



WHARF

*Established 1886*

WHARF REAL ESTATE INVESTMENT  
COMPANY LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 1997



INTERIM REPORT 2021



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# RENTAL INCOME REMAINS DEPRESSED

## HIGHLIGHTS

- Hong Kong retail sales recover but rental income remains depressed
- Economic uncertainty and new work culture dampen office demand
- Hotels bleed with strict border control still in force

## GROUP RESULTS

Unaudited Group underlying net profit for the six months ended 30 June 2021 decreased by 15% to HK\$3,272 million (2020: HK\$3,844 million), equivalent to HK\$1.08 (2020: HK\$1.27) per share.

Inclusive of net Investment Properties ("IP") revaluation deficit of HK\$278 million (2020: HK\$7,350 million), Group profit attributable to equity shareholders amounted to HK\$2,970 million (2020: loss of HK\$4,454 million). Basic earnings per share were HK\$0.98 (2020: loss of HK\$1.47).

## INTERIM DIVIDEND

A first interim dividend of HK\$0.67 (2020: HK\$0.78) per share will be paid on 9 September 2021 to Shareholders on record as at 6:00 p.m. on 26 August 2021. The distribution will amount to HK\$2,034 million (2020: HK\$2,368 million), representing 65% of underlying net profit from IP and hotels in Hong Kong.

## BUSINESS REVIEW

With strict border control still in force due to the COVID-19 pandemic, 2021 saw a rebuild of local consumption on the back of an improving GDP and unemployment rate from last year's low base.

The Group's premier portfolio captured a bigger share of local spending power through proactive marketing initiatives. Retail tenants in Harbour City and Times Square achieved above-market sales growth. However, although retail sales have bottomed, the sector remains under tremendous pressure until border control relaxes. Prevailing vacancies and weaker market rent continue to depress rental income.

In the meantime, hotels are still bleeding in the absence of inbound visitors, particularly with most of the government's relief programmes having ended, including the substantial amounts from Employment Support Scheme ("ESS"). In spite of a notable year-on-year increase in revenue, basic operating costs still cannot be covered and recovery remains uncertain.

Office demand continues to be soft due to the economic uncertainty and work from home practices. With new completions inflating supply, the existing oversupply may take some time to be digested.

The Group reported revenue growth of 10%, while the drop in operating profit and underlying net profit narrowed to 11% and 15%, respectively. Against stabilising market conditions, the Group's IP revaluation registered a narrower unrealised deficit of HK\$278 million.

While borders remain effectively closed, no early recovery can be assumed for the IP and hospitality sectors.

## HARBOUR CITY

Overall revenue (including hotels) decreased by 11% and operating profit by 17%.

### Retail

Harbour City embraces a proactive stance by investing promptly in marketing and promotion to drive patronage and sales but the market remained weak. As a result, retail revenue decreased by 11% and operating profit by 19%.

Proactive re-tenanting and stringent selection criteria remain pivotal to maintain a desirable high-quality tenant base. Occupancy rate maintained at 91% at the end of June 2021.

Brands debuting in Hong Kong/Kowloon include *Valentino Beauty*, *MEMO*, *Moncler Enfant*, *Rituals*, *Annoushka*, *Aerie*, *KEF*, *Kakao Friends Concept Store*, *Mark Fast*, and *SHOUT Art Hub & Gallery*. Brands such as *alexanderwang*, *Delvaux*, *Maison Margiela*, *Max Mara*, and *Van Cleef & Arpels* either upgraded or expanded. *Valmont*, *Michael Kors*, *National Geographic*, *Ports International*, and *Roger Dubuis* also tapped the opportunity to open shops.

Harbour City has enhanced its F&B offerings which show resilient demand. New delectable dining options include *HONBO*, a popular homegrown American style burger eatery, the soon-to-open *Sushi Hisayoshi*, a high-end Japanese restaurant, *Grill Manten-Boshi*, an authentic Japanese-western restaurant, and *Chicha San Chen*, an award-winning Taiwanese bubble tea chain.

Targeting to strengthen its critical mass, Harbour City spares no effort in its successful spending reward scheme to encourage repeat purchases and dine-out. The coupon redemption programme and other limited-time shopping offers continue to be well received by shoppers and tenants. In parallel, great emphasis has been placed on top-notch service and irresistible member privileges to enhance VIP loyalty and attract new local spenders.

## **Office**

Office leasing activity in Tsim Sha Tsui was relatively muted due to the contraction or relocation of tenants and increased new supply in various districts. Occupancy rate edged down to 82% at the end of June 2021.

Faced with the soft leasing demand, revenue decreased by 13% and operating profit by 15%.

## **Hotels**

Marco Polo Hongkong Hotel and Gateway Hotel expanded foothold in the local market by launching staycation and dining packages featuring unique experiences.

Prince Hotel is closed for a complete overhaul and is ready to re-open with a fresh look upon relaxation of border control and travel restrictions.

## **TIMES SQUARE**

Overall revenue decreased by 8% and operating profit decreased by 25%.

## **Retail**

Gradual recovery of local consumption is supporting sales activities at Times Square, yet retailers remain cautious in expansion and some consolidate in Hong Kong. Retail revenue decreased by 11% and operating profit by 36% due to increased investment in marketing.

Curation of the irresistible marketing programmes and enticing fresh experience started to bear fruit. Tenants sales growth at Times Square turned positive since the last quarter of 2020 and outperformed the market for three consecutive quarters.

A spate of young and aspirational brands seized the opportunity to establish a presence in Times Square, adding new impetus to revive the shopping and dining experience. Occupancy rate was 92% at the end of June 2021.

Times Square continues to be proactive in sales-driven marketing initiatives. In particular, the spending reward scheme and shopping surprise offers have proven to be successful. On top of theme-based promotions, the mall also formed innovative collaborations to create a lineup of exhibitions and character-themed events, which aim to draw footfall and reinforce brand awareness.

## **Office**

Corporates remain cautious about office operation and rental costs. Inspection activities for pocket-sized units mildly recovered, yet sizable demand was relatively low. Occupancy rate slightly improved to 88% at the end of June 2021. Revenue and operating profit decreased slightly by 1%.

## **CENTRAL PORTFOLIO**

The Group's premium portfolio in Central continues to show resilience, backed by its diversified tenant base. Wheelock House offices achieved occupancy of 95% at the end of June 2021 while Crawford House offices achieved 94%. Both retail premises were fully occupied. In view of the adjusted market rent, revenue decreased by 3% and operating profit by 4%.

Undaunted by the impact of the COVID-19 crisis, The Murray, Hong Kong, achieved an outperforming revenue yield per room among its direct competitors by providing themed staycation programmes and enticing dining packages targeting local guests. However, events and banquets were still badly hit due to the social distancing measures.

## **PLAZA HOLLYWOOD**

Plaza Hollywood enjoyed relatively stable footfall and demand from locals throughout the period of social incidents and COVID-19. However, revenue decreased by 10% and operating profit by 14%. Occupancy rate was 96% at the end of June 2021.

Following the commission of the MTR's Tuen Ma Line in June this year, Diamond Hill Station has become a new transportation hub for East Kowloon as an interchange station for the Kwun Tong Line and Tuen Ma Line, which amplifies the geographical advantage of the mall.

## **SINGAPORE ASSETS**

Retail market in Singapore witnessed a notable recovery in the first quarter. However, Phase 2 (heightened alert) safe management measures affected the retail market in the second quarter.

