恒隆地產
HANG LUNG PROPERTIES

2022
Interim Report

Hang Lung Properties Limited
Stock Code: 00101

We Do It Well

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RESULTS AND DIVIDEND

For the six months ended June 30, 2022, revenue rose 7% to HK$5,302 million. Overall rental revenue remained stable at HK$4,986 million despite a resurgence of COVID-19 both on the Mainland and in Hong Kong. Net profit attributable to shareholders fell by 13% to HK$1,948 million. Earnings per share retreated similarly to HK$0.43.

Underlying net profit attributable to shareholders increased by 1% to HK$2,217 million when excluding property revaluation and all related effects. Underlying earnings per share stood at HK$0.49. We recorded a minor revaluation loss both on the Mainland and in Hong Kong. The year before, we had a slight gain.

The Board has declared an interim dividend of HK18 cents per share payable on September 29, 2022 to shareholders of record on September 15, 2022.

BUSINESS REVIEW

Since my last *Letter to Shareholders* of six months ago, it is truly amazing how much the world has changed. So has every major business almost anywhere in the world, and we are no exception. Recent global and domestic events have caused us to seriously review our strategy and our operations. I will write more in the next section under "Prospects".

Given the market conditions, I believe that we have turned in a rather respectable set of results. It may pleasantly surprise many.

In recent years, our two shopping centers in Shanghai — Plaza 66 and Grand Gateway 66 — accounted for slightly more than half of our Mainland rentals, or almost a third of total rental revenue for the Company when Hong Kong is taken into consideration. Due to the government policies of the past few months in response to the pandemic, those two malls were forced to completely close for about two months. Dine-in facilities were not allowed to operate for about three and a half months. Of the remaining eight facilities, four experienced shorter periods of lockdown. Everywhere, footfall fell. Rent relief measures like those of 2020 had to be reinstated in some cities.

Given this set of adverse externalities, it is quite encouraging that our total rental revenue on the Mainland, in RMB terms, managed to slightly exceed the same period a year ago. Retail rents collected were almost on par with those of last year's. The loss in revenue in Shanghai was more than made up by the gains from three areas: remarkable rental jumps in the malls in Heartland 66 in Wuhan and Olympia 66 in Dalian, as well as the continued strong performance of our Mainland office portfolio. All three of our new office towers, in Heartland 66 in Wuhan, Spring City 66 in Kunming, and Center 66 in Wuxi, saw significant increases in rents.

The message is clear. Whereas I expect our two Shanghai complexes to continue to perform strongly in the coming few years, our other luxury properties are growing at a much higher rate. They will account for an increasing percentage of our total revenue. This is especially true of our malls in Wuxi (Center 66), Dalian (Olympia 66), Kunming (Spring City 66), and Wuhan (Heartland 66).

Taking the Company as a whole, total revenue rose 7% to HK$5,302 million. Rental income was flat at HK$4,986 million. The difference between the two numbers came from the sale of a house at our Blue Pool Road project, the profit margin therefrom being 52%.

Overall rental margin slightly retreated to 72%. On the Mainland, it fell one point to 67%, and in Hong Kong, two points to 81%. Given the market conditions, these are to be expected and are due to minor bad debt provision. The same was experienced in 2020, of which some was subsequently recovered in 2021.

Over the six months being reviewed, six of our 10 Mainland shopping centers endured varying lengths of complete suspension. Even when shopping was allowed, dine-ins were often prevented. (In Jinan, where Parc 66 is located, authorities stopped dine-ins and operations of education related tenants, but did not shut down entire retail complexes.) Consequently, tenant sales could not but fall compared to the same period last year. Not counting Heartland 66 in Wuhan which opened in March 2021, on a like-for-like basis, total tenant sales at our remaining nine complexes fell 23%.

Fortunately, our other malls performed superbly, especially the newer luxury ones. Spring City 66 in Kunming and Center 66 in Wuxi both contributed nicely, in spite of the nine-day complete shutdown at the latter property. But as I had previously suggested to shareholders, the star performers would be Olympia 66 in Dalian and Heartland 66 in Wuhan. And they were.

Phase two at Olympia 66 in Dalian only opened little more than a year ago and is still filling up. Yet the arrival of top fashion brands in the past two years has completely transformed its character. Tenant sales shot up, followed gradually by rents. Rental reversions have been healthy. Over the next year or two, I anticipate not only a rise in occupancy, but also in average unit rent and rental margin.

Barely 15 months old, Heartland 66 in Wuhan has probably the fastest ramp up we have ever seen among all our malls. Tenant sales are already approaching that of Spring City 66 in Kunming, which is 19 months older. The property is being filled up and rental margin is rising nicely.

Rental margin is a particularly useful number to watch. For our mature luxury malls, like the two in Shanghai, it is at the high 80% and even low 90%. In tier-two cities, the same product type should be able to achieve mid-to-high 70%, if not low 80%. Center 66 in Wuxi is already approaching that range. Spring City 66 in Kunming and Heartland 66 in Wuhan should in time succeed. Olympia 66 in Dalian, being a much bigger facility, may one day achieve the lower end of that range. Frankly, there are few businesses that are as simple as ours yet enjoy these margins.

On the other hand, our sub-luxury malls should be able to make it to the high 50% and low 60% range. Parc 66 in Jinan is well on its way, although the present Asset Enhancement Initiative (AEI) will give it a brief pause. By way of comparison, our Hong Kong retail spaces, all being older properties, have an average rental margin in the low to mid 80%.

Another reason we did not see a drop in total rent on the Mainland was the stellar performance of our offices. It did well last year and the momentum so far sustained. Additional income from rent reversion, especially from shrinking vacancies, brought in RMB74 million more, which represented an increase of 16% from the year before. Six months ago, I explained how we could succeed in a highly competitive and oversupplied market. Here is another proof.

Conrad Shenyang is, so far, our only hotel that has opened on the Mainland. Under the throes of pandemic related restrictions, revenue could not have been exciting. But we play for the long haul. At Center 66 in Wuxi, we signed up the Hilton Group to manage our small boutique hotel under the Curio Collection brand. It is planned to have 106 keys and should open for business in late 2024.

In Hong Kong, the fifth wave of the pandemic caused havoc. For three and a half months out of the past six, restaurant hours were seriously curbed, and their relaxation only came gradually. We were fortunate to have kept overall tenant sales from falling compared to the same period last year. But comparing to the second half of 2021, the number was down by 15%. Retail rental revenue after rent relief amortization fell 3%. Occupancy held up at 98% while rental margin was slightly lower at 82%. Rental reversion was, however, more affected, which would render future rent levels lower.

Office revenues in Hong Kong also suffered. While occupancy held up, we took in 7% less and rental margin retreated four points to 83%. Average unit rent was down and rental revenue came under pressure. All these are a reflection of our city's mode of dealing with the pandemic, which has cut us off economically from much of the world. Six months ago, I discussed this issue extensively and will not repeat it here. Not much has changed since that time.

PROSPECTS

We live in a globalized world of which our primary market, China, is an integral part. What happens in other parts of the world can quickly impact the Chinese economy, and so our business. This is why in the past decade or two, I have presented to shareholders, on this platform, Management's view on global issues that may affect us. They range from geopolitics to geo-economics, and from technological developments to environmental issues. I have also attempted to make sense of Beijing's domestic policies that concern us, even if only indirectly.

In the past few years, we have devoted considerable time to discussing the deterioration of China-U.S. relations. It has the potential of bifurcating the world, which would fundamentally change the way the global economy is organized and how business is conducted. As a company investing exclusively in China, we would not be spared. Not recognizing this, or misreading this ever-changing bilateral relations, may have grave consequences.

