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恒隆集團有限公司

HANG LUNG GROUP LIMITED

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

2023 ANNUAL RESULTS

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FINANCIAL HIGHLIGHTS

in HK\$ Million (unless otherwise stated)

RESULTS

	2023			2022		
	Property Leasing	Property Sales	Total	Property Leasing	Property Sales	Total
Revenue	10,879	2	10,881	10,625	316	10,941
- Mainland China	7,399	-	7,399	7,218	-	7,218
- Hong Kong	3,480	2	3,482	3,407	316	3,723
Operating profit/(loss)	7,844	(50)	7,794	7,596	87	7,683
- Mainland China	5,051	(44)	5,007	4,886	(51)	4,835
- Hong Kong	2,793	(6)	2,787	2,710	138	2,848
Underlying net profit/(loss) attributable to shareholders	2,953	(22)	2,931	2,964	38	3,002
Net decrease in fair value of properties attributable to shareholders	(120)	-	(120)	(284)	-	(284)
Net profit/(loss) attributable to shareholders	2,833	(22)	2,811	2,680	38	2,718
			At December 31, 2023			At December 31, 2022
Shareholders' equity			94,360			92,819
Net assets attributable to shareholders per share (HK\$)			\$69.3			\$68.2

Earnings and Dividends (HK\$)

	2023	2022
Earnings per share		
- Based on underlying net profit attributable to shareholders	\$2.15	\$2.20
- Based on net profit attributable to shareholders	\$2.06	\$2.00
Dividends per share	\$0.86	\$0.86
- Interim	\$0.21	\$0.21
- Final	\$0.65	\$0.65

Financial Ratios

	2023	2022
Payout ratio (based on net profit attributable to shareholders)		
- Total	42%	43%
- Property leasing	41%	44%
- Property leasing (after deducting amount of interest capitalized)	51%	52%
Payout ratio (based on underlying net profit attributable to shareholders)		
- Total	40%	39%
- Property leasing	40%	40%
- Property leasing (after deducting amount of interest capitalized)	48%	46%
	At December 31, 2023	At December 31, 2022
Net debt to equity ratio	28.6%	25.9%
Debt to equity ratio	32.7%	29.6%

REVIEW OF OPERATIONS

CONSOLIDATED RESULTS

The overall revenue of Hang Lung Group Limited (the Company) and its subsidiaries (collectively known as “the Group”) for the year ended December 31, 2023, decreased by 1% against last year to HK\$10,881 million, as the solid leasing performance achieved by our unique positioning, unwavering customer focus, and disciplined execution was adversely affected by the depreciation of the Renminbi (“RMB”) and lower contributions from property sales. Revenue from property leasing rose by 2% to HK\$10,879 million, and revenue from property sales was HK\$2 million (2022: HK\$316 million). The overall operating profit increased by 1% to HK\$7,794 million.

The underlying net profit attributable to shareholders dropped by 2% to HK\$2,931 million due to higher net interest expense, and the underlying earnings per share decreased correspondingly to HK\$2.15.

Including a net revaluation loss on properties attributable to shareholders of HK\$120 million (2022: net revaluation loss of HK\$284 million), the Group reported a net profit attributable to shareholders of HK\$2,811 million (2022: HK\$2,718 million). The corresponding earnings per share was HK\$2.06 (2022: HK\$2.00).

Revenue and Operating Profit

	Revenue			Operating Profit/(Loss)		
	2023	2022	Change	2023	2022	Change
	HK\$ Million	HK\$ Million		HK\$ Million	HK\$ Million	
Property Leasing	10,879	10,625	2%	7,844	7,596	3%
Mainland China	7,399	7,218	3%	5,051	4,886	3%
Hong Kong	3,480	3,407	2%	2,793	2,710	3%
Property Sales	2	316	-99%	(50)	87	N/A
Total	10,881	10,941	-1%	7,794	7,683	1%

DIVIDEND

The Board of Directors has recommended a final dividend of HK65 cents per share for 2023 (2022: HK65 cents) to be paid in cash on June 14, 2024, to shareholders whose names are listed on the register of members on May 10, 2024. Together with an interim dividend of HK21 cents per share (2022: HK21 cents), the full-year dividends for 2023 amounted to HK86 cents per share (2022: HK86 cents).

PROPERTY LEASING

During the year ended December 31, 2023, the overall rental revenue increased by 2% to HK\$10,879 million. Rental revenue from our Mainland portfolio rose by 7% in RMB terms and 3% in HKD terms after accounting for the RMB depreciation against last year. Our Hong Kong portfolio recorded 2% growth in rental revenue.

On the Mainland, our total tenant sales and rental revenue for the first half of the year grew by 42% and 12%, respectively, after an initial recovery from a low base. The market is now continuing to normalize, with full-year tenant sales and rental revenue rising by 23% and 7%, respectively, in RMB terms against last year. Building on the initial upsurge in the first quarter of 2023, we leveraged HOUSE 66—our customer relationship management (CRM) program—and launched several promotional events and marketing initiatives throughout the year to solidify our market position and engage loyal customers and new members.

Following the reopening of the border with the Mainland, Hong Kong's business environment is gradually improving; however, the city is experiencing increased competition from other cities and regions in the vicinity. Consequently, we continue to actively optimize our tenant mix and promote our “hello Hang Lung Malls Rewards Program” to boost foot traffic and customer loyalty as Hong Kong evolves in this new environment. As a result, our rental revenue climbed by 2%, and our tenant sales increased by 13% over the previous year.

Mainland China¹
Property Leasing – Mainland China Portfolio

	Revenue		
	(RMB Million)		
	2023	2022	Change
Malls	4,963	4,607	8%
Offices	1,401	1,361	3%
Residential & Serviced Apartments	148	149	-1%
Hotel	139	73	90%
Total	6,651	6,190	7%
<i>Total in HK\$ Million equivalent</i>	7,399	7,218	3%

Overall rental revenue and operating profit rose by 7% and 8%, respectively. These increases were diluted to 3% in HKD terms due to the depreciation of the RMB. The malls saw a revenue growth of 8% due to improved tenant sales and consumer sentiment. This followed a relatively static performance in 2022, marked by a series of COVID-19-related business disruptions, including mall closures. Our premium office portfolio maintained solid growth and climbed by 3%, mainly driven by higher rentals from our office tower at Plaza 66 in Shanghai and growing occupancy rates at our younger office towers in Kunming and Wuhan. After travel restrictions were relaxed, our hotel operations saw a meaningful and strong recovery, resulting in a notable revenue growth of 90% year-on-year.

