

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**HENDERSON LAND DEVELOPMENT COMPANY LIMITED**

**恒基兆業地產有限公司**

Incorporated in Hong Kong with limited liability

(Stock Code : 12)

# **2022 INTERIM RESULTS ANNOUNCEMENT**

## **CHAIRMEN'S STATEMENT**

### **INTERIM RESULTS AND DIVIDEND**

The Group's (unaudited) underlying profit attributable to equity shareholders for the six months ended 30 June 2022 amounted to HK\$5,137 million, representing a decrease of HK\$2,669 million or 34% from that of HK\$7,806 million for the same period last year. The decrease in underlying profit was mainly due to an attributable gain of HK\$1,889 million which was recognised in the same period last year as a result of the consolidation of assets and liabilities of Miramar Hotel and Investment Company, Limited ("Miramar") re-measured at fair value on 14 April 2021 upon becoming a subsidiary of the Group. Underlying earnings per share were HK\$1.06 (2021: HK\$1.61).

During the period under review, an attributable share of fair value loss of HK\$356 million (2021: HK\$1,257 million) (which included the adjustments of cumulative fair value change of investment properties disposed of) was recorded after revaluation of the Group's completed investment properties and investment properties under development. Including such fair value loss, the Group's reported profit attributable to equity shareholders for the period under review amounted to HK\$4,781 million, representing a decrease of HK\$1,768 million or 27% from that of HK\$6,549 million for the same period last year. Reported earnings per share were HK\$0.99 (2021: HK\$1.35).

The Board has resolved to pay an interim dividend of HK\$0.5 per share (2021: HK\$0.5 per share) to shareholders whose names appear on the Register of Members of the Company on Thursday, 8 September 2022 and such interim dividend will not be subject to any withholding tax in Hong Kong.

### **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the entitlement to the interim dividend, the Register of Members of the Company will be closed on Wednesday, 7 September 2022 and Thursday, 8 September 2022, 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 Tuesday, 6 September 2022. The interim dividend will be distributed to shareholders on Tuesday, 20 September 2022.

# **BUSINESS REVIEW**

## **Hong Kong**

### **Property Sales**

The U.S. Federal Reserve raised the interest rate thrice in the first half of 2022. However, with ample liquidity, Hong Kong's treasury market remained stable, and mortgage interest rates stayed at a low level. Together with the solid housing demand from end-users, Hong Kong's property market found support despite the prevailing cross-border travel restrictions.

During the period under review, the attributable revenue from the Group's property sales in Hong Kong as recognised in the financial statements amounted to HK\$4,079 million, representing an increase of 10% compared with the same period last year. The related pre-tax profit contribution amounted to HK\$977 million, representing a decrease of 19% compared with the same period last year.

The Group released "The Harmonie" in Cheung Sha Wan for sale in January 2022. This Urban Renewal Authority project received a satisfactory market response amid the local fifth wave of the pandemic, with about 80% of the Group's share of residential units sold by the end of the reporting period. "The Quinn • Square Mile" in Mong Kok, "Phase 2 of The Henley" in Kai Tak and "Baker Circle • Dover (Phase 1 of Baker Circle One)" in Hung Hom also sold well when they were launched for sale in the second quarter of 2022 as the local epidemic situation became stable. Together with the sales of the previously launched projects and some other properties (including car parks), the Group achieved attributable contracted sales of approximately HK\$6,112 million in Hong Kong for the six month ended 30 June 2022, representing a period-on-period decrease of 22%.

At the end of June 2022, attributable contracted sales of Hong Kong properties, which are yet to be recognised in the accounts, amounted to approximately HK\$15,164 million, of which approximately HK\$7,759 million is scheduled for recognition in the second half of 2022 upon completion of development and handover to buyers.

After the end of the reporting period, the Group released "Phase 1 of One Innovalle" at Fanling for sale in August 2022. This is the first residential development in the "North East New Territories New Development Areas" and the market response was overwhelming. The whole phase was almost sold out right upon release in three batches.

### **Property Development**

As regards urban redevelopment projects (including the projects awarded by the Urban Renewal Authority), projects with 80% to 100% ownership secured amounted to 3.9 million square feet in total attributable gross floor area, in addition to a total of approximately 0.2 million square feet in attributable gross floor area that has been earmarked for sales launch in the second half of 2022.

The Group has made use of a multi-faceted approach to replenish its development land bank in Hong Kong. Except for certain projects earmarked for rental purposes, there will be an ample supply of saleable areas for the Group's property sales in the coming years as referred to in the following tables.

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
<b>(A) Area available for sale in the second half of 2022</b>				
1.	Unsold units from the major development projects offered for sale	(Table 1)	1.1	
2.	Projects pending sale in the second half of 2022	(Table 2)	2.0	
<b>Sub-total:</b>			<b>3.1</b>	
<b>(B) Projects in Urban Areas</b>				
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 the amount of land premium with the Government
4.	Newly-acquired Urban Redevelopment Projects			
4.1	with ownership fully consolidated	(Table 4)	3.1	Most of them are expected to be available for sale or lease in 2023-2024
4.2	with 80% or above ownership secured	(Table 4)	0.8	Most of them are expected to be available for sale in 2024-2026
4.3	with over 20% but less than 80% ownership secured	(Table 5)	0.6	Redevelopments of these projects are subject to acquisition of full ownerships
5.	The Henderson Murray Road, Central		0.5	To be held for rental purposes upon completion of development
6.	Site 3 of New Central Harbourfront (Inland Lot No. 9088)		1.6	To be held for rental purposes upon completion of development
<b>Sub-total:</b>			<b>7.5</b>	
<b>Total for the above categories (A) and (B) development projects:</b>			<b>10.6</b>	

**(C) Major development projects in the New Territories**

– Fanling North	3.5	(Note 2)
– Fanling Sheung Shui Town Lot No. 263 Kwu Tung	0.3	(Note 3)
– Others	0.4	(Note 2)

<b>Sub-total:</b>	<b>4.2</b>
-------------------	------------

<b>Total for categories (A) to (C):</b>	<b>14.8</b>
---	-------------

*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 this land lot in 2017.*

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

There are 23 major development projects available for sale:

				At 30 June 2022			
Project name and location		Gross floor area (sq. ft.)	Type of development	No. of residential units remaining unsold	Saleable area remaining unsold (sq. ft.)	Group's interest (%)	Attributable saleable area remained unsold (sq. ft.)
1.	The Henley (Phases 1- 3 of The Henley) 7 Muk Tai Street Kai Tak	654,602	Commercial/ Residential	682	354,120	100.00	354,120
2.	Eden Manor 88 Castle Peak Road Kwu Tung	555,399	Residential	123	135,015	100.00	135,015
3.	The Quinn•Square Mile 5 Sham Mong Road Mong Kok	242,518	Commercial/ Residential	471	134,714	100.00	134,714
4.	The Holborn 1 Shau Kei Wan Road Quarry Bay	132,363	Residential	321	84,151	100.00	84,151
5.	Baker Circle•Dover (Phase 1 of Baker Circle One) 38 Gillies Avenue South Hung Hom	120,752	Commercial/ Residential	186	48,413	100.00	48,413
6.	Aquila•Square Mile 38 Fuk Chak Street Mong Kok	180,427	Commercial/ Residential	78	23,823	100.00	23,823
7.	Wellesley 23 Robinson Road Mid-Levels West	156,900 (Note 1)	Residential	28	47,203	50.00 (Note 1)	23,602
8.	The Harmonie 233 Castle Peak Road Cheung Sha Wan	159,748	Commercial/ Residential	62 (Note 2)	21,522 (Note 2)	100.00	21,522 (Note 2)
9.	Caine Hill 73 Caine Road Mid-Levels	64,116	Commercial/ Residential	87	21,397	100.00	21,397
10.	Cetus•Square Mile 18 Ka Shin Street Mong Kok	176,256	Commercial/ Residential	52	15,830	100.00	15,830

11.	The Upper South 71 Main Street Ap Lei Chau	40,318	Commercial/ Residential	49	9,959	100.00	9,959
12.	Arbour 2 Tak Shing Street Tsim Sha Tsui	89,527	Commercial/ Residential	16	8,354	100.00	8,354
13.	The Royale – Phases 1-3 8 Castle Peak Road - Castle Peak Bay Tuen Mun	663,062	Residential	35	27,027	16.71	4,516
14.	The Hampstead Reach 8 Ping Kin Lane Yuen Long	27,868	Residential	2	3,602	100.00	3,602
15.	South Walk•Aura 12 Tin Wan Street Aberdeen	37,550	Commercial/ Residential	14	3,443	100.00	3,443
16.	The Addition 350 Un Chau Street Cheung Sha Wan	79,903	Commercial/ Residential	7	2,536	100.00	2,536
17.	The Richmond 62C Robinson Road Mid-Levels West	33,678	Commercial/ Residential	5	2,328	100.00	2,328
18.	Two•Artlane 1 Chung Ching Street Sai Ying Pun	90,102	Commercial/ Residential	11	2,282	100.00	2,282
19.	The Vantage 63 Ma Tau Wai Road Hung Hom	207,254	Commercial/ Residential	3	1,275	100.00	1,275
20.	PARKER33 33 Shing On Street Shau Kei Wan	80,090	Commercial/ Residential	2	1,134	100.00	1,134

21.	Global Gateway Tower 61A-61E and 63 Wing Hong Street Cheung Sha Wan	336,052	Industrial	Not applicable	75,693 (Note 3)	100.00	75,693 (Note 3)
22.	E-Trade Plaza 24 Lee Chung Street Chai Wan	173,850	Office	Not applicable	60,359 (Note 3)	100.00	60,359 (Note 3)
23.	Mega Cube 8 Wang Kwong Road Kowloon Bay	171,194	Office	Not applicable	48,622 (Note 3)	100.00	48,622 (Note 3)
<b>Total:</b>					<b>2,234 1,132,802</b>		<b>1,086,690</b>

*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 Group's entitlement for this Urban Renewal Authority project.*

*Note 3: Representing the office, industrial or shop area.*

**(Table 2) Projects pending sale in the second half of 2022**

In the absence of disruption caused by the pandemic or any other unforeseen delays, the following projects will be available for sale in the second half of 2022:

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.	One Innovale (Phase 1 of One Innovale) 8 Ma Sik Road Fanling (formerly known as project at Fanling Sheung Shui Town Lot No. 262, Fanling North) (launched for sale in August 2022)	612,685 (Note 1)	Residential	603	200,535 (Note 2)	100.00	200,535 (Note 2)
2.	One Innovale (Phases 2 and 3 of One Innovale) 8 Ma Sik Road Fanling (Note 3)	612,685 (Note 1)	Residential	973	376,618	100.00	376,618
3.	The Symphonie 280 Tung Chau Street Cheung Sha Wan	144,345	Commercial/ Residential	262	86,472 (Note 2)	33.41	28,890 (Note 2)
4.	New Kowloon Inland Lot No. 6562, Kai Tak	397,967	Residential	740	397,967	100.00	397,967
5.	New Kowloon Inland Lot No. 6554, Kai Tak (Note 3)	1,205,061	Commercial/ Residential/ Government accommodation	2,060	1,074,563	30.00	322,369
6.	New Kowloon Inland Lot No. 6576, Kai Tak (Note 3)	722,059	Residential	1,590	722,059	30.00	216,618
7.	MIAMI QUAY 23 Shing Fung Road Kai Tak (formerly known as project at New Kowloon Inland Lot No. 6574, Kai Tak)	574,587	Residential	1,219	574,587	29.30	168,354



8.	New Kowloon Inland Lot No. 6552, Kai Tak (Note 3)	641,165	Commercial/ Residential	566	619,335	18.00	111,480
9.	33 Whampoa Street Hung Hom	110,343	Commercial/ Residential	280	92,926	100.00	92,926
10.	18 Bulkeley Street Hung Hom	108,789	Commercial/ Residential	282	90,994	100.00	90,994
<b>Total:</b>				<b>8,575</b>	<b>4,236,056</b>		<b>2,006,751</b>

*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:

<b>Project name and location</b>	<b>Site area (sq. ft.)</b>	<b>Expected gross floor area upon redevelopment (sq. ft.)</b>	<b>Group's interest (%)</b>	<b>Expected attributable gross floor area upon redevelopment (sq. ft.)</b>
1. Yau Tong Bay Kowloon (Note)	808,398	3,981,712	22.80	907,830
2. 29A Lugard Road The Peak Hong Kong	23,653	11,703	100.00	11,703
<b>Total:</b>	<b>832,051</b>	<b>3,993,415</b>		<b>919,533</b>

*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. The amount of land premium is under appeal and it is pending the review by the Government.*

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

The Group has 27 newly-acquired urban redevelopment projects with 80% to 100% ownership 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:

		<u>With 100% ownership secured</u>		<u>With over 80% but less than 100% ownership secured*</u>		Total attributable gross floor area (sq. ft.)
		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.)	
Project name and location						
Hong Kong						
1.	4A-4P Seymour Road Mid-Levels (65% stake held by the Group)	52,453	306,850			306,850
2.	88 Robinson Road Mid-Levels	10,361	51,805			51,805
3.	94-96 Robinson Road Mid-Levels	6,362	31,810			31,810
4.	98-100 Robinson Road Mid-Levels	5,798	28,990			28,990
5.	105 Robinson Road Mid-Levels	27,530	137,638			137,638
6.	33-39 Elgin Street Mid-Levels	4,944	43,683			43,683
7.	41-47A Elgin Street Mid-Levels	7,457	65,571			65,571
8.	1-4 Ladder Street Terrace Mid-Levels	2,859	13,907			13,907
9.	63 Macdonnell Road Mid-Levels	3,155	13,251			13,251
10.	13-21 Wood Road and 22-30 Wing Cheung Street Wanchai	6,392	51,068	2,208	19,722	70,790
11.	9-13 Sun Chun Street Tai Hang			2,019	18,171	18,171
12.	17-25 Sun Chun Street Tai Hang			4,497	40,473	40,473
13.	83-95 Shek Pai Wan Road and 2 Tin Wan Street Aberdeen	4,950	42,075	1,128	10,716	52,791
14.	4-6 Tin Wan Street Aberdeen			1,740	14,790	14,790
15.	983-987A King's Road and 16-22 and 24-94 Pan Hoi Street, Quarry Bay (50% stake held by the Group)			42,018	220,345	220,345
Sub-total:		132,261	786,648	53,610	324,217	1,110,865

Project name and location	With 100% ownership secured		With over 80% but less than 100% ownership secured*		Total attributable gross floor area (sq. ft.)
	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.)	
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, Pok Man Street, Man On Street and Tai Kok Tsui Road Tai Kok Tsui	16,060	146,136	15,745	141,705	287,841 (Note 1)
18. 456-466 Sai Yeung Choi Street North and 50-56A Wong Chuk Street Sham Shui Po	22,889	205,890			205,890
19. 1-27 Berwick Street 202-220 Nam Cheong Street and 1-14 Yiu Tung Street, Shek Kip Mei	45,521	409,329			409,329
20. Various projects spanning Gillies Avenue South Baker Street and Whampoa Street Hung Hom	75,336	693,974			693,974 (Note 2)
21. 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	19,929	179,361	22,577	194,994	374,355
22. Bailey Street/Wing Kwong Street Development Project, To Kwa Wan (This project was awarded by the Urban Renewal Authority with a 50% stake held by the Group)	79,718	357,843			357,843
23. 4 Liberty Avenue Ho Man Tin			4,882	39,933	39,933
24. 11-19 Wing Lung Street Cheung Sha Wan (Note 3)	6,510	58,300			58,300
25. 67-83 Fuk Lo Tsun Road Kowloon City (Note 3)	10,954	92,425			92,425

26.	4-24 Nam Kok Road Kowloon City (76.468% stake held by the Group)	13,113	90,232		90,232
27.	3 Mei Sun Lane Tai Po	7,976	48,523		48,523
<b>Sub-total:</b>		<b>298,006</b>	<b>2,282,013</b>	<b>55,487</b>	<b>2,806,041</b>
<b>Total:</b>		<b>430,267</b>	<b>3,068,661</b>	<b>109,097</b>	<b>3,916,906</b>

\* 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: Excluding those projects already offered for sale (namely, "Eltanin•Square Mile", "Cetus•Square Mile", "Aquila•Square Mile" and "The Quinn•Square Mile") in this cluster, which boast collectively a total gross floor area of about 770,000 square feet.