But, out of the blue, two new issues appeared that further complicate our analyses. Two and a half years ago, COVID-19 emerged and changed the world. Further surprises may yet surface. It is likely that the pandemic will, one day soon, become endemic. However, before we could fully digest all its ramifications, the Ukraine War erupted in February this year. This too will alter the face of the world.

Tragic and mostly immoral as wars are, human history is littered with them. In the present case, it is not the conflict itself that is changing the world, but the reactions of the West, a supposedly third party. The effects will be monumental and long-lasting. Since World War II (WWII), I can only think of very few events that are in that league. The reform and opening up of China in late 1978 was one, and the fall of the Berlin Wall in 1989 was another. Both happened with little fanfare, but not this time. The last two incidents, in some sense, united the world. This time, it divides the world. No major businesses are spared, ours included. We must rethink our future. Consider the following consequences of the war.

First, global capital flow will be disrupted and altered. When the U.S. can, at will, freeze U.S. dollar-denominated assets of countries and individuals, will the rest of the world still keep its wealth where this can happen? This by no means applies only to America’s enemies or neutral parties. Her allies are also watching. The Trump administration shows the world that anything can happen in American domestic politics. Come 2024, Donald Trump or someone like him may occupy the White House. Will America’s behavior around the world deteriorate further? Given the power the U.S. wields everywhere, none of us is immune. Everyone is watching with trepidation.

As a result, many will begin to take steps to shield their assets from the reach of Uncle Sam. Few will tell others about it, but once a collective momentum builds up, no one will be able to stem the tide. This may alter the existing global financial architecture. New York City and London may still be the biggest financial hubs, but a number of smaller centers may appear. Since WWII, major troubles elsewhere have caused capital to flow towards the U.S., or at least into U.S. dollars. This phenomenon may begin to change.

To meddle in SWIFT, the world's biggest transaction and payment platform, is to deploy a financial nuclear weapon. This time, the U.S. did the unthinkable. The U.S. can at will stop certain banks from conducting transactions through the system. Doubtless, this will cause many countries to gradually switch to parallel platforms, a few of which are already in existence. There will inevitably be a diffusion of financial transactions, which is a form of deglobalization. Inefficiencies will result, which will, at least for some time to come, increase costs.

Such weaponization of finance can combine to weaken the dominance of the U.S. dollar. No single currency will be able to replace the greenback, although the Euro and RMB are expected to gain popularity as transactional currencies. Witness the recent India coal purchase contract with Russia that was denominated in RMB.

Nevertheless, Beijing needs to control the circulation of RMB as a tool to regulate China's domestic economy. As a result, I do not foresee Beijing desiring to open her currency to capital accounts. Whatever the case, the weakening of the relative position of the U.S. dollar cannot be good for America. If this happens, Washington, D.C. has no one to blame but herself. Frankly, the greenback has been gradually losing ground, especially since the creation of the Euro some 20 years ago.

Another serious consequence of the Ukraine War, of the West's own making, is the spike in energy prices. Hurting Moscow by limiting her sales of natural gas to Western Europe ends up hurting herself as well. Where will Europe obtain in short order so much energy to replace Russia's supply? What will happen to countries like Germany when winter arrives? Her action begs the question: who is Europe sanctioning — Russia or herself?!

It is easier for the U.S. to insist on sanctioning Russian natural gas, as she is across the ocean and has plenty of resources domestically. Not so the case with Western Europe. In the heat of anger, some people on both sides of the Atlantic are not thinking, let alone thinking straight. Consider the U.S. having to go to her deadliest enemies like Venezuela and Iran to beg for an increase in energy production. This happened soon after reports that the leaders of traditional energy-rich friends like Saudi Arabia and the United Arab Emirates (UAE) declined a phone call from U.S. President Biden. When did such a thing ever happen? The world that we have known since WWII has indeed changed!

Since Peter the Great, Russia had wanted to be part of the West. The efforts lasted over three centuries, but this year, she was officially rejected. Russian President Putin even stated publicly that his country will now look east. By that, everyone understands it to mean primarily China, which eagerly needs Russia's energy resources, if not also its minerals and food.

Here is an interesting anecdote. Through a then Shanghai-based Russian shareholder of this Company, I was invited in 2015 to speak at one of the two sessions on Asia at the St. Petersburg International Economic Forum. The conference was supposedly attended by some 9,000 people, but only 27 showed up to listen to me and two other speakers, one of whom was Kevin Rudd, former Prime Minister of Australia. Now, I can safely assume that should the same event be held today, it would attract a much larger crowd!

Russia looking east today does not worry me that much. Unlike much of the 20th century when she was a big brother to China, today the tables have turned. China has a much bigger and more advanced economy. Size-wise, it is almost nine times that of Russia. Economic complementarity and both sharing a common threat from the U.S. will keep the two historical enemies working together.

The one area of future concern may be Siberia. Russia looking east should mean the development of the vast land between the Ural Mountains and the Pacific Ocean. Sharing a 4,300-kilometer border with China must give Moscow some concern. The Russian side of that border is rich in natural resources but sparsely populated. On the other side, the reverse is true. How these dynamics are managed will be critical to both countries.

Just as Russia sells energy and food to China, so will she sell energy and minerals to India, a traditional friend and customer in the south. India also buys weapons from Moscow. These are basically simple business transactions. However, Russia's looking south towards the Middle East may prove to be problematic to the world. Being almost a single industry economy, that of oil and gas, Moscow may want to further influence energy-rich nations like Iran and Israel, as well as almost all the countries between them. Her further involvement in that region, which has always been a powder keg, may aggravate the situation.

As I have elsewhere written, I expect that Israel and her immediate neighbors will become major sources of natural gas to Europe. A deal was finally announced last month between Egypt, Israel, and the European Union (EU). This is the first time that the countries by the eastern Mediterranean Sea would become energy suppliers to Western Europe. It bypasses the circuitous routes and troubled territories that traditional suppliers like Saudi Arabia, Qatar, and the UAE have to endure.

It is difficult to expect Russia to do nothing while others take business away from her. The departure of the U.S. from the region may further embolden Moscow. America's traditional allies in the neighborhood are all preparing for that eventuality. One of the messiest regions in the world may become even more so.

The present war also brings short-term troubles that may turn into longer-term problems. I seriously doubt if Western capitals had carefully considered the possible consequences of their reactions to the War. Fuel price hikes, food shortages, as well as disruptions to the movement of essential minerals are reverberating around the globe. Famine will likely result in parts of Africa and beyond.

Both our natural and economic ecosystems are, in fact, quite fragile with little margin for error. Consider what would happen if a major natural or manmade disaster were to take place at this time, in almost anywhere in the world — an earthquake, tsunami, locusts, or a nuclear power plant incident, etc. Environmental degradation is already causing trouble everywhere, such as extreme weather, draught, flooding, forest fire, and more. The consequences of the war mentioned above will be greatly exacerbated, which may well push the global economy to the brink of collapse. I do not believe that this is too far-fetched a scenario to be taken lightly.

As is always the case, famine or fuel shortage, let alone economic collapse, will incite riots that can bring down governments. Historically, this is often how revolutions began. All these problems will also bring on mass migrations, as witnessed in 2015 from the Middle East to Europe. A likely movement this time may be from Africa across the Mediterranean into Europe.

Those of us living in East Asia or the Americas may be spared from human migration, but other effects of the Ukraine War would have ways to hurt us, and hurt they will. One is increased inflation.

Over the past few decades, most major economies have printed tremendous amounts of paper money. That in itself is inflationary. But what none of us could have known before the Ukraine War was its exacerbating effect on global price rise. The problem all too familiar to us in the 1970s and early 1980s cannot but return.

