at Grand Plaza ceased operations in late 2021, the two floors vacated were quickly filled by a medical center in early 2022. The portfolio was fully let at the reporting date.

Our community malls, **Kornhill Plaza in Hong Kong East** and **Amoy Plaza in Kowloon East**, were comparatively defensive. Revenue of both properties was flat against last year.

- *Offices*

Revenue declined by 7% to HK$545 million due to negative rental reversions.

The revenue of our **Central portfolio** fell 17% with the occupancy rate at 80% after an anchor tenant downsized upon lease expiry. We have diversified the product mix and tenancy profile by offering refurbished ready-to-use office spaces to meet the demand of prospective tenants with capex constriants.

Revenue from the **Causeway Bay portolfio** dropped by 11%. Some of its semi-retail tenants were affected by the social distancing measures and border restrictions imposed by the government.

The **Mongkok portfolio** posted a 5% rental growth period-on-period, driven by a higher occupancy rate at Grand Plaza, which is a well-established medical hub in the district.

- *Residential & Serviced Apartments*

Revenue of our residential & serviced apartments segment increased by 6% period-on-period, mainly attributable to higher occupancy at Kornhill Apartments after adopting a more aggressive pricing strategy since the second half of 2021. The occupancy rate improved by 14 points to 70% by the end of the period.

PROPERTY SALES

During the period, revenue of HK$316 million was recognized for the sale of one house on Blue Pool Road upon completion in 2022. The corresponding profit margin was 52%. Taking into account the selling expenses for The Aperture, a new development project in Kowloon Bay, marketing expenses for Heartland Residences in Wuhan, and other operating expenditures, an operating profit of HK$133 million was posted from property sales for the six months of 2022.

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

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

PROPERTY REVALUATION

As of June 30, 2022, the total value of our investment properties and those under development amounted to HK$194,607 million, including the mainland China portfolio of HK$133,209 million and the Hong Kong portfolio of HK$61,398 million. These properties were appraised by Savills, an independent valuer, as of June 30, 2022.

A revaluation loss of HK$221 million was recorded (2021: gain of HK$618 million).

The mainland China portfolio recorded a gentle revaluation loss of HK$149 million (2021: gain of HK$1,355 million), representing less than 1% of the portfolio value. The outbreak of the Omicron variant in 2022 had no material impact on the valuation as the impact was considered to be temporary.

The Hong Kong portfolio had a revaluation loss of HK$72 million (2021: loss of HK$737 million), representing a less than 1% decrease against the value as of December 31, 2021.

Net revaluation loss after tax and non-controlling interests of HK$269 million was reported (2021: net revaluation gain of HK$35 million).

PROPERTY DEVELOPMENT AND CAPITAL COMMITMENT

The aggregated values of our projects under development for leasing and sale were HK$22,268 million and HK$10,125 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$18 billion.

Mainland China

The lockdowns in various Mainland cities in the first half of 2022 limited workers mobility and disrupted the supply chain of construction materials, resulting in adverse impacts on the development progress of projects under development. Following the gradual relaxation of these lockdown measures, we expect to catch up on progress considerably in the second half of the year.

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 more than 490 units. The sales gallery and show flats were launched in April 2022. Pre-sale marketing activities commenced in July 2022 and the public launch will be subject to market assessment. The project is scheduled for completion in phases from the second half of 2023.

Center Residences (無錫恒隆府) in Wuxi and **Curio Collection by Hilton-branded hotel**, a lifestyle boutique hotel form the Phase 2 development of Center 66. The Residences comprise two high-rise residential towers housing around 600 units. In addition, there will be a seven-story new-build tower plus a three-floor heritage building offering a total of 106 hotel rooms. Construction has been progressing as scheduled and the project is scheduled for completion in phases from 2024 onwards. Center Residences is expected to be launched for pre-sale in 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 apartments and three immaculate penthouses. Grand Hyatt Kunming features more than 330 guestrooms and suites. Site development kick-started following possession of the construction permit in May 2021. The hotel-and-residence tower was topped out in June 2022 marking another milestone in the development. The pre-sale of the Residences is expected to be launched in the first half of 2023 with completion scheduled in phases from 2024 onwards, while the opening of the Grand Hyatt Kunming is planned for late 2023.

Westlake 66 in Hangzhou is an integrated high-end commercial development comprising a retail podium, five Grade A office towers, and a luxury hotel — **Mandarin Oriental Hangzhou**. The basement works are making good progress. 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 2025.

