恒基兆業地產有限公司
HENDERSON LAND DEVELOPMENT COMPANY LIMITED
Incorporated in Hong Kong with limited liability
(Stock Code : 12)

2020 INTERIM RESULTS ANNOUNCEMENT

INTERIM RESULTS AND DIVIDEND

The Group's (unaudited) underlying profit attributable to equity shareholders for the six months ended 30 June 2020 amounted to HK$5,182 million, representing a decrease of HK$1,520 million or 23% from HK$6,702 million for the same period last year. The decrease in underlying profit was mainly due to the impacts caused by the novel coronavirus (COVID-19) pandemic, whilst an attributable profit contribution of about HK$1,305 million was recognised in the same period of last year from the transfer of the Group's 50% equity interest in a building at Observatory Road, Tsim Sha Tsui. Underlying earnings per share were HK$1.07 (2019: HK$1.38).

During the period under review, the pandemic caused a drop in property value. A fair value loss (net of non-controlling interests and deferred tax) of HK$2,348 million was recorded after revaluation of the Group's investment properties and investment properties under development, whereas a fair value gain of HK$813 million was recorded for the same period last year. Including such fair value loss, the Group's reported profit attributable to equity shareholders for the period under review amounted to HK$2,834 million, representing a decrease of HK$4,681 million or 62% from HK$7,515 million for the same period last year. Reported earnings per share were HK$0.59 (2019: HK$1.55).

The Board has resolved to pay an interim dividend of HK$0.5 per share (2019: HK$0.5 per share) to shareholders whose names appear on the Register of Members of the Company on Monday, 7 September 2020 and such interim dividend will not be subject to any withholding tax in Hong Kong.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 4 September 2020 to Monday, 7 September 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 3 September 2020. The interim dividend will be distributed to shareholders on Wednesday, 16 September 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Hong Kong

Property Sales

Following on from the previous year's local social unrest, the global COVID-19 pandemic further weakened the Hong Kong economy during the period under review. Major central banks around the world promptly implemented various easing measures to mitigate the impact of the economic contraction. Interest rates in Hong Kong therefore remained at a low level and provided considerable support to the local property market.

During the period under review, a greater amount of pre-sold properties was delivered to buyers and accounted for. As a result, the attributable revenue and pre-tax profit contribution from the Group's property sales in Hong Kong as recorded in the financial statements amounted to HK$5,374 million and HK$2,507 million respectively, representing an increase of 81% and 361% respectively compared with the same period last year.

The Group launched "The Richmond" at Mid-Levels West for sale in January 2020, which received a satisfactory market response amid the pandemic with over 84% of its total number of apartments sold by the end of the reporting period. "Aquila • Square Mile" in Mong Kok also sold well, when it was put up for sale in May 2020 as the local pandemic situation appeared to be stabilising. Existing projects such as "Double Cove" (Phases 1-5) in Ma On Shan, "Eden Manor" adjacent to the Hong Kong Golf Club in Fanling as well as a number of urban redevelopment boutique residences within "The H Collection", were also well received. Together with the disposal of certain shop units at "NOVUM WEST" in Sai Ying Pun, as well as some other commercial properties and car parks, the Group achieved attributable contracted sales of approximately HK$2,832 million for the six months ended 30 June 2020.

After the end of the reporting period, the Group released "Seacoast Royale" ("The Royale" – Phase 1) at Tuen Mun for sale in August 2020 and the market response was overwhelming. The first and the second batches, each with 185 residential units, almost sold out on the day of release.

Last year, the Group entered into an agreement to transfer its entire equity interest in the company holding interests in certain land lots in Wo Shang Wai, the New Territories, which cover a total site area of about 2,420,000 square feet, for a consideration of HK$4,705 million (subject to adjustments) to an independent third party. The transaction was completed in July 2020. It will be accounted for in the second half of 2020, with a contribution of about HK$3,686 million to the Group's underlying profit for this year.

Property Development

The Group has 25 urban redevelopment projects with 80% to 100% of their ownerships acquired, representing about 4.2 million square feet in total attributable gross floor area.

The Group has made use of different channels to replenish its development land bank in Hong Kong. Except for a few projects earmarked for rental purposes, there will be ample supply of saleable areas for the Group's property sales in the coming years as follows:

Below is a summary of properties held for/under development and major completed stock:

			Attributable saleable/gross floor area (million sq. ft.) (Note 1)	Remarks
(A)	**Area available for sale in the second half of 2020:**			
1.	Unsold units from the major development projects offered for sale	(Table 1)	0.8	Of which 520 residential units were completed with occupation permits
2.	Projects pending sale in the second half of 2020	(Table 2)	0.6	
		Sub-total:	**1.4**	
(B)	**Projects in Urban Areas:**			
3.	Existing Urban Redevelopment Projects	(Table 3)	0.9	Dates of sales launch are not yet fixed and one of them is pending finalisation of land premium with the Government
4.	Newly-acquired Urban Redevelopment Projects			
	4.1 with ownership fully consolidated	(Table 4)	2.4	Most of them are expected to be available for sale or lease in 2021-2022
	4.2 with 80% or above ownership secured	(Table 4)	1.8	Most of them are expected to be available for sale in 2022-2024
	4.3 with over 20% but less than 80% ownership secured	(Table 5)	0.7	Redevelopments of these projects are subject to acquisition of full ownerships

5.	Murray Road Central	0.5	To be held for rental purposes upon completion of development
6.	Kai Tak Development Area	1.7	Excluding the project at New Kowloon Inland Lot No. 6565 (Phase 1), which is in the sales pipeline in the second half of 2020, all the remaining projects are expected to be available for sale in 2021-2023
7.	Castle Peak Road/ Un Chau Street project Sham Shui Po	0.1	Expected to be available for sale in 2021
	Sub-total:	**8.1**	
	Total for the above categories (A) and (B) development projects:	**9.5**	

(C) Major development projects in the New Territories:

– Fanling North	3.5	(Note 2)
– Fanling Sheung Shui Town Lot No. 262 Fanling North	0.6	(Note 3)
– Fanling Sheung Shui Town Lot No. 263 Kwu Tung	0.3	(Note 3)
– Others	0.5	(Note 2)
Sub-total:	**4.9**	
Total for categories (A) to (C):	**14.4**	

Note 1: Gross floor area is calculated on the basis of the Buildings Department's approved plans or the Government's latest town planning parameters, as well as the Company's development plans. For certain projects, these details may be subject to change depending on the actual needs in future.

Note 2: Developable area is subject to finalisation of land premium.

Note 3: The Group finalised in-situ land exchange with land premium settled for these two land lots in 2017.

(Table 1) Unsold units from the major development projects offered for sale

There are 20 major development projects available for sale:

	Project name and location	Gross floor area (sq. ft.)	Type of development	At 30 June 2020 No. of residential units remaining unsold	Saleable area remaining unsold (sq. ft.)	Group's interest (%)	Attributable saleable area remained unsold (sq. ft.)
1.	Eden Manor 88 Castle Peak Road Kwu Tung	555,399	Residential	263	318,888	100.00	318,888
2.	Aquila・Square Mile 38 Fuk Chak Street Mong Kok	181,020	Commercial/ Residential	410	109,507	100.00	109,507
3.	Double Cove – Phases 1-5 8 Wu Kai Sha Road Ma On Shan	2,950,640	Commercial/ Residential	44	88,251	59.00	52,068
4.	Cetus・Square Mile 18 Ka Shin Street Mong Kok	176,256	Commercial/ Residential	95	26,661	100.00	26,661
5.	Wellesley 23 Robinson Road Mid-Levels West	156,900 (Note 1)	Residential	28	47,203	50.00 (Note 1)	23,602
6.	The Addition 342-356 Un Chau Street Cheung Sha Wan	79,903	Commercial/ Residential	26	10,334	100.00	10,334
7.	NOVUM EAST 856 King's Road Quarry Bay	177,814	Commercial/ Residential	28	7,718	100.00	7,718
8.	South Walk・Aura 12 Tin Wan Street Aberdeen	37,550	Commercial/ Residential	27	6,410	100.00	6,410
9.	The Vantage 63 Ma Tau Wai Road Hung Hom	207,267	Commercial/ Residential	14	5,651	100.00	5,651
10.	The Richmond 62C Robinson Road Mid-Levels West	33,678	Commercial/ Residential	14	4,785	100.00	4,785

11.	Reach Summit – Sereno Verde Phase 5 99A Tai Tong Road Yuen Long	171,266	Residential	17	5,580	79.03	4,410
12.	NOVUM WEST 460 Queen's Road West Sai Ying Pun	272,526	Commercial/ Residential	6	3,547	100.00	3,547
13.	The Reach 11 Shap Pat Heung Road Yuen Long	1,299,744	Residential	3	4,125	79.03	3,260
14.	H • Bonaire 68 Main Street Ap Lei Chau	65,761	Commercial/ Residential	4	2,553	100.00	2,553
15.	Seven Victory Avenue 7 Victory Avenue Ho Man Tin	83,245	Commercial/ Residential	3	1,167	100.00	1,167
16.	PARKER33 33 Shing On Street Shau Kei Wan	80,090	Commercial/ Residential	2	1,134	100.00	1,134
17.	Global Gateway Tower 61A-61E and 63 Wing Hong Street Cheung Sha Wan	336,052	Industrial	Not applicable	77,777 (Note 2)	100.00	77,777 (Note 2)
18.	E-Trade Plaza 24 Lee Chung Street Chai Wan	173,850	Office	Not applicable	60,359 (Note 2)	100.00	60,359 (Note 2)
19.	The Globe 79 Wing Hong Street Cheung Sha Wan	172,113	Office	Not applicable	55,428 (Note 2)	100.00	55,428 (Note 2)
20.	Mega Cube 8 Wang Kwong Road Kowloon Bay	171,194	Office	Not applicable	48,622 (Note 2)	100.00	48,622 (Note 2)
			Total:	**984** (Note 3)	**885,700**		**823,881**

Note 1: The Group's interest represents 25.07% of the development. After the allocation of the residential units, the Group holds jointly with one developer a 50/50 interest in the residential units so allocated.

Note 2: Representing the office, industrial or shop area.

Note 3: Out of the above 984 unsold residential units, 520 residential units were completed with occupation permits.

(Table 2) Projects pending sale in the second half of 2020

In the absence of unforeseen delays, the following projects will be available for sale in the second half of 2020:

	Project name and location	Gross floor area (sq. ft.)	Type of development	No. of residential units	Residential gross floor area (sq. ft.)	Group's interest (%)	Attributable residential gross floor area (sq. ft.)
1.	The Royale 8 Castle Peak Road, Castle Peak Bay, Tuen Mun (formerly known as project at Tuen Mun Town Lot No. 547)						
	Phase 1 - Seacoast Royale (launched for sale in August 2020)	663,062 (Note 1)	Residential	611	203,921 (Note 2)	16.71	34,075 (Note 2)
	Phase 2 (Note 3)		Residential	614	237,366	16.71	39,664
	Phase 3 (Note 3)		Residential	557	193,880	16.71	32,397
2.	Lot No. 1752 in DD No. 122 Tong Yan San Tsuen Yuen Long	27,868	Residential	16	27,868	100.00	27,868
3.	1 Chung Ching Street Sai Ying Pun	90,099	Commercial/ Residential	264	79,161	100.00	79,161
4.	65-71 Main Street Ap Lei Chau	40,357	Commercial/ Residential	138	36,163	100.00	36,163
5.	2 Tak Shing Street, Tsim Sha Tsui	89,537	Commercial/ Residential	172	79,598	100.00	79,598
6.	New Kowloon Inland Lot No. 6565, Kai Tak (Phase 1) (Note 3)	654,602 (Note 1)	Commercial/ Residential	479	258,199	100.00	258,199
			Total:	**2,851**	**1,116,156**		**587,125**

Note 1: Representing the total gross floor area for the whole project.
Note 2: Representing the residential saleable area.
Note 3: Pending the issue of pre-sale consent.

(Table 3) Existing Urban Redevelopment Projects

The Group has two existing projects under redevelopment or land-use conversion and the dates of their sales launch are not yet fixed. As outlined below, they are expected to provide about 0.9 million square feet in attributable gross floor area in the urban areas based on the Buildings Department's approved plans or the Government's latest town planning:

	Project name and location	Site area (sq. ft.)	Expected gross floor area upon redevelopment (sq. ft.)	Group's interest (%)	Expected attributable gross floor area upon redevelopment (sq. ft.)
1.	Yau Tong Bay Kowloon (Note)	808,398	3,983,789	22.80	908,304
2.	29A Lugard Road The Peak, Hong Kong	23,653	11,709	100.00	11,709
	Total:	**832,051**	**3,995,498**		**920,013**

Note: The general building plan (after adjustment of site boundary) was approved in July 2017. The Government's provisional basic terms were accepted in July 2020 and it is pending the Government's finalisation of the amount of land premium.

(Table 4) Newly-acquired Urban Redevelopment Projects – with 80% to 100% ownership secured

There are 25 newly-acquired urban redevelopment projects with 80% to 100% ownerships secured. Their expected attributable gross floor areas, based on the Buildings Department's approved plans or the Government's latest town planning, are as follows:

	With 100% ownership secured		With over 80% but less than 100% ownership secured*		
Project name and location	**Site area (sq. ft.)**	**Expected attributable gross floor area upon redevelopment (sq. ft.)**	**Site area (sq. ft.)**	**Expected attributable gross floor area upon redevelopment (sq. ft.)**	**Total attributable gross floor area (sq. ft.)**
Hong Kong					
1. 4A-4P Seymour Road, Mid-Levels (65% stake held by the Group)	52,466	306,921			306,921
2. 73-73E Caine Road, Mid-Levels	6,781	64,070			64,070
3. 1-4 Ladder Street Terrace, Mid-Levels	2,859	13,907			13,907
4. 94-100 Robinson Road, Mid-Levels	5,798	28,990	6,362	31,810	60,800
5. 88 Robinson Road, Mid-Levels			10,361	51,805	51,805
6. 105 Robinson Road, Mid-Levels			27,530	126,638	126,638
7. 33-47A Elgin Street, Mid-Levels			13,252	105,332	105,332
8. 206-212 Johnston Road, Wanchai (Note 1)	4,328	64,923			64,923
9. 13-21 Wood Road and 22-30 Wing Cheung Street, Wanchai	6,392	51,068	2,208	19,722	70,790
10. 83-95 Shek Pai Wan Road and 2 Tin Wan Street, Aberdeen	4,950	42,075	1,128	10,716	52,791
11. 4-6 Tin Wan Street, Aberdeen			1,740	14,790	14,790
12. 9-13 Sun Chun Street Tai Hang			2,019	18,171	18,171
13. 17-25 Sun Chun Street Tai Hang			4,497	40,473	40,473
14. 2 Tai Cheong Street Quarry Bay	13,713	134,421			134,421
15. 983-987A King's Road and 16-22 and 24-94 Pan Hoi Street, Quarry Bay (50% stake held by the Group)			43,882	176,760	176,760
Sub-total:	**97,287**	**706,375**	**112,979**	**596,217**	**1,302,592**

Project name and location	With 100% ownership secured: Site area (sq. ft.)	With 100% ownership secured: Expected attributable gross floor area upon redevelopment (sq. ft.)	With over 80% but less than 100% ownership secured*: Site area (sq. ft.)	With over 80% but less than 100% ownership secured*: Expected attributable gross floor area upon redevelopment (sq. ft.)	Total attributable gross floor area (sq. ft.)
Kowloon and New Territories					
16. 16 Kimberley Road, Tsim Sha Tsui (Block B, Champagne Court)			12,283	147,396	147,396
17. Various projects spanning Ka Shin Street, Kok Cheung Street, Pok Man Street, Man On Street and Tai Kok Tsui Road, Tai Kok Tsui	36,595	325,004	22,163	199,467	524,471 (Note 2)
18. 456-466 Sai Yeung Choi Street North and 50-56A Wong Chuk Street, Sham Shui Po	22,889	203,962			203,962
19. 1-27 Berwick Street, 202-220 Nam Cheong Street and 1-14 Yiu Tung Street, Shek Kip Mei	37,801	340,209	7,725	61,800	402,009
20. 11-19 Wing Lung Street, Cheung Sha Wan (Note 3)	6,510	58,300			58,300
21. Various projects spanning Gillies Avenue South, Baker Street, Whampoa Street and Bulkeley Street, Hung Hom	66,200	595,698	45,850	412,654	1,008,352
22. 68A-76B To Kwa Wan Road, 58-76 Lok Shan Road, 14-20 Ha Heung Road, 1-7 Lai Wa Street and 1-9 and 2-8 Mei Wa Street, To Kwa Wan			42,506	374,355	374,355
23. 67-83 Fuk Lo Tsun Road, Kowloon City (Note 3)	10,954	92,425			92,425
24. 4-22 Nam Kok Road, Kowloon City	10,177	86,505			86,505
25. 3 Mei Sun Lane, Tai Po	6,487	37,041			37,041
Sub-total:	**197,613**	**1,739,144**	**130,527**	**1,195,672**	**2,934,816**
Total:	**294,900**	**2,445,519**	**243,506**	**1,791,889**	**4,237,408**

* *Their ownerships will be consolidated by proceeding to court for compulsory sale under the "Land (Compulsory Sale for Redevelopment) Ordinance". In the event that no court order is granted, the Group may not be able to complete the consolidation of the ownership for development.*

Note 1: To be held for rental purposes upon its scheduled completion by the end of 2020.

