恒基兆業地產有限公司
HENDERSON LAND DEVELOPMENT COMPANY LIMITED
Stock Code: 12

INTERIM REPORT
2021

Contents

HIGHLIGHTS OF 2021 INTERIM RESULTS

	Note	For the six months ended 30 June **2021 unaudited HK$ million**	 2020 unaudited HK$ million	Change
Property sales				
– Revenue	*1*	**6,016**	8,289	**–27%**
– Pre-tax profit contribution	*1*	**1,551**	3,189	**–51%**
Property leasing				
– Gross rental income	*1*	**4,286**	4,391	**–2%**
– Pre-tax net rental income	*1*	**3,153**	3,321	**–5%**
Profit attributable to equity shareholders				
– Underlying profit	*2*	**7,806**	5,182	**+51%**
– Reported profit		**6,549**	2,834	**+131%**
		HK$	HK$	
Earnings per share				
– Based on underlying profit	*2, 3*	**1.61**	1.07	**+50%**
– Based on reported profit	*3*	**1.35**	0.59	**+129%**
Interim dividend per share		**0.50**	0.50	**No change**

	Note	**At 30 June 2021 unaudited HK$**	At 31 December 2020 audited HK$	Change
Net asset value per share	*3*	**67.88**	67.67	**+0.3%**
Net debt to shareholders' equity		**20.0%**	25.6% (restated)	**–5.6 percentage points**

	Note	**Million square feet**	Million square feet
Properties in Hong Kong			
Land bank (attributable floor area)			
– Properties held for/under development	*4*	**13.4**	13.6
– Unsold units from major launched projects		**0.8**	0.8
Sub-total:		**14.2**	14.4
– Completed properties (including hotels) for rental		**10.1**	10.0
Total:		**24.3**	24.4
New Territories land (attributable land area)		**44.6**	44.4
Properties in Mainland China			
Land bank (attributable floor area)			
– Properties held for/under development		**31.2**	30.1
– Completed stock for sale		**0.9**	0.8
– Completed properties for rental		**8.1**	7.9
		40.2	38.8

Note 1: This amount includes the Group's attributable share of contributions from subsidiaries, associates and joint ventures ("JVs").

Note 2: Excluding the Group's attributable share of fair value change (net of tax) of the investment properties held by subsidiaries, associates and JVs.

Note 3: The earnings per share were calculated based on the weighted average number of shares under Hong Kong Accounting Standard 33, "Earnings Per Share". The net asset value per share was calculated based on the number of issued shares outstanding at 30 June 2021 and 31 December 2020.

Note 4: Including the total attributable developable area of about 4.4 million square feet from Fanling North and other projects, which are subject to finalisation of land premium.

Chairmen's Statement

Interim Results and Dividend

The Group's (unaudited) underlying profit attributable to equity shareholders for the six months ended 30 June 2021 amounted to HK$7,806 million, representing an increase of HK$2,624 million or 51% over HK$5,182 million for the same period last year. During the period under review, Miramar Hotel and Investment Company, Limited ("Miramar") became a subsidiary of the Group and Miramar's assets and liabilities were consolidated into the Group at their fair value, resulting in an attributable gain of HK$1,889 million. Underlying earnings per share were HK$1.61 (2020: HK$1.07).

During the period under review, an attributable share of fair value loss of 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$6,549 million, representing an increase of HK$3,715 million or 131% over HK$2,834 million for the same period last year. Reported earnings per share were HK$1.35 (2020: HK$0.59).

The Board has resolved to pay an interim dividend of HK$0.50 per share (2020: HK$0.50 per share) to shareholders whose names appear on the Register of Members of the Company on Wednesday, 8 September 2021 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 Tuesday, 7 September 2021 and Wednesday, 8 September 2021, 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 Monday, 6 September 2021. The interim dividend will be distributed to shareholders on Thursday, 16 September 2021.

Business Review

Hong Kong

Property Sales

During 2021, the Government implemented a COVID-19 vaccination programme for all Hong Kong residents. The local epidemic situation has become stable and various sectors, with the exception of tourism, have gradually resumed their normal activities. Besides, the ongoing easing measures adopted by major central banks around the world have kept interest rates at a low level, which has rendered further support to the local property market.

During the period under review, the attributable revenue and pre-tax profit contribution from the Group's property sales in Hong Kong amounted to HK$3,705 million and HK$1,202 million respectively, representing decreases of 31% and 52% respectively compared with the same period last year.

The Group launched an array of residential developments for sale including "The Henley (Phase 1 of the Henley)" in Kai Tak and "The Upper South" in Ap Lei Chau, both in urban areas, as well as "The Hampstead Reach" in Yuen Long and "Skypoint Royale" ("The Royale" – Phase 3) in Tuen Mun which was developed by the Group's associate – Hong Kong Ferry (Holdings) Company Limited. All these developments sold well. Existing projects such as "Eden Manor" adjacent to the Hong Kong Golf Club in Fanling, "Double Cove" (Phases 1-5) in Ma On Shan as well as a number of urban redevelopment boutique residences of "The H Collection", were also well received. Together with the disposal of some other properties and car parks, the Group achieved attributable contracted sales of approximately HK$7,865 million in Hong Kong for the six months ended 30 June 2021, representing a period-on-period increase of 178%.

Property Development

As regards urban redevelopment projects, other than those projects already offered for sale or in the sales pipeline in the second half of 2021, projects with 80% to 100% ownerships acquired totaled about 3.7 million square feet in attributable gross floor area at the end of June 2021.

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

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

			Attributable saleable/ gross floor area (million sq. ft.) *(Note 1)*	Remarks
(A)	**Area available for sale in the second half of 2021**			
1.	Unsold units from the major development projects offered for sale	(Table 1)	0.8	
2.	Projects pending sale in the second half of 2021	(Table 2)	1.9	
		Sub-total:	**2.7**	
(B)	**Projects in Urban Areas**			
3.	Existing Urban Redevelopment Projects	(Table 3)	0.9	Dates of sales launch are not yet fixed and one of them is pending finalisation of the amount of land premium with the Government
4.	Newly-acquired Urban Redevelopment Projects			
	4.1 with ownership fully consolidated	(Table 4)	2.5	Most of them are expected to be available for sale or lease in 2022-2023
	4.2 with 80% or above ownership secured	(Table 4)	1.2	Most of them are expected to be available for sale in 2023-2025
	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.	Kai Tak Development Area		0.9	Expected to be available for sale in 2022-2023 (excluding the project already offered for sale, as well as those projects in the sales pipeline in the second half of 2021)
7.	Projects at Castle Peak Road/Un Chau Street and Kweilin Street/Tung Chau Street Sham Shui Po (awarded by the Urban Renewal Authority)		0.2	Expected to be available for sale in 2022
		Sub-total:	**6.8**	
	Total for the above categories (A) and (B) development projects:		**9.5**	

	Attributable saleable/ gross floor area (million sq. ft.) *(Note 1)*	Remarks
(C) Major development projects in the New Territories		
– Fanling North	3.5	*(Note 2)*
– San Tin	0.4	*(Note 2)*
– Fanling Sheung Shui Town Lot No. 263, Kwu Tung	0.3	*(Note 3)*
– Others	0.5	*(Note 2)*
Sub-total:	**4.7**	
Total for categories (A) to (C):	**14.2**	

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 22 major development projects available for sale:

				At 30 June 2021			
	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.	Eden Manor 88 Castle Peak Road Kwu Tung	555,399	Residential	191	217,242	100.00	217,242
2.	The Henley (Phase 1 of the Henley) 7 Muk Tai Street, Kai Tak (formerly known as project at New Kowloon Inland Lot No. 6565, Kai Tak)	654,602 *(Note 1)*	Commercial/ Residential	239	119,135	100.00	119,135
3.	Aquila • Square Mile 38 Fuk Chak Street Mong Kok	181,000	Commercial/ Residential	150	43,029	100.00	43,029
4.	Cetus • Square Mile 18 Ka Shin Street Mong Kok	176,256	Commercial/ Residential	90	25,198	100.00	25,198
5.	Wellesley 23 Robinson Road Mid-Levels West	156,900 *(Note 2)*	Residential	28	47,203	50.00 *(Note 2)*	23,602
6.	Double Cove – Phases 1-5 8 Wu Kai Sha Road Ma On Shan	2,950,640	Commercial/ Residential	14	35,827	59.00	21,138
7.	The Upper South 71 Main Street Ap Lei Chau	40,318	Commercial/ Residential	81	16,358	100.00	16,358
8.	Arbour 2 Tak Shing Street Tsim Sha Tsui	89,527	Commercial/ Residential	36	15,753	100.00	15,753
9.	The Royale – Phases 1-3 8 Castle Peak Road - Castle Peak Bay Tuen Mun	663,062	Residential	180	77,855	16.71	13,010
10.	Two • Artlane 1 Chung Ching Street Sai Ying Pun	90,102	Commercial/ Residential	50	12,155	100.00	12,155
11.	The Hampstead Reach 8 Ping Kin Lane Yuen Long	27,868	Residential	4	7,146	100.00	7,146
12.	NOVUM EAST 856 King's Road Quarry Bay	177,814	Commercial/ Residential	18	4,893	100.00	4,893

	Project name and location	Gross floor area (sq. ft.)	Type of development	At 30 June 2021 No. of residential units remaining unsold	Saleable area remaining unsold (sq. ft.)	Group's interest (%)	Attributable saleable area remained unsold (sq. ft.)
13.	South Walk • Aura 12 Tin Wan Street Aberdeen	37,550	Commercial/ Residential	19	4,491	100.00	4,491
14.	The Addition 342-356 Un Chau Street Cheung Sha Wan	79,903	Commercial/ Residential	11	4,211	100.00	4,211
15.	The Vantage 63 Ma Tau Wai Road Hung Hom	207,254	Commercial/ Residential	9	3,825	100.00	3,825
16.	The Richmond 62C Robinson Road Mid-Levels West	33,678	Commercial/ Residential	7	3,009	100.00	3,009
17.	H • Bonaire 68 Main Street Ap Lei Chau	65,761	Commercial/ Residential	2	1,273	100.00	1,273
18.	PARKER33 33 Shing On Street Shau Kei Wan	80,090	Commercial/ Residential	2	1,134	100.00	1,134
19.	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)*
20.	E-Trade Plaza 24 Lee Chung Street Chai Wan	173,850	Office	Not applicable	60,359 *(Note 3)*	100.00	60,359 *(Note 3)*
21.	The Globe 79 Wing Hong Street Cheung Sha Wan	172,113	Office	Not applicable	50,623 *(Note 3)*	100.00	50,623 *(Note 3)*
22.	Mega Cube 8 Wang Kwong Road Kowloon Bay	171,194	Office	Not applicable	48,622 *(Note 3)*	100.00	48,622 *(Note 3)*
			Total:	**1,131** *(Note 4)*	**875,034**		**771,899**

Note 1: *Representing the total gross floor area for the whole project.*

Note 2: *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 3: *Representing the office, industrial or shop area.*

Note 4: *Out of the above 1,131 unsold residential units, 474 units were completed with occupation permits.*

(Table 2) Projects pending sale in the second half of 2021

In the absence of unforeseen delays, the following projects will be available for sale in the second half of 2021:

	Project name and location	Gross floor area (sq. ft.)	Type of development	No. of residential units	Residential gross floor area (sq. ft.)	Group's interest (%)	Attributable residential gross floor area (sq. ft.)
1.	The Henley (Phase 2 of the Henley) 7 Muk Tai Street, Kai Tak (formerly known as project at New Kowloon Inland Lot No. 6565, Kai Tak)	654,602 *(Note 1)*	Residential	301	179,559	100.00	179,559
2.	The Henley (Phase 3 of the Henley) 7 Muk Tai Street, Kai Tak (formerly known as project at New Kowloon Inland Lot No. 6565, Kai Tak)	654,602 *(Note 1)*	Residential	404	192,593	100.00	192,593
3.	The Holborn 1 Shau Kei Wan Road Quarry Bay	132,363	Residential	420	129,105	100.00	129,105
4.	73 Caine Road Mid-Levels	64,115	Commercial/ Residential	187	55,659	100.00	55,659
5.	Fanling Sheung Shui Town Lot No. 262, Fanling North *(Note 2)*	612,477	Residential	1,576	612,477	100.00	612,477
6.	New Kowloon Inland Lot No. 6562, Kai Tak *(Note 2)*	397,967	Residential	740	397,967	100.00	397,967
7.	30-44 Gillies Avenue South/ 75-77 Baker Street Hung Hom	120,582	Commercial/ Residential	330	98,812	100.00	98,812
8.	5 Sham Mong Road Mong Kok (formerly known as project at 25-29 Kok Cheung Street Mong Kok)	241,783	Commercial/ Residential	616	202,148	100.00	202,148
			Total:	**4,574**	**1,868,320**		**1,868,320**

Note 1: Representing the total gross floor area for the whole project.

Note 2: Pending the issue of pre-sale consent.

(Table 3) Existing Urban Redevelopment Projects

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

	Project name and location	Site area (sq. ft.)	Expected gross floor area upon redevelopment (sq. ft.)	Group's interest (%)	Expected attributable gross floor area upon redevelopment (sq. ft.)
1.	Yau Tong Bay Kowloon *(Note)*	808,398	3,983,789	22.80	908,304
2.	29A Lugard Road The Peak Hong Kong	23,653	11,703	100.00	11,703
	Total:	**832,051**	**3,995,492**		**920,007**

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

		With 100% ownership secured		With over 80% but less than 100% ownership secured*		
	Project name and location	**Site area (sq. ft.)**	**Expected attributable gross floor area upon redevelopment (sq. ft.)**	**Site area (sq. ft.)**	**Expected attributable gross floor area upon redevelopment (sq. ft.)**	**Total attributable gross floor area (sq. ft.)**
	Hong Kong					
1.	4A-4P Seymour Road Mid-Levels (65% stake held by the Group)	52,466	306,921			306,921
2.	88 Robinson Road Mid-Levels			10,361	51,805	51,805
3.	94-100 Robinson Road Mid-Levels	5,798	28,990	6,362	31,810	60,800
4.	105 Robinson Road Mid-Levels	27,530	126,638			126,638
5.	33-47A Elgin Street Mid-Levels	11,775	93,594	1,477	11,739	105,333
6.	1-4 Ladder Street Terrace Mid-Levels	2,859	13,907			13,907
7.	63 Macdonnell Road Mid-Levels			3,155	13,251	13,251
8.	13-21 Wood Road and 22-30 Wing Cheung Street Wanchai	6,392	51,068	2,208	19,722	70,790
9.	9-13 Sun Chun Street Tai Hang			2,019	18,171	18,171
10.	17-25 Sun Chun Street Tai Hang			4,497	40,473	40,473
11.	83-95 Shek Pai Wan Road and 2 Tin Wan Street Aberdeen	4,950	42,075	1,128	10,716	52,791
12.	4-6 Tin Wan Street Aberdeen			1,740	14,790	14,790
13.	983-987A King's Road and 16-22 and 24-94 Pan Hoi Street Quarry Bay (50% stake held by the Group)			43,882	176,760	176,760
	Sub-total:	**111,770**	**663,193**	**76,829**	**389,237**	**1,052,430**

	Project name and location	With 100% ownership secured: Site area (sq. ft.)	With 100% ownership secured: Expected attributable gross floor area upon redevelopment (sq. ft.)	With over 80% but less than 100% ownership secured*: Site area (sq. ft.)	With over 80% but less than 100% ownership secured*: Expected attributable gross floor area upon redevelopment (sq. ft.)	Total attributable gross floor area (sq. ft.)
	Kowloon and New Territories					
14.	16 Kimberley Road Tsim Sha Tsui (Block B, Champagne Court)			12,283	147,396	147,396
15.	Various projects spanning Ka Shin Street, Pok Man Street Man On Street and Tai Kok Tsui Road Tai Kok Tsui	9,642	86,773	22,163	199,467	286,240 *(Note 1)*
16.	456-466 Sai Yeung Choi Street North and 50-56A Wong Chuk Street Sham Shui Po	22,889	205,890			205,890
17.	1-27 Berwick Street 202-220 Nam Cheong Street and 1-14 Yiu Tung Street Shek Kip Mei	45,525	409,725			409,725
18.	Various projects spanning Gillies Avenue South Baker Street Whampoa Street and Bulkeley Street Hung Hom	98,871	894,816			894,816 *(Note 2)*
19.	68A-76B To Kwa Wan Road 58-76 Lok Shan Road 14-20 Ha Heung Road 1-7 Lai Wa Street and 1-9 and 2-8 Mei Wa Street To Kwa Wan			42,506	374,355	374,355
20.	4 Liberty Avenue Ho Man Tin			4,882	39,933	39,933
21.	11-19 Wing Lung Street Cheung Sha Wan *(Note 3)*	6,510	58,300			58,300
22.	67-83 Fuk Lo Tsun Road Kowloon City *(Note 3)*	10,954	92,425			92,425
23.	4-22 Nam Kok Road Kowloon City	10,177	86,505			86,505
24.	3 Mei Sun Lane Tai Po	6,487	37,041			37,041
	Sub-total:	**211,055**	**1,871,475**	**81,834**	**761,151**	**2,632,626**
	Total:	**322,825**	**2,534,668**	**158,663**	**1,150,388**	**3,685,056**

* *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" and "Aquila•Square Mile") in this cluster, as well as the Kok Cheung Street project in the sales pipeline in the second half of 2021, which boast collectively a total gross floor area of about 770,000 square feet.

Note 2: Excluding the project at 30-44 Gillies Avenue South/75-77 Baker Street in this cluster, which is in the sales pipeline in the second half of 2021 and boasts a total gross floor area of about 120,000 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 27 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 1,700,000 square feet against their total attributable land areas of about 190,000 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 630,000 square feet. Successful acquisitions of the above projects bear uncertainty. The Group may not be able to consolidate ownerships of all projects. Redevelopment can only be implemented upon acquisition of the full ownerships of the relevant projects.

Land Bank

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

		Attributable gross floor area (million sq. ft.)
Properties held for/under development *(Note)*		13.4
Unsold units from major launched projects		0.8
	Sub-total:	**14.2**
Completed properties (including hotels) for rental		10.1
	Total:	**24.3**

Note: Including the total attributable developable area of about 4.4 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 3.69 million square feet, which are expected to be available for sale or lease in 2022 and beyond. The total land cost of such projects is estimated to be about HK$33,400 million (including the pricey street shops and the project at the prestigious Seymour Road in Mid-Levels), translating into a land cost of approximately HK$9,100 per square foot of gross floor area.

Apart from acquiring old tenement buildings for redevelopment, the Group also makes use of public tenders and other channels to replenish its development land bank in urban areas. The Group's two wholly-owned and four joint-venture residential development projects with a combined gross floor area of about 1.9 million square feet in Kai Tak Development Area are good examples. Besides, the Group's 22.8% owned residential-cum-commercial project at Yau Tong Bay is also a large-scale development, providing a total attributable gross floor area of about 900,000 square feet. This harbourfront development is pending the Government's review of the amount of land premium.

New Territories land

During the period under review, the Group acquired further New Territories land lots of about 280,000 square feet. However, the Government reclaimed a total land area of about 100,000 square feet in Kam Tin for public use by payment of cash compensation for an aggregate amount of about HK$80 million. At the end of June 2021, the Group's New Territories land reserves were expanded to approximately 44.6 million square feet, representing the largest holding among all property developers in Hong Kong.

The Group holds a total land area of 1.38 million square feet in Fanling North and Kwu Tung North New Development Areas. Of this, three separate lots with a total land area of roughly over 600,000 square feet in Fanling North are assessed to be eligible for in-situ land exchange and the Government may resume the rest for public use by payment of cash compensation. The Group had applied for in-situ land exchange for these three separate land lots. Following the acceleration of the site formation and infrastructure works for the new development areas, the Government has advanced the road works commencement to 2024. The in-situ land exchange for the three land lots will be processed in accordance with that time frame and the progress of the adjacent road works. 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.

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

As for the "Hung Shui Kiu New Development Area Planning and Engineering Study", the area concerned comprises about 714 hectares. 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.

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

In order to increase and expedite land supply, the 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 that it had fully accepted the recommendations tendered by the Task Force on Land Supply regarding land supply strategy and eight land supply options worthy of priority studies and implementation, which included "Tapping into Private Agricultural Land Reserve in the New Territories". The Government has already announced specific criteria 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 earlier this month, 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 the 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.