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

Hong Kong

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

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

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

FINANCING MANAGEMENT

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

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

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

As part of our environmental, social and governance (ESG) initiatives, Hang Lung Properties continues to make more use of sustainable finance. During the first half of 2022, we issued green bonds worth HK$1.2 billion, obtained HK$0.6 billion green loan facilities and HK$0.8 billion sustainability-linked loan facilities. These are collectively referred to as sustainable finance, which now accounts for 33% of our total debts and available facilities. We have plans to increase that proportion further.

- *Cash Management*

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

	At June 30, 2022		At December 31, 2021	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Denominated in:				
HKD	**1,684**	*36%*	5,484	*64%*
RMB	**2,900**	*61%*	2,885	*34%*
USD	**146**	*3%*	146	*2%*
Total cash and bank balances	**4,730**	*100%*	8,515	*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$44,337 million (December 31, 2021: HK$45,695 million), of which 29% was denominated in RMB to act as a natural hedge to net investments in mainland China.

Our fixed-rate borrowings primarily consist of medium-term notes (MTNs) and bank loans that are converted to fixed-rate through the use of interest rate swaps. The percentage of fixed-rate borrowings fell to 41% of total borrowings as of June 30, 2022 following the redemption of a US$500 million MTN in June 2022.

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

(i) by currency (after currency swap):

	At June 30, 2022		At December 31, 2021	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Denominated in:				
HKD	**31,658**	*71%*	33,196	*73%*
RMB	**12,679**	*29%*	12,499	*27%*
Total borrowings	**44,337**	*100%*	45,695	*100%*

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

	At June 30, 2022		At December 31, 2021	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Fixed	**18,007**	*41%*	21,998	*48%*
Floating	**26,330**	*59%*	23,697	*52%*
Total borrowings	**44,337**	*100%*	45,695	*100%*

- *Gearing Ratios*

At the reporting date, the net debt balance amounted to HK$39,607 million (December 31, 2021: HK$37,180 million). The net debt to equity ratio was 26.9% (December 31, 2021: 24.4%), and the debt to equity ratio was 30.2% (December 31, 2021: 30.0%). The increase in the net debt to equity ratio was largely due to capital expenditures in both mainland China and Hong Kong.

- *Maturity Profile and Refinancing*

At the balance sheet date, the average tenure of the entire loan portfolio was 3.3 years (December 31, 2021: 3.0 years). The maturity profile was staggered over more than 10 years. Around 69% of the loans were repayable after two years.

	At June 30, 2022		At December 31, 2021	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Repayable:				
Within 1 year	**3,590**	*8%*	8,079	*18%*
After 1 but within 2 years	**10,002**	*23%*	7,566	*17%*
After 2 but within 5 years	**25,711**	*58%*	23,868	*52%*
Over 5 years	**5,034**	*11%*	6,182	*13%*
Total borrowings	**44,337**	*100%*	45,695	*100%*

As of June 30, 2022, total undrawn committed banking facilities amounted to HK$17,074 million (December 31, 2021: HK$14,645 million). The available balances of the US$4 billion (December 31, 2021: US$4 billion) MTN program amounted to US$2,282 million, equivalent to HK$17,910 million (December 31, 2021: HK$13,722 million).

- *Net Finance Costs and Interest Cover*

For the first half of 2022, gross finance costs decreased 4% to HK$733 million, mainly as a result of a drop in the average effective cost of borrowings which was lowered to 3.5% (2021: 3.9%), benefiting from lower interest rates upon the refinancing of maturing debts.

The net amount charged to the statement of profit or loss increased to HK$254 million mainly due to a decrease in finance costs capitalized for projects under development after the completion of the mall at Heartland 66 in Wuhan in March 2021, which was partly offset by the decrease in gross finance costs.

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

- *Foreign Exchange Management*

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

We practice strict discipline of not speculating on the movement of the RMB against the HKD and maintain an appropriate level of RMB resources for capital requirements in mainland China, including cash inflows from local operations and RMB borrowings. Regular business reviews are carried out to assess the level of funding needed for our mainland China projects, taking into account factors such as regulatory constraints, project development timelines, and the market environment. Appropriate modifications to our funding plan will be conducted in light of any changing circumstances.

As of June 30, 2022, net assets denominated in RMB accounted for approximately 74% of our total net assets. The RMB depreciated against the HKD by 4.4% compared with December 31, 2021. The translation of these net assets from RMB into HKD at the exchange rate as of the reporting date resulted in a translation loss of HK$5,011 million (2021: gain of HK$1,209 million), recognized in other comprehensive income/exchange reserve.

- *Charge of Assets*

Assets of Hang Lung Properties were not charged to any third parties as of June 30, 2022.

- *Contingent Liabilities*

Hang Lung Properties did not have any material contingent liabilities as of June 30, 2022.