Note 2: Excluding those projects already offered for sale (namely, "Eltanin・Square Mile", "Cetus・Square Mile" and "Aquila・Square Mile") in this cluster, which boast a total gross floor area of about 530,000 square feet.

Note 3: Developable area may be subject to payment of land premium.

(Table 5) Newly-acquired Urban Redevelopment Projects – with over 20% but less than 80% ownership secured

The Group has other acquisitions in progress, comprising 29 projects located in various urban districts. Currently, ownership ranging from over 20% to below 80% of each project has been achieved. If and when their ownerships are successfully consolidated, based on the Government's latest town planning, the total estimated attributable gross floor area would be about 1,750,000 square feet against their total attributable land areas of about 200,000 square feet upon completion of redevelopment. Based on the respective ownership currently secured by the Group for each project, the total pro-rata attributable gross floor area is about 660,000 square feet. Successful acquisitions of the above projects bear uncertainty. The Group may not be able to consolidate ownerships of all projects. Redevelopment can only be implemented upon acquisition of the full ownerships of the relevant projects.

Land Bank

The Group currently has a land bank in Hong Kong comprising a total attributable gross floor area of approximately 24.3 million square feet, made up as follows:

		Attributable gross floor area (million sq. ft.)
Properties held for/under development (Note)		13.6
Unsold units from major launched projects		0.8
	Sub-total:	**14.4**
Completed properties (including hotels) for rental		9.9
	Total:	**24.3**

Note: Including the total attributable developable area of about 4.0 million square feet from Fanling North and other projects, which are subject to finalisation of land premium.

Land in Urban Areas

In addition to those already in the sales pipeline as mentioned above, the Group has urban redevelopment projects of old tenement buildings with entire or over 80% ownership acquired, representing a total attributable gross floor area of about 4.24 million square feet, which are expected to be available for sale or lease in 2021 or beyond. The total land cost of such projects is estimated to be about HK$37,300 million (including the pricey street shops and the project at the prestigious Seymour Road in Mid-Levels), translating into a land cost of approximately HK$8,800 per square foot of gross floor area. The Group's redevelopment showcase in West Kowloon adjacent to the Olympic MTR station (namely, the "Square Mile" collection) is a manifest example. It will provide an aggregate gross floor area of about 520,000 square feet (excluding those already offered for sale) upon consolidation of ownership and the land cost is estimated to be approximately HK$7,400 per square foot of gross floor area. Meanwhile, the Group is also conducting comprehensive planning in Hung Hom. Various projects spanning Gillies Avenue South, Baker Street, Whampoa Street and Bulkeley Street will be developed into a 1,000,000-square-foot community upon consolidation of ownerships, with the land cost being estimated to be approximately HK$7,200 per square foot of gross floor area. The remaining unconsolidated ownerships only account for a small portion for these two sizeable redevelopment projects.

New Territories land

During the period under review, the Group acquired further New Territories land lots of about 0.4 million square feet, increasing its New Territories land reserves to approximately 45.3 million square feet at the end of June 2020. This represents the largest holding among all property developers in Hong Kong.

The Group holds a total land area of 1.38 million square feet in Fanling North and Kwu Tung North New Development Areas. Of this land holding, three separate lots with a total land area of roughly over 600,000 square feet in Fanling North are assessed to be eligible for in-situ land exchange and the Government may resume the rest for public use by payment of cash compensation. The Group had applied for in-situ land exchange for these three separate land lots, which had been accepted by the Government for further review. These three lots (including those land areas owned by the Government and joint venture companies) are expected to provide an aggregate residential gross floor area of approximately 3.03 million square feet and commercial gross floor area of approximately 440,000 square feet, against their respective site areas of 228,000 square feet, 240,000 square feet and 241,000 square feet. Developable areas for these sites are subject to finalisation of land premium.

According to the "North East New Territories New Development Areas Planning and Engineering Study", the region at Ping Che/Ta Kwu Ling will be re-planned in response to the "2013 Policy Address" which proposed an initiative to review the development potential of New Territories North, including new opportunities brought about by the new railway infrastructure. In January 2014, the Government commenced its "Preliminary Feasibility Study on Developing the New Territories North" on an area of about 5,300 hectares. In September 2014, the Government announced the "Railway Development Strategy", including its long-term plan to further extend the railway line to Kwu Tung and Ping Che. In order to increase land supply for housing, the Government formulated the Preliminary Outline Development Plan for "Planning and Engineering Study for Housing Sites in Yuen Long South – Investigation" and launched its Stage 2 Community Engagement. It also released the "Land Use Review for Kam Tin South and Pat Heung". The Group holds certain pieces of land in these areas.

As for the “Hung Shui Kiu New Development Area Planning and Engineering Study”, the area concerned covers an area of about 714 hectares. The Group holds a total land area of approximately 6.47 million square feet in this location. Under the draft Hung Shui Kiu and Ha Tsuen Outline Zoning Plan, a new town with a population of about 215,000 people and 60,000 additional flats is proposed, of which about 50% are currently designated for private developments. The Government will study the potential increase in the ratio of public housing. Impacts on the Group arising from these proposals are to be assessed. The Group will continue to work in line with the Government’s development policies and will follow up closely on its development plans.

The Pilot Scheme for Arbitration on Land Premium was introduced by the Government in October 2014 for a trial period of two years, aimed at facilitating the early conclusion of land premium negotiations and expediting land supply for housing and other uses. The Pilot Scheme will be further extended to October 2022 with the addition of certain enhancement measures. The Group will thus consider requesting arbitration on its land exchange or lease modification cases when necessary.

In order to increase and expedite land supply, the Government announced that the Lands Department has already established a centralised Land Supply Section for accelerating “big ticket” lease modification and land exchange cases and further centralisation of premium assessments, so as to streamline and expedite the development process. The Group’s Yau Tong Bay project is now handled by this section.

The Government announced that it had fully accepted the recommendations tendered by the Task Force on Land Supply regarding land supply strategy and eight land supply options worthy of priority studies and implementation, which included “Tapping into Private Agricultural Land Reserve in the New Territories”. The Government has already announced specific criteria of the implementation framework for its Land Sharing Pilot Scheme. The Group will look into the matter thoroughly.

Investment Properties

During the period under review, the COVID-19 pandemic outbreak brought inbound tourism to a standstill and badly disrupted consumption-related activities. The value of total retail sales in Hong Kong for the first half of 2020 decreased by 33.3% compared with the same period in 2019. The Group worked closely with tenants in an attempt to ride out the difficult times together. Since February 2020, the Group has granted rent concessions ranging from 20% to 60% to certain distressed retail tenants. On the other hand, the Group's office leasing business remained resilient despite the battered economy. For the six months ended 30 June 2020, the Group's attributable share of gross rental income in Hong Kong (including the attributable share of contributions from subsidiaries, associates and joint ventures) decreased by 5% period-on-period to HK$3,490 million. The attributable share of pre-tax net rental income (including the attributable contributions from subsidiaries, associates and joint ventures) was HK$2,588 million, representing a decrease of 9% from the corresponding period of previous year. Included therein is attributable gross rental income of HK$1,015 million (2019: HK$1,064 million) contributed from the Group's attributable 40.77% interest in The International Finance Centre ("ifc") project. Besides, there were about 8,000 car parking bays attributable to the Group, providing additional rental income.

At the end of June 2020, the average leasing rate for the Group's major rental properties was 96%.

As at 30 June 2020, the Group held a total attributable gross floor area of approximately 9.4 million square feet of completed investment properties in Hong Kong, with its breakdown as follows:

By type:	**Attributable gross floor area (million sq. ft.)**	**Percentage (%)**
Shopping arcade or retail	5.1	54.2
Office	3.5	37.2
Industrial	0.4	4.3
Residential and hotel apartment	0.4	4.3
Total:	**9.4**	**100.0**

By geographical area:	**Attributable gross floor area (million sq. ft.)**	**Percentage (%)**
Hong Kong Island	2.3	24.5
Kowloon	3.2	34.0
New Territories	3.9	41.5
Total:	**9.4**	**100.0**

Retail portfolio

At the end of June 2020, all the Group's major shopping malls (except those under renovation or undergoing a tenant mix realignment) maintained high occupancy. Such satisfactory results were mainly due to the Group's adoption of multi-media promotional channels to mitigate the negative impact of the pandemic on its mall business. For instance, MCP Central and MCP Discovery in Tseung Kwan O offered buy-one-get-one free dining vouchers via TV advertising. KOLOUR • Tsuen Wan worked with a social media platform to help promote its tenants' businesses, whilst KOLOUR • Yuen Long launched an online mega sale with delivery service. Meanwhile, MCP Discovery, Fanling Centre and Shatin Centre are undergoing renovation works which are set to enhance their competitiveness when completed.

Atop Tsim Sha Tsui East MTR station, "H Zentre" is a 340,000-square-foot commercial development designed as a wellness and healthcare hub, complemented by dining, retail and car parking facilities. "H Zentre" has achieved multiple accolades since its completion in 2019, including winning several categories in the "International Property Awards" and "Asia Pacific Property Awards". Its purpose-built medical floors are equipped with an array of advanced features (such as an air purification system and back-up power supply) and a number of renowned medical service providers such as "Union Hospital" have been attracted as tenants. In addition, GUU SAN, a Japanese-style wellness grocery store will soon open on the ground floor. It will offer an assortment of high quality merchandise ranging from healthy, organic and specialty foods to personal care products, thus providing a fresh experience to shoppers.

Office portfolio

During the period under review, the Group's premium office buildings in Hong Kong Island, such as "ifc" in Central—the core business district—and "AIA Tower" in North Point, recorded consistently high occupancy. The leasing performance of the Group's office and industrial/office premises in Kowloon East, including "Manulife Financial Centre", "AIA Financial Centre", "78 Hung To Road" and"52 Hung To Road", also remained steady.

Located at Island East, adjacent to Fortress Hill MTR station, "Harbour East" is the first Hong Kong project to achieve a China Healthy Building Design Label – 3-Star Rating. This 144,000-square-foot development has recently commenced operation. Its two-level retail podium has been fully leased, whilst the office tower is tenanted by many financial institutions and government organizations.

In addition, the Group has two office development projects in the pipeline. The 25-storey office development project at Johnston Road, Wanchai, is scheduled for completion in the fourth quarter of 2020. Meanwhile, the construction works for the 465,000-square-foot Grade-A office development at Murray Road, Central are progressing smoothly and have achieved Platinum Pre-certification from both WELL Building Standard (WELL) and Leadership in Energy and Environmental Design (LEED). Designed as a bauhinia bud with a curvy built form by the renowned Zaha Hadid architectural firm, the 34-storey development is poised to become another iconic landmark in the financial hub of Hong Kong upon its scheduled completion in 2023.

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Construction

Construction progress of the Group’s developments was not severely affected by the COVID-19 pandemic during the period under review. Responsiveness, as well as the use of innovative methods, are features of the Group’s success. For instance, the Group introduced “Design for Manufacture and Assembly” (DfMA) structural modules to facilitate its construction and assembly process. Its self-developed "*precast floor slab for bathroom/kitchen use and a mount structure for the same*" was respectively granted the Utility Model Patent Certificate and short-term patent by the China National Intellectual Property Administration and Intellectual Property Department of Hong Kong Government. Such proven precast floor slabs have been widely adopted by the Group’s Construction Department which also uses aluminum system formwork to replace traditional timber in their constructions. This enhances the quality of concrete finishing, whilst also fulfilling Group’s pledges of promoting sustainability and “timberless construction”.

With the high material costs and shortage of skilled construction workers, the above-mentioned innovative methods help improve construction quality and cost efficiency by reducing construction waste and on-site manpower. They also expedite the construction process and minimise nuisance to neighborhoods, thereby enhancing environmental protection.

The following development project in Hong Kong was completed during the period under review:

Project name and location	**Site area (sq. ft.)**	**Gross floor area (sq. ft.)**	**Type of Development**	**Group’s interest (%)**	**Attributable gross floor area (sq. ft.)**
Reach Summit – Sereno Verde Phase 5 99A Tai Tong Road Yuen Long	48,933	171,266	Residential	79.03	135,352

Property Management

The Group's property management companies consist of Hang Yick Properties Management Limited, H-Privilege Limited (which provides services for the Group's urban boutique residences under "The H Collection" brand), Well Born Real Estate Management Limited and Goodwill Management Limited. They collectively manage about 80,000 apartments and industrial/commercial units, 10 million square feet of shopping and office space, as well as 20,000 car parking spaces in Hong Kong. In order to ensure the best service is provided to all the properties under their management, these companies implement an Integrated Management System complying with the requirements of ISO 9001 (Quality Management System), ISO 10002 (Complaints Handling Management System), ISO 14001 (Environmental Management System) and OHSAS 18001 (Occupational Health and Safety Management System). Quality, health and safety, as well as environmental considerations are thus consistently embedded in all aspects of their services and daily operations.

Since the COVID-19 outbreak, the property management companies have taken swift and comprehensive precautionary measures (such as body temperature checks for visitors, as well as continuous cleansing and disinfection of the building areas) so as to provide a safe and worry-free environment for tenants, residents and customers. Their professionalism and caring services gained praise from customers.

In respect of community services, "The Year of Reforms" programme was launched so as to promote transformation and innovation, following the success of the preceding "The Year of Care", "The Year of Senior" and "The Year of Youth" programmes.

Mainland China

At the beginning of the reviewed period, the Central Government launched counter-cyclical adjustment measures as the mainland economy was affected by the pandemic. However, it reiterated that "housing is for living in, not for speculation", and that the fundamental directives toward the property market would not be changed for short-term economic stimulus. Therefore, credit controls over the real estate sector remained stringent, and restrictive measures imposed by the regulation policies continued. However, each city was allowed greater flexibility in the implementation of differentiated policies in accordance with its own circumstances. With the gradual resumption of business activities since March 2020, trading volumes and prices for residential properties started to rise in the prime cities. The overall housing market remained relatively stable in the second and third-tier cities, with housing price rise tapering off. As for land supply, citywide differentiation was intensified as bidding interests were focused on popular cities.