Strategically located in the heart of Orchard Road's premier shopping belt, retail occupancy at Wheelock Place climbed to 96% whilst Scotts Square mall retail was 86% occupied at the end of June 2021. Wheelock Place office tower maintains a stable occupancy at 91%.

## FINANCIAL REVIEW

### (I) REVIEW OF 2021 INTERIM RESULTS

The prolonged COVID-19 pandemic continued to put tremendous pressure on the Group, particularly on Investment Properties (“IP”) and Hotel segments. Underlying net profit decreased by 15% to HK\$3,272 million (2020: HK\$3,844 million) with IP profit decreasing by 14% to HK\$3,321 million and Hotel continuing to report a loss. Group profit attributable to equity shareholders was HK\$2,970 million (2020: loss of HK\$4,454 million).

#### **Revenue and Operating Profit**

Group revenue increased by 10% to HK\$7,485 million (2020: HK\$6,775 million) mainly attributable to the recognition of Development Properties (“DP”) sales for listed subsidiary Harbour Centre Development Limited (“HCDL”) but operating profit decreased by 11% to HK\$4,428 million (2020: HK\$4,966 million) mainly resulting from weaker performance in IP.

IP revenue decreased by 10% to HK\$5,483 million (2020: HK\$6,089 million) and operating profit by 17% to HK\$4,310 million (2020: HK\$5,211 million), mainly resulting from a softer market and increased investment in marketing.

Hotel revenue increased by 34% to HK\$343 million (2020: HK\$256 million) and operating loss narrowed to HK\$208 million (2020: HK\$243 million). Occupancy improved with focus on the domestic market.

DP revenue increased to HK\$1,402 million (2020: HK\$303 million) and operating profit to HK\$146 million (2020: loss of HK\$3 million), primarily attributable to sales recognition by HCDL.

Investment operating profit primarily from dividend income increased by 139% to HK\$232 million (2020: HK\$97 million).

#### **Fair Value Change of IP**

IP assets were stated at HK\$245.1 billion based on independent valuation, representing a revaluation deficit of HK\$284 million. Attributable unrealised loss was HK\$278 million.

#### **Other Net Charge**

Other net charge was HK\$62 million (2020: HK\$1,148 million) after impairment provision of HK\$67 million (2020: HK\$1,043 million) for hotel properties.

## Finance Costs

Finance costs amounted to HK\$359 million (2020: HK\$677 million) after interest capitalisation of HK\$4 million (2020: HK\$8 million) for DP and an unrealised mark-to-market gain of HK\$10 million (2020: loss of HK\$123 million) on cross currency and interest rate swaps in accordance with prevailing accounting standards.

Effective borrowing rate declined to 1.4% (2020: 2.3%) primarily due to a lower HIBOR.

## Income Tax

Taxation charge increased by 82% to HK\$709 million (2020: HK\$389 million) principally due to a one-off DP tax write-back of HK\$494 million for HCDL in 2020.

## Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders for the period amounted to HK\$2,970 million (2020: loss of HK\$4,454 million). Basic earnings per share were HK\$0.98, based on 3,036 million ordinary shares in issue (2020: loss per share of HK\$1.47 based on 3,036 million ordinary shares in issue).

Underlying net profit (excluding the attributable net IP revaluation deficit, impairment provision on hotel properties and other accounting mark-to-market differences on certain financial instruments) decreased by 15% to HK\$3,272 million (2020: HK\$3,844 million). Underlying earnings per share were HK\$1.08 (2020: HK\$1.27).

## (II) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL COMMITMENTS

### Shareholders' and Total Equity

As at 30 June 2021, shareholders' equity increased by HK\$2.6 billion to HK\$207.2 billion (2020: HK\$204.6 billion), equivalent to HK\$68.25 per share (2020: HK\$67.38). Total equity including non-controlling interests increased by HK\$2.8 billion to HK\$212.2 billion (2020: HK\$209.4 billion).

### Assets

Total assets amounted to HK\$278.3 billion (2020: HK\$277.9 billion), 92% (2020: 92%) of which were in Hong Kong. Total business assets, excluding bank deposits and cash, derivative financial assets and deferred tax assets, were HK\$274.1 billion (2020: HK\$274.1 billion).

### IP

IP assets totalled HK\$245.1 billion (2020: HK\$245.5 billion), representing 89% (2020: 90%) of business assets. Harbour City (excluding the three hotels which were stated at cost) was valued at HK\$163.7 billion and Times Square at HK\$52.9 billion.



## Hotels

Hotel properties were stated at cost less accumulated depreciation & impairment losses at HK\$7.6 billion (2020: HK\$7.5 billion). Valuation of these hotels amounted to HK\$14.6 billion at 30 June 2021.

## DP

DP assets, including interests in an associate and joint ventures, amounted to HK\$5.1 billion (2020: HK\$6.3 billion).

## Other Long Term Investments

Other long term investments were valued at HK\$14.9 billion (2020: HK\$13.0 billion), including a portfolio of blue chips held for long term growth and reasonable dividend return. The portfolio performed overall in line with the market and each investment within it is individually not material to the Group's total assets. Revaluation on these investments during the period produced an attributable net surplus of HK\$1.8 billion as reflected in the other comprehensive income. The attributable accumulated surplus balance at period-end was HK\$3.3 billion (2020: HK\$1.5 billion).

## Debts and Gearing

Net debt decreased to HK\$50.4 billion (2020: HK\$52.0 billion). It comprised debts of HK\$53.3 billion and bank deposits/cash of HK\$2.9 billion.

An analysis of net debt is depicted below:

|                        | <b>30 June<br/>2021<br/>HK\$ Billion</b> | 31 December<br>2020<br>HK\$ Billion |
|------------------------|--|-------------------------------------|
| <b>Net debt</b>        |  |                                     |
| Group (excluding HCDL) | <b>49.1</b>                              | 50.5                                |
| HCDL                   | <b>1.3</b>                               | 1.5                                 |
| Total                  | <b>50.4</b>                              | 52.0                                |

The ratio of net debt to total equity fell to 23.8% (2020: 24.8%).

## Finance and Availability of Facilities

Total available loan facilities amounted to HK\$76.8 billion, of which HK\$53.3 billion was utilised, depicted as follows:

|   | 30 June 2021                             |                                  |  |
|---|--|----------------------------------|--|
|   | Available<br>Facility<br>HK\$<br>Billion | Total<br>Debt<br>HK\$<br>Billion | Undrawn<br>Facility<br>HK\$<br>Billion |
| Committed and uncommitted bank facilities<br>Group (excluding HCDL) | 71.9                                     | 50.9                             | 21.0                                   |
| HCDL  | 4.9                                      | 2.4                              | 2.5                                    |
| Total   | 76.8                                     | 53.3                             | 23.5                                   |

Certain banking facilities were secured by bank deposits of HK\$355 million (2020: HK\$356 million).

The debt portfolio was largely denominated in United States dollar, Hong Kong dollar and Singapore dollar. The respective funds available were mainly utilised to finance the Group's IP.

The use of derivative financial instruments is strictly monitored and controlled. The majority of the derivative financial instruments entered into are used for mitigating interest rate and currency exposures.

The Group continued to adhere to a high level of financial discipline with a strong financial position. Financial resources are well prepared to support business and investment activities. In addition, the Group also maintained a portfolio of liquid listed investments with an aggregate market value of HK\$14.9 billion (2020: HK\$13.0 billion).