- *Malls*

Revenue of our mall portfolio increased by 8%. The revenue of our luxury-positioned malls grew by 9%, while our sub-luxury malls' revenue remained flat compared to last year. Our luxury malls achieved solid growth with the exception of Forum 66 in Shenyang which faced intense competition in the market, ranging from 6% at Grand Gateway 66 in Shanghai to 19% at Olympia 66 in Dalian, as the latter became the city's leading luxury mall. Our sub-luxury malls' revenue continued to improve with higher occupancy rates.

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

Property Leasing – Mainland China Mall Portfolio

Name of Mall and City	Revenue			Year-End	
	(RMB Million)			Occupancy Rate	
	2023	2022	Change	2023	2022
<i>Luxury malls</i>					
Plaza 66, Shanghai	1,755	1,595	10%	100%	100%
Grand Gateway 66, Shanghai	1,213	1,146	6%	99%	99%
Forum 66, Shenyang	96	97	-1%	81%	87%
Center 66, Wuxi	446	398	12%	98%	99%
Olympia 66, Dalian	272	229	19%	90%	89%
Spring City 66, Kunming	305	285	7%	98%	95%
Heartland 66, Wuhan	251	232	8%	82%	86%
	4,338	3,982	9%		
<i>Sub-luxury malls</i>					
Palace 66, Shenyang	158	161	-2%	90%	81%
Parc 66, Jinan	315	304	4%	93%	90%
Riverside 66, Tianjin	152	160	-5%	90%	80%
	625	625	-		
Total	4,963	4,607	8%		

Our luxury malls' revenue climbed by 9% during the year. While revenue at Forum 66 in Shenyang decreased by 1%, primarily due to intense competition in the market, revenue from the other luxury malls grew by a range of 6% to 19% across the year. A gradual recovery of occupancy at our sub-luxury malls maintained revenue at a stable level when compared to prior year. After the first phase of the Asset Enhancement Initiative (AEI) was completed at Parc 66 in Jinan, multiple beauty and first-in-town brands opened there in the second half of 2022, resulting in a 4% rise in revenue.

Luxury malls

Our flagship **Plaza 66** mall in Shanghai recorded another excellent year with solid growth in revenue and tenant sales of 10% and 24%, respectively, compared to last year. Our proactive CRM programs and impeccable service elevated customer engagement and provided shoppers with extraordinary experiences. Our annual "HOME TO LUXURY" Party, which took place in November, successfully stimulated tenant sales and deepened customer loyalty. We also improved consumer sentiment and solidified our luxury position with innovative marketing

campaigns, such as “Game of Wonder” in April. By the end of the year, the mall continued to be entirely occupied. To enhance our offering at this prime location, we have recently obtained approval from local government to utilize an existing landscape area to build a retail structure, with a gross floor area of approximately 3,000 square meters. The development will provide a more comprehensive shopping experience to our customers and further strengthen our leading position in the city.

Our other mall in Shanghai, **Grand Gateway 66**, which offers an even greater selection of retailers than its flagship sister, saw a revenue growth of 6% year-on-year, with tenant sales rising by 30%. The “Gateway to Inspiration” anniversary celebration, held in October, reinforced the mall’s positioning as a regional landmark of lifestyle and retail experiences. We also hosted an exclusive in-mall event connected with the Chinese premiere of “The Phantom of the Opera” in May, which became the talk of the town and attracted social media buzz and excellent foot traffic. The occupancy rate remained high at 99% at the year-end.

The revenue of **Forum 66** mall in Shenyang reduced by 1% as a result of intense competition in the market. Collaborative marketing campaigns with Conrad Shenyang and Palace 66 in Shenyang generated positive synergy and improved customer experiences. To celebrate our anniversary, we hosted an enthralling circus performance by the world-famous Cirque du Soleil that attracted footfall and media attention. The occupancy rate as of December 2023 dropped by 6 points to 81%.

Center 66, the leading luxury retail mall in Wuxi, enjoyed another record-breaking year, with revenue and tenant sales growing by 12% and 19%, respectively. The opening of several top-tier luxury brands enhanced the mall’s reputation as a leading luxury destination. For the third year in a row, our annual three-day “Take Center Stage” event, which occurred in September together with targeted promotions, significantly increased consumption and foot traffic. The occupancy rate remained high at 98% at the end of the year.

Rewarded by its transformation into a regional luxury landmark, **Olympia 66** in Dalian reported year-on-year growth in revenue and tenant sales of 19% and 29%, respectively. Effective marketing initiatives, such as the mall’s iconic “Shining Olympia” event in April, continued to boost consumer sentiment and footfall. The occupancy rate as of December 2023 rose by 1 point to 90%.

The revenue and tenant sales of **Spring City 66** mall in Kunming experienced growth of 7% and 8%, respectively, as successful marketing campaigns were rolled out to strengthen customer

engagement and leverage the return of tourists to the city. One such event was our anniversary celebration held in November, “Spring into Life”. Entering its fourth year of operations, the mall continues to deliver solid base rents with favorable rental reversions and high occupancy rates, which stood at 98% at the end of the year.

Since the beginning of 2023, **Heartland 66** mall in Wuhan, our first large-scale commercial development in central China, has been refining its trade mix in order to bolster its competitiveness. Occupancy dropped by 4 points to 82% at the year-end but was on a recovery trend. Despite the dip in the occupancy rate, revenue rose by 8% and tenant sales increased by 20%. Targeted marketing events, such as our second-anniversary campaign, “Cirque du Soleil First-in-Wuhan”, which took place in March, and “Be My Heartland”, held in September, boosted tenant sales and strengthened customer loyalty.