Note 2: Excluding the project already offered for sale (namely, "Baker Circle•Dover") in this cluster, as well as projects at 33 Whampoa Street and 18 Bulkeley Street in the sales pipeline in the second half of 2022, which boast collectively a total gross floor area of about 340,000 square feet.

Note 3: Developable area may be subject to finalisation 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 30 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 1,880,000 square feet against their total attributable land areas of about 210,000 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 620,000 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 25.0 million square feet, made up as follows:

	<b>Attributable gross floor area (million sq. ft.)</b>
Properties held for/under development <i>(Note)</i>	13.7
Unsold units from major launched projects	1.1
<b>Sub-total:</b>	<b>14.8</b>
Completed properties (including hotels) for rental	10.2
<b>Total:</b>	<b>25.0</b>

*Note: Including the total attributable developable area of about 3.9 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 3.9 million square feet, which are expected to be available for sale or lease in 2023 and beyond.

During the period under review, the Group completed the acquisition of the entire interests in certain development projects. In addition, the Group's 22.8% owned residential-cum-commercial project at Yau Tong Bay is pending the Government's review of the amount of land premium. This harbourfront development is expected to provide a total attributable gross floor area of about 900,000 square feet.

### **New Territories Land**

During the period under review, the Group acquired further New Territories land lots of about 230,000 square feet, increasing its New Territories land reserves to approximately 45.1 million square feet at the end of June 2022. This represents the largest holding among all property developers in Hong Kong:

<b>By District</b>	<b>Attributable land area (million sq. ft.)</b>
Yuen Long District	25.8
North District	12.3
Tuen Mun District	3.6
Tai Po District and others	3.4
<b>Total:</b>	<b>45.1</b>

The Group holds a total land area of 1.38 million square feet in Fanling North and Kwu Tung North New Development Areas, both in North District. Of this, three separate lots with a combined 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 has applied for in-situ land exchange for these three separate land lots and they have been accepted by the Government for further processing. According to the Government's latest Practice Note No.1/2022, all applications for in-situ land exchanges have to be concluded on or before 30 June 2023. These three lots, having respective site areas of 228,000 square feet, 240,000 square feet and 241,000 square feet (including stakes 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 a commercial gross floor area of approximately 440,000 square feet. Developable areas for these sites are subject to finalisation of land premium. During the period under review, the Government implemented the standardisation of land premium assessment so as to speed up the conversion of farmland for residential land use. This scheme was applicable to those applications in Fanling North New Development Area.

As for the "Hung Shui Kiu New Development Area Planning and Engineering Study", the area concerned comprises about 714 hectares in Yuen Long District. The Group holds a total land area of approximately 6.4 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.

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 announced implementation of the "Yuen Long South Development Project" and "Kam Tin South Development Project". The Group holds certain pieces of land in these areas.

The Pilot Scheme for Arbitration on Land Premium, which was introduced by the Government in October 2014, was extended to October 2022. This Pilot Scheme aims to facilitate the early conclusion of land premium negotiations and expedite land supply for housing and other uses. 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 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. In addition, the Development Projects Facilitation Office was set up under the Development Bureau to facilitate the processing of development approval applications for larger-scale private residential sites leading up to the commencement of works.



The Government announced specific criteria in respect of the implementation framework for its “Land Sharing Pilot Scheme” in 2020. To work in line with the Government’s policy aimed at alleviating the keen housing demand, the Group submitted an application to the relevant authority under this scheme in conjunction with another developer, after reviewing the Group’s land holding in the New Territories. The area concerned in this application is located in Lam Tsuen, Tai Po, covering a site area of about 2 million square feet or 19.3 hectares, which is slightly larger than Victoria Park in Hong Kong. It is proposed to be built into a total of 12,120 housing units, of which 70% (8,484 units) will be developed for the Government’s public housing, whilst the remaining 30% (3,636 units) will be designated as private housing development for sales. If the application is successfully approved, it is expected that the project will be completed in or before 2031. The Group hopes that by participating in this scheme, the relevant land resources can be used more efficiently with their development potential to be unleashed earlier.

In the 2021 Policy Address, the Government proposed a large-scale development plan of “The Northern Metropolis”, which might have enormous impacts on the future outlook of the areas concerned and on Hong Kong as a whole. The Group will follow up closely and work in line with this development plan.

## Investment Properties

In early 2022, Hong Kong's retail market was hard-hit by the local fifth wave of the pandemic. However, with the reducing number of COVID cases and the disbursement of the Government's new consumption vouchers, the retail sector has gradually regained its growth momentum since April 2022. According to the Census and Statistics Department, the value of total retail sales in Hong Kong increased by 2.8% period-on-period in the second quarter of 2022, representing a notable improvement from the 7.6% fall in the first quarter.

During the period under review, 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 2% period-on-period to HK\$3,211 million. The attributable share of pre-tax net rental income (including the attributable contributions from subsidiaries, associates and joint ventures) also decreased by 1% period-on-period to HK\$2,340 million. Included therein is attributable gross rental income of HK\$855 million contributed from the Group's attributable 40.77% interest in The International Finance Centre ("ifc") project (representing a period-on-period decrease of 8%). The decrease in rental income was mainly due to the amortisation effect of the rental concessions, which were offered to certain distressed tenants due to the pandemic.

At 30 June 2022, the average leasing rate for the Group's major rental properties was 93%.

At the end of June 2022, the Group held a total attributable gross floor area of approximately 9.7 million square feet of completed investment properties in Hong Kong, with its breakdown as follows:

<b>By type</b>	<b>Attributable gross floor area (million sq. ft.)</b>	<b>Percentage (%)</b>
Shopping arcade or retail	5.4	56
Office	3.5	36
Industrial	0.4	4
Residential and hotel apartment	0.4	4
<b>Total:</b>	<b>9.7</b>	<b>100</b>

<b>By geographical area</b>	<b>Attributable gross floor area (million sq. ft.)</b>	<b>Percentage (%)</b>
Hong Kong Island	2.5	26
Kowloon	3.3	34
New Territories	3.9	40
<b>Total:</b>	<b>9.7</b>	<b>100</b>

Besides, there were about 8,300 car parking spaces attributable to the Group, providing another rental income stream.

## ***Retail portfolio***

Despite the lingering pandemic and stalled inbound tourism, the Group's retail portfolio, which comprises large-scale regional shopping malls catering to local consumption needs, continued to maintain high occupancy at the end of June 2022. Shoppers' traffic has now nearly returned to pre-fifth wave pandemic level. In addition, the Group rolled out various initiatives during the period under review to enhance the appeal of the malls. Thus, most of the tenants reported double-digit sales growth compared to the same period last year. In addition to regular facility upgrades, the Group optimised the tenant mix and brought in an array of popular eateries, such as renowned Japanese sushi chains, in order to satisfy diverse consumption needs. Numerous rewards including free parking and e-vouchers were also offered through the customer loyalty programme mobile app (namely, "H•COINS") and all these promotional initiatives received an overwhelming response from shoppers.

Being the first in Hong Kong to use wellness and health as its theme, "H Zentre" innovatively embodies wellness, dining and retail elements within a single complex. During the period under review, more medical service providers and prominent restaurants were opened, reinforcing the unique position of "H Zentre" in the Tsim Sha Tsui commercial district.

## ***Office portfolio***

Hong Kong's office leasing market remained competitive due to a large supply pipeline, particularly in Kowloon East. However, the overall rental trend has recently shown sign of stabilisation with an increasing volume of absorption.

The Group's premium office buildings in Hong Kong Island, such as "ifc" in Central – the core business district – as well as "AIA Tower" in North Point and "FWD Financial Centre" in Sheung Wan, recorded consistently high occupancy during the period under review. The newly-built office developments, namely "Harbour East" in North Point and "208 JOHNSTON" in Wanchai, recorded improved occupancy as they attracted diverse tenants looking for quality specifications and a convenient transport network.

Despite fierce competition, the Group's office and industrial/office buildings in Kowloon East, including "Manulife Financial Centre", "AIA Financial Centre", "78 Hung To Road" and "52 Hung To Road", maintained satisfactory occupancy as a result of the Group's effective tenant retention strategy.

Construction works for "The Henderson", the flagship commercial development in Central, have been progressing well. Upon its scheduled completion in 2023, it will provide the Group with approximately 465,000 square feet of super Grade-A office space. The Group launched the industry's first ever Landlord-Individual-Tenant ESG (namely, Environmental, Social and Governance) Partnership Programme in pursuing data-driven sustainability goals for "The Henderson". As long as the participating corporate tenants and their individual employees, based on the four key drivers, namely Carbon Neutrality, Health and Wellbeing, Partnership for Good, and Integrated Culture, reach specific sustainability milestones, they will be rewarded with various benefits through the "Smart Office" mobile app.

Leasing response for this environmentally-friendly building has been encouraging. "Christie's", the world-leading auction house, had signed as The Henderson's first anchor tenant, occupying about 50,000 square feet as its first year-round saleroom and gallery space in Hong Kong. Thereafter "Carlyle", a leading global investment firm, has also signed up, occupying about 20,000 square feet as its Asia Pacific headquarters. This city landmark provides an excellent choice for high-end tenants looking for superior commercial developments.

## Construction

The Group is committed to developing green buildings and promoting innovation for the benefit of future generations. During the period under review, the Group achieved the top honour of the “Pioneer Award of Green Building Leadership (Developer)” at “Green Building Award 2021”, which was jointly organised by the Hong Kong Green Building Council and the Professional Green Building Council. In addition, certain of the Group’s development projects were accredited as winners in this highly regarded “Green Building Award” as follows:

- New Buildings Category (Projects Under Construction and/or Design – Commercial) – Grand Award: The Henderson
- New Buildings Category (Projects Under Construction and/or Design – Residential) – Merit Award: Fanling North New Development Area Residence Phase 1
- Building Products and Technologies Category – Merit Award: Solar Responsive Ventilator (Patented design developed for The Henderson)
- New Buildings Category (Projects Under Construction and/or Design – Residential) – Finalist: Development at 280 Tung Chau Street
- Research & Planning Category (Planning) – Finalist: Carbon Neutral Mall (Central site at Fanling North) - The Next Chapter of Smart, Green, Sustainable, Healthy and Innovative Community for Peoples

The Group will continue to apply the latest technology and devices to further enhance building quality. For instance, in addition to its ongoing application of prefabricated structural modules under “Design for Manufacture and Assembly” (DfMA), the Multi-trade Integrated Mechanical, Electrical and Plumbing (MiMEP) approach was also adopted recently which involves certain mechanical, electrical and plumbing installations being pre-assembled so as to expedite the in-situ integration process. Meanwhile, the Group’s patented protective coating has been applied and successfully protected curtain walls. Given the prevailing escalating material costs, shortage of workers and exodus of professionals, the above initiatives help reduce on-site manpower and construction waste, thereby enhancing quality and cost efficiency. Besides, the Group plans to develop and expand the use of innovative materials (such as Eco partition and bio-inspired silicone sealant) so as to ensure that a quality and eco-conscious approach is adopted in every part of the construction process.

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

	<b>Project name and location</b>	<b>Site area (sq. ft.)</b>	<b>Gross floor area (sq. ft.)</b>	<b>Type of development</b>	<b>Group’s interest (%)</b>	<b>Attributable gross floor area (sq. ft.)</b>
1.	New Kowloon Inland Lot No. 6562, Kai Tak	94,755	397,967	Residential	100.00	397,967
2.	One Innovale (Phase 1 of One Innovale) 8 Ma Sik Road, Fanling (formerly known as project at Fanling Sheung Shui Town Lot No.262, Fanling North)	174,236 (Note)	236,067	Residential	100.00	236,067
3.	The Royale – Phases 1-3 8 Castle Peak Road - Castle Peak Bay Tuen Mun	165,765	663,062	Residential	16.71	110,798
<b>Total:</b>						<b>744,832</b>

*Note: Representing the site area for the whole project.*

## Property Management

The Group's property management companies consist of Hang Yick Properties Management Limited ("Hang Yick"), Well Born Real Estate Management Limited ("Well Born"), H-Privilege Limited (which provides services to the Group's urban boutique residences under "The H Collection" brand) and Goodwill Management Limited. By managing over 80,000 apartments and industrial/commercial units, 10 million square feet of shopping and office space, as well as 20,000 car parking spaces collectively in Hong Kong, these companies hold leading positions in the industry.

The property management companies always strive for ever-higher service quality to meet customers' expectations. Their professional accreditations such as ISO 9001 (Quality Management System), ISO 10002 (Complaints Handling Management System), ISO 14001 (Environmental Management System), ISO 45001 (Occupational Health and Safety Management System) and Hong Kong Q-Mark Service Scheme Certification are testimonies to the Group's commitment to service excellence and customer satisfaction.

In respect of community services, the property management companies continued to offer care to the public at large and rolled out various supporting measures such as the distribution of anti-epidemic packs to low-income groups during the pandemic. Their volunteer team also received the Honour Award of the "Highest Service Hour Award" for the 15<sup>th</sup> time from the Government's Social Welfare Department during the period under review.

# Mainland China

In the first half of 2022, the Central Government upheld its directive that “housing is for living in, not for speculation”. Local governments also continued to administer differentiated policies in accordance with their own circumstances so as to maintain a steady property market. During the period, the pandemic lingered and various measures were launched to boost funding access. Certain controlling policies were relaxed to encourage home ownership among local residents, thereby releasing demand from first-time homebuyers and upgraders. Selling prices for newly-built units in the first and second-tier cities remained stable. However, housing prices in other cities where optimisation policies rendered less effective were still under pressure. As for the land market, real estate developers remained cautious in land biddings, resulting in a decrease in both transaction volumes and prices, with a milder drop in the first-tier cities.

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

<b>Project name</b>	<b>Usage</b>	<b>Group's interest (%)</b>	<b>Attributable gross floor area (million sq. ft.)</b>
1. Phase 1, Lumina Shanghai, Shanghai	Office and Commercial	100	2.00
2. Phase 2, Lumina Shanghai, Shanghai	Office and Commercial	100	0.96
3. Shopping podium of Lumina Guangzhou, Guangzhou	Commercial	100	0.82
4. Phase 1B, The Landscape, Changsha	Residential and Commercial	50	0.11
5. Tower 2, Site B, Chengdu ICC, Chengdu	Office and Commercial	30	0.32
6. Phase 1, Xindu Project, Chengdu	Residential	50	0.59
7. Phases 1-2, Jianyang Project, Chengdu	Residential	50	0.43
8. Phase 2, Rueyue Huayuan, Guangzhou	Residential	10	0.06
9. Phase 2, Xuheng Huayuan, Hefei	Residential	50	0.24
10. Phases 1-2, Changan Project, Shijiazhuang	Residential	50	0.65
11. Phase 1R1 (C1/C2 section), La Botanica, Xian	Residential	50	1.03
12. Phases 4A and 4B, Grand Paradise, Xuzhou	Commercial	100	0.56
		<b>Total:</b>	<b>7.77</b>

The Group's mainland China strategy is as follows:

**Property Investment:** The Group focused on the development of Grade-A office buildings. In Shanghai, "Lumina Shanghai" at the Xuhui Riverside Development Area, which was developed in two phases, was completed in its entirety during the period under review. Leasing activities for this 3,000,000-square-foot development have commenced and the market response is encouraging. In regard to the "Lumina Guangzhou" in Yuexiu District, the 800,000-square-foot shopping podium was also completed during the period under review. Negotiation with tenants and signing of tenancies are now under way. Its 970,000-square-foot Grade-A office twin towers, which were completed recently in 2020, were nearly 80% let. With the successive completion of these new projects, the Group's rental income will grow further. The Group will continue to look for quality property investments in the core areas of major cities.