## Cash Flows for the Group's Operating and Investing Activities

For the period under review, the Group recorded net cash inflow (before changes in working capital and tax payment) of HK\$4.4 billion (2020: HK\$5.0 billion) primarily generated from rental income. Changes in working capital and profits tax payment reduction generated the net cash inflow from operating activities to HK\$3.7 billion (2020: HK\$1.0 billion). For investing activities, the Group recorded a net cash outflow of HK\$0.3 billion (2020: HK\$7.4 billion).

## Capital Commitments

As at 30 June 2021, major planned expenditures for the coming years were estimated at HK\$1.6 billion, of which HK\$0.4 billion was committed. A breakdown (by segment) is as follows:

|                    | As at 30 June 2021        |                             |                       |
|--------------------|---------------------------|-----------------------------|-----------------------|
|                    | Committed<br>HK\$ Million | Uncommitted<br>HK\$ Million | Total<br>HK\$ Million |
| <b>Properties</b>  |                           |                             |                       |
| <b>IP</b>          |                           |                             |                       |
| Hong Kong          | 67                        | 452                         | 519                   |
| <b>DP</b>          |                           |                             |                       |
| Mainland China     | 360                       | 667                         | 1,027                 |
|                    | 427                       | 1,119                       | 1,546                 |
| <b>Hotels</b>      |                           |                             |                       |
| Hong Kong          | 19                        | 1                           | 20                    |
| <b>Group total</b> | <b>446</b>                | <b>1,120</b>                | <b>1,566</b>          |

These expenditures will be funded by internal financial resources, including existing cash and surplus from operations, as well as bank loans and other borrowings. Other available resources include monetisation of the Group's equity investments.

Included in the above are HCDL's expenditures totalling HK\$1.0 billion, which will be funded by its own financial resources.

### (III) HUMAN RESOURCES

The Group had approximately 2,900 employees as at 30 June 2021. Employees are remunerated according to their job responsibilities and market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the Group's achievement and results.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021 — Unaudited

|   | Note  | Six months ended 30 June |                      |
|---|-------|--------------------------|----------------------|
|   |       | 2021<br>HK\$ Million     | 2020<br>HK\$ Million |
| <b>Revenue</b>  | 2     | <b>7,485</b>             | 6,775                |
| Direct costs and operating expenses                                     |       | <b>(2,259)</b>           | (1,395)              |
| Selling and marketing expenses  |       | <b>(516)</b>             | (124)                |
| Administrative and corporate expenses                                   |       | <b>(121)</b>             | (139)                |
| Operating profit before depreciation,<br>amortisation, interest and tax |       | <b>4,589</b>             | 5,117                |
| Depreciation and amortisation   |       | <b>(161)</b>             | (151)                |
| <b>Operating profit</b>   | 2 & 3 | <b>4,428</b>             | 4,966                |
| Decrease in fair value of investment properties                         |       | <b>(284)</b>             | (7,529)              |
| Other net charge  | 4     | <b>(62)</b>              | (1,148)              |
| Finance costs   | 5     | <b>4,082</b>             | (3,711)              |
| Share of results after tax of an associate                              |       | <b>(359)</b>             | (677)                |
|   |       | <b>(60)</b>              | (76)                 |
| Profit/(loss) before taxation   |       | <b>3,663</b>             | (4,464)              |
| Income tax  | 6     | <b>(709)</b>             | (389)                |
| <b>Profit/(loss) for the period</b>                                     |       | <b>2,954</b>             | (4,853)              |
| <b>Profit/(loss) attributable to:</b>                                   |       |                          |                      |
| Equity shareholders   |       | <b>2,970</b>             | (4,454)              |
| Non-controlling interests   |       | <b>(16)</b>              | (399)                |
|   |       | <b>2,954</b>             | (4,853)              |
| <b>Earnings/(loss) per share</b>  | 7     |                          |                      |
| Basic   |       | <b>HK\$0.98</b>          | (HK\$1.47)           |
| Diluted   |       | <b>HK\$0.98</b>          | (HK\$1.47)           |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021 — Unaudited

|   | Six months ended 30 June |                      |
|---|--------------------------|----------------------|
|   | 2021<br>HK\$ Million     | 2020<br>HK\$ Million |
| <b>Profit/(loss) for the period</b>   | <b>2,954</b>             | (4,853)              |
| <b>Other comprehensive income</b>   |                          |                      |
| <b>Item that will not be reclassified to profit or loss:</b>                              |                          |                      |
| Fair value changes on equity investments at fair value through other comprehensive income | <b>1,976</b>             | (1,021)              |
| <b>Items that may be reclassified subsequently to profit or loss:</b>                     |                          |                      |
| Exchange difference on translation of the operations outside Hong Kong                    |                          |                      |
| – Subsidiaries  | <b>(75)</b>              | (232)                |
| Share of reserves of an associate   | <b>13</b>                | (15)                 |
| Others  | <b>1</b>                 | 2                    |
| <b>Other comprehensive income for the period</b>  | <b>1,915</b>             | (1,266)              |
| <b>Total comprehensive income for the period</b>  | <b>4,869</b>             | (6,119)              |
| <b>Total comprehensive income attributable to:</b>  |                          |                      |
| Equity shareholders   | <b>4,741</b>             | (5,456)              |
| Non-controlling interests   | <b>128</b>               | (663)                |
|   | <b>4,869</b>             | (6,119)              |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021 — Unaudited

|  | Note | 30 June<br>2021<br>HK\$ Million | 31 December<br>2020<br>HK\$ Million |
|--|------|---------------------------------|-------------------------------------|
| <b>Non-current assets</b>                      |      |                                 |                                     |
| Investment properties                          |      | 245,149                         | 245,473                             |
| Hotel and club properties, plant and equipment |      | 7,869                           | 7,700                               |
| Interest in an associate                       |      | 1,011                           | 1,059                               |
| Interest in joint ventures                     |      | 49                              | 23                                  |
| Other long term investments                    |      | 14,912                          | 13,041                              |
| Deferred tax assets                            |      | 125                             | 303                                 |
| Derivative financial assets                    |      | 686                             | 965                                 |
| Other non-current assets                       |      | 66                              | 66                                  |
|  |      | <b>269,867</b>                  | 268,630                             |
| <b>Current assets</b>                          |      |                                 |                                     |
| Properties for sale                            |      | 4,088                           | 5,207                               |
| Inventories                                    |      | 18                              | 19                                  |
| Trade and other receivables                    | 9    | 1,248                           | 1,675                               |
| Prepaid tax                                    |      | 126                             | 122                                 |
| Derivative financial assets                    |      | 8                               | 1                                   |
| Bank deposits and cash                         |      | 2,948                           | 2,260                               |
|  |      | <b>8,436</b>                    | 9,284                               |
| <b>Total assets</b>                            |      | <b>278,303</b>                  | 277,914                             |