Almost no country can tolerate inflation. To counter it, the interest rate has to rise. Business will suffer but so will national governments if they have too much debt. The U.S. is a case in point. Interest payments alone will eat up much of the revenue. Yes, the U.S. Federal Reserve can always print more money but that game cannot continue indefinitely. Devaluation will sooner or later erode the world's confidence in the U.S. dollar.

Inflation is of particular concern to Europe. Many Western European countries rely heavily on Russia's natural gas. Either voluntarily or involuntarily, to not buy from Moscow is to cut one's own throat, for there are no easy alternative sources, at least insufficient for the near to medium term. Fuel shortage is already fanning the flames of inflation. This, in turn, will stir social discontent that would lead to political instability.

Frankly, many Europeans have entered into a state of collective hysteria. A highly intelligent banker friend of mine from Italy, as well as a very successful high-tech entrepreneur living in France, both see the recent Russia's behavior as an existential threat to their countries. I do not believe that Moscow has the intention or the ability to invade Italy or France. Nor is NATO, under U.S. leadership, a paper tiger. Yet, there is a real but irrational fear.

Once the Ukraine War settles, I believe that many of those Europeans will wake up and see their present reactions as unnecessary, if not outright foolish. Many of their actions today, of which some cannot be undone easily or reversed, will have long-term negative effects on themselves and the world. The damage is already done.

Who else are the losers of the present war, besides Ukraine and Europe? The poor countries, Russia, and the U.S. In other words, almost everyone! In the grand scheme of things, the first category has little impact on the world. While no one should underestimate the ability of Russia to withstand pain, for now, she is greatly weakened. Frankly, from an economic perspective, she too is not that significant in the world.

The opposite is true of the U.S. Consequently, America may be the greatest loser, for she has the most to lose. Consider the weakening of the dominance of the U.S. dollar. As mentioned earlier, it is not the war itself that is the most consequential, but the reactions of the West led by the U.S. The pain to be endured by the West is self-inflicted.

All of the troubles brought on by the Ukraine War listed above will fundamentally change global economics and politics. Their effects will be with us for decades to come. One way or another, China will be greatly affected, and so will our business. It would be irresponsible of Management if we do not carefully consider their consequences on our operations.

How will our primary market, China, be affected? The Ukraine War presents Beijing with immediate diplomatic challenges. Not wanting to antagonize either the U.S. or Russia, she has to tread very carefully. From what I can tell, so far so good. By not succumbing to the pressure from Washington, D.C. to condemn Moscow, China may, if called upon one day, serve as an honest broker for peace. If this materializes, then the West would have China to thank. But for now, I doubt if Washington, D.C. wants a quick resolution to the war.

In the longer run, China may, in fact, benefit. A weakened Russia will more than ever need the huge Chinese market for energy, food, and minerals. In 2014, when Moscow annexed Crimea, she also came under Western sanctions. Within a very short time, a natural gas transaction, long in negotiation but never consummated, was quickly signed between Beijing and Moscow. The latter needed the deal fast, and she is today in an even direr position.

As Management reconsiders our strategy and operations in the face of such monumental changes, we should not forget about the elephant in the room — the madness of the U.S. in beating up China. Many have rightly pointed out that Ukraine and Russia are a sideshow; the U.S. is really after China.

In this regard, the reactions of the West to the present war have unleashed forces that may force their governments to, for now, deal with more urgent problems rather than with China. For example, Washington, D.C. is constrained by domestic inflation to consider relaxing previously imposed trade tariffs on China. In the past few years, the U.S. had wanted to weaken China's role as the world's biggest supply chain center by building an alternative. That voice has fallen silent as domestic prices rose in America.

Because of the pandemic, some reshoring of the manufacturing of strategic products is inevitable. However, to completely rebuild a supply chain ecosystem is a totally different proposition. There is simply no other place on earth that can replicate what the Chinese had built over four decades in the Pearl River Delta and Yangtze River Delta. To accomplish that feat took a highly motivated and entrepreneurial people that numbered in the tens, if not hundreds, of millions. They must have a relatively high degree of education and skilled labor under supportive and wise government policies. The existing system was also a product of an era of unfettered globalization. It is efficient and offers the cheapest services to manufacturers in China and elsewhere in the world.

To concoct today a new structure that is strewn over many countries, languages, and cultures will not only introduce huge inefficiencies. It will also take decades to accomplish, if it could be accomplished at all, and to as good a quality as the existing one in China. Moreover, the cost will be prohibitive and hugely inflationary. Not even the West can afford it. Or, in today's already inflationary environment, perhaps especially the U.S. cannot afford it.

All this does not mean that China-U.S. relations will be smooth sailing going forward. The West's reactions to the Ukraine War remind us that no one should underestimate the foolishness of nations. Furthermore, Western democracy ensures that national interests in international affairs are often beholden to individual politicians. For selfish political reasons — and politicians are selfish — such as in the face of impending elections, the best interests of the country are all too often sacrificed.

Should we be worried about the Taiwan Strait? Yes, we should, and I worry much more about what American politicians would do than what Beijing might. As the U.S. midterm elections are approaching, the risks are particularly high. Even if we pass this year unscathed, next year the U.S. will begin to prepare for her 2024 presidential election. There is no end in sight. For China-U.S. relations, one can only hope that the effects of the Ukraine War will provide some distractions. But for global peace, that too is not a welcome development.

A final worry of mine outside China that should be mentioned is the domestic disharmony within the U.S. Her society probably has not been as divided as it is today since 1865 when the American Civil War ended. Social and political discord are spreading. Given the global leadership role that the country plays, such domestic problems cannot but affect the world. Consider the possibility of her retreating into isolationism, the tenet on which the country was founded. It will change the face of the globe.

Such is the external environment that we and any major business face today. Some issues predated the Ukraine War; others are the results of the war. All of them are serious.

Then there are concerns within China. The way the pandemic is being dealt with baffles the world. The recent Shanghai citywide lockdown tells it all. Its economic consequences are grave. Having written extensively on the subject before, I shall not belabor it here.

Over the past three decades, hordes of businessmen and professionals, young and old, poured into China in search of fortune. Most of them did not regret the effort, and frankly many fell in love with the country. Until recently, I have hardly heard of too many of them leaving because of social or political reasons. (Needless to say, there is some degree of self-selection. Those who are biased, or who otherwise do not like the domestic system, probably did not move to China in the first place.) Now for the first time, I learn of expatriates, some having lived there for decades, wanting to leave. At a time when Beijing is increasingly isolated by the West, this is not an encouraging sign.

The pandemic response is not the only factor hurting economic growth. Another major problem of late relates to residential developments and the cessation of mortgage payments in various projects. Many home builders are failing or have failed. If not handled properly, this economic trouble can metastasize.

For the past 16 years, I have served as a keynote speaker at one of China's largest annual real estate forums held in Hainan Island. (Since 2020, including this year, I have attended online.) My message year after year was very consistent — that the residential development business as practiced was not sustainable. Somehow the conference organizer wants me to repeat it annually. Everyone nodded in agreement, but few have heeded my advice. They mentally accepted my arguments but could not emotionally oblige. I have written about it more than once in this Letter, warning that the bubble would one day burst.

As is often the case everywhere, when there is a real estate industry debacle, the banks are left holding the bag. Since the Chinese government owns most of the major banks, Beijing may have to one day foot the bill. It will further depress economic growth.

What I have repeatedly asked is: why did the government allow it to continue when the bubble is already very inflated? I understand that real estate is a strong driver of the economy, from land sales to financing, and from construction to interior decorations. It directly accounts for some 13% of GDP; when related industries are included, the number is more like 30%. Perhaps not wanting this musical chair game to end, Beijing let it continue. But as in the children's game, the music will sooner or later stop.

