



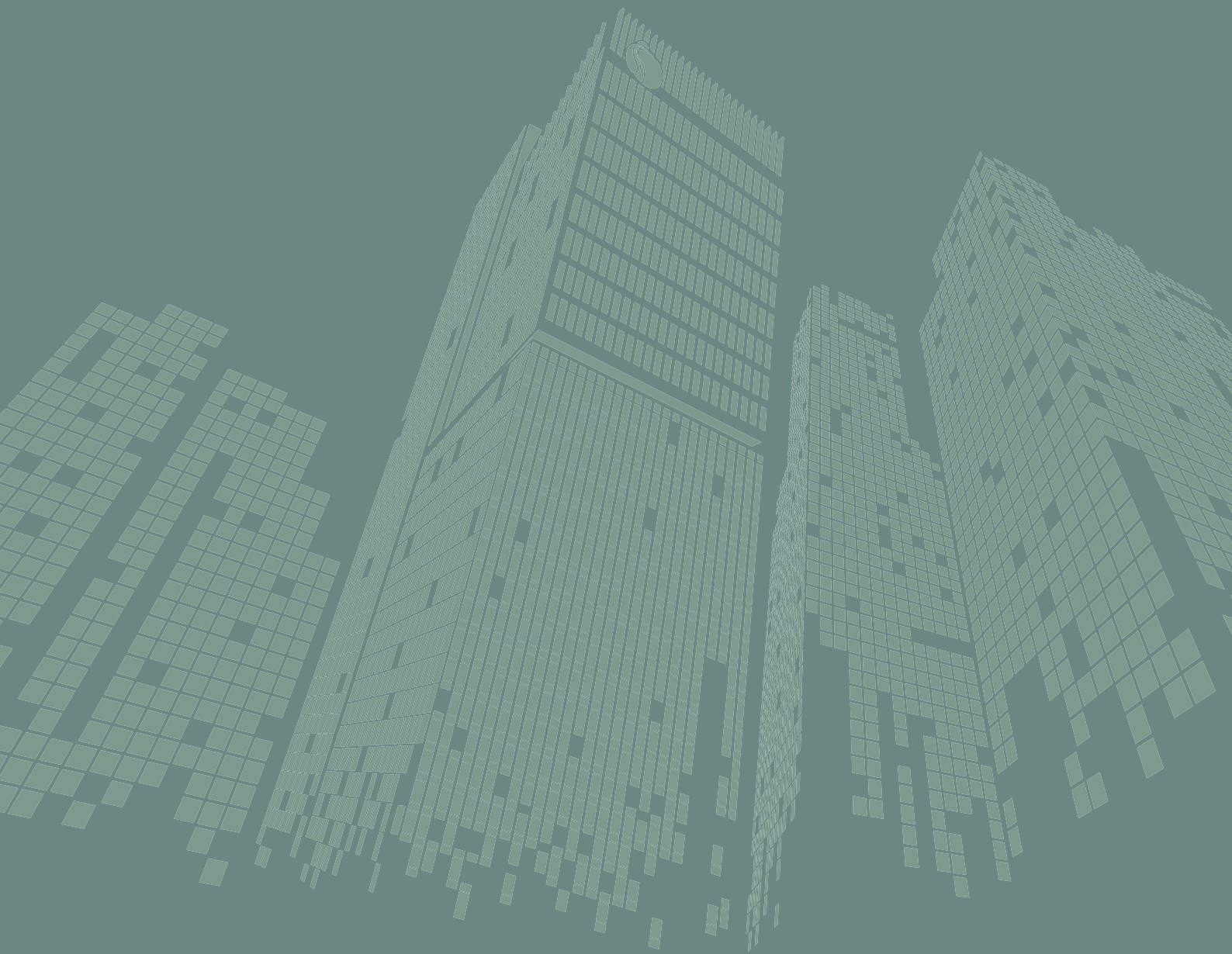
**KERRY PROPERTIES LIMITED**

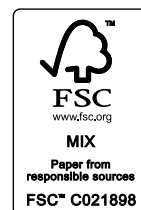
*(Incorporated in Bermuda with limited liability)*

Stock Code : 683

# **2022 INTERIM REPORT**

For the six months ended 30 June 2022





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# MANAGEMENT DISCUSSION & ANALYSIS

## OVERALL RESULTS

### RESULTS HIGHLIGHTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

- Kerry Properties Limited (the “**Company**”) and, together with its subsidiaries (collectively, the “**Group**”) recorded consolidated revenue of HK\$4.64 billion, down 27% year-on-year. Underlying profit (excluding fair value change of investment properties) was HK\$2.79 billion, up 18% year-on-year. Profit attributable to shareholders of the Company was HK\$2.75 billion, down 27% year-on-year.
- The Group achieved property sales of HK\$7.72 billion. This includes the disposal of two warehouses for a total consideration of HK\$4.62 billion, and contracted sales of HK\$3.10 billion for Hong Kong and the Mainland, which is 44% of the 2022 full-year sales target. Hong Kong achieved HK\$2.30 billion, 57% of Hong Kong’s full-year sales target, and the Mainland achieved HK\$800 million, 27% of Mainland’s full-year sales target.
- Property rental revenue for the Group was HK\$2.50 billion, declining 6% compared to the same period last year. Investment properties in Hong Kong achieved HK\$619 million, and the Mainland achieved HK\$1.88 billion, both down 6% when compared to the same period last year mainly due to one-time rental relief support to tenants. Hong Kong and the Mainland accounted for 25% and 75% respectively of total rental revenue for the Group.
- Gross profit margin for the Group was 55% (2021 1H: 57%). The Property Sales business recorded 36% (2021 1H: 46%) in gross profit margins, down 10% compared to the same period last year due to product mix difference, and the Property Rental business recorded 76% (2021 1H: 77%), declining 1% compared to the same period last year.
- Earnings per share was HK\$1.89, reflecting a decrease of 27% compared to 2021 1H.
- The Group measured its investment properties portfolio on a fair value basis and recorded a decrease in fair value of investment properties (net of deferred taxation) of HK\$46 million (2021 1H: an increase of HK\$1.41 billion).
- Total capital resources for the Group were HK\$36.74 billion as at 30 June 2022. This includes cash and bank deposits of HK\$16.95 billion (31 December 2021: HK\$17.44 billion) and undrawn loan facilities from banks of HK\$19.79 billion (31 December 2021: HK\$34.87 billion). The reduction is mainly attributed to the utilisation of capital resources on the land payment for four plots of land in Shanghai’s Huangpu district acquired in January 2022. The tender result of the adjacent plots has not been announced and is subject to the subsequent arrangement for the grant of land use rights and announcement to be made by Shanghai Municipal Huangpu District Planning and Natural Resources Bureau.
- Gearing ratio increased 1,860 basis points to 35.8% as at 30 June 2022 (31 December 2021: 17.2%) following the land acquisition in January 2022 in Shanghai Huangpu district.
- A one-time gain of HK\$877 million from the disposal of two warehouses in Hong Kong was recorded as of 30 June 2022. The aggregate consideration of HK\$4.62 billion is comprised of HK\$2.29 billion for the subsidiary of the Company holding the Chai Wan Warehouse, and HK\$2.33 billion for the subsidiary of the Company holding the Shatin Warehouse as disclosed in the related announcement on 8 June 2022. The proceeds from the disposal will be used by the Group to strengthen our balance sheet and operations.
- The Board of Directors of the Company (the “**Board**”) has declared an interim dividend of HK\$0.4 per share for the six months ended 30 June 2022 (2021 1H: HK\$0.4 per share).

# MANAGEMENT DISCUSSION & ANALYSIS

## BUSINESS REVIEW

### VALUATION OF INVESTMENT PROPERTIES

The investment properties portfolio of the Group valued as at 30 June 2022 on a fair value basis recorded a decrease of fair value of HK\$46 million, net of deferred taxation, compared to an increase of HK\$1.41 billion for the same period in 2021.

The change in valuation is mainly a result of subdued market conditions caused by Covid-19 outbreaks and quarantine measures in Hong Kong and the Mainland from mid-February till June 2022. Post the fifth wave in Hong Kong, we saw gradual market recovery from mid-April 2022 onwards as the social distancing measures were relaxed, as such, the portfolio's value remained largely stable when compared to last year end. On the Mainland, continued sporadic Covid-19 restrictions drove weak market sentiment that slightly dampened the portfolio's value in retail during the period under review. The value of our office portfolio remains unchanged.

### LANDBANKING

The Group has a strong presence in the Mainland and Hong Kong, with 12 development properties projects for sale in seven cities including Hong Kong, Zhengzhou, Shenyang, Fuzhou, Hangzhou, Qinhuaingdao, and Kunming in the first half of 2022; and eight major mixed-use projects in Shanghai, Beijing, Shenzhen, Qianhai, Hangzhou, Shenyang, and Hong Kong.

As of 30 June 2022, the Group has a total gross floor area ("GFA") of 51.82 million square feet in its property portfolio, which is comprised of Completed Investment Properties of 14.92 million square feet GFA, Properties Held For Sale of 1.71 million square feet GFA, Hotel Properties of 4.89 million square feet GFA, and Projects Under Development which includes properties for sale and properties to be held for investment of 30.30 million square feet GFA.

In terms of the Group's Projects Under Development, approximately 13.90 million square feet of GFA are development properties for sale in Hong Kong and the Mainland, and 10.41 million square feet of GFA are earmarked as potential investment properties in the Mainland.

The remaining 5.99 million square feet of GFA consists of projects under development in Macau and Overseas, which include the Philippines and Singapore.

The total net asset value for the Group at the end of the reporting period decreased by 3% to HK\$128.10 billion (31 December 2021: HK\$132.31 billion), and the total net assets attributable to shareholders is HK\$78.13 per share, decreasing 3% (31 December 2021: HK\$80.32 per share). The decrease is mainly due to the 4.2% depreciation of Renminbi-denominated assets.

### Property Portfolio Composition

Group's attributable GFA As of 30 June 2022:	Mainland	Hong Kong	Macau <sup>Note</sup>	Overseas	Total
	('000 square feet)				
Completed Investment Properties	9,907	3,146	–	1,867	14,920
Hotel Properties	4,347	38	–	504	4,889
Properties Under Development	22,775	1,537	1,988	3,996	30,296
Properties Held for Sale	1,196	504	–	14	1,714
<b>Total GFA</b>	<b>38,225</b>	<b>5,225</b>	<b>1,988</b>	<b>6,381</b>	<b>51,819</b>

Note: The property portfolio in Macau represents the buildable GFA of a site that was surrendered to the Macau SAR Government in September 2009. According to the Macau SAR Government Notice gazetted on 14 October 2009, a piece of land will be granted in exchange for this, with size and location to be identified and agreed upon.

# MANAGEMENT DISCUSSION & ANALYSIS

## BUSINESS REVIEW

### (i) Landbanking Strategy

The Group maintains a twin pillar business development strategy of developing a portfolio of premium investment properties consisting of office, retail, hotels and apartments for lease primarily in the Mainland, and developing a pipeline of development properties in the Mainland and Hong Kong. To support this strategy, the Group has a landbanking focus each for the Mainland and Hong Kong. In the Mainland, the Group continues to focus on deep rooting and investing in well-located mixed-use developments in core and major cities in the Yangtze River Delta and the Greater Bay Area. In Hong Kong, the Group will continue to invest in high-quality, urban gentrification development property project opportunities. This two-pronged landbanking strategy is aimed at growing the Group's recurrent income base while fueling further growth through non-recurrent revenue from development properties. The Group sees this as a prudent strategy to add to our growing recurrent income pipeline to support our sustainable dividend policy.

### (ii) Development Properties Pipeline

Our strategic and proactive landbanking approach over the past few years has built a robust development properties pipeline for the Group in the Mainland and Hong Kong. As of 30 June 2022, the total attributable GFA of for-sale development properties is 14.22 million square feet, including completed and to be launched projects for sale. The Mainland will yield 12.36 million square feet GFA, and Hong Kong will provide 1.86 million square feet GFA. This pipeline can sufficiently provide a stable supply of contracted sales for the Group beyond the next five years.

## The Group's Development Properties Completion Pipeline

Mainland Projects	Equity Stake	Attributable GFA ('000 s.f.)	Completion	Hong Kong Projects	Equity Stake	Attributable GFA ('000 s.f.)
			2021	Mont Verra	100%	325
Fuzhou	100%	2,360	2022			
Shenyang	60%	1,998	2022 onwards			
Zhengzhou	55%	580	2023 onwards	La Marina	50%	246
Hangzhou	100%	1,006	2024 onwards			
Shenzhen Qianhai	70%	75	2024			
Kunming	55%	124	2024 onwards			
Shanghai Pudong	40%	197	2024 onwards			
Qinhuangdao	60%	1,894	2024 onwards			
Tianjin	49%	150	2025	THE SOUTHSIDE Pk. 4	50%	319
Wuhan	100%	2,640	2025 onwards	Yuen Long	50%	141
			2026	LOHAS Park Pk. 13	25%	387
Shanghai Huangpu	100%	1,340	2027	To Kwa Wan	100%	444
<b>Total</b>		<b>12,364</b>		<b>Total</b>		<b>1,862</b>

Note: The Mont Verra project was completed in 2021 and will be launched for sale in the second half of 2022.

# MANAGEMENT DISCUSSION & ANALYSIS

## BUSINESS REVIEW

### (iii) Investment Properties and Hotels Pipeline

As of 30 June 2022, the Group's investment properties portfolio and hotel operations has 15.36 million square feet GFA under active management, consisting of Office, Retail, Apartment, Hotel and Warehouse. Of the total GFA, Hong Kong comprised 3.18 million square feet, or 21% of the total investment properties and hotels portfolio, and the Mainland comprised 12.18 million square feet, or 79% of the total investment properties and hotels portfolio.