Investment Properties

During the period under review, Hong Kong's economy improved as the local COVID-19 epidemic receded. Despite stalled inbound tourism, local consumption activities also revived gradually following the Government's rollout of a vaccination programme and the relaxation of social distancing measures. As a result, Hong Kong's GDP and total retail sales for the first half of 2021 increased by 7.8% and 8.4% respectively compared with the same period of last year.

For the six months ended 30 June 2021, 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 6% period-on-period to HK$3,267 million. The attributable share of pre-tax net rental income (including the attributable contributions from subsidiaries, associates and joint ventures) was HK$2,364 million, representing a decrease of 9% from the corresponding period of the previous year. Included therein is attributable gross rental income of HK$925 million contributed from the Group's attributable 40.77% interest in The International Finance Centre ("ifc") project (representing a decrease of 9% from the corresponding period of the previous year). The decrease in rental income was mainly due to the amortisation effect of the rental concessions, which were offered to certain distressed tenants since the outbreak of the pandemic in 2020, as well as the negative rental reversions upon tenancy renewals.

As at 30 June 2021, the average leasing rate for the Group's major rental properties was 94%.

During the period under review, the podium malls of many developments within "The H Collection" (namely, "The Vantage", "Two • Artlane", "Arbour" and "The Addition") were completed for leasing. At the end of June 2021, the Group's completed investment property portfolio in Hong Kong was thus enlarged to about 9.6 million square feet in attributable terms with its breakdown as follows:

By type	Attributable gross floor area (million sq. ft.)	Percentage (%)
Shopping arcade or retail	5.3	55
Office	3.5	37
Industrial	0.4	4
Residential and hotel apartment	0.4	4
Total:	**9.6**	**100**

By geographical area	Attributable gross floor area (million sq. ft.)	Percentage (%)
Hong Kong Island	2.4	25
Kowloon	3.3	34
New Territories	3.9	41
Total:	**9.6**	**100**

Besides, there were about 8,400 car parking spaces attributable to the Group, providing another rental income stream.

Retail portfolio

During the period under review, all the Group's major shopping malls (except those under renovation or undergoing a tenant mix realignment) maintained high occupancy. The improved shoppers' traffic led to tenants' double-digit growth in retail sales over same period last year. Such satisfactory results were mainly due to the Group's innovative initiatives to enhance the appeal of its malls. For instance, the Group sponsored a city-wide art campaign (namely, "Art For Everyone @HKMoA) organised by the Friends of Hong Kong Museum of Art (HKMoA). In addition, 100 augmented reality (AR) artwork images selected from the HKMoA's collection were showcased in the Group's seven major shopping malls (namely, KOLOUR at Tsuen Wan and Yuen Long, MCP at Tseung Kwan O, MOSTown at Ma On Shan, Shatin Centre at Shatin, Square Mile at Tai Kok Tsui, and Trend Plaza at Tuen Mun). By utilising a custom-made mobile application, shoppers were able to locate the artworks via map view, learn their background information and engage with the AR-enabled images. Besides, MOSTown at Ma On Shan joined hands with "Asia Motion E-Sports (AME)" in organising a 'MOST FUN Motion Esports Bootcamp' during the summer. "Cardio Cage" introduced from the US, as well as three other Motion E-sports, were set up in this mall, offering a fun and exciting experience for the shoppers.

"H Zentre", a healthcare hub complemented by dining and retail facilities, also performed well. Many renowned medical specialists and medical service providers such as "Union Hospital" have moved in progressively. Meanwhile, a number of prominent restaurants are also scheduled to open within this year, further reinforcing its distinctive position in the Tsim Sha Tsui commercial district.

Office portfolio

The Group's premium office buildings on Hong Kong Island, such as "ifc" in Central – the core business district – as well as "AIA Tower" in North Point, 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, also received encouraging leasing responses. The growing concerns about costs drove some tenants away from the core business district to relocate to fringe areas for cost savings. The Group's office and industrial/office premises in Kowloon East, including "Manulife Financial Centre", "AIA Financial Centre", "78 Hung To Road" and "52 Hung To Road", stood to benefit from this trend of office decentralisation and performed well.

The prestigious commercial site at Murray Road, Central, which was acquired by the Group in 2017 at a consideration of HK$23,280 million, is being developed into a 465,000-square-foot super Grade-A office tower, named "The Henderson". It is designed by the world-renowned architectural firm Zaha Hadid Architects. With its curvy built form, "The Henderson" echoes the beauty of a bauhinia bud. Its curved glass façade – the first of its kind in Hong Kong – epitomizes the cutting-edge building design and construction technologies adopted by the Group in its development. "The Henderson" has received numerous accolades, including Platinum pre-certification in both WELL Building Standard (WELL) and Leadership in Energy and Environmental Design (LEED). Upon its scheduled completion in 2023, "The Henderson" is poised to rank among the world's leading architectural landmarks, with sustainability and innovation at its core. Pre-leasing is currently under way and the world-leading auction house Christie's has already committed as the building's first anchor tenant, occupying about 50,000 square feet. The space will serve as Christie's new headquarters in Asia Pacific.

Construction

The Group is committed to building excellence in all its developments. For instance, "The Henderson", the Group's super Grade-A office development project at Murray Road, Central, was recently named as the "Best Commercial High Rise Architecture, Hong Kong" in the globally regarded International Property Awards, Asia Pacific. Meanwhile, both the Kok Cheung Street project in Mong Kok and the Kweilin Street/Tung Chau Street project in Sham Shui Po also received awards in the "Mixed Use Development Hong Kong" category.

In order to further enhance building quality, the latest technology and innovative materials are constantly applied. For instance, the Construction Department uses "Design for Manufacture and Assembly" (DfMA) structural modules to facilitate its construction and assembly process. This construction approach expedites the in-situ construction process. In addition, the self-developed "*self-foaming peelable protective coating and its fabrication and application thereof*" was granted a short-term patent by the Hong Kong Government's Intellectual Property Department during the period under review. This coating can be applied for the protection of curtain walls or any surface of irregular shape. Given escalating material costs and a shortage of construction workers, all the above measures help improve quality and cost efficiency by reducing material wastage and on-site manpower.

The Group also cares for the environment during construction. For instance, diesel generators have been gradually replaced by battery power generators at the Construction Department's construction projects so as to reduce air pollution on site. These green initiatives have been widely acclaimed as being effective in minimising the impact of new developments on neighbourhoods and on the environment. For its conscientious approach, the Group received numerous accolades including "Quality Contractor of the Year 2020 Award" from Hong Kong Professional Building Inspection Academy.

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

	Project name and location	Site area (sq. ft.)	Gross floor area (sq. ft.)	Type of development	Group's interest (%)	Attributable gross floor area (sq. ft.)
1.	The Vantage 63 Ma Tau Wai Road Hung Hom	23,031	207,254	Commercial/ Residential	100.00	207,254
2.	Two • Artlane 1 Chung Ching Street Sai Ying Pun	7,858	90,102	Commercial/ Residential	100.00	90,102
3.	Arbour 2 Tak Shing Street Tsim Sha Tsui	10,614	89,527	Commercial/ Residential	100.00	89,527
4.	The Addition 342-356 Un Chau Street Cheung Sha Wan	9,157	79,903	Commercial/ Residential	100.00	79,903
					Total:	**466,786**

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 for the Group's urban boutique residences under "The H Collection" brand) and Goodwill Management Limited. They collectively manage about 78,000 apartments and industrial/commercial units, 10 million square feet of shopping and office space, as well as 20,000 car parking spaces in Hong Kong.

In order to ensure that quality service is provided to all the properties under their management, these companies implement an Integrated Management System complying with the requirements of ISO 9001 (Quality Management System), ISO 10002 (Complaints Handling Management System), ISO 14001 (Environmental Management System) and OHSAS 18001 (Occupational Health and Safety Management System). Quality, health and safety, as well as environmental considerations are thus consistently embedded in all aspects of their services and daily operations.

In respect of social responsibility, the property management subsidiaries continued to promote transformation and innovation during this "Year of Reforms" and implemented various supporting measures amid the pandemic. For instance, in addition to providing anti-epidemic packs to low-income groups, wage subsidies in the aggregate amount of about HK$131 million received by "Hang Yick" and "Well Born" from the Government's "Employment Support Scheme" in the previous year were fully applied to the properties under their management. Furthermore, appropriate job positions were created and offered to former flight attendants, who were retrenched due to the pandemic. In recognition of the Group's care for the public at large, a multitude of commendations including "Sing Tao Service Award" were received.

Mainland China

During the period under review, the Central Government upheld its directives that "housing is for living in, not for speculation" and "the application of differentiated measures in accordance with local conditions" so as to ensure a steady level in both land and housing prices. The extent of the scrutiny on the financial leverage of mainland property developers according to the "Three Thresholds" was expanded so as to strengthen the credit controls over the real estate sector . For the first half of 2021 as a whole, the tightening regulatory policies caused a gradual slowdown in the property sales volume and the price rally tapering off. However, both transaction volumes and transacted prices were still on the rise. Citywide differentiation intensified but strong demand for quality housing still prevailed. As for the land market, transacted prices for residential land lots rose generally in various cities, with bidding participation more active in prime and major second-tier cities.

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

	Project name	Usage	Group's interest (%)	Attributable gross floor area (million sq. ft.)
1.	Lakeside Mansion, Beijing	Residential	24.5	0.26
2.	Phase 2, Central Manor, Guangzhou	Residential	18	0.16
3.	Phase 5, The Landscape, Changsha	Residential and commercial	50	0.65
4.	Shopping mall (Phase 1), Chengdu ICC, Chengdu	Commercial	30	0.07
5.	Phase 3, Emerald Valley, Nanjing	Residential and commercial	50	0.17
6.	Phase 2R3, La Botanica, Xian	Residential and commercial	50	0.42
7.	Phase 2B at Site F, Grand Lakeview, Yixing	School	50	0.02
			Total:	**1.75**

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

Property Investment: The Group focused on the development of Grade-A office buildings. In Guangzhou, the twin office towers at "Lumina Guangzhou" in Yuexiu District were completed in 2020 with a total gross floor area of about 970,000 square feet. Tenants have moved in progressively and the leasing performance was satisfactory. Its 800,000-square-foot shopping podium is expected to be completed in the second half of 2021. In Shanghai, the 3,000,000-square-foot "Lumina Shanghai" at the Xuhui Riverside Development Area is also scheduled for completion in the second half of 2021. Pre-leasing marketing has commenced and the leasing response was encouraging. The Group will continue to expand its portfolio of quality property investments at reasonable costs in the core areas of major cities.

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

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

(1) The Group partnered with the subsidiaries of CIFI Holdings (Group) Co. Limited ("CIFI", a mainland property developer listed in Hong Kong) and Nanshan Holdings Co., Ltd. to jointly develop a residential site in Xiangcheng District, Suzhou whereby the Group will hold a 34.5% equity interest in this project. The land lot with a site area of approximately 490,000 square feet, which was acquired at a consideration of about RMB547 million, will provide a total gross floor area of about 516,000 square feet.

(2) At a consideration of RMB1,400 million, the Group acquired a 50% stake in a commercial-cum-residential project in the core urban area, Shijiazhuang. This project will be jointly developed with CIFI and will provide a total gross floor area of about 5,250,000 square feet on a site of about 2,230,000 square feet.

After the end of the reporting period, the Group entered into joint ventures with the subsidiaries of CIFI to jointly develop the following projects on a 50/50 ownership basis:

(i) A commercial-cum-residential site in Wenjiang District, Chengdu: The land lot with a site area of approximately 2,020,000 square feet, which was acquired at a consideration of about RMB2,811 million, will provide a total gross floor area of about 5,530,000 square feet. The related co-operative agreement was entered into on 7 July 2021.

(ii) A commercial-cum-residential site in Chancheng District, Foshan: The land lot with a site area of approximately 508,000 square feet, which was acquired at a consideration of about RMB1,439 million, will provide a total gross floor area of about 1,270,000 square feet. The related co-operative agreement was entered into on 15 July 2021.

(iii) A residential-cum-municipal site in Dongli District, Tianjin: The land lot with a site area of approximately 1,060,000 square feet, which was acquired at a consideration of about RMB2,194 million, will provide a total gross floor area of about 1,890,000 square feet. The related co-operative agreement was entered into on 20 July 2021.

(iv) A residential site in Yubei District, Chongqing: The land lot with a site area of approximately 1,110,000 square feet, which was acquired at a consideration of about RMB1,900 million, will provide a total gross floor area of about 1,660,000 square feet. The related co-operative agreement was entered into on 2 August 2021.

At 30 June 2021, in addition to the 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 15 cities with a total attributable gross floor area of about 31.16 million square feet. Around 73% of the land bank is planned for residential development:

Land bank under development or held for future development

	Group's share of developable gross floor area* (million sq. ft.)
Prime cities	
Beijing	0.78
Shanghai	3.39
Guangzhou	2.74
Shenzhen	0.21
Sub-total:	**7.12**
Second-tier cities	
Changsha	2.72
Chengdu	4.48
Hefei	0.69
Nanjing	0.02
Shenyang	4.45
Shijiazhuang	2.63
Suzhou	1.84
Xiamen	0.34
Xian	5.44
Xuzhou	0.62
Yixing	0.81
Sub-total:	**24.04**
Total:	**31.16**

* *Excluding basement areas and car parks.*

Usage of development land bank

	Estimated developable gross floor area (million sq. ft.)	Percentage (%)
Residential	22.69	73
Office	5.10	16
Commercial	2.59	8
Others (including clubhouses, schools and community facilities)	0.78	3
Total:	**31.16**	**100**

Property Sales

The attributable revenue and pre-tax profit contribution from the Group's property sales in mainland China as recognised in the interim financial statements for the six months ended 30 June 2021 amounted to HK$2,311 million and HK$349 million respectively, representing a decrease of 21% and 49% respectively compared with the same period last year.

The Group recorded attributable contracted sales of approximately HK$5,966 million in value and approximately 2.8 million square feet in attributable gross floor area during the period under review, representing period-on-period increases of 173% and 87% respectively. Major sales projects included Wuyuanwan in Xiamen, "La Botanica" in Xian, "The Landscape" in Changsha, Xindu District project in Chengdu, "Riverside Park" and Wujiang Development Zone project in Suzhou.

Investment Properties

During the period under review, the joint venture project of Chengdu ICC shopping mall (Phase 1) was completed. At the end of June 2021, the Group's completed investment property portfolio in mainland China was thus increased to about 8.1 million square feet in attributable terms with its breakdown as follows:

By type	Attributable gross floor area (million sq. ft.)	Percentage (%)
Commercial	2.4	30
Office	5.7	70
Total:	**8.1**	**100**

By geographical area	Attributable gross floor area (million sq. ft.)	Percentage (%)
Beijing	2.2	27
Shanghai	3.7	46
Guangzhou	1.6	20
Other	0.6	7
Total:	**8.1**	**100**

During the period under review, the Group's attributable gross rental income increased by 13% period-on-period to HK$1,019 million, whilst its attributable pre-tax net rental income also increased by 8% period-on-period to HK$789 million. The increase in rental income was mainly due to the 8% appreciation of the Renminbi against the Hong Kong Dollar, as well as additional contributions from the recently completed investment properties (including the office towers at "Lumina Guangzhou", which were completed in mid-2020).

In Beijing, "World Financial Centre", an International Grade-A office complex in the Chaoyang Central Business District, was over 96% let at the end of June 2021 and recorded steady rental performance. During the period under review, it was awarded "Sustainability Achievement of the Year 2021, Excellence" by the Royal Institution of Chartered Surveyors in recognition of its commitment to excellence in both building quality and property management.

In Shanghai, "Henderson 688" at Nanjing Road West also achieved "Sustainability Achievement of the Year 2021, Finalist" by the Royal Institution of Chartered Surveyors during the period under review. With more spaces taken up by its existing tenants, a higher leasing rate of 96% was recorded at the end of June 2021. "Henderson Metropolitan" near the Bund, as well as "Grand Gateway II" atop the Xujiahui subway station, were 93% and 91% leased out respectively at the end of June 2021. The leasing response for "Lumina Shanghai" in the Xuhui Riverside Development Area, currently under construction, was also encouraging. The 61-storey iconic office tower of its Phase 1 Development, which has direct access to subway station, will provide Grade-A office space of approximately 1,800,000 square feet. Numerous multinational corporations such as "Rockwell", "Fedex" and "LendLease" have already committed to become tenants. An array of specialty restaurants and a world-leading football club have also been secured as the tenants of its 200,000-square-foot shopping mall. Phase 2 development will provide an additional office and retail space of about 1,000,000 square feet. The entire "Lumina Shanghai" is planned for completion in the second half of 2021.

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. Its twin Grade-A office towers were completed in June 2020, providing a total gross floor area of about 970,000 square feet. Numerous leading institutions and multinational corporations have moved in progressively, whilst many enterprises have also expressed interest. Meanwhile, the 800,000-square-foot shopping podium, currently under construction, is designed to become a one-stop landmark destination, combining retail, dining and entertainment. More international retail brands and specialty restaurants will be brought in to provide customers with a multifarious shopping and leisure experience upon its scheduled completion in the second half of 2021. "Hengbao Plaza" atop the Changshou Road subway station recorded improvements in both shoppers' traffic and tenants' businesses upon the easing of the epidemic situation in early 2021. However, a new wave of the epidemic locally affected its daily operations and retail sales again in the second quarter of 2021. The Group will take positive measures in a timely manner.

Property Management

The Group's mainland property management arm has been established since 2018. During the period under review, both "Greentech Tower" in Shanghai and "World Financial Centre" in Beijing were added to the properties it manages. Together with its existing projects of "Henderson 688" and "Henderson Metropolitan", both in Shanghai, this property management company currently manages in total over 4,100,000 square feet of office and commercial gross floor area, as well as 2,000 car parking spaces. In addition, this property management company implements an Integrated Management System complying with the requirements of ISO 9001 (Quality Management System), ISO 14001 (Environmental Management System) and OHSAS 18001 (Occupational Health and Safety Management System). These professional accreditations are testimony to the Group's commitment to service excellence and customer satisfaction in mainland China.

Henderson Investment Limited ("HIL")

HIL's (unaudited) profit attributable to equity shareholders for the six months ended 30 June 2021 amounted to HK$30 million, representing a decrease of HK$18 million or 38% from HK$48 million for the corresponding period in 2020. The decrease in profit for the period under review was mainly due to the absence of rent concessions from certain landlords and wage subsidies from the Government's "Employment Support Scheme" in the aggregate amount of about HK$21 million as recorded in the corresponding period of last year.

At the end of June 2021, HIL operated seven department stores or household specialty stores under the name of "Citistore" or "Citilife" (hereinafter collectively referred to as "Citistore"), as well as three department stores cum supermarkets or supermarket under the name of "APITA" or "UNY" (hereinafter collectively referred to as "UNY").

(I) Citistore

During the period under review, Citistore strategically adjusted its store network. Its Tai Kok Tsui store was closed at the end of June 2021 and two stand-alone household specialty stores under the name of "Citilife" were opened in April and June 2021 respectively. The household sections of "選之樂" within Citistore's department stores were also branded as "Citilife".

Both gross profit from the sales of own goods, as well as the commission income from concessionaire and consignment counters, remained stable. However, Citistore's profit after taxation for the period under review decreased by HK$1 million or 3% period-on-period to HK$33 million.

(II) UNY

The same store sales of UNY's two store-cum-supermarkets (namely, APITA and UNY Lok Fu) recorded a period-on-period decrease of 7%. Including the additional contribution from UNY Yuen Long, which was opened in June 2020, UNY recorded a period-on-period increase of 2% in total proceeds derived from the sales of own goods and consignment sales for the six months ended 30 June 2021. Due to the increase in operating costs caused by the addition of UNY Yuen Long, UNY recorded a loss after taxation of HK$5 million for the six months ended 30 June 2021.

Citistore will continue with its store development plan, with an aim to open five "Citilife" household specialty stores in the second half of 2021. Two have already been opened in Tuen Mun and Cheung Sha Wan in July 2021. Meanwhile, a new UNY supermarket is planned to be opened at MCP Central, Tseung Kwan O, in November 2021.