To be sure, this problem is not unmanageable by the government from a financial perspective. But the bigger the bubble, the direr and more long-lasting the consequences are on the economy. The music seems to have stopped and some developers will go bankrupt.

As I had previously explained in this Letter, unemployment in this industry should not be a serious problem. Projects can continue under new ownership, such as debt holding banks. Posing a more serious problem to the government is the displeasure of the home purchasers.

Hang Lung is fortunate not to be in the home building business on the Mainland. As such, the present mess does not directly hurt us. However, to the extent that it slows the economy, our business will be indirectly affected.

So, how shall Hang Lung management respond to the above international and domestic problems? We will be very cautious in the coming six to 12 months. We shall take all precautions to ensure financial safety. Any major capital outlay will be doubly scrutinized. There are simply too many uncertainties to warrant major investments, except in very rare occasions. The risk premium has greatly increased since the Ukraine War began. Let us buy ourselves time to observe China and the world and see how the situation will evolve. This is time for caution and not adventurism. Thankfully, we are financially sound, such that we should be able to withstand virtually any shock.

As to our longer-term future, I came to the following conclusion after much consideration. Given a five-to-ten-year horizon and probably beyond, China is and will still be one of the best places to invest. Relatively speaking, she promises social stability and a reasonable rate of economic growth.

Barring trouble in China-U.S. relations, especially over the Taiwan Strait, chances are good that China will remain relatively peaceful. The present leader is widely expected to remain in power for a third five-year term, a decision that the Party Congress will make later this year.

Looking at it purely from a domestic stability perspective, this should be helpful. After all, the greatest threat to the country is always domestic stability. Mr. Deng Xiaoping, the architect of the Reform and Opening Up Policy, was not ideological. His famous saying was: whether a cat is white or black, as long as it catches mice, it is a good cat. It was that pragmatism that brought tremendous prosperity to the country over the past 40-some years. Mr. Lee Kuan Yew directly or indirectly ran Singapore for over half a century. If he was limited to 10 years as Prime Minister, the island state would in no way be as prosperous as it is today. As long as Beijing leaders can keep the country relatively stable, her economy should continue to grow, and people's livelihoods, improve.

Having a centralized government structure, there is always the concern that Beijing would make serious policy blunders that she is unable or unwilling to correct. It is not sufficient to have the right policy; the means by which it is executed must also be wise. There is a saying that the disease may not kill the patient but the medicine will. In China, all major decisions are made at the top. Policies are formulated there as well as the plans to execute them. This means that those at the top and their advisors must have a very broad knowledge of things. It is not easy.

I recall an incident several years ago when top government officials began to interfere in the stock market. A common investor would know that such a thing should not be attempted — it could hardly achieve the stated goal and might bring undesirable consequences. But those top Beijing decision makers had probably never bought stocks before and so were ignorant. They did not have an intuitive feel — and hence the necessary respect — for the market. Fortunately, someone must have warned them of the impending dangers and they quickly reversed the mistake.

This illustrates the challenges inherent in the Chinese system. So far so good, but the way forward is fraught with danger. After all, the world is getting more complicated by the day. Technology is one cause; the ever-changing international relations in an interconnected world is another. We can only wish the country well.

As I have stated before, the Chinese system is like a person with a heart condition, while the Western system is like a patient with cancer. Both can kill, albeit in different ways. The former can live her whole life in peace, but a heart attack can arrive anytime unannounced. Someone suffering from cancer will likely die from it one day, but it may not be imminent. It can drag on for some time.

Back in Hong Kong, our economy is also facing challenges. What was spared from the 2019 social unrest was weakened by the way we had to confront the public health threat. The aftermath of riots led many locals to emigrate, and the partial lockdown of the past two and a half years due to the pandemic compelled many expatriates to leave. Nevertheless, both can later be partially remedied. For example, we can attract qualified people from the Mainland to move here. In fact, for their own reasons, some Mainlanders with capital and higher education are already quietly relocating here. That notwithstanding, the immediate economic future of this city is challenging.

For now, the Hong Kong mass residential market is weak. It is a combination of a weakened economy and out-migration. It may recover one day but the longer-term prospect of this sector remains uninteresting to us. We have not played in it for decades and I see no reason to return. After all, with the settling down of social turmoil, land supply will sooner or later increase considerably. That will become a cap to prices.

The luxury housing market in which we play is a different story. The last time I saw so many wealthy Mainlanders arrive in Hong Kong was probably in the early 1950s due to political changes up north. This time the reasons are different. Hong Kong still holds much charm to our compatriots — lower taxes, a freer society, better informational connections with the rest of the world, more choices of schooling for the children, etc. The recent Shanghai lockdown has only strengthened the resolve of the well-to-do. To be sure, they are a small percentage of the financial elites on the Mainland, but Hong Kong is a very small place compared to the rest of the country. Even smaller is our luxury housing sector.

There is no perfect place to invest; every economy has its unique risks. Mainland China has had a good run of 40-some years since her economic opening, although there was a near miss in 1989. The only way that a business can survive in the long term is to be always financially prudent. This way, it can ride out the periodic rough patches that are inevitable. That inevitability is again with us today.

As a company investing exclusively in China (including the Hong Kong SAR), frankly, we do not have many alternatives. To be financially prudent in our industry does not just mean to be lowly geared as we always are. It also means that we do not make major mistakes in capital investment decisions. So far, we have done well since we entered the Mainland market 30 years ago. But in light of the deteriorating global scene and China's challenging economic conditions, we should be particularly careful in the coming year. Management will take all necessary measures to cushion ourselves from whatever may come our way.

In my 32 years of writing this mid-year Letter, this time may be the most difficult to forecast full-year results. The reason is that no one can tell how the pandemic will evolve, nor how the government will respond to it. A big question is: will the Shanghai lockdown repeat itself? Will any of the other cities in which we have a presence undergo a complete or partial lockdown?

A reasonable assumption for the rest of the year is that the pandemic will still be with us, but that the government will not totally lock down a city. The Shanghai experience must have been painful to all, including Beijing leaders. They should be able to do a better job next time. Even so, it is unlikely that normalcy will fully return soon. All these will inevitably affect our performance.

In cities where some semblance of normalcy returns, I anticipate encouraging results. This certainly includes Shanghai. In fact, there may be a strong rebound in sales.

The momentum in Olympia 66 in Dalian and Heartland 66 in Wuhan should be able to continue. Their recent outperformance is not primarily a consequence of favorable external market forces; it can be directly ascribed to Management's efforts. Olympia 66 has been transformed into a truly luxury mall. Many top fashion brands have just opened in the past year, and phase two is filling up. A similar story is true for Heartland 66 which is 16 months old. It has even more illustrious fashion brands as tenants. Located in a much bigger and more affluent city, its potential should be even greater.

I expect Center 66 in Wuxi and Spring City 66 in Kunming to, again, trade well. The amount of wealth in the former city is truly impressive, and I do not believe that we have fully exploited it. More good news may follow.

In the foreseeable future, our two Shanghai properties should still be the landmarks of our portfolio. I anticipate healthy growth for some time to come. That said, their dominance will lessen as our other luxury properties mature. That is a welcome development.

The sub-luxury malls will do fine but not spectacularly. This is the nature of the beast, although Management must admit that there is much room for improvement. Parc 66 in Jinan is being upgraded and should bring reasonably pleasing, if not extraordinary, results in the coming year or two.

After some two years of outperformance, growth in our Mainland offices may slow down a bit. That said, these properties are now contributing significantly to our top and bottom lines. Taken as a group, they collect more rents than any of our individual malls except the two in Shanghai. They provide very steady income.