CORPORATE INITIATIVES

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

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

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

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

OUTLOOK

Looking ahead, we remain cautiously optimistic. Ongoing concerns regarding COVID-19 undoubtedly prompt a degree of hesitancy about market conditions in Hong Kong and on the Mainland. Yet, the results of our strategic positioning and marketing efforts have demonstrated resilience in the face of challenges.

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

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

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

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

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

	Note	**2022 HK$ Million**	2021 HK$ Million	*For information purpose only* **2022 RMB Million**	2021 RMB Million
Revenue	2(a)	**5,302**	4,975	**4,383**	4,146
Direct costs and operating expenses		**(1,594)**	(1,345)	**(1,316)**	(1,121)
		3,708	3,630	**3,067**	3,025
Other net income	3	**12**	31	**10**	26
Administrative expenses		**(306)**	(273)	**(253)**	(228)
Profit from operations before changes in fair value of properties		**3,414**	3,388	**2,824**	2,823
Net (decrease)/increase in fair value of properties		**(221)**	618	**(189)**	511
Profit from operations after changes in fair value of properties		**3,193**	4,006	**2,635**	3,334
Interest income		**30**	44	**25**	37
Finance costs		**(254)**	(226)	**(211)**	(188)
Net interest expense	4	**(224)**	(182)	**(186)**	(151)
Share of profits of joint ventures		**11**	-	**9**	-
Profit before taxation	5	**2,980**	3,824	**2,458**	3,183
Taxation	6	**(723)**	(1,053)	**(599)**	(875)
Profit for the period	2(b)	**2,257**	2,771	**1,859**	2,308
Attributable to:					
Shareholders		**1,948**	2,235	**1,603**	1,862
Non-controlling interests		**309**	536	**256**	446
Profit for the period		**2,257**	2,771	**1,859**	2,308
Earnings per share	8(a)				
Basic		**HK$0.43**	HK$0.50	**RMB0.36**	RMB0.41
Diluted		**HK$0.43**	HK$0.50	**RMB0.36**	RMB0.41

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

			For information purpose only	
	2022 HK$ Million	2021 HK$ Million	**2022 RMB Million**	2021 RMB Million
Profit for the period	**2,257**	2,771	**1,859**	2,308
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss:				
Movement in exchange reserve:				
Exchange difference arising from translation to presentation currency	**(5,015)**	1,219	**1,499**	(292)
Gain/(loss) on net investment hedge	**4**	(10)	**4**	(9)
Movement in hedging reserve:				
Effective portion of changes in fair value	**95**	7	**79**	6
Net amount transferred to profit or loss	**(11)**	7	**(9)**	6
Deferred tax	**(13)**	(1)	**(11)**	(1)
Item that will not be reclassified to profit or loss:				
Net change in fair value of equity investments	**(1)**	1	**(1)**	1
Other comprehensive income for the period, net of tax	**(4,941)**	1,223	**1,561**	(289)
Total comprehensive income for the period	**(2,684)**	3,994	**3,420**	2,019
Attributable to:				
Shareholders	**(2,517)**	3,341	**3,163**	1,570
Non-controlling interests	**(167)**	653	**257**	449
Total comprehensive income for the period	**(2,684)**	3,994	**3,420**	2,019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT JUNE 30, 2022

		(Unaudited)	(Audited)	*For information purpose only*	
		June 30, 2022	December 31, 2021	**June 30, 2022**	December 31, 2021
	Note	**HK$ Million**	HK$ Million	**RMB Million**	RMB Million
Non-current assets					
Property, plant and equipment					
Investment properties	9	**172,339**	177,456	**147,362**	145,088
Investment properties under development	9	**22,268**	22,399	**19,043**	18,313
Other property, plant and equipment		**273**	290	**233**	237
		194,880	200,145	**166,638**	163,638
Interests in joint ventures		**1,135**	1,131	**970**	925
Other assets		**77**	78	**66**	64
Deferred tax assets		**75**	77	**64**	63
		196,167	201,431	**167,738**	164,690
Current assets					
Cash and deposits with banks		**4,730**	8,515	**4,044**	6,962
Trade and other receivables	10	**3,800**	3,499	**3,249**	2,861
Properties for sale		**11,019**	10,790	**9,421**	8,822
Assets held for sale	11	**15**	-	**13**	-
		19,564	22,804	**16,727**	18,645
Current liabilities					
Bank loans and other borrowings		**3,590**	8,079	**3,070**	6,605
Trade and other payables	12	**9,630**	10,895	**8,234**	8,908
Lease liabilities		**29**	31	**25**	25
Current tax payable		**440**	497	**376**	406
		13,689	19,502	**11,705**	15,944
Net current assets		**5,875**	3,302	**5,022**	2,701
Total assets less current liabilities		**202,042**	204,733	**172,760**	167,391
Non-current liabilities					
Bank loans and other borrowings		**40,747**	37,616	**34,836**	30,755
Lease liabilities		**285**	305	**244**	249
Deferred tax liabilities		**13,964**	14,428	**11,942**	11,796
		54,996	52,349	**47,022**	42,800
NET ASSETS		**147,046**	152,384	**125,738**	124,591
Capital and reserves					
Share capital		**39,950**	39,950	**37,462**	37,462
Reserves		**96,598**	101,769	**79,299**	78,409
Shareholders' equity		**136,548**	141,719	**116,761**	115,871
Non-controlling interests		**10,498**	10,665	**8,977**	8,720
TOTAL EQUITY		**147,046**	152,384	**125,738**	124,591