Over the years, efforts have been made to strengthen the information technology infrastructure and to integrate the businesses of Citistore and UNY, so as to enhance their operational synergies and efficiency. A new point of sale (POS) system with self-service cashiers will be introduced for UNY in the second half of 2021, which will provide greater convenience to customers and shorten the payment process. In addition, new online shops will be launched for both Citistore and UNY. HIL is developing a new customer relationship management (CRM) programme for all its retail brands so as to enhance the interaction with customers and promote business growth through cross promotions between different brands. Besides, a new centralised distribution centre is expected to commence operation in the first quarter of 2022. This centre will integrate the warehouse and logistic functions for both Citistore and UNY, thereby saving HIL's logistics costs and enhancing overall efficiency.

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

Miramar's revenue for the six months ended 30 June 2021 amounted to HK$584 million (2020: HK$765 million), a decrease of 23.7% against the corresponding period last year. Profit attributable to shareholders was HK$158 million (2020: HK$157 million) with a year-on-year increase of 0.6%. Excluding the revaluation loss on fair value of investment properties of HK$54 million and the net gain on disposal of non-core properties of HK$19 million, the underlying profit attributable to shareholders decreased by 15.7% to HK$193 million (2020: HK$229 million).

Hotels and Serviced Apartments Business

Miramar continued to reinforce its business strategy on targeting local customer market by rolling out interestingly themed staycation packages and co-organising a diverse range of creative workshops with lifestyle brand merchants in its shopping mall. On the other hand, seeing the increasing demand of arrivals and demand for quarantine hotels, Miramar extended the enrollment period of Mira Moon Hotel as a designated quarantine hotel, which had an average occupancy rate of over 60% during the period. As a result, Miramar's revenue from the hotels and serviced apartments business for the period grew by 17% to HK$119.9 million over the same period last year, with a year-on-year reduction of 27% in loss of earnings before interest, taxes, depreciation and amortisation (EBITDA) to HK$7.62 million.

Property Rental Business

To ride out the difficult times together with tenants, Miramar continued to offer them appropriate relief measures including lease restructuring and rent concessions during the period. The disruption to the property rental business was minor during the period as reflected by the slight year-on-year decline of 3.4% and 4.6% in its revenue and positive EBITDA to HK$403.2 million and HK$351.0 million, respectively. The fair value of the Miramar's total investment properties decreased by HK$54 million during the period (2020: HK$72.5 million). The book value of the overall investment properties as at 30 June 2021 was HK$15,200 million.

Food and Beverage Business

Miramar's food and beverage business recorded a revenue of HK$59.9 million but incurred an EBITDA loss of HK$5.5 million during the period. As a comparison, revenue and EBITDA loss was HK$67.8 million and HK$6.3 million respectively, in the same period last year.

Travel Business

During the period, the travel business recorded a revenue of HK$0.7 million and an EBITDA loss of HK$7.8 million. This compares to the revenue and EBITDA loss of HK$177.4 million and HK$16.6 million respectively, reported for the same period last year.

Associated Companies

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

HKCG's unaudited profit after taxation (exclusive of the factor of its share of revaluation value from an investment property, the International Finance Centre complex) for the six months ended 30 June 2021 amounted to HK$4,200 million, an increase of HK$1,230 million, up by 41.4%, compared to the same period last year. As HKCG's share of the revaluation value of the International Finance Centre complex remained unchanged for the period under review, profit after taxation attributable to shareholders of HKCG amounted to HK$4,200 million, an increase of HK$1,533 million, up by 57.5%, compared to the same period last year. The profit growth was mainly due to the mainland's economic recovery, a significant increase in the volume of city-gas sales, increase in energy product prices, and profit contribution from a hydro-treated vegetable oil ("HVO") project.

Town Gas Business in Hong Kong

Total gas sales volume in Hong Kong for the first half of 2021 was approximately 14,735 million MJ, a decrease of 2.8%, in contrast to a 12.8% increase in the number of appliances sold resulting from a rise in new property move-ins due to a slowdown of the epidemic, both compared to the same period last year. As at 30 June 2021, the number of customers was 1,952,813, an increase of 9,036 since the end of 2020.

Utility Businesses in Mainland China

As at the end of June 2021, HKCG held approximately 68.21% of the total issued shares of Towngas China Company Limited ("Towngas China"; stock code: 1083). Towngas China recorded profit after taxation attributable to its shareholders amounting to HK$778 million during the first half of 2021, an increase of approximately 34% compared to the same period last year. Towngas China also added two new city-gas projects, located in Gongzhuling city, Jilin province and Hangzhou city, Zhejiang province respectively, to its portfolio during the first half of 2021.

Towngas China has completed a capital increase of Shanghai Gas Co., Ltd. ("Shanghai Gas"), and cooperation between both parties has made good progress in developing energy and extended businesses in Shanghai city. In April 2021, Towngas China and Shanghai Gas signed a gas source collaborative framework agreement to promote further integration of their respective edge in natural gas resources in the Yangtze River Delta region, and have commenced research on solutions relating to the interconnection of the Jiangsu-Zhejiang region and Shanghai's high-pressure pipeline network.

The Towngas China Emergency Peak Shaving Storage and Distribution Base Project in Weiyuan county, Sichuan province in the southwestern region has been listed as a key project in Sichuan province in 2021. It has received strong support from the local government and established cooperation intent on broad businesses with upstream and downstream companies. Amongst its extended businesses, sales of Towngas China Bauhinia safe appliances and gas insurance products resumed considerable growth during the first half of this year, with an increase exceeding pre-epidemic levels.

As at the end of June 2021, inclusive of Towngas China, HKCG had a total of 287 city-gas projects on the mainland (end of June 2020: 276 projects, inclusive of city-gas projects re-invested by its companies). The total volume of gas sales for these projects for the first half of 2021 was approximately 15,900 million cubic metres, an increase of 28% compared to the same period last year. As at the end of June 2021, HKCG's mainland gas customers stood at approximately 33.02 million, an increase of 8% over the same period last year. Towngas China completed the transaction to acquire equity interest in Shanghai Gas in July this year, thereby increasing HKCG's gas customers to 40 million.

During the first half of this year, HKCG's smart energy business development progressed well with a zero-carbon city project in Hailing district, Taizhou city, Jiangsu province and several photovoltaic, energy storage and energy saving projects added to its portfolio. HKCG has also successfully negotiated over 10 zero-carbon smart industrial park projects; related investment platform companies will gradually be formed starting from the third quarter of this year. Zero-carbon park projects comprise the installation of solar photovoltaic power generation systems on the rooftops of large-scale production plants and logistics warehouses inside the parks, and the configuration of energy storage, charging and swapping power stations, multi-energy (cold, heat and electricity) supply and other energy facilities to provide zero-carbon smart energy supply services for industrial parks.

Development of the Towngas natural gas storage facility in underground salt caverns in Jintan district, Changzhou city, Jiangsu province is progressing in phases. Construction is planned for a total of 25 wells with a combined storage capacity of 1,100 million cubic metres. Five of the wells have now been commissioned and successfully interconnected with the West-to-East Gas Pipeline and the Sichuan-to-East Gas Pipeline, two large-scale national-level natural gas transmission pipelines. This storage facility is the first of its kind built by a city-gas enterprise.

HKCG's storage tank project at the liquefied natural gas ("LNG") receiving terminal in Caofeidian district, Tangshan city, Hebei province is progressing well. The project includes the right to use two storage tanks of 400,000 cubic metres in total alongside a jetty for importing 1 million tonnes of LNG per annum for a contract term of 50 years. This project will be gradually commissioned starting from the end of 2022.

Leveraging the rich experience in sewage treatment gained from its Hua Yan Water business, HKCG successfully developed an urban organic waste resource utilisation project in Suzhou Industrial Park, Jiangsu province in 2019. This project has cumulatively processed more than 250,000 tonnes of organic waste and produced nearly 9 million cubic metres of bio-natural gas. Following the commissioning of the phase two expansion of this project in the second quarter of 2021, its daily processing capacity has increased from 500 to 800 tonnes.

HKCG formed an investment platform company, Hua Yan Environmental, in Changzhou city, Jiangsu province in 2020, to develop businesses encompassing waste incineration for power generation, sewage treatment and food waste treatment in the city. A food waste resource utilisation project already operating in Tongling city, Anhui province was acquired in July last year, and has cumulatively processed more than 50,000 tonnes of organic waste since then. In April 2021, HKCG also acquired a sewage treatment project already operating in Wujin district, Changzhou city, Jiangsu province.

Inclusive of projects of "Towngas China", HKCG had 451 projects (end of June 2020: 411 projects, inclusive of city-gas projects re-invested by its companies) on the mainland, as at the end of June 2021, spread across 27 provincial regions. These projects encompass upstream, midstream and downstream natural gas sectors, environmentally-friendly energy, smart energy, water sectors and urban waste treatment.

Emerging Environmentally-Friendly Energy Businesses

The research and development team of ECO Environmental Investments Limited ("ECO") under HKCG has long been striving hard for breakthroughs in the field of biomass utilisation. Several patented technologies which target on the utilisation of inedible bio-grease and agricultural waste as two different feedstocks, are now being implemented in a number of projects.

The first project, located in Jiangsu province, which converts inedible bio-grease feedstock into HVO using ECO's self-developed technology, was commissioned in 2020. Being qualified as an advanced biofuel defined by the European Union, ECO's HVO gained the accreditation under the International Sustainability and Carbon Certification Scheme. The annual production capacity of the project is 250,000 tonnes of HVO, which is entirely exported to European markets. Following the successful implementation of this project, ECO is now proceeding with construction work of enhancing the production capacity by 40%, and to further process some of the HVO into sustainable aviation fuel (SAF).

ECO's another set of patented technologies is to refine agricultural waste through pyrolysis and hydrolysis into a product scope encompassing biomass fuels, biochemicals and biomaterials. For this, ECO is now developing two pilot projects in Hebei province – one located in Tangshan city producing furfural and paper pulp as main products is now in its trial production stage, followed by another one located in Cangzhou city producing furfural and cellulosic ethanol planned to commence trial production in the fourth quarter of 2021. Cellulosic ethanol is yet another highly demanded advanced biofuel as defined by the European Union.

Financing Programmes

HKCG established a medium term note programme in 2009. Medium term notes totalling HK$1,019 million, with a tenor of 3 years, have been issued so far in 2021. As at 30 June 2021, the total nominal amount of medium term notes issued has reached HK$21,800 million with tenors ranging from 3 to 40 years, mainly at fixed interest rates with an average of 2.9% per annum and an average tenor of 15 years. HKCG updated the programme during the year and increased the issue size from US$3,000 million to US$5,000 million. HKCG also made use of perpetual securities for long term funding. As at 30 June 2021, 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 2021, Hong Kong Ferry's revenue amounted to HK$114 million, representing an increase of 9% as compared with the same period last year. This was mainly attributable to the increase of revenue from shipyard operation during the period. Its unaudited consolidated net profit after taxation for the six months ended 30 June 2021 amounted to HK$68 million, representing an increase of 275% as compared with the figure for the first half year of 2020. This was mainly attributable to the valuation gains on its investment properties.

Property Development and Investment Operations

Due to the impact of the pandemic, the gross rental income during the period arising from its commercial arcades amounted to approximately HK$52 million, a decrease of 2% as compared with last year. At the end of the reporting period, the commercial arcade of Metro6 was fully let, the occupancy rates of the other commercial arcades including Shining Heights, The Spectacle, Metro Harbour Plaza and Green Code Plaza range from 92% to 99%.

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

Respecting Hong Kong Ferry's 50/50 development joint venture with the Empire Group at Tuen Mun Town Lot No. 547, since the commencement of sale of Phase 1, "Seacoast Royale", Phase 2, "Starfront Royale" and Phase 3, "Skypoint Royale", around 1,680 residential units had been sold, amounting to approximately 95% of the total units. The total sale consideration is approximately HK$8,200 million with an average selling price of the saleable floor area in excess of HK$15,300 per square foot. The gross floor area of the site area is approximately 663,000 square feet and is expected to be completed by phases in 2022.

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

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

Ferry, Shipyard and Related Operations

During the period, the Ferry, Shipyard and Related Operations recorded a profit of HK$16.9 million as compared with the loss of HK$4.1 million for the same period last year. The improvement of business results was mainly attributable to the increase in revenue from shipyard operation and the subsidy of repair and maintenance costs received from Government for ferry operation.

Securities Investment

A profit of HK$9.2 million in securities investment was recorded mainly due to the fair value change of certain financial assets during the period.

Hong Kong Ferry would continue to sell the remaining residential units of The Royale by phases. The pre-sale of the Kweilin Street/Tung Chau Street redevelopment project will begin in early 2022. It is expected that the rental income from the shops and commercial arcades will remain as the major source of its income in second half year.

Corporate Finance

The Group has always adhered to prudent financial management principles. At 30 June 2021, net debt amounted to HK$65,691 million (31 December 2020: HK$83,749 million) giving rise to a financial gearing ratio of 20.0% (31 December 2020: 25.6%). In addition, at 30 June 2021, shareholder's loans to the Group totaled HK$19,498 million (31 December 2020: HK$4,389 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. Green loans, green undertaking and sustainability loan facilities exceeding HK$25,000 million have been secured from the financial community under prime conditions since 2020. Besides, the Group had issued medium term notes for a total amount of HK$23,465 million since 2018 so as to diversify its sources of funding and to 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, demonstrating that the Group's prime credit standing and environmental contributions are well received by the international financial community. At the same time, the Group also secured a substantial amount of banking facilities for standby purpose.

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

Prospects

Hong Kong's economy is still fraught with many uncertainties, including the epidemic situation and the tense Sino-US trade relations. The emergence of mutant strains of the COVID-19 virus, in particular, has led to the resurgence of confirmed cases in many places around the world. To support the Hong Kong SAR Government's "Early Vaccination for All" campaign, the Group launched incentive schemes to motivate the community to undergo vaccination. Lee Shau Kee Foundation, in the name of the Company, funded the establishment of the "Henderson Development Anti-Epidemic Fund", offering gold and other prizes with a total value of over HK$6.3 million. HKCG also offered prizes with a total value of HK$3 million. The objective is to help build an immune barrier in Hong Kong. Besides, the family of Dr Lee Shau Kee always has the well-being of the younger generation at heart. In order to encourage young local athletes to strive for excellence at the Tokyo Olympic Games, Lee Shau Kee Foundation, in the name of the Company, funded the establishment of the "Henderson Land Commendation Scheme for Elite Athletes". Prizes are given to those who achieve gold, silver and bronze medals or up to eighth ranking in either individual or team sports events. Hong Kong's athletes achieved the best ever results in the Tokyo Olympic Games by winning one gold, two silver and three bronze medals. A total of HK$19,375,000 has thus been awarded under the Scheme. It is hoped that, as inspired by the new Olympic motto "Faster, Higher, Stronger – Together", everyone will stand together in solidarity to restore Hong Kong to normality.

After years of thoughtful planning and active acquisition, the Group has built up a sizeable land bank for property development over the long term. The Group recently completed the acquisition of two large-scale urban redevelopment projects in Mong Kok West and Hung Hom, each of which provides a total gross floor area of about one million square feet. In addition, the Group has three separate land lots in Fanling North New Development Area and they are assessed to be eligible for in-situ land exchange. Upon finalisation of the terms for land exchange, these three land lots are expected to provide an aggregate gross floor area of about 3.5 million square feet in attributable terms. The Group's New Territories land reserves are currently enlarged to about 44.6 million square feet, which continues to be the largest holding among all property developers in Hong Kong. In mainland China, six joint-venture development projects in Suzhou, Shijiazhuang, Chengdu, Foshan, Tianjin and Chongqing were committed, adding an aggregate attributable gross floor area of about 8.0 million square feet to the Group's land bank. The successive completion of these projects in both Hong Kong and mainland China will provide a continuous and significant revenue stream to the Group.

As regards "**property sales**", eight development projects are earmarked for sales launch in the second half of this year. Together with unsold stock, a total of about 5,700 residential units and 230,000 square feet of office/industrial space in Hong Kong will be available for sale in the second half of this year. At the end of June 2021, contracted sales of Hong Kong properties, which are yet to be recognised in the accounts, amounted to approximately HK$15,400 million in attributable terms. In mainland China, the Group will continue to look for investment opportunities in the first-tier cities and the major second-tier cities. Furthermore, the Group will strengthen co-operation with local property developers. At the end of June 2021, contracted sales of mainland properties, which are yet to be recognised in the accounts, amounted to approximately HK$14,452 million in attributable terms.

As regards "**rental business**", the Group's portfolio of completed investment properties at the end of 2021 is expected to comprise an attributable gross floor area of 9.6 million square feet in Hong Kong and 11.9 million square feet in mainland China. Included therein are the 3,000,000-square-foot "Lumina Shanghai" and the 800,000-square-foot shopping podium of "Lumina Guangzhou" in mainland China, which are both scheduled for completion in the second half of 2021. The super Grade-A office development at Murray Road, Central, was named "The Henderson" and scheduled for completion in two years. A tenancy agreement with the world-leading auction house Christie's has just been concluded. The space will serve as Christie's new headquarters in Asia Pacific. This collaboration is a testament to the Group's international vision and its leading position as a world-class developer, as well as accentuating Hong Kong's strategic status as an international business hub with ever closer financial and economic integration with mainland China.

The "**listed subsidiaries and associates**", namely, HKCG, Miramar, Hong Kong Ferry and HIL, provide another steady recurrent income stream to the Group. HKCG, in particular, had 451 projects on the mainland at the end of June 2021, spread across 27 provincial regions. With a total of about 35.0 million piped-gas customers in Hong Kong and mainland China, as well as its expanding scope of other businesses, it is poised to provide promising returns to the Group.

This year marks the 45th anniversary of the Group. The dedication and professionalism of every staff member serve as a solid base for the Group's sustainable growth. Together with the supports of its ample financial resources and three major business pillars (namely, "**property sales**", "**rental business**" and "**listed subsidiaries and associates**"), Henderson Land is well-placed to carry on the Group's legacy into the future for a new chapter filled with pages of success.

Lee Ka Kit	**Lee Ka Shing**
Chairman	*Chairman*

Hong Kong, 23 August 2021

Financial Review

Results of operations

The following discussions should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2021.

Revenue and profit (excluding those related to the Group's associates and joint ventures)

	Revenue			Profit contribution from operations		
	Six months ended 30 June		*Increase/ (Decrease)*	**Six months ended 30 June**		*Increase/ (Decrease)*
	2021 HK$ million	2020 HK$ million	*%*	**2021 HK$ million**	2020 HK$ million	*%*
Reportable segments						
– Property development	**3,450**	6,511	*–47%*	**1,016**	2,961	*–66%*
– Property leasing	**3,100**	2,938	*+6%*	**2,196**	2,103	*+4%*
– Department stores and supermarket-cum-stores operations	**905**	880	*+3%*	**113**	118	*–4%*
– Other businesses	**1,337**	614	*+118%*	**746**	56	*+1,232%*
	8,792	10,943	*–20%*	**4,071**	5,238	*–22%*

	Six months ended 30 June		*Increase*
	2021 HK$ million	2020 HK$ million	*%*
Profit attributable to equity shareholders of the Company			
– including the Group's aggregate attributable share of changes in fair value of investment properties and investment properties under development (net of deferred taxation) held by the Group's subsidiaries, associates and joint ventures	**6,549**	2,834	*+131%*
– excluding the Group's aggregate attributable share of changes in fair value of investment properties and investment properties under development (net of deferred taxation) held by the Group's subsidiaries, associates and joint ventures ("Underlying Profit") (Note)	**7,806**	5,182	*+51%*

Note: Underlying profit attributable to equity shareholders of the Company ("Underlying Profit") excludes the Group's attributable share of fair value changes (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 change (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$114 million (2020: HK$49 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 2021 and 30 June 2020 by excluding certain fair value adjustments:

	Six months ended 30 June			
	2021	2020	*Increase/(Decrease)*	
	HK$ million	HK$ million	*HK$ million*	*%*
Underlying Profit	**7,806**	5,182	*2,624*	*+51%*
(Less)/Add :				
(i) Net fair value (gain)/loss 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	**(109)**	426	*(535)*	
(ii) Net fair value (gain)/loss on the Group's investments measured as financial assets at fair value through profit or loss	**(220)**	342	*(562)*	
(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)	**(1,889)**	–	*(1,889)*	
	5,588	5,950	*(362)*	*–6%*

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 2021 and 30 June 2020 generated by the Group's subsidiaries, and by geographical contribution, are as follows:

	Six months ended 30 June			
	2021	2020	*Decrease*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution:				
Hong Kong	**2,912**	5,388	*(2,476)*	*–46%*
Mainland China	**538**	1,123	*(585)*	*–52%*
	3,450	6,511	*(3,061)*	*–47%*

The gross revenue from property sales in Hong Kong during the six months ended 30 June 2021 was contributed mainly as to (i) HK$1,207 million and HK$594 million from the sales revenue of "Arbour " and "The Addition" respectively, being residential projects which were completed and the sold units of which were also delivered to the buyers during the six months ended 30 June 2021; and (ii) HK$987 million from the sales revenue of other major projects which were completed prior to 1 January 2021. The residential projects "The Vantage" and "Two • Artlane" were also completed in May 2021 and June 2021 respectively, but all the sold units of which are scheduled to be delivered to the buyers in the second half of 2021.