The following development projects were completed during the period under review:

	Project name	**Usage**	**Group's interest (%)**	**Attributable gross floor area (million sq. ft.)**
1.	Phases 1 (first batch) and 2, "The Landscape", Changsha	Residential	50	1.45
2.	Phases 2R5(second/third sections) and 1S1, "La Botanica", Xian	Residential and School	50	1.00
3.	Twin office towers at "Lumina Guangzhou", Guangzhou	Office	100	0.96
4.	Phases 2A and 2B at Site B1, "Grand Lakeview", Yixing	Residential	50	0.90
5.	Phase 1, "Kuanyue Yayuan", Suzhou	Residential	35.037	0.27
			Total:	**4.58**

In response to the market conditions, the Group has refined its Mainland China strategy as follows:

Property Investment: The Group focused on the development of Grade-A office buildings. During the period under review, Phase 1 of the 2,000,000-square-foot "Lumina Guangzhou" in Yuexiu District, Guangzhou, was completed with a total gross floor area of about 960,000 square feet. In Shanghai, Phase 1 development of the 3,000,000-square-foot "Lumina Shanghai" at the Xuhui Riverside Development Area is also scheduled for completion in the second half of this year. The Group will continue to expand its portfolio of quality property investments at reasonable costs in the core areas of major cities.

Property Development: The Group kept looking at residential and composite development projects in major and leading second-tier cities, as well as development opportunities offered by the Greater Bay Area strategic plan. The Group also continued to strengthen its co-operation with mainland property developers for joint development of residential projects. The Group's reputation, management expertise and financial strength, coupled with local developers' market intelligence, construction efficiency and cost advantages, contributed in maximising the returns of the joint ventures.

In line with the above strategies, the Group entered into co-operative agreements for the following development projects during the period under review:

(1) The Group agreed with the subsidiaries of CIFI Holdings (Group) Co. Limited ("CIFI", a mainland property developer listed in Hong Kong) to jointly develop an urban composite-cum-residential site in Xindu District, Chengdu whereby the Group will hold a 50% equity interest in this project. The land lot with a site area of approximately 1,080,000 square feet, which was acquired at a consideration of about RMB1,838 million, will provide a total gross floor area of about 2,650,000 square feet.

(2) The Group agreed with the subsidiaries of CIFI to jointly develop a residential site in Huli District, Xiamen whereby the Group will hold a 50% equity interest in this project. The land lot with a site area of approximately 200,000 square feet, which was acquired at a consideration of about RMB2,935 million, will provide a total gross floor area of about 624,000 square feet.

At 30 June 2020, in addition to the holding of approximately 0.6 million square feet in attributable gross floor area of completed property stock, the Group held a development land bank in 13 cities with a total attributable gross floor area of about 27.35 million square feet. Around 70 % of the land bank is planned for residential development:

Land bank under development or held for future development

		Group's share of developable gross floor area* (million sq. ft.)
Prime cities		
Beijing		1.04
Shanghai		3.76
Guangzhou		1.35
Shenzhen		0.21
	Sub-total:	**6.36**
Second-tier cities		
Changsha		3.38
Chengdu		3.28
Hefei		0.69
Nanjing		0.19
Shenyang		4.45
Suzhou		1.15
Xian		5.87
Xuzhou		0.62
Yixing		1.36
	Sub-total:	**20.99**
	Total:	**27.35**

** Excluding basement areas and car parks.*

Usage of development land bank

	Estimated developable gross floor area (million sq. ft.)	Percentage (%)
Residential	19.11	70
Office	4.89	18
Commercial	2.65	10
Others (including clubhouses, schools and community facilities)	0.70	2
Total:	**27.35**	**100**

Property Sales

As compared with the same period of last year, more pre-sold properties were completed and delivered to buyers during the period under review. As a result, the attributable revenue and pre-tax profit contribution from the Group's property sales in mainland China as recognised in the financial statements amounted to HK$2,915 million and HK$682 million respectively, representing an increase of 52% and 21% respectively compared with the same period of last year.

The sales schedules and construction progress of various projects were delayed by the pandemic. The Group achieved attributable contracted sales of approximately HK$2,184 million in value and 1.5 million square feet in attributable gross floor area during the period under review, representing a period-on-period decrease of 50% and 44% respectively. Major sales projects included "Xukou Project" in Suzhou, "La Botanica" in Xian, "The Landscape" in Changsha and "Xuheng Huayuan" in Hefei.

Investment Properties

Following the completion of the 960,000-square-feet Grade-A twin office towers at "Lumina Guangzhou" in June 2020, the Group's completed investment property portfolio in mainland China as at 30 June 2020 was enlarged to about 7.33 million square feet with its breakdown as follows:

By type:		**Attributable gross floor area (million sq. ft.)**	**Percentage (%)**
Commercial		1.73	23.6
Office		5.60	76.4
	Total:	**7.33**	**100.0**

By geographical area:		**Attributable gross floor area (million sq. ft.)**	**Percentage (%)**
Beijing		2.21	30.1
Shanghai		3.51	47.9
Guangzhou		1.61	22.0
	Total:	**7.33**	**100.0**

Despite rent concessions granted to certain tenants amid the COVID-19 pandemic, the Group's leasing business continued to perform well with rental growth in Renminbi terms during the period under review. However, due to the 5% period-on-period depreciation of Renminbi against Hong Kong Dollar, the Group's attributable gross rental income amounted to HK$901 million, representing a period-on-period decrease of 2%. Its attributable pre-tax net rental income remained largely flat at HK$733 million for the six months ended 30 June 2020.

In Beijing, "World Financial Centre", an International Grade-A office complex in the Chaoyang Central Business District, was over 95% let at the end of June 2020 and recorded steady rental performance.

In Shanghai, the Group's office leasing business remained stable. Both "2 Grand Gateway" atop the Xujiahui subway station and "Henderson 688" at Nanjing Road West were over 90% let. "Henderson Metropolitan" near the Bund also performed well. Its Grade-A office space achieved a high leasing rate of 97% at the end of June 2020. However, its mall was adversely affected due to the COVID-19 pandemic and the resulting anti-epidemic measures (such as business suspension and lockdown). Shoppers' footfall and tenants' businesses declined, causing certain tenants to terminate their leases early. The Group has successfully secured new tenants and the leasing rate is recovering.

In Guangzhou, "Hengbao Plaza" atop the Changshou Road subway station rolled out various initiatives during the COVID-19 pandemic. In addition to rent concessions granted to certain tenants, this mall offered discount coupons to encourage customers' spending. Online promotions for the tenants' merchandise were enhanced. Facial masks were offered to customers and neighboring residents. All these measures helped boost shoppers' traffic and tenants' businesses upon the easing of the pandemic situation.

In addition, leasing is currently under way for the following two landmark projects:

"Lumina Guangzhou" is located in Yuexiu District of Guangzhou, on the banks of the Pearl River with a direct connection to two subway lines. The twin Grade-A office towers of its Phase 1 development were newly completed in June 2020, providing a total gross floor area of over 960,000 square feet. Many leading institutions and corporations, namely "Royal Danish Consulate General Guangzhou", "Shenzhen Stock Exchange – Guangzhou office", "AIA", "Johnson & Johnson" and "China Unicom" have been moving in progressively. Meanwhile, an array of renowned eateries (such as Starbucks Reserve@Only Store, which is the first to debut in Guangzhou) and a health and fitness centre have been secured as tenants of its 800,000-square-foot shopping and entertainment podium. More international retail brands and specialty restaurants will be introduced so as to provide customers with a multifarious shopping and leisure experience upon its scheduled completion in the fourth quarter of 2020.

"Lumina Shanghai" in the Xuhui Riverside Development Area, Shanghai, will be developed in two phases. The 61-storey iconic office tower of its Phase 1 Development will provide Grade-A office space of approximately 1,800,000 square feet. A renowned technology company and an international trading firm have already committed to become tenants. Numerous multinational corporations and leading domestic enterprises, which are mainly engaged in professional services, finance, information technology and the media industries have also expressed leasing interest. The leasing response for its 220,000-square-foot shopping mall was also encouraging, with many specialty restaurants and a world-leading football club secured as its tenants. "Lumina Shanghai" Phase 1 is scheduled for completion and opening in the fourth quarter of 2020. Construction of the Phase 2 is progressing smoothly. Upon its scheduled completion in 2021, additional office and retail space with a total gross floor area of around 1,000,000 square feet will be provided.

Property Management

A property management company was established in Shanghai. With two commercial properties (namely, "Henderson 688" and "Henderson Metropolitan") presently under its management, it manages in total over 1,500,000 square feet of shopping and office space, as well as 650 car parking spaces in mainland China. During the period under review, this company received wide recognition for its professional precautionary measures amid the COVID-19 pandemic. To support the Group's mainland expansion, this company's quality property management services will be extended to the Group's other commercial developments in mainland China.

Henderson Investment Limited ("HIL")

HIL's (unaudited) profit attributable to equity shareholders for the six months ended 30 June 2020 amounted to HK$48 million, representing an increase of HK$27 million or 129% over HK$21 million for the corresponding period in 2019. The increase in profit was mainly due to non-recurring expenditure in the corresponding period of last year.

HIL currently operates six department stores under the name "Citistore", as well as three department stores and/or supermarkets through "Unicorn Stores (HK) Limited" (formerly known as "UNY (HK) Co., Limited", hereinafter referred to as "UNY HK") in Hong Kong.

(I) Citistore

Due to the pandemic, Citistore recorded a period-on-period decrease of 17% in total sales proceeds derived from the sales of own goods, as well as concessionaire and consignment goods, for the six months ended 30 June 2020.

With the decrease in gross profit of HK$8 million from the sales of own goods, as well as the decrease in commission income from concessionaire and consignment counters in the aggregate amount of HK$35 million, Citistore's profit after taxation for the period under review still increased by HK$1 million or 3% period-on-period to HK$34 million. The main reasons are the decrease in rental related expenses of HK$27 million during the period under review, and wage subsidies of HK$5 million accrued for June 2020 from the "Employment Support Scheme" under the Hong Kong Government's Anti-epidemic Fund.

(II) UNY HK

In June 2020, UNY HK extended its business operation to the New Territories and opened a new Japanese supermarket in Yuen Long, offering customers fresh Japanese produce and food products as well as daily necessities.

UNY HK enhanced the product mix of fresh food and introduced its "Style One" house-brand Japanese groceries and snacks to its supermarkets. Meanwhile, the public maintained social distancing amid the pandemic and stayed at home, resulting in an increase in purchasing of food and daily necessities at supermarkets. In turn, this resulted in supermarkets at the Taikoo Shing and Lok Fu stores recording improved sales. In addition, the above new Japanese supermarket in Yuen Long opened in June 2020. Despite the closure of PIAGO store at Telford Plaza at the end of March 2019, UNY HK recorded a period-on-period decrease of merely 1% in total proceeds derived from the sales of own goods and consignment sales for the six months ended 30 June 2020.

After deducting operating expenses, UNY HK recorded a profit after taxation of HK$12 million during the period under review. Included therein were wage subsidies of HK$4 million accrued for June 2020 from the "Employment Support Scheme" under the Hong Kong Government's Anti-epidemic Fund, whilst a loss of HK$17 million was recorded for the same period last year due to the rental expenditure in the aggregate amount of HK$22 million incurred on the PIAGO premises after its closure.

The pandemic has caused changes to customers' preferences and consumption patterns. In view of the emerging trend for online food ordering, "UNY HK" launched its own online food ordering and delivery services in July 2020 at APITA for its freshly made sushi, sashimi and other delicacies. Citistore and UNY HK will also continue to optimise their merchandise mix and customer services to respond to the ever changing market demands. HIL will continue to seize market opportunities to expand its store network and online business, thereby improving its overall results.

Associated Companies

The Hong Kong and China Gas Company Limited ("Hong Kong and China Gas")

Hong Kong and China Gas's unaudited operating profit of principal businesses after taxation for the six months ended 30 June 2020 amounted to HK$3,517 million, down by 9.4% compared to the same period last year. Its profit after taxation (exclusive of its share of a decline in revaluation from an investment property, the International Finance Centre complex) amounted to HK$2,970 million, down by 20.9% compared to the same period last year. Inclusive of the decline in revaluation of the investment property, profit after taxation attributable to shareholders of Hong Kong and China Gas amounted to HK$2,667 million, down by 31.4%, compared to the same period last year.

TOWN GAS BUSINESS IN HONG KONG

Total volume of gas sales in Hong Kong for the first half of 2020 was approximately 15,165 million MJ, a decrease of 3.9%, whilst the number of appliances sold also decreased by 17.5%, both compared to the same period last year. As at 30 June 2020, the number of customers was 1,935,512, an increase of 1,785 since the end of 2019.

UTILITY BUSINESSES IN MAINLAND CHINA

As at the end of June 2020, Hong Kong and China Gas held approximately 67.76% of the total issued shares of Towngas China Company Limited ("Towngas China"; stock code: 1083). Towngas China recorded profit after taxation attributable to its shareholders amounting to HK$581 million during the first half of 2020, a decrease of approximately 23% compared to the same period last year. Towngas China added two new projects to its portfolio during the first half of 2020, comprising a centralised heating project in Eastern Park of Tongling Economic and Technological Development Zone, Anhui province, and formation of Towngas Cosy Home (Chengdu) Technological Services Co., Ltd.

Inclusive of Towngas China, Hong Kong and China Gas has a total of 132 city-gas projects on the mainland. The total volume of gas sales for these projects for the first half of 2020 was approximately 12,450 million cubic metres, a decrease of 4% compared to the same period last year. As at the end of June 2020, Hong Kong and China Gas's mainland gas customers stood at approximately 30.58 million, an increase of 7% over the same period last year.

Construction of Hong Kong and China Gas's natural gas storage facility in underground salt caverns in Jintan district, Changzhou city, Jiangsu province, is progressing in phases. This project, the first of its kind built by a city-gas enterprise on the mainland, will comprise a total of 25 wells, four of which have now been commissioned. Total storage capacity of the whole facility will eventually reach 1,100 million standard cubic metres. In addition, Hong Kong and China Gas was successful in its bid for a storage tank project at the LNG receiving terminal in Caofeidian district, Tangshan city, Hebei province in the second quarter of 2020. Hong Kong and China Gas has been granted the right of use of two storage tanks, each 200,000 cubic metres, and a jetty for importing 1 million tonnes of LNG per annum for a contract term of 50 years.

Hong Kong and China Gas has been in the mainland water market, under the brand name "Hua Yan Water", for over 14 years and currently invests in, and operates, seven water projects. These include water supply joint venture projects in Wujiang district, Suzhou city, Jiangsu province and in Wuhu city, Anhui province; wholly-owned water supply projects in Zhengpugang Xin Qu, Maanshan city and in Jiangbei Xin Qu, Wuhu city, both in Anhui province; an integrated water supply and wastewater treatment joint venture project, together with an integrated wastewater treatment joint venture project for a special industry, both in Suzhou Industrial Park, Suzhou city, Jiangsu province; and a water services joint venture project in Foshan city, Guangdong province through investment in Foshan Water Environmental Protection Co., Ltd., being Hong Kong and China Gas's first water services project located in the Guangdong-Hong Kong-Macao Greater Bay Area.

In 2016, Hong Kong and China Gas invested in the construction of an urban organic waste resource utilisation project in Suzhou Industrial Park, Suzhou city, Jiangsu province. This project handles 500 tonnes daily of food waste, green waste and landfill leachate for conversion into natural gas, oil products, solid fuel and fertilizers and is Hong Kong and China Gas's first project converting municipal environmental and sanitary waste into value-added products. Trial production formally commenced in mid-February 2019, and has since processed more than 100,000 tonnes of various organic wastes and produced nearly 3 million cubic metres of bio-natural gas for injecting into city gas pipeline networks. Construction of phase two of this project, to increase daily processing capacity by 300 tonnes, is in progress, expecting to commence operation in June 2021.