|                                  | Note | 30 June<br>2021<br>HK\$ Million | 31 December<br>2020<br>HK\$ Million |
|----------------------------------|------|---------------------------------|-------------------------------------|
| <b>Non-current liabilities</b>   |      |                                 |                                     |
| Derivative financial liabilities |      | (439)                           | (365)                               |
| Deferred tax liabilities         |      | (2,587)                         | (2,534)                             |
| Other deferred liabilities       |      | (333)                           | (333)                               |
| Bank loans and other borrowings  | 11   | (51,275)                        | (48,171)                            |
|                                  |      | (54,634)                        | (51,403)                            |
| <b>Current liabilities</b>       |      |                                 |                                     |
| Trade and other payables         | 10   | (7,696)                         | (8,185)                             |
| Pre-sale deposits and proceeds   |      | (1,075)                         | (2,044)                             |
| Derivative financial liabilities |      | (9)                             | (226)                               |
| Taxation payable                 |      | (645)                           | (540)                               |
| Bank loans and other borrowings  | 11   | (2,075)                         | (6,107)                             |
|                                  |      | (11,500)                        | (17,102)                            |
| <b>Total liabilities</b>         |      | (66,134)                        | (68,505)                            |
| <b>NET ASSETS</b>                |      | 212,169                         | 209,409                             |
| <b>Capital and reserves</b>      |      |                                 |                                     |
| Share capital                    | 12   | 304                             | 304                                 |
| Reserves                         |      | 206,893                         | 204,247                             |
| <b>Shareholders' equity</b>      |      | 207,197                         | 204,551                             |
| <b>Non-controlling interests</b> |      | 4,972                           | 4,858                               |
| <b>TOTAL EQUITY</b>              |      | 212,169                         | 209,409                             |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021 — Unaudited

|  | Attributable to equity shareholders of the Company |                               |   |                                   |                                  |                       |       | Non-controlling interest<br>HK\$ Million | Total equity<br>HK\$ Million |
|--|--|-------------------------------|---|-----------------------------------|----------------------------------|-----------------------|-------|--|------------------------------|
|  | Share capital<br>HK\$ Million                      | Share Premium<br>HK\$ Million | Investment revaluation reserves<br>HK\$ Million | Exchange reserves<br>HK\$ Million | Revenue reserves<br>HK\$ Million | Total<br>HK\$ Million |       |  |                              |
| <b>At 1 January 2021</b>   | 304  | 696                           | 1,461   | 361                               | 201,729                          | 204,551               | 4,858 | 209,409                                  |                              |
| <b>Changes in equity for the period:</b>                               |  |                               |   |                                   |                                  |                       |       |  |                              |
| Profit/(loss)  | -  | -                             | -   | -                                 | 2,970                            | 2,970                 | (16)  | 2,954                                    |                              |
| Other comprehensive income   | -  | -                             | 1,846   | (76)                              | 1                                | 1,771                 | 144   | 1,915                                    |                              |
| Total comprehensive income   | -  | -                             | 1,846   | (76)                              | 2,971                            | 4,741                 | 128   | 4,869                                    |                              |
| Second interim dividend paid for 2020 (Note 8 (b))                     | -  | -                             | -   | -                                 | (2,095)                          | (2,095)               | -     | (2,095)                                  |                              |
| Dividends paid to non-controlling interests                            | -  | -                             | -   | -                                 | -                                | -                     | (14)  | (14)                                     |                              |
| Transfer to revenue reserves upon de-recognition of equity investments | -  | -                             | (33)  | -                                 | 33                               | -                     | -     | -  |                              |
| <b>At 30 June 2021</b>   | 304  | 696                           | 3,274   | 285                               | 202,638                          | 207,197               | 4,972 | 212,169                                  |                              |
| <b>At 1 January 2020</b>   | 304  | 696                           | 297   | 116                               | 214,751                          | 216,164               | 5,250 | 221,414                                  |                              |
| <b>Changes in equity for the period:</b>                               |  |                               |   |                                   |                                  |                       |       |  |                              |
| Loss   | -  | -                             | -   | -                                 | (4,454)                          | (4,454)               | (399) | (4,853)                                  |                              |
| Other comprehensive income   | -  | -                             | (777)   | (227)                             | 2                                | (1,002)               | (264) | (1,266)                                  |                              |
| Total comprehensive income   | -  | -                             | (777)   | (227)                             | (4,452)                          | (5,456)               | (663) | (6,119)                                  |                              |
| Second interim dividend paid for 2019                                  | -  | -                             | -   | -                                 | (2,824)                          | (2,824)               | -     | (2,824)                                  |                              |
| Dividends paid to non-controlling interests                            | -  | -                             | -   | -                                 | -                                | -                     | (30)  | (30)                                     |                              |
| <b>At 30 June 2020</b>   | 304  | 696                           | (480)   | (111)                             | 207,475                          | 207,884               | 4,557 | 212,441                                  |                              |



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021 — Unaudited

|   | Six months ended 30 June |                      |
|---|--------------------------|----------------------|
|   | 2021<br>HK\$ Million     | 2020<br>HK\$ Million |
| Operating cash inflow   | 4,350                    | 5,002                |
| Changes in working capital and others   | (264)                    | (1,455)              |
| Tax paid  | (379)                    | (2,578)              |
| <b>Net cash generated from operating activities</b>                               | <b>3,707</b>             | 969                  |
| <b>Investing activities</b>   |                          |                      |
| Payment for investment properties, hotel and club properties, plant and equipment | (434)                    | (112)                |
| Other cash generated from/(used in) investing activities                          | 104                      | (7,245)              |
| Net cash used in investing activities   | (330)                    | (7,357)              |
| <b>Financial activities</b>   |                          |                      |
| Dividends paid to equity shareholders   | (2,095)                  | (2,824)              |
| Other cash (used in)/generated from financing activities                          | (601)                    | 11,876               |
| Net cash (used in)/generated from financing activities                            | (2,696)                  | 9,052                |
| <b>Increase in cash and cash equivalents</b>                                      | <b>681</b>               | 2,664                |
| Cash and cash equivalents at 1 January  | 2,260                    | 2,907                |
| Effect of exchange rate changes   | 7                        | (36)                 |
| <b>Cash and cash equivalents at 30 June</b>                                       | <b>2,948</b>             | 5,535                |
| <b>Cash and cash equivalents</b>  |                          |                      |
| Bank deposits and cash in the consolidated statement of financial position        | 2,948                    | 5,535                |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

### 1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

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

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

The unaudited interim financial information contains 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 annual financial statements for the year ended 31 December 2020. The unaudited interim financial information and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The accounting policies and methods of computation used in the preparation of the unaudited interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2020 except for the changes mentioned below.

The HKICPA has issued a number of amendments which are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s consolidated financial statements:

Amendments to HKFRS 4, HKFRS 7, Interest Rate Benchmark Reform — phase 2  
HKFRS 9, HKFRS 16 and HKAS 39

The Group has assessed the impact of the adoption of the above amendments and considered that there was no significant impact on the Group’s results and financial position.

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

## 2. SEGMENT INFORMATION

The Group manages its businesses according to the nature of services and products provided. Management has determined four reportable operating segments for measuring performance and allocating resources. The segments are investment properties, development properties, hotel and investment. No operating segments have been aggregated to form the reportable segments.

Investment properties segment primarily entails property leasing and management operations. Currently, the Group's investment properties portfolio, which mainly consists of retail, office and serviced apartments is primarily located in Hong Kong.

Development properties segment encompasses activities relating to the acquisition of land, development, construction and sales of trading properties mainly in Mainland China.

Hotel segment includes hotel operations in Hong Kong and Mainland China.

Investment segment represents equity investments in global capital markets.

Management evaluates performance primarily based on operating profit as well as the equity share of results of an associate and joint ventures of each segment. Inter-segment pricing is generally determined on an arm's length basis.

Segment business assets principally comprise all tangible assets and current assets directly attributable to each segment with the exception of bank deposits and cash, derivative financial assets and deferred tax assets.