The gross revenue from property sales in mainland China during the six months ended 30 June 2021 was contributed as to (i) HK$481 million from "Emerald Valley" in Nanjing which was completed and the sold units of which were delivered to the buyers during the six months ended 30 June 2021; and (ii) HK$57 million in relation to the other projects which were completed prior to 1 January 2021.

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 2021 and 30 June 2020, are as follows:

	Six months ended 30 June			
	2021	2020	*Decrease*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution:				
Hong Kong	**1,202**	2,507	*(1,305)*	*–52%*
Mainland China	**349**	682	*(333)*	*–49%*
	1,551	3,189	*(1,638)*	*–51%*

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 2021 of HK$1,305 million (or 52%) is mainly due to (i) the decrease in the pre-tax profit contributions from the property sales of "NOVUM WEST" and "Cetus • Square Mile" in the aggregate amount of HK$2,585 million during the period, which is partially offset by (ii) the increase in the pre-tax profit contributions from the property sales of "Arbour", "The Addition" and "Timber House" (being a project held by the Group's joint venture) in the aggregate amount of HK$876 million during the period.

The decrease in the Group's attributable share of pre-tax profits from property sales in mainland China during the six months ended 30 June 2021 of HK$333 million (or 49%) is mainly due to (i) the decrease of HK$466 million in the pre-tax profit contribution from the property sales of "Grand Lakeview" in Yixing and the decrease in the Group's attributable share of pre-tax profit contribution of HK$145 million from the property sales of "Xukou Project" in Suzhou (being a project held by the Group's joint venture) during the period, which is partially offset by (ii) the increase of HK$115 million in the pre-tax profit contribution from the property sales of "Emerald Valley" in Nanjing and the increase in the Group's attributable share of pre-tax profit contribution of HK$236 million from the property sales of "La Botanica" in Xian (being a project held by the Group's joint venture) during the period.

	Six months ended 30 June 2021 HK$ million	2020 HK$ million	Increase/(Decrease) HK$ million	%
By contribution from subsidiaries (after deducting non-controlling interests), associates and joint ventures:				
Subsidiaries	**994**	2,954	*(1,960)*	*–66%*
Associates	**(49)**	–	*(49)*	*n/a*
Joint ventures	**606**	235	*371*	*+158%*
	1,551	3,189	*(1,638)*	*–51%*

The decrease 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 2021 of HK$1,960 million (or 66%) is due to (i) the net decrease of HK$1,599 million in pre-tax profit contribution from property sales of the Group's subsidiaries in Hong Kong; and (ii) the net decrease of HK$361 million in pre-tax profit contribution from property sales of the Group's subsidiaries in mainland China, both of which are in line with the decreases in the gross revenues generated from property sales in Hong Kong and mainland China during the period (as referred to above).

The Group's attributable share of pre-tax losses of HK$49 million from property sales of the Group's associates during the six months ended 30 June 2021 mainly relates to the selling and marketing expenses incurred in the pre-sales activities of the projects held by the Group's associates, mainly in relation to "Lakeside Mansion" in Beijing, mainland China and "The Royale" in Hong Kong (which is a joint venture project held by Hong Kong Ferry (Holdings) Company Limited, a listed associate of the Group).

The increase 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 2021 of HK$371 million (or 158%) is mainly due to the Group's attributable share of pre-tax profit contribution from "Timber House" in Hong Kong in the amount of HK$302 million.

Property leasing

Gross revenue – subsidiaries

The gross revenue from property leasing during the six months ended 30 June 2021 and 30 June 2020 generated by the Group's subsidiaries, and by geographical contribution, are as follows:

	Six months ended 30 June 2021 HK$ million	2020 HK$ million	Increase HK$ million	%
By geographical contribution:				
Hong Kong	**2,111**	2,057	*54*	*+3%*
Mainland China	**989**	881	*108*	*+12%*
	3,100	2,938	*162*	*+6%*

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 2021 and 30 June 2020, are as follows:

	Six months ended 30 June		Increase/(Decrease)	
	2021 HK$ million	2020 HK$ million	*HK$ million*	*%*
By geographical contribution:				
Hong Kong	**2,364**	2,588	*(224)*	*–9%*
Mainland China	**789**	733	*56*	*+8%*
	3,153	3,321	*(168)*	*–5%*
By contribution from subsidiaries (after deducting non-controlling interests), associates and joint ventures:				
Subsidiaries	**2,123**	2,101	*22*	*+1%*
Associates	**294**	390	*(96)*	*–25%*
Joint ventures	**736**	830	*(94)*	*–11%*
	3,153	3,321	*(168)*	*–5%*

For Hong Kong, on an overall portfolio basis, there was a period-on-period increase of HK$54 million (or 3%) in rental revenue contribution and a period-on-period decrease of HK$224 million (or 9%) in the Group's attributable share of pre-tax net rental income contribution for the six months ended 30 June 2021. The increase in rental revenue contribution is mainly due to the additional contribution from Miramar's property leasing revenue of HK$152 million 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 (2020: Nil), but which is partially offset by the period-on-period decrease in rental revenue contribution of HK$98 million from the Group's investment properties portfolio in Hong Kong. The decreases in the Group's rental revenue contribution (as aforementioned) and the Group's attributable share of pre-tax net rental income contribution are also mainly due to the financial effects of the period-on-period decrease in average occupancies and the amortised rent concessions for the six months ended 30 June 2021. Cumulative up to 30 June 2021, the Group had granted rent concessions in the aggregate attributable amount of HK$506 million (cumulative up to 31 December 2020: HK$458 million), in relation to which the Group's attributable share of the rent concessions amortised for the six months ended 30 June 2021 amounted in aggregate to HK$123 million (2020: HK$90 million).

For mainland China, on an overall portfolio basis, there was a period-on-period increase of HK$108 million (or 12%) in rental revenue contribution and a period-on-period increase of HK$56 million (or 8%) in the Group's attributable share of pre-tax net rental income contribution for the six months ended 30 June 2021. Based on the average exchange rates between Renminbi ("RMB") and Hong Kong dollars ("HKD") for the two periods of six months ended 30 June 2021 and 30 June 2020, there was a period-on-period appreciation of RMB against HKD by approximately 8% during the six months ended 30 June 2021, and excluding the effect of foreign currency translation, there was in RMB terms (i) a period-on-period increase in rental revenue by 4% which was mainly attributable to the contribution from the twin office towers of "Lumina Guangzhou" in Guangzhou which were completed in June 2020; and (ii) a period-on-period decrease in the Group's attributable share of pre-tax net rental income of 1% which was mainly attributable to the increase in marketing expenses related to pre-leasing and leasing activities incurred by the Group during the six months ended 30 June 2021.

Department stores and supermarket-cum-stores operations

Department stores and supermarket-cum-stores operations are carried out by Citistore (Hong Kong) Limited ("Citistore") and Unicorn Stores (HK) Limited ("UNY") respectively, both being wholly-owned subsidiaries of Henderson Investment Limited ("HIL"), a listed subsidiary of the Company. For the six months ended 30 June 2021, revenue contribution amounted to HK$905 million (2020: HK$880 million) which represents a period-on-period increase of HK$25 million, or 3%, over that for the corresponding six months ended 30 June 2020. The increase in revenue is mainly attributable to the increased revenue contribution of HK$12 million from Citistore due to the decrease in the shortened operating business hours of its store outlets during the six months ended 30 June 2021 when compared with the corresponding six months ended 30 June 2020.

Nevertheless, profit contribution (after the elimination of rental expenditure in respect of the stores which was payable to the Group by Citistore and UNY) for the six months ended 30 June 2021 decreased by HK$5 million, or 4%, to HK$113 million (2020: HK$118 million). The decrease in profit contribution is mainly attributable to the increased operating costs of UNY's supermarket at Yuen Long, the New Territories, which commenced business operation in June 2020 and therefore generated the financial effects for the whole period of six months ended 30 June 2021 as compared with its negligible financial effects during the corresponding six months ended 30 June 2020.

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, the trading of building materials and disposal of leasehold land.

Revenue and pre-tax profit contribution of other businesses for the six months ended 30 June 2021 amounted to HK$1,337 million and HK$746 million respectively, representing:

(a) an increase of HK$723 million (or 118%) over the revenue of HK$614 million for the corresponding six months ended 30 June 2020, which is mainly due to the following:

  (i) the increase in interest income of HK$283 million during the period, mainly generated from the Group's advances of interest-bearing shareholder's loans to certain joint ventures (2020: Nil);

  (ii) the increase in revenue contribution of HK$244 million during the period, mainly generated from the Group's undertaking of the construction works of two joint venture projects at The Kai Tak Development Area, Hong Kong;

  (iii) the revenue contribution of HK$90 million from Miramar's hotel, travel and food and beverage operations during the period from 14 April 2021 (commencing from which date Miramar became an indirect non-wholly-owned subsidiary of the Company) to 30 June 2021 (2020: Nil); and

  (iv) the increase in revenue contribution of HK$71 million from the Group's property management business operation in Shanghai and Beijing, mainland China, which commenced in 2020; and

(b) an increase of HK$690 million (or 1,232%) over the pre-tax profit contribution of HK$56 million for the corresponding six months ended 30 June 2020, which is mainly due to the fact that for the six months ended 30 June 2021, a fair value gain of HK$220 million was recognised in relation to the Group's investments measured as financial assets at fair value through profit or loss when compared with a fair value loss of HK$342 million for the corresponding six months ended 30 June 2020, and which therefore generated a resultant period-on-period gain of HK$562 million to the Group for the six months ended 30 June 2021.

Associates

The Group's attributable share of post-tax profits less losses of associates during the six months ended 30 June 2021 amounted to HK$1,880 million (2020: HK$1,105 million), representing an increase of HK$775 million, or 70%, over that for the corresponding six months ended 30 June 2020. 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 2021 amounted to HK$1,915 million (2020: HK$1,427 million), representing an increase of HK$488 million, or 34%, over that for the corresponding six months ended 30 June 2020. Such period-on-period increase in the underlying post-tax profits during the six months ended 30 June 2021 was mainly due to the increase of HK$511 million in the Group's attributable share of post-tax profit contribution from The Hong Kong and China Gas Company Limited ("HKCG", a listed associate of the Group), mainly arising from an increase in post-tax profit contributions from HKCG's gas utilities and new energy businesses in mainland China and the net impact from the better performance of the financial market during the first half of 2021 when compared with the first half of 2020.

Joint ventures

The Group's attributable share of post-tax profits less losses of joint ventures during the six months ended 30 June 2021 amounted to HK$733 million (2020: HK$122 million), representing an increase of HK$611 million, or 501%, over that for the corresponding six months ended 30 June 2020. 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 2021 amounted to HK$903 million (2020: HK$816 million), representing an increase of HK$87 million, or 11%, over that for the corresponding six months ended 30 June 2020. Such period-on-period increase in the underlying post-tax profits during the six months ended 30 June 2021 was mainly due to the increase of HK$169 million in the Group's attributable share of post-tax profit contribution from the property development activities of the joint ventures, in particular relating to the property sales of "Timber House" and "La Botanica" (being projects of the Group's joint ventures in Hong Kong and mainland China respectively), which is partially offset by (i) the decrease of HK$65 million in the Group's attributable share of post-tax underlying profit contribution from the property leasing activities of the ifc project and Tung Chung project (both being projects of the Group's joint ventures in Hong Kong); and (ii) the Group's attributable share of an impairment loss in the amount of HK$21 million related to the hotel operation of the Tung Chung project (2020: Nil).

Finance costs

Finance costs (comprising interest expense and other borrowing costs) before interest capitalisation for the six months ended 30 June 2021 amounted to HK$1,059 million (2020: HK$1,235 million). Finance costs after interest capitalisation for the six months ended 30 June 2021 amounted to HK$300 million (2020: HK$355 million), and after set-off against the Group's bank interest income of HK$60 million for the six months ended 30 June 2021 (2020: HK$214 million), the Group recognised net finance costs in the consolidated statement of profit or loss for the six months ended 30 June 2021 in the amount of HK$240 million (2020: HK$141 million).

Overall, as referred to in the paragraph headed "Maturity profile and interest cover" below, the Group's total debt amounted to HK$79,734 million at 30 June 2021 (31 December 2020: HK$89,556 million) which comprised (i) the Group's bank and other borrowings in Hong Kong in the aggregate amount of HK$76,825 million at 30 June 2021 (31 December 2020: HK$87,419 million); and (ii) an amount due from the Group to a related company of HK$2,909 million at 30 June 2021 (31 December 2020: HK$2,137 million).

During the six months ended 30 June 2021, the Group's effective borrowing rate in relation to the Group's bank and other borrowings in Hong Kong was approximately 1.78% per annum (2020: approximately 2.45% per annum, other than certain bank loans denominated in RMB raised in Hong Kong in the second half of 2019 and which remained outstanding in the equivalent amount of HK$2,430 million at 30 June 2020 but was fully repaid at 31 December 2020). For the corresponding six months ended 30 June 2020, the abovementioned bank loans denominated in RMB raised in Hong Kong in the second half of 2019 carried an effective borrowing rate of 2.93% 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 2021 was approximately 0.94% per annum (2020: approximately 1.13% per annum).

Revaluation of investment properties and investment properties under development

The Group recognised a decrease in fair value on its investment properties and investment properties under development (before deferred taxation and non-controlling interests) of HK$919 million in the consolidated statement of profit or loss for the six months ended 30 June 2021 (2020: a decrease in fair value of HK$757 million).

Financial resources and liquidity

Medium Term Note Programme

At 30 June 2021, the aggregate outstanding carrying amount of notes guaranteed by the Company and issued under the Group's Medium Term Note Programme established on 30 August 2011 ("MTN Programme") and under which the Company had on 15 October 2018 increased the maximum aggregate principal amount of notes outstanding at any one time from US$3,000 million to US$5,000 million, was HK$22,954 million (31 December 2020: HK$18,598 million) with tenures of between 19 months and twenty years (31 December 2020: between 19 months and twenty years).

During the six months ended 30 June 2021, the Group issued guaranteed notes under the MTN Programme denominated in RMB and HKD in the aggregate equivalent amount of HK$5,905 million (2020: HK$8,067 million) with 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 2021 as referred to in the paragraph headed "Maturity profile and interest cover" below. The Group had repaid certain guaranteed notes in the aggregate equivalent principal amount of HK$1,548 million during the six months ended 30 June 2021 (2020: HK$684 million).

Maturity profile and interest cover

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

	At 30 June 2021 HK$ million	At 31 December 2020 HK$ million
Bank and other borrowings repayable:		
– Within 1 year	**18,817**	29,332
– After 1 year but within 2 years	**22,281**	15,834
– After 2 years but within 5 years	**16,569**	20,716
– After 5 years	**19,158**	21,537
Amount due to a related company	**2,909**	2,137
Total debt	**79,734**	89,556
Less:		
Cash and bank balances	**(14,043)**	(5,807)
Net debt	**65,691**	83,749
Shareholders' funds	**328,621**	327,607
Gearing ratio (%)	**20.0%**	25.6%

At 30 June 2021, the Group's total debt comprised (i) bank and other borrowings in Hong Kong, being bank loans of HK$53,715 million (31 December 2020: HK$68,666 million) and guaranteed notes of HK$23,110 million (31 December 2020: HK$18,753 million); and (ii) an amount due to a related company of HK$2,909 million (31 December 2020: HK$2,137 million), which in aggregate amounted to HK$79,734 million (31 December 2020: HK$89,556 million). The bank and other borrowings in Hong Kong were unsecured and have a weighted average debt maturity profile of approximately 3.42 years (31 December 2020: approximately 3.40 years). The amount due to a related company was unsecured and has a weighted average debt maturity profile of approximately three years (31 December 2020: approximately three years).

In addition, at 30 June 2021, there was an amount due from the Group to a fellow subsidiary of HK$19,498 million (31 December 2020: HK$4,389 million) which was unsecured, interest-bearing and had no fixed repayment terms. The significant increase of HK$15,109 million in the amount due from the Group to a fellow subsidiary, which is a wholly-owned subsidiary of the ultimate controlling party of the Group, during the six months ended 30 June 2021 approximately offsets the significant decrease of HK$14,951 million in the amount of the Group's bank loans during the same period.

At 30 June 2021, after taking into account the effect of swap contracts, 60% (31 December 2020: 52%) of the Group's total debt carried fixed interest rates.

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

The interest cover of the Group is calculated as follows:

	Six months ended 30 June	
	2021	2020
	HK$ million	HK$ million
Profit from operations (including bank interest income and the cumulative fair value change (net of tax) of investment properties disposed of during the period, but before changes in fair value of investment properties and investment properties under development for the period) plus the Group's share of the underlying profits less losses of associates and joint ventures	**8,785**	6,755
Interest expense (before interest capitalisation)	**999**	1,181
Interest cover (times)	**9**	6

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 United States dollars ("US$"), RMB and Japanese Yen ("¥") at 30 June 2021 and the bank borrowings which are denominated in ¥, RMB and Australian dollars ("AUD") at 30 June 2021.

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 in the principal amounts of US$930 million, RMB3,200 million and ¥1,994 million and the Group's bank loans in the principal amounts of ¥58,000 million, RMB2,000 million and AUD609 million at 30 June 2021 (31 December 2020: the Notes in the principal amounts of US$930 million, RMB200 million and ¥1,994 million and the Group's bank loans in the principal amounts of ¥58,000 million, RMB2,000 million and AUD845 million), cross currency interest rate swap contracts were entered into between the Group and certain counterparty banks for the purpose of hedging against interest rate risk and foreign currency risk during their tenure. Furthermore, (i) in respect of the Group's bank loans and the Notes denominated in Hong Kong dollars in the aggregate principal amounts of HK$6,300 million (31 December 2020: HK$10,500 million) and HK$4,083 million (31 December 2020: HK$5,083 million) respectively at 30 June 2021, interest rate swap contracts were entered into between the Group and certain counterparty banks for the purpose of hedging against interest rate risk during their tenure; and (ii) in respect of the Group's bank loan in the principal amount of US$257 million at 31 December 2020, cross currency swap contracts were entered into between the Group and certain counterparty banks for the purpose of hedging against foreign currency risk during the tenure but which had expired during the six months ended 30 June 2021.

Based on the abovementioned swap contracts which were executed by the Group in relation to the Notes and bank borrowings, the aggregate amount of the Notes and bank borrowings which are hedged against the interest rate risk only, the foreign currency risk only and both the interest rate risk and foreign currency risk, was HK$31,546 million at 30 June 2021 (31 December 2020: HK$36,854 million) which represented 40% of the Group's total debt at 30 June 2021 (31 December 2020: 41%).

Material acquisitions and disposals

Material acquisitions

During the six months ended 30 June 2021, the Group entered into co-operative arrangements with CIFI Holdings (Group) Co., Limited and certain property developers in mainland China in respect of a total of ten property development projects in mainland China, covering the cities of Changsha, Chengdu, Chongqing, Foshan, Guangzhou, Shijiazhuang, Suzhou and Tianjin. The Group's aggregate attributable share of land costs in these projects amounted to RMB7,658 million (equivalent to HK$9,224 million).