**Property Development:** The Group focused on residential and composite development projects in major and leading second-tier cities, as well as new development opportunities offered by the Greater Bay Area strategic plan. Capitalising on the Group's reputation, management expertise and financial strength, coupled with local developers' market intelligence, construction efficiency and cost advantages, the Group's joint venture projects achieved the expected returns.

During the period under review, the Group entered into a co-operative agreement with the respective subsidiaries of CIFI Holdings (Group) Co. Limited (a mainland property developer listed in Hong Kong), Shenzhen New Nanshan Holding (Group) Co., Ltd. (a property developer listed in mainland China), China Jinmao Holdings Group Ltd. (a mainland property developer listed in Hong Kong), China Merchants Shekou Industrial Zone Holdings Co. Ltd. (a property developer listed in mainland China) and Nanjing Anju Construction Group Co. Ltd. to jointly develop a commercial-cum-residential site in Xiangcheng District, Suzhou whereby the Group held an 11% equity interest in this project. The land lot with a site area of approximately 1,750,000 square feet, which was acquired at a consideration of about RMB4,821 million, will provide a total gross floor area of about 3,170,000 square feet.

At 30 June 2022, in addition to its holding of approximately 0.9 million square feet in attributable gross floor area of completed property stock, the Group held a development land bank in 18 cities with a total attributable gross floor area of about 23.82 million square feet. Around 79% 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.)
<b>Prime cities</b>	
Beijing	0.81
Shanghai	0.43
Guangzhou	2.70
Shenzhen	0.21
<b>Sub-total:</b>	<b>4.15</b>
<b>Second-tier cities</b>	
Changsha	1.34
Chengdu	6.46
Chongqing	0.83
Dongguan	0.43
Foshan	0.71
Nanjing	0.02
Shijiazhuang	1.98
Suzhou	2.19
Tianjin	0.95
Wuhan	0.70
Xiamen	0.34
Xian	3.62
Xuzhou	0.06
Yixing	0.04
<b>Sub-total:</b>	<b>19.67</b>
<b>Total:</b>	<b>23.82</b>

\* Excluding basement areas and car parks.

## Usage of development land bank

	Estimated developable gross floor area (million sq. ft.)	Percentage (%)
Residential	18.82	79
Office	2.14	9
Commercial	2.08	9
Others (including clubhouses, schools and community facilities)	0.78	3
<b>Total:</b>	<b>23.82</b>	<b>100</b>



## Property Sales

Compared with the same period last year, more pre-sold residential units were completed and delivered to buyers during the period under review. The attributable revenue and pre-tax profit contribution from the Group's property sales in mainland China as recognised in the financial statements for the period under review amounted to HK\$4,423 million and HK\$1,065 million respectively, representing an increase of 91% and 205% respectively compared with same period last year.

During the period under review, sales schedules and construction progress of the development projects were delayed to varying extents due to the lingering pandemic. The Group recorded attributable contracted sales of approximately HK\$3,809 million in value and approximately 1.7 million square feet in attributable gross floor area, representing period-on-period decreases of 36% and 39% respectively. Major sales projects included a commercial-cum-residential project in Guangzhou, "The Landscape" in Changsha, as well as "CIFI Centre", Xindu District project and "Chengdu ICC" in Chengdu.

At the end of June 2022, attributable contracted sales of approximately HK\$12,813 million are yet to be recognised in the accounts, of which approximately HK\$4,455 million is scheduled for recognition in the second half of 2022 upon completion of development and handover to buyers.

## Investment Properties

The 800,000-square-foot shopping podium of "Lumina Guangzhou" was completed in the first quarter of 2022 following the recent completion of its 970,000-square-foot office towers in 2020. The entire 3,000,000-square-foot "Lumina Shanghai" was also completed during the period under review. Together with the joint venture project of Chengdu ICC commercial-cum-office development, which was also completed during the period with an attributable gross floor area of about 300,000 square feet, the Group's completed investment property portfolio in mainland China increased to about 12.2 million square feet in attributable terms at the end of June 2022 with its breakdown as follows:

<b>By type</b>	<b>Attributable gross floor area (million sq. ft.)</b>	<b>Percentage (%)</b>
Commercial	3.5	29
Office	8.7	71
<b>Total:</b>	<b>12.2</b>	<b>100</b>

<b>By geographical area</b>	<b>Attributable gross floor area (million sq. ft.)</b>	<b>Percentage (%)</b>
Beijing	2.2	18
Shanghai	6.7	55
Guangzhou	2.4	20
Other	0.9	7
<b>Total:</b>	<b>12.2</b>	<b>100</b>

Despite the adversities posed by the pandemic containment measures and lockdowns, the Group's attributable gross rental income increased by 6% period-on-period to HK\$1,081 million, whilst its attributable pre-tax net rental income also increased by 8% period-on-period to HK\$852 million during the period under review. The overall rental income from the original investment property portfolio increased slightly, whilst the rental growth was mainly driven by the additional contributions from the recently completed investment properties (including the office towers at "Lumina Guangzhou" which were completed in June 2020).

In Beijing, business activities were adversely affected by the pandemic containment measures. At the end of June 2022, "World Financial Centre", an International Grade-A office complex in the Chaoyang Central Business District, recorded a lower leasing rate of 93%. During the period under review, it was awarded the "WELL Health-Safety Rating" by International WELL Building Institute and the "Parksmart Rating" by U.S. Green Business Certification Inc. These are testimonies to the Group's commitment to decarbonisation and occupation safety, as well as excellence in both building quality and property management.

In Shanghai, at the end of June 2022, "Henderson 688" at Nanjing Road West was over 96% let; "Grand Gateway II" atop the Xujiahui subway station recorded a leasing rate of 95% with its facility upgraded and building quality improved. "Henderson Metropolitan" near the Bund continued to perform steadily achieving a leasing rate of 92% for its mall. Following the relaxation of pandemic containment measures, as well as the gradual economic recovery, the leasing response for the newly-completed "Lumina Shanghai" in the Xuhui Riverside Development Area was encouraging. The Group will grasp the opportunity and expedite the leasing pace. The 61-storey iconic office tower of its Phase 1 development, which boasts seamless connection with Longyao Subway Station, provides approximately 1,800,000 square feet of Grade-A office space. Various multinational corporations have already committed to leases. In addition, many leading enterprises such as "Land Rover", a renowned automotive brand, have been secured as tenants of its 200,000-square-foot shopping mall during the period under review. An array of specialty restaurants have also been lined up so as to enrich the dining experience for shoppers. Leasing progress for its Phase 2 development, namely, "Lumina Shanghai II" which boasts an additional office and retail space of about 1,000,000 square feet, also met with expectations.

In Guangzhou, "Lumina Guangzhou" in Yuexiu District is an integrated development, sitting on the bank of the Pearl River with a direct connection to two subway lines. The leasing response for its twin Grade-A office towers, which were completed in June 2020 with a total gross floor area of about 970,000 square feet, has been encouraging. Numerous leading multinational corporations and local enterprises have already moved in with the leasing rate close to 80% at 30 June 2022. Its 800,000-square-foot shopping podium was also completed in the first quarter of 2022. The mall is developed as a one-stop landmark destination, combining retail, dining and entertainment. A wide selection of renowned brands and leisure attractions are to be assembled so as to provide customers with a multifarious shopping and leisure experience. Situated in the heart of the Greater Bay Area, the entire "Lumina Guangzhou" was completed in time to capture the opportunities offered by the Greater Bay Area strategic plan.

## Property Management

Established since 2018, Shanghai Starplus Property Management Co., Ltd ("Starplus") took over the management of "Lumina Shanghai II" and "Centro" in Shanghai during the period under review. Together with its existing management portfolio (including "Henderson 688", "Henderson Metropolitan" and "Greentech Tower", all in Shanghai, as well as World Financial Centre" in Beijing), Starplus currently manages in total over 7,200,000 square feet of office and commercial space, in addition to 3,000 car parking spaces. In order to ensure that the best service is provided to all the commercial properties under its management, Starplus successively adopts management practices and professional accreditation principles complying with the requirements of ISO 9001 (Quality Management System), ISO 14001 (Environmental Management System) and ISO 45001 (Occupational Health and Safety Management System). Starplus will continue to provide the Group with standardised, professional, smart and efficient property management services, thereby enhancing the Group's asset value and service quality.

## **Henderson Investment Limited (“HIL”)**

HIL’s (unaudited) profit attributable to equity shareholders for the six months ended 30 June 2022 amounted to HK\$24 million, representing a decrease of HK\$6 million or 20% from HK\$30 million for the corresponding period in 2021. The decrease in profit for the period under review was mainly due to the adverse impacts on HIL’s department store business caused by the local fifth wave of the COVID-19 pandemic, which were partially offset by the wage subsidies from the Government’s “Employment Support Scheme” and the rent concessions from certain landlords.

HIL’s business activities are principally carried out by two wholly-owned subsidiaries: (i) Citistore (Hong Kong) Limited, which operates five department stores under the name of “Citistore” and four household specialty stores under the name of “Citilife” (hereinafter collectively referred to as “Citistore”); and (ii) Unicorn Stores (HK) Limited, which operates two department stores-cum-supermarkets under the name of “APITA” or “UNY” and two supermarkets under the name of “UNY” (hereinafter collectively referred to as “Unicorn”).

### **(I) Citistore**

During the period under review, Citistore adjusted its store network and closed down a Citilife store in Shatin, whilst a new counter of Citilife was opened in UNY Lok Fu. Meanwhile, a new online shop was launched so as to provide greater flexibility for its customers through diversified shopping channels.

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 consignment and concessionaire counters in the aggregate amount of HK\$5 million, Citistore’s profit after taxation for the period under review still increased by HK\$7 million or 21% period-on-period to HK\$40 million. The main reasons are Citistore’s receipt of the wage subsidies of HK\$8 million during the period from the Government’s “Employment Support Scheme”, as well as the net decrease in its total operating expenses of HK\$12 million (which included the rent concessions of HK\$4 million granted by certain landlords).

### **(II) Unicorn**

APITA at Taikoo Shing commenced its phased renovations during the period under review. Phase 1 renovation of its ground floor was completed in June 2022, offering shoppers a refreshing touch of Japanese vogue.

Due to the increase in operating costs caused by the addition of UNY Tseung Kwan O and the renewal of the tenancy agreement of APITA, Unicorn recorded a loss after taxation of HK\$14 million for the six months ended 30 June 2022 (2021: HK\$5 million) despite its receipt of wage subsidies of HK\$2 million during the period from the Government’s “Employment Support Scheme”.

HIL will continue to roll out various initiatives to enrich customers’ shopping experience. For instance, in addition to the implementation of a new point-of-sale (POS) system, Citistore will also bring in an array of new food counters and kids’ amusement zones in certain stores. Unicorn will continue the phased renovations for APITA. The application functions of the new online shops and the integrated membership programme (namely, “CU APP”), will also be strengthened so as to enhance cross promotions and fully integrate online and offline operations of both Citistore and Unicorn. The 58,500-square-foot centralised distribution centre, which integrates the warehouse and logistic functions for both Citistore and Unicorn, was operating smoothly during the period. Its cold storage is also expected to come into operation in late 2022. Together with its strengthened sourcing collaboration, HIL’s operational efficiency and cost effectiveness are set to be further improved.

## **Miramar Hotel and Investment Company, Limited (“Miramar”)**

Miramar’s revenue for the six months ended 30 June 2022 amounted to HK\$591 million, an increase of 1.2% against the corresponding period last year. Profit attributable to shareholders was HK\$204 million with a year-on-year increase of 29.2%. Excluding the revaluation loss on fair value of investment properties of HK\$6.8 million, the underlying profit attributable to shareholders increased by 9.2% to HK\$211 million.

### **Hotels and Serviced Apartments Business**

Miramar launched several long-stay plans, themed suitecation, and local staycation packages, in collaboration with Korea Tourism Organization and G.H. Mumm, among others. This led to a noticeable room revenue jump of HK\$13.4 million, an increase of 53.5%, for The Mira Hong Kong with an increase of 19.1% in the occupancy rate during the period. However, towards the close of the first quarter up to the end of July, some renovation and asset upgrading projects were undertaken in Mira Moon, and revenue thus decreased by HK\$9.8 million, which offset most of increase in room revenue of The Mira Hong Kong. Besides, as the food and beverage business under the hotel segment continued to be dragged by the fifth wave of the pandemic, overall revenue from the hotel and serviced apartment business for the period decreased by 10.0% to HK\$107.9 million compared with the same period last year. Earnings before interest, taxes, depreciation and amortization ( EBITDA ) recorded loss of HK\$13.7 million, loss has been widen by HK\$6.1 million compared to same period last year.

### **Property Rental Business**

During the period, Miramar continued to provide appropriate relief to tenants by way of lease restructuring and rent concessions. Miramar’s total revenue from property rental business was HK\$406.9 million, and EBITDA was HK\$349.6 million, both much the same as the prior half-year. The book value of the overall investment properties as at 30 June 2022 was HK\$15,200 million. Miramar actively sought to improve customers’ shopping experience and mall amenities, which included upgrading the membership program and mobile phone app. Staying in tune with the new consumption norm, Miramar unveiled the “MIRAcle Shop & Dine” double reward scheme early in the year. Brands were invited to open pop-up stores and to run featured weekend market fair. Responding to the government’s new round of Consumption Voucher Scheme, the shopping malls kicked off the “TWOgether Rewards” consumption reward and membership referral reward activities to stimulate footfall and consumption.

### **Food and Beverage Business**

At the beginning of this year, Miramar launched two new restaurants featuring two completely new concept brands, the “Chinesology” ( 唐 迹 ) offering modernised Chinese cuisine and the “JAJA” offering new vegetarian propositions. Following the easing of government’s social distancing measures, including to allow more diners per table, and evening dine-in, Miramar’s food and beverage business sharply jumped by 53% and 62% in May and June of the year, which significantly undid the severe dip in performance in the first four months of this year. During the period, revenue recorded HK\$65.2 million, while EBITDA recorded loss of HK\$6 million, compared with revenue of HK\$59.9 million and EBITDA loss of HK\$5.5 million respectively in the same period last year.

### **Travel Business**

Revenue of travel business during the period was HK\$10.8 million, while EBITDA recorded loss of HK\$7.9 million, compared with revenue of HK\$0.7 million and EBITDA loss of HK\$7.8 million respectively in the same period last year.

## **Associated Companies**

### **The Hong Kong and China Gas Company Limited (“HKCG”)**

HKCG's unaudited profit after taxation (exclusive of its share of a decrease in revaluation value of an investment property, the International Finance Centre complex) for the six months ended 30 June 2022 amounted to HK\$3,377 million, a decrease of HK\$823 million, down by 19.6%, compared to the same period last year. Inclusive of the decrease in the revaluation value of the investment property, profit after taxation attributable to shareholders of HKCG amounted to HK\$3,315 million, a decrease of HK\$885 million, down by 21.1%, compared to the same period last year. The decrease in profit was mainly due to a decrease in profit contribution from the mainland's utility business resulting from a lower gross profit margin given the mainland's tight supply and the rising cost of natural gas impacted by the severe geopolitical situation.

#### **TOWN GAS BUSINESS IN HONG KONG**

During the first half of 2022, the total volume of gas sales in Hong Kong was 14,882 million MJ, an increase of 1%, and the number of appliances sold decreased by 7.1%, in contrast to a 1.1% increase in the number of customers, all compared to the same period last year. The total number of customers at the end of 2022 is forecasted to reach 2 million. The company raised its standard gas tariff by HK\$1.15 cents per MJ on 1 August 2022, an increase of 4.4%. Its increase in the standard gas tariff will bring an annual revenue of HK\$300 million.

#### **UTILITY BUSINESSES IN MAINLAND CHINA**

Towngas China Company Limited was renamed Towngas Smart Energy Company Limited (“Towngas Smart Energy”; stock code: 1083) on 14 December 2021. Towngas Smart Energy recorded a profit after taxation attributable to its shareholders amounting to HK\$1,042 million during the first half of 2022, an increase of approximately 34% compared to the same period last year. As at the end of June 2022, HKCG held approximately 65.88% of Towngas Smart Energy's total issued shares.