Their respective composition follows:

The Group's Investment Properties and Hotels Portfolio in Major Cities (Attributable GFA)								
As of 30 June 2022:	Hong Kong	Beijing	Shanghai	Shenzhen	Hangzhou	Shenyang	Tianjin	Total
('000 s.f.)								
Office	778	711	1,381	2,839	102	354	–	6,165
Retail	1,198	98	1,095	327	798	486	435	4,437
Apartment	871	277	774	–	–	–	–	1,922
Hotel	38	500	760	–	461	394	382	2,535
Warehouse	299	–	–	–	–	–	–	299
<b>Total</b>	<b>3,184</b>	<b>1,586</b>	<b>4,010</b>	<b>3,166</b>	<b>1,361</b>	<b>1,234</b>	<b>817</b>	<b>15,358</b>

Our current pipeline of major mixed-use projects under development in the Mainland will produce an additional 10.41 million square feet GFA to the portfolio by 2028. This is largely comprised of approximately 4.42 million square feet GFA of Office, approximately 4.72 million square feet GFA of Retail, and approximately 0.89 million square feet GFA of Hotel properties. Key contributors to our growing investment properties portfolio are projects in Shanghai's Pudong and Huangpu district, Wuhan, Hangzhou, Qianhai and Shenyang. They will significantly add to our recurrent income base upon completion.

These six major projects will be launched over the next six years with Phase II of Qianhai Kerry Centre launching in late 2022, and culminating with our Shanghai Huangpu project in 2028. These six projects, in addition to other mixed-use projects under development in the Mainland, will bring the total combined GFA in the Mainland under the Group's asset management to approximately 20.32 million square feet, doubling our current mixed-use development portfolio in the Mainland by 2028. With the steady recurrent revenue from our established investment properties portfolio, and a robust pipeline of new assets that will be introduced over the next few years, the Group is actively growing its recurrent income base, while offering further upside as we continuously look to optimise our tenant mix and rental reversions.



Group's Major Investment Properties and Hotels Under Development in the Mainland (Attributable GFA)						
City	Apartment	Office	Retail	Hotel	Total	Target Completion
	('000 s.f.)					
Qianhai	187	632	129	107	1,055	From 2021
Fuzhou	–	334	822	–	1,156	2022
Shenyang	–	447	618	–	1,065	From 2022
Nanchang	–	496	56	–	552	2023
Kunming	–	–	–	258	258	2023
Zhengzhou	–	349	–	226	575	From 2023
Hangzhou	196	245	1,109	175	1,725	From 2024
Shanghai Pudong	–	108	932	–	1,040	From 2024
Tianjin	–	489	92	–	581	2025
Wuhan	–	1,318	453	–	1,771	From 2025
Shanghai Huangpu	–	–	508	126	634	2028
<b>Total</b>	<b>383</b>	<b>4,418</b>	<b>4,719</b>	<b>892</b>	<b>10,412</b>	

# MANAGEMENT DISCUSSION & ANALYSIS

## BUSINESS REVIEW

### MAINLAND PROPERTY DIVISION

For the first six months of 2022, the Mainland Property Division reported revenue of HK\$2.66 billion (2021 1H: HK\$3.71 billion), and gross profit of HK\$1.60 billion (2021 1H: HK\$2.37 billion). This is contributed by the Group's development properties and its investment properties portfolio which includes property rental and hotel operations. Development properties sales recognition contributed HK\$356 million (2021 1H: HK\$923 million) in revenue and HK\$173 million (2021 1H: HK\$589 million) in gross profit, declining 61.4% and 70.6% respectively year-on-year due to fewer project completions when compared to the same period last year. Property rental contributed HK\$1.88 billion (2021 1H: HK\$2 billion) in revenue and HK\$1.41 billion (2021 1H: HK\$1.51 billion) in gross profit, down 5.8% and 6.7% respectively year-on-year due to one-off rental relief to assist tenants during a challenging pandemic situation in the first half of 2022. Hotel operations recorded HK\$425 million (2021 1H: HK\$788 million) in revenue and HK\$22 million (2021 1H: HK\$270 million) in gross profit, down 46.1% and 91.9% respectively year-on-year due to Shanghai's lockdown and pandemic restrictions on intercity travel, banqueting and MICE (meetings, incentives, conventions and exhibitions) activities.

In March 2022, the Mainland began seeing increased outbreaks of Covid-19 across different cities. To contain the pandemic, the government required lockdowns of varying degrees and other measures that held back commercial activities for much of the second quarter of 2022. Industries that were affected ranged from retail to travel and hospitality, and residential property sales due to mandated social distancing and public health restrictions. As some of the restrictions were gradually eased, the Group observed an improvement in property sales sentiment in certain cities such as Fuzhou and Zhengzhou, among others, and mobilised its sales resources to produce HK\$800 million (2021 1H: HK\$6.17 billion) in contracted sales in the first half of 2022. For our Mainland investment property portfolio, strict social distancing policies that curbed foot traffic capacity in shopping malls, together with the extended lockdown of Shanghai between the period of March and May 2022, followed by ongoing restrictions in June dampened retail property revenue in the first half of the year. Similarly, the hotel operations portion of the properties rental business was hampered by travel restrictions and social distancing measures, and the sector's slowdown affected the Group's property rental performance in the first half of 2022. Notwithstanding the effect on the retail and hotel operations portion of the investment property portfolio, the Group's Office and Residential assets were able to maintain steady performance.

#### (i) Development Property Portfolio Performance

During the six months ended 30 June 2022, sales of completed properties in the Mainland recorded revenue of HK\$356 million (2021 1H: HK\$923 million) mainly from recognised sales of Arcadia Height in Shenyang, Lake Grandeur in Hangzhou and Habitat in Qinhuangdao, as residential units were handed over to buyers. This resulted in total gross profit of HK\$173 million (2021 1H: HK\$589 million). As more residential projects are on track to be handed over to buyers in the next six months, the Group anticipates sales recognition to increase in the second half of 2022.

From March to May 2022, the Mainland market operated under challenging conditions as the government implemented large scale quarantine and social distancing measures that restricted commercial activities including residential sales. As restrictions were gradually eased across different cities in June, the market began to gradually build momentum. During this period, the local teams were able to resume their contracted sales activities.

Within the constraints of a shortened operating window truncated by pandemic restrictions, the Group was able to record sales from Zhengzhou Arcadia Court, Fuzhou Rivercity and Shenyang's The Arcadia, among other projects. For the period ended 30 June 2022, the Mainland Property Division recorded approximately HK\$800 million in contracted sales during the period. This represents approximately 27% of the Mainland Property Division's full year contracted sales target of HK\$3 billion. In the second half of 2022, the Mainland Property Division will focus on driving sales in 7 projects in Fuzhou, Hangzhou, Kunming, Qinhuangdao, Shenyang, Tianjin and Zhengzhou.

As of 30 June 2022, among the unrecognised attributable income from contracted sales in the Mainland of HK\$7.25 billion, approximately HK\$3.94 billion will be booked in second half of 2022, and approximately HK\$3.31 billion will be booked in 2023 and subsequent years.

A summary of contracted sales from major projects for the Mainland achieved as of 30 June 2022 follows:

Project name	Group's attributable interest	Approximate total saleable area (s.f.)	Total number of units sold	Percentage of total units sold
The Arcadia, Shenyang	60%	3,321,000	327	19%
Rivercity, Fuzhou	100%	2,010,000	607	38%
Habitat Phase II, Qinhuangdao	60%	1,965,000	63	6%
Habitat Phase I, Qinhuangdao	60%	1,576,000	751	97%
Arcadia Height, Shenyang	60%	1,177,000	495	100%
Arcadia Court, Zhengzhou	55%	1,012,000	425	83%
Qianhai Kerry Centre Phase I, Shenzhen	100%	459,000	449	100%
Lake Grandeur, Hangzhou	75%	333,000	112	93%

## (ii) Investment Property Portfolio Performance

The Group recorded revenue of HK\$2.31 billion (2021 1H: HK\$2.79 billion) and gross profit of HK\$1.43 billion (2021 1H: HK\$1.78 billion) during the six months ended 30 June 2022 from its portfolio of completed investment properties and hotel in the Mainland. This is contributed by asset types including Retail, Office, Apartment for lease and Hotel operations.

In late February 2022, the Mainland saw a gradual rise in Covid-19 cases, with outbreaks increasing between March and May 2022. To contain the pandemic, the government introduced broad quarantine measures to safeguard public health, including a two-month lockdown of the city of Shanghai.

This led to a market slowdown in the Mainland, and a subdued performance from the retail sector as a whole, with foot traffic in Shanghai at a standstill for much of the lockdown period. While lockdown restrictions were eased in Shanghai in June 2022, venues such as shopping malls, cinemas, and eateries still maintained social distancing measures that limited visitation capacity. Although other cities in the country did not experience a long lockdown period like Shanghai, public health measures and ongoing new Covid-19 cases across the country dampened market sentiment, and reduced foot traffic to varying degrees. To support tenants in our retail portfolio during this difficult period, the Group has been providing rental relief to tenants, as well as support to incoming tenants whose renovations and move-in plans were delayed by the pandemic and public health measures. These initiatives, together with strong marketing and leasing efforts helped the Group to maintain stable occupancy levels as at 30 June 2022, with Jing An Kerry Centre at 88%, Pudong Kerry Parkside at 95%, Beijing Kerry Centre at 89%, and Hangzhou Kerry Centre at 89%.

The Mainland Office portfolio demonstrated its defensive and resilient nature with its stable revenue and occupancy performance during a challenging first half of 2022. As at 30 June 2022, occupancy levels for our major office assets remained stable, with Jing An Kerry Centre at 99%, Pudong Kerry Parkside at 100%, Beijing Kerry Centre at 96%, Hangzhou Kerry Centre at 82%, and Shenzhen Kerry Plaza at 93%. The Group also provided some short-term relief support during the Shanghai lockdown. The Group is cognisant of the potential headwinds caused by macroeconomic factors and any lingering effects of the pandemic. In anticipation, the Group has proactively put in place new leasing and marketing strategies to remain competitive in this operating environment. Lastly, our newly launched Qianhai Kerry Centre Phase I has an office occupancy level of 62% as of 30 June 2022; and Qianhai Kerry Centre Phase II, which is scheduled to launch in the second half of 2022 now has committed tenancies of 43%.

# MANAGEMENT DISCUSSION & ANALYSIS

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The Apartment portfolio remained stable during the pandemic in the Mainland as at 30 June 2022, with Jing An Kerry Centre apartments at 94%, Shanghai Central Residences apartments at 84%, Pudong Kerry Parkside apartments at 93%, and Beijing Kerry Centre apartments at 88%. This result was contributed by our projects' high-quality build, our reputation for attentive property management services, and the high-standard of hygiene protocols implemented by the assets' concierge teams. We understand the importance of such support, and will continue to strive to maintain good levels of service.

A summary of our major investment properties for the Mainland follows:

Property name	Group's attributable interest	Group's attributable approximate GFA (s.f.)	Occupancy rate as of 30 June 2022	Occupancy rate as of 31 December 2021
Jing An Kerry Centre Phase I, Shanghai	74.25%	555,000	<b>94%</b>	98%
Jing An Kerry Centre Phase II, Shanghai	51%	1,091,000	<b>97%</b>	98%
Pudong Kerry Parkside, Shanghai	40.80%	787,000	<b>98%</b>	98%
Beijing Kerry Centre	71.25%	1,087,000	<b>93%</b>	95%
Hangzhou Kerry Centre	75%	900,000	<b>88%</b>	92%
Shenzhen Kerry Plaza	100%	1,654,000	<b>94%</b>	95%
Shenyang Kerry Centre	60%	840,000	<b>83%</b>	87%
Tianjin Kerry Centre	49%	435,000	<b>86%</b>	86%
Qianhai Kerry Centre Phase I, Shenzhen	100%	1,510,000	<b>59%</b>	45%
Jinan Enterprise Square	55%	229,000	<b>73%</b>	82%

Note: The occupancy rate above does not include committed tenancies that have not commenced during reporting period. The committed office tenancy rates for Qianhai Kerry Centre Phase I and Phase II are 64% and 43% respectively as of 30 June 2022.

Hotel operation's performance was significantly impacted by the Covid-driven travel restrictions and public health measures put in place to curb the pandemic's spread during the period under review. This led to a reduction in travel and face-to-face business activities, and affected the hospitality and travel industries across the board. Since March to May 2022, Shanghai lockdown – our hotels in Shanghai had to run on a skeleton basis servicing a small number of guests. In June 2022, Shanghai eased its citywide lockdown, and other cities gradually relaxed its social distancing policies to permit lower capacity events. While this has helped food and beverage sales to a certain extent, the lack of intercity travel and restrictions on MICE (Meetings, Incentives, Conventions and Exhibitions) services due to the occurrence of sporadic outbreaks has held back the sector. The Group is closely monitoring the landscape, and is working with the local hotel operations teams to ensure strong marketing activities are in place to be activated when restrictions are eased.

A summary of the Hotel portfolio for the Mainland follows:

Property name	Group's attributable interest	Average occupancy rate for the six months ended 30 June 2022	Average occupancy rate for the six months ended 30 June 2021
Jing An Shangri-La Hotel	51%	27%	68%
Kerry Hotel Beijing	71.25%	23%	54%
Kerry Hotel Pudong, Shanghai	40.80%	44%	58%
Midtown Shangri-La Hotel, Hangzhou	75%	40%	69%
Shangri-La Hotel, Shenyang	60%	23%	37%
Shangri-La Hotel, Nanchang	80%	36%	64%
Shangri-La Hotel, Jinan	55%	48%	71%
Shangri-La Hotel, Putian	60%	33%	22%
Shangri-La Hotel, Tianjin	49%	24%	55%
Shangri-La Hotel, Nanjing	45%	46%	66%
Shangri-La Hotel, Tangshan	40%	42%	47%

### (iii) Mainland Properties under Development and Landbank

The Group has a strong pipeline of mixed-use properties under development in the Mainland's core cities and provincial capitals, with total attributable GFA of approximately 22.78 million s.f. upon completion. This consists of Residential mainly for Sale with 12.22 million s.f. of GFA, premium Office with 4.84 million s.f. of GFA, Retail with 4.82 million s.f. of GFA, and 0.89 million s.f. of GFA earmarked for Hotel operations.