Like on the Mainland, our Hong Kong rental business for the rest of the year will depend on how the pandemic evolves and what policies the local government adopts. For now, it may be safe to assume that the second half will be similar to the first. Even though dine-in restrictions have gradually been relaxed since mid-April, the fifth wave of the pandemic is still with us. As such, rents will still be under pressure, and our total Hong Kong rental revenue may not have bottomed. That said, I do not foresee a serious deterioration. In fact, there is always the possibility that business will slowly pick up from here.

As previously described, for different reasons, the residential markets both in Hong Kong and the Mainland are, for now, weak. It will affect our original plan to sell. Since this is not our primary business, I do not see this lull to be of much significance. Given the nature of real estate where there is hardly any product obsolescence, the only effect will likely be the timing we book profit.

Ronnie C. Chan
Chair
Hong Kong, July 28, 2022

The past six months have been unpredictably unpredictable, even by the stretched standards that have been set over the past three years. Investors will first note that this period has been trying on our share price, especially in Q2. Operationally, it has also been challenging: it was at the same time a live stress-test, a test of our planning and budgeting abilities, an operational obstacle course, and mentally fatiguing. What we would have previously considered black swan events almost seemed commonplace.

Despite the long succession of external headwinds and uncertainty in 1H22, we have delivered a strong and resilient set of results. Top line rentals are up, although retail sales are down. There are many reasons for our good performance despite the duress of the times, but I want to highlight two that I feel are most important: the first is our resolute focus with important aspects of diversity — commercial real estate coupled with geographic and product diversity, and the second is our great people and robust processes.

FOCUS WITH DIVERSITY

Geographic Diversity

In the dozen years since we opened Palace 66 in Shenyang — our first development outside of Shanghai — we have strengthened and consolidated our position in each of our markets. Our portfolio now consists of 10 centers in eight cities, of which eight centers are outside of Shanghai.

This meant that when Shanghai went into its 60+ day lockdown earlier this year, we were supported by our other centers to make up for the lost rent. In previous years, our non-Shanghai portfolio was only a fraction of our Shanghai income, and so analysts and shareholders often ignored them, even as they grew in number and sales. Each non-Shanghai center was simply too small to move the consolidated needle.

However, over the past year or so, this has dramatically changed. Coinciding with roughly two lease terms since the clamp-down on corruption and opulence in 2012 (the start of a long, cold "winter"), we have seen a mass migration of luxury brands into most of our non-Shanghai malls. To illustrate the impact of this using retail sales, just one mall today — Wuxi Center 66 — sells more than all other non-Shanghai malls did, combined, at this point five years ago (1H17). That represents a CAGR of almost 40% over five years. Even more dramatically, Olympia 66 in Dalian has nearly tripled its retail sales in just 18 months.

The combined incremental sales growth across Wuxi Center 66, Dalian Olympia 66, Kunming Spring City 66, and Wuhan Heartland 66 were able to more than offset our loss of two months in Shanghai. This would have been unimaginable to many of our shareholders just two or three years ago, but it has actually been our intent since day one, when we crafted this strategy to expand outside of Shanghai.

It is as if a 17-year-long proof-of-concept has finally been validated. This concept began with the investment in our first plot outside Shanghai, Riverside 66 in Tianjin in 2005, was tested by the challenging operating environment in the decade after our first opening in Shenyang in 2010, and is finally turning the corner with the broad adoption of luxury brands across our portfolio, which started about 18 months ago. The challenges of the past six months have been the first test of our current iteration, and I think our results prove themselves.

Product Diversity

I would be remiss not to highlight our growing office portfolio, which now accounts for ~20% of our mainland China income, thanks to the addition of 168,000 sqm at Kunming Spring City 66 in 2020, and 152,000 sqm at Wuhan Heartland 66 in 2021. These two Grade A towers are now respectively 80% and over 60% leased, and feature our higher-margin "modular office" product which caters to tenants who do not want to deal with the administrative and financial hassle of office design and capex.

In addition to our modular offices, we have HANGOUT in Wuxi, a flexible office space (analogous to co-working) which has also contributed nicely to our office margins in the city. Having run HANGOUT for several years, it has proven itself as a concept, and we are at work to roll it out in some of our other office towers across the country.

As our Chair has pointed out in his previous letters to shareholders, and as we have discussed in our media, investor, and analyst briefings, our unique strategy of building true international Grade A office towers in second tier Chinese cities has several key value drivers. We are usually the only true international Grade A office tower(s) in each city, thanks to our understanding of the market, experience, and design. The higher cost of construction for an international Grade A product is also a deterrent to competitors, who almost always construct to sell, rather than to operate themselves. As you would expect, a developer will design and build a product for sale differently from one that they intend to keep.

As a result, as the market grows to appreciate the differentiation of our product, we end up almost “cornering the market”. There are simply no comparable towers in cities such as Wuxi, Wuhan, Kunming, or Shenyang. As such, our higher-than-most construction cost that had previously been considered a handicap, is now yielding a competitive advantage.

If our retail portfolio growth outpaces our office growth, which is a reasonable assumption, the office contribution to our top line will likely normalize a few percentage points lower than today’s ~20%. Unfortunately, since offices are generally a lower-yielding asset class, it will pull down our overall rental yield. That being said, offices bring value in the diversity that they add to our otherwise retail-heavy portfolio, and I expect it to continue to be a strong pillar to our leasing income.

Lastly, we have our serviced apartments and hotels. The residential market in mainland China has been through a particularly tumultuous period. Sales are dramatically down, and almost all the local players are in dire straits. Many are facing an existential moment. In this environment, it is easy to be blindly bearish; however, I think there is reason for Hang Lung to have hope. As a developer, we are in a completely separate class, and do not face the financial pressures that local developers face. We will comfortably and happily complete our current pipeline of apartments for sale, so our current full-speed construction is taking place against a backdrop of record-low land sales and record-slow apartment construction. Thus, projecting two to three years out, I see a market with very limited apartment supply. Yet for us, that will be a time when our projects are coming to market. Even if the market has not fully recovered by then, we will still be selling at a time when consumers have less choice.

Admittedly, the outlook for hotels is more hazy. While the domestic tourism market has inevitably grown, not all of our cities are leisure hot spots, and international travel will probably be more difficult than it was, pre-COVID, for the foreseeable future. That being said, our hotels will all be among the best properties in very vibrant cities, so I would expect them to outperform their peers in each city.

GREAT PEOPLE, STRONG PROCESSES (AND GOOD GOVERNANCE)

I regularly say — both externally and internally — that one of the top KPIs by which I measure my own performance is “people”. (The KPI that I mention in the same breath is “culture”, with which “people” sits in a tight binary orbit.)

Over the past five years, Hang Lung’s executive team has seen significant change. Firstly, with the Hang Lung Boards’ blessing, I brought in Weber Lo to join us as CEO, succeeding Philip Chen, who retired due to health reasons, and who still sits on our board today. In the years since Weber joined, several of our top managers reached retirement, among them the CFO (now Kenneth Chiu), our Executive Director and head of leasing (now Derek Pang and Mikael Jaeraas), and our head of corporate communications (now Maggie Ma and Joyce Kwock). In each case, we filled these roles with strong, mostly internal candidates, all of whom are a decade, or more, younger than their predecessors.

The fact that internal candidates took most of these senior roles reflects our significantly strengthened management bench. (In our previous round of senior hires, most were external.) In the cases where we have hired externally, we have attracted top talent, which speaks to the quality of our operations, our culture, and our reputation in the market.

Weber’s ability to quickly identify, attract, and promote talent has already shown results, in the form of a senior management team which I believe is now stronger than at any previous time. This was partly made possible by the thoughtful and intentionally-paced churn of our senior management team since 2010.

I intend to continue this trend, which I see as part of the path to creating a more meaningful and rewarding workplace. I also expect our level of diversity to increase, and the average age to decrease.