Out of the abovementioned ten projects, at 30 June 2021, the Group had entered into co-operative agreements in relation to two projects in Suzhou and Shijiazhuang with an aggregate attributable share of land costs in the amount of RMB1,589 million (equivalent to HK$1,930 million). Subsequent to 30 June 2021, the Group has proceeded with the execution of the co-operative agreements in relation to the remaining eight projects.

Save as aforementioned, the Group did not undertake any other significant acquisitions of subsidiaries or assets during the six months ended 30 June 2021.

Material disposals

The Group did not undertake any significant disposals of assets or subsidiaries during the six months ended 30 June 2021.

Increase in the Group's interest in Miramar

On 14 April 2021, the Company announced that upon completion of the settlement process of the Group's acquisition of 103,000 shares in the issued share capital of Miramar ("Miramar Shares") on the open market on 14 April 2021 for an aggregate consideration of HK$1,574,040 (exclusive of transaction costs) (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.

As a result of the Acquisition and during the six months ended 30 June 2021, (i) 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; and (ii) 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 six months ended 30 June 2021.

The Company's interest in the Miramar Shares is for long-term investment purpose. The Group has adopted the purchase price allocation method of acquisition accounting under HKFRS 3 (Revised), *Business combinations* under which the assets acquired and the liabilities assumed in relation to Miramar have been fair valued as at the date of the Acquisition upon consolidation by the Group. Therefore, for the six months ended 30 June 2021, the Group recognised as "other income" a 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 15 April 2021 to 30 June 2021, the Group further acquired an aggregate of 307,000 Miramar Shares on the open market. At 30 June 2021, the Group indirectly held 345,801,980 Miramar Shares in aggregate which represents approximately 50.0466% of the total number of issued Miramar Shares.

During the corresponding six months ended 30 June 2020, Miramar was an associate of the Group and the financial results of Miramar for that period were accounted for in the Group's consolidated financial statements for the same period under the equity method of accounting.

Charge on assets

The assets of the Group's subsidiaries were not charged to any third parties at 30 June 2021 and 31 December 2020.

Capital commitments

At 30 June 2021, capital commitments of the Group amounted to HK$27,373 million (31 December 2020: HK$30,672 million). In addition, the Group's attributable share of capital commitments undertaken by joint ventures and certain associates at 30 June 2021 amounted to HK$8,910 million (31 December 2020: HK$7,034 million).

Contingent liabilities

At 30 June 2021, the Group's contingent liabilities amounted to HK$11,246 million (31 December 2020: HK$10,442 million), which mainly include:

(i) an amount of HK$1,254 million (31 December 2020: HK$399 million) relating to performance bonds, guarantees and undertakings for the due and proper performance of the obligations of the Group's subsidiaries and projects, the increase of which is mainly attributable to the Group's guarantee to a bank in relation to the finance undertaking by such bank in favour of the HKSAR Government for the completion of the Group's residential development project at The Kai Tak Development Area under the terms and conditions of the relevant land grant;

(ii) an amount of HK$1,527 million (31 December 2020: HK$1,578 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 2021 (and such guarantees will be released upon the issuance of the Building Ownership Certificate); and

(iii) amounts of HK$1,670 million (31 December 2020: HK$1,670 million), HK$2,100 million (31 December 2020: HK$2,100 million), HK$1,314 million (31 December 2020: HK$1,314 million) and HK$2,940 million (31 December 2020: 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 given by the Group 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 2021, the Group had 10,189 (31 December 2020: 9,065) full-time employees. The increase in the Group's full-time headcount of 1,124 employees during the six months ended 30 June 2021 is mainly attributable to the full-time headcount contribution of 1,171 employees from Miramar since it became an indirect non-wholly-owned subsidiary of the Company commencing from 14 April 2021.

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 2021 amounted to HK$1,315 million (2020: HK$1,200 million), representing an increase of HK$115 million, or 10%, which is mainly due to the inclusion of Miramar's staff costs in the amount of HK$74 million during the period from 14 April 2021 (commencing from which date Miramar became an indirect non-wholly-owned subsidiary of the Company) to 30 June 2021 (2020: Nil). Excluding this factor and on a like-for-like basis, there was a 3% period-on-period increase in the Group's staff costs during the six months ended 30 June 2021.

KPMG

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF HENDERSON LAND DEVELOPMENT COMPANY LIMITED
(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the condensed interim financial statements set out on pages 45 to 91 which comprise the consolidated statement of financial position of Henderson Land Development Company Limited as of 30 June 2021 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of condensed interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting,* issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the condensed interim financial statements in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the condensed interim financial statements and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity,* issued by the Hong Kong Institute of Certified Public Accountants. A review of the condensed interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements as at 30 June 2021 are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting.*

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

23 August 2021

Condensed Interim Financial Statements

Consolidated Statement of Profit or Loss – unaudited

	Note	For the six months ended 30 June 2021 HK$ million	2020 HK$ million
Revenue	5, 11	**8,792**	10,943
Direct costs		**(4,181)**	(4,558)
		4,611	6,385
Other net income/(loss)	6	**2,497**	(705)
Selling and marketing expenses		**(345)**	(515)
Administrative expenses		**(970)**	(916)
Profit from operations before changes in fair value of investment properties and investment properties under development		**5,793**	4,249
Decrease in fair value of investment properties and investment properties under development	12(c)	**(919)**	(757)
Profit from operations after changes in fair value of investment properties and investment properties under development		**4,874**	3,492
Finance costs	7(a)	**(300)**	(355)
Bank interest income		**60**	214
Net finance costs		**(240)**	(141)
Share of profits less losses of associates		**1,880**	1,105
Share of profits less losses of joint ventures		**733**	122
Profit before taxation	7	**7,247**	4,578
Income tax	8	**(628)**	(1,720)
Profit for the period		**6,619**	2,858
Attributable to:			
Equity shareholders of the Company		**6,549**	2,834
Non-controlling interests		**70**	24
Profit for the period		**6,619**	2,858
Earnings per share based on profit attributable to equity shareholders of the Company (reported earnings per share)			
Basic and diluted	*9(a)*	***HK$1.35***	*HK$0.59*
Earnings per share excluding the effects of the Group's aggregate attributable share of changes in fair value of investment properties and investment properties under development (net of deferred tax) (underlying earnings per share)			
Basic and diluted	*9(b)*	***HK$1.61***	*HK$1.07*

The notes on pages 52 to 91 form part of these condensed interim financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 10.

Condensed Interim Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income – unaudited

	For the six months ended 30 June	
	2021	2020
	HK$ million	HK$ million
Profit for the period	**6,619**	2,858
Other comprehensive income for the period-net, after tax and reclassification adjustments:		
Items that will not be reclassified to profit or loss:		
– Investments in equity securities designated as financial assets at fair value through other comprehensive income	**(27)**	(34)
– Share of other comprehensive income of associates and joint ventures	**(65)**	(149)
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences	**611**	(959)
– Cash flow hedges	**(14)**	4
– Share of other comprehensive income of associates and joint ventures	**270**	(645)
Other comprehensive income for the period	**775**	(1,783)
Total comprehensive income for the period	**7,394**	1,075
Attributable to:		
Equity shareholders of the Company	**7,318**	1,057
Non-controlling interests	**76**	18
Total comprehensive income for the period	**7,394**	1,075

The notes on pages 52 to 91 form part of these condensed interim financial statements.

Condensed Interim Financial Statements

Consolidated Statement of Financial Position

	Note	**At 30 June 2021 (unaudited) HK$ million**	At 31 December 2020 (audited) HK$ million
Non-current assets			
Investment properties	12	**203,955**	186,593
Other property, plant and equipment		**4,611**	400
Right-of-use assets		**604**	750
Goodwill	13	**262**	262
Trademarks	23	**108**	–
Interest in associates		**54,599**	64,838
Interest in joint ventures		**72,208**	70,043
Derivative financial instruments	14	**915**	1,319
Other financial assets	15	**10,517**	11,186
Deferred tax assets		**676**	633
		348,455	336,024
Current assets			
Deposits for acquisition of properties	16	**856**	1,052
Inventories	17	**103,282**	101,059
Trade and other receivables	18	**20,323**	15,864
Cash held by stakeholders		**1,058**	1,281
Cash and bank balances	19	**14,043**	5,807
		139,562	125,063
Current liabilities			
Trade and other payables	20	**30,025**	22,304
Amount due to a related company		**54**	–
Lease liabilities		**311**	338
Bank loans	21	**16,370**	26,254
Guaranteed notes	22	**2,447**	3,078
Tax payable		**2,338**	2,762
		51,545	54,736
Net current assets		**88,017**	70,327
Total assets less current liabilities		**436,472**	406,351

Condensed Interim Financial Statements

Consolidated Statement of Financial Position (continued)

	Note	At 30 June 2021 (unaudited) HK$ million	At 31 December 2020 (audited) HK$ million
Non-current liabilities			
Bank loans	21	**37,345**	42,412
Guaranteed notes	22	**20,663**	15,675
Amount due to a fellow subsidiary		**19,498**	4,389
Amount due to a related company		**2,855**	2,137
Derivative financial instruments	14	**969**	1,190
Lease liabilities		**332**	435
Provision for reinstatement costs		**5**	17
Deferred tax liabilities		**8,893**	7,904
		90,560	74,159
NET ASSETS		**345,912**	332,192
CAPITAL AND RESERVES			
Share capital		**52,345**	52,345
Other reserves		**276,276**	275,262
Total equity attributable to equity shareholders of the Company		**328,621**	327,607
Non-controlling interests		**17,291**	4,585
TOTAL EQUITY		**345,912**	332,192

The notes on pages 52 to 91 form part of these condensed interim financial statements.

Condensed Interim Financial Statements

Consolidated Statement of Changes in Equity – unaudited

	Note	Attributable to equity shareholders of the Company										
		Share capital HK$ million	Property revaluation reserve HK$ million	Exchange reserve HK$ million	Fair value reserve (recycling) HK$ million	Fair value reserve (non-recycling) HK$ million	Hedging reserve HK$ million	Other reserves HK$ million	Retained profits HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
Balance at 1 January 2020		52,345	16	(2,261)	(1)	464	43	201	270,044	320,851	4,542	325,393
Changes in equity for the six months ended 30 June 2020:												
Profit for the period		–	–	–	–	–	–	–	2,834	2,834	24	2,858
Other comprehensive income for the period		–	–	(1,598)	–	(181)	2	–	–	(1,777)	(6)	(1,783)
Total comprehensive income for the period		–	–	(1,598)	–	(181)	2	–	2,834	1,057	18	1,075
Transfer from other reserves		–	–	–	–	–	–	(10)	10	–	–	–
Dividend approved in respect of the previous financial year	10(b)	–	–	–	–	–	–	–	(6,294)	(6,294)	–	(6,294)
Share of associates' reserves		–	–	–	–	–	–	–	(5)	(5)	–	(5)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	(10)	(10)
Repayment to non-controlling interests, net		–	–	–	–	–	–	–	–	–	(95)	(95)
Balance at 30 June 2020		52,345	16	(3,859)	(1)	283	45	191	266,589	315,609	4,455	320,064

Condensed Interim Financial Statements

Consolidated Statement of Changes in Equity – unaudited (continued)

	Note	Attributable to equity shareholders of the Company										
		Share capital HK$ million	Property revaluation reserve HK$ million	Exchange reserve HK$ million	Fair value reserve (recycling) HK$ million	Fair value reserve (non-recycling) HK$ million	Hedging reserve HK$ million	Other reserves HK$ million	Retained profits HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
Balance at 1 January 2021		**52,345**	**16**	**3,379**	**(1)**	**259**	**(136)**	**191**	**271,554**	**327,607**	**4,585**	**332,192**
Changes in equity for the six months ended 30 June 2021:												
Profit for the period		–	–	–	–	–	–	–	6,549	6,549	70	6,619
Other comprehensive income for the period		–	–	881	–	(90)	(22)	–	–	769	6	775
Total comprehensive income for the period		–	–	881	–	(90)	(22)	–	6,549	7,318	76	7,394
Transfer to retained profits upon disposal of equity investments		–	–	–	–	(6)	–	–	6	–	–	–
Dividend approved in respect of the previous financial year	10(b)	–	–	–	–	–	–	–	(6,294)	(6,294)	–	(6,294)
Share of associates' reserves		–	–	–	–	(4)	–	–	(12)	(16)	–	(16)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	(12)	(12)
Advance from non-controlling interests, net		–	–	–	–	–	–	–	–	–	131	131
Additions due to the Group's obtaining of control in a former listed associate (note)		–	–	–	–	–	–	–	–	–	12,450	12,450
Reclassification of amounts due to non-controlling interests		–	–	–	–	–	–	–	–	–	72	72
Acquisition of additional equity interest in a listed subsidiary		–	–	–	–	–	–	–	6	6	(11)	(5)
Balance at 30 June 2021		**52,345**	**16**	**4,260**	**(1)**	**159**	**(158)**	**191**	**271,809**	**328,621**	**17,291**	**345,912**

Note: This relates to the non-controlling interests of Miramar Hotel and Investment Company, Limited in which the Group had obtained control on 14 April 2021 (see note 23).

The notes on pages 52 to 91 form part of these condensed interim financial statements.

Condensed Interim Financial Statements

Condensed Consolidated Cash Flow Statement – unaudited

	Note	For the six months ended 30 June 2021 HK$ million	2020 HK$ million
Operating activities			
Increase/(decrease) in forward sales deposits received		**783**	(4,562)
(Increase)/decrease in inventories		**(2,234)**	62
Recovery/(payment) of deposits for acquisition of properties, net		**200**	(23)
Other cash flows generated from operations		**716**	1,668
Tax paid		**(1,206)**	(868)
Net cash used in operating activities		**(1,741)**	(3,723)
Investing activities			
Proceeds from disposals of investment properties and other property, plant and equipment		**220**	61
Dividends received from associates		**1,734**	1,787
Dividends received from joint ventures		**441**	527
(Increase)/decrease in deposits with banks and other financial institutions over three months of maturity at acquisition		**(3,534)**	607
Decrease in structured bank deposits		**–**	141
Payment for additions to investment properties and other property, plant and equipment		**(872)**	(1,141)
Repayment from/(advance to) associates, net		**3,041**	(92)
Net cash inflow arising from the obtaining of control in a former listed associate	23	**5,176**	–
Repayment from joint ventures, net		**2,917**	2,861
Other cash flows (used in)/generated from investing activities		**(1,227)**	234
Net cash generated from investing activities		**7,896**	4,985
Financing activities			
Proceeds from new bank loans	21	**20,169**	26,897
Repayment of existing bank loans	21	**(34,597)**	(26,741)
Net proceeds from issuance of guaranteed notes	22	**5,905**	8,067
Repayment of guaranteed notes	22	**(1,548)**	(684)
Advance from a fellow subsidiary		**15,109**	19
Advance from a related company		**721**	–
Advance from/(repayment to) non-controlling interests, net		**131**	(95)
Dividends paid to equity shareholders of the Company	10(b)	**(6,294)**	(6,294)
Dividends paid to non-controlling interests		**(12)**	(10)
Other cash flows used in financing activities		**(1,157)**	(1,361)
Net cash used in financing activities		**(1,573)**	(202)
Net increase in cash and cash equivalents		**4,582**	1,060
Cash and cash equivalents at 1 January	19	**5,357**	9,634
Effect of foreign exchange rate changes		**40**	(232)
Cash and cash equivalents at 30 June	19	**9,979**	10,462

The notes on pages 52 to 91 form part of these condensed interim financial statements.

Notes to the Unaudited Condensed Interim Financial Statements

1 Basis of preparation

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.

These condensed interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They were authorised for issuance on 23 August 2021.

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 2020 ("the 2020 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 2021. Details of these changes in accounting policies are set out in note 2.

These 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 2020 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.

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 HKICPA. KPMG's independent review report to the Board of Directors is included on page 44. In addition, the condensed interim financial statements have been reviewed by the Company's Audit Committee with no disagreement.

The financial information relating to the financial year ended 31 December 2020 that is included in these 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 2020 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).

Notes to the Unaudited Condensed Interim Financial Statements

2 Changes in accounting policies

The Group has applied the following amendments to HKFRSs and HKAS 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:

- Amendment to HKFRS 16, *COVID-19-related rent concessions beyond 30 June 2021*

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendment to HKFRS 16, *COVID-19-related rent concessions beyond 30 June 2021* ("2021 amendment")

The Group previously applied the practical expedient under HKFRS 16 such that the Group or any of its subsidiaries, as lessee, was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before 30 June 2021.

Under the 2021 amendment, such time limit is extended to 30 June 2022. With the extended time limit, certain rent concessions that were previously ineligible for the practical expedient because of the original time limit has now become eligible. These rent concessions are recognised in profit or loss in the period during which the event or condition which triggers the lease payments has occurred.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications; and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("IBOR") ("IBOR reform").

During the six months ended 30 June 2021, the Group had certain outstanding bank loans advanced from a bank and which are hedged against interest rate risk and foreign currency risk by way of cross currency interest rate swap contracts. The Group paid interest expenses to such bank on those bank loans, and the Group received interest payments from such bank on the swap contracts, on the basis of the same IBOR and in equal amounts. Therefore, although the Group has yet to select an alternative benchmark rate under the IBOR reform, the directors of the Company ("Directors") have assessed and considered that under the current adoption of IBOR in respect of those bank loans, there is minimal mismatch risk on IBOR. Accordingly, the amendments do not have an impact on the Group's interim financial results for the six months ended 30 June 2021.

Notes to the Unaudited Condensed Interim Financial Statements

3 Accounting estimates and judgements

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

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applicable to the 2020 financial statements.

4 Increase in the Group's interest in Miramar Hotel and Investment Company, Limited ("Miramar")

As a result of the Acquisition (as such term is defined in and the details of which are set out in note 23 to these financial statements), the Group had increased its interest in Miramar which became an indirect non-wholly-owned subsidiary of the Company commencing from 14 April 2021.

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 were accounted for in the Group's consolidated financial statements for the same period under the equity method of accounting. After Miramar became an indirect non-wholly-owned subsidiary of the Company commencing from 14 April 2021, 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 six months ended 30 June 2021.

During the corresponding six months ended 30 June 2020, Miramar was an associate of the Group and the financial results of Miramar for that period were accounted for in the Group's consolidated financial statements for the same period under the equity method of accounting.

Notes to the Unaudited Condensed Interim Financial Statements

5 Revenue

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

The major items are analysed as follows:

	For the six months ended 30 June	
	2021	2020
	HK$ million	HK$ million
Sale of properties	**3,450**	6,511
Rental income (note (i))	**3,100**	2,938
Department stores and supermarket-cum-stores operations (note (ii))	**905**	880
Other businesses	**1,337**	614
Total (note 11(b))	**8,792**	10,943

Notes:

(i) The Group granted approved rent concessions to certain tenants of the Group's investment properties in Hong Kong and mainland China due to the impact of COVID-19 pandemic 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 2021 has been arrived at after deducting the rent concessions which were amortised for the six months ended 30 June 2021 in the amount of HK$80 million (2020: HK$61 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$208 million for the six months ended 30 June 2021 (2020: HK$205 million).

At 30 June 2021, the cumulative aggregate amount of revenue expected to be recognised in the consolidated statement of profit or loss in the future from pre-completion sales contracts entered into in relation to the Group's properties held for/under development for sale and completed properties for sale pending assignment in Hong Kong and mainland China amounted to HK$15,661 million (31 December 2020: HK$11,298 million), which will be recognised when the pre-sold properties are assigned to the customers.

Notes to the Unaudited Condensed Interim Financial Statements

6 Other net income/(loss)

	For the six months ended 30 June	
	2021	2020
	HK$ million	HK$ million
Net gain/(loss) on disposal of investment properties (note 12(b))	**1**	(6)
Net gain/(loss) on sales of property interests (note 11(a))	**1**	(6)
Reversal of provision/(provision) on inventories, net (note 11(a))	**78**	(21)
Net fair value gain/(loss) on investments measured as financial assets at fair value through profit or loss ("FVPL")	**220**	(342)
Net fair value gain/(loss) 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)	**130**	(510)
Government grants (note)	**–**	45
Gain on re-measurement of previously held interest in a former associate upon obtaining of control (see notes 11(a) and 23)	**1,889**	–
Impairment loss on trade debtors (note 11(c))	**(2)**	(9)
Exchange (losses)/gain, net	**(12)**	19
Others	**193**	119
	2,497	(705)

Note: Government grants recognised for the corresponding six months ended 30 June 2020 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 (the "HKSAR Government") of the People's Republic of China.