In terms of development properties, the Mainland has a number of notable projects for future launch including Shanghai's Huangpu district project with 1.34 million s.f. of residential GFA that consists of high-rise apartments that overlook the Bund and the Oriental Pearl Tower, and restored shikumen-style townhouses. This centrally located project is expected to commence pre-sale in 2025. In the near-term, there will be three major residential projects estimated to launch pre-sale, they include a project in Wuhan with 2.64 million s.f. of residential GFA, Hangzhou's upcoming mixed-use project in the Wulin district with 1.01 million s.f. of residential GFA, and Shanghai's Pudong Jufeng Road project which has 0.20 million s.f. of residential GFA.

# MANAGEMENT DISCUSSION & ANALYSIS

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Contributing to the Group's recurrent revenue base over the next five years and beyond is a portfolio of commercial properties that will be launched by phase. The major mixed-use properties include Qianhai Kerry Centre Phase II and III with a combined GFA of Office, Retail and Hotel of 0.87 million s.f. with completion by phase starting in 2022, the Hangzhou Wulin district project with 1.72 million s.f. of Office, Retail and Hotel GFA with completion expected from 2024 onwards, and the Wuhan project with 1.77 million s.f. of Office and Retail GFA estimated to be completed for launch by phase from 2025 onwards. In Shanghai, the Pudong Jufeng Road project with 1.04 million s.f. of Retail and Office GFA is expected to launch in 2025, and the Huangpu project with 0.63 million s.f. of Office, Retail and Hotel GFA is expected to launch in 2028.

The detail of the Group's attributable GFA upon project completion by location and asset type follows:

City	Group's Attributable GFA Upon Completion				Total	Target Completion
	Residential	Office	Retail	Hotel		
	('000 s.f.)					
<b>Shenzhen</b>	187	707	128	108	<b>1,130</b>	From 2022
<b>Fuzhou</b>	2,010	684	822	–	<b>3,516</b>	2022
<b>Shenyang</b>	1,992	447	623	–	<b>3,062</b>	From 2022
<b>Nanchang</b>	–	496	56	–	<b>552</b>	2023
<b>Kunming</b>	124	–	–	258	<b>382</b>	From 2023
<b>Zhengzhou</b>	557	349	23	226	<b>1,155</b>	From 2023
<b>Qinhuangdao</b>	1,818	–	76	–	<b>1,894</b>	From 2024
<b>Hangzhou</b>	1,202	244	1,109	175	<b>2,730</b>	From 2024
<b>Tianjin</b>	150	489	92	–	<b>731</b>	2025
<b>Wuhan</b>	2,640	1,318	453	–	<b>4,411</b>	From 2025
<b>Shanghai</b>	1,537	109	1,440	126	<b>3,212</b>	From 2025
<b>Total</b>	<b>12,217</b>	<b>4,843</b>	<b>4,822</b>	<b>893</b>	<b>22,775</b>	

Note: Residential consists of both apartments and houses.

## HONG KONG PROPERTY DIVISION

During the six months ended 30 June 2022, the Hong Kong Property Division reported revenue of HK\$1.98 billion (2021 1H: HK\$2.66 billion) and gross profit of HK\$943 million (2021 1H: HK\$1.29 billion). This is contributed by the Group's development properties and its investment properties portfolio. Development properties sales recognition contributed HK\$1.36 billion (2021 1H: HK\$2.01 billion) in revenue and gross profit of HK\$452 million (2021 1H: HK\$767 million), down 32.3% and 41.1% respectively year-on-year due to a different product mix sold compared to the same period last year. The Hong Kong investment properties portfolio contributed revenue of HK\$619 million (2021 1H: HK\$656 million) and gross profit of HK\$491 million (2021 1H: HK\$523 million), down 5.6% and 6.1% respectively year-on-year due to one-off rental relief to assist tenants during a difficult first half of 2022.

In the first half of 2022, Hong Kong experienced a severe fifth-wave outbreak of the Omicron variant of Covid-19 which led to strict quarantine and social distancing measures that curtailed market activities. As a result of those government-mandated measures, development properties sales activities could not resume until mid-April 2022. Upon the market's reopening, the Hong Kong team took the opportunity to drive sales of our projects, including 10 LaSalle, La Marina and Mont Rouge to record HK\$2.30 billion in contracted sales (2021 1H: HK\$2.02 billion).

Hong Kong's investment property portfolio performance was also affected by the fifth wave Covid-19 outbreak, with the MegaBox family mall seeing a reduction in foot traffic from mid-February to early April 2022. Although retail performance was dampened during this period, the resilient performance of Hong Kong's premium residential and office portfolio enabled the Hong Kong Property Division to record HK\$619 million in investment property revenue (2021 1H: HK\$656 million) amid a challenging first half of 2022.

### (i) Development Property Portfolio Performance

During the first six months of 2022, sales of completed properties in Hong Kong contributed revenue of HK\$1.36 billion (2021 1H: HK\$2.01 billion) to the Group. Gross profit of HK\$452 million (2021 1H: HK\$767 million) was recorded from recognised sales of Mont Rouge, Martin Heights and The Bloomsway.

Contracted sales in Hong Kong during the period was approximately HK\$2.30 billion, which represents 57% of the annual sales target (HK\$4 billion) for Hong Kong. In the first half of 2022, market activity was muted from mid-February to early April due to government-mandated social distancing measures. Once the measures were scaled back upon Hong Kong's reopening in mid-April 2022, the Hong Kong Property Division capitalised on improving market momentum to record a series of good transactions. These included the sales of the high-quality family project 10 LaSalle in Ho Man Tin which sold 66 of its 67 units, with 1 special unit for sale via tender; and the encouraging transactions of the MTR-linked Wong Chuk Hang project La Marina, and the high-end luxury project Mont Rouge. The encouraging results reflected both the Group's ability to capture pockets of pent-up demand as opportunities emerged, and the quality of the projects in the Hong Kong pipeline to attract local buyers in a competitive environment. As of 30 June 2022, among the unrecognised attributable income from contracted sales in Hong Kong of HK\$10.80 billion, approximately HK\$2.40 billion will be booked in the second half of 2022, and approximately HK\$8.40 billion will be booked in 2023 and subsequent years.

# MANAGEMENT DISCUSSION & ANALYSIS

## BUSINESS REVIEW

A summary of contracted sales for Hong Kong achieved as of 30 June 2022 follows:

Property name	Group's attributable interest	Approximate total saleable area (square feet)	Total number of units sold	Percentage of total units sold
Mantin Heights, No. 28 Sheung Shing Street, Ho Man Tin	100%	992,000	1,429	100%
The Bloomsway, Nos. 18, 28, 29 Tsing Ying Road, So Kwun Wat	100%	838,000	1,097	99.7%
La Marina, No. 11 Heung Yip Road, Wong Chuk Hang	50%	425,800	496	83%
Mont Rouge, No. 9 Lung Kui Road, Beacon Hill	100%	115,000	35	78%
10 LaSalle, No. 10 La Salle Road, Ho Man Tin	100%	36,000	72	99%

Entering the second half of 2022, the Group will focus on driving sales in La Marina and Mont Rouge, and is expected to launch the high-end luxury project Mont Verra in Beacon Hill, which has 61 large-sized apartments and 3 designer mansions with panoramic views of the Victoria Harbour and Kowloon East.

### (ii) Investment Property Portfolio Performance

The Group's completed investment properties portfolio in Hong Kong generated revenue of HK\$619 million (2021 1H: HK\$656 million), and gross profit of HK\$491 million (2021 1H: HK\$523 million) in the first half of 2022.

The GFA of the completed investment property portfolio in Hong Kong amounted to 3.15 million s.f. as of 30 June 2022 (31 December 2021: 4.13 million s.f.). Set out below is a breakdown of the GFA and the respective occupancy rates, together with comparative figures:

	As of 30 June 2022		As of 31 December 2021	
	Group's attributable GFA ('000 s.f.)	Occupancy rate	Group's attributable GFA ('000 s.f.)	Occupancy rate
Apartment	871	96%	871	95%
Retail	1,198	91%	1,213	95%
Office	778	84%	778	83%
Warehouse*	299	56%	1,266	86%
	<b>3,146</b>		<b>4,128</b>	

\* Warehouse attributable GFA as of 31 December 2021 of 1.266 million s.f. consisted of two warehouses in Shatin and Chai Wan that were disposed on 30 June 2022, and approximately 299,000 s.f. of attributable GFA of Kerry Hung Kai warehouse in Cheung Sha Wan. The Kerry Hung Kai warehouse had an occupancy of 74% as of 31 December 2021.



In line with the Group's direction of recycling non-core assets to unlock value and to invest in higher-returning projects, in June 2022, the Group announced the sale of its two wholly-owned warehouses which contributed 0.97 million s.f. GFA to the Hong Kong investment property portfolio, for the total consideration of HK\$4.62 billion. The aggregate consideration is comprised of HK\$2.29 billion for the company holding the Chai Wan Warehouse, and HK\$2.33 billion for the company holding the Shatin Warehouse. For the period under review, the said warehouses contributed HK\$67 million in rental revenue. The transaction was completed with the balance of the consideration received on 30 June 2022. The Group no longer has any interest in the companies holding these warehouses. The proceeds from the disposal will be utilised by the Group to strengthen our balance sheet and operations.

During the period under review, Hong Kong saw an outbreak of the Omicron variant of Covid-19 that lasted from mid-February to early April 2022. This led to unprecedented government quarantine and social distancing mandates that resulted in a city-wide slowdown for the retail and hospitality sectors, among others. Having operated under strict quarantine measures over the past two years, the Hong Kong team leveraged its experience to navigate the fifth wave by providing retail tenants with rental relief for those tenants affected by quarantine mandates, and launching marketing campaigns to increase tenant sales as quarantine measures gradually relaxed in early April. These measures, together with proactive leasing efforts helped to stabilise MegaBox's occupancy at 91% as of 30 June 2022, while supporting retail sales recovery in the second quarter of 2022.

In terms of Hong Kong's Office and Apartment portfolio, the team stepped up their lease renewal efforts to secure ongoing commitments, while also competing to sign new tenants during the period under review. Office rental remained stable with Kerry Centre recording occupancy of 93% and Enterprise Square Five recording 82% occupancy. As the tenancy reshuffling efforts gradually completes, we expect occupancy to improve by the end of the year.

Apartments for lease comprise of the luxury Mid-levels portfolio, and the urban chic Resiglow portfolio. Both saw improvements in the first half of 2022 with occupancy levels of 98% and 87% respectively when compared to the 31 December 2021. The team will continue to maintain proactive leasing and marketing strategies to optimise results.

A summary of the major investment properties portfolio for Hong Kong follows:

Property name	Group's attributable interest	Group's attributable approximate GFA (s.f.)	Occupancy rate as of 30 June 2022	Occupancy rate as of 31 December 2021
MegaBox	100%	1,146,000	91%	95%
Enterprise Square Five No. 38 Wang Chiu Road Kowloon Bay	100%	519,000	82%	80%
Kerry Centre No. 683 King's Road Quarry Bay	40%	204,000	93%	94%
Mid-Levels Portfolio	100%	722,000	98%	96%
Resiglow Portfolio	100%	149,000	87%	89%

# MANAGEMENT DISCUSSION & ANALYSIS

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### (iii) Hong Kong Properties under Development and Landbank

The Hong Kong Property Division has a robust pipeline of properties under development, including landbank for future development which amounts to approximately 1.86 million s.f. of GFA attributable to the Group. The projects span across a spectrum of high-end luxury residences, middle market designer homes, and high-quality family homes.

The Group's project on Beacon Hill, Mont Verra, which is part of the Mont Rouge high-end luxury series, is expected to be launched in the second half of 2022, and will feature 61 large-sized residential units and 3 unique mansions that offer panoramic views of the Central harbourfront and Kowloon East's skyline.

Under the middle market designer homes category is the Group's second Wong Chuk Hang MTR transit-oriented development project, THE SOUTHSIDE Package Four, which has approximately 638,000 s.f. GFA. This project will be completed in 2025.

In the high-quality family home category, the Group has approximately 972,000 s.f. of attributable GFA for sale from three projects under development: (1) LOHAS Park Package Thirteen in the Tseung Kwan O MTR comprehensive development area will provide 2,550 residential units upon completion in 2026, with pre-sale expected in 2024. (2) In the bustling Yuen Long district, and near the town centre and MTR station, the Group has two projects that will provide no less than 600 residential units. Pre-sale is expected in 2023, with completion estimated in 2025 for the two sites of approximately 141,000 s.f. of attributable GFA. (3) In To Kwa Wan, the Group has an urban gentrification project that lies in the heart of the government's To Kwa Wan urban renewal plan. With approximately 444,000 s.f. GFA, the Group will develop approximately 370,000 s.f. GFA of residential apartments, and allocate 74,000 s.f. GFA for the creation of commercial and retail spaces. The To Kwa Wan project's completion is estimated to be in 2027, and pre-sales is expected to be in 2025.

An overview of the Group's Hong Kong projects under development follows:

Property name	Group's attributable interest	Group's attributable approximate GFA (s.f.)	Estimated completion period
Mont Verra, No. 3 Lung Kui Road, Beacon Hill	100%	325,000	2021
La Marina, THE SOUTHSIDE Package Two Property Development, No. 11 Heung Yip Road, Wong Chuk Hang	50%	246,000	2023
THE SOUTHSIDE Package Four Property Development, No. 11 Heung Yip Road, Wong Chuk Hang	50%	319,000	2025
Shap Pat Heung Development Project, Yuen Long	50%	141,000	2025
LOHAS Park Package Thirteen Property Development, No. 1 Lohas Park Road, Tseung Kwan O	25%	387,000	2026
Hung Fook Street/Ngan Hon Street, To Kwa Wan	100%	444,000	2027

Note: The Mont Verra project was completed in the fourth quarter of 2021, but will not officially launch until the second half of 2022.