Hong Kong and China Gas formed an investment platform company under the brand name "Hua Yan Environmental" in Changzhou city, Jiangsu province in June this year to coordinate the development of its environmental governance businesses on the mainland. To this end, a food waste resource utilisation project already in operation in Tongling city, Anhui province, which processes 100 tonnes of food waste daily, has been acquired. There are plans to develop a second phase to increase daily processing volumes by 100 tonnes.

Inclusive of projects of Towngas China, Hong Kong and China Gas had 267 projects on the mainland as at the end of June 2020, two more than at the end of 2019, spread across 26 provinces, autonomous regions and municipalities. These projects encompass upstream, midstream and downstream natural gas sectors, environmentally-friendly energy, smart energy, water sectors and waste treatment, as well as telecommunications.

EMERGING ENVIRONMENTALLY-FRIENDLY ENERGY BUSINESSES

Hong Kong and China Gas's development of emerging environmentally-friendly energy businesses, through ECO Environmental Investments Limited ("ECO"), include coalbed methane liquefaction, clean coal chemicals, conversion and utilisation of biomass, utilisation of agricultural waste as well as natural gas refilling stations.

ECO's major businesses in Hong Kong – an aviation fuel facility, dedicated liquefied petroleum gas ("LPG") vehicular refilling stations and landfill gas utilisation projects – are all operating well.

In mainland China, ECO's research and development team has been working hard for many years in the field of biomass utilisation. Two sets of self-developed patented technologies have been successfully developed, and are now being implemented in different projects. The first project which converts inedible bio-grease feedstock into hydro-treated vegetable oil ("HVO") is located in Zhangjiagang city, Jiangsu province. Its HVO, which is classified as an Advanced Biofuel as defined by the European Union after gaining accreditation under the "International Sustainability and Carbon Certification Scheme", is highly demanded in European markets. Phase one of this project has steadily run through its trial production stage, thus confirming the advance nature and scalability of this patented technology. Construction works of phase two project with the annual production capacity enhanced to 250,000 tonnes of HVO have also been completed, and is scheduled to be commissioned in the third quarter of this year.

In addition, ECO is developing two innovative environmentally-friendly projects respectively in Tangshan city and Cangzhou city, Hebei province. Both projects employ the self-developed patented technology to undertake hydrolysis separation and further processing of domestic agricultural and forestry waste. The project in Tangshan city, which will produce furfural and paper pulp as main products, will commence production in the fourth quarter of this year. The project in Cangzhou city is expected to commence production in the first quarter of next year. Its main product will be cellulosic ethanol, another Advanced Biofuel as defined by the European Union upon gaining accreditation under the "International Sustainability and Carbon Certification Scheme".

TELECOMMUNICATIONS BUSINESSES

Hong Kong and China Gas is developing telecommunications businesses through Towngas Telecommunications Company Limited and the latter's subsidiaries (collectively known as "TGT"). TGT's businesses are progressing steadily, with seven data centres currently located in Hong Kong and mainland China. TGT has taken the lead in installing a "5G Sharing System" in three shopping malls in Hong Kong, thus providing high-speed and low-latency 5G services to shopping mall customers. TGT is also preparing to develop 5G services in public areas of residential premises. In mainland China, TGT is benefiting from national policies. In addition, customers have recognised the importance of remote transmission and video conferencing during the coronavirus epidemic period and this has facilitated the development of TGT's data centre and network businesses; overall development is satisfactory.

FINANCING PROGRAMMES

Hong Kong and China Gas established a medium term note programme in 2009. Medium term notes totalling HK$3,240 million, with a tenor of 10 to 30 years, have been issued so far in 2020. As at 30 June 2020, the total nominal amount of medium term notes issued has reached HK$18,000 million with tenors ranging from 3 to 40 years, mainly at fixed interest rates with an average of 3.3% per annum and an average tenor of 17 years. Furthermore, as at 30 June 2020, Hong Kong and China Gas had Perpetual Subordinated Capital Securities (the "Perpetual Securities") of US$300 million, issued in February 2019, with a coupon rate at 4.75% per annum. The Perpetual Securities are redeemable at the option of Hong Kong and China Gas in February 2024 or thereafter every six months on the coupon payment date.

***Hong Kong Ferry (Holdings) Company Limited* (“*Hong Kong Ferry*”)**

The unaudited consolidated net profit after taxation of Hong Kong Ferry for the six months ended 30 June 2020 amounted to HK$18 million, representing a decrease of 79% as compared with the figure for the first half year of 2019. This was mainly attributable to the fact that no property sales revenue was recognised during the period and decline in fair value of the investment properties.

Property Development and Investment Operations

During the period, the gross rental income arising from its commercial arcades amounted to approximately HK$53 million. At the end of the reporting period, the commercial arcades of Metro6 were fully let, whereas the occupancy rates of the commercial arcade of Green Code and Shining Heights were 90% and 88% respectively. The occupancy rates of Metro Harbour Plaza and commercial arcade of The Spectacle were 94% and 79% respectively.

The Royale (8 Castle Peak Road – Castle Peak Bay, Tuen Mun)

Hong Kong Ferry’s 50%/50% equity joint venture development project with Empire Group at Tuen Mun Town Lot No. 547 carries the brand name of “The Royale”. The launch of the pre-sale of the first two parcels of Phase 1, “Seacoast Royale” on 1 August 2020 and 9 August 2020 received overwhelming response and registration from buyers. A total of 367 residential units were promptly sold. The sales amounted to approximately HK$1,690 million, with an average selling price of saleable floor area in excess of HK$14,000 per square foot. The remaining 240 plus residential units in Phase 1 will be put on sale shortly. This project consists of six residential towers, providing about 1,782 units with sea or landscape views. The gross floor area of the project is approximately 663,000 square feet. The construction of the project is in good progress, the superstructure works of which commenced in November last year. The project is expected to be completed by phases in 2022.

Kweilin Street/Tung Chau Street, Sham Shui Po Redevelopment Project

In June 2018, Hong Kong Ferry was awarded the contract for the Kweilin Street/Tung Chau Street redevelopment project in Sham Shui Po by the Urban Renewal Authority. Hong Kong Ferry is responsible for the construction of the project with a total gross floor area of about 144,345 square feet. Upon development, it will be entitled to the residential gross floor area of about 97,845 square feet and the project is expected to be completed in 2023. The foundation works has been completed and superstructure works will commence soon.

Ferry, Shipyard and Related Operations

During the period, the Ferry, Shipyard and Related Operations recorded a loss of HK$4.1 million, a decrease of 211% as compared to the same period last year. The decrease was mainly due to the global pandemic leading to a significant decline of revenue in Harbour Cruise - Bauhinia and vessel repair businesses.

Securities Investment

A deficit of HK$3.6 million in securities investment was recorded mainly due to the fair value change of certain financial assets during the period.

Hong Kong Ferry will continue to sell the residential units of The Royale by phases to meet the market demand. The rental income from the commercial arcades will be the main source of Hong Kong Ferry’s profit for the second half year.

Miramar Hotel and Investment Company, Limited ("Miramar")

Miramar's revenue for the six months ended 30 June 2020 amounted to approximately HK$765 million (2019: HK$1,586 million), a decrease of 51.8% against the corresponding period last year. Profit attributable to shareholders for the period was approximately HK$157 million (2019: HK$770 million) with a year-on-year decrease of 79.6%. Excluding the decrease of the fair value of investment properties of HK$72.5 million and other non-core net income, the underlying profit attributable to shareholders reduced by 45.4% to approximately HK$229 million (2019: HK$420 million).

Hotels and Serviced Apartments Business

Revenue of the hotel and serviced apartment business decreased by 69% from the last corresponding period to HK$102.5 million. The earnings before interest, taxes, depreciation and amortisation ("EBITDA") recorded a loss of HK$10.4 million while there was a profit of HK$119 million in last corresponding period. To encourage local consumptions and lift up hotel occupancy rates, Miramar has quickly shifted its focus to target the neighbourhood and local community by offering dining and leisure-focused staycation packages and flash sales. Miramar has also implemented various cost control measures to minimise operating costs while maintaining service quality, which include temporary closure of certain catering outlets and cessation of recruitment.

Property Rental Business

Revenue of its property rental business contracted slightly to HK$417.5 million with EBITDA at HK$368.2 million, which were down by 9.6% and 10% respectively compared with the last corresponding period. The fair value of its total investment properties has decreased by HK$72.5 million during the period (compared to an increase of HK$350.1 million in the last corresponding period). The book value of the overall investment properties as at 30 June 2020 was HK$15,300 million. Miramar has launched various marketing activities and promotions in the wake of the adverse operating conditions, driving footfall and boosting sales revenue for tenants. Miramar continues to provide a dynamic and refreshing shopping experience by optimising tenant mix and introducing new brands. The repartitioning of retail space, refinement of arcade layout, and upgrade of facilities including lavatories and concierge, which would be completed in the third quarter, will further enhance traffic flow, and the quality of its property assets and service level.

Food and Beverage Business

Food and beverage business revenue recorded approximately HK$67.8 million, while EBITDA turned to a loss of approximately HK$6.3 million; the revenue and EBITDA were HK$137.4 million and HK$14.6 million respectively in last corresponding period. Miramar adopted a flexible operating model and introduced corresponding strategies in response to the shifted customer dining behaviours, including the fine tunes of menus and pricing, strengthening the partnership with food delivery and catering platforms, and implementation of cost control measures on procurement, inventory and human resources.

Travel Business

Revenue from travel business was HK$177.4 million, and the EBITDA reverted to a loss of approximately HK$16.6 million; the revenue and EBITDA were HK$656.5 million and HK$43.7 million respectively in last corresponding period.

CORPORATE FINANCE

The Group has always adhered to prudent financial management principles. At 30 June 2020, net debt (including shareholder's loans totalling HK$756 million (31 December 2019: HK$737 million)) amounted to HK$89,093 million (31 December 2019: HK$81,655 million) giving rise to a financial gearing ratio of 28.2% (31 December 2019: 25.5%).

Since 2018, the Group had issued medium term notes for a total amount of HK$17,304 million so as to diversify the sources of funding and to extend the debt maturity profile. In addition, the Group obtained seven-year Japanese Yen term loans for a total amount of JPY43,000 million and a six-year Renminbi term loan for a total amount of RMB1,000 million, demonstrating that the Group's prime credit standing is well received by the international investment community. At the same time, the Group also secured a substantial amount of banking facilities. After full prepayment before mid-2019 of a HK$18,000 million 5-year syndicated loan facility before its original due date in March 2020, the Group's internal funding remains ample.

In light of the low interest rate levels resulting from quantitative easing measures adopted by major economies around the world, the Group entered into interest rate swap contracts for certain medium and long-term periods, for the purpose of converting part of the Group's borrowings from floating interest rates into fixed interest rates. It is considered that such a treasury management strategy will be of benefit to the Group in the long run.

PROSPECTS

The lingering COVID-19 pandemic, strained Sino-US relations and heightened geopolitical tensions, have adversely affected the Hong Kong economy. In particular, due to the pandemic, many countries have imposed restrictive measures such as lockdown and quarantine policies. Supply chains have thus been disrupted, and production and business activities have not fully resumed. The tourism, hotel and aviation sectors are still at a standstill. Economies have been hard-hit both globally and locally. Although the Hong Kong SAR Government has gone to great lengths to implement various relief measures, GDP in the first half of 2020 decreased by as much as 9% in real terms from a year earlier. The operating environment for the Group's various businesses is expected to remain challenging. The Group will monitor the situation closely, assess risks, and take appropriate measures.

During the period under review, the Group acquired further New Territories land lots of about 0.4 million square feet, increasing its land reserves in the New Territories to approximately 45.3 million square feet, which represents the largest holding among all property developers in Hong Kong. For the newly acquired urban redevelopment projects with 80% to 100% of their ownerships acquired, the total attributable gross floor area amounted to 4.2 million square feet covering a total of 25 projects. Some of them may be assembled for sizeable redevelopments, such as the 1,000,000-square-foot revitalised community in Hung Hom. With the diversified means of land bank replenishment, the Group has sufficient land resources for property development over the long term.

As regards "**property sales**", following the launch of "Seacoast Royale" ("The Royale" – Phase 1) at Tuen Mun in August 2020, the Group plans to embark on the sales launches of five other development projects in the second half of this year. Together with unsold stocks, a total of about 3,800 residential units and 240,000 square feet of office/industrial space in Hong Kong will be available for sale in the second half of this year. As at the end of June 2020, cumulative proceeds from the sales of Hong Kong properties, but not yet recognised, amounted to approximately HK$14,924 million in attributable terms. Included therein are the proceeds of HK$4,705 million (subject to adjustments) arising from the disposal of the Group's equity interest in the company holding Wo Shang Wai project in the previous year. This transaction was completed in July 2020.

In mainland China, the economy is anticipated to gradually recover in the second half of this year. Individual cities will appropriately implement differentiated controlling measures in accordance with local property market conditions. The Group will continue to look for investment opportunities in the first-tier cities, as well as the major second-tier cities. Furthermore, the Group will strengthen co-operation with local property developers. As regards mainland property sales, cumulative proceeds from sales, but not yet recognised, amounted to approximately HK$10,077 million in attributable terms as at the end of June 2020.

As regards "**rental business**", the office development project at Johnston Road, Hong Kong, as well as the retail podium complex of "Lumina Guangzhou" Phase 1 and "Lumina Shanghai" Phase 1, both in mainland China, are scheduled for completion in the second half of this year. The Group's rental portfolio at the end of 2020 will then be expanded respectively by 0.1 million square feet to 9.5 million square feet in Hong Kong, and by 2.9 million square feet to 10.2 million square feet in mainland China, both in attributable gross floor area terms. Together with the landmark office development at Murray Road in Hong Kong as well as the remaining phases of "Lumina Guangzhou" and "Lumina Shanghai" in mainland China in the pipeline, the Group's rental portfolio will grow further with a more optimal composition.

The "**associates**", namely, Hong Kong and China Gas, Miramar and Hong Kong Ferry, serve as another steady recurrent income stream to the Group. Hong Kong and China Gas, in particular, has 267 projects on the mainland, spanning 26 provinces, autonomous regions and municipalities. With a total of over 32.5 million piped-gas customers in Hong Kong and mainland China, as well as its development of various extended businesses, it is poised to provide promising returns to the Group.

With the Group's strong balance sheet and astute management of three major businesses (namely, "**property sales**", "**rental business**" and "**associates**") by its experienced professional team, the Group is well-placed to tackle the challenges. Underlying operations of the Group are expected to remain stable for the current financial year. However, the pandemic may have a downward pressure on property value, resulting in a fair value loss on revaluation of investment properties.

APPRECIATION

Mr. Lau Yum Chuen, Eddie stepped down from his position of Executive Director of the Company on 8 June 2020. The Board would like to express its sincere gratitude to Mr. Lau for his invaluable contribution to the Company over the past 30 years.

Meanwhile, Mr. Fung Hau Chung, Andrew, the Chief Financial Officer of the Company, was appointed as an Executive Director of the Company on the same day. The Board would like to extend a warm welcome to Mr. Fung to join the Board and is confident that Mr. Fung, with his rich experience and professional expertise, will make significant contributions to the Group.