Revenue and expenses are allocated with reference to revenue generated by those segments and expenses incurred by those segments or which arise from the depreciation of assets attributable to those segments.

## a. Analysis of segment revenue and results

| Six months ended       | Revenue<br>HK\$ Million | Operating<br>profit<br>HK\$ Million | Decrease in<br>fair value of<br>investment<br>properties<br>HK\$ Million | Other net<br>(charge)/<br>income<br>HK\$ Million | Finance<br>costs<br>HK\$ Million | Share of<br>results after<br>tax of an<br>associate<br>HK\$ Million | Profit/<br>(loss)<br>before<br>taxation<br>HK\$ Million |
|------------------------|-------------------------|-------------------------------------|--|--|----------------------------------|---|---|
| 30 June 2021           |                         |                                     |  |  |                                  |   |   |
| Investment properties  | 5,483                   | 4,310                               | (284)  | -  | (312)                            | -   | 3,714   |
| Development properties | 1,402                   | 146                                 | -  | 1  | (3)                              | (60)  | 84  |
| Hotel                  | 343                     | (208)                               | -  | (67)   | (10)                             | -   | (285)   |
| Investment             | 232                     | 232                                 | -  | -  | (44)                             | -   | 188   |
| Inter-segment revenue  | (15)                    | -                                   | -  | -  | -                                | -   | -   |
| Segment total          | 7,445                   | 4,480                               | (284)  | (66)   | (369)                            | (60)  | 3,701   |
| Others                 | 40                      | (24)                                | -  | 4  | 10                               | -   | (10)  |
| Corporate expenses     | -                       | (28)                                | -  | -  | -                                | -   | (28)  |
| Group total            | 7,485                   | 4,428                               | (284)  | (62)   | (359)                            | (60)  | 3,663   |
| 30 June 2020           |                         |                                     |  |  |                                  |   |   |
| Investment properties  | 6,089                   | 5,211                               | (7,529)  | -  | (517)                            | -   | (2,835)   |
| Development properties | 303                     | (3)                                 | -  | -  | -                                | (76)  | (79)  |
| Hotel                  | 256                     | (243)                               | -  | (1,043)  | (24)                             | -   | (1,310)   |
| Investment             | 97                      | 97                                  | -  | -  | (12)                             | -   | 85  |
| Inter-segment revenue  | (20)                    | -                                   | -  | -  | -                                | -   | -   |
| Segment total          | 6,725                   | 5,062                               | (7,529)  | (1,043)  | (553)                            | (76)  | (4,139)   |
| Others                 | 50                      | (8)                                 | -  | (105)  | (124)                            | -   | (237)   |
| Corporate expenses     | -                       | (88)                                | -  | -  | -                                | -   | (88)  |
| Group total            | 6,775                   | 4,966                               | (7,529)  | (1,148)  | (677)                            | (76)  | (4,464)   |

## b. Disaggregation of revenue

|  | <b>Six months ended 30 June</b>    |                      |
|--|------------------------------------|----------------------|
|  | <b>2021</b><br><b>HK\$ Million</b> | 2020<br>HK\$ Million |
| <b>Revenue recognised under HKFRS 15</b>                   |                                    |                      |
| Management and services income                             | <b>527</b>                         | 561                  |
| Other rental related income                                | <b>230</b>                         | 194                  |
| Hotel and club operations                                  | <b>343</b>                         | 256                  |
| Sale of development properties                             | <b>1,402</b>                       | 303                  |
|  | <b>2,502</b>                       | 1,314                |
| <b>Revenue recognised under other accounting standards</b> |                                    |                      |
| Rental income  |                                    |                      |
| – Fixed  | <b>4,382</b>                       | 5,154                |
| – Variable   | <b>329</b>                         | 160                  |
|  | <b>4,711</b>                       | 5,314                |
| Investment   | <b>232</b>                         | 97                   |
| Others   | <b>40</b>                          | 50                   |
|  | <b>4,983</b>                       | 5,461                |
| <b>Total revenue</b>                                       | <b>7,485</b>                       | 6,775                |

The Group has applied practical expedient in paragraph 121 of HKFRS 15 to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date to its property management fees and other rental related income as the Group recognises revenue at the amount to which it has a right to invoice, which corresponds directly with the value to the customer of the Group's performance completed to date.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date to its revenue from sales of completed properties as the performance obligation is part of a contract that has an original expected duration of one year or less.

### c. Analysis of inter-segment revenue

|                        | 2021                          |                                       |                               | 2020                          |                                       |                               |
|------------------------|-------------------------------|---------------------------------------|-------------------------------|-------------------------------|---------------------------------------|-------------------------------|
|                        | Total Revenue<br>HK\$ Million | Inter-segment revenue<br>HK\$ Million | Group Revenue<br>HK\$ Million | Total Revenue<br>HK\$ Million | Inter-segment revenue<br>HK\$ Million | Group Revenue<br>HK\$ Million |
| Investment properties  | 5,483                         | (15)                                  | 5,468                         | 6,089                         | (20)                                  | 6,069                         |
| Development properties | 1,402                         | –                                     | 1,402                         | 303                           | –                                     | 303                           |
| Hotel                  | 343                           | –                                     | 343                           | 256                           | –                                     | 256                           |
| Investment             | 232                           | –                                     | 232                           | 97                            | –                                     | 97                            |
| Others                 | 47                            | (7)                                   | 40                            | 58                            | (8)                                   | 50                            |
| Group total            | 7,507                         | (22)                                  | 7,485                         | 6,803                         | (28)                                  | 6,775                         |

### d. Geographical information

|                   | Six months ended 30 June<br>Revenue |                      | Six months ended 30 June<br>Operating profit |                      |
|-------------------|-------------------------------------|----------------------|--|----------------------|
|                   | 2021<br>HK\$ Million                | 2020<br>HK\$ Million | 2021<br>HK\$ Million                         | 2020<br>HK\$ Million |
| Hong Kong         | 5,729                               | 6,263                | 4,058  | 4,864                |
| Outside Hong Kong | 1,756                               | 512                  | 370  | 102                  |
| Group total       | 7,485                               | 6,775                | 4,428  | 4,966                |

### 3. OPERATING PROFIT

Operating profit is arrived at:

|  | Six months ended 30 June |                      |
|--|--------------------------|----------------------|
|  | 2021<br>HK\$ Million     | 2020<br>HK\$ Million |
| <b>After charging:</b>                             |                          |                      |
| Depreciation and amortisation on                   |                          |                      |
| – hotel and club properties, plant and equipment   | 157                      | 147                  |
| – leasehold land                                   | 4                        | 4                    |
| Total depreciation and amortisation                | 161                      | 151                  |
| Staff cost (Note)                                  | 417                      | 442                  |
| Cost of trading properties for recognised sales    | 1,199                    | 281                  |
| Direct operating expenses of investment properties | 1,148                    | 834                  |
| <b>After crediting:</b>                            |                          |                      |
| Gross rental revenue from investment properties    | 5,468                    | 6,069                |
| Interest income                                    | 7                        | 18                   |
| Dividend income from other long term investments   | 232                      | 97                   |

Note:

Staff costs included contributions to defined contribution pension schemes of HK\$24 million (2020: HK\$24 million), which included MPF schemes after a forfeiture of HK \$1 million (2020: HK\$1 million).