## OVERSEAS PROPERTY DIVISION

### (i) Philippines

The Group maintains a portfolio of upscale properties in the Philippines. These investments are held through Shang Properties, Inc. (“SPI”), in which the Group holds a 34.61% equity interest as well as a 30.75% interest in its depository receipts.

In Manila, SPI holds a 100% interest in the Shangri-La Plaza Mall and a 70.04% interest in The Enterprise Center development in the Makati financial district. As of 30 June 2022, the occupancy rates of Shangri-La Plaza Mall and The Enterprise Center were 87% and 69% respectively (as of 31 December 2021: 86% and 81%, respectively).

SPI also holds a 60% interest in a residential and hotel development in Fort Bonifacio, Taguig, Manila. All 94 units available for sale have been sold, while four units, including two penthouse units, are being retained for long-term investment. The hotel had an average occupancy rate of 34% during the period under review (2021: 10%) due to the global travel ban and social restrictions caused by Covid-19.

SPI has a development property project called The Rise located on Malugay Street, Makati City, with a GFA of approximately 1.63 million square feet. Comprising 3,044 residential units and approximately 96,000 square feet of retail space, the development has returned a strong sales performance. As of 30 June 2022, 98% of the total 3,019 units had been sold, excluding the 25 units being held for long-term investment.

In addition, SPI has several major projects under development. These include:

#### *Shang Residences*

Located at Wack Wack, Mandaluyong City, the project delivers a residential GFA of approximately 860,000 square feet, accommodating 404 residential units. As of 30 June 2022, 64% of the total 400 units had been reserved and sold, excluding the four units held for long-term investment.

#### *Aurelia*

A residential project located in Fort Bonifacio Global City, Manila, the development offers a GFA of more than 98,000 square feet, with 67% of the total 279 units being reserved and sold as of 30 June 2022. SPI holds a 50% interest in this joint venture.

#### *Shaw Boulevard*

This project, which SPI acquired in Mandaluyong City on Shaw Boulevard, covers a site area close to 24,500 square feet. It will be developed as a mixed-use project comprising serviced apartments with approximately 0.24 million square feet of GFA and commercial office space with approximately 0.43 million square feet GFA.

# MANAGEMENT DISCUSSION & ANALYSIS

## BUSINESS REVIEW

### *Laya Project*

SPI is also currently developing a property located at Canley Road, Pasig City, with an area of approximately 36,500 square feet. This will be the site of the Laya project, which will comprise more than 1,200 residential units with a GFA of approximately 1.1 million square feet.

### *The Haraya by Shang*

This is another joint venture project with Robinsons Land Corporation to develop a site of more than 90,000 square feet located in Ortigas Avenue, Pasig City. The project will feature two residential towers with a total GFA of approximately 1.33 million square feet.

### *ABS-CBN Project*

SPI purchased a property in South Triangle, Quezon City with an area of approximately 64,850 square feet. The site will be developed into the ABS-CBN project, a residential tower with over 1,800 units and a GFA of approximately 1.95 million square feet.

## **(ii) Singapore**

The Group and Allgreen Properties Limited have formed a joint venture in which the Group holds a 30% interest. The joint venture is currently developing a transit-oriented mixed-use development project, Pasir Ris 8, which features a residential portion and a shopping mall. The project will have accessibility to the MRT's East-West Line and the future Cross Island Line, as well as the Pasir Ris Bus Interchange. The project delivers a total GFA of approximately 1.02 million square feet. The residential portion, with a GFA of 452,084 square feet, was launched for sales in July 2021 to a robust reception. 440 out of the total 487 units, or 90%, were sold as of 30 June 2022. The expected completion for the residential portion is in 2026.

## **(iii) Sri Lanka**

The Group and SPI have formed a joint venture, Shang Properties (Pvt) Ltd, to develop a mixed-use project in Colombo. The Group holds an 80% stake, with SPI holding a 20% interest in the joint venture. Overlooking Beira Lake, this six-acre leased land parcel is situated on Sir James Peiris Mawatha. The project will be developed in two phases. Phase I will include a high-rise residential tower, and Phase II will comprise residential and retail components.

Originally scheduled to be developed over a period of eight to nine years, the project continues to be postponed due to the incidents that occurred in Sri Lanka in 2019, the subsequent Covid-19 pandemic and the political and economic crisis in 2022. The project is currently under review.

## OUTLOOK

The first half of 2022 presented a greatly challenging business environment. Business and consumer sentiment in both the Mainland and Hong Kong reached multi-year lows due to a cocktail of negative forces: massive disruptions caused by the containment measures of Covid-19 and the resultant isolation from most other parts of the world; the sharp increases in interest rates needed to rein in a resurgence in inflation; and extreme geopolitical headwinds and uncertainties caused by the Russia-Ukraine war and a severely strained Sino-US relationship.

On the ground, both the Mainland and Hong Kong markets saw sporadic Covid-19 cases rise in numbers for much of the period under review. To contain the pace of infection and protect public health, the government introduced strict quarantine and lockdown measures that saw cities such as Beijing and Shenzhen mandate week-long lockdowns, with Shanghai whose case numbers were the highest in the country, experiencing a 2-month lockdown period. Hong Kong instituted similar public health measures from mid-February to early April 2022. During the lockdown period in the Mainland and Hong Kong, commercial activities such as retail foot traffic, travel and hospitality businesses, and property sales were broadly curtailed. As the restrictions were eased by phase in the Mainland and Hong Kong, their respective markets saw varying signs of improved momentum. Post April, there has also been a series of easing measures in the Mainland that were rolled out, such as lowered interest rates and the relaxation of property purchase restrictions in different Mainland cities.

The development properties market was held back by a confluence of negative factors in the first half of 2022, but as pandemic restrictions slowly eased, the Group found opportunities to achieve close to half of its full year contracted sales target of HK\$7 billion by the end of the period under review, with Hong Kong producing positive sales pacing from its portfolio of projects due to an earlier market reopening in May 2022. In the second half of 2022, the Group has a robust pipeline of projects to drive contracted sales. In Hong Kong, the Group has inventory from its popular MTR-linked Island South project La Marina, the high-end Beacon Hill luxury project Mont Rouge, and the launch of the second Beacon Hill luxury project Mont Verra. In the Mainland, the Group has 7 development property projects that are all part of the Group's mixed-use developments in Fuzhou, Hangzhou, Kunming, Qinhuaingdao, Shenyang, Tianjin and Zhengzhou; with the Tianjin project launching in the second half of 2022. From 2023 onwards, the Group will have a further 5.27 million s.f. of residential GFA to be launched, providing a strong pipeline of projects in Hong Kong and the Mainland with a balanced mix of high-end luxury residences, middle market designer homes, and high-quality family homes.

On the Group's investment properties portfolio, the overall performance in the first half of 2022 was impacted by a pandemic-driven slowdown, with the retail and hotel portion of the portfolio in the Mainland and Hong Kong being most affected by mandated restrictions. The pandemic related restrictions are still ongoing, and we continue to see dampened sentiment and foot traffic at the moment. We will continue to work with our tenants to support them, coupled with ongoing marketing and leasing efforts to strengthen our retail portfolio. Our office and residential for lease portfolio continue to maintain a stable and resilient performance and outlook and we are seeing positive momentum in leasing enquiries and commitments. Based on the Group's previous experience with Covid-19 restrictions and market recoveries, we believe that our investment properties portfolio is well positioned to take advantage of an eventual improvement in market conditions. Looking into the second half of 2022, the Group will start to recognise additional recurrent revenue from Qianhai Kerry Centre Phase II, and we see our new assets in Qianhai contributing to the medium to long-term growth of our investment properties portfolio.

The Group remains focused on strategic capital management by actively managing its gearing, balancing new land acquisitions with the pace of development property sales, and exploring the disposal of non-core assets for capital recycling. In the second quarter of 2022, the Group successfully disposed two warehouses in Hong Kong for a total consideration of HK\$4.62 billion. The proceeds of the transaction will be used to strengthen the Group's balance sheet and operations. Going forward, the Group will continue to explore further non-core asset and capital recycling opportunities.

As we enter the second half, unfortunately there is very low visibility on any of the negative forces turning positive. We continue to focus on managing our business as best as we can: driving sales when opportunities emerge, stepping up our leasing efforts, supporting and protecting our tenants during these challenging times, delaying all non-essential spending, and looking for opportunities to recycle non-core assets. We remain confident in the strength and resilience of our people and business, and remain optimistic about longer term prospects which we believe that we are well-positioned to capture.

# MANAGEMENT DISCUSSION & ANALYSIS

## FINANCIAL REVIEW

The Group has centralised funding and cash management for all its operations. This policy achieves better control of treasury operations and lower average cost of funds.

The Group closely reviews and monitors its foreign exchange exposure. As at 30 June 2022, total foreign currency borrowings (excluding Renminbi bank loans) amounted to the equivalent of HK\$3.28 billion and Renminbi bank loans amounted to the equivalent of HK\$7.66 billion. As such, non-Renminbi total foreign currency borrowings and Renminbi bank loans represented approximately 6% and 13% respectively, of the Group's total borrowings of HK\$57.59 billion as at 30 June 2022.

The total foreign currency borrowings of HK\$10.94 billion include approximately RMB6.52 billion (equivalent to HK\$7.66 billion) bank loans, JPY8 billion (equivalent to HK\$0.47 billion) bank loan and approximately AUD516 million (equivalent to HK\$2.81 billion) bank loan. To hedge the exchange rate exposure of the foreign currency borrowings, the Group has arranged cross currency swap contracts amounting to RMB2.29 billion, JPY8 billion, and approximately AUD516 million for bank loans drawn in Hong Kong. The remaining RMB4.23 billion bank loans are project bank loans in the Mainland.

Out of the Group's total borrowings as at 30 June 2022, HK\$3.34 billion (representing approximately 6%) is repayable within one year, HK\$14.51 billion (representing approximately 25%) is repayable in the second year, HK\$38.14 billion (representing approximately 66%) is repayable in the third to fifth years and HK\$1.6 billion (representing approximately 3%) is repayable over five years. As at 30 June 2022, the Group maintained all of its borrowings on an unsecured basis and guaranteed basis and no assets were pledged. The Group will continue to obtain financing on an unsecured basis whenever possible, and supplement such borrowings with secured project financing as and when the need arises.

As at 30 June 2022, the Group had outstanding interest rate swap contracts, which amounted to HK\$10.55 billion in total, enabling the Group to hedge its interest rate exposure and to have a more stable interest rate profile. Comparing to the total of outstanding interest rate swap contracts of HK\$6.2 billion as at 31 December 2021, the entering into of more interest rate swap contracts in 2022 was in response to hedging a portion of our borrowing against the anticipated rising interest rate environment. As at 30 June 2022, the Group's fixed rate debt ratio (after swap contracts and fixed rate loan) was 19% and 27% on gross debt level and net debt level respectively.

The Group recognises sustainable finance as a key course to facilitate long-term investments in sustainable economic activities and projects. In June 2022, we established a sustainable finance framework to further set out how the utilisation of sustainable finance instruments would contribute to the Group's sustainability strategy and vision. During the first half of 2022, the Group entered into various sustainability-linked bank loan agreements with approximately HK\$13.1 billion loan facilities. These loan agreements are linked to the Group's annual and cumulative sustainability performance to reinforce our commitment to improve sustainability performance and demonstrate our desire to support the development of sustainable loan market in the region. Proceeds will fund measures to drive long-term sustainability targets, enhance the climate resilience of our property portfolio, as well as general corporate financing. The Group will benefit from discounted interest rates when pre-determined sustainability milestones are achieved, including the Group's environmental impact reduction targets which form part of the Group-wide Sustainability Vision 2030 targets, as well as key performance indicators (KPIs) ranked annually by GRESB (Global Real Estate Sustainability Benchmark). With more sustainability-linked bank loans in the pipeline for the next quarter, the Group will benefit more from discounted interest rates. We aim to gradually increase the sustainable finance portion of the Group's overall debt portfolio.

As at 30 June 2022, the gearing ratio for the Group was 35.8% (31 December 2021: 17.2%), calculated based on net debt of HK\$40.64 billion and shareholders' equity of HK\$113.58 billion.

In terms of the Group's available financial resources as at 30 June 2022, the Group had total undrawn bank loan facilities of HK\$19.79 billion and cash and bank deposits of HK\$16.95 billion, decreasing by 43% and 3% respectively when compared to 31 December 2021. The reduction was mainly attributed to the utilisation of capital resources on the land payment for four plots of land in Shanghai's Huangpu district. The tender result of the adjacent plots has not been announced and is subject to the subsequent arrangement for the grant of land use rights and announcement to be made by Shanghai Municipal Huangpu District Planning and Natural Resources Bureau.

Details of contingent liabilities are set out in note 12 to the financial statements of the Group included in this report.

# CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Note	Unaudited Six months ended 30 June	
		2022 HK\$'000	2021 HK\$'000
Revenue	3	<b>4,641,295</b>	6,374,122
Cost of sales and direct expenses		<b>(2,094,072)</b>	(2,714,634)
Gross profit	3	<b>2,547,223</b>	3,659,488
Other income and net gains		<b>1,141,443</b>	498,253
Selling, administrative and other operating expenses		<b>(844,197)</b>	(935,613)
(Decrease)/increase in fair value of investment properties		<b>(119,078)</b>	1,210,132
Operating profit before finance costs		<b>2,725,391</b>	4,432,260
Finance costs	4	<b>(361,439)</b>	(292,596)
Operating profit	4	<b>2,363,952</b>	4,139,664
Share of results of associates and joint ventures		<b>1,095,740</b>	1,583,491
Profit before taxation		<b>3,459,692</b>	5,723,155
Taxation	5	<b>(542,719)</b>	(1,239,262)
Profit for the period		<b>2,916,973</b>	4,483,893
Profit attributable to:			
Company's shareholders		<b>2,746,670</b>	3,773,188
Non-controlling interests		<b>170,303</b>	710,705
		<b>2,916,973</b>	4,483,893
Earnings per share	6		
– Basic		<b>HK\$1.89</b>	HK\$2.59
– Diluted		<b>HK\$1.89</b>	HK\$2.59

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Profit for the period	2,916,973	4,483,893
Other comprehensive income		
<b>Items that may be reclassified to profit or loss</b>		
Cash flow hedges	658,376	(1,486)
Share of other comprehensive income of associates and joint ventures	(159,086)	(36,275)
Net translation differences on foreign operations	(5,412,499)	755,510
<b>Items that will not be reclassified to profit or loss</b>		
Fair value losses on financial assets at fair value through other comprehensive income	(50,683)	(17,279)
Other comprehensive income for the period, net of tax	(4,963,892)	700,470
Total comprehensive income for the period	(2,046,919)	5,184,363
Total comprehensive income attributable to:		
Company's shareholders	(1,128,623)	4,353,139
Non-controlling interests	(918,296)	831,224
	(2,046,919)	5,184,363



## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As at 30 June 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	5,015,783	5,406,884
Investment properties	7	80,948,092	87,201,879
Right-of-use assets	7	1,826,761	1,965,609
Properties under development		21,257,867	18,307,942
Land deposits		16,649,096	3,102,446
Associates and joint ventures		27,509,451	28,326,935
Derivative financial instruments		608,531	186,310
Financial assets at fair value through other comprehensive income		1,504,409	1,555,092
Financial assets at fair value through profit or loss		675,011	679,056
Mortgage loans receivable		1,107,494	1,181,321
Intangible assets	7	122,504	122,504
		<b>157,224,999</b>	<b>148,035,978</b>
<b>Current assets</b>			
Properties under development		20,570,771	13,056,483
Completed properties held for sale		17,196,881	18,112,492
Accounts receivable, prepayments and deposits	8	2,267,882	2,305,111
Current portion of mortgage loans receivable		349,513	386,924
Tax recoverable		445,150	466,309
Tax reserve certificates		189,255	189,255
Derivative financial instruments		–	68,457
Restricted bank deposits		789,267	920,902
Cash and bank balances		16,157,103	16,513,645
		<b>57,965,822</b>	<b>52,019,578</b>
<b>Current liabilities</b>			
Accounts payable, deposits received and accrued charges	9	6,441,335	6,978,489
Contract liabilities		8,367,040	8,040,581
Current portion of lease liabilities		21,052	48,012
Taxation		1,892,553	2,107,384
Short-term bank loans and current portion of long-term bank loans	10	3,344,602	5,268,298
Derivative financial instruments		1,900	–
		<b>20,068,482</b>	<b>22,442,764</b>
<b>Net current assets</b>		<b>37,897,340</b>	<b>29,576,814</b>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As at 30 June 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
<b>Total assets less current liabilities</b>		<b>195,122,339</b>	177,612,792
<b>Non-current liabilities</b>			
Long-term bank loans	10	<b>54,242,703</b>	32,210,214
Amounts due to non-controlling interests		<b>2,295,747</b>	2,299,732
Lease liabilities		<b>156</b>	381
Derivative financial instruments		<b>231,261</b>	166,083
Deferred taxation		<b>10,252,664</b>	10,623,256
		<b>67,022,531</b>	45,299,666
<b>ASSETS LESS LIABILITIES</b>		<b>128,099,808</b>	132,313,126
<b>EQUITY</b>			
Capital and reserves attributable to the Company's shareholders			
Share capital		<b>1,453,807</b>	1,454,472
Share premium		<b>13,146,528</b>	13,027,720
Other reserves		<b>10,904,119</b>	15,534,100
Retained profits		<b>88,074,566</b>	86,812,603
		<b>113,579,020</b>	116,828,895
Non-controlling interests		<b>14,520,788</b>	15,484,231
<b>TOTAL EQUITY</b>		<b>128,099,808</b>	132,313,126

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
<b>Operating activities</b>		
Net cash generated from operations	877,677	5,206,667
Interest paid	(390,271)	(424,310)
Income tax paid	(637,251)	(1,921,543)
Net cash (used in)/generated from operating activities	(149,845)	2,860,814
<b>Investing activities</b>		
Additions of property, plant and equipment	(10,625)	(28,908)
Additions of investment properties	(147,613)	(39,870)
Increase in land deposits	(24,648,497)	(1,066,109)
Disposal of subsidiaries	4,585,800	149,440
Increase in investment in associates and joint ventures	–	(184,076)
Dividends received from associates and joint ventures	339,158	322,175
Additional loans to associates and joint ventures	(390,434)	(451,489)
Repayment of loans by associates and joint ventures	613,790	97,720
Additional loans from associates and joint ventures	97,581	93,320
Repayment of loans to associates and joint ventures	(31,779)	(14,069)
Mortgage loans to buyers	(27,427)	(55,683)
Repayment of mortgage loans from buyers	178,454	303,686
Interest received	277,724	223,539
Return of investment from financial assets at fair value through profit or loss	–	36,611
Decrease/(increase) in restricted bank deposits	93,237	(353,669)
(Increase)/decrease in bank deposits maturing after more than three months	(344)	11,202
Dividends received from listed and unlisted investments	24,461	29,325
Proceeds from sale of property, plant and equipment	447	540
Proceeds from sale of investment properties	350,000	–
Net cash used in investing activities	(18,696,067)	(926,315)

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
<b>Financing activities</b>		
Consideration and expenses for shares repurchased for cancellation	(13,313)	–
Repayment of bank loans	(22,606,118)	(16,856,302)
Drawdown of bank loans	43,207,038	17,620,354
Principal elements of lease payments	(27,569)	(27,618)
Dividends paid	(1,381,748)	(1,383,676)
Redemption of fixed rate bonds	–	(2,330,430)
Dividends of subsidiaries paid to non-controlling interests	(45,147)	(268)
Additional loans from non-controlling interests	242	–
Repayment of loans to non-controlling interests	–	(458,878)
Net cash generated from/(used in) financing activities	<b>19,133,385</b>	(3,436,818)
Increase/(decrease) in cash and cash equivalents	<b>287,473</b>	(1,502,319)
Effect of exchange rate changes	<b>(628,523)</b>	115,787
Cash and cash equivalents at 1 January	<b>16,476,695</b>	15,874,948
Cash and cash equivalents at 30 June	<b>16,135,645</b>	14,488,416
Analysis of cash and cash equivalents		
Cash and bank balances (excluding bank deposits maturing after more than three months)	<b>16,135,645</b>	14,488,416

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	Attributable to shareholders of the Company					Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000		
Balance as at 1 January 2022	1,454,472	13,027,720	15,534,100	86,812,603	116,828,895	15,484,231	132,313,126
Profit for the period	-	-	-	2,746,670	2,746,670	170,303	2,916,973
Cash flow hedges	-	-	658,376	-	658,376	-	658,376
Share of other comprehensive income of associates and joint ventures	-	-	(159,086)	-	(159,086)	-	(159,086)
Net translation differences on foreign operations	-	-	(4,323,900)	-	(4,323,900)	(1,088,599)	(5,412,499)
Fair value losses on financial assets at fair value through other comprehensive income	-	-	(50,683)	-	(50,683)	-	(50,683)
Total comprehensive income for the six months ended 30 June 2022	-	-	(3,875,293)	2,746,670	(1,128,623)	(918,296)	(2,046,919)
Lapse of share options	-	131,456	(131,456)	-	-	-	-
Repurchase of shares	(665)	(12,648)	665	(665)	(13,313)	-	(13,313)
Dividends paid	-	-	-	(1,381,748)	(1,381,748)	(45,147)	(1,426,895)
Share of other reserves of associates and joint ventures	-	-	(726,191)	-	(726,191)	-	(726,191)
Transfer	-	-	102,294	(102,294)	-	-	-
Total transactions with owners	(665)	118,808	(754,688)	(1,484,707)	(2,121,252)	(45,147)	(2,166,399)
<b>Balance as at 30 June 2022</b>	<b>1,453,807</b>	<b>13,146,528</b>	<b>10,904,119</b>	<b>88,074,566</b>	<b>113,579,020</b>	<b>14,520,788</b>	<b>128,099,808</b>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	Attributable to shareholders of the Company					Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000		
Balance as at 1 January 2021	1,456,501	13,062,999	13,310,301	82,042,736	109,872,537	14,783,803	124,656,340
Profit for the period	–	–	–	3,773,188	3,773,188	710,705	4,483,893
Cash flow hedges	–	–	(1,486)	–	(1,486)	–	(1,486)
Share of other comprehensive income of associates and joint ventures	–	–	(36,275)	–	(36,275)	–	(36,275)
Net translation differences on foreign operations	–	–	634,991	–	634,991	120,519	755,510
Fair value losses on financial assets at fair value through other comprehensive income	–	–	(17,279)	–	(17,279)	–	(17,279)
Total comprehensive income for the six months ended 30 June 2021	–	–	579,951	3,773,188	4,353,139	831,224	5,184,363
Lapse of share options	–	2,590	(2,590)	–	–	–	–
Dividends paid	–	–	–	(1,383,676)	(1,383,676)	(268)	(1,383,944)
Transfer	–	–	86,694	(86,694)	–	–	–
Total transactions with owners	–	2,590	84,104	(1,470,370)	(1,383,676)	(268)	(1,383,944)
Balance as at 30 June 2021	1,456,501	13,065,589	13,974,356	84,345,554	112,842,000	15,614,759	128,456,759

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard 34 'Interim Financial Reporting' issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Group's 2021 annual financial statements. The accounting policies used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2021. The adoption of amendments to existing standards which are effective for the accounting period beginning on 1 January 2022 had no material impact on these condensed consolidated interim financial statements.

## 2. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

### (i) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

These condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; and should be read in conjunction with the Group's 2021 annual financial statements. There have been no changes in the Group's financial risk management structure and policies since the year end.

### (ii) Fair value estimation of financial instruments

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 2. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

### (ii) Fair value estimation of financial instruments (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2022:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
Derivative financial instruments	–	608,531	–	608,531
Financial assets at fair value through other comprehensive income	–	–	1,504,409	1,504,409
Financial assets at fair value through profit or loss	20,092	–	654,919	675,011
First mortgage loans receivable	–	–	354,724	354,724
<b>Total assets</b>	<b>20,092</b>	<b>608,531</b>	<b>2,514,052</b>	<b>3,142,675</b>
<b>Liabilities</b>				
Derivative financial instruments	–	233,161	–	233,161
<b>Total liabilities</b>	<b>–</b>	<b>233,161</b>	<b>–</b>	<b>233,161</b>

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2021:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
Derivative financial instruments	–	254,767	–	254,767
Financial assets at fair value through other comprehensive income	–	–	1,555,092	1,555,092
Financial assets at fair value through profit or loss	23,147	–	655,909	679,056
First mortgage loans receivable	–	–	424,971	424,971
<b>Total assets</b>	<b>23,147</b>	<b>254,767</b>	<b>2,635,972</b>	<b>2,913,886</b>
<b>Liabilities</b>				
Derivative financial instruments	–	166,083	–	166,083
<b>Total liabilities</b>	<b>–</b>	<b>166,083</b>	<b>–</b>	<b>166,083</b>

There were no transfers between Levels during the period.



## 2. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

### (iii) Valuation techniques used to derive fair values of Level 2 financial instruments

Level 2 financial instruments of the Group comprise cross currency swap and interest rate swap contracts. The fair value is calculated as the present value of the estimated future cash flows based on forward exchanges rates that are quoted in an active market and/or forward interest rates extracted from observable yield curves.

### (iv) Fair value measurements of financial instruments using significant unobservable inputs (Level 3)

The following table presents the changes in Level 3 instruments:

	First mortgage loans receivable		Financial assets at fair value through other comprehensive income		Financial assets at fair value through profit or loss	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
At 1 January	424,971	836,012	1,555,092	1,577,918	655,909	706,446
Return of investment	-	-	-	-	-	(36,611)
Losses recognised in other comprehensive income or profit or loss	-	-	(50,683)	(17,279)	(661)	-
Repayments	(70,247)	(226,434)	-	-	-	-
Exchange adjustment	-	-	-	-	(329)	1,164
At 30 June	354,724	609,578	1,504,409	1,560,639	654,919	670,999

The Group established fair value of unlisted financial assets by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no changes in valuation techniques during the period.