In respect of the gas business, despite the epidemic, the number of industrial customers of Towngas Smart Energy in the first half of the year still recorded a relatively satisfactory growth. As to the renewable energy business, Towngas Smart Energy introduced Affinity Equity Partners as an investor in 2021 to raise a fund of HK\$2,800 million, helping to accelerate the development of distributed photovoltaics projects and directly supply electricity to HKCG's commercial and industrial customers.

HKCG started to develop its city-gas business in Xian, Shaanxi province, in 2006 and has been providing safe and reliable gas supply services for the city over the years, which is highly appreciated by the local government and the community. Recently, Towngas Smart Energy has successfully acquired zero-carbon industrial park projects in Xian Economic and Technology Development Zone and Huyi District, and will develop diversified businesses such as distributed photovoltaics, charging stations, smart energy conservation, and carbon management in the industrial parks. Towngas Smart Energy also plans to invest in Xixian New District, Gaoxin District and other regions in the future to help Xian achieve its “dual carbon” goals.

Towngas Smart Energy has established demonstration projects for zero-carbon industrial parks and zero-carbon factories in Taizhou, Jiangsu province and Tangshan, Hebei province which provide large-scale promotion and replication values and help expedite the development of zero-carbon smart industrial parks. In addition, Towngas Smart Energy has increased its investment in energy management technologies, including establishing an energy ecological platform for zero-carbon industrial parks, promoting carbon asset custody and green power trading services so as to boost its energy and carbon service capabilities for broadening its business prospects.

In terms of energy innovation, Towngas Smart Energy established Towngas Energy Academy this year to attract and lead scientific research in partnership with other scientific institutions to jointly transform breakthroughs in scientific research into viable commercial projects. Towngas Smart Energy also cooperated with Tsinghua University earlier to set up a joint research centre for virtual power plant technologies in zero-carbon smart industrial parks.

The total volume of city-gas sales for HKCG's utility businesses for the first half of 2022 was approximately 16,100 million cubic metres, an increase of 1% compared to the same period last year. As at the end of June 2022, HKCG's mainland gas customers stood at 36 million, an increase of 9% compared to 33.02 million as at the end of June 2021. As at the end of June 2022, inclusive of Towngas Smart Energy, HKCG had a total of 309 city-gas projects in mainland China (inclusive of city-gas projects re-invested by HKCG's companies) (end of June 2021: 287 projects).

With regard to the water and environmental business, HKCG is currently operating nine city-water projects and five food and green waste treatment projects. Under the impact of city lockdown due to the epidemic, the volume of water sales slightly decreased by 3.7% for the first half of 2022 compared to the same period last year. HKCG's urban organic waste resource utilisation project, located in Suzhou Industrial Park, Jiangsu province, is implementing the conversion of waste to treasure by processing and fermenting organic food waste and then purifying the product into natural gas for injection into the pipeline network, followed by processing treated solid residue into organic fertiliser for park greening.

In respect of extended businesses, HKCG's "Towngas Lifestyle" brand, leveraging its VCC (Virtual Customer Centre) platform, is focusing on and actively expanding the "Smart Kitchen" business, including smart kitchen equipment, gas services and safety management, safe kitchen solutions, high-end kitchen cabinets, household insurance, and provision of health products and services through the "Moment+" online mall and offline shops. As at the end of June 2022, this platform has developed 13.56 million members and handled 13.71 million transactions relating to the gas business. During the first half of 2022, the offline shop business under the "Moment+" brand began to take off. Concurrently, Towngas Lifestyle is establishing the GREEN HUB brand, focusing on zero-carbon sports, low-carbon unpackaged retail and healthy vegetarian catering, targeting the younger high-consumption group in first-tier cities, complementing the "Moment+" urban community population.

HKCG's GH-Fusion Corporation Limited set up in Zhongshan, Guangdong province, mainly supplies polyethylene (PE) pipes to gas enterprises in mainland China, and the business has been developing well. With huge market demand, its sales market has extended overseas and recorded an approximately 25% increase in sales during the first half of 2022 compared to the same period last year.

Overall, including the projects of Towngas Smart Energy, HKCG had 556 projects in mainland China as at the end of June 2022, an increase of 42 since the end of 2021, spread across 28 provincial regions. These projects encompass upstream, midstream and downstream natural gas sectors, smart energy, water sectors, environmentally-friendly energy and telecommunications.

## **EMERGING ENVIRONMENTALLY-FRIENDLY ENERGY BUSINESSES**

HKCG established, at the end of 2021, a new business platform, EcoCeres, Inc. ("EcoCeres"), which integrates the talents, patented technologies, production facilities, scientific research facilities and other assets related to biomass utilisation business. This business platform focuses on the development of a business portfolio on green and sustainable biomass utilisation, aiming at providing solutions for achieving the global goal of carbon neutrality. In order to accelerate development and release its shareholder value more effectively, EcoCeres introduced Kerogen Capital as a strategic investor in December last year, and raised about US\$100 million in funding. EcoCeres' research and development team has been striving to develop proprietary technologies to utilise inedible bio-grease and agricultural waste as the two major renewable feedstock, and on such base to further develop into an advanced bio-refinery platform. The team has achieved innovative scientific breakthroughs

in the utilisation of both feedstock. Furthermore, during the first quarter of this year, EcoCeres successfully used a self-developed catalyst to process hydro-treated oil (“HVO”) into sustainable aviation fuel (“SAF”), thus enabling EcoCeres to become the first batch of companies around the world to obtain the accreditation of the “Carbon Offsetting and Reduction Scheme for International Aviation” (CORSIA Plus). During the first half of this year, EcoCeres produced more than 7,000 tonnes of SAF for export to the European markets, further reinforcing its leading position in the fields of HVO and SAF.

ECO Environmental Investments Limited’s clean coal chemical business in Inner Mongolia Autonomous Region has achieved certain results after years of equipment modification to reduce carbon emissions. A new phase of the production plan to introduce waste resources to replace raw coal has made good progress, expecting to produce high value-added low-carbon products for domestic and overseas markets in 2023. In addition, the liquefied natural gas (“LNG”) business has gained momentum with the commissioning of a new plant located in the Ningxia Hui Autonomous Region after a successful trial operation. The plant uses local coke oven gas as the feedstock to produce LNG, thus reducing carbon emissions of the coking plant and providing the market nearby with clean vehicular energy and supplementing gas sources for downstream natural gas customers. The carbon material research and development team has also stepped up its pace. The research on a new generation of high-performance pitch-based carbon fibre has entered the stage of implementing the industrialisation plan. The end markets of carbon fibre products are semiconductors, LED and new energy vehicles.

## **TELECOMMUNICATIONS BUSINESSES**

Towngas Telecommunications Company Limited under HKCG develops telecommunications businesses, including provision of connectivity, data centres and cloud computing services, in Hong Kong and mainland China. Its businesses continued to grow steadily this year, with chargeable server racks increased to 4,000 units during the first half of 2022, an increase of 16% compared to the same period last year.

## **FINANCING PROGRAMMES**

HKCG established a medium term note programme in 2009. Medium term notes totalling HK\$1,517 million, with a tenor of 3 to 10 years, have been issued so far in 2022. As at 30 June 2022, the total nominal amount of medium term notes issued has reached HK\$19,900 million with tenors ranging from 3 to 40 years, mainly at fixed interest rates with an average of 2.8% per annum and an average tenor of 15 years. HKCG updated the programme during 2021 and increased the maximum issue size from US\$3,000 million to US\$5,000 million. Towngas Smart Energy established a new medium term note programme with a maximum issue size of US\$2,000 million in 2021. A sustainability-linked bond of US\$200 million with a tenor of 5 years and a coupon rate at 4.0% per annum have been issued so far in 2022, being the first energy company issuing sustainability-linked bond in Hong Kong. As at 30 June 2022, the total nominal amount of medium term notes issued has reached RMB2,000 million with tenors ranging from 3 to 5 years, mainly at fixed interest rates with an average of 3.8% per annum and an average tenor of 4 years.

HKCG also made use of perpetual securities for long-term funding. As at 30 June 2022, HKCG 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 HKCG in February 2024 or thereafter every six months on the coupon payment date.

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

During the six months ended 30 June 2022, Hong Kong Ferry’s revenue amounted to HK\$139 million, representing an increase of 22% as compared with the same period last year. Its unaudited consolidated net profit after taxation for the period under review amounted to HK\$65 million, representing a decrease of 4% as compared with the figure for the same period last year. Excluding the fair value change of the investment properties, its underlying profit attributable to equity shareholders for the period under review was HK\$54 million, representing an increase of 64% from the figure for the same period last year. During the period under review, Hong Kong Ferry’s profit was mainly derived from the rental income from shops and commercial arcades.

### **Property Development and Investment Operations**

The gross rental income during the period arising from the commercial arcades of Hong Kong Ferry amounted to HK\$55 million, an increase of 5% as compared with last year. Notwithstanding the impact of the pandemic, the commercial arcade of Shining Heights, Metro6 and Green Code Plaza were fully let, and the occupancy rate of Metro Harbour Plaza was 90% at the end of the reporting period.

#### **The Royale (8 Castle Peak Road - Castle Peak Bay, Tuen Mun) Development Project**

Hong Kong Ferry’s 50%/50% development joint venture project with the Empire Group at The Royale, 8 Castle Peak Road, Castle Peak Bay, Tuen Mun, has obtained the Occupation Permit in January this year. It is expected that after successfully obtaining the Certificate of Compliance in September this year, the 1,748 residential units sold will be duly delivered to the buyers by phases and revenue from property sales would be recognised in Hong Kong Ferry’s accounts accordingly.

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

Its development project at Kweilin Street/Tung Chau Street in Sham Shui Po will provide Hong Kong Ferry with residential gross floor area of about 97,517 square feet after the redevelopment. The superstructure works were in progress and the project is expected to be completed in the first half of 2024.

### **Ferry, Shipyard and Related Operations**

During the period, the Ferry, Shipyard and Related Operations recorded a loss of HK\$0.4 million as compared with the profit of HK\$16.9 million for the same period last year. The decrease in business results was mainly attributable to the absence of the repair and maintenance subsidy from the Government for ferry operation during the period.

### **Securities Investment**

A deficit of HK\$4.4 million in securities investment was recorded as a result of the fair value change of certain financial assets upon the decline in stock market.

Hong Kong Ferry has embarked on the medical aesthetic business as a diversification. Its medical aesthetic clinic and premium beauty service centre in Mira Place, Tsim Sha Tsui, has opened for business in mid-August of this year. The centre provides beauty and medical aesthetic services such as contouring, firming, lifting, whitening, anti-aging, improvement to skin conditions and contouring management services making use of devices and drugs certified by the United States Food and Drug Administration and the European Union. During the period under review, Hong Kong Ferry collaborated with an international oncology care provider in H Zentre, Tsim Sha Tsui, to offer oncology treatment services.



## CORPORATE FINANCE

The Group has always adhered to prudent financial management principles. At 30 June 2022, net debt amounted to HK\$85,177 million (31 December 2021: HK\$91,968 million) giving rise to a financial gearing ratio of 25.8% (31 December 2021: 27.5%). In addition, at 30 June 2022, shareholder's loans to the Group totaled HK\$55,907 million (31 December 2021: HK\$53,710 million).

As regards environmental and sustainability progress, the Group is committed to environmental protection in its property developments and has received numerous related green awards. Since 2020, green loans, green undertakings and sustainability loan facilities exceeding HK\$41,000 million have been secured from the financial community with beneficial terms. The Group has just concluded a HK\$100 million Social Loan. It is the first Social Loan that has ever been concluded by the property developers in Hong Kong, reflecting the Group's commitment to social responsibility. Besides, the Group has issued medium term notes for a total amount of HK\$31,027 million since 2018 so as to diversify its sources of funding and extend its debt maturity profile. In addition, the Group obtained seven-year Japanese Yen term loans for a total amount of JPY58,000 million and a six-year Renminbi term loan for a total amount of RMB1,000 million. The aforesaid demonstrated that the Group's prime credit standing and environmental contributions are well received by the international financial community.

Also, the Group utilised the window of low interest rate levels to enter into certain medium and long-term interest rate swap contracts, for the purpose of converting part of the Group's borrowings from floating interest rates into fixed interest rates. These included a 3-year HK\$-HONIA based interest rate swap of HK\$1,000 million so as to hedge a HK\$-HONIA based bank loan of the same amount. Both were pioneering deals executed between financial institutions and corporate clients in Hong Kong. They fully demonstrated the Group's commitment to support financial innovation in Hong Kong, which will benefit the Group in the long term.

## **SUSTAINABILITY**

Sustainability and environmental considerations are consistently embedded in all aspects of the Group's business operations. In addition to the aforesaid performance-related accolades, during the period under review the Group was honoured as the "Global Most Innovative Knowledge Enterprise 2021" and "Hong Kong Most Innovative Knowledge Enterprise 2021". The Group is the first developer in Hong Kong to receive these two top honours, which are organised by Global MIKE Study Group and The Hong Kong Polytechnic University Knowledge Management and Innovation Research Centre. These awards are strictly accredited by a panel of judges drawn from professionals around the world, making these industry honours unrivalled in credibility and prestige. These awards are testimonies to the Group's commitment to its G.I.V.E. sustainability strategy, namely Green for Plant, Innovation for Future, Value for People and Endeavour for Community.

# PROSPECTS

Against the backdrop of the pandemic, the Russo-Ukrainian conflict, the Sino-US geopolitical tensions, and the interest rate hikes caused by widespread inflation in various major economies, there is increasing fear that a world-wide recession is imminent. Nevertheless, Hong Kong's economic fundamentals remain sound. Other than the implementation of a new round of its consumption voucher scheme to boost the economy, the Government is striving for a deeper integration with the Greater Bay Area, which will further enhance Hong Kong's status as an international financial centre over the long term. The Group hopes that Hong Kong will soon resume quarantine-free travel, which will bode well for the overall economy, as well as the property market in Hong Kong.

During the period under review, the Group acquired further New Territories land lots of about 230,000 square feet, increasing its land reserves in the New Territories to approximately 45.1 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 ownership acquired, the total attributable gross floor area amounted to about 3.9 million square feet covering a total of 27 projects. In mainland China, a joint-venture development project in Suzhou was secured, adding about 350,000 square feet in attributable gross floor area to its land bank. The Group currently has sufficient land bank in both Hong Kong and mainland China to support its property development for the years to come.

As regards **"property sales"**, following the launch of "Phase 1 of One Innovale" at Fanling in August 2022 with almost all units sold right upon the release, the Group plans to launch nine other development projects in the second half of this year. Together with the unsold stock, a total of about 10,800 residential units or 2,910,000 square feet in attributable residential gross floor area will be available for sale in Hong Kong in the second half of 2022. In addition, about 180,000 square feet of office/industrial space is also available for sale. At the end of June 2022, attributable contracted sales of Hong Kong and mainland properties, which are yet to be recognised in the accounts, amounted to approximately HK\$27,977 million in aggregate, of which approximately HK\$12,214 million is scheduled for recognition in the second half of 2022 upon completion of development and handover to buyers.

As regards **"rental business"**, the Group holds a sizeable portfolio of quality investment properties comprising an attributable gross floor area of 9.7 million square feet in Hong Kong and 12.2 million square feet in mainland China, respectively. Included therein are the 800,000-square-foot shopping podium of "Lumina Guangzhou" and the entire 3,000,000-square-foot "Lumina Shanghai", which were both newly completed during the period under review with encouraging pre-leasing responses. Both will give an added impetus to the Group's rental growth. The two landmark developments in the pipeline (including "The Henderson", the super Grade-A office tower, as well as the commercial project at Site 3 of the New Central Harbourfront, both in Hong Kong's Central Business District) have also been progressing well, paving the way for the Group's further growth in rental portfolio with a more optimal composition. Correspondingly, the Group's steady income stream will also be further strengthened.