BUSINESS RESULTS

Consolidated Statement of Profit or Loss
for the six months ended 30 June 2020 - unaudited

	Note	**For the six months ended 30 June** **2020** **HK$ million**	2019 HK$ million
Revenue	4,11	**10,943**	8,129
Direct costs		**(4,558)**	(3,979)
		6,385	4,150
Other net (loss)/income	5	**(705)**	909
Selling and marketing expenses		**(515)**	(408)
Administrative expenses		**(916)**	(876)
Profit from operations before changes in fair value of investment properties and investment properties under development		**4,249**	3,775
(Decrease)/increase in fair value of investment properties and investment properties under development	6	**(757)**	1,097
Profit from operations after changes in fair value of investment properties and investment properties under development		**3,492**	4,872
Finance costs	7(a)	**(355)**	(262)
Bank interest income		**214**	378
(Net finance costs)/net interest income		**(141)**	116
Share of profits less losses of associates		**1,105**	2,030
Share of profits less losses of joint ventures		**122**	1,479
Profit before taxation	7	**4,578**	8,497
Income tax	8	**(1,720)**	(971)
Profit for the period		**2,858**	7,526

Consolidated Statement of Profit or Loss
for the six months ended 30 June 2020 - unaudited (continued)

	Note	For the six months ended 30 June **2020** **HK$ million**	 2019 HK$ million
Attributable to:			
Equity shareholders of the Company		**2,834**	7,515
Non-controlling interests		**24**	11
Profit for the period		**2,858**	7,526
Earnings per share based on profit attributable to equity shareholders of the Company (reported earnings per share)			
Basic and diluted	*9(a)*	***HK$0.59***	*HK$1.55*
Earnings per share excluding the effects of the Group's aggregate attributable share of changes in fair value of investment properties and investment properties under development (net of deferred tax) (underlying earnings per share)			
Basic and diluted	*9(b)*	***HK$1.07***	*HK$1.38*

Details of dividends payable to equity shareholders of the Company are set out in note 10.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2020 - unaudited

	For the six months ended 30 June	
	2020	2019
	HK$ million	HK$ million
Profit for the period	**2,858**	7,526
Other comprehensive income for the period-net, after tax and reclassification adjustments:		
Items that will not be reclassified to profit or loss:		
- Investments in equity securities designated as financial assets at fair value through other comprehensive income	**(34)**	(16)
- Share of other comprehensive income of associates and joint ventures	**(149)**	23
Items that may be reclassified subsequently to profit or loss:		
- Exchange differences	**(959)**	(167)
- Cash flow hedges	**4**	12
- Share of other comprehensive income of associates and joint ventures	**(645)**	(102)
Other comprehensive income for the period	**(1,783)**	(250)
Total comprehensive income for the period	**1,075**	7,276
Attributable to:		
Equity shareholders of the Company	**1,057**	7,265
Non-controlling interests	**18**	11
Total comprehensive income for the period	**1,075**	7,276

Consolidated Statement of Financial Position
at 30 June 2020

	Note	**At 30 June 2020 (unaudited) HK$ million**	At 31 December 2019 (audited) HK$ million
Non-current assets			
Investment properties		**182,670**	182,963
Other property, plant and equipment		**399**	389
Right-of-use assets		**792**	451
Goodwill		**262**	262
Interest in associates		**62,323**	63,171
Interest in joint ventures		**62,235**	65,230
Derivative financial instruments		**805**	453
Other financial assets		**12,210**	13,160
Deferred tax assets		**464**	416
		322,160	326,495
Current assets			
Deposits for acquisition of properties	12	**1,276**	1,260
Inventories	13	**100,590**	100,495
Trade and other receivables	14	**18,837**	14,885
Cash held by stakeholders		**1,081**	1,376
Cash and bank balances		**10,813**	10,734
		132,597	128,750
Current liabilities			
Trade and other payables	15	**22,775**	27,298
Lease liabilities		**306**	232
Bank loans		**30,194**	27,768
Guaranteed notes		**2,334**	1,484
Tax payable		**2,537**	2,383
		58,146	59,165
Net current assets		**74,451**	69,585
Total assets less current liabilities		**396,611**	396,080

Consolidated Statement of Financial Position
at 30 June 2020 (continued)

	At 30 June 2020 (unaudited) HK$ million	At 31 December 2019 (audited) HK$ million
Non-current liabilities		
Bank loans	**49,857**	52,157
Guaranteed notes	**16,765**	10,243
Amount due to a fellow subsidiary	**756**	737
Derivative financial instruments	**1,217**	381
Lease liabilities	**502**	242
Provisions for reinstatement costs	**17**	17
Deferred tax liabilities	**7,433**	6,910
	76,547	70,687
NET ASSETS	**320,064**	325,393
CAPITAL AND RESERVES		
Share capital	**52,345**	52,345
Other reserves	**263,264**	268,506
Total equity attributable to equity shareholders of the Company	**315,609**	320,851
Non-controlling interests	**4,455**	4,542
TOTAL EQUITY	**320,064**	325,393

Notes:

1 Review of results

The interim results set out in this preliminary announcement do not constitute the Group's condensed interim financial statements for the six months ended 30 June 2020 but are extracted from those financial statements.

The condensed interim financial statements comprise those of Henderson Land Development Company Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") and have equity accounted for the Group's interests in associates and joint ventures.

The condensed interim financial statements are unaudited, but have 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 Hong Kong Institute of Certified Public Accountants ("HKICPA"). KPMG's independent review report to the Board of Directors is included in the interim report to be sent to shareholders. In addition, the condensed interim financial statements have been reviewed by the Company's Audit Committee with no disagreement.

2 Basis of preparation

These condensed interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting,* issued by the HKICPA.

The condensed interim financial statements have been prepared in accordance with the same accounting policies adopted in the Company's consolidated financial statements for the year ended 31 December 2019, except for the accounting policy changes that are expected to be reflected in the Company's consolidated financial statements for the year ending 31 December 2020. Details of these changes in accounting policies are set out in note 3.

The preparation of condensed interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. Given the COVID-19 pandemic has caused and will likely cause significant disruptions to economic activities, the uncertainties associated with accounting estimates and assumptions may also be increased accordingly.

2 Basis of preparation (continued)

The financial information relating to the financial year ended 31 December 2019 included in this preliminary announcement of interim results for the six months ended 30 June 2020 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 such statutory financial statements required to be 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 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor has reported on the financial statements for the year ended 31 December 2019. The auditor's report was unqualified; did not include a reference to any matters (including those matters described in the Key Audit Matters section) 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 (3) of the Hong Kong Companies Ordinance (Cap. 622).

3 Changes in accounting policies

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and a revised Conceptual Framework that are first effective for the current accounting period of the Group and the Company, which are relevant to the Group's condensed interim financial statements for the current accounting period:

- Amendments to HKFRS 3, *Definition of a business*
- Amendments to HKAS 1 and HKAS 8, *Definition of material*
- Amendment to HKFRS 16, *Covid-19-related rent concessions*
- Revised Conceptual Framework

The directors of the Company ("Directors") have assessed and considered that none of the abovementioned amendments and the revised Conceptual Framework has any material impact on the Group's financial position at 30 June 2020 or the Group's financial performance for the six months then ended.

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

4 Revenue

Revenue of the Group represents those generated from the sale of properties, rental income, operation and management of department stores and supermarket-cum-stores, and other businesses mainly including income from construction, provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, as well as the trading of building materials and disposal of leasehold land.

The major items are analysed as follows:

	For the six months ended 30 June	
	2020	2019
	HK$ million	HK$ million
Sale of properties	**6,511**	3,551
Rental income	**2,938**	3,103
Department stores and supermarket-cum-stores operations (note)	**880**	926
Other businesses	**614**	549
Total (note 11(b))	**10,943**	8,129

Note: Including commission income earned from consignment and concessionary counters of the department stores operation, and the commission income earned from consignment counters of the supermarket-cum-stores operation in the aggregate amount of HK$205 million for the period (2019: HK$246 million).

At 30 June 2020, the cumulative aggregate amount of revenue expected to be recognised in the consolidated statement of profit or loss in the future from pre-completion sales contracts entered into in relation to the Group's properties held for/under development for sale and completed properties for sale pending assignment in Hong Kong and mainland China amounted to HK$15,749 million (31 December 2019: HK$19,843 million), which will be recognised when the pre-sold properties are assigned to the customers.

5 Other net (loss)/income

	For the six months ended 30 June	
	2020	2019
	HK$ million	HK$ million
Net gain on transfer of interest in joint ventures regarding (note (i))		
- Investment properties	**-**	345
Net (loss)/gain on disposal of investment properties	**(6)**	17
Aggregate net (loss)/gain on sales of property interests (note 11(a))	**(6)**	362
Provision on inventories, net (note 11(a))	**(21)**	(2)
Net fair value (loss)/gain on investments measured as financial assets at fair value through profit or loss ("FVPL")	**(342)**	271
Net fair value (loss)/gain on derivative financial instruments		
- Interest rate swap contracts, cross currency interest rate swap contracts and cross currency swap contracts (for which no hedge accounting was applied during the period)	**(510)**	218
Cash flow hedges: reclassified from hedging reserve to profit or loss	**(5)**	-
Government grants (note (ii))	**45**	-
Impairment loss on trade debtors (note 11(c))	**(9)**	(2)
Net foreign exchange gain/(loss)	**19**	(44)
Others	**124**	106
	(705)	909

Notes:

(i) The net gain on transfer of interest in joint ventures for the corresponding six months ended 30 June 2019 in the amount of HK$345 million related to the transfer of the Group's interest in a joint venture which, together with its wholly-owned subsidiaries, collectively own an investment property at No. 8 Observatory Road, Kowloon, Hong Kong.

(ii) Being the subsidy receivable from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme as promulgated by the Government of the Hong Kong Special Administrative Region of the People's Republic of China.

6 (Decrease)/increase in fair value of investment properties and investment properties under development

The Group's investment properties and investment properties under development were revalued at 30 June 2020 by Cushman & Wakefield Limited, an independent firm of professional surveyors who have among their staff members of The Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on a market value basis.

The Group's management has reviewed the valuation results performed by the independent surveyors for financial reporting purposes by verifying all major inputs and assumptions, and assessing the reasonableness of property valuation. Such valuation is performed at each interim and annual reporting date and is reviewed and approved by senior management.

The valuations of completed investment properties in Hong Kong and mainland China were based on income capitalisation approach which capitalised the net income of the properties and taking into account the reversionary potential of the properties after expiry of the current lease.

For certain investment properties in Hong Kong and mainland China which are still under development, the valuations were determined on redevelopment basis and by taking into account the fair value of the completed investment property and then deducting from that amount the estimated costs to complete the construction, financing costs and a reasonable profit margin.

As a result, a net fair value loss on the investment properties and investment properties under development in Hong Kong and mainland China (after deducting non-controlling interests' attributable share and deferred tax) in the aggregate amount of HK$1,283 million (2019: a net fair value gain on the investment properties and investment properties under development in Hong Kong and mainland China (after deducting non-controlling interests' attributable share and deferred tax) in the aggregate amount of HK$1,052 million) has been recognised in the consolidated statement of profit or loss for the period (see note 9(b)).

In aggregate, the Group's attributable share of the net fair value losses (net of deferred tax) on investment properties and investment properties under development held by subsidiaries, associates and joint ventures for the six months ended 30 June 2020 amounted to HK$2,299 million (2019: the Group's attributable share of the net fair value gains (net of deferred tax) on investment properties and investment properties under development held by subsidiaries, associates and joint ventures of HK$1,819 million).

6 (Decrease)/increase in fair value of investment properties and investment properties under development (continued)

A reconciliation of the abovementioned figures is as follows:-

For the six months ended 30 June 2020

	Hong Kong	**Mainland China**	**Total**
	HK$ million	**HK$ million**	**HK$ million**
Fair value (loss)/gain on investment properties and investment properties under development held by			
- subsidiaries (before deducting non-controlling interests' attributable share and deferred tax)	**(2,808)**	**2,051**	**(757)**
Less :			
Deferred tax	**-**	**(527)**	**(527)**
Non-controlling interests' attributable share of the fair value loss (net of deferred tax)	**1**	**-**	**1**
(after deducting non-controlling interests' attributable share and deferred tax) (note 9(b))	**(2,807)**	**1,524**	**(1,283)**
- associates (Group's attributable share) (notes 9(b) and 11(a)(iii))	**(322)**	**-**	**(322)**
- joint ventures (Group's attributable share) (notes 9(b) and 11(a)(iv))	**(777)**	**83**	**(694)**
	(3,906)	**1,607**	**(2,299)**

6 (Decrease)/increase in fair value of investment properties and investment properties under development (continued)

For the six months ended 30 June 2019

	Hong Kong	Mainland China	Total
	HK$ million	HK$ million	HK$ million
Fair value gain on investment properties and investment properties under development held by			
- subsidiaries (before deducting non-controlling interests' attributable share and deferred tax)	982	115	1,097
Less :			
Deferred tax	-	(42)	(42)
Non-controlling interests' attributable share of the fair value gain (net of deferred tax)	(3)	-	(3)
(after deducting non-controlling interests' attributable share and deferred tax) (note 9(b))	979	73	1,052
- associates (Group's attributable share) (notes 9(b) and 11(a)(iii))	233	-	233
- joint ventures (Group's attributable share) (notes 9(b) and 11(a)(iv))	393	141	534
	1,605	214	1,819

7 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2020	2019
	HK$ million	HK$ million
(a) Finance costs:		
Bank loans interest	**862**	794
Interest on loans	**319**	386
Finance cost on lease liabilities	**9**	15
Other borrowing costs	**45**	80
	1,235	1,275
Less: Amount capitalised *(note)*	**(880)**	(1,013)
	355	262

Note: The borrowing costs have been capitalised at weighted average interest rates (based on the principal amounts of the Group's bank loans, guaranteed notes and amount due to a fellow subsidiary during the period under which interest capitalisation is applicable) ranging from 2.46% to 3.81% (2019: 2.26% to 3.88%) per annum.

7 Profit before taxation (continued)

Profit before taxation is arrived at after charging/(crediting): (continued)

	For the six months ended 30 June	
	2020	2019
	HK$ million	HK$ million
(b) Staff costs:		
Salaries, wages and other benefits	**1,147**	1,124
Contributions to defined contribution retirement plans	**53**	49
	1,200	1,173

	For the six months ended 30 June	
	2020	2019
	HK$ million	HK$ million
(c) Other items:		
Depreciation		
– on other property, plant and equipment	**36**	33
– on right-of-use assets	**175**	146
	211	179
	(note 11(c))	(note 11(c))
Cost of sales		
– properties for sale	**2,839**	2,254
– trading stocks	**464**	480
Dividend income from investments designated as financial assets at fair value through other comprehensive income (“FVOCI”) (non-recycling) and investments measured as financial assets at FVPL		
– listed	**(39)**	(40)
– unlisted	**(2)**	-

8 Income tax

	For the six months ended 30 June	
	2020	2019
	HK$ million	HK$ million
Current tax		
Provision for Hong Kong Profits Tax	**619**	252
Provision for taxation outside Hong Kong	**341**	400
Provision for Land Appreciation Tax	**185**	94
	1,145	746
Deferred tax		
Origination and reversal of temporary differences	**575**	225
	1,720	971

Provision for Hong Kong Profits Tax has been made at 16.5% (2019: 16.5%) on the estimated assessable profits for the period.

Provision for taxation outside Hong Kong is provided for at the applicable rates of taxation for the period on the estimated assessable profits arising in the relevant foreign tax jurisdictions during the period.

Land Appreciation Tax is levied on properties in mainland China developed by the Group for sale, at progressive rates ranging from 30% to 60% (2019: 30% to 60%) on the appreciation of land value, which under the applicable regulations is calculated based on the revenue from sale of properties less deductible expenditure including lease charges of land use rights, borrowing costs and property development expenditure.

9 Earnings per share

(a) Reported earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of HK$2,834 million (2019: HK$7,515 million) and the 4,841 million ordinary shares in issue during the period (2019: 4,841 million ordinary shares), calculated as follows:

	For the six months ended 30 June	
	2020	2019
	million	million
Number of issued ordinary shares at 1 January	**4,841**	4,401
Weighted average number of ordinary shares issued in respect of the bonus issue in 2019	**-**	440
Weighted average number of ordinary shares for the period	**4,841**	4,841

Diluted earnings per share were the same as the basic earnings per share for the period and the corresponding six months ended 30 June 2019 as there were no dilutive potential ordinary shares in existence during both periods.