### (v) Group's valuation processes for financial instruments

The Group's finance department includes a team that performs the valuation of financial assets required for financial reporting purposes, including Level 3 fair values. Discussions of valuation processes and results are held between the management and the valuation team at each reporting date. Reasons for the fair value movements will be explained during the discussions.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 2. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

### (vi) Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables
- Other current financial assets
- Cash and cash equivalents
- Trade and other payables
- Bank loans
- Second mortgage loans receivable

### (vii) Valuation of investment properties

	Residential properties under development	Completed residential properties		Completed commercial properties		Completed warehouses	Total
	Hong Kong HK\$'000	Hong Kong HK\$'000	Mainland HK\$'000	Hong Kong HK\$'000	Mainland HK\$'000	Hong Kong HK\$'000	HK\$'000
At 1 January 2022	509,000	17,357,800	4,707,440	10,794,000	49,593,639	4,240,000	87,201,879
Additions	102,585	1,764	5,900	6,462	30,902	–	147,613
Change in fair value	(2,585)	(1,764)	(5,728)	(6,462)	(102,539)	–	(119,078)
Disposals	–	–	–	(278,000)	–	–	(278,000)
Disposal of subsidiaries	–	–	–	–	–	(3,740,000)	(3,740,000)
Exchange adjustment	–	–	(196,454)	–	(2,067,868)	–	(2,264,322)
<b>At 30 June 2022</b>	<b>609,000</b>	<b>17,357,800</b>	<b>4,511,158</b>	<b>10,516,000</b>	<b>47,454,134</b>	<b>500,000</b>	<b>80,948,092</b>
At 1 January 2021	504,000	16,553,600	4,447,121	10,876,750	47,272,505	4,170,000	83,823,976
Additions	1,694	1,416	3,952	5,278	26,318	1,212	39,870
Change in fair value	(1,694)	(1,416)	116,233	(5,278)	1,073,499	28,788	1,210,132
Exchange adjustment	–	–	35,819	–	380,623	–	416,442
<b>At 30 June 2021</b>	<b>504,000</b>	<b>16,553,600</b>	<b>4,603,125</b>	<b>10,876,750</b>	<b>48,752,945</b>	<b>4,200,000</b>	<b>85,490,420</b>

## 2. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

### (vii) Valuation of investment properties (Continued)

#### **Valuation processes of the Group**

The Group measures its investment properties at fair value. The investment properties were revalued by Cushman & Wakefield Limited at 30 June 2022.

#### **Valuation techniques**

Fair value of completed properties is mainly derived using the income approach and whenever appropriate, by market approach.

Income approach is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

Market approach is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

Fair value of investment properties under development is generally derived using the residual method. This valuation method is essentially a means of valuing the completed properties by reference to its development potential by deducting development costs together with developer's profit and risk margins from the estimated capital value of the proposed development assuming completed as at the date of valuation.

The valuation techniques used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2021.

#### **Significant unobservable inputs used to determine fair value**

Capitalisation rates are estimated based on the risk profile of the investment properties being valued. The higher the rates, the lower the fair value. At 30 June 2022, capitalisation rates of 2.4% to 5.0% (31 December 2021: 2.4% to 5.0%) and 4.8% to 8.3% (31 December 2021: 4.8% to 8.3%) are used in the income approach for Hong Kong and the Mainland properties respectively.

Prevailing market rents are estimated based on recent lettings for Hong Kong and the Mainland investment properties, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

Estimated costs to completion, developer's profit and risk margins required are estimated based on market conditions at the reporting date for investment properties under development. The estimates are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions. The higher the costs and the risk margins, the lower the fair value.

The valuations of investment properties were based on the economic, market and other conditions as they exist on, and information available to management as of 30 June 2022. Given the outbreak of Covid-19 has caused high volatility to Hong Kong and Mainland economy and uncertainties to the property market, this disruption has increased the uncertainty of the assumptions adopted in the valuation process. Consequently, the ongoing development of Covid-19 may cause unexpected volatility in the future fair value of the investment properties subsequent to 30 June 2022.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 3. PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS

(i) An analysis of the Group's revenue and gross profit for the period by principal activity and market is as follows:

	Revenue		Gross profit	
	Six months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Principal activities:				
Property rental and others				
– Mainland Property	<b>1,882,783</b>	1,999,165	<b>1,409,454</b>	1,509,980
– Hong Kong Property	<b>619,537</b>	656,294	<b>490,763</b>	523,018
	<b>2,502,320</b>	2,655,459	<b>1,900,217</b>	2,032,998
Property sales				
– Mainland Property	<b>355,693</b>	922,570	<b>172,504</b>	589,317
– Hong Kong Property	<b>1,358,253</b>	2,007,667	<b>452,032</b>	767,093
	<b>1,713,946</b>	2,930,237	<b>624,536</b>	1,356,410
Hotel operations				
– Mainland Property	<b>425,029</b>	788,426	<b>22,470</b>	270,080
	<b>4,641,295</b>	6,374,122	<b>2,547,223</b>	3,659,488
Principal markets:				
– Mainland	<b>2,663,505</b>	3,710,161	<b>1,604,428</b>	2,369,377
– Hong Kong	<b>1,977,790</b>	2,663,961	<b>942,795</b>	1,290,111
	<b>4,641,295</b>	6,374,122	<b>2,547,223</b>	3,659,488

### 3. PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (CONTINUED)

(ii) An analysis of the Group's financial results by operating segment is as follows:

	Six months ended 30 June 2022				
	Mainland Property HK\$'000	Hong Kong Property HK\$'000	Total Operating Segments HK\$'000	Others HK\$'000	Total HK\$'000
Revenue	2,663,505	1,977,790	4,641,295	–	4,641,295
Results					
Segment results – gross profit	1,604,428	942,795	2,547,223	–	2,547,223
Other income and net gains					1,141,443
Selling, administrative and other operating expenses					(844,197)
Decrease in fair value of investment properties					(119,078)
Operating profit before finance costs					2,725,391
Finance costs					(361,439)
Operating profit					2,363,952
Share of results of associates and joint ventures					1,095,740
Profit before taxation					3,459,692
Taxation					(542,719)
Profit for the period					2,916,973
Profit attributable to:					
Company's shareholders					2,746,670
Non-controlling interests					170,303
					2,916,973
Depreciation	215,352	34,521	249,873	776	250,649

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 3. PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (CONTINUED)

(ii) An analysis of the Group's financial results by operating segment is as follows: (Continued)

	Six months ended 30 June 2021				
	Mainland Property HK\$'000	Hong Kong Property HK\$'000	Total Operating Segments HK\$'000	Others HK\$'000	Total HK\$'000
Revenue	3,710,161	2,663,961	6,374,122	–	6,374,122
Results					
Segment results – gross profit	2,369,377	1,290,111	3,659,488	–	3,659,488
Other income and net gains					498,253
Selling, administrative and other operating expenses					(935,613)
Increase in fair value of investment properties					1,210,132
Operating profit before finance costs					4,432,260
Finance costs					(292,596)
Operating profit					4,139,664
Share of results of associates and joint ventures					1,583,491
Profit before taxation					5,723,155
Taxation					(1,239,262)
Profit for the period					4,483,893
Profit attributable to:					
Company's shareholders					3,773,188
Non-controlling interests					710,705
					4,483,893
Depreciation	223,089	34,771	257,860	668	258,528

### 3. PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (CONTINUED)

(iii) An analysis of the Group's total assets and total liabilities by operating segment is as follows:

As at 30 June 2022							
	Mainland Property HK\$'000	Hong Kong Property HK\$'000	Overseas Property HK\$'000	Total Operating Segments HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Total assets	136,886,906	67,403,682	4,160,107	208,450,695	91,602,972	(84,862,846)	215,190,821
Total liabilities	82,126,995	27,658,414	1,334,988	111,120,397	60,833,462	(84,862,846)	87,091,013

As at 31 December 2021							
	Mainland Property HK\$'000	Hong Kong Property HK\$'000	Overseas Property HK\$'000	Total Operating Segments HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Total assets	123,640,954	68,335,174	4,743,572	196,719,700	75,524,525	(72,188,669)	200,055,556
Total liabilities	65,251,480	28,369,999	1,609,840	95,231,319	44,699,780	(72,188,669)	67,742,430

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 4. OPERATING PROFIT

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Operating profit is stated after crediting/charging the following:		
<i>Crediting</i>		
Dividend income	24,461	29,325
Interest income	277,724	261,374
Gain on sale of investment properties, net	71,726	–
Gain on disposal of subsidiaries	876,993	117,838
<i>Charging</i>		
Depreciation of property, plant and equipment and right-of-use assets	250,649	258,528
Total finance costs incurred	475,616	413,959
Less: amount capitalised in properties under development and investment properties under development	(114,177)	(121,363)
Total finance costs expensed during the period	361,439	292,596



## 5. TAXATION

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
The taxation (charge)/credit comprises:		
Mainland taxation		
Current	(319,497)	(598,065)
(Under)/Over-provision in prior years	(718)	8
Deferred	(69,643)	(431,224)
	<b>(389,858)</b>	<b>(1,029,281)</b>
Hong Kong profits tax		
Current	(130,836)	(203,436)
Over/(Under)-provision in prior years	56	(931)
Deferred	(12,734)	225
	<b>(143,514)</b>	<b>(204,142)</b>
Overseas taxation		
Current	(3,286)	(3,987)
Deferred	(6,061)	(1,852)
	<b>(9,347)</b>	<b>(5,839)</b>
	<b>(542,719)</b>	<b>(1,239,262)</b>

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit for the six months ended 30 June 2022. Income tax on the Mainland and overseas profits has been calculated on the estimated assessable profit for the six months ended 30 June 2022 at the respective rates of taxation prevailing in the Mainland and the overseas countries in which the Group operates.

Land appreciation tax in the Mainland is levied on properties developed and sold by the Group, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including land costs, borrowing costs and all property development expenditures.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 6. EARNINGS PER SHARE

### Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2022	2021
Weighted average number of ordinary shares in issue	<b>1,454,401,200</b>	1,456,501,228
	<b>HK\$'000</b>	HK\$'000
Profit attributable to shareholders	<b>2,746,670</b>	3,773,188
	<b>HK\$1.89</b>	HK\$2.59

### Diluted

Diluted earnings per share is calculated by adjusting the profit attributable to shareholders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

	Six months ended 30 June	
	2022	2021
Weighted average number of ordinary shares in issue	<b>1,454,401,200</b>	1,456,501,228
Adjustment for share options	–	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<b>1,454,401,200</b>	1,456,501,228
	<b>HK\$'000</b>	HK\$'000
Profit attributable to shareholders	<b>2,746,670</b>	3,773,188
	<b>HK\$1.89</b>	HK\$2.59

## 7. CAPITAL EXPENDITURE

	Property, plant and equipment HK\$'000	Investment properties HK\$'000	Right-of-use assets HK\$'000	Intangible assets HK\$'000
Net book value at 1 January 2022	5,406,884	87,201,879	1,965,609	122,504
Additions	10,625	147,613	–	–
Fair value losses	–	(119,078)	–	–
Disposals	(1,351)	(278,000)	–	–
Disposal of subsidiaries	–	(3,740,000)	–	–
Depreciation	(192,860)	–	(58,112)	–
Exchange adjustment	(207,515)	(2,264,322)	(80,736)	–
<b>Net book value at 30 June 2022</b>	<b>5,015,783</b>	<b>80,948,092</b>	<b>1,826,761</b>	<b>122,504</b>
Net book value at 1 January 2021	5,224,126	83,823,976	2,010,595	122,504
Additions	28,908	39,870	–	–
Fair value gains	–	1,210,132	–	–
Disposals	(331)	–	–	–
Transfer	370,301	–	18,826	–
Depreciation	(200,851)	–	(58,088)	–
Exchange adjustment	39,065	416,442	15,293	–
Net book value at 30 June 2021	5,461,218	85,490,420	1,986,626	122,504

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 8. ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

Included in accounts receivable, prepayments and deposits are trade receivables. The Group maintains defined credit policies and applies those appropriate to the particular business circumstances of the Group. The ageing analysis of trade receivables as at 30 June 2022 is as follows:

	<b>As at 30 June 2022 HK\$'000</b>	As at 31 December 2021 HK\$'000
Below 1 month	<b>108,558</b>	92,870
Between 1 month and 3 months	<b>72,086</b>	23,762
Over 3 months	<b>22,545</b>	44,877
	<b>203,189</b>	161,509

### 9. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

Included in accounts payable, deposits received and accrued charges are trade payables. The ageing analysis of trade payables as at 30 June 2022 is as follows:

	<b>As at 30 June 2022 HK\$'000</b>	As at 31 December 2021 HK\$'000
Below 1 month	<b>176,598</b>	310,547
Between 1 month and 3 months	<b>9,167</b>	49,327
Over 3 months	<b>29,815</b>	5,461
	<b>215,580</b>	365,335

## 10. BANK LOANS

	<b>As at 30 June 2022 HK\$'000</b>	As at 31 December 2021 HK\$'000
Bank loans – unsecured		
Non-current	<b>54,242,703</b>	32,210,214
Current	<b>3,344,602</b>	5,268,298
	<b>57,587,305</b>	37,478,512

As at 30 June 2022, the Group's bank loans were repayable as follows:

	<b>As at 30 June 2022 HK\$'000</b>	As at 31 December 2021 HK\$'000
Within one year	<b>3,344,602</b>	5,268,298
In the second to fifth year		
– In the second year	<b>14,509,764</b>	4,412,469
– In the third year	<b>15,156,348</b>	11,721,511
– In the fourth year	<b>13,873,756</b>	8,564,409
– In the fifth year	<b>9,107,204</b>	5,220,789
	<b>52,647,072</b>	29,919,178
Repayable within five years	<b>55,991,674</b>	35,187,476
Over five years	<b>1,595,631</b>	2,291,036
	<b>57,587,305</b>	37,478,512

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 11. COMMITMENTS

At 30 June 2022, the Group had capital and other commitments in respect of property, plant and equipment, investment properties, land costs and properties under development contracted for at the end of the period but not provided for in these financial statements as follows:

	<b>As at 30 June 2022 HK\$'000</b>	As at 31 December 2021 HK\$'000
Property, plant and equipment	<b>2,306</b>	–
Investment properties	<b>2,962</b>	39,715
Land costs	<b>342,636</b>	8,205,255
Properties under development	<b>9,437,341</b>	10,250,897
	<b>9,785,245</b>	18,495,867

## 12. CONTINGENT LIABILITIES

### Guarantees for banking facilities

	<b>As at 30 June 2022 HK\$'000</b>	As at 31 December 2021 HK\$'000
– Guarantees for banking facilities of certain associates and joint ventures (note (i))	<b>4,259,071</b>	4,791,647
– Guarantees to certain banks for mortgage facilities granted to first hand buyers of certain properties in the Mainland (note (ii))	<b>2,262,718</b>	2,312,364
	<b>6,521,789</b>	7,104,011

- (i) The Group has executed guarantees for banking facilities granted to certain associates and joint ventures. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 30 June 2022 amounted to approximately HK\$4,259,071,000 (31 December 2021: HK\$4,791,647,000). The total amount of such facilities covered by the Group's guarantees as at 30 June 2022 amounted to approximately HK\$5,581,040,000 (31 December 2021: HK\$5,082,268,000).
- (ii) The Group has executed guarantees to certain banks for mortgage facilities granted to first hand buyers of certain properties developed by the Group in the Mainland. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 30 June 2022 amounted to approximately HK\$2,262,718,000 (31 December 2021: HK\$2,312,364,000).