The “**listed subsidiaries and associates**”, namely, HKCG, Miramar, Hong Kong Ferry and HIL, provide the Group with another source of recurrent income. In particular, HKCG has been with Hong Kong for 160 years. After over 20 years of development of the city-gas business in mainland China, HKCG has also established a solid foundation, with businesses now spread across 28 provincial areas. HKCG will promote the collaborative development of its city-gas and renewable energy businesses, actively seek environmental protection projects and invest in innovative technology and product development. HKCG is poised to provide further contributions to the Group.

With the Group’s strong balance sheet and astute management of three major businesses (namely, “**property sales**”, “**rental business**” and “**listed subsidiaries and associates**”) by its seasoned professional team, Henderson Land is well-placed to tackle the challenges ahead and deliver sustainable business developments.

## APPRECIATION

Mr Lee Tat Man stepped down from his position of Non-executive Director of the Company on 1 June 2022. The Board would like to express its sincere gratitude to Mr Lee Tat Man for his invaluable contribution to the Company over the past 46 years.

**Dr Lee Ka Kit**  
*Chairman*

**Dr Lee Ka Shing**  
*Chairman*

Hong Kong, 23 August 2022

## BUSINESS RESULTS

### Consolidated Statement of Profit or Loss for the six months ended 30 June 2022 - unaudited

		For the six months ended 30 June	
	Note	2022 HK\$ million	2021 HK\$ million
<b>Revenue</b>	4, 11	<b>9,506</b>	8,792
<b>Direct costs</b>		<b>(4,835)</b>	(4,181)
		<b>4,671</b>	4,611
Other net income	5	<b>334</b>	2,497
Selling and marketing expenses		<b>(516)</b>	(345)
Administrative expenses		<b>(1,047)</b>	(970)
<b>Profit from operations before changes in fair value of investment properties and investment properties under development</b>		<b>3,442</b>	5,793
Increase/(decrease) in fair value of investment properties and investment properties under development	6	<b>37</b>	(919)
<b>Profit from operations after changes in fair value of investment properties and investment properties under development</b>		<b>3,479</b>	4,874
Finance costs	7(a)	<b>(470)</b>	(300)
Bank interest income		<b>70</b>	60
Net finance costs		<b>(400)</b>	(240)
Share of profits less losses of associates		<b>1,417</b>	1,880
Share of profits less losses of joint ventures		<b>1,020</b>	733
<b>Profit before taxation</b>	7	<b>5,516</b>	7,247
Income tax	8	<b>(617)</b>	(628)
<b>Profit for the period</b>		<b>4,899</b>	6,619

# Consolidated Statement of Profit or Loss for the six months ended 30 June 2022 - unaudited (continued)

		For the six months ended 30 June	
	Note	2022 HK\$ million	2021 HK\$ million
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>4,781</b>	6,549
Non-controlling interests		<b>118</b>	70
<b>Profit for the period</b>		<b>4,899</b>	6,619
<b>Earnings per share based on profit attributable to equity shareholders of the Company (reported earnings per share)</b>			
<i>Basic and diluted</i>	9(a)	<b>HK\$0.99</b>	HK\$1.35
<b>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)</b>			
<i>Basic and diluted</i>	9(b)	<b>HK\$1.06</b>	HK\$1.61

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 2022 - unaudited

	For the six months ended 30 June	
	2022	2021
	HK\$ million	HK\$ million
<b>Profit for the period</b>	<b>4,899</b>	<b>6,619</b>
<b>Other comprehensive income for the period- net, after tax and reclassification adjustments:</b>		
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	(22)	(27)
- Share of other comprehensive income of associates and joint ventures	(50)	(65)
Items that may be reclassified subsequently to profit or loss:		
- Exchange differences	(2,171)	611
- Cash flow hedges	570	(14)
- Share of other comprehensive income of associates and joint ventures	(1,970)	270
Other comprehensive income for the period	(3,643)	775
<b>Total comprehensive income for the period</b>	<b>1,256</b>	<b>7,394</b>
<b>Attributable to:</b>		
Equity shareholders of the Company	1,133	7,318
Non-controlling interests	123	76
<b>Total comprehensive income for the period</b>	<b>1,256</b>	<b>7,394</b>

# Consolidated Statement of Financial Position at 30 June 2022

		At 30 June 2022 (unaudited) HK\$ million	At 31 December 2021 (audited) HK\$ million
	Note		
<b>Non-current assets</b>			
Investment properties		259,092	260,241
Other property, plant and equipment		4,552	4,599
Right-of-use assets		891	507
Goodwill		262	262
Trademarks		104	106
Interest in associates		52,332	53,955
Interest in joint ventures		84,164	80,887
Derivative financial instruments		830	769
Other financial assets		8,840	9,103
Deferred tax assets		794	698
		<b>411,861</b>	<b>411,127</b>
<b>Current assets</b>			
Deposits for acquisition of properties	12	412	801
Inventories	13	101,981	109,180
Trade and other receivables	14	15,435	16,844
Cash held by stakeholders		1,830	1,405
Cash and bank balances		13,409	10,947
		<b>133,067</b>	<b>139,177</b>
<b>Current liabilities</b>			
Trade and other payables	15	31,065	28,480
Amounts due to related companies		100	111
Lease liabilities		321	290
Bank loans		23,528	30,207
Guaranteed notes		7,093	1,577
Tax payable		1,195	2,582
		<b>63,302</b>	<b>63,247</b>
<b>Net current assets</b>		<b>69,765</b>	<b>75,930</b>
<b>Total assets less current liabilities</b>		<b>481,626</b>	<b>487,057</b>



# Consolidated Statement of Financial Position

## at 30 June 2022 (continued)

	At 30 June 2022 (unaudited) HK\$ million	At 31 December 2021 (audited) HK\$ million
<b>Non-current liabilities</b>		
Bank loans	44,240	44,151
Guaranteed notes	20,763	23,804
Amount due to a fellow subsidiary	55,907	53,710
Amounts due to related companies	2,862	3,065
Derivative financial instruments	877	720
Lease liabilities	603	251
Provision for reinstatement costs	19	5
Deferred tax liabilities	9,251	9,172
	<b>134,522</b>	<b>134,878</b>
<b>NET ASSETS</b>	<b>347,104</b>	<b>352,179</b>
<b>CAPITAL AND RESERVES</b>		
Share capital	52,345	52,345
Other reserves	277,513	282,675
<b>Total equity attributable to equity shareholders of the Company</b>	<b>329,858</b>	<b>335,020</b>
<b>Non-controlling interests</b>	<b>17,246</b>	<b>17,159</b>
<b>TOTAL EQUITY</b>	<b>347,104</b>	<b>352,179</b>

## 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 2022 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

The 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. They were authorised for issuance on 23 August 2022.

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 2021 ("the 2021 financial statements"), 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 2022. Details of these changes in accounting policies are set out in note 3.

The condensed interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 financial statements. The condensed interim financial statements and notes thereon do not include all of the information required for full set of financial statements in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA.

## **2 Basis of preparation (continued)**

The financial information relating to the financial year ended 31 December 2021 that is included in the condensed interim financial statements 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 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor has reported on those financial statements. 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 Group has applied the following amendments to HKFRSs and HKASs issued by the HKICPA that are first effective for the current accounting period of the Group and the Company, and which are relevant to the Group's condensed interim financial statements for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment ("PPE") the proceeds generated from selling items produced ("products"), before such item of PPE is available for use. Instead, in such circumstances, the related sales proceeds of the products, together with the costs of producing these products as determined by HKAS 2, *Inventories*, shall be included in profit or loss.

An entity shall apply the amendments retrospectively, but only to items of PPE available for use at or after the beginning of the earliest period during which the entity first applies the amendments.

- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – costs of fulfilling a contract*

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that contract. Entities are required to apply the amendments to contracts that exist at the date when the amendments are first applied, with the cumulative effect of applying the amendments to be recognised as an adjustment to the opening balance of retained profits in equity.

- Amendments to HKFRS 3 (Revised), *Business combinations: Reference to the Conceptual Framework*

The amendments update the reference to the latest version of the Conceptual Framework issued in March 2018, and add an exception to the requirement for an entity to refer to the Conceptual Framework in determining what constitutes an asset or a liability. The exception relates to liabilities and contingent liabilities that would have been within the scope of HKAS 37, *Provisions, contingent liabilities and contingent assets* or HK(IFRIC)-Int 21, *Levies* if they were incurred by an entity separately, rather than being assumed by an entity in a business combination. Under the exception, when applying HKFRS 3 (Revised), an entity should apply the more specific criteria in HKAS 37 or HK(IFRIC)-Int 21 respectively (instead of the Conceptual Framework) to determine whether a present obligation exists at the date on which the liability or contingent liability has been incurred by the entity.

### 3 Changes in accounting policies (continued)

- Annual Improvements to HKFRSs 2018-2020 Cycle

This package of annual improvements contains, inter alia, amendment to HKFRS 9, *Financial instruments* and amendment to an illustrative example accompanying HKFRS 16, *Leases*. The amendment to HKFRS 9 clarifies that only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf, are included when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. The amendment to illustrative example 13 accompanying HKFRS 16 removes reference to a reimbursement relating to leasehold improvements, as the illustrative example had not explained clearly whether the reimbursement would meet the definition of a lease incentive under HKFRS 16.

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

The major items are analysed as follows:

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$ million</b>	<b>HK\$ million</b>
Sale of properties	<b>4,075</b>	3,450
Rental income ( <i>note (i)</i> )	<b>3,397</b>	3,100
Department stores and supermarket-cum-stores operations ( <i>note (ii)</i> )	<b>937</b>	905
Other businesses	<b>1,097</b>	1,337
Total ( <i>note 11(b)</i> )	<b>9,506</b>	8,792

*Notes:*

- (i) *Cumulative up to 30 June 2022, the Group has granted approved rent concessions in the aggregate amount of HK\$391 million (Cumulative up to 30 June 2021: HK\$330 million) to certain tenants of the Group's investment properties in Hong Kong and mainland China due to the impact of COVID-19 pandemic and the subsequent outbreak of Omicron variant on the economic outlook, and hence the adverse effect on such tenants' business operations, business viabilities and abilities to meet rental obligations.*

*Therefore, the Group's rental income for the six months ended 30 June 2022 has been arrived at after deducting the rent concessions which were amortised for the six months ended 30 June 2022 in the amount of HK\$40 million (2021: HK\$80 million).*

- (ii) *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 six months ended 30 June 2022 (2021: HK\$208 million).*

In accordance with HKFRS 15, *Revenue from contracts with customers*, revenue from sale of properties and department stores and supermarket-cum-stores operations are recognised at a point in time. Rental income recognised from HKFRS 16, *Leases* is categorically classified as revenue from other sources. Revenue from other businesses of HK\$592 million (2021: HK\$660 million) is recognised over time while the remaining is recognised at a point in time.

At 30 June 2022, 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 held by the Group's subsidiaries, which are pending assignment in Hong Kong and mainland China, amounted to HK\$14,306 million (31 December 2021: HK\$12,777 million) and which will be recognised when the pre-sold properties are assigned to the customers.

## 5 Other net income

	For the six months ended 30 June	
	2022	2021
	HK\$ million	HK\$ million
Net gain on disposal of investment properties (note 11(a))	33	1
(Provision)/reversal of provision on inventories, net (note 11(a))	(2)	78
Net fair value (loss)/gain on investments measured as financial assets at fair value through profit or loss ("FVPL")	(150)	220
Net fair value gain on derivative financial instruments at FVPL		
- Interest rate swap contracts, cross currency interest rate swap contracts, cross currency swap contracts and foreign exchange forward contracts (for which no hedge accounting was applied during the period)	222	130
Government grants (note)	46	-
Gain on re-measurement of previously held interest in a former associate upon obtaining of control (note 11(a))	-	1,889
Impairment loss on trade debtors, net (note 11(c))	(2)	(2)
Exchange gain/(loss), net	94	(12)
Others	93	193
	<b>334</b>	<b>2,497</b>

*Note:*

*Government grants recognised for the six months ended 30 June 2022 related to the subsidy received from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme promulgated by the Government of the Hong Kong Special Administrative Region during the period (2021: Nil).*

## **6 Increase/(decrease) 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 2022 by Cushman & Wakefield Limited, a 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 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\$45 million (2021: HK\$938 million) has been recognised in the consolidated statement of profit or loss for the six months ended 30 June 2022 (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 2022 amounted to HK\$213 million (2021: HK\$1,143 million).



## 6 Increase/(decrease) 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 2022

	Hong Kong HK\$ million	Mainland China HK\$ million	Total 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)	(170)	207	37
Less :			
Deferred tax	-	(82)	(82)
Non-controlling interests' attributable share of the fair value loss/(gain) (net of deferred tax)	-	-	-
(after deducting non-controlling interests' attributable share and deferred tax) (note 9(b))	(170)	125	(45)
- associates (Group's attributable share) (notes 9(b) and 11(a)(iii))	(36)	-	(36)
- joint ventures (Group's attributable share) (notes 9(b) and 11(a)(iv))	(132)	-	(132)
	(338)	125	(213)

## 6 Increase/(decrease) in fair value of investment properties and investment properties under development (continued)

A reconciliation of the abovementioned figures is as follows:- (continued)

For the six months ended 30 June 2021

	Hong Kong HK\$ million	Mainland China HK\$ million	Total 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)	(944)	25	(919)
(Less)/Add :			
Deferred tax	-	(20)	(20)
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))	(943)	5	(938)
- associates			
(Group's attributable share) (notes 9(b) and 11(a)(iii))	(35)	-	(35)
- joint ventures			
(Group's attributable share) (notes 9(b) and 11(a)(iv))	(65)	(105)	(170)
	(1,043)	(100)	(1,143)

## 7 Profit before taxation

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

	For the six months ended 30 June	
	2022	2021
	HK\$ million	HK\$ million
<b>(a) Finance costs:</b>		
Bank loans interest	469	479
Interest on other loans	463	199
Interest on guaranteed notes	356	321
Finance cost on lease liabilities	19	10
Other borrowing costs	61	50
	<b>1,368</b>	1,059
Less: Amount capitalised ( <i>note</i> )	<b>(898)</b>	(759)
	<b>470</b>	300

*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, amount due to a fellow subsidiary and amounts due to related companies during the six months ended 30 June 2022 under which interest capitalisation is applicable, ranging from 1.40% to 3.80% (2021: 1.78% to 3.82%) per annum.*

## 7 Profit before taxation (continued)

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

	For the six months ended 30 June	
	2022 HK\$ million	2021 HK\$ million
<b>(b) Staff costs:</b>		
Salaries, wages and other benefits	1,442	1,262
Contributions to defined contribution retirement plans	57	53
	<u>1,499</u>	<u>1,315</u>
	For the six months ended 30 June	
	2022 HK\$ million	2021 HK\$ million
<b>(c) Other items:</b>		
Amortisation of trademarks	2	-
Depreciation		
– on other property, plant and equipment	85	59
– on right-of-use assets	172	177
	<u>259</u>	<u>236</u>
	<b>(note 11(c))</b>	<b>(note 11(c))</b>
Cost of sales		
– properties for sale	2,485	1,953
– trading stocks and consumable stores	558	585
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	(40)	(43)
– unlisted	(6)	(29)

## 8 Income tax

	For the six months ended 30 June	
	2022	2021
	HK\$ million	HK\$ million
<b>Current tax</b>		
Provision for Hong Kong Profits Tax	298	281
Provision for taxation outside Hong Kong	232	280
(Over-provision)/provision for Land Appreciation Tax	(21)	22
	<u>509</u>	<u>583</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	108	45
	<u>617</u>	<u>628</u>

Provision for Hong Kong Profits Tax has been made at 16.5% (2021: 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% (2021: 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\$4,781 million (2021: HK\$6,549 million) and the weighted average number of 4,841 million ordinary shares (2021: 4,841 million ordinary shares) in issue during the period.