### 4. OTHER NET CHARGE

Other net charge for the period amounted to HK\$62 million (2020: HK\$1,148 million) mainly comprises:

- a. Impairment provision of HK\$67 million (2020: HK\$1,043 million) made for hotel properties.
- b. Net foreign exchange loss of HK\$41 million (2020: HK\$89 million) which included the impact of foreign exchange contracts.

## 5. FINANCE COSTS

|                                    | <b>Six months ended 30 June</b> |              |
|------------------------------------|---------------------------------|--------------|
|                                    | <b>2021</b>                     | 2020         |
|                                    | <b>HK\$ Million</b>             | HK\$ Million |
| Interest charged on:               |                                 |              |
| Bank loans and overdrafts          | <b>126</b>                      | 358          |
| Other borrowings                   | <b>204</b>                      | 179          |
| Total interest charge              | <b>330</b>                      | 537          |
| Other finance costs                | <b>43</b>                       | 25           |
| Less: Amount capitalised           | <b>(4)</b>                      | (8)          |
|                                    | <b>369</b>                      | 554          |
| Fair value (gain)/loss:            |                                 |              |
| Cross currency interest rate swaps | <b>34</b>                       | (6)          |
| Interest rate swaps                | <b>(44)</b>                     | 129          |
| Total                              | <b>359</b>                      | 677          |

- a. The Group's average effective borrowing rate for the period was 1.4% p.a. (2020: 2.3% p.a.).
- b. The above interest charge has taken into account the interest paid/receipts in respect of interest rate swaps and cross currency interest rate swaps.



## 6. INCOME TAX

Taxation charged/(credited) to the consolidated statement of profit or loss includes:

|   | <b>Six months ended 30 June</b> |                      |
|---|---------------------------------|----------------------|
|   | <b>2021</b><br>HK\$ Million     | 2020<br>HK\$ Million |
| <b>Current income tax</b>                         |                                 |                      |
| Hong Kong   |                                 |                      |
| – Provision for the period                        | <b>591</b>                      | 701                  |
| Outside Hong Kong                                 |                                 |                      |
| – Provision for the period                        | <b>21</b>                       | 25                   |
|   | <b>612</b>                      | 726                  |
| <b>Land appreciation tax (“LAT”) (Note (c))</b>   | <b>12</b>                       | (494)                |
| <b>Deferred tax</b>                               |                                 |                      |
| Origination and reversal of temporary differences | <b>85</b>                       | 157                  |
| <b>Total</b>                                      | <b>709</b>                      | 389                  |

- a. The provision for Hong Kong profits tax is based on the profit for the period as adjusted for tax purposes at a rate of 16.5% (2020: 16.5%).
- b. Income tax on assessable profits outside Hong Kong is mainly China corporate income tax calculated at a rate of 25%, China withholding tax on dividend at a rate of up to 10% and Singapore income tax at a rate of 17% for the period ended 30 June 2021 and 2020.
- c. Under the Provisional Regulations on LAT, all gains arising from transfer of real estate property in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds on sales of properties less deductible expenditures including cost of land use rights, borrowings costs and all property development expenditures.
- d. There was no tax attributable to an associate for the period ended 30 June 2021 (2020: HK\$18 million) included in the share of results of an associate.

## 7. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity shareholders for the period of HK\$2,970 million (2020: loss of HK\$4,454 million) and 3,036 million ordinary shares in issue during the period (2020: 3,036 million ordinary shares in issue).

There are no potential dilutive ordinary shares in issue during the period ended 30 June 2021 and 2020.

## 8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

|   | Six months ended 30 June |                      |                        |                      |
|---|--------------------------|----------------------|------------------------|----------------------|
|   | 2021<br>HK\$ Per share   | 2021<br>HK\$ Million | 2020<br>HK\$ Per share | 2020<br>HK\$ Million |
| First interim dividend declared after the end of the reporting period | <b>0.67</b>              | <b>2,034</b>         | 0.78                   | 2,368                |

- a. The first interim dividend based on 3,036 million ordinary shares in issue declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.
- b. The second interim dividend of HK\$2,095 million for 2020 was approved and paid in 2021.

## 9. TRADE AND OTHER RECEIVABLES

Included in this item are trade receivables (net of loss allowance) with an ageing analysis based on the invoice date as at 30 June 2021 as follows:

|                                   | <b>30 June<br/>2021<br/>HK\$ Million</b> | 31 December<br>2020<br>HK\$ Million |
|-----------------------------------|--|-------------------------------------|
| Trade receivables                 |  |                                     |
| 0 – 30 days                       | <b>189</b>                               | 152                                 |
| 31 – 60 days                      | <b>23</b>                                | 82                                  |
| 61 – 90 days                      | <b>4</b>                                 | 36                                  |
| Over 90 days                      | <b>62</b>                                | 114                                 |
|                                   | <b>278</b>                               | 384                                 |
| Other receivables and prepayments | <b>970</b>                               | 1,291                               |
|                                   | <b>1,248</b>                             | 1,675                               |

The Group has established credit policies for each of its core businesses. The general credit terms allowed range from 0 to 60 days, except for sale of properties from which the proceeds are receivable pursuant to the terms of the agreements. All the trade and other receivables are expected to be recoverable within one year.

## 10. TRADE AND OTHER PAYABLES

Included in this item are trade payables with an ageing analysis based on the invoice date as at 30 June 2021 as follows:

|                              | <b>30 June<br/>2021<br/>HK\$ Million</b> | 31 December<br>2020<br>HK\$ Million |
|------------------------------|--|-------------------------------------|
| Trade payables               |  |                                     |
| 0 – 30 days                  | <b>64</b>                                | 284                                 |
| 31 – 60 days                 | <b>13</b>                                | 7                                   |
| 61 – 90 days                 | <b>7</b>                                 | 10                                  |
| Over 90 days                 | <b>12</b>                                | 16                                  |
|                              | <b>96</b>                                | 317                                 |
| Rental and customer deposits | <b>3,315</b>                             | 3,482                               |
| Construction costs payable   | <b>2,122</b>                             | 2,245                               |
| Other payables               | <b>2,163</b>                             | 2,141                               |
|                              | <b>7,696</b>                             | 8,185                               |

## 11. BANK LOANS AND OTHER BORROWINGS

|  | <b>30 June<br/>2021<br/>HK\$ Million</b> | 31 December<br>2020<br>HK\$ Million |
|--|--|-------------------------------------|
| Notes (unsecured)                                      | <b>26,966</b>                            | 22,235                              |
| Bank loans (secured)                                   | <b>196</b>                               | 310                                 |
| Bank loans (unsecured)                                 | <b>26,188</b>                            | 31,733                              |
| <b>Total bank loans and other borrowings</b>           | <b>53,350</b>                            | 54,278                              |
| <b>Analysis of maturities of the above borrowings:</b> |  |                                     |
| <b>Current borrowings</b>                              |  |                                     |
| Due within 1 year                                      | <b>2,075</b>                             | 6,107                               |
| <b>Non-current borrowings</b>                          |  |                                     |
| Due after more than 1 year but not exceeding 2 years   | <b>12,196</b>                            | 13,310                              |
| Due after more than 2 year but not exceeding 5 years   | <b>25,567</b>                            | 21,290                              |
| Due after more than 5 years                            | <b>13,512</b>                            | 13,571                              |
|  | <b>51,275</b>                            | 48,171                              |
| <b>Total bank loans and other borrowings</b>           | <b>53,350</b>                            | 54,278                              |