9 Earnings per share (continued)

(b) Underlying earnings per share

For the purpose of assessing the underlying performance of the Group, basic and diluted earnings per share are additionally calculated based on the profit attributable to equity shareholders of the Company after excluding the effects of changes in fair value of investment properties and investment properties under development ("Underlying Profit") of HK$5,182 million (2019: HK$6,702 million). A reconciliation of profit is as follows:

	For the six months ended 30 June	
	2020	2019
	HK$ million	HK$ million
Profit attributable to equity shareholders of the Company	**2,834**	7,515
Fair value loss/(gain) of investment properties and investment properties under development during the period (after deducting non-controlling interests' attributable share and deferred tax)(note 6)	**1,283**	(1,052)
Share of fair value loss/(gain) of investment properties (net of deferred tax) during the period:		
– associates (note 6)	**322**	(233)
– joint ventures (note 6)	**694**	(534)
The Group's attributable share of the cumulative fair value gain of investment properties and investment properties under development disposed of during the period, net of tax:		
– subsidiaries	**49**	46
– associates and joint ventures	**-**	960
Underlying Profit	**5,182**	6,702
Underlying earnings per share, based on the weighted average number of ordinary shares for the period (note 9(a))	**HK$1.07**	HK$1.38

10 Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the interim period

	For the six months ended 30 June	
	2020	2019
	HK$ million	HK$ million
Interim dividend declared after the interim period of HK$0.50 (2019: HK$0.50) per share	**2,421**	2,421

The interim dividend declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period

	For the six months ended 30 June	
	2020	2019
	HK$ million	HK$ million
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK$1.30 (2019: HK$1.30) per share	**6,294**	5,722

11 Segment reporting

The Group manages its businesses by a mixture of business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

Property development	:	Development and sale of properties
Property leasing	:	Leasing of properties
Department stores and supermarket-cum-stores operations	:	Operation and management of department stores and supermarket-cum-stores
Other businesses	:	Hotel operation and management, construction, provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, as well as the trading of building materials and disposal of leasehold land
Utility and energy	:	Production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases.

Revenue and expenses are allocated to the reportable segments with reference to revenues generated by those segments and the expenses incurred by those segments. Segment results form the basis of measurement used for assessing segment performance and represent profit or loss before (provision)/reversal of provision on inventories, net, sales of property interests, fair value adjustment of investment properties and investment properties under development, (net finance costs)/net interest income, income tax and items not specifically attributed to individual reportable segments, such as unallocated head office and corporate expenses, net.

(a) Results of reportable segments

Information regarding the Group's and its share of associates and joint ventures on reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2020 and 2019 is set out below:

11 Segment reporting (continued)

(a) Results of reportable segments (continued)

For the six months ended 30 June 2020	Company and its subsidiaries (before deducting non-controlling interests) Revenue (note (i)) HK$ million	Company and its subsidiaries (before deducting non-controlling interests) Segment results HK$ million	Associates and joint ventures Share of revenue HK$ million	Associates and joint ventures Share of segment results HK$ million	Combined revenue HK$ million	Consolidated segment results HK$ million	Attributable to non-controlling interests Revenue HK$ million	Attributable to non-controlling interests Segment results HK$ million	Attributable to equity shareholders of the Company Combined revenue HK$ million	Attributable to equity shareholders of the Company Consolidated segment results HK$ million
Property development										
Hong Kong	5,388	2,512	-	-	5,388	2,512	(14)	(5)	5,374	2,507
Mainland China	1,123	449	1,792	235	2,915	684	-	(2)	2,915	682
	6,511	2,961	1,792	235	8,303	3,196	(14)	(7)	8,289	3,189
Property leasing										
Hong Kong	2,057	1,389	1,437	1,201	3,494	2,590	(4)	(2)	3,490	2,588
Mainland China	881	714	20	19	901	733	-	-	901	733
(note (ii))	2,938	2,103	1,457	1,220	4,395	3,323	(4)	(2)	4,391	3,321
Department stores and supermarket-cum-stores operations	880	118		-		118		(21)		97
Other businesses	614	56		(297)		(241)		(13)		(254)
	10,943	5,238		1,158		6,396		(43)		6,353
Utility and energy	-	-		1,961		1,961		-		1,961
	10,943	5,238		3,119		8,357		(43)		8,314
(Provision)/reversal of provision on inventories, net	(note 5)	(21)		1		(20)		-		(20)
Sales of property interests	(note 5)	(6)		-		(6)		-		(6)
Unallocated head office and corporate expenses, net		(962)		(166)		(1,128)		(1)		(1,129)
Profit from operations		4,249		2,954		7,203		(44)		7,159
Decrease in fair value of investment properties and investment properties under development		(757)		(989)		(1,746)		1		(1,745)
Finance costs		(355)		(341)		(696)		17		(679)
Bank interest income		214		96		310		(2)		308
Net finance costs		(141)		(245)		(386)		15		(371)
Profit before taxation		3,351		1,720		5,071		(28)		5,043
Income tax		(1,720)		(493)		(2,213)		4		(2,209)
Profit for the period		1,631		1,227		2,858		(24)		2,834

11 Segment reporting (continued)

(a) Results of reportable segments (continued)

In relation to the share of profits less losses of associates and joint ventures:

	Property development HK$ million	Property leasing HK$ million	Other businesses HK$ million	Subtotal HK$ million	Utility and energy HK$ million	Total HK$ million
For the six months ended 30 June 2020						
Share of profits less losses of associates (note (iii))						
- Listed associates						
The Hong Kong and China Gas Company Limited	**-**	**(17)**	**(245)**	**(262)**	**1,369**	**1,107**
Miramar Hotel and Investment Company, Limited	**-**	**118**	**38**	**156**	**-**	**156**
Hong Kong Ferry (Holdings) Company Limited	**-**	**6**	**-**	**6**	**-**	**6**
- Unlisted associates	**(38)**	**(123)**	**(3)**	**(164)**	**-**	**(164)**
	(38)	**(16)**	**(210)**	**(264)**	**1,369**	**1,105**
Share of profits less losses of joint ventures (note (iv))	**201**	**(59)**	**(20)**	**122**	**-**	**122**
	163	**(75)**	**(230)**	**(142)**	**1,369**	**1,227**

11 Segment reporting (continued)

(a) Results of reportable segments (continued)

	Company and its subsidiaries (before deducting non-controlling interests)		Associates and joint ventures				Attributable to non-controlling interests		Attributable to equity shareholders of the Company	
	Revenue (note (i))	Segment results	Share of revenue	Share of segment results	Combined revenue	Consolidated segment results	Revenue	Segment results	Combined revenue	Consolidated segment results
For the six months ended 30 June 2019	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Property development										
Hong Kong	2,737	478	245	70	2,982	548	(14)	(4)	2,968	544
Mainland China	814	168	1,103	396	1,917	564	-	(1)	1,917	563
	3,551	646	1,348	466	4,899	1,112	(14)	(5)	4,885	1,107
Property leasing										
Hong Kong	2,186	1,594	1,483	1,260	3,669	2,854	(3)	(1)	3,666	2,853
Mainland China	917	726	6	6	923	732	-	-	923	732
(note (ii))	3,103	2,320	1,489	1,266	4,592	3,586	(3)	(1)	4,589	3,585
Department stores and supermarket-cum stores operations	926	116		-		116		(13)		103
Other businesses	549	657		80		737		(6)		731
	8,129	3,739		1,812		5,551		(25)		5,526
Utility and energy	-	-		2,377		2,377		-		2,377
	8,129	3,739		4,189		7,928		(25)		7,903
(Provision)/reversal of provision on inventories, net	(note 5)	(2)		1		(1)		-		(1)
Sales of property interests	(note 5)	362		-		362		(2)		360
Unallocated head office and corporate expenses, net		(324)		(189)		(513)		-		(513)
Profit from operations		3,775		4,001		7,776		(27)		7,749
Increase in fair value of investment properties and investment properties under development		1,097		814		1,911		(3)		1,908
Finance costs		(262)		(412)		(674)		19		(655)
Bank interest income		378		91		469		(3)		466
Net interest income/(net finance costs)		116		(321)		(205)		16		(189)
Profit before taxation		4,988		4,494		9,482		(14)		9,468
Income tax		(971)		(985)		(1,956)		3		(1,953)
Profit for the period		4,017		3,509		7,526		(11)		7,515

11 Segment reporting (continued)

(a) Results of reportable segments (continued)

In relation to the share of profits less losses of associates and joint ventures:

	Property development HK$ million	Property leasing HK$ million	Other businesses HK$ million	Subtotal HK$ million	Utility and energy HK$ million	Total HK$ million
For the six months ended 30 June 2019						
Share of profits less losses of associates (note (iii))						
- Listed associates						
The Hong Kong and China Gas Company Limited	-	174	(65)	109	1,507	1,616
Miramar Hotel and Investment Company, Limited	-	336	51	387	-	387
Hong Kong Ferry (Holdings) Company Limited	5	15	9	29	-	29
- Unlisted associates	(39)	37	-	(2)	-	(2)
	(34)	562	(5)	523	1,507	2,030
Share of profits less losses of joint ventures (note (iv))	248	1,147	84	1,479	-	1,479
	214	1,709	79	2,002	1,507	3,509

11 Segment reporting (continued)

(a) Results of reportable segments (continued)

Notes:

(i) The revenue figures above are arrived at after the elimination of inter-segment revenues, in the amounts of HK$158 million (2019: HK$160 million) and HK$514 million (2019: HK$1,905 million) in relation to the reportable segments under property leasing and others, respectively.

(ii) Revenue for the property leasing segment comprises rental income of HK$2,633 million (2019: HK$2,797 million) and rental-related income of HK$305 million (2019: HK$306 million), which in aggregate amounted to HK$2,938 million for the six months ended 30 June 2020 (2019: HK$3,103 million).

(iii) The Group’s share of losses less profits of associates contributed from the property leasing segment during the period of HK$16 million (2019: share of profits less losses HK$562 million) includes the net decrease in fair value of investment properties (net of deferred tax) during the period of HK$322 million (2019: net increase in fair value of investment properties (net of deferred tax) of HK$233 million) (see note 6).

The Group’s share of losses less profits of associates contributed from the other businesses segment during the period of HK$210 million (2019: HK$5 million) includes the Group’s share of loss after tax from hotel operation and management during the period of HK$21 million (2019: share of profit after tax of HK$44 million).

(iv) The Group’s share of losses less profits of joint ventures contributed from the property leasing segment during the period of HK$59 million (2019: share of profits less losses of HK$1,147 million) includes the net decrease in fair value of investment properties (net of deferred tax) during the period of HK$694 million (2019: net increase in fair value of investment properties (net of deferred tax) of HK$534 million) (see note 6).

The Group’s share of losses less profits of joint ventures contributed from the other businesses segment during the period of HK$20 million (2019: the Group’s share of profits less losses of HK$84 million) includes the Group’s share of loss after tax from hotel operation and management during the period of HK$36 million (2019: share of profit after tax of HK$59 million).

11 Segment reporting (continued)

(b) Geographical information

The following table sets out information about the geographical segment location of (i) the Group's revenue from external customers; and (ii) the Group's investment properties, other property, plant and equipment, right-of-use assets, goodwill, interests in associates and joint ventures (together, the "Specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the Specified non-current assets is based on the physical location of the asset in the case of investment properties, other property, plant and equipment and right-of-use assets, the location of the operation to which the cash-generating unit(s) is(are) allocated in the case of goodwill, and the location of operations in the case of interests in associates and joint ventures.

	Revenue from external customers		**Specified non-current assets**	
	For the six months ended 30 June		**At 30 June**	At 31 December
	2020	2019	**2020**	2019
	HK$ million	HK$ million	**HK$ million**	HK$ million
Hong Kong	**8,906**	6,395	**250,481**	255,215
Mainland China	**2,037**	1,734	**58,200**	57,251
	10,943	8,129	**308,681**	312,466
	(note 4)	(note 4)		

(c) Other segment information

	Depreciation		**Impairment loss on trade debtors**	
	For the six months ended 30 June		**For the six months ended 30 June**	
	2020	2019	**2020**	2019
	HK$ million	HK$ million	**HK$ million**	HK$ million
Property development	**51**	44	**-**	-
Property leasing	**18**	15	**9**	2
Department stores and supermarket-cum-stores operations	**69**	53	**-**	-
Other businesses	**73**	67	**-**	-
	211	179	**9**	2
	(note 7(c))	(note 7(c))	**(note 5)**	(note 5)

12 Deposits for acquisition of properties

The Group's deposits for acquisition of properties mainly include HK$304 million (31 December 2019: HK$309 million) and HK$561 million (31 December 2019: HK$561 million) paid relating to the acquisition of certain pieces of land/properties located in mainland China and Macau, respectively.

In respect of the deposit paid relating to the land in Macau, the date for fulfillment of the conditions precedent has been extended by the Group, but the conditions precedent for the acquisition have not yet been fulfilled at the end of the reporting period. If the acquisition shall not proceed, then the Group is entitled to recover the deposit paid.

13 Inventories

	At 30 June 2020 HK$ million	At 31 December 2019 HK$ million
Property development		
Leasehold land held for development for sale	**11,303**	11,084
Properties held for/under development for sale	**79,691**	78,301
Completed properties for sale	**9,465**	10,989
	100,459	100,374
Other operations		
Trading stocks	**131**	121
	100,590	100,495

14 Trade and other receivables

	At 30 June 2020 HK$ million	At 31 December 2019 HK$ million
Instalments receivable	**286**	292
Loans receivable	**1,791**	1,302
Debtors, prepayments and deposits	**16,245**	12,987
Gross amount due from customers for contract work[^]	**66**	59
Financial assets measured at FVPL	**197**	196
Derivative financial instruments	**68**	5
Amounts due from associates	**135**	17
Amounts due from joint ventures	**49**	27
	18,837	14,885

[^] *These balances represent the excess of cumulative revenue recognised in profit or loss over the cumulative payments made by customers at the end of the reporting period, and are recognised as contract assets.*

14 Trade and other receivables (continued)

Loans receivable are expected to be recovered within one year from the end of the reporting period, and are neither past due nor impaired.

The amounts due from associates and joint ventures at 30 June 2020 and 31 December 2019 are unsecured, interest-free, have no fixed terms of repayment and are neither past due nor impaired.

At the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the dates of invoices or demand notes and net of loss allowance, is as follows:

	At 30 June 2020 HK$ million	At 31 December 2019 HK$ million
Current or up to 1 month overdue	**416**	439
More than 1 month overdue and up to 3 months overdue	**80**	103
More than 3 months overdue and up to 6 months overdue	**33**	21
More than 6 months overdue	**28**	22
	557	585

Regular review and follow-up actions are carried out on overdue amounts of instalments receivable from sale of properties and loans receivable which enable management to assess their recoverability and to minimise exposure to credit risk. In relation to property sales for which the buyers have entered into mortgage loans advanced by the Group, management mitigates the credit risk by holding collateral in the form of properties to cover the amounts of mortgage loans advanced by the Group to the property buyers. In respect of rental income from leasing properties, monthly rents are received in advance and sufficient rental deposits are held to cover potential exposure to credit risk.

For other trade receivables, credit terms given to customers are generally based on the financial strength and repayment history of each customer. As such, the Group does not obtain collateral from its customers. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with the receivables. Adequate allowances for impairment losses have been made for estimated irrecoverable amounts.