Apart from the above, there are no material changes in contingent liabilities of the Group since 31 December 2021.

# CORPORATE GOVERNANCE & OTHER INFORMATION

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) sets out (a) the mandatory requirements for disclosure in Corporate Governance Report; and (b) the principles of good corporate governance, the code provisions on a “comply or explain” basis and certain recommended best practices.

The Company complied with all the code provisions set out in the CG Code throughout the six months ended 30 June 2022, except C.2.1 of the code provisions that Mr Kuok Khoon Hua (“**Mr Kuok**”) serving as both the Chairman and the Chief Executive Officer of the Company.

As Mr Kuok has extensive experience in the business of the Group, the Company is of the view that it is in the best interest and is more efficient for Mr Kuok to perform the role of Chairman as well as Chief Executive Officer of the Company. It is also more favourable to the development and management of the business of the Group. Moreover, the powers and authorities have not been concentrated as all major decisions are made in consultation with the Board and appropriate Board Committees and Mr Au Hing Lun, Dennis, the Deputy Chief Executive Officer of the Company, is responsible for the day-to-day management of the business of the Group. The Board believes that the balance of power and authority is adequately ensured by the operations and governance of the Board which comprises experienced and high calibre individuals, with half of them being Independent Non-executive Directors.

## COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as the code for securities transactions by directors of the Company (“**Directors**”). A copy of the Model Code has been sent to all Directors by the Company. In addition, regular reminders are sent to the Directors regarding restrictions on dealings in the securities and derivatives of the Company during the black-out period before the interim and final results of the Company have been published.

Under the Model Code, the Directors are required to notify the Chairman and receive a dated written acknowledgement before dealing in the securities and derivatives of the Company and, in case of the Chairman himself, he must notify a Director designated by the Board and receive a dated written acknowledgement before any dealing.

The Company made specific enquiries with all Directors and they have confirmed compliance with the required standards set out in the Model Code throughout the six months ended 30 June 2022. The Company’s employees, who are likely to be in possession of unpublished inside information, have been requested to comply with provisions similar to those terms in the Model Code. The Company is not aware of any non-compliance with the Model Code throughout the six months ended 30 June 2022.

# CORPORATE GOVERNANCE & OTHER INFORMATION

## HIGHLIGHTS FOR THE FIRST HALF OF 2022

The Company embraces high standards of corporate governance and recognises that good governance is vital for long-term success and sustainability of the businesses of the Company. During the six months ended 30 June 2022:

- The Board reviewed and adopted the policies and practices of the Company, among other things, Anti-Corruption Policy, Board Diversity Policy, Inside Information Disclosure Policy, Nomination Policy and Remuneration Policy, which enhanced the corporate governance disclosure.
- The Audit and Corporate Governance Committee reviewed all the legal and regulatory updates, requirements and trends that may affect the Company and their implications.
- The Audit and Corporate Governance Committee held two meetings: one in March 2022 focusing on the annual financial reporting and the annual review of continuing connected transactions; and another one in May 2022 focusing on corporate governance updates, risk matrix review and quarterly business and financial updates. The Committee has reviewed the impacts on the Group's business in respect of Covid-19 pandemic and ensured appropriate measures are in place. The Committee has also reviewed the information security risks of the Group and the mitigation measures.
- The Remuneration Committee reviewed and recommended the Remuneration Policy, which aims to provide a fair market remuneration to attract and retain high quality talent.
- The Nomination Committee reviewed and recommended the Nomination Policy and Board Diversity Policy, which aims to have regular review on the implementation and effectiveness of the policies and enhance the corporate governance disclosure.

## RISK MANAGEMENT AND INTERNAL CONTROL

Details of the risk management and internal control systems of the Company were set out in the section headed "RISK MANAGEMENT AND INTERNAL CONTROLS REPORT" on pages 111 to 113 of the Annual Report 2021 of the Company.

The Audit and Corporate Governance Committee continued to review the risk management and internal control approaches of the Company and the internal audit reports for the six months ended 30 June 2022 submitted by the Internal Audit Department, including action plans to address identified control weaknesses and recommendations.

## BOARD OF DIRECTORS

The composition of the Board as at the date of this report is set out below:

### Executive Directors

Mr Kuok Khoon Hua (Chairman and Chief Executive Officer)

Mr Au Hing Lun, Dennis (Deputy Chief Executive Officer)

Mr Bryan Pallop Gaw

Ms Serene Siew Noi Nah (Chief Financial Officer)

### Independent Non-executive Directors

Ms Wong Yu Pok, Marina, JP

Mr Hui Chun Yue, David

Mr Cheung Leong

Mr Chum Kwan Lock, Grant

### Board Committees

As at 30 June 2022, the composition of the Board Committees is set out in the section headed "CORPORATE INFORMATION & FINANCIAL CALENDAR" of this report.



## CHANGES IN INFORMATION OF DIRECTORS

Set out below are the changes in the Directors' information since the publication of the Annual Report 2021 of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

Directors' Information	Effective Date
Mr Wong Siu Kong <ul style="list-style-type: none"> <li>• Kerry Properties Limited               <ul style="list-style-type: none"> <li>– Retired as the Chairman and an Executive Director, the chairman of the Nomination Committee, and a member of each of the Executive Committee, the Finance Committee and the Remuneration Committee</li> </ul> </li> </ul>	With effect from the conclusion of the annual general meeting of the Company held on 19 May 2022 (" <b>2022 AGM</b> ")
Mr Kuok Khoon Hua <ul style="list-style-type: none"> <li>• Kerry Properties Limited               <ul style="list-style-type: none"> <li>– Elected as the Chairman and appointed as the chairman of the Nomination Committee whilst continuing with his role as the Chief Executive Officer</li> </ul> </li> </ul>	With effect from the conclusion of 2022 AGM
Mr Au Hing Lun, Dennis <ul style="list-style-type: none"> <li>• Kerry Properties Limited               <ul style="list-style-type: none"> <li>– Appointed as the Deputy Chief Executive Officer and an Executive Director</li> <li>– Appointed as a member of each of the Executive Committee and the Finance Committee</li> </ul> </li> </ul>	24 May 2022
Ms Serene Siew Noi Nah* <ul style="list-style-type: none"> <li>• ESR Group Limited (formerly known as "ESR Cayman Limited") (stock code: 1821)               <ul style="list-style-type: none"> <li>– Appointed as an Independent Non-executive Director</li> </ul> </li> </ul>	19 April 2022
Mr Cheung Leong <ul style="list-style-type: none"> <li>• Kerry Properties Limited               <ul style="list-style-type: none"> <li>– Appointed as an Independent Non-executive Director</li> <li>– Appointed as a member of the Audit and Corporate Governance Committee</li> </ul> </li> <li>• The Hong Kong Jockey Club               <ul style="list-style-type: none"> <li>– Resigned as an executive director of Charities &amp; Community</li> </ul> </li> </ul>	With effect from the conclusion of 2022 AGM  17 August 2022
Mr Chum Kwan Lock, Grant <ul style="list-style-type: none"> <li>• Kerry Properties Limited               <ul style="list-style-type: none"> <li>– Appointed as an Independent Non-executive Director</li> <li>– Appointed as a member of the Audit and Corporate Governance Committee</li> </ul> </li> </ul>	With effect from the conclusion of 2022 AGM
Mr Chang Tso Tung, Stephen <ul style="list-style-type: none"> <li>• Kerry Properties Limited               <ul style="list-style-type: none"> <li>– Retired as an Independent Non-executive Director, and a member of each of the Audit and Corporate Governance Committee, the Remuneration Committee and the Nomination Committee</li> </ul> </li> </ul>	With effect from the conclusion of 2022 AGM

\* Ms Serene Siew Noi Nah has resigned as an Executive Director and the Chief Financial Officer of the Company, with effect from 31 August 2022. Upon the effective date of her resignation, she will also cease to be a member of each of the Executive Committee and the Finance Committee of the Company.

Save as disclosed above, there is no other information which is required to be disclosed under Rule 13.51B(1) of the Listing Rules.

The biography details of the Directors are available at the website of the Company ([www.kerryprops.com/en/our-management](http://www.kerryprops.com/en/our-management)).

# CORPORATE GOVERNANCE & OTHER INFORMATION

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, the interests of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) (the "Associated Corporations") as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

### (a) Long position in ordinary shares of the Company

Names of Directors	Number of ordinary shares interested					Approximate % of shareholding <sup>5</sup>
	Personal interests <sup>1</sup>	Family interests <sup>2</sup>	Corporate interests <sup>3</sup>	Other interests <sup>4</sup>	Total interests	
<b>Kuok Khoon Hua</b>	2,199,413	–	1,000,000	3,297,763	6,497,176	0.45
<b>Au Hing Lun, Dennis</b> <i>(appointed on 24 May 2022)</i>	–	–	–	50,000	50,000	<0.01
<b>Bryan Pallop Gaw</b>	–	4,324,763	–	702,048	5,026,811	0.35
<b>Serene Siew Noi Nah</b>	–	–	–	50,000	50,000	<0.01

Notes:

1. This represents interests held by the relevant Director as beneficial owner.
2. This represents interests held and/or deemed to be held by the spouse of the relevant Director.
3. This represents interests deemed to be held by the relevant Director through his controlled corporation(s).
4. This represents interests deemed to be held by the relevant Director through discretionary trust(s) of which the relevant Director is a discretionary beneficiary.
5. The percentage represents the number of ordinary shares of the Company interested divided by the total number of the issued shares of the Company as at 30 June 2022 (i.e. 1,453,806,728 ordinary shares).

### (b) Long position in underlying shares of the Company – physically settled unlisted equity derivatives

Name of Director	Capacity in which the underlying shares were held	Number of underlying shares in respect of share options granted <sup>1</sup>	Approximate % of shareholding <sup>2</sup>
<b>Bryan Pallop Gaw</b>	Beneficial Owner	100,000	0.01

Notes:

1. Information on the movement of the share options of the Company during the six months ended 30 June 2022 is set out in the section headed "SHARE OPTIONS" of this report.
2. The percentage represents the number of ordinary shares of the Company interested divided by the total number of the issued shares of the Company as at 30 June 2022 (i.e. 1,453,806,728 ordinary shares).

**DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES** (Continued)**(c) Long position in ordinary shares of the Associated Corporations**

Associated Corporations	Names of Directors	Number of ordinary shares interested				Total interests	Approximate % of shareholding <sup>5</sup>
		Personal interests <sup>1</sup>	Family interests <sup>2</sup>	Corporate interests <sup>3</sup>	Other interests <sup>4</sup>		
Kerry Group Limited	Kuok Khoon Hua	2,000,000	–	–	240,313,486	242,313,486	15.64
	Au Hing Lun, Dennis	–	–	–	3,115,476	3,115,476	0.20
	Bryan Pallop Gaw	2,500,000	191,418,023	–	49,515,464	243,433,487	15.71
	Serene Siew Noi Nah	–	–	–	3,115,476	3,115,476	0.20
Kerry Logistics Network Limited	Kuok Khoon Hua	600,428	–	–	1,132,479	1,732,907	0.10
	Au Hing Lun, Dennis	–	–	–	717,588	717,588	0.04
	Bryan Pallop Gaw	–	189,781	–	1,308,612	1,498,393	0.08
	Wong Yu Pok, Marina	20,796	–	–	–	20,796	<0.01
Hopemore Ventures Limited	Kuok Khoon Hua	50	–	–	–	50	3.57
Kerry Mining (Mongolia) Limited	Kuok Khoon Hua	–	–	–	500	500	0.46
	Bryan Pallop Gaw	–	–	–	500	500	0.46
Majestic Tulip Limited	Kuok Khoon Hua	10	–	–	–	10	3.33
Marine Dragon Limited	Kuok Khoon Hua	1,200	–	–	–	1,200	4.00
Medallion Corporate Limited	Kuok Khoon Hua	48	–	–	–	48	4.80
	Bryan Pallop Gaw	26	26	–	–	52	5.20
Ocean Fortune Enterprises Limited	Kuok Khoon Hua	1,000	–	–	–	1,000	6.67
	Bryan Pallop Gaw	–	–	200	500	700	4.67
Oceanic Ally Global Limited	Kuok Khoon Hua	1,500	–	3,000	–	4,500	15.00
	Bryan Pallop Gaw	900	2,400	–	–	3,300	11.00
Rubyhill Global Limited	Kuok Khoon Hua	1	–	–	–	1	10.00
Shang Properties, Inc.	Bryan Pallop Gaw	–	–	–	248,482	248,482	0.01
United Beauty Limited	Kuok Khoon Hua	–	–	–	15	15	15.00
	Bryan Pallop Gaw	–	10	–	5	15	15.00
Vencedor Investments Limited	Kuok Khoon Hua	5	–	–	–	5	5.00
	Bryan Pallop Gaw	5	5	–	–	10	10.00

## Notes:

1. This represents interests held by the relevant Director as beneficial owner.
2. This represents interests held and/or deemed to be held by the spouse of the relevant Director.
3. This represents interests deemed to be held by the relevant Director through his controlled corporation(s).
4. This represents interests deemed to be held by the relevant Director through discretionary trust(s) of which the relevant Director is a discretionary beneficiary.
5. The percentage has been compiled based on the total number of ordinary shares of the respective Associated Corporations in issue as at 30 June 2022.