## 12. SHARE CAPITAL

|  | <b>30 June<br/>2021<br/>No. of shares<br/>Million</b> | 31 December<br>2020<br>No. of shares<br>Million | <b>30 June<br/>2021<br/>HK\$ Million</b> | 31 December<br>2020<br>HK\$ Million |
|--|---|---|--|-------------------------------------|
| <b>Authorised ordinary shares of HK\$0.1 each</b>                      | <b>5,000</b>  | 5,000   | <b>500</b>                               | 500                                 |
| <b>Issued and fully paid ordinary shares</b><br>At 30 June/31 December | <b>3,036</b>  | 3,036   | <b>304</b>                               | 304                                 |

## 13. FAIR VALUES MEASUREMENT OF FINANCIAL INSTRUMENTS

### a. Assets and liabilities carried at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement ("HKFRS13"). The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique. The levels are defined as follows:

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

*Financial instruments carried at fair value*

The fair value measurement information for financial instruments in accordance with HKFRS 13 is given below.

|                                      | At 30 June 2021         |                         |                       | At 31 December 2020     |                         |                       |
|--------------------------------------|-------------------------|-------------------------|-----------------------|-------------------------|-------------------------|-----------------------|
|                                      | Level 1<br>HK\$ Million | Level 2<br>HK\$ Million | Total<br>HK\$ Million | Level 1<br>HK\$ Million | Level 2<br>HK\$ Million | Total<br>HK\$ Million |
| <b>Assets</b>                        |                         |                         |                       |                         |                         |                       |
| Other long term investments:         |                         |                         |                       |                         |                         |                       |
| – Listed securities                  | 14,912                  | –                       | 14,912                | 13,041                  | –                       | 13,041                |
| Derivative financial instruments:    |                         |                         |                       |                         |                         |                       |
| – Interest rate swaps                | –                       | 126                     | 126                   | –                       | 193                     | 193                   |
| – Cross currency interest rate swaps | –                       | 564                     | 564                   | –                       | 772                     | 772                   |
| – Forward foreign exchange contracts | –                       | 4                       | 4                     | –                       | 1                       | 1                     |
|                                      | 14,912                  | 694                     | 15,606                | 13,041                  | 966                     | 14,007                |
| <b>Liabilities</b>                   |                         |                         |                       |                         |                         |                       |
| Derivative financial instruments:    |                         |                         |                       |                         |                         |                       |
| – Interest rate swaps                | –                       | 128                     | 128                   | –                       | 114                     | 114                   |
| – Cross currency interest rate swaps | –                       | 316                     | 316                   | –                       | 405                     | 405                   |
| – Forward foreign exchange contracts | –                       | 4                       | 4                     | –                       | 72                      | 72                    |
| Bank loans and other borrowings:     |                         |                         |                       |                         |                         |                       |
| – Notes                              | –                       | 17,865                  | 17,865                | –                       | 13,412                  | 13,412                |
| – Bank loans                         | –                       | 932                     | 932                   | –                       | 926                     | 926                   |
|                                      | –                       | 19,245                  | 19,245                | –                       | 14,929                  | 14,929                |

During the six months ended 30 June 2021, there were no transfers of instruments between Level 1 and Level 2, or transfers into or out of Level 3.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period in which they occur.

#### *Valuation techniques and inputs used in Level 2 fair value measurements*

The fair value of interest rate swaps and cross currency swaps in Level 2 is determined based on the amount that the Group would receive or pay to terminate the swaps at the end of the reporting period taking into account current interest rates and current creditworthiness of the swap counter-parties.

The fair values of bank loans and other borrowings in Level 2 is determined based on cash flows discounted using the Group's current incremental borrowing rates for similar types of borrowings with maturities consistent with those remaining for the debt being valued.

The fair value of forward foreign exchange contracts in Level 2 is determined by using the forward exchange rates at the end of the reporting period and comparing them to the contractual rates.

#### **b. Assets and liabilities carried at other than fair value**

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 30 June 2021 and 31 December 2020.

### **14. MATERIAL RELATED PARTY TRANSACTION**

Transactions between the Company and its subsidiaries have been eliminated on consolidation. The Group has entered into the following material related party transactions during the period ended 30 June 2021:

- a. Following the privatisation scheme of Wheelock and Company Limited ("Wheelock") completed on 22 July 2020, Wheelock ceased to be the holding company of the Group. Consequently, the Group leased out to the tenants which are wholly or partly owned by companies which in turn are wholly owned by the family interests of close family members of, or by a trust the settler of which is a close family member of the chairman of Wheelock was no longer regarded as related parties of the Group from 23rd July 2020 onwards. Rental income earned from those tenants in 2020 was HK\$295 million.
- b. Various IP tenants are subsidiaries of Wheelock and The Wharf (Holdings) Limited ("Wharf"). Such transactions constitute connected transactions as defined under Listing Rules. Revenue from these tenants totalled HK\$68 million (2020: HK\$53 million).

- c. There were in existence agreements with a subsidiary of Wharf for the management, marketing, project management and technical services of the Group's hotel operations. For the period ended 30 June 2021, total fees payable under this arrangement amounted to HK\$7 million (2020: HK\$4 million). Such transaction also constituted a connected transaction as defined under Listing Rules.
- d. There were in existence agreements with subsidiaries of Wheelock and Wharf for the property services in respect of the Group's property projects. For the period ended 30 June 2021, total fees payable under this arrangement amounted to HK\$18 million (2020: HK\$68 million). Such transaction also constituted a connected transaction as defined under Listing Rules.

## 15. CONTINGENT LIABILITIES

As at 30 June 2021, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to overdrafts, short term loans, credit facilities and notes of up to HK\$71,325 million (31 December 2020: HK\$63,733 million).

As at 30 June 2021, there were guarantees of HK\$131 million (31 December 2020: HK\$727 million) provided by the Group to the banks in favour of their customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's development properties.

The Group and the Company have not recognised any deferred income of the above guarantees for subsidiaries, joint ventures and associates as their fair value cannot be reliably measured and their transaction price was HK\$Nil (31 December 2020: HK\$Nil).

As at the end of the reporting period, the Directors do not consider it is probable that a claim will be made against the Group and the Company under any of the guarantees.



## 16. COMMITMENTS

The Group's outstanding commitments as at 30 June 2021 are detailed as below:

### Planned expenditure

|                               | 30 June 2021              |                             |                       | 31 December 2020          |                             |                       |
|-------------------------------|---------------------------|-----------------------------|-----------------------|---------------------------|-----------------------------|-----------------------|
|                               | Committed<br>HK\$ Million | Uncommitted<br>HK\$ Million | Total<br>HK\$ Million | Committed<br>HK\$ Million | Uncommitted<br>HK\$ Million | Total<br>HK\$ Million |
| (i) <b>Properties</b>         |                           |                             |                       |                           |                             |                       |
| <b>Investment properties</b>  |                           |                             |                       |                           |                             |                       |
| Hong Kong                     | 67                        | 452                         | 519                   | 93                        | 411                         | 504                   |
| <b>Development properties</b> |                           |                             |                       |                           |                             |                       |
| Mainland China                | 360                       | 667                         | 1,027                 | 289                       | 759                         | 1,048                 |
|                               | <b>427</b>                | <b>1,119</b>                | <b>1,546</b>          | 382                       | 1,170                       | 1,552                 |
| (ii) <b>Hotels</b>            |                           |                             |                       |                           |                             |                       |
| Hong Kong                     | 19                        | 1                           | 20                    | 105                       | 3                           | 108                   |
| Mainland China                | -                         | -                           | -                     | 78                        | 260                         | 338                   |
|                               | <b>19</b>                 | <b>1</b>                    | <b>20</b>             | 183                       | 263                         | 446                   |
| <b>Group total</b>            | <b>446</b>                | <b>1,120</b>                | <b>1,566</b>          | 565                       | 1,433                       | 1,998                 |

- (i) Properties commitments are mainly for construction costs to be incurred in the forthcoming years.
- (ii) The expenditure for development properties included attributable amounts for developments undertaken by an associate of HK\$1,027 million (31 December 2020: HK\$1,048 million) in Mainland China.