Sub-luxury malls

Palace 66 in Shenyang saw a 2% decrease in revenue as a result of the low occupancy rate brought on by COVID-19 disruptions at the beginning of the year. During the year under review, we broadened our food and beverage outlets to appeal to a wider range of preferences and enhanced our brand mix to expand our target customer base. Capturing the local government’s commitment to capitalize on Zhongjie District’s historical legacy and transform it into a placemaking destination, a weekend lineup of events and musical performances was organized for customers from near and far. Tenant sales surged by 44%, and the occupancy rate recovered by 9 points to 90% against the close of December 2022.

Revenue and tenant sales of **Parc 66** in Jinan increased by 4% and 25%, respectively. Following the completion of the first phase of AEI, the mall welcomed multiple beauty and brand stores in the second half of 2022, some of which are exclusive to Parc 66 in the city. The AEI’s remaining phases are expected to conclude between late 2024 and early 2025, helping the rejuvenated mall continue to strengthen its long-term competitiveness and profitability. The occupancy rate as of December 2023 rose by 3 points to 93%.

With a low occupancy rate at the start of the year due to COVID-19 pressures in 2022, **Riverside 66** in Tianjin experienced a 5% slide in revenue. Thanks to relentless promotion and marketing activities and the introduction of indoor play areas and other entertainment facilities, revenue in the second half of the year surpassed that of the first 6 months. Tenant sales for the year under review surged by 41%, and the occupancy rate leaped by 10 points to 90% as of the end of December 2023.

- *Offices*

Our office portfolio continued to provide a stable (or dependable) source of growth and income, comprising around 21% of our total Mainland rental revenue. The strong performance of Plaza 66 and growth from our newer office towers in Kunming and Wuhan were the main drivers of the total revenue rise of 3% to RMB1,401 million year-on-year.

Property Leasing – Mainland China Office Portfolio

Name of Office and City	Revenue (RMB Million)			Year-End Occupancy Rate	
	2023	2022	Change	2023	2022
Plaza 66, Shanghai	668	639	5%	96%	96%
Grand Gateway 66, Shanghai	240	251	-4%	86%	97%
Forum 66, Shenyang	126	130	-3%	89%	91%
Center 66, Wuxi	117	119	-2%	85%	85%
Spring City 66, Kunming	140	126	11%	88%	88%
Heartland 66, Wuhan	110	96	15%	76%	73%
Total	1,401	1,361	3%		

Our 2 Grade A office towers at **Plaza 66** in Shanghai continued to record satisfactory rental performance during the year, reaching growth of 5%, which we attribute primarily to our solid tenant base, professional management services, and prominent location in the city's traditional central business district. We are also introducing an innovative digital tool to further improve our tenant experiences and service quality. By the end of the year, the occupancy rate remained high at 96%.

Revenue of the office tower at **Grand Gateway 66** in Shanghai recorded a drop of 4%. The occupancy rate decreased to 86% due to overall weak market sentiment.

The office tower at **Forum 66** in Shenyang experienced a 3% decline in revenue. Due to the growing supply of office space and continuing soft demand, the local market conditions remain challenging. The occupancy rate dropped by 2 points to 89% as of December 2023.

Mostly because of low occupancy at the beginning of the year inherited from 2022, the total revenue of the 2 office towers at **Center 66** in Wuxi dropped by 2%. Our high-quality offerings allowed us to keep unit rents at a consistent level all year, however, and the occupancy rate at the end of the year stood at 85%.

Thanks to the superior quality of its facilities and services, our office tower at **Spring City 66** in Kunming enjoyed revenue growth of 11%. The occupancy rate held steady at 88%.

The **Heartland 66** Office Tower in Wuhan recorded a 15% increase in revenue and a three-point increase in occupancy to 76%. The enhanced occupancy rate can be credited to the premium building quality, high specifications, and easily accessible transport network. Since its opening in March 2023, our self-operated multifunctional workspace, HANGOUT, has provided tenants with adaptable spaces and amenities, enhancing the Grade A office tower's competitiveness and market positioning. HANGOUT has already attracted numerous influential corporations, including Fortune 500 pharmaceutical companies and several of China's top 500 insurance companies.

- *Residential & Serviced Apartments*

Revenue from the residential and serviced apartments at Grand Gateway 66 in Shanghai remained steady. Revenue generated by a higher average room rate was offset by a slight decline in the occupancy rate.

- *Hotel*

Encouraged by the rebound of the tourism industry after the relaxation of travel restrictions and the resumption of international travel in early 2023, revenue climbed by 90% year-on-year. Following an increase in business and leisure travel, both our room and food and beverage businesses performed well, with room revenue recording a remarkable 1.1 times growth, while food and beverage achieved 68% growth in revenue.

Hong Kong

Overall, the Hong Kong market recovered well after its borders reopened, and the city gradually adapted to a new normal. In 2023, Hong Kong's economy saw a healthy recovery, particularly in the retail sector.

In addition to various government-organized campaigns, such as "Happy Hong Kong" and "Night Vibes Hong Kong", a number of robust marketing promotions and the launch of the "hello dollar" rewards program in 2023 developed new sales momentum, boosted local consumption, and elevated our customer shopping experiences.

Revenue and operating profit increased by 2% to HK\$3,480 million and by 3% to HK\$2,793 million, respectively, with a rental margin of 80%.

Property Leasing – Hong Kong Portfolio

	Revenue (HK\$ Million)			Year-End Occupancy Rate	
	2023	2022	Change	2023	2022
Retail	2,027	1,950	4%	95%	98%
Offices and Industrial/Office	1,219	1,205	1%	89%	90%
Residential & Serviced Apartments	234	252	-7%	77%	73%
Total	3,480	3,407	2%		

● *Retail*

Revenue from our Hong Kong retail portfolio grew by 4% to HK\$2,027 million. As a result of the ongoing refinement and diversification of our brand mix, the overall occupancy slightly dropped to 95%.

Retail leasing sentiment remained positive, and demand from tourist-oriented trades kept improving. The “hello Hang Lung Malls Rewards Program” and another round of government consumption vouchers, along with several promotional campaigns, helped to boost total tenant sales and sales rent by 13% and 17%, respectively. The food and beverage, jewelry and watches, and personal care and beauty segments saw the biggest increases in these categories.