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

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

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

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

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

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

1. BASIS OF PREPARATION (Continued)

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

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

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

2. REVENUE AND SEGMENT INFORMATION

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

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

(a) Disaggregation of revenue

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

HK$ Million	**2022**	2021
Under the scope of HKFRS 16, *Leases*:		
Rental income	**4,409**	4,462
Under the scope of HKFRS 15, *Revenue from contracts with customers*:		
Sales of completed properties	**316**	-
Building management fees and other income from property leasing	**577**	513
	893	513
	5,302	4,975

2. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Revenue and results by segments

HK$ Million	**2022**			2021		
	Property Leasing	**Property Sales**	**Total**	Property Leasing	Property Sales	Total
Revenue						
- Mainland China	**3,367**	**-**	**3,367**	3,295	-	3,295
- Hong Kong	**1,619**	**316**	**1,935**	1,680	-	1,680
	4,986	**316**	**5,302**	4,975	-	4,975
Profit/(loss) from operations before changes in fair value of properties						
- Mainland China	**2,085**	**(19)**	**2,066**	2,116	(9)	2,107
- Hong Kong	**1,196**	**152**	**1,348**	1,294	(13)	1,281
	3,281	**133**	**3,414**	3,410	(22)	3,388
Net (decrease)/increase in fair value of properties	**(221)**	**-**	**(221)**	618	-	618
- Mainland China	**(149)**	**-**	**(149)**	1,355	-	1,355
- Hong Kong	**(72)**	**-**	**(72)**	(737)	-	(737)
Net interest expense	**(224)**	**-**	**(224)**	(182)	-	(182)
- Interest income	**30**	**-**	**30**	44	-	44
- Finance costs	**(254)**	**-**	**(254)**	(226)	-	(226)
Share of profits of joint ventures	**11**	**-**	**11**	-	-	-
Profit/(loss) before taxation	**2,847**	**133**	**2,980**	3,846	(22)	3,824
Taxation	**(698)**	**(25)**	**(723)**	(1,055)	2	(1,053)
Profit/(loss) for the period	**2,149**	**108**	**2,257**	2,791	(20)	2,771
Net profit/(loss) attributable to shareholders	**1,840**	**108**	**1,948**	2,255	(20)	2,235

2. REVENUE AND SEGMENT INFORMATION (Continued)

(c) Total segment assets

HK$ Million	June 30, 2022			December 31, 2021		
	Property Leasing	**Property Sales**	**Total**	Property Leasing	Property Sales	Total
Mainland China	**135,766**	**5,119**	**140,885**	141,263	4,883	146,146
Hong Kong	**62,625**	**6,204**	**68,829**	62,351	5,937	68,288
	198,391	**11,323**	**209,714**	203,614	10,820	214,434
Interests in joint ventures			**1,135**			1,131
Other assets			**77**			78
Deferred tax assets			**75**			77
Cash and deposits with banks			**4,730**			8,515
			215,731			224,235

3. OTHER NET INCOME

HK$ Million	2022	2021
Government grants	**11**	29
Others	**1**	2
	12	31

4. NET INTEREST EXPENSE

HK$ Million	2022	2021
Interest income on bank deposits	**30**	44
Interest expense on bank loans and other borrowings	**689**	726
Interest on lease liabilities	**8**	8
Other borrowing costs	**36**	29
Total borrowing costs	**733**	763
Less: Borrowing costs capitalized	**(479)**	(537)
Finance costs	**254**	226
Net interest expense	**(224)**	(182)

5. PROFIT BEFORE TAXATION

HK$ Million	**2022**	2021
Profit before taxation is arrived at after charging:		
Cost of properties sold	**135**	-
Staff costs (Note)	**779**	737
Depreciation	**49**	33

Note: The staff costs included employee share-based payments of HK$45 million (2021: HK$29 million). If the amounts not recognized in the statement of profit or loss, including amounts capitalized, were accounted for, staff costs would have been HK$937 million (2021: HK$883 million).