Diluted earnings per share were the same as the basic earnings per share for the period and the corresponding six months ended 30 June 2021 as there were no dilutive potential ordinary shares in existence during both periods.

### (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\$5,137 million (2021: HK\$7,806 million). A reconciliation of profit is as follows:

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$ million</b>	<b>HK\$ million</b>
Profit attributable to equity shareholders of the Company	<b>4,781</b>	6,549
Fair value loss of investment properties and investment properties under development during the period (after deducting non-controlling interests' attributable share and deferred tax)(note 6)	<b>45</b>	938
Share of fair value loss of investment properties (net of deferred tax) during the period:		
– associates (note 6)	<b>36</b>	35
– joint ventures (note 6)	<b>132</b>	170
The Group's attributable share of the cumulative fair value gain of investment properties disposed of during the period, net of tax:		
– subsidiaries	<b>141</b>	114
– associates and joint ventures	<b>2</b>	-
Underlying Profit	<b>5,137</b>	7,806
Underlying earnings per share, based on the weighted average number of ordinary shares in issue during the period (note 9(a))	<b>HK\$1.06</b>	HK\$1.61

## 10 Dividends

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

	For the six months ended 30 June	
	2022	2021
	HK\$ million	HK\$ million
Interim dividend declared after the interim period of HK\$0.50 (2021: HK\$0.50) per share	<u>2,421</u>	<u>2,421</u>

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	
	2022	2021
	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 (2021: HK\$1.30) per share	<u>6,294</u>	<u>6,294</u>

## 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, food and beverage operation, travel operation, 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, gain on re-measurement of previously held interest in a former associate upon obtaining of control, fair value change on investment properties and investment properties under development, net finance costs, 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 2022 and 30 June 2021 is set out below:



# 11 Segment reporting (continued)

## (a) Results of reportable segments (continued)

	Company and its subsidiaries (before deducting non-controlling interests)		Associates and joint ventures		Consolidated		Attributable to non-controlling interests		Attributable to equity shareholders of the Company	
	Revenue (note (i)) HK\$ million	Segment results HK\$ million	Share of revenue HK\$ million	Share of segment results HK\$ million	Combined revenue HK\$ million	segment results HK\$ million	Revenue HK\$ million	Segment results HK\$ million	Combined revenue HK\$ million	segment results HK\$ million
<b>For the six months ended 30 June 2022</b>										
Property development										
Hong Kong	4,060	969	31	14	4,091	983	(12)	(6)	4,079	977
Mainland China	15	(39)	4,408	1,109	4,423	1,070	-	(5)	4,423	1,065
	<u>4,075</u>	<u>930</u>	<u>4,439</u>	<u>1,123</u>	<u>8,514</u>	<u>2,053</u>	<u>(12)</u>	<u>(11)</u>	<u>8,502</u>	<u>2,042</u>
Property leasing										
Hong Kong	2,346	1,676	1,061	834	3,407	2,510	(196)	(170)	3,211	2,340
Mainland China	1,051	824	41	36	1,092	860	(11)	(8)	1,081	852
(note (ii))	<u>3,397</u>	<u>2,500</u>	<u>1,102</u>	<u>870</u>	<u>4,499</u>	<u>3,370</u>	<u>(207)</u>	<u>(178)</u>	<u>4,292</u>	<u>3,192</u>
Department stores and supermarket-cum-stores operations	937	104	-	-	937	104	(285)	(15)	652	89
Other businesses	1,097	(3)	117	91	1,214	88	(141)	46	1,073	134
	<u>9,506</u>	<u>3,531</u>	<u>5,658</u>	<u>2,084</u>	<u>15,164</u>	<u>5,615</u>	<u>(645)</u>	<u>(158)</u>	<u>14,519</u>	<u>5,457</u>
Utility and energy	-	-	18,155	1,923	18,155	1,923	-	-	18,155	1,923
	<u>9,506</u>	<u>3,531</u>	<u>23,813</u>	<u>4,007</u>	<u>33,319</u>	<u>7,538</u>	<u>(645)</u>	<u>(158)</u>	<u>32,674</u>	<u>7,380</u>
Provision on inventories, net	(note 5)	(2)		-		(2)		-		(2)
Sales of property interests	(note 5)	33		-		33		(1)		32
Unallocated head office and corporate expenses, net		(120)		(129)		(249)		1		(248)
Profit from operations		<u>3,442</u>		<u>3,878</u>		<u>7,320</u>		<u>(158)</u>		<u>7,162</u>
Increase/(decrease) in fair value of investment properties and investment properties under development		37		(168)		(131)		-		(131)
Finance costs	(note 7(a))	(470)		(360)		(830)		25		(805)
Bank interest income		70		94		164		(8)		156
Net finance costs		<u>(400)</u>		<u>(266)</u>		<u>(666)</u>		<u>17</u>		<u>(649)</u>
Profit before taxation		<u>3,079</u>		<u>3,444</u>		<u>6,523</u>		<u>(141)</u>		<u>6,382</u>
Income tax		(617)		(1,007)		(1,624)		23		(1,601)
Profit for the period		<u>2,462</u>		<u>2,437</u>		<u>4,899</u>		<u>(118)</u>		<u>4,781</u>

## 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	Sub-total HK\$ million	Utility and energy HK\$ million	Total HK\$ million
<b>For the six months ended 30 June 2022</b>						
Share of profits less losses of associates (note (iii))						
- Listed associates						
The Hong Kong and China Gas Company Limited	-	73	(104)	(31)	1,410	1,379
Hong Kong Ferry (Holdings) Company Limited	8	15	2	25	-	25
- Unlisted associates	(6)	14	5	13	-	13
	2	102	(97)	7	1,410	1,417
Share of profits less losses of joint ventures (note (iv))	606	410	4	1,020	-	1,020
	608	512	(93)	1,027	1,410	2,437

# 11 Segment reporting (continued)

## (a) Results of reportable segments (continued)

	Company and its subsidiaries (before deducting non-controlling interests)		Associates and joint ventures		Consolidated		Attributable to non-controlling interests		Attributable to equity shareholders of the Company	
	Revenue (note (i)) HK\$ million	Segment results HK\$ million	Share of revenue HK\$ million	Share of segment results HK\$ million	Combined revenue HK\$ million	Consolidated segment results HK\$ million	Revenue HK\$ million	Segment results HK\$ million	Combined revenue HK\$ million	Consolidated segment results HK\$ million
For the six months ended 30 June 2021										
Property development										
Hong Kong	2,912	929	832	294	3,744	1,223	(39)	(21)	3,705	1,202
Mainland China	538	87	1,773	263	2,311	350	-	(1)	2,311	349
	<u>3,450</u>	<u>1,016</u>	<u>2,605</u>	<u>557</u>	<u>6,055</u>	<u>1,573</u>	<u>(39)</u>	<u>(22)</u>	<u>6,016</u>	<u>1,551</u>
Property leasing										
Hong Kong	2,111	1,433	1,239	1,001	3,350	2,434	(83)	(70)	3,267	2,364
Mainland China	989	763	34	29	1,023	792	(4)	(3)	1,019	789
(note (ii))	<u>3,100</u>	<u>2,196</u>	<u>1,273</u>	<u>1,030</u>	<u>4,373</u>	<u>3,226</u>	<u>(87)</u>	<u>(73)</u>	<u>4,286</u>	<u>3,153</u>
Department stores and supermarket-cum-stores operations	905	113	-	-	905	113	(275)	(14)	630	99
Other businesses	1,337	746	108	(72)	1,445	674	(104)	2	1,341	676
	8,792	4,071	3,986	1,515	12,778	5,586	(505)	(107)	12,273	5,479
Utility and energy	-	-	14,953	2,377	14,953	2,377	-	-	14,953	2,377
	<u>8,792</u>	<u>4,071</u>	<u>18,939</u>	<u>3,892</u>	<u>27,731</u>	<u>7,963</u>	<u>(505)</u>	<u>(107)</u>	<u>27,226</u>	<u>7,856</u>
Reversal of provision on inventories, net	(note 5)	78		-		78		(4)		74
Sales of property interests	(note 5)	1		-		1		-		1
Gain on re-measurement of previously held interest in a former associate upon obtaining of control	(note 5)	1,889		-		1,889		-		1,889
Unallocated head office and corporate expenses, net		(246)		(148)		(394)		1		(393)
Profit from operations		5,793		3,744		9,537		(110)		9,427
Decrease in fair value of investment properties and investment properties under development		(919)		(241)		(1,160)		1		(1,159)
Finance costs	(note 7(a))	(300)		(348)		(648)		25		(623)
Bank interest income		60		79		139		(3)		136
Net finance costs		(240)		(269)		(509)		22		(487)
Profit before taxation		4,634		3,234		7,868		(87)		7,781
Income tax		(628)		(621)		(1,249)		17		(1,232)
Profit for the period		4,006		2,613		6,619		(70)		6,549

## 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	Sub-total HK\$ million	Utility and energy HK\$ million	Total HK\$ million
For the six months ended 30 June 2021						
Share of profits less losses of associates (note (iii))						
- Listed associates						
The Hong Kong and China Gas Company Limited	-	104	(75)	29	1,715	1,744
Miramar Hotel and Investment Company, Limited ("Miramar") (note)	-	61	(16)	45	-	45
Hong Kong Ferry (Holdings) Company Limited	(9)	22	10	23	-	23
- Unlisted associates	83	8	(23)	68	-	68
	74	195	(104)	165	1,715	1,880
Share of profits less losses of joint ventures (note (iv))	370	409	(46)	733	-	733
	444	604	(150)	898	1,715	2,613

Note:

The Group has accounted for Miramar as an indirect non-wholly-owned subsidiary and consolidated Miramar's financial results for the period from 14 April 2021 to 30 June 2021 (both dates inclusive) into the Group's consolidated financial statements for the corresponding six months ended 30 June 2021. For the period from 1 January 2021 to 13 April 2021 (both dates inclusive), Miramar was an associate of the Group and the financial results of Miramar for such period were accounted for in the Group's consolidated financial statements for the same period under the equity method of accounting.

## 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\$220 million (2021: HK\$135 million) and HK\$385 million (2021: HK\$499 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\$2,979 million (2021: HK\$2,747 million) and rental-related income of HK\$418 million (2021: HK\$353 million), which in aggregate amounted to HK\$3,397 million for the six months ended 30 June 2022 (2021: HK\$3,100 million)(see note 4).*
- (iii) *The Group's share of profits less losses of associates contributed from the property leasing segment during the period of HK\$102 million (2021: HK\$195 million) includes the net decrease in fair value of investment properties (net of deferred tax) during the period of HK\$36 million (2021: HK\$35 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\$97 million (2021: HK\$104 million) includes the Group's share of loss after tax from hotel operation and management during the period of HK\$7 million (2021: HK\$15 million).*

- (iv) *The Group's share of profits less losses of joint ventures contributed from the property leasing segment during the period of HK\$410 million (2021: HK\$409 million) includes the net decrease in fair value of investment properties (net of deferred tax) during the period of HK\$132 million (2021: HK\$170 million) (see note 6).*

*The Group's share of profits less losses of joint ventures contributed from the other businesses segment during the period of HK\$4 million (2021: share of losses less profits of HK\$46 million) includes the Group's share of loss after tax from hotel operation and management during the period of HK\$44 million (2021: HK\$39 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, trademarks, 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 trademarks, 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
	2022	2021	2022	2021
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Hong Kong	8,330	7,186	318,004	315,198
Mainland China	1,176	1,606	83,362	85,322
The United Kingdom	-	-	31	37
	9,506	8,792	401,397	400,557
	(note 4)	(note 4)		

### (c) Other segment information

	Depreciation and amortisation		Impairment loss/(reversal of impairment loss) on trade debtors	
	For the six months ended 30 June		For the six months ended 30 June	
	2022	2021	2022	2021
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Property development	41	44	-	-
Property leasing	24	25	3	1
Department stores and supermarket-cum-stores operations	73	70	-	-
Other businesses	121	97	(1)	1
	259	236	2	2
	(note 7(c))	(note 7(c))	(note 5)	(note 5)

## 12 Deposits for acquisition of properties

At 31 December 2021, the Group's deposits for acquisition of properties mainly included HK\$339 million paid relating to the acquisition of certain pieces of land/properties located in mainland China. During the six months ended 30 June 2022, the Group recovered its land deposits paid in prior years in the aggregate amount of HK\$335 million in respect of certain property development projects in mainland China.

During the corresponding six months ended 30 June 2021, the Group recovered an amount of HK\$261 million, being the remaining balance of the deposit which had been made by the Group in 2005 regarding the land concession received by a non-wholly-owned subsidiary of the Group relating to a development site situated in Macau Special Administrative Region, but for which the conditions precedent for such subsidiary's acquisition of the land had not been fulfilled and the acquisition could not proceed.

## 13 Inventories

	At 30 June 2022 HK\$ million	At 31 December 2021 HK\$ million
<b>Property development</b>		
Leasehold land held for development for sale	11,032	10,851
Properties held for/under development for sale	60,294	75,739
Completed properties for sale	30,503	22,434
	<b>101,829</b>	109,024
<b>Other operations</b>		
Trading stocks and consumable stores	152	156
	<b>101,981</b>	109,180

## 14 Trade and other receivables

	At 30 June 2022 HK\$ million	At 31 December 2021 HK\$ million
(i) Debtors and current receivables		
Trade debtors	721	504
Other debtors	6,071	6,556
Prepayments and deposits	5,066	5,043
Gross amount due from customers for contract work <sup>(^)</sup>	45	82
Amounts due from associates	6	5
Amounts due from joint ventures	130	148
	<hr/> 12,039 <hr/>	<hr/> 12,338 <hr/>
(ii) Other current financial assets		
Instalments receivable	253	221
Loans receivable	2,530	3,714
Financial assets measured at FVPL	455	388
Derivative financial instruments	158	183
	<hr/> 3,396 <hr/>	<hr/> 4,506 <hr/>
	<hr/> <b>15,435</b> <hr/>	<hr/> <b>16,844</b> <hr/>

<sup>(^)</sup> This balance represented 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 was recognised as contract asset.

Included in other debtors is an amount receivable of HK\$1,867 million which was overdue at 30 June 2022 and 31 December 2021, but which are pledged against certain collaterals provided by the debtor.



## 14 Trade and other receivables (continued)

Loans receivable, of which HK\$60 million (31 December 2021: HK\$63 million) are secured and HK\$2,470 million (31 December 2021: HK\$3,651 million) are unsecured, are expected to be recovered within one year from the end of the reporting period, and are not past due.

The amounts due from associates and joint ventures at 30 June 2022 and 31 December 2021 are unsecured, interest-free, have no fixed terms of repayment and are not past due.

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 2022 HK\$ million	At 31 December 2021 HK\$ million
Current or up to 1 month	472	405
More than 1 month and up to 3 months	143	44
More than 3 months and up to 6 months	56	18
More than 6 months	50	37
	<b>721</b>	<b>504</b>

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, and (i) for property sales transactions, credit terms are granted to buyers in accordance with the sales plans of the projects; and (ii) for property leasing transactions, credit terms granted to tenants generally ranged between 30 days and 60 days from the due date. 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.

The Group has made advances to certain of its associates and joint ventures in mainland China which are interest-bearing, unsecured and have various repayment dates. Management assesses the credit risk on the loans receivable from such associates and joint ventures based on their financial conditions and the profitability of the projects operated by such associates and joint ventures, as well as the counterparty risks of the joint venture partners with reference to their credit ratings.