15 Trade and other payables

	At 30 June 2020 HK$ million	At 31 December 2019 HK$ million
Creditors and accrued expenses	**5,595**	6,409
Gross amount due to customers for contract work(#)	**2**	2
Rental and other deposits received	**1,579**	1,638
Forward sales deposits received (#)	**10,275**	14,897
Derivative financial instruments	**94**	5
Amounts due to associates	**697**	197
Amounts due to joint ventures	**4,533**	4,150
	22,775	27,298

(#) *These balances represent the excess of cumulative payments made by customers over the cumulative revenue recognised in profit or loss at the end of the reporting period, and are recognised as contract liabilities.*

At the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the due dates for settlement, is as follows:

	At 30 June 2020 HK$ million	At 31 December 2019 HK$ million
Due within 1 month or on demand	**1,511**	2,008
Due after 1 month but within 3 months	**400**	405
Due after 3 months but within 6 months	**375**	429
Due after 6 months	**1,657**	1,676
	3,943	4,518

The amounts due to associates and joint ventures at 30 June 2020 and 31 December 2019 are unsecured, interest-free and have no fixed terms of repayment except for aggregate amounts due to an associate and certain joint ventures of HK$1,437 million (31 December 2019: HK$1,673 million) which are unsecured, interest-bearing at interest rates ranging from 3.8% to 4.35% (31 December 2019: 3.8% to 4.35%) per annum and wholly repayable between 28 August 2020 and 15 January 2021 (31 December 2019: between 4 May 2020 and 10 December 2020).

16 Non-adjusting events after the reporting period

(a) After the end of the reporting period, the Directors declared an interim dividend. Further details are disclosed in note 10(a).

(b) Reference is made to the agreement dated 16 July 2019 (as amended, supplemented and novated from time to time) (the "Agreement") entered into between, inter alia, the Group (as the transferor) and an independent third party (the "Transferee") pursuant to which the Group transferred to the Transferee its entire interest in the company holding interests in certain land lots in Wo Shang Wai, the New Territories, Hong Kong which cover a total site area of about 2.4 million square feet, for an aggregate consideration of HK$4,705 million (subject to adjustments). The transfer was completed on 17 July 2020 with 50% of the total consideration (as fully adjusted pursuant to the Agreement) received in aggregate.

FINANCIAL REVIEW

Results of operations

The following discussions should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2020.

Revenue and profit

	Revenue			*Profit contribution from operations*		
	Six months ended 30 June			*Six months ended 30 June*		
	2020	2019	Increase/ *(Decrease)*	**2020**	2019	*Increase/ (Decrease)*
	HK$ million	HK$ million	*%*	**HK$ million**	HK$ million	*%*
Reportable segments						
- Property development	**6,511**	3,551	*+83%*	**2,961**	646	*+358%*
- Property leasing	**2,938**	3,103	*-5%*	**2,103**	2,320	*-9%*
- Department stores and supermarket-cum-stores operations	**880**	926	*-5%*	**118**	116	*+2%*
- Other businesses	**614**	549	*+12%*	**56**	657	*-91%*
	10,943	8,129	*+35%*	**5,238**	3,739	*+40%*

	Six months ended 30 June		
	2020	2019	*Decrease*
	HK$ million	HK$ million	*%*
Profit attributable to equity shareholders of the Company			
- including the Group's aggregate attributable share of changes in fair value of investment properties and investment properties under development (net of deferred taxation) held by the Group's subsidiaries, associates and joint ventures	**2,834**	7,515	*-62%*
- excluding the Group's aggregate attributable share of changes in fair value of investment properties and investment properties under development (net of deferred taxation) held by the Group's subsidiaries, associates and joint ventures ("Underlying Profit") *(Note 1)*	**5,182**	6,702	*-23%*

Note 1:

Underlying profit attributable to equity shareholders of the Company ("Underlying Profit") excludes the Group's aggregate attributable share of fair value change (net of deferred tax) of the investment properties and investment properties under development held by subsidiaries, associates and joint ventures. In order to fully exclude the aforesaid effects of changes in fair value from the Underlying Profit, the Group's attributable share of the cumulative fair value gain (net of tax) of investment properties disposed of during the period (which has been included in calculating the net gain on disposal of investment properties and hence the profit attributable to equity shareholders of the Company during the period) of HK$49 million (2019: HK$1,006 million) was added back in arriving at the Underlying Profit.

Excluding from the Underlying Profits for the six months ended 30 June 2020 and 2019 certain fair value adjustments and non-recurring items, the adjusted Underlying Profits for the two financial periods are as follows:-

	Six months ended 30 June			
	2020	2019	*Increase /(Decrease)*	
	HK$ million	HK$ million	*HK$ million*	*%*
Underlying Profit	**5,182**	6,702	*(1,520)*	***-23%***
Add/(Less) :				
(i) Net fair value loss/(gain) on derivative financial instruments relating to certain interest rate swap contracts, cross currency swap contracts and cross currency interest rate swap contracts (net of tax) for which there was no hedge accounting applied during the period	**426**	(182)	*608*	
(ii) Net fair value loss/(gain) on the Group's investments measured as financial assets at fair value through profit or loss	**342**	(271)	*613*	
(iii) Gain attributable to the Underlying Profit upon the Group's transfer of its interests in joint ventures holding the investment property at No. 8 Observatory Road, Kowloon, Hong Kong	**-**	(1,305)	*1,305*	
Adjusted Underlying Profit	**5,950**	4,944	*1,006*	***+20%***

Discussions on the major reportable segments are set out below.

Property development

Gross revenue - subsidiaries

The gross revenue from property sales during the six months ended 30 June 2020 and 2019 generated by the Group's subsidiaries, and by geographical contribution, is as follows:-

	Six months ended 30 June			
	2020	2019	*Increase*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution:				
Hong Kong	**5,388**	2,737	*2,651*	*+97%*
Mainland China	**1,123**	814	*309*	*+38%*
	6,511	3,551	*2,960*	*+83%*

The gross revenue from property sales in Hong Kong during the six months ended 30 June 2020 was contributed mainly from "NOVUM WEST" and "Cetus•Square Mile", both being projects completed prior to 1 January 2020 and the sold units of which were delivered to the buyers during the six months ended 30 June 2020, in the aggregate amount of HK$4,984 million (representing 93% of the total gross revenue from property sales in Hong Kong recognised for the six months ended 30 June 2020).

The gross revenue from property sales in mainland China during the six months ended 30 June 2020 was contributed as to (i) HK$987 million from "Grand Lakeview" in Yixing, in relation to which the project's Phases B1-2A and B1-2B were completed and the sold units delivered to the buyers during the six months ended 30 June 2020; and (ii) HK$136 million in relation to the other projects which were completed prior to 1 January 2020.

Pre-tax profits – subsidiaries, associates and joint ventures

The Group's attributable share of pre-tax profits from property sales, by geographical contribution and from subsidiaries (after deducting non-controlling interests), associates and joint ventures during the six months ended 30 June 2020 and 2019, are as follows:-

	Six months ended 30 June			
	2020	2019	*Increase*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution:				
Hong Kong	**2,507**	544	*1,963*	*+361%*
Mainland China	**682**	563	*119*	*+21%*
	3,189	1,107	*2,082*	*+188%*

The increase in the Group's share of pre-tax profits from property sales in Hong Kong during the six months ended 30 June 2020 of HK$1,963 million (or 361%) is mainly due to (i) the increase in pre-tax profit contributions from the property sales of "NOVUM WEST" and "Cetus•Square Mile" (as referred to above) in the aggregate amount of HK$2,648 million during the period, which is partially offset by (ii) the decrease in pre-tax profit contributions from the property sales of "Park One" and "Seven Victory Avenue" in the aggregate amount of HK$651 million during the period.

The increase in the Group's share of pre-tax profits from property sales in mainland China during the six months ended 30 June 2020 of HK$119 million (or 21%) is mainly due to (i) the increases in the pre-tax profit contribution from the property sales of "Grand Lakeview" in Yixing and the Group's attributable share of pre-tax profit contribution from the property sales of "Xukou Project" and "Kuanyue Yayuan", both being the Group's joint venture projects in Suzhou, during the period in the aggregate amount of HK$680 million, which is partially offset by (ii) the decreases in the pre-tax profit contribution from the property sales of "Palatial Crest" in Xian and the Group's attributable share of pre-tax profit contribution from the property sales of "La Botanica", being the Group's joint venture project in Xian, during the period in the aggregate amount of HK$529 million.

	Six months ended 30 June			
	2020	2019	*Increase /(Decrease)*	
	HK$ million	HK$ million	*HK$ million*	*%*
By contribution from subsidiaries (after deducting non-controlling interests), associates and joint ventures:				
Subsidiaries	**2,954**	641	*2,313*	*+361%*
Associates	**-**	(3)	*3*	*+100%*
Joint ventures	**235**	469	*(234)*	*-50%*
	3,189	1,107	*2,082*	*+188%*

The increase in the Group's attributable share of pre-tax profits from property sales of the Group's subsidiaries during the six months ended 30 June 2020 of HK$2,313 million (or 361%) is mainly due to the increase in pre-tax profit contributions from the property sales of "NOVUM WEST" and "Cetus•Square Mile", both being completed projects in Hong Kong, in the aggregate amount of HK$2,648 million (as referred to above).

The decrease in the Group's attributable share of pre-tax profits from property sales of the Group's joint ventures during the six months ended 30 June 2020 of HK$234 million (or 50%) is mainly due to (i) the decrease in the Group's attributable share of pre-tax profit contributions from the property sales of "La Botanica" in Xian, mainland China and "Wellesley" in Hong Kong in the aggregate amount of HK$495 million during the period, which is partially offset by (ii) the increase in the Group's attributable share of pre-tax profit contributions from the property sales of "Xukou Project" and "Kuanyue Yayuan" in Suzhou, mainland China in the aggregate amount of HK$276 million.

Property leasing

Gross revenue - subsidiaries

The gross revenue from property leasing during the six months ended 30 June 2020 and 2019 generated by the Group's subsidiaries, and by geographical contribution, is as follows:-

	Six months ended 30 June			
	2020	2019	*Decrease*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution:				
Hong Kong	**2,057**	2,186	*(129)*	*-6%*
Mainland China	**881**	917	*(36)*	*-4%*
	2,938	3,103	*(165)*	*-5%*

Pre-tax net rental income – subsidiaries, associates and joint ventures

The Group's attributable share of pre-tax net rental income, by geographical contribution and from subsidiaries (after deducting non-controlling interests), associates and joint ventures during the six months ended 30 June 2020 and 2019, are as follows:-

	Six months ended 30 June			
	2020	2019	*Increase / (Decrease)*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution:				
Hong Kong	**2,588**	2,853	*(265)*	*-9%*
Mainland China	**733**	732	*1*	*+0.1%*
	3,321	3,585	*(264)*	*-7%*

By contribution from subsidiaries (after deducting non-controlling interests), associates and joint ventures:

Subsidiaries	**2,101**	2,319	*(218)*	*-9%*
Associates	**390**	428	*(38)*	*-9%*
Joint ventures	**830**	838	*(8)*	*-1%*
	3,321	3,585	*(264)*	*-7%*

For Hong Kong, on an overall portfolio basis, there was a period-on-period decrease of 6% in rental revenue contribution and a period-on-period decrease of 9% in pre-tax net rental income contribution for the six months ended 30 June 2020. Such decreases are mainly due to the effect of the rent concessions granted by the Group to certain tenants of certain of the Group's investment properties in Hong Kong whose business operations were adversely affected by the outbreak of the COVID-19 pandemic in Hong Kong since early January 2020. Cumulative up to 30 June 2020, the Group had granted rent concessions in the aggregate attributable amount of HK$257 million, in relation to which the Group's attributable share of the rent concessions amortised for the six months ended 30 June 2020 amounted in aggregate to HK$90 million.

For mainland China, on an overall portfolio basis, there was a period-on-period decrease of 4% in rental revenue contribution and a period-on-period increase of 0.1% in pre-tax net rental income contribution for the six months ended 30 June 2020. Based on the average exchange rates between the Renminbi ("RMB") and Hong Kong dollars ("HKD") for the two periods of six months ended 30 June 2020 and 2019, there was a period-on-period depreciation of RMB against HKD by approximately 5% and excluding the effect of foreign currency translation, there was a period-on-period increase of 1% in rental revenue contribution in RMB terms and a period-on-period increase of 3% in pre-tax net rental income contribution in RMB terms. On an overall portfolio basis, the ratio of pre-tax net rental income to rental revenue for the six months ended 30 June 2020 was 81% (2019: 79%).

Department stores and supermarket-cum-stores operations

Department stores and supermarket-cum-stores operations are carried out by Citistore (Hong Kong) Limited ("Citistore") and Unicorn Stores (HK) Limited (("UNY HK"), formerly known as UNY (HK) Co., Limited until 27 July 2018 on which date the current name was adopted) respectively, both being wholly-owned subsidiaries of Henderson Investment Limited ("HIL"), a listed subsidiary of the Company. For the six months ended 30 June 2020, revenue contribution amounted to HK$880 million (2019: HK$926 million) which represents a period-on-period decrease of HK$46 million, or 5%, from that for the corresponding six months ended 30 June 2019. The decrease in revenue is mainly attributable to that of Citistore due to the unfavourable impact of the outbreak of the COVID-19 pandemic since early January 2020 which affected business and economic activities in Hong Kong, including the retail sector, during the six months ended 30 June 2020.

Nevertheless, profit contribution (after the elimination of rental expenditure in respect of the stores which was payable by Citistore to the Group) for the six months ended 30 June 2020 increased by HK$2 million, or 2%, to HK$118 million (2019: HK$116 million). Despite the period-on-period decrease in revenue contribution for the six months ended 30 June 2020 as mentioned above, UNY HK recorded a turnaround from loss to profit in its pre-tax contribution for the six months ended 30 June 2020, which is mainly due to the non-recurrence of the rental expenditure of HK$22 million incurred during the corresponding six months ended 30 June 2019.

Other businesses

Other businesses mainly comprise construction, provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, as well as the trading of building materials and disposal of leasehold land.

Revenue and pre-tax profit contribution of other businesses for the six months ended 30 June 2020 amounted to HK$614 million and HK$56 million respectively, representing:

(i) an increase of HK$65 million (or 12%) over the revenue of HK$549 million for the corresponding six months ended 30 June 2019, which is mainly due to the increases in revenue contribution from construction activities, project management, trading of building materials and the provision of security guard services in the aggregate amount of HK$73 million during the six months ended 30 June 2020 when compared with that for the corresponding six months ended 30 June 2019; and

(ii) a decrease of HK$601 million (or 91%) from the pre-tax profit contribution of HK$657 million for the corresponding six months ended 30 June 2019, which is mainly due to the fair value loss of HK$342 million during the six months ended 30 June 2020 (2019: fair value gain of HK$271 million) in relation to the Group's investments measured as financial assets at fair value through profit or loss.

Associates

The Group's attributable share of post-tax profits less losses of associates during the six months ended 30 June 2020 amounted to HK$1,105 million (2019: HK$2,030 million), representing a decrease of HK$925 million, or 46%, from that for the corresponding six months ended 30 June 2019. Excluding the Group's attributable share of changes in fair value of investment properties held by the associates (net of deferred taxation) during the period, the Group's attributable share of the underlying post-tax profits less losses of associates for the six months ended 30 June 2020 amounted to HK$1,427 million (2019: HK$1,797 million), representing a decrease of HK$370 million, or 21%, from that for the corresponding six months ended 30 June 2019. Such period-on-period decrease in the underlying post-tax profits during the six months ended 30 June 2020 was mainly due to the decrease of HK$326 million in the Group's attributable share of post-tax underlying profit contribution from The Hong Kong and China Gas Company Limited, a listed associate, for the reasons of the decreased profit contribution from the utility gas business operation in mainland China which was affected by the outbreak of the COVID-19 pandemic and the marked-to-market losses recognised in relation to its investments in financial assets during the six months ended 30 June 2020.