Notes to the Unaudited Condensed Interim Financial Statements

7 Profit before taxation

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

	For the six months ended 30 June	
	2021	2020
	HK$ million	HK$ million
(a) Finance costs:		
Bank loans interest	**479**	862
Interest on loans	**520**	319
Finance cost on lease liabilities	**10**	9
Other borrowing costs	**50**	45
	1,059	1,235
Less: Amount capitalised (note)	**(759)**	(880)
	300	355

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 amount due to a related company during the six months ended 30 June 2021 (2020: based on the principal amounts of the Group's bank loans, guaranteed notes and amount due to a fellow subsidiary) under which interest capitalisation is applicable, ranging from 1.78% to 3.82% (2020: 2.46% to 3.81%) per annum.

	For the six months ended 30 June	
	2021	2020
	HK$ million	HK$ million
(b) Staff costs:		
Salaries, wages and other benefits	**1,245**	1,147
Contributions to defined contribution retirement plans	**70**	53
	1,315	1,200

Notes to the Unaudited Condensed Interim Financial Statements

7 Profit before taxation (continued)

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

	For the six months ended 30 June	
	2021	2020
	HK$ million	HK$ million
(c) Other items:		
Depreciation		
– on other property, plant and equipment	**59**	36
– on right-of-use assets	**177**	175
	236	211
	(note 11(c))	(note 11(c))
Cost of sales		
– properties for sale	**1,953**	2,839
– trading stocks and consumable stores	**585**	464
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	**(43)**	(39)
– unlisted	**(29)**	(2)

8 Income tax

	For the six months ended 30 June	
	2021	2020
	HK$ million	HK$ million
Current tax		
Provision for Hong Kong Profits Tax	**281**	619
Provision for taxation outside Hong Kong	**280**	341
Provision for Land Appreciation Tax	**22**	185
	583	1,145
Deferred tax		
Origination and reversal of temporary differences	**45**	575
	628	1,720

Notes to the Unaudited Condensed Interim Financial Statements

8 Income tax (continued)

Provision for Hong Kong Profits Tax has been made at 16.5% (2020: 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% (2020: 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$6,549 million (2020: HK$2,834 million) and the weighted average number of 4,841 million ordinary shares (2020: 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 2020 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$7,806 million (2020: HK$5,182 million). A reconciliation of profit is as follows:

	For the six months ended 30 June	
	2021	2020
	HK$ million	HK$ million
Profit attributable to equity shareholders of the Company	**6,549**	2,834
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 12(c))	**938**	1,283
Share of fair value loss of investment properties (net of deferred tax) during the period:		
– associates (note 12(c))	**35**	322
– joint ventures (note 12(c))	**170**	694
The Group's attributable share of the cumulative fair value gain of investment properties disposed of during the period, net of tax:		
– subsidiaries	**114**	49
Underlying Profit	**7,806**	5,182
Underlying earnings per share, based on the weighted average number of ordinary shares in issue during the period (note 9(a))	**HK$1.61**	HK$1.07

Notes to the Unaudited Condensed Interim Financial Statements

10 Dividends

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

	For the six months ended 30 June	
	2021	2020
	HK$ million	HK$ million
Interim dividend declared after the interim period of HK$0.50 (2020: HK$0.50) per share	**2,421**	2,421

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

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

	For the six months ended 30 June	
	2021	2020
	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 (2020: HK$1.30) per share	**6,294**	6,294

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 operations, 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.

Notes to the Unaudited Condensed Interim Financial Statements

11 Segment reporting (continued)

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 reversal of provision/(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 2021 and 30 June 2020 is set out below:

	Company and its subsidiaries (before deducting non-controlling interests)		Associates and joint ventures				Attributable to non-controlling interests		Attributable to equity shareholders of the Company	
	Revenue (note (i)) 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
	3,450	1,016	2,605	557	6,055	1,573	(39)	(22)	6,016	1,551
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)) 3,100	2,196	1,273	1,030	4,373	3,226	(87)	(73)	4,286	3,153
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
	8,792	4,071	18,939	3,892	27,731	7,963	(505)	(107)	27,226	7,856
Reversal of provision on inventories, net		(note 6) 78		-		78		(4)		74
Sales of property interests		(note 6) 1		-		1		-		1
Gain on re-measurement of previously held interest in a former associate upon obtaining of control		(note 6) 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		(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

Notes to the Unaudited Condensed Interim Financial Statements

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 (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: As referred to in note 4 to these financial statements, 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 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.

Notes to the Unaudited Condensed Interim Financial Statements

11 Segment reporting (continued)

(a) Results of reportable segments (continued)

	Company and its subsidiaries (before deducting non-controlling interests)		Associates and joint ventures				Attributable to non-controlling interests		Attributable to equity shareholders of the Company	
	Revenue (note (i)) 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 2020										
Property development										
Hong Kong	5,388	2,512	–	–	5,388	2,512	(14)	(5)	5,374	2,507
Mainland China	1,123	449	1,792	235	2,915	684	–	(2)	2,915	682
	6,511	2,961	1,792	235	8,303	3,196	(14)	(7)	8,289	3,189
Property leasing										
Hong Kong	2,057	1,389	1,437	1,201	3,494	2,590	(4)	(2)	3,490	2,588
Mainland China	881	714	20	19	901	733	–	–	901	733
	(note (ii)) 2,938	2,103	1,457	1,220	4,395	3,323	(4)	(2)	4,391	3,321
Department stores and supermarket-cum-stores operations	880	118	–	–	880	118	(270)	(21)	610	97
Other businesses	614	56	229	(297)	843	(241)	(51)	(13)	792	(254)
	10,943	5,238	3,478	1,158	14,421	6,396	(339)	(43)	14,082	6,353
Utility and energy	–	–	10,953	1,961	10,953	1,961	–	–	10,953	1,961
	10,943	5,238	14,431	3,119	25,374	8,357	(339)	(43)	25,035	8,314
(Provision)/reversal of provision on inventories, net		(note 6) (21)		1		(20)		–		(20)
Sales of property interests		(note 6) (6)		–		(6)		–		(6)
Unallocated head office and corporate expenses, net		(962)		(166)		(1,128)		(1)		(1,129)
Profit from operations		4,249		2,954		7,203		(44)		7,159
Decrease in fair value of investment properties and investment properties under development		(757)		(989)		(1,746)		1		(1,745)
Finance costs		(355)		(341)		(696)		17		(679)
Bank interest income		214		96		310		(2)		308
Net finance costs		(141)		(245)		(386)		15		(371)
Profit before taxation		3,351		1,720		5,071		(28)		5,043
Income tax		(1,720)		(493)		(2,213)		4		(2,209)
Profit for the period		1,631		1,227		2,858		(24)		2,834

Notes to the Unaudited Condensed Interim Financial Statements

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 2020						
Share of profits less losses of associates (note (iii))						
– Listed associates						
The Hong Kong and China Gas Company Limited	–	(17)	(245)	(262)	1,369	1,107
Miramar	–	118	38	156	–	156
Hong Kong Ferry (Holdings) Company Limited	–	6	–	6	–	6
– Unlisted associates	(38)	(123)	(3)	(164)	–	(164)
	(38)	(16)	(210)	(264)	1,369	1,105
Share of profits less losses of joint ventures (note (iv))	201	(59)	(20)	122	–	122
	163	(75)	(230)	(142)	1,369	1,227

Notes to the Unaudited Condensed Interim Financial Statements

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$135 million (2020: HK$158 million) and HK$499 million (2020: HK$514 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$2,747 million (2020: HK$2,633 million) and rental-related income of HK$353 million (2020: HK$305 million), which in aggregate amounted to HK$3,100 million for the six months ended 30 June 2021 (2020: HK$2,938 million)(see note 5).

(iii) The Group's share of profits less losses of associates contributed from the property leasing segment during the period of HK$195 million (2020: share of losses less profits of HK$16 million) includes the net decrease in fair value of investment properties (net of deferred tax) during the period of HK$35 million (2020: HK$322 million) (see note 12(c)).

The Group's share of losses less profits of associates contributed from the other businesses segment during the period of HK$104 million (2020: HK$210 million) includes the Group's share of loss after tax from hotel operation and management during the period of HK$15 million (2020: HK$21 million).

(iv) The Group's share of profits less losses of joint ventures contributed from the property leasing segment during the period of HK$409 million (2020: share of losses less profits of HK$59 million) includes the net decrease in fair value of investment properties (net of deferred tax) during the period of HK$170 million (2020: HK$694 million) (see note 12(c)).

The Group's share of losses less profits of joint ventures contributed from the other businesses segment during the period of HK$46 million (2020: HK$20 million) includes the Group's share of loss after tax from hotel operation and management during the period of HK$39 million (2020: HK$36 million).

Notes to the Unaudited Condensed Interim Financial Statements

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
	2021	2020	**2021**	2020
	HK$ million	HK$ million	**HK$ million**	HK$ million
Hong Kong	**7,186**	8,906	**259,929**	249,825
Mainland China	**1,606**	2,037	**76,380**	73,061
The United Kingdom	**–**	–	**38**	–
	8,792	10,943	**336,347**	322,886
	(note 5)	(note 5)		

(c) Other segment information

	Depreciation		**Impairment loss on trade debtors**	
	For the six months ended 30 June		**For the six months ended 30 June**	
	2021	2020	**2021**	2020
	HK$ million	HK$ million	**HK$ million**	HK$ million
Property development	**44**	51	**–**	–
Property leasing	**25**	18	**1**	9
Department stores and supermarket-cum-stores operations	**70**	69	**–**	–
Other businesses	**97**	73	**1**	–
	236	211	**2**	9
	(note 7(c))	(note 7(c))	**(note 6)**	(note 6)

Notes to the Unaudited Condensed Interim Financial Statements

12 Investment properties

(a) Acquisitions

Save as disclosed in note 23, the Group did not acquire any investment properties during the six months ended 30 June 2021 (2020: None).

(b) Disposals

Items of investment properties with an aggregate carrying value of HK$197 million were disposed of during the six months ended 30 June 2021 (2020: HK$65 million), resulting in a net gain on disposal of HK$1 million for the period (2020: a net loss on disposal of HK$6 million) (see note 6).

(c) Fair value measurement of investment properties and investment properties under development

Valuation process

The Group's investment properties and investment properties under development were revalued at 30 June 2021 by Cushman & Wakefield Limited, an independent firm of professional surveyors who have among their staff Members of The Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on a market value basis.

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

Valuation methodologies

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.

Valuation

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$938 million (2020: HK$1,283 million) has been recognised in the consolidated statement of profit or loss for the six months ended 30 June 2021 (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 2021 amounted to HK$1,143 million (2020: HK$2,299 million).

Notes to the Unaudited Condensed Interim Financial Statements

12 Investment properties (continued)

(c) Fair value measurement of investment properties and investment properties under development (continued)

Valuation (continued)

A reconciliation of the abovementioned figures is as follows:

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)**

Notes to the Unaudited Condensed Interim Financial Statements

12 Investment properties (continued)

(c) Fair value measurement of investment properties and investment properties under development (continued)

Valuation (continued)

For the six months ended 30 June 2020

	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)	(2,808)	2,051	(757)
(Less)/Add :			
Deferred tax	–	(527)	(527)
Non-controlling interests' attributable share of the fair value loss (net of deferred tax)	1	–	1
(after deducting non-controlling interests' attributable share and deferred tax) (note 9(b))	(2,807)	1,524	(1,283)
– associates			
(Group's attributable share) (notes 9(b) and 11(a)(iii))	(322)	–	(322)
– joint ventures			
(Group's attributable share) (notes 9(b) and 11(a)(iv))	(777)	83	(694)
	(3,906)	1,607	(2,299)

13 Goodwill

On 31 May 2018, Henderson Investment Limited, a listed subsidiary of the Company, completed its acquisition of the entire issued share capital of UNY (HK) Co., Limited ("UNY", which was renamed as Unicorn Stores (HK) Limited on 27 July 2018) for a cash consideration of HK$300 million (subject to adjustment) (the "UNY Acquisition"). Based on (i) the fair value of the assets acquired less the liabilities assumed of UNY in the amount of HK$29 million at the completion date of the UNY Acquisition of 31 May 2018; and (ii) the adjusted amount of the consideration of HK$291 million in accordance with the terms of the agreement in relation to the UNY Acquisition, a goodwill of HK$262 million has arisen from the Acquisition and was recognised in the Group's consolidated statement of financial position at 30 June 2021 and 31 December 2020.

The Directors have assessed that there was no impairment on the goodwill at 30 June 2021 and 31 December 2020.

Notes to the Unaudited Condensed Interim Financial Statements

14 Derivative financial instruments

	At 30 June 2021		At 31 December 2020	
	Assets HK$ million	**Liabilities HK$ million**	Assets HK$ million	Liabilities HK$ million
Cash flow hedges:				
Cross currency interest rate swap contracts (note 24(a)(i))	**646**	**287**	1,161	131
Interest rate swap contracts (note 24(a)(i))	**–**	**187**	–	332
Total cash flow hedges	**646**	**474**	1,161	463
Fair value through profit or loss:				
Cross currency interest rate swap contracts (note 24(a)(i))	**12**	**7**	17	13
Cross currency swap contracts (note 24(a)(i))	**–**	**–**	–	6
Interest rate swap contracts (note 24(a)(i))	**268**	**506**	400	767
Foreign exchange forward contracts (note 24(a)(i))	**1**	**–**	8	–
	281	**513**	425	786
	927	**987**	1,586	1,249
Representing:				
Non-current portion	**915**	**969**	1,319	1,190
Current portion (notes 18 and 20)	**12**	**18**	267	59
	927	**987**	1,586	1,249

(a) Derivatives under cash flow hedges

Cross currency interest rate swap contracts have been entered into with certain counterparty banks to hedge against the interest rate risk and foreign currency risk in respect of guaranteed notes denominated in United States dollars ("US$"), Renminbi ("RMB") and Japanese Yen ("¥") in the aggregate principal amounts of US$900 million (31 December 2020: US$900 million), RMB3,200 million (31 December 2020: RMB200 million) and ¥1,994 million (31 December 2020: ¥1,994 million) respectively at 30 June 2021, and bank loans denominated in Japanese Yen, Renminbi and Australian dollars ("AUD") in the aggregate principal amounts of ¥58,000 million (31 December 2020: ¥58,000 million), RMB2,000 million (31 December 2020: RMB2,000 million) and AUD609 million (31 December 2020: AUD845 million) respectively at 30 June 2021.

In addition, interest rate swap contracts have been entered into with certain counterparty banks to hedge against the interest rate risk of guaranteed notes denominated in Hong Kong dollars in aggregate principal amount of HK$968 million (31 December 2020: HK$968 million) at 30 June 2021.

The abovementioned cross currency interest rate swap contracts and interest rate swap contracts will mature between 2 July 2021 and 6 December 2032 (31 December 2020: between 26 February 2021 and 6 December 2032) and between 5 March 2025 and 12 May 2025 (31 December 2020: between 5 March 2025 and 12 May 2025), respectively.

Notes to the Unaudited Condensed Interim Financial Statements

14 Derivative financial instruments (continued)

(b) Derivatives to hedge against foreign currency risk and interest rate risk but not under cash flow hedges

Cross currency interest rate swap contracts have been entered into with certain counterparty banks to hedge against the foreign currency risk and interest rate risk in respect of guaranteed notes denominated in United States dollars in the aggregate principal amount of US$30 million (31 December 2020: US$30 million) at 30 June 2021.

(c) Derivatives to hedge against interest rate risk but not under cash flow hedges

Interest rate swap contracts have been entered into with certain counterparty banks to hedge against the interest rate risk in respect of bank loans and guaranteed notes denominated in Hong Kong dollars in the aggregate principal amount of HK$6,300 million (31 December 2020: HK$10,500 million) and HK$3,115 million (31 December 2020: HK$4,115 million) respectively at 30 June 2021.

(d) Derivatives to hedge against foreign currency risk but not under cash flow hedges

Cross currency swap contracts had been entered into with certain counterparty banks to hedge against the foreign currency risk in respect of bank loans denominated in United States dollars in the aggregate principal amount of US$257 million at 31 December 2020 but which had expired during the six months ended 30 June 2021.

15 Other financial assets

	At 30 June 2021 HK$ million	At 31 December 2020 HK$ million
Investments designated as financial assets at FVOCI (non-recycling)		
Investments in equity securities		
Unlisted (note 24(a)(i))	**49**	79
Listed (note 24(a)(i)):		
– in Hong Kong	**142**	78
	191	157
Investments measured as financial assets at FVPL		
Investments in other securities		
Listed (note 24(a)(i)):		
– in Hong Kong	**1,384**	1,133
	1,384	1,133
Financial assets measured at amortised cost		
Corporate bond	**3**	–
Instalments receivable	**7,276**	7,672
Loans receivable	**1,663**	2,224
	8,942	9,896
	10,517	11,186

Notes to the Unaudited Condensed Interim Financial Statements

15 Other financial assets (continued)

(a) Instalments receivable

Instalments receivable represent the proceeds receivable from the sale of properties due after more than one year from the end of the reporting period. The balance included in "Other financial assets" is neither past due nor impaired. Instalments receivable due within one year from the end of the reporting period are included in "Trade and other receivables" under current assets (see note 18).

Instalments receivable, which are due within one year (see note 18) and after more than one year from the end of the reporting period, included an amount of HK$6,104 million (31 December 2020: HK$6,529 million) representing the aggregate attributable amounts of the outstanding mortgage loans advanced by the Group to the property buyers and which were already drawdown by the property buyers at the end of the reporting period.

(b) Loans receivable

The Group's loans receivable are unsecured and interest-bearing at fixed interest rates ranging from 3.8% to 7.5% (31 December 2020: 3.8% to 7.5%) per annum.

These balances are due after more than one year from the end of the reporting period and are neither past due nor impaired.

16 Deposits for acquisition of properties

The Group's deposits for acquisition of properties mainly include HK$333 million (31 December 2020: HK$329 million) and HK$Nil (31 December 2020: HK$261 million) paid relating to the acquisition of certain pieces of land/properties located in mainland China and Macau Special Administrative Region of the People's Republic of China ("Macau"), respectively.

On 27 April 2005, the Group entered into a shareholders' agreement with an independent third party for acquiring 51% beneficial interest in a company incorporated in Macau which had received a land concession relating to a development site situated in Macau. A deposit of HK$561 million was made by the Group in 2005 (the "Deposit") and the Group's recoverability of the Deposit was guaranteed by a registered bank in Macau. For the reason that the conditions precedent for acquisition of the land have not been fulfilled and the acquisition cannot proceed, pursuant to the shareholders' agreement, the Group had recovered part of the Deposit in the amount of HK$300 million in September 2020 and the remaining balance of the Deposit in the amount of HK$261 million in June 2021. As a result, the entire amount of the Deposit was fully recovered by the Group at 30 June 2021.

Notes to the Unaudited Condensed Interim Financial Statements

17 Inventories

	At 30 June 2021 HK$ million	At 31 December 2020 HK$ million
Property development		
Leasehold land held for development for sale	**10,812**	10,358
Properties held for/under development for sale	**81,190**	82,792
Completed properties for sale	**11,135**	7,774
	103,137	100,924
Other operations		
Trading stocks and consumable stores	**145**	135
	103,282	101,059

18 Trade and other receivables

	At 30 June 2021 HK$ million	At 31 December 2020 HK$ million
Instalments receivable (note 15(a))	**251**	266
Loans receivable	**3,026**	3,054
Debtors, prepayments and deposits	**16,343**	11,793
Gross amount due from customers for contract work[^]	**53**	83
Financial assets measured at FVPL (note 24(a)(i))	**388**	326
Derivative financial instruments (note 14)	**12**	267
Amounts due from associates	**95**	44
Amounts due from joint ventures	**155**	31
	20,323	15,864

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

Notes to the Unaudited Condensed Interim Financial Statements

18 Trade and other receivables (continued)

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

The amounts due from associates and joint ventures at 30 June 2021 and 31 December 2020 are unsecured, interest-free, have no fixed terms of repayment and are neither past due nor impaired.