6. TAXATION IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

HK$ Million	**2022**	2021
Current tax		
Hong Kong Profits Tax	**154**	151
Mainland China Income Tax	**448**	449
Total current tax	**602**	600
Deferred tax		
Changes in fair value of properties	**18**	339
Other origination and reversal of temporary differences	**103**	114
Total deferred tax	**121**	453
Total income tax expense	**723**	1,053

7. DIVIDENDS

(a) Interim dividend

HK$ Million	**2022**	2021
Proposed after the end of the reporting period:		
HK18 cents (2021: HK18 cents) per share	**810**	810

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

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

HK$ Million	**2022**	2021
2021 final dividend of HK60 cents		
(2020: HK59 cents) per share	**2,699**	2,653

8. EARNINGS PER SHARE

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

HK$ Million	**2022**	2021
Net profit attributable to shareholders	**1,948**	2,235

	Number of shares	
	2022	2021
Weighted average number of shares used in calculating basic earnings per share	**4,499,260,670**	4,498,255,129
Effect of dilutive potential ordinary shares – share options	**-**	5,023,613
Weighted average number of shares used in calculating diluted earnings per share	**4,499,260,670**	4,503,278,742

8. EARNINGS PER SHARE (Continued)

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

HK$ Million	**2022**	2021
Net profit attributable to shareholders	**1,948**	2,235
Effect of changes in fair value of properties	**221**	(618)
Effect of corresponding income tax	**18**	339
Effect of changes in fair value of investment properties of joint ventures	**7**	19
	246	(260)
Non-controlling interests	**23**	225
	269	(35)
Underlying net profit attributable to shareholders	**2,217**	2,200

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

	2022	2021
Basic	**HK$0.49**	HK$0.49
Diluted	**HK$0.49**	HK$0.49

9. INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES UNDER DEVELOPMENT

(a) Additions

During the six months ended June 30, 2022, additions to investment properties and investment properties under development amounted to HK$1,100 million (2021: HK$1,116 million).

(b) Valuation

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

10. TRADE AND OTHER RECEIVABLES

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

HK$ Million	**June 30, 2022**	December 31, 2021
Not past due or less than 1 month past due	**137**	117
1 – 3 months past due	**53**	7
More than 3 months past due	**4**	4
	194	128

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

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

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

11. ASSETS HELD FOR SALE

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

12. TRADE AND OTHER PAYABLES

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

HK$ Million	**June 30, 2022**	December 31, 2021
Due within 3 months	**1,032**	1,666
Due after 3 months	**2,888**	3,141
	3,920	4,807

(b) Included in trade and other payables is an amount of HK$601 million (December 31, 2021: HK$601 million) due to a fellow subsidiary, which is the joint developer of a project in which the Group and the fellow subsidiary hold respective interests of 66.67% and 33.33%. The amount represents the contribution by the fellow subsidiary in proportion to its interest to finance the project, and is unsecured, non-interest bearing and has no fixed terms of repayment.

OTHER INFORMATION

Employees

As of June 30, 2022, the number of employees was 4,104 (comprising 1,028 Hong Kong employees and 3,076 mainland China employees). The total employee costs for the six months ended June 30, 2022, amounted to HK$937 million. We provide competitive remuneration packages for all employees including discretionary bonuses payable based on individual performance. We regularly review remuneration packages to ensure that they comply with relevant regulatory requirements and market conditions. The Company also has share option schemes and provides professional and high-quality training for employees.

Purchase, Sale or Redemption of Listed Securities

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

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

Compliance with Corporate Governance Code

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

Review of Interim Results

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

Book Close Dates

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

On Behalf of the Board
Ronnie C. Chan
Chair

Hong Kong, July 28, 2022

As of the date of this announcement, the board of directors of the Company comprises the following directors:
Executive Directors: Mr. Ronnie C. CHAN, Mr. Adriel CHAN, Mr. Weber W.P. LO and Mr. Kenneth K.K. CHIU
Non-Executive Director: Mr. Philip N.L. CHEN
Independent Non-Executive Directors: Mr. Nelson W.L. YUEN, Mr. Dominic C.F. HO, Dr. Andrew K.C. CHAN, Prof. H.K. CHANG and Ms. Anita Y.M. FUNG

GLOSSARY

Financial Terms

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

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

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

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

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

Financial Ratios

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

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

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

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

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