We observed a notable rise in overall rental growth of 6% from retail properties in our **Central Business and Tourist District Portfolio**. The performance of our retail properties at Mongkok, Causeway Bay, and The Peak benefited from improved inbound tourism. Overall occupancy stayed high at 95%.

Our **Community Mall Portfolio** maintained its strong performance, with overall revenue increasing by 2% from the previous year. The occupancy rate of Kornhill Plaza in Hong Kong East remained high at 98% while the refinement at Amoy Plaza in Kowloon East has led the occupancy rate to 89% as of the reporting date.

- *Offices and Industrial/Office*

Despite a sluggish leasing market that reflected significant economic uncertainty, low demand, and increased availability (due to oversupply and higher vacancies on Hong Kong Island, particularly in Central), our office revenue grew by 1%. Proactive measures were implemented to keep the occupancy rate at a relatively high level of 89%.

Amid the challenging market environment, revenue rose by 1% for our **Hong Kong Island Portfolio**, and the average occupancy rate increased to 84%. The leased spaces at 228 Electric Road, our newest office tower, have been gradually handed over to tenants and began earning revenue from May 2023. If the revenue contribution from 228 Electric Road is excluded, our overall revenue grew by 1% year-on-year.

Revenue from our **Kowloon Portfolio** climbed by 2%, with the occupancy rate rising to 94% due to a more resilient semi-retail positioning of Grand Plaza and Gala Place and medically focused business offerings in Grand Centre.

- *Residential & Serviced Apartments*

Revenue of our residential and serviced apartments segment declined by 7% year-on-year, primarily because of lower rental income from The Summit in the Mid-Levels district after its renovations began in September 2023. If excluding the impacts of The Summit, revenue grew by 8% year-on-year, mainly because of improvements in occupancy and room rates at Kornhill Apartments in Hong Kong East.

PROPERTY SALES

Revenue of HK\$2 million was recognized during the reporting year for the sale of 4 car parking spaces classified under properties for sale following sale completion in May 2023. In 2022, revenue of HK\$316 million was recognized for the sale of 1 house on Blue Pool Road following its completion. During the reporting year, an operating loss of HK\$50 million was recorded for property sales, consisting primarily of selling expenses for The Aperture in Kowloon Bay and marketing expenses for Grand Hyatt Residences in Kunming, Center Residences in Wuxi, and Heartland Residences in Wuhan.

As of December 31, 2023, 126 residential units at The Aperture had been sold since 2021 at a total

of HK\$1,108 million. The revenue is expected to be recognized in the first half of 2024 upon sale completion.

We continued to seize opportunities to dispose of non-core investment properties for capital recycling. During the reporting year, 11 car parking spaces held as investment properties were disposed of, and a total net gain on disposal of HK\$11 million was recognized as other net income.

SHARE OF RESULTS OF JOINT VENTURES

Our share of results from joint ventures was HK\$127 million (2022: HK\$153 million) in the year under review. In 2022, we recorded a one-off gain of HK\$94 million from our acquisition of additional 6.67% interests in Citygate—the mixed-use commercial complex in Tung Chung, Hong Kong. Following the acquisition, our interests in Citygate increased to 26.67%. No such one-off gain was recorded in 2023.

PROPERTY REVALUATION

As of December 31, 2023, the total value of our investment properties and those under development amounted to HK\$201,068 million, including the mainland China portfolio of HK\$137,093 million and the Hong Kong portfolio of HK\$63,975 million. These properties were appraised by Savills, an independent valuer, as of December 31, 2023.

A revaluation loss of HK\$62 million was recorded (2022: loss of HK\$352 million).

The mainland China portfolio recorded a revaluation gain of HK\$260 million (2022: loss of HK\$108 million), representing less than 1% of the portfolio value.

The Hong Kong portfolio had a revaluation loss of HK\$322 million (2022: loss of HK\$244 million), representing a less than 1% decrease against the value as of December 31, 2022.

Net revaluation loss after tax and non-controlling interests of HK\$120 million was reported (2022: net revaluation loss of HK\$284 million).

PROPERTY DEVELOPMENT AND CAPITAL COMMITMENT

The aggregated values of our projects under development for leasing and sale were HK\$23,610 million and HK\$9,866 million, respectively. These comprised mainland China projects in Wuhan, Wuxi, Kunming, Hangzhou, and Shenyang, and redevelopment projects in Hong Kong. As of the reporting date, our capital commitments for the development of investment properties amounted to HK\$15 billion.

Mainland China

Heartland Residences (武漢恒隆府) in Wuhan—the inaugural project of our premium serviced residences brand on the Mainland—is situated in the immediate proximity of Heartland 66 and comprises 3 towers offering a total of 492 units. Completion certificates of all 3 towers were obtained by the end of October 2023. The sales campaign for Tower 3 is in progress.

Grand Hyatt Residences Kunming (昆明君悅居) and **Grand Hyatt Kunming** are integral components of the remaining Spring City 66 development. The Residences sit above the hotel and house 254 apartment units, including 3 premium penthouses. Grand Hyatt Kunming features 331 guestrooms and suites. Sales launch for the Residences commenced in October 2023. Completion is scheduled in phases from 2024, and the opening of the Grand Hyatt Kunming is planned for mid-2024.

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

Westlake 66 in Hangzhou is an integrated high-end commercial development comprising a retail podium, 5 Grade A office towers, and a luxury hotel: **Mandarin Oriental Hangzhou**. Mandarin Oriental Hangzhou, featuring more than 190 premium guestrooms and suites, is slated to open in late 2025. Scheduled for completion by phases from 2024 onwards, Westlake 66 recently won the Gold Award in “Best New Mega Development” Category at MIPIM Asia Awards 2023 in recognition of its ingenious blend of Hangzhou’s urban cultural heritage with the intricate details and sophisticated aesthetic of modern architecture.

The remaining mixed-use development of Forum 66 in Shenyang yields a gross floor area of more than 500,000 square meters. Design and planning works are ongoing.