People are often appreciated as the most important asset of a company. Due to the relative simplicity of our industry, and other aspects of our environment, *processes* often go under-appreciated.

However, it is no coincidence that both our current- and immediate-past CEO came from organizations with extremely strong processes and systems. (Weber came from banking, and Philip came from airlines.) Hang Lung is committed to building robust processes that ensure stability and resilience, and that are appropriate for our business and context. In the past 10 years, we have reviewed all levels of our processes, systems, and structure; each time, we have not shied away from making difficult, even fundamental, changes. As I write this, we are in the midst of an extensive exercise to further digitize, upgrade, and streamline ourselves, which will bring both financial and non-financial returns.

Looking at scenarios for the combined systemic threats that we face — climate change, reverberations from the war in Ukraine, COVID-19, etc., in almost all outcomes, a key requirement is for Hang Lung to be very resilient. I am thus thankful that we embarked on this long journey of self-improvement over a decade ago, and that we have made significant progress which is tangible today.

Hang Lung's great people and robust processes, coupled with strong governance and sound financials, are the foundations that will hold us through what I predict will be a period of further change and uncertainty.

Adriel Chan
Vice Chair
Hong Kong, July 28, 2022

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%

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

Opened in March 2021

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.

Sub-luxury malls

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

	Revenue (RMB Million)			Period-end Occupancy Rate		
Name of Office and City	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 constraints.

Revenue from the **Causeway Bay portfolio** 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 (昆明君悦居) and **Grand Hyatt Kunming** are integral components of the remaining Spring City 66 development. The Residences sit above the hotel and house 254 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 1.5° 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.

CORPORATE GOVERNANCE

We are committed to maintaining the highest standards of corporate governance. During the six months ended June 30, 2022, 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 2021 annual report, which is available on our website under "Financial Report" in the "Financial Information" subsection headed under the "Investor Relations" section.

The Board

The Board currently consists of 10 members: comprising four Executive Directors, one Non-Executive Director, and five 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 "Board of Directors" in the "Corporate Governance" subsection headed under the "Investor Relations" section.

Nomination and Remuneration Committee

Our Nomination and Remuneration Committee, which is chaired by an Independent Non-Executive Director, currently consists of four 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" in the "Corporate Governance" subsection headed under the "Investor Relations" section, and the website of HKEX.

Audit Committee

Our Audit Committee, which is chaired by an Independent Non-Executive Director, currently consists of four Independent Non-Executive Directors. 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" in the "Corporate Governance" subsection headed under the "Investor Relations" 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, 2022, 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 54 and 55 of this interim report.

Compliance with Corporate Governance Code

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

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

As at June 30, 2022, 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 Group Limited (Long Positions)**	
Name	**Capacity**	**Number of Shares**	**% of Total Number of Issued Shares**	**Number of Share Options** *(Note 3)*	**Number of Shares**	**% of Total Number of Issued Shares**
Ronnie C. Chan	Personal & Other	17,155,000	0.38	18,800,000	35,675,500 *(Note 1)*	2.62
Adriel Chan	Personal & Other	2,699,591,340 *(Note 2)*	60.00	10,400,000	546,308,580 *(Notes 1 & 2)*	40.12
Weber W.P. Lo	Personal	600,000	0.01	18,750,000	200,000	0.01
Nelson W.L. Yuen	Personal	8,000,000	0.18	–	–	–
Dominic C.F. Ho	–	–	–	–	–	–
Philip N.L. Chen	Personal	–	–	9,500,000	–	–
Andrew K.C. Chan	–	–	–	–	–	–
H.K. Chang	–	–	–	–	–	–
Anita Y.M. Fung	–	–	–	–	–	–
Kenneth K.K. Chiu	Personal	–	–	4,100,000	–	–

Notes:

1. Other interests included 23,885,500 shares of Hang Lung Group Limited ("HLG"), the holding company 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 2,699,591,340 shares of the Company and another 522,423,080 shares of HLG held or deemed to be held by another trust of which Mr. Adriel Chan was a discretionary beneficiary. Accordingly, Mr. Adriel Chan was deemed to be interested in such shares under the SFO.

3. Movements of Directors' share options under the share option scheme of the Company adopted on April 18, 2012 (the "2012 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, 2022, 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, 2022 was the Company, its holding company or any of their respective 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

Pursuant to the resolutions passed by the shareholders of HLG and the Company at their respective annual general meetings held on April 27, 2022, the 2012 Share Option Scheme was terminated and a new share option scheme was adopted on the same date (the "2022 Share Option Scheme"). No share options have been granted under the 2022 Share Option Scheme since its adoption and up to and including June 30, 2022, and movements of share options under the 2012 Share Option Scheme are set out below:

		Number of Share Options							
Date of Grant	**Category of Participants** *(Note 1)*	**Outstanding as at Jan 1, 2022**	**Granted during the Period**	**Exercised during the Period**	**Lapsed/ Forfeited during the Period**	**Outstanding as at Jun 30, 2022**	**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%	
	Philip N.L. Chen	4,500,000	–	–	–	4,500,000		Jun 4, 2018: 40%	
	Former Director:								
	H.C. Ho *(Note 3)*	3,000,000	–	–	–	3,000,000			
	Employees	10,640,000	–	–	(440,000)	10,200,000			
		22,840,000	–	–	(440,000)	22,400,000			
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%	
	Philip N.L. Chen	2,500,000	–	–	–	2,500,000		Dec 5, 2019: 40%	
	Former Director:								
	H.C. Ho *(Note 3)*	1,850,000	–	–	–	1,850,000			
	Employees	12,570,000	–	–	(350,000)	12,220,000			
		19,820,000	–	–	(350,000)	19,470,000			

Date of Grant	Category of Participants *(Note 1)*	Number of Share Options: Outstanding as at Jan 1, 2022	Granted during the Period	Exercised during the Period	Lapsed/ Forfeited during the Period	Outstanding as at Jun 30, 2022	Exercise Price per Share HK$	Vesting Dates *(Note 2)*	Expiry Date *(Note 2)*
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%	
	Philip N.L. Chen	2,500,000	–	–	–	2,500,000		Aug 10, 2022: 40%	
	Former Director:								
	H.C. Ho *(Note 3)*	1,850,000	–	–	–	1,850,000			
	Employees	22,058,000	–	–	(1,113,000)	20,945,000			
		30,183,000	–	–	(1,113,000)	29,070,000			
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%	
	Former Director:								
	H.C. Ho *(Note 3)*	1,900,000	–	–	–	1,900,000			
	Employees	35,086,900	–	–	(2,526,600)	32,560,300			
		44,961,900	–	–	(2,526,600)	42,435,300			
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%	
	Former Director:								
	H.C. Ho *(Note 3)*	2,100,000	–	–	–	2,100,000			
	Employees	51,705,000	–	–	(3,595,000)	48,110,000			
		63,105,000	–	–	(3,595,000)	59,510,000			
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%	

		Number of Share Options							
Date of Grant	**Category of Participants** *(Note 1)*	**Outstanding as at Jan 1, 2022**	**Granted during the Period**	**Exercised during the Period**	**Lapsed/ Forfeited during the Period**	**Outstanding as at Jun 30, 2022**	**Exercise Price per Share** HK$	**Vesting Dates** *(Note 2)*	**Expiry Date** *(Note 2)*
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			
	Former Director:								
	H.C. Ho *(Note 3)*	–	2,100,000	–	–	2,100,000			
	Employees	–	53,570,000	–	(1,330,000)	52,240,000			
		–	67,070,000	–	(1,330,000)	65,740,000			
	Current Directors	50,150,000	11,400,000	–	–	61,550,000			
	Former Director	10,700,000	2,100,000	–	–	12,800,000			
	Employees	132,059,900	53,570,000	–	(9,354,600)	176,275,300			
Total		**192,909,900**	**67,070,000**	**–**	**(9,354,600)**	**250,625,300**			

Notes:

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

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

3. Mr. H.C. Ho retired as an Executive Director on March 1, 2022.

Please also refer to note 14 to the consolidated financial statements for further details of the share option schemes of the Company.