Joint ventures

The Group's attributable share of post-tax profits less losses of joint ventures during the six months ended 30 June 2020 amounted to HK$122 million (2019: HK$1,479 million), representing a decrease of HK$1,357 million, or 92%, from that for the corresponding six months ended 30 June 2019. Excluding the Group's attributable share of changes in fair value of investment properties held by the joint ventures (net of deferred taxation) during the period, the Group's attributable share of the underlying post-tax profits less losses of joint ventures for the six months ended 30 June 2020 amounted to HK$816 million (2019: HK$945 million), representing a decrease of HK$129 million, or 14%, from that for the corresponding six months ended 30 June 2019. Such period-on-period decrease in the underlying post-tax profits during the six months ended 30 June 2020 was mainly due to the decrease in the Group's attributable share of post-tax profit contribution of HK$207 million from property sales of the Group's joint venture project "La Botanica" in Xian, mainland China, which was partially offset by the increase in the Group's attributable share of post-tax profit contribution of HK$95 million from property sales of the Group's joint venture project "Kuanyue Yayuan" in Suzhou, mainland China.

Finance costs

Finance costs (comprising interest expense and other borrowing costs) before interest capitalisation for the six months ended 30 June 2020 amounted to HK$1,235 million (2019: HK$1,275 million). Finance costs after interest capitalisation for the six months ended 30 June 2020 amounted to HK$355 million (2019: HK$262 million), and after set-off against the Group's bank interest income of HK$214 million for the six months ended 30 June 2020 (2019: HK$378 million), the Group recognised net finance costs in the Group's consolidated statement of profit or loss for the six months ended 30 June 2020 in the amount of HK$141 million (2019: net interest income of HK$116 million).

Overall, as referred to in the paragraph headed "Maturity profile and interest cover" below, the entire amount of the Group's total debt of HK$99,906 million at 30 June 2020 (31 December 2019: HK$92,389 million) was represented by the Group's bank and other borrowings in Hong Kong at 30 June 2020 and 31 December 2019, both of which included certain bank loans denominated in RMB raised in Hong Kong in the second half of 2019 for the purpose of funding the Group's projects in mainland China and which remained outstanding in the equivalent amount of HK$2,430 million at 30 June 2020 (31 December 2019 : HK$2,869 million). During the six months ended 30 June 2020, the Group's effective borrowing rate in relation to the Group's bank and other borrowings in Hong Kong (other than the abovementioned bank loans denominated in RMB raised in Hong Kong) was approximately 2.45% per annum (2019: approximately 2.62% per annum), whilst the abovementioned bank loans denominated in RMB raised in Hong Kong carry an effective borrowing rate of 2.93% per annum (2019 : Nil).

Revaluation of investment properties and investment properties under development

The Group recognised a decrease in fair value on its investment properties and investment properties under development (before deferred taxation and non-controlling interests) of HK$757 million in the consolidated statement of profit or loss for the six months ended 30 June 2020 (2019: an increase in fair value of HK$1,097 million).

Financial resources and liquidity

Medium Term Note Programme

At 30 June 2020, the aggregate outstanding carrying amount of notes guaranteed by the Company and issued under the Group's Medium Term Note Programme established on 30 August 2011 ("MTN Programme") and under which the Company had on 15 October 2018 increased the maximum aggregate principal amount of notes outstanding at any one time from US$3,000 million to US$5,000 million, was HK$18,944 million (31 December 2019: HK$11,571 million) with tenures of between two years and twenty years (31 December 2019: between two years and twenty years).

During the six months ended 30 June 2020, the Group issued guaranteed notes under the MTN Programme denominated in United States dollars ("US$") and HKD in the aggregate equivalent amount of HK$8,091 million with tenures of between three years and fifteen years. Such increase in the amount of guaranteed notes issued by the Group serves to finance the Group's capital expenditure requirements as referred to in the paragraph headed "Capital commitments" below. These notes are included in the Group's bank and other borrowings at 30 June 2020 as referred to in the paragraph headed "Maturity profile and interest cover" below. The Group has repaid certain guaranteed notes in the aggregate principal amount of HK$684 million under the MTN Programme during the six months ended 30 June 2020 (2019 : the Group had not repaid any guaranteed note under the MTN Programme).

Maturity profile and interest cover

The maturity profile of the total debt, the cash and bank balances and the gearing ratio of the Group were as follows:

	At 30 June 2020 HK$ million	At 31 December 2019 HK$ million
Bank and other borrowings (including guaranteed notes) repayable:		
- Within 1 year	**32,528**	29,252
- After 1 year but within 2 years	**18,677**	17,666
- After 2 years but within 5 years	**26,107**	21,979
- After 5 years	**21,838**	22,755
Amount due to a fellow subsidiary	**756**	737
Total debt	**99,906**	92,389
Less:		
Cash and bank balances	**(10,813)**	(10,734)
Net debt	**89,093**	81,655
Shareholders' funds	**315,609**	320,851
Gearing ratio (%)	**28.2%**	25.5%

The total debt of HK$99,906 million at 30 June 2020 (31 December 2019: HK$92,389 million) was unsecured and comprised the Group's bank and other borrowings in Hong Kong. At 30 June 2020, after taking into account the effect of swap contracts, 46% (31 December 2019: 32%) of the Group's total debt carried fixed interest rates.

Gearing ratio is calculated based on the net debt and shareholders' funds of the Group at the end of the reporting period.

The interest cover of the Group is calculated as follows:

	Six months ended 30 June	
	2020 HK$ million	2019 HK$ million
Profit from operations (including bank interest income and the cumulative fair value change (net of tax) of investment properties disposed of during the period, but before changes in fair value of investment properties and investment properties under development for the period) plus the Group's share of the underlying profits less losses of associates and joint ventures	**6,755**	7,901
Interest expense (before interest capitalisation)	**1,181**	1,180
Interest cover (times)	**6**	7

With abundant banking facilities in place and the recurrent income generated from its operations, the Group has adequate financial resources in meeting the funding requirements for its ongoing operations as well as its future expansion.

Treasury and financial management

The Group is exposed to interest rate and foreign exchange risks. To efficiently and effectively manage these risks, the Group's financing and treasury activities are centrally co-ordinated at the corporate level. As a matter of policy, all transactions in derivative financial instruments are undertaken solely for risk management purposes and no derivative financial instruments were held by the Group at the end of the reporting period for speculative purposes.

The Group conducts its business primarily in Hong Kong with the related cash flows, assets and liabilities being denominated mainly in Hong Kong dollars. The Group's primary foreign exchange exposure arises from its property developments and investments in mainland China which are denominated in RMB, the guaranteed notes ("Notes") which are denominated in US$, RMB and Japanese Yen ("¥") at 30 June 2020 and the bank borrowings which are denominated in US$, ¥, RMB and Australian dollars ("AUD") at 30 June 2020.

In respect of the Group's operations in mainland China, apart from its capital contributions and, in some cases, loan contributions to projects which are denominated in RMB and are not hedged, the Group endeavours to establish a natural hedge by maintaining an appropriate level of external borrowings in RMB. In respect of certain of the Notes in the principal amounts of US$930 million, RMB200 million and ¥2,000 million and certain of the Group's bank loans in the principal amounts of ¥43,000 million, RMB2,000 million and AUD845 million at 30 June 2020 (31 December 2019: certain of the Notes in the principal amounts of US$230 million and RMB200 million and certain of the Group's bank loans in the principal amounts of ¥13,000 million and AUD319 million), cross currency interest rate swap contracts were entered into between the Group and certain counterparty banks for the purpose of hedging against interest rate risk and foreign currency risk during their tenure. Furthermore, (i) in respect of certain of the Group's bank loans and the Notes denominated in Hong Kong dollars in the aggregate principal amounts of HK$17,900 million (31 December 2019: HK$21,100 million) and HK$5,883 million (31 December 2019: HK$5,599 million) respectively at 30 June 2020, interest rate swap contracts were entered into between the Group and certain counterparty banks for the purpose of hedging against interest rate risk during their tenure; and (ii) in respect of certain of the Group's bank loans in the principal amounts of US$257 million at 30 June 2020 (31 December 2019: certain of the Notes in the principal amounts of ¥2,000 million and US$100 million and certain of the Group's bank loans in the principal amounts of ¥30,000 million and AUD173 million), cross currency swap contracts were entered into between the Group and certain counterparty banks for the purpose of hedging against foreign currency risk during their tenure.

Based on the abovementioned swap contracts which were executed by the Group in relation to the Notes and bank borrowings, the aggregate amount of the Notes and bank borrowings which are hedged against the interest rate risk only, the foreign currency risk only and both the interest rate risk and foreign currency risk, was HK$42,999 million at 30 June 2020 (31 December 2019: HK$35,296 million) which represented 43% of the Group's total debt at 30 June 2020 (31 December 2019 : 38%).

Material acquisitions and disposals

Material acquisitions

The Group did not undertake any significant acquisition of subsidiaries or assets during the six months ended 30 June 2020.

Material disposals

The Group did not undertake any significant disposal of assets or subsidiaries during the six months ended 30 June 2020.

Charge on assets

Except for pledged bank deposits of HK$101,562 at 30 June 2020 (31 December 2019: HK$101,562), assets of the Group’s subsidiaries were not charged to any third parties at 30 June 2020 and 31 December 2019.

Capital commitments

At 30 June 2020, capital commitments of the Group amounted to HK$30,051 million (31 December 2019: HK$31,542 million). In addition, the Group’s attributable share of capital commitments undertaken by joint ventures and certain associates at 30 June 2020 amounted to HK$7,921 million (31 December 2019: HK$7,045 million).

Contingent liabilities

At 30 June 2020, the Group’s contingent liabilities amounted to HK$7,081 million (31 December 2019: HK$6,456 million), which include:-

(i) an amount of HK$55 million (31 December 2019: HK$37 million) relating to performance bonds, guarantees and undertakings for the due and proper performance of the obligations of the Group’s subsidiaries and projects;

(ii) an amount of HK$1,501 million (31 December 2019: HK$1,302 million) relating to guarantees given by the Group to financial institutions on behalf of purchasers of property units in mainland China in relation to which the related Building Ownership Certificate (房產證) had not yet been issued at 30 June 2020 (and such guarantees will be released upon the issuance of the Building Ownership Certificate);

(iii) an amount of HK$430 million (31 December 2019: HK$430 million) relating to the Group's attributable and proportional share of contingent liabilities in respect of an irrevocable, unconditional and several guarantee to the lending bank in relation to the amount drawdown on a loan facility which was entered into on 2 May 2017 between such lending bank and a joint venture engaged in the development of commercial properties in Citygate, Tung Chung, Lantau Island, Hong Kong and in which the Group has a 20% interest;

(iv) an irrevocable and unconditional guarantee issued by the Company in favour of the Urban Renewal Authority ("URA") in relation to the obligations of the Developer (as defined below) under the Development Agreement (as defined below) which includes the construction and delivery by the Developer, on or before certain prescribed dates, of certain properties whose ownership shall be retained by URA absolutely for such purposes and usages to be decided by URA at its sole discretion, in accordance with a development agreement dated 21 November 2018 ("Development Agreement") between the URA and a wholly-owned subsidiary of the Company (the "Developer") in relation to a land parcel registered in the Land Registry as New Kowloon Inland Lot No. 6585; and

(v) amounts of HK$1,670 million (31 December 2019: HK$1,670 million), HK$2,100 million (31 December 2019: HK$2,100 million) and HK$1,314 million (31 December 2019: HK$906 million) relating to the Group's attributable and proportional shares of contingent liabilities in respect of irrevocable, unconditional and several guarantees to certain lending banks in relation to the maximum amounts which may be drawn down on certain loan facilities which were entered into on 8 July 2019, 4 December 2019 and 1 June 2020 (the last of which refinanced the previous loan facility pursuant to the loan facility agreement dated 18 June 2019) respectively between such lending banks and three joint ventures engaged in the development of residential properties at the Kai Tak Development Area, and in which the Group has a 29.3% interest, 30% interest and 18% interest respectively.

Employees and remuneration policy

At 30 June 2020, the Group had 9,114 (31 December 2019: 8,736) full-time employees. The increase in the Group's full-time employees headcount of 378 during the six months ended 30 June 2020 is mainly due to the increases in the full-time employees headcount during the period of the following :

(i) the Group's newly established property management company in Shanghai, mainland China, which presently manages the Group's two investment properties in Shanghai, namely, "Henderson 688" and "Henderson Metropolitan" ;

(ii) UNY HK, which resulted from the opening of a new supermarket at Yuen Long, the New Territories, Hong Kong in June 2020; and

(iii) the Group's property management operation in Hong Kong, which filled up the vacancies resulting from the transitional and seasonal factor in the human resources market relating to the property management sector in Hong Kong at the end of 2019.

The remuneration of the employees is in line with the market and commensurate with the level of pay in the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees include medical insurance, retirement scheme, training programmes and education subsidies.

Total staff costs for the six months ended 30 June 2020 amounted to HK$1,200 million (2019: HK$1,173 million), representing an increase of HK$27 million, or 2%, which is mainly due to general salaries increment for 2020.

In June 2020, certain operating subsidiaries of the Group ("Applicants") made an application for the subsidy ("Subsidy") from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme as promulgated by the Hong Kong Special Administrative Region of the People's Republic of China ("HKSAR Government"), which shall be applied towards the payroll costs of the eligible staff members of the Applicants for the months of June 2020, July 2020 and August 2020. At 30 June 2020, out of the Subsidy approved by the HKSAR Government to the Applicants, an amount of HK$45 million relating to the month of June 2020 was recognised as "Other income" for the six months ended 30 June 2020 accordingly.

Non-adjusting event after the reporting period

Reference is made to the agreement dated 16 July 2019 (as amended, supplemented and novated from time to time) (the "Agreement") entered into between, inter alia, the Group (as the transferor) and an independent third party (the "Transferee") pursuant to which the Group transferred to the Transferee its entire interest in the company holding interests in certain land lots in Wo Shang Wai, the New Territories, Hong Kong which cover a total site area of about 2.4 million square feet, for an aggregate consideration of HK$4,705 million (subject to adjustments). The transfer was completed on 17 July 2020 with 50% of the total consideration (as fully adjusted pursuant to the Agreement) received in aggregate.

OTHER INFORMATION

Review of Interim Results

The unaudited interim results for the six months ended 30 June 2020 have been reviewed by the auditor of the Company, 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 Hong Kong Institute of Certified Public Accountants.

Purchase, Sale or Redemption of the Company's Listed Securities

During the period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Audit Committee

The Audit Committee met in August 2020 and reviewed the systems of internal control, risk management and compliance, and the interim report for the six months ended 30 June 2020.

Corporate Governance

During the six months ended 30 June 2020, the Company complied with the applicable code provisions as set out in the Corporate Governance Code (the "CG Code") as stated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), with the exception that the roles of the chairman and the chief executive officer of the Company have not been segregated as required by code provision A.2.1 of the CG Code. The Company is of the view that it is in the best interest of the Company that each of Dr Lee Ka Kit and Mr Lee Ka Shing, with his relevant in-depth expertise and knowledge in the Group's business, acts in the dual capacity as Chairman and Managing Director of the Company.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). Having made specific enquiries, the Company confirmed that all Directors have complied with the required standards as set out in the Model Code.

Forward-Looking Statements

This announcement contains certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board of Directors of the Company regarding the industry and markets in which it operates. These forward-looking statements are subject to risks, uncertainties and other factors beyond the Company's control which may cause actual results or performance to differ materially from those expressed or implied in such forward-looking statements.

By Order of the Board

LEE Ka Kit	**LEE Ka Shing**
Chairman	*Chairman*

Hong Kong, 20 August 2020

As at the date of this announcement, the Board comprises: (1) executive directors: Lee Ka Kit (Chairman and Managing Director), Lee Ka Shing (Chairman and Managing Director), Lam Ko Yin, Colin, Lee Shau Kee, Yip Ying Chee, John, Fung Lee Woon King, Kwok Ping Ho, Suen Kwok Lam, Wong Ho Ming, Augustine and Fung Hau Chung, Andrew; (2) non-executive directors: Lee Tat Man and Lee Pui Ling, Angelina; and (3) independent non-executive directors: Kwong Che Keung, Gordon, Ko Ping Keung, Wu King Cheong, Woo Ka Biu, Jackson, Poon Chung Kwong and Au Siu Kee, Alexander.