Hong Kong

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

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

FINANCING MANAGEMENT

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

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

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

As part of our environmental, social and governance (ESG) initiatives, the Group continues to make more use of sustainable finance. During the year, we issued green bonds worth HK\$0.4 billion, obtained RMB0.5 billion in green loan facilities, and secured HK\$6.3 billion in sustainability-linked loan facilities. These are collectively considered sustainable finance, accounting for 55% of our total debts and available facilities.

● *Cash Management*

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

	<u>At December 31, 2023</u>		<u>At December 31, 2022</u>	
	HK\$ Million	<i>% of Total</i>	HK\$ Million	<i>% of Total</i>
Denominated in:				
HKD	3,798	<i>60%</i>	2,124	<i>37%</i>
RMB	2,370	<i>37%</i>	3,498	<i>60%</i>
USD	175	<i>3%</i>	163	<i>3%</i>
Total cash and bank balances	6,343	<i>100%</i>	5,785	<i>100%</i>

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\$50,693 million (December 31, 2022: HK\$45,953 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 decreased to 37% of total borrowings as of December 31, 2023. After excluding the onshore floating-rate debts, the percentage of fixed-rate borrowings would be 50% of the total offshore borrowings as of December 31, 2023 (December 31, 2022: 52%).

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

(i) by currency (after currency swap):

	<u>At December 31, 2023</u>		<u>At December 31, 2022</u>	
	HK\$ Million	<i>% of Total</i>	HK\$ Million	<i>% of Total</i>
Denominated in:				
HKD	35,909	<i>71%</i>	33,152	<i>72%</i>
RMB	14,784	<i>29%</i>	12,801	<i>28%</i>
Total borrowings	50,693	<i>100%</i>	45,953	<i>100%</i>

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

	At December 31, 2023		At December 31, 2022	
	HK\$ Million	% of Total	HK\$ Million	% of Total
Fixed	18,576	37%	17,376	38%
Floating	32,117	63%	28,577	62%
Total borrowings	50,693	100%	45,953	100%

● *Gearing Ratios*

At the reporting date, the net debt balance amounted to HK\$44,350 million (December 31, 2022: HK\$40,168 million). The net debt to equity ratio was 28.6% (December 31, 2022: 25.9%), and the debt to equity ratio was 32.7% (December 31, 2022: 29.6%). The net debt to equity ratio increase was largely due to capital expenditures in both mainland China and Hong Kong.

Excluding the balances of Hang Lung Properties Limited and its subsidiaries (collectively known as “Hang Lung Properties”), the Company and its other subsidiaries had a net cash balance of HK\$1,002 million (December 31, 2022: HK\$127 million).

● *Maturity Profile and Refinancing*

At the balance sheet date, the average tenure of our debt portfolio was 3.0 years (December 31, 2022: 3.1 years). The maturity profile was staggered over more than 10 years. Around 63% of our outstanding debts would be repayable after 2 years.

	At December 31, 2023		At December 31, 2022	
	HK\$ Million	% of Total	HK\$ Million	% of Total
Repayable:				
Within 1 year	4,434	9%	4,729	11%
After 1 but within 2 years	14,091	28%	8,345	18%
After 2 but within 5 years	27,768	55%	27,621	60%
Over 5 years	4,400	8%	5,258	11%
Total borrowings	50,693	100%	45,953	100%

As of December 31, 2023, total undrawn committed banking facilities amounted to HK\$18,567 million (December 31, 2022: HK\$24,789 million). The available balances of the US\$4 billion

(December 31, 2022: US\$4 billion) MTN program amounted to US\$2,251 million, equivalent to HK\$17,584 million (December 31, 2022: HK\$18,343 million).

Excluding the balances of Hang Lung Properties, the undrawn committed banking facilities of the Company and its other subsidiaries amounted to HK\$2,850 million (December 31, 2022: HK\$3,415 million).

- *Net Finance Costs and Interest Cover*

For the year ended December 31, 2023, gross finance costs rose by 29% to HK\$1,987 million following the higher average effective cost of borrowing of 4.3% (2022: 3.5%) (attributed to the hike in average interest rates) and the increase in borrowings for capital expenditure.

The net amount charged to the statement of profit or loss (after excluding capitalized amounts) increased to HK\$720 million accordingly.

Interest cover for 2023 was 3.8 times (2022: 4.8 times).

- *Foreign Exchange Management*

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

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

As of December 31, 2023, net assets denominated in RMB accounted for approximately 71% of our total net assets. Compared to December 31, 2022, the RMB depreciated against the HKD by 1.4%. An exchange loss of HK\$1,693 million (2022: loss of HK\$10,320 million) was recognized in other comprehensive income/exchange reserve following the translation of these assets from RMB into HKD at the exchange rate on the reporting date.

- *Charge of Assets*

The Group's assets were not charged to third parties as of December 31, 2023.

- *Contingent Liabilities*

The Group had no material contingent liabilities as of December 31, 2023.

CORPORATE INITIATIVES

Further Elevating Our Bespoke CRM Program and Brand Campaign

In its sixth year since launch, our HOUSE 66 CRM program has completed a brand visual refresh and upgraded a selection of its member benefits and privileges. Hang Lung also implemented a nationwide campaign across 10 of our shopping malls in 8 Mainland cities to celebrate the new branding and offer special privileges and exclusive experiences to HOUSE 66 customers. In addition, Hang Lung's annual 66 Brand Campaign on the Mainland took another step forward this year and introduced immersive spaces at our shopping malls, providing customers with intriguing and sophisticated experiences that blend art and fashion. The initiative made a strong impact on social media and other platforms to drive awareness and reinforce Hang Lung's mission to become the Pulse of the City.

Taking a Step Forward to Decarbonize Real Estate

In 2023, Hang Lung announced a two-year strategic collaboration with a carbon capture, utilization, and storage (CCUS) company CLEANCO2, to reuse waste concrete as low carbon recycled concrete aggregate (RCA) and adopt CLEANCO2 low carbon concrete bricks for our Westlake 66 development in Hangzhou to reduce the project's embodied carbon. This marked the first commercial development project in mainland China and Hong Kong to use low carbon concrete bricks. Embodied carbon associated with buildings accounts for approximately 75% of a building's total carbon emissions over a typical 60-year lifetime, and Hang Lung recognizes the importance of reducing embodied carbon and collaborating with strategic partners on this issue. The technology developed by CLEANCO2 originated from the State Key Laboratory of Clean Energy Utilization (CEU) of Zhejiang University.