## 15 Trade and other payables

	At 30 June 2022 HK\$ million	At 31 December 2021 HK\$ million
Creditors and accrued expenses	8,105	8,582
Gross amount due to customers for contract work (#)	11	4
Rental and other deposits received	1,944	1,966
Forward sales deposits received and other contract liabilities (#)	6,477	6,136
Derivative financial instruments	69	36
Provision for reinstatement costs	-	12
Amounts due to associates	3,084	1,321
Amounts due to joint ventures	11,375	10,423
	<b>31,065</b>	<b>28,480</b>

(#) These balances represented 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 were 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 2022 HK\$ million	At 31 December 2021 HK\$ million
Due within 1 month or on demand	1,657	2,927
Due after 1 month but within 3 months	313	398
Due after 3 months but within 6 months	265	326
Due after 6 months	1,794	1,306
	<b>4,029</b>	<b>4,957</b>

The amounts due to associates and joint ventures at 30 June 2022 and 31 December 2021 are unsecured, interest-free and have no fixed terms of repayment except for aggregate amounts due to certain associates and certain joint ventures of HK\$3,000 million (31 December 2021: HK\$2,426 million) which are unsecured, interest-bearing at interest rates ranging from 3.70% to 3.85% (31 December 2021: 3.80% to 3.85%) per annum and wholly repayable between 7 July 2022 and 23 June 2023 (31 December 2021: between 24 January 2022 and 29 November 2022).

## **16 Non-adjusting event after the reporting period**

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

# FINANCIAL REVIEW

## Results of operations

The following discussions should be read in conjunction with the Company's unaudited condensed consolidated financial statements for the six months ended 30 June 2022.

### Revenue and profit

	Revenue			Profit / (loss) contribution from operations		
	Six months ended 30 June			Six months ended 30 June		
	2022	2021	Increase / (Decrease)	2022	2021	Increase/ (Decrease)
	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	%
Reportable segments						
- Property development	4,075	3,450	+18%	930	1,016	-8%
- Property leasing	3,397	3,100	+10%	2,500	2,196	+14%
- Department stores and supermarket-cum-stores operations	937	905	+4%	104	113	-8%
- Other businesses	1,097	1,337	-18%	(3)	746	-100%
	<u>9,506</u>	<u>8,792</u>	+8%	<u>3,531</u>	<u>4,071</u>	-13%

Six months ended 30 June		
2022	2021	
HK\$ million	HK\$ million	Decrease %

Profit attributable to equity shareholders of the Company

- including the Group's 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	4,781	6,549	-27%
- excluding the Group's 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)	5,137	7,806	-34%

Note :

Underlying profit attributable to equity shareholders of the Company ("Underlying Profit") excludes the Group's 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\$143 million (2021: HK\$114 million) was added back in arriving at the Underlying Profit.

Below is the comparison of the Underlying Profits for the six months ended 30 June 2022 and 30 June 2021 by excluding certain fair value adjustments for both periods and the gain on re-measurement of the Group's previously held interest in a former associate during the corresponding six months ended 30 June 2021:-

	<b>Six months ended 30 June</b>		<i>Increase /(Decrease)</i>	
	<b>2022</b>	<b>2021</b>	<i>HK\$ million</i>	<i>%</i>
	<b>HK\$ million</b>	<b>HK\$ million</b>		
Underlying Profit	<b>5,137</b>	7,806	(2,669)	-34%
Add/(Less) :				
(i) Net fair value gain on derivative financial instruments relating to certain interest rate swap contracts, cross currency swap contracts, cross currency interest rate swap contracts and foreign exchange forward contracts (net of tax) for which no hedge accounting was applied during the period	<b>(185)</b>	(109)	(76)	
(ii) Net fair value loss/(gain) on the Group's investment measured as financial asset at fair value through profit or loss, namely, in the listed units of Sunlight Real Estate Investment Trust ("Sunlight REIT")	<b>219</b>	(220)	439	
(iii) Gain on re-measurement of the Group's previously held interest in Miramar Hotel and Investment Company, Limited ("Miramar") upon obtaining of control (as referred to in the paragraph headed "Increase in the Group's interest in Miramar" below) in 2021	-	(1,889)	1,889	
	<b>5,171</b>	5,588	(417)	-7%

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 2022 and 30 June 2021 generated by the Group's subsidiaries, and by geographical contribution, are as follows:-

	Six months ended 30 June		Increase / (Decrease)	
	2022 HK\$ million	2021 HK\$ million	HK\$ million	%
<i>By geographical contribution:</i>				
Hong Kong	4,060	2,912	1,148	+39%
Mainland China	15	538	(523)	-97%
	<u>4,075</u>	<u>3,450</u>	<u>625</u>	<u>+18%</u>

The gross revenue from property sales in Hong Kong during the six months ended 30 June 2022 was contributed as to (i) HK\$2,509 million from the sales revenue of "Aquila Square Mile", being a residential project completed in November 2021 and the sold units of which were partially delivered to the buyers during the six months ended 30 June 2022; and (ii) HK\$1,551 million from the sales revenue of other projects which were completed prior to 1 January 2022. Although the residential project "The Henley" in Kai Tak Development Area was completed in November 2021, most of the sold units are scheduled for delivery to the buyers in the second half of 2022 and therefore only sales revenue of HK\$52 million has been recognised from "The Henley" for the six months ended 30 June 2022.

The gross revenue from property sales in mainland China of HK\$15 million during the six months ended 30 June 2022 was contributed from the delivery of the sold units to the buyers of certain projects held by the Group's subsidiaries which were completed prior to 1 January 2022. There was no completion of any project held by any of the Group's subsidiaries during the six months ended 30 June 2022. By comparison, for the corresponding six months ended 30 June 2021, gross revenue from property sales of HK\$538 million was mainly contributed by the completion of "Emerald Valley" in Nanjing which was completed and the sold units of which were delivered to the buyers during that period.

## ***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 2022 and 30 June 2021, are as follows:-

	<b>Six months ended 30 June</b>		<i>Increase / (Decrease)</i>	
	<b>2022</b>	2021	<i>Increase / (Decrease)</i>	
	<b>HK\$ million</b>	HK\$ million	<i>HK\$ million</i>	<i>%</i>
<i>By geographical contribution:</i>				
Hong Kong	<b>977</b>	1,202	(225)	-19%
Mainland China	<b>1,065</b>	349	716	+205%
	<b>2,042</b>	1,551	491	+32%

The decrease in the Group's attributable share of pre-tax profits from property sales in Hong Kong during the six months ended 30 June 2022 of HK\$225 million (or 19%) is mainly due to the period-on-period decrease of HK\$295 million in the Group's attributable share of pre-tax profit contribution from the property sales of "Timber House" (being a project held by a joint venture of the Group).

The increase in the Group's attributable share of pre-tax profits from property sales in mainland China during the six months ended 30 June 2022 of HK\$716 million (or 205%) is mainly due to the period-on-period increase in the Group's attributable share of pre-tax profit contribution from property sales of the Group's joint ventures, mainly in relation to "La Botanica" in Xian, "Xuheng Huayuan" in Hefei and "Chengdu ICC" in Chengdu.

	<b>Six months ended 30 June</b>		<i>Increase / (Decrease)</i>	
	<b>2022</b>	2021	<i>Increase / (Decrease)</i>	
	<b>HK\$ million</b>	HK\$ million	<i>HK\$ million</i>	<i>%</i>
<i>By contribution from subsidiaries (after deducting non-controlling interests), associates and joint ventures:</i>				
Subsidiaries	<b>919</b>	994	(75)	-8%
Associates	<b>11</b>	(49)	60	+122%
Joint ventures	<b>1,112</b>	606	506	+83%
	<b>2,042</b>	1,551	491	+32%

The decrease of HK\$75 million (or 8%) 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 2022 comprises (i) the period-on-period increase of HK\$55 million in relation to property sales of the Group's subsidiaries in Hong Kong; and (ii) the period-on-period decrease of HK\$130 million in relation to property sales of the Group's subsidiaries in mainland China.

The increase of HK\$60 million (or 122%) in the Group's attributable share of pre-tax profits from property sales of the Group's associates during the six months ended 30 June 2022 comprises (i) the period-on-period increase of HK\$16 million in relation to property sales of the Group's associates in Hong Kong; and (ii) the period-on-period increase of HK\$44 million in relation to property sales of the Group's associates in mainland China.

The increase of HK\$506 million (or 83%) 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 2022 comprises (i) the period-on-period decrease of HK\$296 million in relation to property sales of the Group's joint ventures in Hong Kong (mainly due to the period-on-period decrease in the Group's attributable share of pre-tax profit contribution from the property sales of "Timber House" in Hong Kong, as referred to above); and (ii) the period-on-period increase of HK\$802 million in relation to property sales of the Group's joint ventures in mainland China (mainly due to the period-on-period increase in the Group's attributable share of pre-tax profit contributions from the property sales of "La Botanica" in Xian, "Xuheng Huayuan" in Hefei and "Chengdu ICC" in Chengdu, as referred to above).

## Property leasing

### Gross revenue – subsidiaries

The gross revenue from property leasing during the six months ended 30 June 2022 and 30 June 2021 generated by the Group's subsidiaries, and by geographical contribution, are as follows:-

	Six months ended 30 June		Increase	
	2022 HK\$ million	2021 HK\$ million	HK\$ million	%
<i>By geographical contribution:</i>				
Hong Kong	2,346	2,111	235	+11%
Mainland China	1,051	989	62	+6%
	<u>3,397</u>	<u>3,100</u>	<u>297</u>	+10%



### ***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 2022 and 30 June 2021, are as follows:-

	<b>Six months ended 30 June</b>		<i>Increase / (Decrease)</i>	
	<b>2022</b>	2021	<i>Increase / (Decrease)</i>	
	<b>HK\$ million</b>	HK\$ million	<i>HK\$ million</i>	<i>%</i>
<i>By geographical contribution:</i>				
Hong Kong	<b>2,340</b>	2,364	(24)	-1%
Mainland China	<b>852</b>	789	63	+8%
	<b>3,192</b>	3,153	39	+1%
<i>By contribution from subsidiaries (after deducting non-controlling interests), associates and joint ventures:</i>				
Subsidiaries	<b>2,322</b>	2,123	199	+9%
Associates	<b>178</b>	294	(116)	-39%
Joint ventures	<b>692</b>	736	(44)	-6%
	<b>3,192</b>	3,153	39	+1%

For Hong Kong, on an overall portfolio basis, there was a period-on-period increase of HK\$235 million (or 11%) in rental revenue contribution and a period-on-period decrease of HK\$24 million (or 1%) in the Group's attributable share of pre-tax net rental income contribution for the six months ended 30 June 2022. The increase in rental revenue contribution is mainly due to the contribution from Miramar's property leasing revenue in Hong Kong for the full six months ended 30 June 2022 compared with that during the corresponding six months ended 30 June 2021 which only recognised the property leasing revenue contribution during the period from 14 April 2021 (commencing from which date Miramar became an indirect non-wholly owned subsidiary of the Company, as referred to in the paragraph headed "Increase in the Group's interest in Miramar" below) to 30 June 2021 (both dates inclusive). The decrease in the Group's attributable share of pre-tax net rental income contribution is mainly due to the period-on-period decrease of HK\$53 million in the Group's attributable share of pre-tax net rental income from ifc project, as referred to and explained in the last sub-paragraph below. Cumulative up to 30 June 2022, the Group had granted rent concessions in the aggregate attributable amount of HK\$574 million (cumulative up to 31 December 2021: HK\$522 million), in relation to which the Group's attributable share of the rent concessions amortised for the six months ended 30 June 2022 amounted in aggregate to HK\$64 million (2021: HK\$123 million).

For mainland China, on an overall portfolio basis, there was a period-on-period increase of HK\$62 million (or 6%) in rental revenue contribution and a period-on-period increase of HK\$63 million (or 8%) in the Group's attributable share of pre-tax net rental income contribution for the six months ended 30 June 2022. Based on the average exchange rates between the Renminbi ("RMB") and Hong Kong dollars ("HKD") for the two financial periods of six months ended 30 June 2022 and 30 June 2021, there was a period-on-period appreciation of RMB against HKD by approximately 1.3% during the six months ended 30 June 2022, and excluding the effect of foreign currency translation, there was in RMB terms:

- (i) a period-on-period increase in rental revenue by 5% which was mainly attributable to the increased leasing revenue contributions from the twin office towers of "Lumina Guangzhou" in Guangzhou and "The Roof" in Shanghai (held by a joint venture of the Group) following the period-on-period improvement in their average occupancies, as well as the contribution from Miramar's property leasing revenue in mainland China for the full six months ended 30 June 2022 compared with that during the corresponding six months ended 30 June 2021 which only recognised the property leasing revenue contribution during the period from 14 April 2021 to 30 June 2021 (both dates inclusive); and
- (ii) a period-on-period increase in the Group's attributable share of pre-tax net rental income of 6% which was mainly attributable to the increased contributions from the twin office towers of "Lumina Guangzhou" in Guangzhou, as well as from "Henderson 688" and "The Roof" in Shanghai.

Furthermore, on the Group's overall portfolio basis covering the pre-tax net rental income contributions from subsidiaries, associates and joint ventures, the period-on-period increase in the contribution from subsidiaries and the period-on-period decrease in the contribution from associates both largely reflect the effect of Miramar which was an associate of the Group during the period from 1 January 2021 to 13 April 2021 (both dates inclusive) but became an indirect non-wholly owned subsidiary of the Group commencing from 14 April 2022. The period-on-period decrease in the contribution from joint ventures mainly relates to the period-on-period decrease of HK\$53 million in the Group's attributable share of pre-tax net rental income from ifc project, which was mainly due to the amortisation effect of the rental concessions that were offered to certain distressed tenants due to the outbreak of the pandemic.

## **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 ("Unicorn") respectively, both being wholly-owned subsidiaries of Henderson Investment Limited ("HIL"), a listed subsidiary of the Company. For the six months ended 30 June 2022, revenue contribution amounted to HK\$937 million (2021: HK\$905 million) which represents a period-on-period increase of HK\$32 million, or 4%, over that for the corresponding six months ended 30 June 2021. The increase in revenue during the six months ended 30 June 2022 is mainly attributable to the additional revenue contribution from the UNY supermarket at Tseung Kwan O operating under Unicorn which commenced business operation in November 2021.

Profit contribution (after the elimination of rental expenditure payable by Citistore and Unicorn to the Group, in respect of certain store premises leased by Citistore and Unicorn from the Group for business operation) for the six months ended 30 June 2022 decreased by HK\$9 million, or 8%, to HK\$104 million (2021: HK\$113 million). The decrease in profit contribution is mainly attributable to the increased operating expenditures incurred by the UNY supermarket at Tseung Kwan O which commenced business operation in November 2021, and from the commencement of the tenancy lease on 1 March 2022 of the APITA supermarket-cum-store at Taikoo Shing which was renewed on 18 March 2022.

## Other businesses

Other businesses mainly comprise hotel operation and management, construction, provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, as well as travel and food and beverage operations.

Revenue and pre-tax loss contributions from other businesses for the six months ended 30 June 2022 amounted to HK\$1,097 million and HK\$3 million respectively, representing:

- (a) a decrease of HK\$240 million (or 18%) from the revenue contribution of HK\$1,337 million for the corresponding six months ended 30 June 2021, which is mainly attributable to the following:
  - (i) the decrease in interest income generated from the Group's advances of interest-bearing shareholder's loans to certain joint ventures in the amount of HK\$246 million during the period, for the reason that the Group received such interest income in a one-off cumulative amount of HK\$293 million during the corresponding six months ended 30 June 2021; and
  - (ii) the decrease in construction revenue contribution of HK\$77 million during the period, mainly due to the completion of the construction works of three joint venture projects undertaken by the Group at The Kai Tak Development Area, Hong Kong,

but which are partially offset by the increase in revenue contribution from Miramar's hotel, travel and food and beverage operations during the period in the aggregate amount of HK\$93 million, compared with that for the corresponding six months ended 30 June 2021 during which period Miramar's revenue contribution was only recognised for the period from 14 April 2021 to 30 June 2021 (both dates inclusive);

and

- (b) a decrease of HK\$749 million (or 100%) from the pre-tax profit contribution of HK\$746 million for the corresponding six months ended 30 June 2021, which is mainly attributable to the following:
  - (i) the decrease in pre-tax profit contributions from the Group's financing and construction operations in the aggregate amount of HK\$260 million during the period, for the reasons as referred to above; and

- (ii) the fact that for the six months ended 30 June 2022, a fair value loss of HK\$219 million was recognised in relation to the Group's investment in the listed units of Sunlight REIT (being classified as the Group's investment measured as financial asset at fair value through profit or loss) when compared with a fair value gain of HK\$220 million for the corresponding six months ended 30 June 2021, and which therefore generated a resultant period-on-period increase in fair value loss of HK\$439 million to the Group for the six months ended 30 June 2022.