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

	At 30 June 2021 HK$ million	At 31 December 2020 HK$ million
Current or up to 1 month overdue	**396**	405
More than 1 month overdue and up to 3 months overdue	**81**	83
More than 3 months overdue and up to 6 months overdue	**47**	31
More than 6 months overdue	**18**	33
	542	552

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

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

Notes to the Unaudited Condensed Interim Financial Statements

19 Cash and bank balances

	At 30 June 2021 HK$ million	At 31 December 2020 HK$ million
Deposits with banks and other financial institutions	**11,238**	3,523
Structured bank deposits	**38**	38
Cash at bank and in hand	**2,767**	2,246
Cash and bank balances in the consolidated statement of financial position	**14,043**	5,807
Less:		
Deposits with banks and other financial institutions over three months of maturity at acquisition	**(3,727)**	(193)
Cash restricted for use	**(299)**	(219)
Structured bank deposits	**(38)**	(38)
Cash and cash equivalents in the condensed consolidated cash flow statement	**9,979**	5,357

At 30 June 2021, cash and bank balances in the consolidated statement of financial position included (i) bank balances in the aggregate amount of HK$299 million (31 December 2020: HK$219 million) which were restricted for use and primarily comprised the guarantee deposits for the construction of certain property development projects under pre-sales in mainland China; and (ii) structured bank deposits denominated in Renminbi in the equivalent amount of HK$38 million (31 December 2020: HK$38 million) which were capital-protected.

Notes to the Unaudited Condensed Interim Financial Statements

20 Trade and other payables

	At 30 June 2021 HK$ million	At 31 December 2020 HK$ million
Creditors and accrued expenses	**6,444**	6,182
Gross amount due to customers for contract work(#)	**18**	2
Rental and other deposits received	**1,906**	1,620
Forward sales deposits received (#)	**9,400**	8,587
Derivative financial instruments (note 14)	**18**	59
Provision for reinstatement costs	**12**	–
Amounts due to associates	**4,171**	1,105
Amounts due to joint ventures	**8,056**	4,749
	30,025	22,304

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

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

	At 30 June 2021 HK$ million	At 31 December 2020 HK$ million
Due within 1 month or on demand	**1,871**	2,107
Due after 1 month but within 3 months	**501**	358
Due after 3 months but within 6 months	**363**	187
Due after 6 months	**1,467**	1,467
	4,202	4,119

The amounts due to associates and joint ventures at 30 June 2021 and 31 December 2020 are unsecured, interest-free and have no fixed terms of repayment except for aggregate amounts due to an associate and certain joint ventures of HK$2,119 million (31 December 2020: HK$1,569 million) which are unsecured, interest-bearing at interest rates ranging from 3.80% to 3.85% (31 December 2020: 3.80% to 3.85%) per annum and wholly repayable between 7 July 2021 and 24 June 2022 (31 December 2020: between 15 January 2021 and 10 December 2021).

Notes to the Unaudited Condensed Interim Financial Statements

21 Bank loans

During the six months ended 30 June 2021, the Group obtained new bank loans amounting to HK$20,169 million (2020: HK$26,897 million) and repaid bank loans amounting to HK$34,597 million (2020: HK$26,741 million). The new bank loans bear interest at rates ranging from 0.34% to 1.29% (2020: ranging from 0.60% to 3.34%) per annum.

At 30 June 2021 and 31 December 2020, all bank loans of the Group were unsecured.

Set out below is a table which summarises the Group's hedging arrangement in relation to the Group's bank loans at 30 June 2021 and 31 December 2020:

	At 30 June 2021				At 31 December 2020			
			Notional amount				Notional amount	
Hedged item	Denominating currency	Hedging risk category	In foreign currency million	In Hong Kong dollars million	Denominating currency	Hedging risk category	In foreign currency million	In Hong Kong dollars million
(I) Hedging arrangement at the end of the reporting period								
(a) Under cash flow hedge								
Bank loans	Renminbi	(ii)	**2,000**	**2,405**	Renminbi	(ii)	2,000	2,374
	Japanese Yen	(iii)	**58,000**	**4,074**	Japanese Yen	(iii)	58,000	4,359
	Australian dollar	(iii)	**609**	**3,556**	Australian dollar	(iii)	845	5,048
Sub-total : under cash flow hedge				**10,035**				11,781
(b) Under economic hedge								
Bank loans	Hong Kong dollar	(i)	**6,300**	**6,300**	Hong Kong dollar	(i)	10,500	10,500
					United States dollar	(ii)	257	1,994
Sub-total : under economic hedge				**6,300**				12,494
Total: Hedging arrangement at the end of the reporting period				**16,335**				24,275
(II) No hedging arrangement at the end of the reporting period								
Bank loans	Hong Kong dollar		**36,405**	**36,405**	Hong Kong dollar		43,434	43,434
	Renminbi		**882**	**1,060**	Renminbi		882	1,046
Total: No hedging arrangement at the end of the reporting period				**37,465**				44,480
				53,800				68,755
Less : Deferred expenditure set off				**(85)**				(89)
Total bank loans (in Hong Kong dollar equivalent)				**53,715**				68,666

Notes to the Unaudited Condensed Interim Financial Statements

21 Bank loans (continued)

Set out below is a table which summarises the Group's hedging arrangement in relation to the Group's bank loans at 30 June 2021 and 31 December 2020: (continued)

Notes:

Category (i): Interest rate risk is/was being hedged

Category (ii): Foreign currency risk is/was being hedged

Category (iii): Foreign currency and interest rate risks are/were being hedged

The Group's bank loans were repayable as follows:

	At 30 June 2021 HK$ million	At 31 December 2020 HK$ million
Within 1 year and included in current liabilities	**16,370**	26,254
After 1 year and included in non-current liabilities		
– After 1 year but within 2 years	**15,108**	14,260
– After 2 years but within 5 years	**9,352**	12,891
– After 5 years	**12,885**	15,261
	37,345	42,412
	53,715	68,666

Notes to the Unaudited Condensed Interim Financial Statements

22 Guaranteed notes

During the six months ended 30 June 2021, under the Group's Medium Term Note Programme, the Group issued guaranteed notes denominated in Renminbi and Hong Kong dollars in the aggregate equivalent amount of HK$5,910 million before deducting issuance expenses of HK$5 million (2020: HK$8,091 million before deducting issuance expenses of HK$24 million) with tenures of between two years and three years, and repaid guaranteed notes in the aggregate equivalent amount of HK$1,548 million (2020: HK$684 million).

Set out below is a table which summarises the Group's hedging arrangement in relation to the Group's guaranteed notes at 30 June 2021 and 31 December 2020:

	At 30 June 2021				At 31 December 2020			
			Notional amount				Notional amount	
Hedged item	**Denominating currency**	**Hedging risk category**	**In foreign currency million**	**In Hong Kong dollars million**	Denominating currency	Hedging risk category	In foreign currency million	In Hong Kong dollars million
(I) Hedging arrangement at the end of the reporting period								
(a) Under cash flow hedge								
Guaranteed notes	Hong Kong dollar	(i)	**968**	**968**	Hong Kong dollar	(i)	968	968
	Renminbi	(ii)	**3,200**	**3,848**	Renminbi	(ii)	200	237
	United States dollar	(ii)	**900**	**6,988**	United States dollar	(ii)	900	6,977
	Japanese Yen	(ii)	**1,994**	**140**	Japanese Yen	(ii)	1,994	150
Sub-total : under cash flow hedge				**11,944**				8,332
(b) Under economic hedge								
Guaranteed notes	Hong Kong dollar	(i)	**3,115**	**3,115**	Hong Kong dollar	(i)	4,115	4,115
	United States dollar	(ii)	**30**	**233**	United States dollar	(ii)	30	233
Sub-total : under economic hedge				**3,348**				4,348
Total: Hedging arrangement at the end of the reporting period				**15,292**				12,680
(II) No hedging arrangement at the end of the reporting period								
Guaranteed notes	Hong Kong dollar		**7,878**	**7,878**	Hong Kong dollar		6,136	6,136
Total: No hedging arrangement at the end of the reporting period				**7,878**				6,136
				23,170				18,816
Less : Deferred expenditure set off				**(60)**				(63)
Total guaranteed notes (in Hong Kong dollar equivalent)				**23,110**				18,753

Notes to the Unaudited Condensed Interim Financial Statements

22 Guaranteed notes (continued)

Set out below is a table which summarises the Group's hedging arrangement in relation to the Group's guaranteed notes at 30 June 2021 and 31 December 2020: (continued)

Notes:

Category (i): Interest rate risk is/was being hedged

Category (ii): Foreign currency risk is/was being hedged

Category (iii): Foreign currency and interest rate risks are/were being hedged

The Group's guaranteed notes were repayable as follows:

	At 30 June 2021 HK$ million	At 31 December 2020 HK$ million
Within 1 year and included in current liabilities	**2,447**	3,078
After 1 year and included in non-current liabilities		
– After 1 year but within 2 years	**7,173**	1,574
– After 2 years but within 5 years	**7,217**	7,825
– After 5 years	**6,273**	6,276
	20,663	15,675
	23,110	18,753

Notes to the Unaudited Condensed Interim Financial Statements

23 Business combination

On 14 April 2021, the Company announced that upon completion of the settlement process of the Group's acquisition of 103,000 shares in the issued share capital of Miramar ("Miramar Shares") on the open market on 14 April 2021 for an aggregate consideration of HK$1,574,040 (exclusive of transaction costs) (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 345,391,980 Miramar Shares in aggregate which represented approximately 49.987% of the total number of issued Miramar Shares.

As a result of the Acquisition and during the six months ended 30 June 2021, (i) 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; and (ii) 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 six months ended 30 June 2021.

Miramar holds a diversified service-oriented business portfolio comprising stylish hotels and serviced apartments, property rental, food and beverage and travel services in Hong Kong and mainland China. The Directors believe that the financial position of the Group will be enhanced by consolidating the financial results of Miramar into the consolidated financial statements of the Group. The Company's interest in the Miramar Shares is for long-term investment purpose. The Group has adopted the purchase price allocation method of acquisition accounting under HKFRS 3 (Revised), *Business combinations* under which the assets acquired and the liabilities assumed in relation to Miramar have been fair valued as at the date of the Acquisition upon consolidation by the Group. The Group's attributable share of the book net asset value of Miramar prior to the Acquisition amounted to HK$10,410 million at 14 April 2021. Therefore, for the six months ended 30 June 2021, the Group recognised as "other income" a gain on re-measurement of previously held interest in Miramar upon obtaining of control in the aggregate amount of HK$1,889 million (see note 6), 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 15 April 2021 to 30 June 2021, the Group further acquired an aggregate of 307,000 Miramar Shares on the open market. At 30 June 2021, the Group indirectly held 345,801,980 Miramar Shares in aggregate which represents approximately 50.0466% of the total number of issued Miramar Shares.

Notes to the Unaudited Condensed Interim Financial Statements

23 Business combination (continued)

The fair value of the assets acquired and the liabilities assumed in relation to Miramar as at the date of the Acquisition, which resulted in the Group's recognition of a gain on bargain purchase of HK$2 million as referred to above, were as follows:

	HK$ million
Investment properties	**17,029**
Other property, plant and equipment	**3,474**
Right-of-use assets	**55**
Interest in associates	**1**
Trademarks (note)	**109**
Equity securities designated at fair value through other comprehensive income	**71**
Financial assets measured at fair value through profit or loss	**62**
Deferred tax assets	**13**
Inventories	**144**
Trade and other receivables	**191**
Cash and bank balances	**5,178**
Trade and other payables	**(297)**
Bank loan	**(3)**
Rental deposits received	**(257)**
Contract liabilities	**(71)**
Lease liabilities	**(70)**
Tax payable	**(20)**
Deferred tax liabilities	**(858)**
Non-controlling interests	**(150)**
Fair value of identifiable net assets	**24,601**
Gain on bargain purchase	**(2)**
	24,599

Represented by :

	HK$ million
Fair value of the consideration transferred for the Company to gain control over Miramar on the date of the Acquisition	**2**
Re-measured consolidated net assets of Miramar attributable to the non-controlling interests as at the date of the Acquisition (net of deferred tax)	**12,300**
Fair value of the Group's previously held interest in Miramar prior to the Acquisition (net of deferred tax)	**12,297**
	24,599

Note: At 30 June 2021, the Group recognised trademarks at cost less amortisation during the period from 14 April 2021 to 30 June 2021, in the net carrying amount of HK$108 million at 30 June 2021.

Notes to the Unaudited Condensed Interim Financial Statements

23 Business combination (continued)

The re-measurement gain of the Group's previously held interest in Miramar prior to the Acquisition is determined as follows:

	HK$ million
Fair value of the Group's previously held interest in Miramar prior to the Acquisition (net of deferred tax)	**12,297**
Less:	
The Group's attributable share of the book net asset value of Miramar prior to the Acquisition at 14 April 2021 (see above)	**(10,410)**
Re-measurement gain of the Group's previously held interest in Miramar prior to the Acquisition	**1,887**

	At 14 April 2021 HK$ million
Outflow of cash in the Group's obtaining of control in Miramar, net of cash acquired	
– cash consideration	**(2)**
– cash and bank balances of Miramar acquired	**5,178**
Net cash inflow from the Group's obtaining of control in Miramar	**5,176**

The Group has chosen to recognise the non-controlling interests at their proportionate share of the fair value of Miramar's identifiable net assets as at the date of the Acquisition.

The transaction costs related to the Acquisition in the amount of HK$551,000 were recognised in the Group's consolidated statement of profit or loss for the six months ended 30 June 2021.

During the period from 14 April 2021 to 30 June 2021 (both dates inclusive), Miramar contributed consolidated revenue from external customers of HK$252 million and consolidated net profit after tax attributable to the Group's interest in Miramar during the period from 14 April 2021 to 30 June 2021 of HK$37 million to the Group. If the Acquisition had occurred on 1 January 2021, Miramar's contribution to the Group of consolidated revenue from external customers and consolidated net profit after tax attributable to the Group's interest in Miramar during the period from 1 January 2021 to 13 April 2021 would be HK$320 million and HK$38 million respectively.

Notes to the Unaudited Condensed Interim Financial Statements

24 Fair value measurement of financial instruments

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

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*. 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 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.

	Fair value at 30 June 2021 HK$ million	Fair value measurements at 30 June 2021 categorised into		
		Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million
Recurring fair value measurement				
Financial assets:				
Investments in equity securities designated as financial assets at FVOCI (non-recycling):				
– Unlisted (note 15)	**49**	–	–	**49**
– Listed (note 15)	**142**	**142**	–	–
Investments in other securities measured as financial assets at FVPL:				
– Listed (note 15)	**1,384**	**1,384**	–	–
Financial assets measured at FVPL (note 18)	**388**	**6**	**56**	**326**
Derivative financial instruments:				
– Cross currency interest rate swap contracts (note 14)	**658**	–	**658**	–
– Interest rate swap contracts (note 14)	**268**	–	**268**	–
– Foreign exchange forward contracts (note 14)	**1**	–	**1**	–
Financial liabilities:				
Derivative financial instruments:				
– Cross currency interest rate swap contracts (note 14)	**294**	–	**294**	–
– Interest rate swap contracts (note 14)	**693**	–	**693**	–

Notes to the Unaudited Condensed Interim Financial Statements

24 Fair value measurement of financial instruments (continued)

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

(i) Fair value hierarchy (continued)

	Fair value at 31 December 2020 HK$ million	Fair value measurements at 31 December 2020 categorised into Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million
Recurring fair value measurement				
Financial assets:				
Investments in equity securities designated as financial assets at FVOCI (non-recycling):				
– Unlisted (note 15)	79	–	–	79
– Listed (note 15)	78	78	–	–
Investments in other securities measured as financial assets at FVPL:				
– Listed (note 15)	1,133	1,133	–	–
Financial assets measured at FVPL (note 18)	326	–	–	326
Derivative financial instruments:				
– Cross currency interest rate swap contracts (note 14)	1,178	–	1,178	–
– Interest rate swap contracts (note 14)	400	–	400	–
– Foreign exchange forward contracts (note 14)	8	–	8	–
Financial liabilities:				
Derivative financial instruments:				
– Cross currency interest rate swap contracts (note 14)	144	–	144	–
– Cross currency swap contracts (note 14)	6	–	6	–
– Interest rate swap contracts (note 14)	1,099	–	1,099	–

During the six months ended 30 June 2021, there were no transfers between Level 1 and Level 2, or transfers into and out of Level 3 (2020: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period during which they occur.

(ii) Valuation techniques and inputs used in Level 2 fair value measurement

The fair values of cross currency interest rate swap contracts, cross currency swap contracts, interest rate swap contracts and foreign exchange forward contracts are calculated as the present value of the estimated future cash flows based on the terms and maturity of each contract, taking into account the current interest rates and the current creditworthiness of the swap counterparties.

Notes to the Unaudited Condensed Interim Financial Statements

24 Fair value measurement of financial instruments (continued)

(b) Financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments measured at cost or amortised cost are not materially different from their fair values at 30 June 2021 and 31 December 2020 except as follows:

– **Amounts due from certain associates and certain joint ventures, and amounts due to certain associates and certain joint ventures**

Amounts due from certain associates and certain joint ventures, and amounts due to certain associates and certain joint ventures are unsecured, interest-free and have no fixed terms of repayment. Given these terms it is not meaningful to quantify their fair values and therefore they are stated at cost.

25 Capital commitments

At 30 June 2021, the Group had capital commitments not provided for in these condensed interim financial statements as follows:

	At 30 June 2021 HK$ million	At 31 December 2020 HK$ million
(a) Contracted for acquisition of property and future development expenditure and the related costs of internal fixtures and fittings	**15,804**	16,486
Future development expenditure and the related costs of internal fixtures and fittings approved by the Directors but not contracted for	**11,569**	14,186
	27,373	30,672
(b) In relation to the capital commitments undertaken by joint ventures and certain associates attributable to the Group:		
Contracted for acquisition of property and future development expenditure and the related costs of internal fixtures and fittings	**2,610**	2,245
Future development expenditure and the related costs of internal fixtures and fittings approved by the Directors but not contracted for	**6,300**	4,789
	8,910	7,034

Notes to the Unaudited Condensed Interim Financial Statements

26 Contingent liabilities

At 30 June 2021, contingent liabilities of the Group comprised the following:

(a) an amount of HK$11 million (31 December 2020: HK$11 million) relating to the Group's undertaking to indemnify Sunlight Real Estate Investment Trust ("Sunlight REIT") for any tax liabilities relating to events occurred on or before the completion of the sale of certain subsidiaries and shareholders' loans to Sunlight REIT (the "Completion") in December 2006, clawback of commercial building allowances and capital allowances granted up to the Completion and re-classification of the properties before or upon the Completion, pursuant to Deeds of Tax Covenant entered into between the Group and Sunlight REIT;

(b) an amount of HK$1,254 million (31 December 2020: HK$399 million) relating to performance bonds, guarantees and undertakings for the due and proper performance of the obligations of the Group's subsidiaries and projects, the increase of which is mainly attributable to the Group's guarantee to a bank in relation to the finance undertaking by such bank in favour of the HKSAR Government for the completion of the Group's residential development project at The Kai Tak Development Area, Hong Kong under the terms and conditions of the relevant land grant;

(c) an amount of HK$1,527 million (31 December 2020: HK$1,578 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 2021 (and such guarantees will be released upon the issuance of the Building Ownership Certificate);

(d) an amount of HK$430 million (31 December 2020: HK$430 million) relating to the Group's attributable and proportional share (in accordance with the Group's attributable interest in a joint venture engaged in the development of commercial properties in Citygate, Tung Chung, Lantau Island, Hong Kong and in which the Group has a 20% interest) of contingent liabilities in respect of an irrevocable, unconditional and several guarantee given by the Group to the lending bank in relation to the amount drawn down on a loan facility which was entered into on 26 April 2021 between such lending bank and the joint venture (which refinanced the previous loan facility pursuant to the loan facility agreement dated 2 May 2017);

Notes to the Unaudited Condensed Interim Financial Statements

26 Contingent liabilities (continued)

At 30 June 2021, contingent liabilities of the Group comprised the following: (continued)

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

(f) amounts of HK$1,670 million (31 December 2020: HK$1,670 million), HK$2,100 million (31 December 2020: HK$2,100 million), HK$1,314 million (31 December 2020: HK$1,314 million) and HK$2,940 million (31 December 2020: 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 given by the Group 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.