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

As at June 30, 2022, 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 4)*
Chan Tan Ching Fen	*1*	2,699,591,340	60.00
Cole Enterprises Holdings (PTC) Limited	*1*	2,699,591,340	60.00
Merssion Limited	*1*	2,699,591,340	60.00
Adriel Chan	*1*	2,699,591,340	60.00
HLG	*2*	2,671,258,240	59.37
Prosperland Housing Limited	*3*	1,448,973,740	32.20
Purotat Limited	*3*	354,227,500	7.87

Notes:

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

   The controlled corporations included HLG in which Merssion Limited had 38.37% interests. Accordingly, the 2,671,258,240 shares held by HLG through its subsidiaries were included in the 2,699,591,340 shares.

2. These shares were held by the wholly-owned subsidiaries of HLG.

3. These companies were wholly-owned subsidiaries of HLG, their interests were included in the 2,671,258,240 shares held by HLG.

4. Shareholding percentages were calculated based on the total number of issued shares of the Company as at June 30, 2022, being 4,499,260,670 shares.

Save as disclosed above, as at June 30, 2022, 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. Philip N.L. Chen
– appointed as a Member of the Board of Airport Authority Hong Kong

Dr. Andrew K.C. Chan
– ceased as a Member of the Trustees' Board of the Arup Group

Ms. Anita Y.M. Fung
– appointed as an Independent Non-Executive Director of BOC Hong Kong (Holdings) Limited
– retired as a Director of The Hong Kong Mortgage Corporation Limited

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 2021 annual report of the Company.

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.

Saved 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.

EMPLOYEES

As at 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 has share option schemes and provides professional and high-quality training for employees.

KPMG

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

(Incorporated in the Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 57 to 78 which comprises the consolidated statement of financial position of Hang Lung Properties Limited ("the Company") as at June 30, 2022 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, 2022 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 28, 2022

Consolidated Statement of Profit or Loss

For the six months ended June 30, 2022 (Unaudited)

				For information purpose only	
	Note	**2022 HK$ Million**	2021 HK$ Million	**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

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, 2022 (Unaudited)

	2022 HK$ Million	2021 HK$ Million	*For information purpose only* 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

	Note	**(Unaudited) June 30, 2022 HK$ Million**	(Audited) December 31, 2021 HK$ Million	*For information purpose only* **June 30, 2022 RMB Million**	December 31, 2021 RMB Million
Non-current assets					
Property, plant and equipment					
Investment properties	9	**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	13	**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

The accompanying notes form part of the interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended June 30, 2022 (Unaudited)

HK$ Million	Shareholders' equity					
	Share capital (Note 13)	**Other reserves** (Note 15)	**Retained profits** (Note 15)	**Total**	**Non-controlling interests**	**Total equity**
At January 1, 2022	**39,950**	**5,368**	**96,401**	**141,719**	**10,665**	**152,384**
Profit for the period	**–**	**–**	**1,948**	**1,948**	**309**	**2,257**
Exchange difference arising from translation to presentation currency	**–**	**(4,539)**	**–**	**(4,539)**	**(476)**	**(5,015)**
Gain on net investment hedge	**–**	**4**	**–**	**4**	**–**	**4**
Cash flow hedges: net movement in hedging reserve	**–**	**71**	**–**	**71**	**–**	**71**
Net change in fair value of equity investments	**–**	**(1)**	**–**	**(1)**	**–**	**(1)**
Total comprehensive income for the period	**–**	**(4,465)**	**1,948**	**(2,517)**	**(167)**	**(2,684)**
Final dividend in respect of previous year	**–**	**–**	**(2,699)**	**(2,699)**	**–**	**(2,699)**
Employee share-based payments	**–**	**37**	**8**	**45**	**–**	**45**
At June 30, 2022	**39,950**	**940**	**95,658**	**136,548**	**10,498**	**147,046**
At January 1, 2021	39,916	2,581	95,798	138,295	9,893	148,188
Profit for the period	–	–	2,235	2,235	536	2,771
Exchange difference arising from translation to presentation currency	–	1,102	–	1,102	117	1,219
Loss on net investment hedge	–	(10)	–	(10)	–	(10)
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	–	1,106	2,235	3,341	653	3,994
Final dividend in respect of previous year	–	–	(2,653)	(2,653)	–	(2,653)
Issue of shares	30	(4)	–	26	–	26
Employee share-based payments	–	(161)	190	29	–	29
At June 30, 2021	39,946	3,522	95,570	139,038	10,546	149,584

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, 2022	**37,462**	**(2,086)**	**80,495**	**115,871**	**8,720**	**124,591**
Profit for the period	**–**	**–**	**1,603**	**1,603**	**256**	**1,859**
Exchange difference arising from translation to presentation currency	**–**	**1,498**	**–**	**1,498**	**1**	**1,499**
Gain on net investment hedge	**–**	**4**	**–**	**4**	**–**	**4**
Cash flow hedges: net movement in hedging reserve	**–**	**59**	**–**	**59**	**–**	**59**
Net change in fair value of equity investments	**–**	**(1)**	**–**	**(1)**	**–**	**(1)**
Total comprehensive income for the period	**–**	**1,560**	**1,603**	**3,163**	**257**	**3,420**
Final dividend in respect of previous year	**–**	**–**	**(2,311)**	**(2,311)**	**–**	**(2,311)**
Employee share-based payments	**–**	**31**	**7**	**38**	**–**	**38**
At June 30, 2022	**37,462**	**(495)**	**79,794**	**116,761**	**8,977**	**125,738**
At January 1, 2021	37,434	(1,124)	79,982	116,292	8,326	124,618
Profit for the period	–	–	1,862	1,862	446	2,308
Exchange difference arising from translation to presentation currency	–	(295)	–	(295)	3	(292)
Loss on net investment hedge	–	(9)	–	(9)	–	(9)
Cash flow hedges: net movement in hedging reserve	–	11	–	11	–	11
Net change in fair value of equity investments	–	1	–	1	–	1
Total comprehensive income for the period	–	(292)	1,862	1,570	449	2,019
Final dividend in respect of previous year	–	–	(2,195)	(2,195)	–	(2,195)
Issue of shares	25	(3)	–	22	–	22
Employee share-based payments	–	(133)	157	24	–	24
At June 30, 2021	37,459	(1,552)	79,806	115,713	8,775	124,488

Condensed Consolidated Cash Flow Statement

For the six months ended June 30, 2022 (Unaudited)