Teaming Up With Green Partners to Shape Circularity in Hong Kong

Hang Lung has been undergoing a major rejuvenation project for our Hong Kong offices since May 2023. We aim to create workplaces that promote wellness, engagement, and a collaborative culture, and strive to minimize the project's environmental impacts while promoting employee and community wellbeing. As part of this initiative, we collaborated with Sustainable Office Solutions and Crossroads Foundation to implement a holistic resource utilization scheme for the project. The first phase of the collaboration has seen over 3,200 office resources being reused, redistributed, or recycled, successfully diverting nearly 140,000 kg of municipal waste from landfills and avoiding more than 510 tons of carbon emissions. We provided 182 items to 14 NGOs in the initial phase of the scheme, including Crossroads Foundation, Oxfam Hong Kong and Hong Kong PHAB Association, spanning different NGO sectors in Hong Kong. In addition, nearly 90 staff members from Hong Kong also participated in the first round of the Staff Take

Home Program to take home and reuse well-maintained office furniture and electronic appliances.

Promoting Social Inclusion and Supporting Vulnerable Groups

With the theme of “Caring for Women’s Physical and Mental Health”, more than 1,200 Hang Lung As One volunteers participated in our annual Nationwide Volunteer Day in September. Over 7,300 grassroots women and their children from Hong Kong and 9 cities across mainland China participated in engaging activities such as art workshops, health lectures, and fitness classes to relieve their daily work and family pressures.

During the year, Hang Lung also partnered with the Ebenezer School & Home for the Visually Impaired (“Ebenezer”) to set up “The Hang Lung Scholarship and Development Donation for the Visually Impaired”. Proceeds from the HK\$30 million fund will be used every year for scholarships and learning subsidies to support the holistic development of outstanding students and graduates of Ebenezer in pursuing their studies and career development.

OUTLOOK

In the lead-up to 2024, we remain cautious due to ongoing uncertainties and difficulties in the markets in which we operate. While Hong Kong strives to reengineer its international competitiveness and attractiveness, geopolitical concerns on the Mainland continue to cause slow economic growth and negative currency outlooks. A rather high interest rate environment is also expected to persist in the background. To combat these challenges, we will use our distinctive positioning and CRM platforms to improve tenant engagement and maintain our revenue growth trend.

In mainland China, we continue to strengthen our leasing portfolio in tandem with targeted marketing initiatives and our portfolio-wide HOUSE 66 CRM program in order to attain growth. Following the success of our 2 sister malls in Shanghai, Plaza 66 and Grand Gateway 66, the maturation of our luxury malls outside Shanghai will contribute to future growth. Our sub-luxury malls will see steady expansion in both occupancy and foot traffic. In the meantime, our office portfolio will welcome its newest sibling in late 2024, Westlake 66 in Hangzhou, which will provide a steady source of revenue. Grand Hyatt Kunming will join Conrad Shenyang in mid-2024, just in time to capitalize on the post-pandemic rise in business and leisure tourism.

The years of embattlement that Hong Kong has faced since 2018 will naturally take time to fully recover; therefore, its general leasing market outlook for 2024 remains tough. Through our “hello Hang Lung Malls Rewards Program”, we will continue to concentrate on improving our customers’ shopping experience and interactivity. We will also look for ways to maximize our Hong Kong portfolio by utilizing AEI and capital recycling initiatives.

On the property sale side, subject to market conditions, we will continue with the launch of our premium serviced residences brand on the Mainland, Hang Lung Residences (comprising Heartland Residences in Wuhan, Grand Hyatt Residences in Kunming, and Center Residences in Wuxi). The first batch of units at Heartland Residences in Wuhan and The Aperture in Hong Kong is scheduled for handover to buyers in the first half of 2024, at which point pre-sale revenue will be recognized.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
 FOR THE YEAR ENDED DECEMBER 31, 2023 (AUDITED)**

	Note	2023		2022	
		HK\$ Million	HK\$ Million	RMB Million	RMB Million
				<i>For information purpose only</i>	
				2023	2022
				RMB Million	RMB Million
Revenue	2(a)	10,881	10,941	9,803	9,380
Direct costs and operating expenses		(3,087)	(3,258)	(2,781)	(2,791)
		7,794	7,683	7,022	6,589
Other net income	3	13	5	11	4
Administrative expenses		(680)	(673)	(615)	(581)
Profit from operations before changes in fair value of properties		7,127	7,015	6,418	6,012
Decrease in fair value of properties		(62)	(352)	(57)	(307)
Profit from operations after changes in fair value of properties		7,065	6,663	6,361	5,705
Interest income		102	73	92	63
Finance costs		(720)	(537)	(653)	(463)
Net interest expense	4	(618)	(464)	(561)	(400)
Share of profits of joint ventures		127	153	115	131
Profit before taxation	5	6,574	6,352	5,915	5,436
Taxation	6	(1,659)	(1,557)	(1,494)	(1,336)
Profit for the year	2(b)	4,915	4,795	4,421	4,100
Attributable to:					
Shareholders		2,811	2,718	2,529	2,324
Non-controlling interests		2,104	2,077	1,892	1,776
Profit for the year		4,915	4,795	4,421	4,100
Earnings per share	8(a)				
Basic		HK\$2.06	HK\$2.00	RMB1.86	RMB1.71
Diluted		HK\$2.06	HK\$2.00	RMB1.86	RMB1.71