Notes to the Unaudited Condensed Interim Financial Statements

27 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these condensed interim financial statements, the Group entered into the following material related party transactions during the period:

(a) Transactions with fellow subsidiaries

Details of material related party transactions during the period between the Group and its fellow subsidiaries are as follows:

	For the six months ended 30 June	
	2021	2020
	HK$ million	HK$ million
Other interest expense (note (i))	**15**	11
Sales commission income (note (iii))	**10**	3
Administration fee income (note (ii))	**5**	5
Rental income (note (iii))	**1**	3

(b) Transactions with associates and joint ventures

Details of material related party transactions during the period between the Group and its associates and joint ventures are as follows:

	For the six months ended 30 June	
	2021	2020
	HK$ million	HK$ million
Income from sales of construction materials (note (iii))	**4**	–
Construction income (note (iii))	**314**	1
Security guard service fee income (note (iii))	**16**	15
Management fee income (note (iii))	**1**	1
Rental income (note (iii))	**10**	9
Cash rental paid (note (iii))	**123**	117
Other interest income (note (i))	**380**	50
Other interest expense (note (i))	**73**	52
Rental commission income (note (iii))	**4**	3

Notes to the Unaudited Condensed Interim Financial Statements

27 Material related party transactions (continued)

(c) Transactions with related companies

(i) Details of material related party transactions during the period between the Group and its related companies which are controlled by private family trusts of a director of the Company are as follows:

	For the six months ended 30 June	
	2021	2020
	HK$ million	HK$ million
Income from sales of construction materials (note (iii))	**–**	1
Rental income (note (iii))	**31**	10

(ii) The Group paid interest expenses (note (i)) in the aggregate amount of HK$49 million (2020: Nil) to a related company controlled by relatives of certain directors of the Company during the six months ended 30 June 2021.

Notes:

(i) Interest income and expense are calculated on the balance of loans outstanding from time to time by reference to Hong Kong Interbank Offered Rate, Hong Kong dollar prime rate, Renminbi benchmark loan rates announced by the People's Bank of China or interest rates stipulated in the loan agreements (as appropriate).

(ii) This transaction represents cost reimbursements or cost reimbursements plus certain percentage thereon as service fees.

(iii) In the opinion of the Directors, these transactions were carried out on normal commercial terms and in the ordinary course of business.

(d) Transactions with Sunlight REIT

Details of the material related party transactions during the period between the Group and Sunlight REIT (which is deemed as a connected person of the Company under the Listing Rules as from 30 April 2009) are as follows:

	For the six months ended 30 June	
	2021	2020
	HK$ million	HK$ million
Cash rental paid	**5**	5
Property and leasing management service fee income and other ancillary property service fee income	**24**	24
Asset management service fee income	**45**	46
Security service fee income	**2**	2

The above transactions were conducted in accordance with the terms of the respective agreements/deeds entered into between the Group and Sunlight REIT. At 30 June 2021, the net amount due from Sunlight REIT was HK$28 million (31 December 2020: HK$31 million) and is unsecured, interest-free and has no fixed terms of repayment. The amount is included in "Trade and other receivables" under current assets (see note 18).

Notes to the Unaudited Condensed Interim Financial Statements

27 Material related party transactions (continued)

(e) Transactions with a director of the Company and a company owned by him

(i) Dr Lee Ka Kit, a director of the Company, made an advance ("advance") in the outstanding balance of HK$44 million at 30 June 2021 (31 December 2020: HK$44 million) to Henderson (China) Investment Company Limited ("HCI"), an indirect wholly-owned subsidiary of the Group, for the purpose of funding HCI's business operation in mainland China. The advance is unsecured, interest-free and has no fixed terms of repayment.

(ii) Dr Lee Ka Kit, through a company owned by him (the "entity"), has separate interest in an associate of the Group and through which the Group holds its interest in a development project in mainland China. The entity agreed to provide and had provided finance in the form of non interest-bearing advances to such associate in accordance with the percentage of its equity interest in such associate. At 30 June 2021, the outstanding balance of the advance by the entity to the abovementioned associate amounted to HK$80 million (31 December 2020: HK$80 million). Such amount is unsecured and has no fixed terms of repayment.

28 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).

Other Information

Review of Interim Results

The unaudited interim results for the six months ended 30 June 2021 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, the report of which is included on page 44.

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 2021 and reviewed the systems of internal control, risk management and compliance, and the interim report for the six months ended 30 June 2021.

Corporate Governance

During the six months ended 30 June 2021, 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 code provision A.2.1 of the CG Code. The Company is of the view that it is in the best interest of the Company that each of Dr Lee Ka Kit and Mr Lee Ka Shing, with his relevant in-depth expertise and knowledge in the Group's business, acts in the dual capacity as Chairman and Managing Director of the Company. 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 interim report 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.

Changes in the Information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of the Directors of the Company since the date of the Annual Report 2020 and up to the date of this report required to be disclosed are shown as follows:

(i) (a) Mr Lee Ka Shing was awarded the Gold Bauhinia Star (GBS) by the Government of the Hong Kong Special Administrative Region on 1 July 2021.

(b) Mr Fung Hau Chung, Andrew retired as a client representative director of OTC Clearing Hong Kong Limited on 29 July 2021 and was appointed as a member of the Cantonese Opera Development Fund Advisory Committee on 1 August 2021.

(c) Mr Kwong Che Keung, Gordon retired as an independent non-executive director of China Power International Development Limited at the conclusion of its annual general meeting held on 3 June 2021.

(d) Mr Woo Ka Biu, Jackson was elected as an independent non-executive director of China Pacific Insurance (Group) Co., Ltd. with effect from 22 March 2021.

(ii) The Group usually makes annual adjustment to basic salaries in January and determines the discretionary bonuses near the end of the year. Therefore, the only changes to the Directors' remuneration during the period under review were the changes to the basic salaries of the Directors of the Company due to the annual adjustments. The effect of the basic salary changes are illustrated as follows:

	Salaries, allowances and benefits [Note 1] **for the six months ended 30 June**		Discretionary Bonuses for the year ended 31 December 2020 (For reference)
	2021 **HK$'000**	2020 HK$'000	HK$'000
Lee Ka Kit	**10,793**	10,946	1,126
Lee Ka Shing	**8,264**	8,290	6,381
Lam Ko Yin, Colin	**5,366**	5,366	21,270
Yip Ying Chee, John	**4,898**	4,898	14,907
Fung Lee Woon King	**2,902**	2,902	5,200
Kwok Ping Ho	**2,798**	2,793	1,468
Suen Kwok Lam	**4,088**	4,088	7,760
Wong Ho Ming, Augustine	**5,641**	5,643	15,520
Fung Hau Chung, Andrew	**6,396**	– [Note 2]	2,031

Notes:

1. *Excluding bonuses and directors' fees.*

2. *Mr Fung Hau Chung, Andrew was only appointed as a Director of the Company on 8 June 2020.*

Save as disclosed above, there were no changes to the basic salaries of the other current Directors of the Company for the period under review. There are no changes to the bases in determining other allowances and benefits, bonuses and retirement scheme contributions. For certain Directors of the Company, discretionary bonus is a major component of their remuneration, which will be determined near the end of the year. The discretionary bonuses for the year ended 31 December 2020 are listed above for reference.

Financial Assistance to Affiliated Companies

Pursuant to Rule 13.22 of the Listing Rules, a combined statement of financial position of those affiliated companies with financial assistance from the Group and the Group's attributable interests in those affiliated companies as at 30 June 2021 are presented as follows:

	Combined statement of financial position HK$ million	Group's attributable interests HK$ million
Non-current assets	41,605	13,814
Current assets	148,051	52,426
Current liabilities	(85,932)	(31,168)
Total assets less current liabilities	103,724	35,072
Non-current liabilities	(73,158)	(24,233)
Net assets	30,566	10,839

The combined statement of financial position of the affiliated companies was prepared by combining their statements of financial position, after making adjustments to conform with the Group's significant accounting policies and re-grouping into significant classification in the statement of financial position, as at 30 June 2021.

On behalf of the Board

Lee Ka Kit — *Chairman*

Lee Ka Shing — *Chairman*

Hong Kong, 23 August 2021

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

Disclosure of Interests

Directors' Interests in Shares

As at 30 June 2021, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Ordinary Shares (unless otherwise specified)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Land Development Company Limited	Lee Shau Kee	1	15,548,667		3,509,782,778		3,525,331,445	72.82
	Lee Ka Kit	1				3,509,782,778	3,509,782,778	72.50
	Lee Ka Shing	1				3,509,782,778	3,509,782,778	72.50
	Lee Tat Man	2	220,299				220,299	0.00
	Lee Pui Ling, Angelina	3	64,554				64,554	0.00
	Fung Lee Woon King	4	2,493,138				2,493,138	0.05
	Woo Ka Biu, Jackson	5		3,896			3,896	0.00
Henderson Investment Limited	Lee Shau Kee	6			2,110,868,943		2,110,868,943	69.27
	Lee Ka Kit	6				2,110,868,943	2,110,868,943	69.27
	Lee Ka Shing	6				2,110,868,943	2,110,868,943	69.27
	Lee Tat Man	2	6,666				6,666	0.00
The Hong Kong and China Gas Company Limited	Lee Shau Kee	7			7,748,692,715		7,748,692,715	41.53
	Lee Ka Kit	7				7,748,692,715	7,748,692,715	41.53
	Lee Ka Shing	7				7,748,692,715	7,748,692,715	41.53
	Poon Chung Kwong	8				243,085	243,085	0.00
Hong Kong Ferry (Holdings) Company Limited	Lee Shau Kee	9	799,220		119,017,090		119,816,310	33.63
	Lee Ka Kit	9				119,017,090	119,017,090	33.41
	Lee Ka Shing	9				119,017,090	119,017,090	33.41
	Lam Ko Yin, Colin	10	150,000				150,000	0.04
	Fung Lee Woon King	4	465,100				465,100	0.13

Ordinary Shares (unless otherwise specified) (continued)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Miramar Hotel and Investment Company, Limited	Lee Shau Kee	11			345,801,980		345,801,980	50.05
	Lee Ka Kit	11				345,801,980	345,801,980	50.05
	Lee Ka Shing	11				345,801,980	345,801,980	50.05
Towngas China Company Limited	Lee Shau Kee	12			2,084,895,656		2,084,895,656	70.22
	Lee Ka Kit	12				2,084,895,656	2,084,895,656	70.22
	Lee Ka Shing	12				2,084,895,656	2,084,895,656	70.22
Henderson Development Limited	Lee Shau Kee	13			8,190 (Ordinary A Shares)		8,190 (Ordinary A Shares)	100.00
	Lee Shau Kee	13			3,510 (Non-voting B Shares)		3,510 (Non-voting B Shares)	100.00
	Lee Shau Kee	14	35,000,000 (Non-voting Deferred Shares)		15,000,000 (Non-voting Deferred Shares)		50,000,000 (Non-voting Deferred Shares)	100.00
	Lee Ka Kit	13				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Kit	13				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Kit	14				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Lee Ka Shing	13				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Shing	13				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Shing	14				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00

Ordinary Shares (unless otherwise specified) (continued)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Best Homes Limited	Lee Shau Kee	15			26,000		26,000	100.00
	Lee Ka Kit	15				26,000	26,000	100.00
	Lee Ka Shing	15				26,000	26,000	100.00
Feswin Investment Limited	Lee Ka Kit	16			5,000	5,000	10,000	100.00
Fordley Investment Limited	Fung Lee Woon King	4	2,000				2,000	20.00
Furnline Limited	Lee Shau Kee	17			100 (A Shares)		100 (A Shares)	100.00
	Lee Shau Kee	18			1 (B Share)		1 (B Share)	100.00
	Lee Ka Kit	17				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Kit	18				1 (B Share)	1 (B Share)	100.00
	Lee Ka Shing	17				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Shing	18				1 (B Share)	1 (B Share)	100.00
Perfect Bright Properties Inc.	Lee Shau Kee	17			100 (A Shares)		100 (A Shares)	100.00
	Lee Shau Kee	18			1 (B Share)		1 (B Share)	100.00
	Lee Ka Kit	17				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Kit	18				1 (B Share)	1 (B Share)	100.00
	Lee Ka Shing	17				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Shing	18				1 (B Share)	1 (B Share)	100.00

Save as disclosed above, none of the Directors or the Chief Executive of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations as defined in the SFO, other than the deemed interests of Dr Lee Shau Kee, Dr Lee Ka Kit and Mr Lee Ka Shing in the shares, underlying shares and debentures of the associated corporations of the Company which are solely derived from their deemed interests in Henderson Development Limited, Henderson Investment Limited, Miramar Hotel and Investment Company, Limited and/or the Company and not from any separate personal interests of their own, in respect of which a waiver from strict compliance with the disclosure requirements under paragraph 41(2) of Appendix 16 to the Listing Rules has been applied to, and granted by the Stock Exchange.

Substantial Shareholders' and Others' Interests

As at 30 June 2021, the interests and short positions of every person, other than Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long Positions

	No. of shares in which interested	% Interest
Substantial Shareholders		
Rimmer (Cayman) Limited (Note 1)	3,509,782,778	72.50
Riddick (Cayman) Limited (Note 1)	3,509,782,778	72.50
Hopkins (Cayman) Limited (Note 1)	3,509,782,778	72.50
Henderson Development Limited (Note 1)	3,506,860,733	72.44
Yamina Investment Limited (Note 1)	1,580,269,966	32.64
Believegood Limited (Note 1)	797,887,933	16.48
South Base Limited (Note 1)	797,887,933	16.48
Persons other than Substantial Shareholders		
Cameron Enterprise Inc. (Note 1)	371,145,414	7.67
Richbond Investment Limited (Note 1)	475,801,899	9.83

Notes:

1. Of these shares, Dr Lee Shau Kee was the beneficial owner of 15,548,667 shares, and for the remaining 3,509,782,778 shares, (i) 1,450,788,868 shares were owned by Henderson Development Limited ("HD"); (ii) 475,801,899 shares were owned by Richbond Investment Limited which was a wholly-owned subsidiary of HD; (iii) 371,145,414 shares were owned by Cameron Enterprise Inc.; 797,887,933 shares were owned by Believegood Limited which was wholly-owned by South Base Limited; 152,897,653 shares were owned by Prosglass Investment Limited which was wholly-owned by Jayasia Investments Limited; 140,691,961 shares were owned by Fancy Eye Limited which was wholly-owned by Mei Yu Ltd.; 117,647,005 shares were owned by Spreadral Limited which was wholly-owned by World Crest Ltd.; and Cameron Enterprise Inc., South Base Limited, Jayasia Investments Limited, Mei Yu Ltd. and World Crest Ltd. were wholly-owned subsidiaries of Yamina Investment Limited which in turn was 100% held by HD; and (iv) 2,922,045 shares were owned by Fu Sang Company Limited ("Fu Sang"). Hopkins (Cayman) Limited ("Hopkins") as trustee of a unit trust (the "Unit Trust") owned all the issued ordinary shares of HD and Fu Sang. Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"), as trustees of respective discretionary trusts, held units in the Unit Trust. The entire issued share capital of Hopkins, Rimmer and Riddick were owned by Dr Lee Shau Kee. Dr Lee Shau Kee was taken to be interested in these shares by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.

2. Mr Lee Tat Man was the beneficial owner of these shares.

3. Mrs Lee Pui Ling, Angelina was the beneficial owner of these shares.

4. Madam Fung Lee Woon King was the beneficial owner of these shares.

5. These shares were owned by the wife of Mr Woo Ka Biu, Jackson.

6. Of these shares, 843,249,284 shares, 602,398,418 shares, 363,328,900 shares, 217,250,000 shares and 84,642,341 shares were respectively owned by Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited, Gainwise Investment Limited and Darnman Investment Limited, all of which were wholly-owned subsidiaries of Kingslee S.A. which in turn was 100% held by the Company. Dr Lee Shau Kee was taken to be interested in the Company as set out in Note 1 and Henderson Investment Limited by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.

7. Of these shares, 4,313,717,809 shares and 1,675,475,274 shares were respectively owned by Disralei Investment Limited and Medley Investment Limited, both of which were wholly-owned subsidiaries of Timpani Investments Limited; 1,759,499,632 shares were owned by Macrostar Investment Limited, a wholly-owned subsidiary of Chelco Investment Limited; and Timpani Investments Limited and Chelco Investment Limited were wholly-owned subsidiaries of Faxson Investment Limited which in turn was 100% held by the Company. Dr Lee Shau Kee was taken to be interested in the Company as set out in Note 1 and The Hong Kong and China Gas Company Limited ("HKCG") by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.

8. These shares were owned by Professor Poon Chung Kwong and his wife jointly.

9. Of these shares, Dr Lee Shau Kee was the beneficial owner of 799,220 shares, and for the remaining 119,017,090 shares, 48,817,090 shares were held by Wiselin Investment Limited, 23,400,000 shares each were respectively owned by Graf Investment Limited, Mount Sherpa Limited and Paillard Investment Limited, all of which were wholly-owned subsidiaries of Pataca Enterprises Limited which in turn was 100% held by the Company. Dr Lee Shau Kee was taken to be interested in the Company as set out in Note 1 and Hong Kong Ferry (Holdings) Company Limited by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.

10. Dr Lam Ko Yin, Colin was the beneficial owner of these shares.

11. Of these shares, 120,735,300 shares, 128,460,680 shares and 96,606,000 shares were respectively owned by Higgins Holdings Limited, Multiglade Holdings Limited and Threadwell Limited, all of which were wholly-owned subsidiaries of Aynbury Investments Limited which in turn was 100% held by the Company. Dr Lee Shau Kee was taken to be interested in the Company as set out in Note 1 and Miramar Hotel and Investment Company, Limited by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.

12. These 2,084,895,656 shares representing 70.22% of the total issued shares in Towngas China Company Limited ("Towngas China") were taken to be interested by Hong Kong & China Gas (China) Limited ("HK&CG (China)") (as to 1,905,302,051 shares), Planwise Properties Limited ("Planwise") (as to 176,588,786 shares) and Superfun Enterprises Limited ("Superfun") (as to 3,004,819 shares), all being wholly-owned subsidiaries of HKCG, among which included the entitlement to new shares upon their submission of election forms with Towngas China electing to receive new shares in Towngas China in lieu of cash dividend pursuant to Towngas China's scrip dividend scheme on 29 June 2021. Subsequent to the allotment of a total of 59,796,241 new shares to HK&CG (China), Planwise and Superfun by Towngas China on 13 July 2021, the said percentage figure of interest in Towngas China's shares was adjusted to 68.51% as at 13 July 2021.

13. These shares were held by Hopkins as trustee of the Unit Trust.

14. Of these shares, Dr Lee Shau Kee was the beneficial owner of 35,000,000 shares, and Fu Sang owned the remaining 15,000,000 shares.

15. Of these shares, (i) 10,400 shares were owned by the Company; and (ii) 15,600 shares were owned by Manifest Investments Limited which was 100% held by HD.

16. Of these shares, (i) 5,000 shares were owned by Applecross Limited which was wholly-owned by Dr Lee Ka Kit; and (ii) 5,000 shares were owned by Henderson (China) Investment Company Limited, a wholly-owned subsidiary of Andcoe Limited which was wholly-owned by Henderson China Holdings Limited, an indirect wholly-owned subsidiary of the Company.

17. These shares were owned by Jetwin International Limited. Triton (Cayman) Limited as trustee of a unit trust owned all the issued share capital of Jetwin International Limited. Triumph (Cayman) Limited and Victory (Cayman) Limited, as trustees of respective discretionary trusts, held units in the unit trust. The entire share capital of Triton (Cayman) Limited, Triumph (Cayman) Limited and Victory (Cayman) Limited were owned by Dr Lee Shau Kee who was taken to be interested in such shares by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of the discretionary trusts holding units in such unit trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in such shares by virtue of the SFO.

18. This share was owned by Sunnice Investment Limited, a wholly-owned subsidiary of Profit Best Development Limited which in turn was wholly-owned by the Company.

Share Option Schemes

The Company and its subsidiaries have no share option schemes.

Arrangements to Purchase Shares or Debentures

At no time during the six months ended 30 June 2021 was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

恒基兆業地產有限公司
HENDERSON LAND DEVELOPMENT COMPANY LIMITED

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