# CORPORATE GOVERNANCE & OTHER INFORMATION

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

Save as disclosed above, as at 30 June 2022, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its Associated Corporations which had been recorded in the register kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2022, the following companies, other than the Directors, had long positions of 5% or more in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO. Their interests were as follows:

### Long position in ordinary shares of the Company

Name	Capacity in which ordinary shares were held	Number of ordinary shares interested	Approximate % of shareholding <sup>2</sup>
<b>Kerry Group Limited</b>	Interest of controlled corporations	874,090,494 <sup>1</sup>	60.12
<b>Kerry Holdings Limited</b>	Interest of controlled corporations	746,230,656 <sup>1</sup>	51.33
<b>Caninco Investments Limited</b>	Beneficial owner	312,248,193 <sup>1</sup>	21.48
<b>Darmex Holdings Limited</b>	Beneficial owner	256,899,261 <sup>1</sup>	17.67
<b>Schroders Plc</b>	Investment Manager	101,727,500	7.00
<b>Moslane Limited</b>	Beneficial owner	73,821,498 <sup>1</sup>	5.08

Notes:

1. Caninco Investments Limited ("**Caninco**"), Darmex Holdings Limited ("**Darmex**") and Moslane Limited ("**Moslane**") are wholly-owned subsidiaries of Kerry Holdings Limited ("**KHL**"). KHL itself is a wholly-owned subsidiary of Kerry Group Limited ("**KGL**"). Accordingly, the shares in which Caninco, Darmex and Moslane were shown to be interested had also been included in the shares in which KHL was shown to be interested, and KGL was deemed to be interested in the shares in which KHL was shown to be interested.
2. The percentage represents the number of ordinary shares of the Company interested divided by the total number of the issued shares of the Company as at 30 June 2022 (i.e. 1,453,806,728 ordinary shares).

Save as disclosed above, as at 30 June 2022, no other person (other than the Directors) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

## SHARE OPTIONS

On 20 May 2020, the shareholders of the Company (the "**Shareholders**") approved the adoption of a new share option scheme (the "**2020 Share Option Scheme**") and the termination of the share option scheme adopted by the Company on 5 May 2011 (the "**2011 Share Option Scheme**"). Accordingly, with effect from 20 May 2020, the 2020 Share Option Scheme has taken effect whereas the 2011 Share Option Scheme has been terminated such that no further share options of the Company (the "**Share Options**") shall be offered or granted under the 2011 Share Option Scheme, but the outstanding Share Options which have been granted during the life of the 2011 Share Option Scheme should continue to be valid and exercisable in accordance with the terms thereof.

## SHARE OPTIONS (Continued)

Both of the 2020 Share Option Scheme and the 2011 Share Option Scheme fall within the ambit of and are subject to the regulations under Chapter 17 of the Listing Rules. The purposes of the said two schemes are to motivate Directors, executives and key employees of the Group and other participants as detailed in these schemes (collectively referred to as the “**Eligible Participants**”) to optimise their future contributions to the Group and/or to reward them for their past contributions, and also to attract, retain or otherwise maintain on-going relationships with the Eligible Participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth and success of the Group.

No Share Option has been granted under the 2020 Share Option Scheme since its adoption on 20 May 2020.

As at 30 June 2022, a total of 5,473,000 Share Options granted under the 2011 Share Option Scheme were outstanding.

### Movement of Share Options

Details of movement of the Share Options of the 2011 Share Option Scheme during the six months ended 30 June 2022 are listed below in accordance with Rule 17.07 of the Listing Rules:

Name or category of option holders	Date of grant	Tranche	Number of Share Options				Outstanding as at 30/06/2022	Exercise price per share HK\$	Exercise period
			Outstanding as at 01/01/2022	Transferred to other category during the period <sup>2</sup>	Transferred from other category during the period <sup>2</sup>	Lapsed during the period			
<b>1. Directors</b>									
Wong Siu Kong <i>(retired on 19 May 2022)</i>	30/04/2012	I	1,500,000	-	-	(1,500,000)	-	35.45	31/10/2012 – 29/04/2022
	30/04/2012	II	1,500,000	-	-	(1,500,000)	-	35.45	31/10/2013 – 29/04/2022
	08/01/2014	II	784,000	(784,000)	-	-	-	26.88	08/01/2015 – 07/01/2024
Bryan Pallop Gaw	30/04/2012	I	100,000	-	-	(100,000)	-	35.45	31/10/2012 – 29/04/2022
	30/04/2012	II	150,000	-	-	(150,000)	-	35.45	31/10/2013 – 29/04/2022
	08/01/2014	II	100,000	-	-	-	100,000	26.88	08/01/2015 – 07/01/2024
<b>2. Continuous Contract Employees</b>									
	30/04/2012	I	1,561,500	(100,000)	-	(1,461,500)	-	35.45	31/10/2012 – 29/04/2022
	30/04/2012	II	1,900,000	(100,000)	-	(1,800,000)	-	35.45	31/10/2013 – 29/04/2022
	08/01/2014	I	817,000	(100,000)	-	-	717,000	26.88	08/07/2014 – 07/01/2024
	08/01/2014	II	1,084,000	(150,000)	-	-	934,000	26.88	08/01/2015 – 07/01/2024
<b>3. Others</b>									
	30/04/2012	I	2,928,000	-	100,000	(3,028,000)	-	35.45	31/10/2012 – 29/04/2022
	30/04/2012	II	3,531,000	-	100,000	(3,631,000)	-	35.45	31/10/2013 – 29/04/2022
	08/01/2014	I	1,138,000	-	100,000	-	1,238,000	26.88	08/07/2014 – 07/01/2024
	08/01/2014	II	1,550,000	-	934,000	-	2,484,000	26.88	08/01/2015 – 07/01/2024
<b>Total:</b>			<b>18,643,500</b>	<b>(1,234,000)</b>	<b>1,234,000</b>	<b>(13,170,500)</b>	<b>5,473,000</b>		

Notes:

- The vesting period of the Share Options set out above is from the date of grant until the commencement of the exercise period.
- The transfers were due to retirement of a Director and employees employed under continuous contracts.
- During the six months ended 30 June 2022, no Share Option was granted, exercised or cancelled under the 2011 Share Option Scheme.

# CORPORATE GOVERNANCE & OTHER INFORMATION

## STAFF

As at 30 June 2022, the Company and its subsidiaries had approximately 7,400 employees. Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis. Other employee benefits include provident fund, insurance, medical cover, subsidised educational and training programmes as well as share option schemes.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2022, the Company repurchased a total of 665,000 shares on the Stock Exchange at an aggregate consideration of HK\$13,270,940 (the "Repurchase"). The Repurchase was made for the enhancement of the Shareholders' value. Details of the Repurchase are as follows:

Month	Number of ordinary shares repurchased	Price paid per share		Aggregate consideration HK\$
		Highest HK\$	Lowest HK\$	
May 2022	204,000	19.98	19.84	4,064,780
June 2022	461,000	19.98	19.90	9,206,160
<b>Total</b>	<b>665,000</b>			<b>13,270,940</b>

All 665,000 shares repurchased were cancelled during the six months ended 30 June 2022. Apart from the above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2022.

## REVIEW OF INTERIM RESULTS

The Audit and Corporate Governance Committee of the Company has met to review the results and the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2022 prior to recommending them to the Board for approval.

# INFORMATION FOR SHAREHOLDERS

## FINANCIAL CALENDAR FOR INTERIM DIVIDEND

Interim Results Announcement Date	18 August 2022
Ex-dividend Date	2 September 2022
Latest Time to Lodge Transfer Documents for Registration with Tricor Abacus Limited	At 4:30 p.m. on 5 September 2022
Closure of Register of Members and Record Date	6 September 2022
Proposed Payment Date	16 September 2022

## INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has declared the payment of an interim dividend of HK\$0.4 per share for the six months ended 30 June 2022 (the “**Interim Dividend**”), amounting to approximately HK\$582 million in aggregate based on 1,453,806,728 ordinary shares in issue as at 30 June 2022 and payable on Friday, 16 September 2022 to the Shareholders whose names appear on the register of members of the Company on Tuesday, 6 September 2022. The register of members will be closed on Tuesday, 6 September 2022, on which date no transfer of shares will be registered. The ex-dividend date will be Friday, 2 September 2022. The actual amount of Interim Dividend payable will be subject to the actual number of ordinary shares in issue on Tuesday, 6 September 2022.

For the purpose of determining the eligible Shareholders’ entitlement to the Interim Dividend, all transfers accompanied by the relevant share certificates must be lodged for registration with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Abacus Limited (“**HK Share Registrar**”), at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 5 September 2022.

Interim Dividend warrants will be despatched to the eligible Shareholders on or about Friday, 16 September 2022.

## SHAREHOLDER SERVICES

For enquiries about share transfer and registration, please contact the HK Share Registrar:

Tricor Abacus Limited  
 17/F, Far East Finance Centre  
 16 Harcourt Road, Hong Kong  
 Telephone: (852) 2980 1333  
 Email: [kerryprops@hk.tricorglobal.com](mailto:kerryprops@hk.tricorglobal.com)

Shareholders should notify the HK Share Registrar promptly of any change of their address.

# INFORMATION FOR SHAREHOLDERS

## INVESTOR RELATIONS

The Group actively participates in meetings and conferences to maintain regular communications with financial analysts, fund managers and the investor community. The Group had participated in a number of roadshows and investors' conferences during the six months ended 30 June 2022 and some of them are set out below:

### Events

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Morgan Stanley Virtual Hong Kong Summit 2022

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CGS-CIMB 7th Annual HK/China Property & Property Management Virtual Conference

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Citi's Asia Pacific Property Conference 2022

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By Order of the Board

**Cheung Ka Ki**

*Company Secretary*

Hong Kong, 18 August 2022



# CORPORATE INFORMATION & FINANCIAL CALENDAR

## BOARD OF DIRECTORS

### Executive Directors

Mr Kuok Khoon Hua (Chairman and Chief Executive Officer)  
 Mr Au Hing Lun, Dennis (Deputy Chief Executive Officer)  
 Mr Bryan Pallop Gaw  
 Ms Serene Siew Noi Nah (Chief Financial Officer)

### Independent Non-executive Directors

Ms Wong Yu Pok, Marina, JP  
 Mr Hui Chun Yue, David  
 Mr Cheung Leong  
 Mr Chum Kwan Lock, Grant

## AUDIT AND CORPORATE GOVERNANCE COMMITTEE

Ms Wong Yu Pok, Marina, JP (Chairman)  
 Mr Hui Chun Yue, David  
 Mr Cheung Leong  
 Mr Chum Kwan Lock, Grant

## REMUNERATION COMMITTEE

Ms Wong Yu Pok, Marina, JP (Chairman)  
 Mr Kuok Khoon Hua  
 Mr Hui Chun Yue, David

## NOMINATION COMMITTEE

Mr Kuok Khoon Hua (Chairman)  
 Ms Wong Yu Pok, Marina, JP  
 Mr Hui Chun Yue, David

## FINANCE COMMITTEE

Mr Kuok Khoon Hua  
 Mr Au Hing Lun, Dennis  
 Ms Serene Siew Noi Nah

## EXECUTIVE COMMITTEE

Mr Kuok Khoon Hua  
 Mr Au Hing Lun, Dennis  
 Mr Bryan Pallop Gaw  
 Ms Serene Siew Noi Nah

## COMPANY SECRETARY

Ms Cheung Ka Ki

## AUDITOR

PricewaterhouseCoopers  
 (Certified Public Accountants and  
 Registered Public Interest Entity Auditor)

## REGISTERED OFFICE

Victoria Place, 5th Floor  
 31 Victoria Street  
 Hamilton HM 10, Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

25/F, Kerry Centre, 683 King's Road  
 Quarry Bay, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited  
 4th Floor North, Cedar House, 41 Cedar Avenue  
 Hamilton HM 12, Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited  
 17/F, Far East Finance Centre  
 16 Harcourt Road, Hong Kong

## CORPORATE COMMUNICATION

Kerry Properties Limited  
 25/F, Kerry Centre, 683 King's Road  
 Quarry Bay, Hong Kong  
 Telephone: (852) 2967 2200  
 Facsimile: (852) 2967 2900  
 Email: communication@kerryprops.com

## INVESTOR RELATIONS

Kerry Properties Limited  
 25/F, Kerry Centre, 683 King's Road  
 Quarry Bay, Hong Kong  
 Telephone: (852) 2967 2200  
 Facsimile: (852) 2967 2900  
 Email: ir@kerryprops.com

## THE OMBUDSPERSON OF KERRY PROPERTIES LIMITED

(For receipt of all whistleblowing/complaints reports)

### Hong Kong

Kerry Properties Limited  
 25/F, Kerry Centre, 683 King's Road  
 Quarry Bay, Hong Kong

### Mainland

Kerry Properties Development Management  
 (Shanghai) Co., Ltd.  
 7/F, Tower 2  
 Enterprise Centre  
 209 Gong He Road, Jing'an District  
 Shanghai, China 200070

### Email

ombuds@kerryprops.com

# CORPORATE INFORMATION & FINANCIAL CALENDAR

## WEBSITE

[www.kerryprops.com](http://www.kerryprops.com)

## STOCK CODES

Stock Exchange of Hong Kong: 683

Bloomberg: 683 HK

Reuters: 683.HK

## FINANCIAL CALENDAR FOR INTERIM DIVIDEND

### **Ex-dividend Date**

2 September 2022

### **Latest Time to Lodge Transfer Documents for Registration with Tricor Abacus Limited**

At 4:30 p.m. on 5 September 2022

### **Closure of Register of Members and Record Date**

6 September 2022

### **Proposed Payment Date**

16 September 2022