	2022 HK$ Million	2021 HK$ Million	*For information purpose only* 2022 RMB Million	2021 RMB Million
Operating activities				
Operating cash flow before changes in working capital	**3,508**	3,451	**2,890**	2,875
Increase in properties for sale	**(422)**	(2,674)	**(339)**	(2,230)
Other changes in working capital	**(586)**	65	**(479)**	49
Income tax paid	**(637)**	(767)	**(535)**	(639)
Net cash generated from operating activities	**1,863**	75	**1,537**	55
Investing activities				
Payment for property, plant and equipment	**(1,387)**	(1,978)	**(1,156)**	(1,660)
Decrease in bank deposits with maturity greater than 3 months	**30**	12	**25**	10
Other cash flows arising from investing activities	**40**	143	**33**	120
Net cash used in investing activities	**(1,317)**	(1,823)	**(1,098)**	(1,530)
Financing activities				
Proceeds from new bank loans and other borrowings	**16,323**	12,592	**13,565**	10,493
Repayment of bank loans and other borrowings	**(17,069)**	(9,613)	**(14,147)**	(8,010)
Interest and other borrowing costs paid	**(709)**	(726)	**(588)**	(603)
Dividend paid	**(2,699)**	(2,653)	**(2,311)**	(2,195)
Other cash flows (used in)/arising from financing activities	**(15)**	13	**(13)**	11
Net cash used in financing activities	**(4,169)**	(387)	**(3,494)**	(304)
Decrease in cash and cash equivalents	**(3,623)**	(2,135)	**(3,055)**	(1,779)
Effect of foreign exchange rate changes	**(131)**	24	**159**	(16)
Cash and cash equivalents at January 1	**8,391**	5,034	**6,860**	4,228
Cash and cash equivalents at June 30	**4,637**	2,923	**3,964**	2,433
Analysis of the balance of cash and cash equivalents				
Cash and deposits with banks	**4,730**	4,206	**4,044**	3,501
Less: Bank deposits with maturity greater than 3 months	**(93)**	(1,283)	**(80)**	(1,068)
Cash and cash equivalents at June 30	**4,637**	2,923	**3,964**	2,433

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 54 to 55.

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 2021 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 2021 as if the presentation currency is Renminbi.

The financial information relating to the financial year ended December 31, 2021 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, 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).

9. INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES UNDER DEVELOPMENT (Continued)

(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.

13. SHARE CAPITAL

	2022		2021	
	Number of shares Million	**Amount of share capital HK$ Million**	Number of shares Million	Amount of share capital HK$ Million
Ordinary shares, issued and fully paid:				
At January 1	**4,499**	**39,950**	4,498	39,916
Shares issued under share option scheme	**–**	**–**	1	34
At June 30/December 31	**4,499**	**39,950**	4,499	39,950

14. SHARE OPTION SCHEMES

The share option scheme adopted by the Company on April 18, 2012 (the "2012 Share Option Scheme") was terminated upon the adoption of a new share option scheme on April 27, 2022 (the "2022 Share Option Scheme"). 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. No share options have been granted under the 2022 Share Option Scheme since its adoption, and the share options granted under the 2012 Share Option Scheme to the directors and employees are at nominal consideration and each share option gives the holder the right to subscribe for one share of the Company.

The movements of share options under the 2012 Share Option Scheme during the six months ended June 30, 2022 are as follows:

	Number of share options					
Date granted	Outstanding on January 1, 2022	Granted	Forfeited/ Lapsed	**Outstanding on June 30, 2022**	Period during which share options are exercisable	Exercise price (HK$)
June 4, 2013	22,840,000	–	(440,000)	**22,400,000**	June 4, 2015 to June 3, 2023	28.20
December 5, 2014	19,820,000	–	(350,000)	**19,470,000**	December 5, 2016 to December 4, 2024	22.60
August 10, 2017	30,183,000	–	(1,113,000)	**29,070,000**	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	44,961,900	–	(2,526,600)	**42,435,300**	June 28, 2021 to June 27, 2029	18.58
May 12, 2021	63,105,000	–	(3,595,000)	**59,510,000**	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	–	67,070,000	(1,330,000)	**65,740,000**	February 21, 2024 to February 20, 2032	16.38
Total	192,909,900	67,070,000	(9,354,600)	**250,625,300**		

14. SHARE OPTION SCHEMES (Continued)

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, 2022.

In respect of share options granted during the six months ended June 30, 2022, the closing share price of the Company immediately before the date of grant was HK$16.32.

During the six months ended June 30, 2022, 9,354,600 share options (2021: 4,999,000 share options) were forfeited upon cessations of the grantees' employments.

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, 2022, the fair value, terms and conditions, and assumptions are as follows:

Fair value at grant date	HK$2.07
Share price at grant date	HK$16.32
Exercise price	HK$16.38
Risk-free interest rate	1.55%
Expected life (in years)	6
Expected volatility	24.79%
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.

15. RESERVES

HK$ Million	Other reserves						
	Exchange reserve	Hedging reserve	Investment revaluation reserve	Employee share-based compensation reserve	Total	Retained profits	Total reserves
At January 1, 2022	**4,814**	**(17)**	**78**	**493**	**5,368**	**96,401**	**101,769**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**1,948**	**1,948**
Exchange difference arising from translation to presentation currency	**(4,539)**	**–**	**–**	**–**	**(4,539)**	**–**	**(4,539)**
Gain on net investment hedge	**4**	**–**	**–**	**–**	**4**	**–**	**4**
Cash flow hedges: net movement in hedging reserve	**–**	**71**	**–**	**–**	**71**	**–**	**71**
Net change in fair value of equity investments	**–**	**–**	**(1)**	**–**	**(1)**	**–**	**(1)**
Total comprehensive income for the period	**(4,535)**	**71**	**(1)**	**–**	**(4,465)**	**1,948**	**(2,517)**
Final dividend in respect of previous year	**–**	**–**	**–**	**–**	**–**	**(2,699)**	**(2,699)**
Employee share-based payments	**–**	**–**	**–**	**37**	**37**	**8**	**45**
At June 30, 2022	**279**	**54**	**77**	**530**	**940**	**95,658**	**96,598**
At January 1, 2021	1,941	(67)	77	630	2,581	95,798	98,379
Profit for the period	–	–	–	–	–	2,235	2,235
Exchange difference arising from translation to presentation currency	1,102	–	–	–	1,102	–	1,102
Loss on net investment hedge	(10)	–	–	–	(10)	–	(10)
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	1,092	13	1	–	1,106	2,235	3,341
Final dividend in respect of previous year	–	–	–	–	–	(2,653)	(2,653)
Issue of shares	–	–	–	(4)	(4)	–	(4)
Employee share-based payments	–	–	–	(161)	(161)	190	29
At June 30, 2021	3,033	(54)	78	465	3,522	95,570	99,092

16. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

(a) Financial assets and liabilities measured at fair value

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

HK$ Million	Fair value		Fair value measurements categorized into
	June 30, 2022	December 31, 2021	
Financial assets			
Trade and other receivables			
Cross currency swaps (cash flow hedges)	**6**	26	Level 2
Interest rate swaps (cash flow hedges)	**63**	–	Level 2
Other assets			
Investment in equity instruments	**77**	78	Level 3
Financial liabilities			
Trade and other payables			
Interest rate swaps (cash flow hedges)	**–**	(15)	Level 2

16. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

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

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

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

During the six months ended June 30, 2022, 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, 2021 and June 30, 2022.

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, 2022**	December 31, 2021
Contracted for	**5,171**	5,975
Authorized but not contracted for	**12,701**	13,162
	17,872	19,137

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 28, 2022.

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, 2022 to June 30, 2022
Announcement of interim results	July 28, 2022
Latest time for lodging transfers	4:30 p.m. on September 13, 2022
Closure of share register	September 14 to 15, 2022 (both days inclusive)
Record date for interim dividend	September 15, 2022
Payment date for interim dividend	September 29, 2022

SHARE LISTING

As at June 30, 2022, 4,499,260,670 shares are listed on The Stock Exchange of Hong Kong Limited. It has a sponsored American Depositary Receipt (ADR) Program in the New York market.

STOCK CODE

Hong Kong Stock Exchange: 00101
Reuters: 0101.HK
Bloomberg: 101HK
CUSIP Number/Ticker Symbol for ADR Code: 41043M104/HLPPY

SHARE INFORMATION

Share price as at June 30, 2022: HK$14.88
Market capitalization as at June 30, 2022: HK$66.95 billion

SHARE REGISTRAR

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