## 17. REVIEW OF UNAUDITED INTERIM FINANCIAL INFORMATION

The unaudited interim financial information for the six months ended 30 June 2021 has been reviewed with no disagreement by the Audit Committee of the Company.

## CORPORATE GOVERNANCE CODE

During the financial period under review, all the code provisions set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) were met by the Company, with one exception as regards Code Provision A.2.1 providing for the roles of the chairman and chief executive to be performed by different individuals.

Such deviation is deemed appropriate as it is considered to be more efficient to have one single person to be Chairman of the Company as well as to discharge the executive functions of a chief executive thereby enabling more effective planning and better execution of long-term strategies. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals, with more than half of them being Independent Non-executive Directors.

## CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

A set of the Company’s own code of conduct (the “Company’s Code”) was adopted by the Company in 2017 to govern Directors’ securities transactions with terms thereof being no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors and all the Directors (except Mr Horace W C Lee who was appointed as a Director with effect from 1 July 2021) have complied with the required standard set out in the Model Code and/or the Company’s Code during the period under review.

## DIRECTORS' INTERESTS IN SHARES

At 30 June 2021, Directors of the Company had the following beneficial interests, all being long positions, in the shares of the Company. The percentages (where applicable) which the relevant shares represented to the number of shares in issue of the Company are also set out below:

|                    | <b>Quantity held</b><br>(percentage, where applicable) | <b>Nature of Interest</b> |
|--------------------|--|---------------------------|
| <b>The Company</b> |  |                           |
| Stephen T H Ng     | 1,435,445 (0.0473%)                                    | Personal Interest         |
| Paul Y C Tsui      | 300,000 (0.0099%)                                      | Personal Interest         |
| Andrew K Y Leung   | 6,629 (0.0002%)  | Family Interest           |
| E K Yeoh           | 20,000 (0.0007%)                                       | Personal Interest         |

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) (the "SFO") in respect of information required to be notified to the Company and the Stock Exchange by the Directors and/or Chief Executive of the Company pursuant to the SFO or the Model Code (or any other applicable code), there were no interests, whether long or short positions, held or deemed to be interested as at 30 June 2021 by any of Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), nor had there been any rights to subscribe for any shares, underlying shares or debentures of the Company and its associated corporations held or deemed to be interested by any of them as at 30 June 2021.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties, other than person(s) who is/are Director(s), who/which were, directly or indirectly, interested in 5% or more of any class of voting shares of the Company as at 30 June 2021, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register"):

| <b>Names</b>                                      | <b>No. of Ordinary Shares</b><br>(percentage based on number of shares in issue) |
|---|--|
| (i) Wheelock and Company Limited ("Wheelock")     | 1,487,051,651 (48.98%)   |
| (ii) HSBC Trustee (C.I.) Limited ("HSBC Trustee") | 1,487,051,651 (48.98%)   |

Notes:

- (1) For the avoidance of doubt and double counting, it should be noted that the shareholdings stated against parties (i) and (ii) represented the same block of shares.
- (2) The deemed shareholding interests of Wheelock and HSBC Trustee of 1,487,051,651 shares (48.98%) as at 30 June 2021 stated above included interests held through Wheelock's wholly-owned subsidiaries as below:

| <b>Names</b>                             | <b>No. of Ordinary Shares</b><br>(percentage based on number of shares in issue) |
|--|--|
| (i) Manuka Investments Pte. Ltd.         | 43,668,000 (1.44%)   |
| (ii) Big Heritage Limited                | 1,316,421,651 (43.36%)   |
| (iii) Kowloon Wharf Pte Limited ("KWPL") | *1,487,051,651 (48.98%)  |

- \* KWPL's interests included 126,962,000 shares (4.18%) deemed shareholding interests held through Vision Expert (0004) Limited, an indirect wholly-owned subsidiary of The Wharf (Holdings) Limited ("Wharf") which in turn is a publicly listed subsidiary of Wheelock.

All the interests stated above represented long positions. As at 30 June 2021, there were no short position interests recorded in the Register.

## CHANGES IN INFORMATION OF DIRECTORS

- (I) Given below is the latest information regarding annual emoluments calculated on an annualised basis, exclusive of any and all amounts which would be borne by Wheelock, Wharf and/or their respective wholly-owned subsidiary(ies), of all those Directors for whom there have been changes since the publication of the last annual report of the Company:

| Director(s)             | Salary and various allowances<br>HK\$'000 | <sup>(1)</sup> Discretionary annual bonus in cash<br>HK\$'000 |
|-------------------------|---|---|
| Y T Leng <sup>(2)</sup> | 2,917 (2020: 4,932)                       | 6,000 (2020: 6,000)   |

Notes:

- (1) The amounts of such discretionary annual bonuses fixed/decided unilaterally by the employers.
- (2) Following her re-designation as an executive director of Wharf on 10 August 2021, the emoluments of Ms Y T Leng as stated above excluded the amounts borne by Wharf calculated on a pre-determined percentage of the basic remunerations which Ms Leng is entitled to receive from the Group.
- (II) Given below are changes in other information of the Director(s) of the Company required to be disclosed pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) under the Listing Rules since the publication of the last annual report of the Company:

|   | Effective Date |
|---|----------------|
| <b>Y T Leng</b>   |                |
| <ul style="list-style-type: none"> <li>The Wharf (Holdings) Limited<br/>— re-designated as an executive director</li> </ul> | 10 August 2021 |

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the financial period under review.

By Order of the Board of  
**Wharf Real Estate Investment Company Limited**  
**Kevin C Y Hui**  
*Company Secretary*

Hong Kong, 5 August 2021

*As at the date of this interim report, the Board of Directors of the Company comprises Mr Stephen T H Ng, Mr Paul Y C Tsui, Ms Y T Leng and Mr Horace W C Lee, together with six Independent Non-executive Directors, namely Mr Alexander S K Au, Mr Tak Hay Chau, Hon Andrew K Y Leung, Mr R Gareth Williams, Dr Glenn S Yee and Professor E K Yeoh.*

*Notwithstanding any choice of language or means for the receipt of corporate communications (viz. annual report, interim report, etc.) previously made by Shareholder(s) and communicated to the Company, Shareholder(s) is/are given the option (which may be exercised at any time by giving reasonable prior notice to the Company) of changing his/her/their choice of printed language version(s) to English only, Chinese only or both English and Chinese for receiving future corporate communications, or changing the choice of receiving future corporate communications to using electronic means instead of in printed version (or vice versa). Such notice of change of choice should contain the full name(s) in English, address and contact telephone number of the relevant Shareholder(s), together with the relevant words regarding the request for the change of choice, and should be sent to the Company, c/o the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by post or by hand delivery, or via email to wharfreic-ecom@hk.tricorglobal.com.*