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023 (AUDITED)**

	2023 HK\$ Million	2022 HK\$ Million	<i>For information purpose only</i>	
			2023 RMB Million	2022 RMB Million
Profit for the year	4,915	4,795	4,421	4,100
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	(1,684)	(10,329)	669	3,382
(Loss)/gain on net investment hedge	(9)	9	(8)	7
Movement in hedging reserve:				
Effective portion of changes in fair value	2	121	2	102
Net amount transferred to profit or loss	(86)	(42)	(78)	(37)
Deferred tax	11	(12)	10	(10)
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 year, net of tax	(1,767)	(10,254)	594	3,443
Total comprehensive income for the year	3,148	(5,459)	5,015	7,543
Attributable to:				
Shareholders	1,765	(3,042)	2,883	4,572
Non-controlling interests	1,383	(2,417)	2,132	2,971
Total comprehensive income for the year	3,148	(5,459)	5,015	7,543

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2023 (AUDITED)

	Note	2023	2022	<i>For information purpose only</i>	
		HK\$ Million	HK\$ Million	2023 RMB Million	2022 RMB Million
Non-current assets					
Property, plant and equipment					
Investment properties	9	177,458	176,381	161,144	157,657
Investment properties under development	9	23,610	22,703	21,398	20,283
Other property, plant and equipment		328	317	298	283
		201,396	199,401	182,840	178,223
Interests in joint ventures		4,450	4,492	4,056	4,020
Other assets		1,433	1,434	1,306	1,283
Deferred tax assets		145	144	132	129
		207,424	205,471	188,334	183,655
Current assets					
Cash and deposits with banks		6,343	5,785	5,768	5,173
Trade and other receivables	10	3,441	3,589	3,125	3,208
Properties for sale		14,244	11,689	12,948	10,451
		24,028	21,063	21,841	18,832
Current liabilities					
Bank loans and other borrowings		4,434	4,729	4,029	4,229
Trade and other payables	11	10,136	9,712	9,200	8,680
Lease liabilities		30	27	27	24
Current tax payable		479	457	435	408
		15,079	14,925	13,691	13,341
Net current assets		8,949	6,138	8,150	5,491
Total assets less current liabilities		216,373	211,609	196,484	189,146
Non-current liabilities					
Bank loans and other borrowings		46,259	41,224	42,100	36,875
Lease liabilities		248	266	225	238
Deferred tax liabilities		14,950	14,906	13,551	13,315
		61,457	56,396	55,876	50,428
NET ASSETS		154,916	155,213	140,608	138,718
Capital and reserves					
Share capital		4,065	4,065	3,164	3,164
Reserves		90,295	88,754	82,497	79,795
Shareholders' equity		94,360	92,819	85,661	82,959
Non-controlling interests		60,556	62,394	54,947	55,759
TOTAL EQUITY		154,916	155,213	140,608	138,718

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The financial information relating to the years ended December 31, 2023 and 2022 included in this announcement of annual results does not constitute the statutory annual consolidated financial statements of Hang Lung Group Limited (the “Company”) and its subsidiaries (collectively the “Group”) for those years but is derived from those consolidated financial statements in accordance with section 436 of the Hong Kong Companies Ordinance (Cap.622). The Company has delivered the consolidated financial statements for the year ended December 31, 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the consolidated financial statements for the year ended December 31, 2023 in due course. The Company’s auditor has reported on the consolidated financial statements for both years. The auditor’s reports were unqualified and they did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports, and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

1. BASIS OF PREPARATION (Continued)

The material accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2022.

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

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 year is analyzed as follows:

HK\$ Million	2023	2022
Under the scope of HKFRS 16, Leases:		
Rental income	9,472	9,293
Under the scope of HKFRS 15, Revenue from contracts with customers:		
Sales of completed properties	2	316
Building management fees and other income from property leasing	1,407	1,332
	1,409	1,648
	10,881	10,941

2. REVENUE AND SEGMENT INFORMATION (Continued)
(b) Revenue and results by segments

HK\$ Million	2023			2022		
	Property Leasing	Property Sales	Total	Property Leasing	Property Sales	Total
Revenue						
- Mainland China	7,399	-	7,399	7,218	-	7,218
- Hong Kong	3,480	2	3,482	3,407	316	3,723
	10,879	2	10,881	10,625	316	10,941
Profit/(loss) from operations before changes in fair value of properties						
- Mainland China	4,618	(44)	4,574	4,461	(51)	4,410
- Hong Kong	2,548	5	2,553	2,467	138	2,605
	7,166	(39)	7,127	6,928	87	7,015
(Decrease)/increase in fair value of properties	(62)	-	(62)	(352)	-	(352)
- Mainland China	260	-	260	(108)	-	(108)
- Hong Kong	(322)	-	(322)	(244)	-	(244)
Net interest expense	(618)	-	(618)	(464)	-	(464)
- Interest income	102	-	102	73	-	73
- Finance costs	(720)	-	(720)	(537)	-	(537)
Share of profits of joint ventures	127	-	127	153	-	153
Profit/(loss) before taxation	6,613	(39)	6,574	6,265	87	6,352
Taxation	(1,660)	1	(1,659)	(1,534)	(23)	(1,557)
Profit/(loss) for the year	4,953	(38)	4,915	4,731	64	4,795
Net profit/(loss) attributable to shareholders	2,833	(22)	2,811	2,680	38	2,718

2. REVENUE AND SEGMENT INFORMATION (Continued)

(c) Total segment assets

HK\$ Million	2023			2022		
	Property Leasing	Property Sales	Total	Property Leasing	Property Sales	Total
Mainland China	139,913	6,452	146,365	138,208	5,498	143,706
Hong Kong	63,965	8,751	72,716	64,576	6,397	70,973
	203,878	15,203	219,081	202,784	11,895	214,679
Interests in joint ventures			4,450			4,492
Other assets			1,433			1,434
Deferred tax assets			145			144
Cash and deposits with banks			6,343			5,785
			231,452			226,534

3. OTHER NET INCOME

HK\$ Million	2023	2022
Government grants	5	11
Gain on disposal of investment properties	11	-
Dividend income from equity investments measured at fair value changes in other comprehensive income	2	-
Others	(5)	(6)
	13	5

4. NET INTEREST EXPENSE

HK\$ Million	2023	2022
Interest income on bank deposits	102	73
Interest expense on bank loans and other borrowings	1,876	1,434
Interest on lease liabilities	14	15
Other borrowing costs	97	88
Total borrowing costs	1,987	1,537
Less: Borrowing costs capitalized	(1,267)	(1,000)
Finance costs	720	537
Net interest expense	(618)	(464)

5. PROFIT BEFORE TAXATION

HK\$ Million	2023	2022
Profit before taxation is arrived at after charging:		
Cost of properties sold	-	135
Staff costs (Note)	1,560	1,590
Depreciation	88	78

Note: The staff costs included employee share-based payments of HK\$83 million (2022: HK\$88 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\$1,873 million (2022: HK\$1,873 million).