## Associates

The Group's attributable share of post-tax profits less losses of associates during the six months ended 30 June 2022 amounted to HK\$1,417 million (2021: HK\$1,880 million), representing a decrease of HK\$463 million, or 25%, from that for the corresponding six months ended 30 June 2021. 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 2022 amounted to HK\$1,455 million (2021: HK\$1,915 million), representing a decrease of HK\$460 million, or 24%, from that for the corresponding six months ended 30 June 2021. Such period-on-period decrease in the underlying post-tax profits during the six months ended 30 June 2022 was mainly due to:

- (i) the decrease of HK\$342 million in the Group's attributable share of post-tax underlying profit contribution from The Hong Kong and China Gas Company Limited ("HKCG", a listed associate of the Group), mainly because of the decrease in post-tax profit contributions from HKCG's gas utilities business in mainland China due to the tightening of profit margin as a result of the significant increase in the purchase prices of natural gas during the period; and
- (ii) the non-recurrence of the Group's attributable share of post-tax underlying profit contribution from Miramar which was no longer a listed associate of the Group during the six months ended 30 June 2022, compared with the corresponding six months ended 30 June 2021 during which period the Group recognised its attributable share of post-tax underlying profit contribution from Miramar, as a listed associate, for the period from 1 January 2021 to 13 April 2021 (both dates inclusive) in the amount of HK\$70 million.

## Joint ventures

The Group's attributable share of post-tax profits less losses of joint ventures during the six months ended 30 June 2022 amounted to HK\$1,020 million (2021: HK\$733 million), representing an increase of HK\$287 million, or 39%, over that for the corresponding six months ended 30 June 2021. 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 2022 amounted to HK\$1,152 million (2021: HK\$903 million), representing an increase of HK\$249 million, or 28%, over that for the corresponding six months ended 30 June 2021. Such period-on-period increase in the underlying post-tax profits during the six months ended 30 June 2022 was mainly due to the aggregate increase of HK\$481 million in the Group's attributable share of post-tax profit contributions from the property sales in mainland China of "La Botanica" in Xian, "Xuheng Huayuan" in Hefei and "Chengdu ICC" in Chengdu, which is partially offset by the decrease of HK\$232 million in the Group's attributable share of post-tax profit contribution from the property sales in Hong Kong of "Timber House".

## **Finance costs**

Finance costs (comprising interest expense and other borrowing costs) before interest capitalisation for the six months ended 30 June 2022 amounted to HK\$1,368 million (2021: HK\$1,059 million). Finance costs after interest capitalisation for the six months ended 30 June 2022 amounted to HK\$470 million (2021: HK\$300 million), and after set-off against the Group's bank interest income of HK\$70 million for the six months ended 30 June 2022 (2021: HK\$60 million), the Group recognised net finance costs in the Group's consolidated statement of profit or loss for the six months ended 30 June 2022 in the amount of HK\$400 million (2021: HK\$240 million).

Overall, as referred to in the paragraph headed "Maturity profile and interest cover" below, the Group's total debt amounted to HK\$98,586 million at 30 June 2022 (31 December 2021: HK\$102,915 million) which comprised (i) the Group's bank and other borrowings in Hong Kong in the aggregate amount of HK\$95,624 million at 30 June 2022 (31 December 2021: HK\$99,739 million); and (ii) amounts due from the Group to related companies of HK\$2,962 million at 30 June 2022 (31 December 2021: HK\$3,176 million).

During the six months ended 30 June 2022, the Group's overall effective borrowing rate in relation to the Group's bank and other borrowings in Hong Kong was approximately 1.53% per annum (2021: approximately 1.78% per annum).

Furthermore, as referred to in the paragraph headed "Maturity profile and interest cover" below, in relation to the amount due from the Group to a fellow subsidiary, the Group's effective borrowing rate during the six months ended 30 June 2022 was approximately 1.14% per annum (2021: approximately 0.94% per annum).

## **Revaluation of investment properties and investment properties under development**

The Group recognised an increase in fair value on its investment properties and investment properties under development (before deferred taxation and non-controlling interests) of HK\$37 million in the consolidated statement of profit or loss for the six months ended 30 June 2022 (2021: a decrease of HK\$919 million).

## **Financial resources and liquidity**

### **Medium Term Note Programme**

At 30 June 2022, the aggregate 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 6 May 2022 increased the maximum aggregate principal amount of notes outstanding at any one time from US\$5,000 million to US\$7,000 million, was HK\$27,699 million (31 December 2021: HK\$25,225 million) with tenures of between two years and twenty years (31 December 2021: between nineteen months and twenty years).

During the six months ended 30 June 2022, the Group issued guaranteed notes under the MTN Programme denominated in RMB, United States dollars ("USD") and HKD in the aggregate equivalent amount of HK\$3,620 million (2021: HK\$5,905 million) with tenures of two years (2021: tenures of between two years and three years). Such 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 2022 and 31 December 2021 as referred to in the paragraph headed "Maturity profile and interest cover" below. During the six months ended 30 June 2022, the Group has repaid certain guaranteed notes in the aggregate principal amount of HK\$922 million (2021: HK\$1,548 million) under the MTN Programme.

## Maturity profile and interest cover

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

	<b>At 30 June 2022 HK\$ million</b>	At 31 December 2021 HK\$ million
Bank and other borrowings repayable:		
- Within 1 year	<b>30,621</b>	31,784
- After 1 year but within 2 years	<b>20,517</b>	21,240
- After 2 years but within 5 years	<b>19,848</b>	20,736
- After 5 years	<b>24,638</b>	25,979
Amounts due to related companies	<b>2,962</b>	3,176
Total debt	<b>98,586</b>	102,915
Less:		
Cash and bank balances	<b>(13,409)</b>	(10,947)
Net debt	<b>85,177</b>	91,968
Shareholders' funds	<b>329,858</b>	335,020
Gearing ratio (%)	<b>25.8%</b>	27.5%

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

At 30 June 2022, the Group's total debt comprised (i) bank and other borrowings in Hong Kong, being bank loans of HK\$67,768 million (31 December 2021: HK\$74,358 million) and guaranteed notes of HK\$27,856 million (31 December 2021: HK\$25,381 million); and (ii) amounts due to related companies of HK\$2,962 million (31 December 2021: HK\$3,176 million), which in aggregate amounted to HK\$98,586 million (31 December 2021: HK\$102,915 million). The bank and other borrowings in Hong Kong were unsecured and have a weighted average debt maturity profile of approximately 3.09 years at 30 June 2022 (31 December 2021: approximately 3.24 years). The amounts due to related companies were unsecured and have a weighted average debt maturity profile of approximately three years (31 December 2021: approximately three years).

In addition, at 30 June 2022, there was an amount due from the Group to a fellow subsidiary (being a wholly-owned subsidiary of the ultimate controlling party of the Group) of HK\$55,907 million (31 December 2021: HK\$53,710 million) which was unsecured, interest-bearing and had no fixed repayment terms. The funds advanced from such fellow subsidiary to the Group were used to replace bank loans which arose from the Group's land acquisitions during the previous year ended 31 December 2021.

At 30 June 2022, after taking into account the effect of swap contracts, 50% (31 December 2021: 50%) of the Group's total debt carried fixed interest rates.

The interest cover of the Group is calculated as follows:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$ million</b>	<b>HK\$ million</b>
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	<u><b>6,260</b></u>	<u><b>8,785</b></u>
Interest expense (before interest capitalisation)	<u><b>1,288</b></u>	<u><b>999</b></u>
Interest cover (times)	<u><b>5</b></u>	<u><b>9</b></u>

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 USD, RMB and Japanese Yen ("¥") at 30 June 2022 and the bank borrowings which are denominated in ¥, RMB and Australian dollars ("AUD") at 30 June 2022.

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 the Notes and bank borrowings at each of 30 June 2022 and 31 December 2021, hedging arrangements had been made by the Group with certain counterparty banks which comprise (i) interest rate swap contracts; (ii) a cross currency swap contract (at 30 June 2022) and cross currency swap contracts (at 31 December 2021); (iii) cross currency interest rate swap contracts; and (iv) foreign exchange forward contracts to hedge against interest rate risk and foreign currency risk during their tenure. Based on the aforementioned swap contracts, 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\$34,015 million at 30 June 2022 (31 December 2021: HK\$34,031 million) which represented 35% of the Group's total debt at 30 June 2022 (31 December 2021: 33%).

## **Material acquisitions and disposals**

### **Material acquisitions**

The Group did not undertake any significant acquisitions of subsidiaries or assets during the six months ended 30 June 2022.

### **Material disposals**

On 7 February 2022, the Group entered into a shareholder's agreement with Brilliant Choice Group Limited ("Brilliant Choice", a wholly-owned subsidiary of Empire Development Hong Kong (BVI) Limited) and Lucida Enterprises Limited ("Lucida", a wholly-owned subsidiary of Hysan Development Company Limited), pursuant to which each of Brilliant Choice and Lucida (i) subscribed for one share in a wholly-owned subsidiary of the Company ("the Developer") which is engaged in the development of a site owned by the Urban Renewal Authority at Bailey Street/Wing Kwong Street, To Kwa Wan, Kowloon, Hong Kong, representing 25% of the Developer's enlarged issued share capital; and (ii) acquired 25% of the shareholders' loans owing by the Developer to the Group.

The above transactions were completed on 24 February 2022, as a result of which (i) the Group received net cash proceeds from Brilliant Choice and Lucida in the aggregate amount of HK\$4,126 million; and (ii) the Developer became a joint venture of the Group and in which the Group has a 50% equity interest.

Save as aforementioned, the Group did not undertake any other significant disposals of assets or subsidiaries during the six months ended 30 June 2022.



## **Increase in the Group's interest in Miramar**

On 14 April 2021, the Company announced that it had acquired 103,000 shares in the issued share capital of Miramar ("Miramar Shares") on the open market for an aggregate consideration of HK\$1,574,040 (exclusive of transaction costs) (the "Acquisition"). Upon completion of the settlement process of the Acquisition, the Company indirectly held 345,494,980 Miramar Shares in aggregate which represented approximately 50.002% of the total number of issued Miramar Shares. Prior to the Acquisition, the Company indirectly held approximately 49.987% of the total number of issued Miramar Shares. During the period from 15 April 2021 to 30 June 2021, the Group further acquired an aggregate of 307,000 Miramar Shares on the open market and as a result, at 30 June 2021, the Group indirectly held 345,801,980 Miramar Shares in aggregate which represented approximately 50.0466% of the total number of issued Miramar Shares.

Therefore, during the corresponding six months ended 30 June 2021:

- (a) Miramar was an associate of the Group for the period from 1 January 2021 to 13 April 2021 (both dates inclusive), and the financial results of Miramar for such period were accounted for in the Group's consolidated financial statements for the same period under the equity method of accounting;
- (b) Miramar became an indirect non-wholly owned subsidiary of the Company commencing from 14 April 2021, and the financial results of Miramar for the period from 14 April 2021 to 30 June 2021 (both dates inclusive) were consolidated into the Group's consolidated financial statements for the corresponding six months ended 30 June 2021; and
- (c) the Group recognised as "other income" a one-off gain on re-measurement of previously held interest in Miramar upon obtaining of control in the aggregate amount of HK\$1,889 million, which comprises (i) a gain of HK\$1,887 million on the re-measurement of the Group's 49.987% equity interest in Miramar prior to the Acquisition; and (ii) a gain on bargain purchase of HK\$2 million upon completion of the settlement process of the Acquisition.

During the period from 1 July 2021 to 31 December 2021, the Group further acquired an aggregate of 198,000 Miramar Shares on the open market and as a result, at 31 December 2021, the Company indirectly held 345,999,980 Miramar Shares in aggregate which represented approximately 50.075% of the total number of issued Miramar Shares. During the period from 1 January 2022 to 30 June 2022, the Group had not acquired any Miramar Shares on the open market and as a result, at 30 June 2022, the Group maintained its beneficial shareholding of 50.075% in Miramar. Therefore, during the six months ended 30 June 2022, Miramar was an indirect non-wholly owned subsidiary of the Company and the financial results of Miramar for the period were consolidated into the Group's consolidated financial statements for the same period.

## **Charge on assets**

The assets of the Group's subsidiaries were not charged to any other parties at 30 June 2022 and 31 December 2021.

## **Capital commitments**

At 30 June 2022, capital commitments of the Group amounted to HK\$21,285 million (31 December 2021: HK\$28,133 million). In addition, the Group's attributable share of capital commitments undertaken by joint ventures and certain associates at 30 June 2022 amounted to HK\$13,294 million (31 December 2021: HK\$12,965 million).

## Contingent liabilities

At 30 June 2022, the Group's contingent liabilities amounted to HK\$11,249 million (31 December 2021: HK\$11,187 million), which mainly include:-

- (i) an aggregate amount of HK\$1,112 million (31 December 2021: HK\$1,164 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\$1,672 million (31 December 2021: HK\$1,558 million) relating to guarantees given by the Group to financial institutions on behalf of purchasers of property units of the Group's development projects in mainland China in relation to which the related Building Ownership Certificate (房產證) had not yet been issued at 30 June 2022 (and such guarantees will be released upon the issuance of the Building Ownership Certificate); and
- (iii) amounts of HK\$1,670 million (31 December 2021: HK\$1,670 million), HK\$2,100 million (31 December 2021: HK\$2,100 million), HK\$1,314 million (31 December 2021: HK\$1,314 million) and HK\$2,940 million (31 December 2021: HK\$2,940 million) relating to the Group's attributable and proportional shares (in accordance with the Group's attributable interests in four joint ventures engaged in the development of residential properties at The Kai Tak Development Area, and in which the Group has 29.3% interest, 30% interest, 18% interest and 30% interest respectively) 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, 1 June 2020 and 30 October 2020 respectively between such lending banks and the four joint ventures.

## Employees and remuneration policy

At 30 June 2022, the Group had 9,792 (31 December 2021: 10,059) full-time employees. The decrease in the Group's full-time headcount of 267 employees during the six months ended 30 June 2022 is mainly attributable to the adjustment in line with the change in client portfolio of the Group's security and cleaning operations, as well as staff turnover and the transitional factor in Hong Kong's human resources market in general during the period.

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 2022 amounted to HK\$1,499 million (2021: HK\$1,315 million), representing a period-on-period increase of HK\$184 million or 14%, which is mainly due to (i) the inclusion of Miramar's staff costs for the full period of six months ended 30 June 2022 when compared with that for the period from 14 April 2021 to 30 June 2021 (both dates inclusive) during the corresponding six months ended 30 June 2021 and which therefore resulted in a period-on-period increase of HK\$117 million for the six months ended 30 June 2022; and (ii) general staff salary increment in 2022 and staff bonuses in 2021.

## **OTHER INFORMATION**

### **Review of Interim Results**

The unaudited interim results for the six months ended 30 June 2022 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 2022 and reviewed the systems of internal control, risk management and compliance, and the interim report for the six months ended 30 June 2022.

### **Corporate Governance**

During the six months ended 30 June 2022, the Company complied with the applicable code provisions 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 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 Dr 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. Although the roles of the chairman and the chief executive officer of the Company have not been segregated, powers and authorities have not been over-concentrated as all major decisions are made in consultation with Board members and senior management who possess the relevant knowledge and expertise, as well as appropriate Board committees. Hence, the current arrangements are subject to adequate checks and balances notwithstanding the deviation.

### **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.

On behalf of the Board

<b>Dr Lee Ka Kit</b>	<b>Dr Lee Ka Shing</b>
<i>Chairman</i>	<i>Chairman</i>

Hong Kong, 23 August 2022

*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 director: 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.*