6. TAXATION IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

HK\$ Million	2023	2022
Current tax		
Hong Kong Profits Tax	293	357
Under/(over)-provision in prior years	5	(16)
	298	341
Mainland China Income Tax	1,104	1,063
Total current tax	1,402	1,404
Deferred tax		
Changes in fair value of properties	94	22
Other origination and reversal of temporary differences	163	131
Total deferred tax	257	153
Total income tax expense	1,659	1,557

7. DIVIDENDS

(a) Dividends attributable to the year

HK\$ Million	2023	2022
Interim dividend declared and paid of HK21 cents (2022: HK21 cents) per share	286	286
Final dividend of HK65 cents (2022: HK65 cents) per share proposed after the end of the reporting period	885	885
	1,171	1,171

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) The final dividend of HK\$885 million (calculated based on HK65 cents per share and the total number of issued shares as of the dividend pay-out date) for the year ended December 31, 2022 were approved and paid in the year ended December 31, 2023 (2022: HK\$885 million).

8. EARNINGS PER SHARE

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

HK\$ Million	2023	2022
Net profit attributable to shareholders	2,811	2,718
	Number of shares	
	2023	2022
Weighted average number of shares used in calculating basic and diluted earnings per share (Note)	1,361,618,242	1,361,618,242

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

8. EARNINGS PER SHARE (Continued)

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

HK\$ Million	2023	2022
Net profit attributable to shareholders	2,811	2,718
Effect of changes in fair value of properties	62	352
Effect of income tax for changes in fair value of properties	94	22
Effect of changes in fair value of investment properties of joint ventures	(5)	43
	151	417
Non-controlling interests	(31)	(133)
	120	284
Underlying net profit attributable to shareholders	2,931	3,002

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

	2023	2022
Basic	HK\$2.15	HK\$2.20
Diluted	HK\$2.15	HK\$2.20

9. INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES UNDER DEVELOPMENT
(a) Additions

During the year, additions to investment properties and investment properties under development amounted to HK\$3,653 million (2022: HK\$2,906 million).

(b) Valuation

The investment properties and investment properties under development of the Group were revalued as of December 31, 2023 by Savills Valuation and Professional Services Limited, an independent qualified valuer, 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	2023	2022
Not past due or less than 1 month past due	139	118
1 – 3 months past due	9	27
More than 3 months past due	2	4
	150	149

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

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

- (c) Included in "other receivables" of the Group is a deposit of land acquisition in mainland China of HK\$276 million (2022: HK\$280 million).

11. TRADE AND OTHER PAYABLES

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

HK\$ Million	2023	2022
Due within 3 months	2,123	1,384
Due after 3 months	2,305	2,745
	4,428	4,129

12. ACQUISITION OF ADDITIONAL INTERESTS IN JOINT VENTURES

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

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

OTHER INFORMATION

Employees

As of December 31, 2023, the number of employees was 4,213 (comprising 968 Hong Kong employees and 3,245 mainland China employees). The total employee costs for the year ended December 31, 2023, amounted to HK\$1,873 million. We provide competitive remuneration packages for all employees including discretionary bonuses payable based on individual performance. We regularly review remuneration packages to ensure that they comply with relevant regulatory requirements and market conditions. The Group also has a share option scheme and provides professional and high-quality training for employees.

Purchase, Sale or Redemption of Listed Securities

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

Compliance with Corporate Governance Code

During the year, the Company complied with the code provisions set out in the Corporate Governance Code as stated in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Audit Committee

The annual results for the year ended December 31, 2023, have been reviewed by the Audit Committee of the Company. The Group's consolidated financial statements have been audited by the Company's auditor, KPMG, and it has issued an unmodified opinion.

Book Close Dates

For ascertaining shareholders' right to attend and vote at the Annual General Meeting (AGM)

Book close dates (both days inclusive)	April 23 to 26, 2024
Latest time to lodge transfers	4:30 pm on April 22, 2024
Record date	April 26, 2024
AGM	April 26, 2024

For ascertaining shareholders' entitlement to the proposed final dividend

Book close date	May 10, 2024
Latest time to lodge transfers	4:30 pm on May 9, 2024
Record date	May 10, 2024
Final dividend payment date	June 14, 2024

On Behalf of the Board

Ronnie C. Chan

Chair

Hong Kong, January 30, 2024

As of the date of this announcement, the Board comprises:

Executive Directors: Mr. Ronnie C. CHAN, Mr. Adriel CHAN, Mr. Weber W.P. LO and Mr. Kenneth K.K. CHIU

Non-Executive Directors: Mr. Gerald L. CHAN, Mr. George K.K. CHANG and Mr. Roy Y.C. CHEN

Independent Non-Executive Directors: Mr. Simon S.O. IP, Prof. P.W. LIU, Prof. L.C. TSUI and Mr. Martin C.K. LIAO

GLOSSARY

Financial Terms

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

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

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

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

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

Financial Ratios

Basic earnings per share	=	$\frac{\text{Net profit attributable to shareholders}}{\text{Weighted average number of shares in issue during the year}}$	Debt to equity	=	$\frac{\text{Total borrowings}}{\text{Total equity}}$
Net assets attributable to shareholders per share	=	$\frac{\text{Shareholders' equity}}{\text{Weighted average number of shares in issue during the year}}$	Net debt to equity	=	$\frac{\text{Net debt}}{\text{Total equity}}$
Interest cover	=	$\frac{\text{Profit from operations before changes in fair value of properties}}{\text{Finance costs before capitalization less interest income}}$	Payout ratio	=	$\frac{\text{Dividends attributable to the year}}{\text{Net profit attributable to shareholders}}$