



KERRY PROPERTIES LIMITED

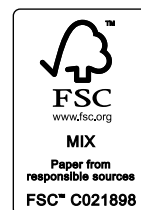
(Incorporated in Bermuda with limited liability)

Stock Code : 683

2021 INTERIM REPORT

For the six months ended 30 June 2021





CORPORATE INFORMATION & KEY DATES**BOARD OF DIRECTORS*****Executive Directors***

Mr Wong Siu Kong, *Chairman*
 Mr Kuok Khoon Hua, *Vice Chairman and
 Chief Executive Officer*
 Mr Bryan Pallop Gaw
 Mr Wong Chi Kong, Louis, *Senior Vice President
 of the CEO Office*

Independent Non-executive Directors

Ms Wong Yu Pok, Marina, JP
 Mr Chang Tso Tung, Stephen
 Mr Hui Chun Yue, David

**AUDIT AND CORPORATE GOVERNANCE
COMMITTEE**

Ms Wong Yu Pok, Marina, JP, *Chairman*
 Mr Chang Tso Tung, Stephen
 Mr Hui Chun Yue, David

REMUNERATION COMMITTEE

Ms Wong Yu Pok, Marina, JP, *Chairman*
 Mr Wong Siu Kong
 Mr Kuok Khoon Hua
 Mr Chang Tso Tung, Stephen
 Mr Hui Chun Yue, David

NOMINATION COMMITTEE

Mr Wong Siu Kong, *Chairman*
 Mr Kuok Khoon Hua
 Ms Wong Yu Pok, Marina, JP
 Mr Chang Tso Tung, Stephen
 Mr Hui Chun Yue, David

FINANCE COMMITTEE

Mr Wong Siu Kong
 Mr Wong Chi Kong, Louis

EXECUTIVE COMMITTEE

Mr Wong Siu Kong
 Mr Kuok Khoon Hua
 Mr Bryan Pallop Gaw
 Mr Wong Chi Kong, Louis

COMPANY SECRETARY

Ms Soon Yuk Tai

AUDITOR

PricewaterhouseCoopers
*Certified Public Accountants and
 Registered Public Interest Entity Auditor*

REGISTERED OFFICE

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 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
 Level 54, Hopewell Centre
 183 Queen's Road East, Hong Kong

CORPORATE COMMUNICATION

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CORPORATE INFORMATION & KEY DATES (continued)

THE OMBUDSPERSON OF KERRY PROPERTIES LIMITED

(For receipt of all whistleblowing/complaints reports)

Hong Kong

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Mainland

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STOCK CODES

Stock Exchange of Hong Kong: 683
Bloomberg: 683 HK
Reuters: 683.HK

KEY DATES FOR 2021 INTERIM DIVIDEND

Ex-dividend Date

3 September 2021

Latest time to lodge transfer documents for registration with Tricor Abacus Limited

At 4:30 p.m. on 6 September 2021

Record Date

6 September 2021

Payment Date

17 September 2021

The Board (the “**Board**”) of Directors (the “**Directors**”) of Kerry Properties Limited (the “**Company**”) and, together with its subsidiaries, the “**Group**”) is pleased to report the unaudited interim results of the Group for the six months ended 30 June 2021. 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 2021 prior to recommending them to the Board for approval.

Results Highlights for the Six Months Ended 30 June 2021:

- The Group recorded **consolidated revenue** of HK\$6.37 billion, up 63%. **Underlying profit** was HK\$2.36 billion excluding fair value change of investment properties, and **profit attributable to shareholders** of the Company was HK\$3.77 billion, up 113% and 251% respectively.
- The Group achieved **contracted sales** of HK\$8.19 billion for Hong Kong and the Mainland, which is 61% of the 2021 full-year sales target. Hong Kong achieved HK\$2.02 billion, 36% of Hong Kong’s full-year sales target, and the Mainland achieved HK\$6.17 billion, 78% of Mainland’s full-year sales target.
- **Property rental revenue** for the Group was HK\$2.66 billion, up 14% compared to the same period last year. Investment properties in Hong Kong achieved HK\$656 million, similar to the same period last year, and the Mainland achieved HK\$1.99 billion, up 20% compared to the same period last year. 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 57% (2020 1H: 61%). The Property Sales business recorded 46% (2020 1H: 41%) in gross profit margins, up 12% compared to the same period last year, and the Property Rental business recorded 77% (2020 1H: 80%), down 4% compared to the same period last year.
- **Earnings per share** was HK\$2.59, an increase of 250% compared to 1H 2020, and an increase of 5% compared to 1H 2019.
- The Group measured its **investment properties portfolio on a fair value basis** and recorded an increase in fair value of investment properties (net of deferred taxation) of HK\$1.41 billion (2020 1H: a decrease of HK\$32 million).
- **Total capital resources** for the Group were HK\$37.63 billion as at 30 June 2021. This includes cash and bank deposits of HK\$15.96 billion and undrawn loan facilities from banks of HK\$21.67 billion.
- **Gearing ratio** decreased 120 basis points to 23.9% as at 30 June 2021 (31 December 2020: 25.1%).
- The Directors have declared an **Interim Dividend** of HK\$0.4 per share for the six months ended 30 June 2021 (2020: HK\$0.4).
- Conditional upon completion of the Partial Offer and the disposal of KLN Shares, the Directors have declared a **Special Dividend** of HK\$2.3 per share.

UPDATE ON THE PARTIAL OFFER AND THE DISPOSAL OF SHARES IN KERRY LOGISTICS NETWORK LIMITED AND PROPOSED SPECIAL DIVIDEND

Reference is made to (i) the Company's circular dated 5 May 2021 (the "**Circular**") in relation to the proposed disposal of shares in Kerry Logistics Network Limited ("**KLN**") in connection with the partial offer (the "**Partial Offer**") for shares in KLN (the "**KLN Shares**"), the KPL Irrevocable Undertaking (as defined in the Circular) and the Proposed Placing Mandate (as defined in the Circular); and (ii) the Company's announcement dated 9 August 2021 in relation to the entering into of placing agreements by the Company in connection with the Proposed Placing Mandate (the "**Announcement**").

As set out in the Announcement, the Company entered into six placing agreements (the "**Placing Agreements**") on 9 August 2021 in relation to the proposed placing of a maximum of 79,011,323 KLN Shares pursuant to the Proposed Placing Mandate at a sale price of HK\$16.92 per share. Following the entering into of the Placing Agreements, all the pre-conditions of the Partial Offer have been fulfilled or waived on 9 August 2021 as set out in the announcement jointly published by KLN and Flourish Harmony Holdings Company Limited, the offeror of the Partial Offer (the "**Offeror**"), on the same day.

On 12 August 2021, the composite offer document in relation to the Partial Offer was despatched to shareholders of KLN and the Partial Offer was open for acceptance. As set out in the Circular, the Company has undertaken to tender 364,496,510 KLN Shares in accordance with the KPL Irrevocable Undertaking (as defined in the Circular) as soon as possible after the commencement of the acceptance period of the Partial Offer and in any event no later than the third business day of the acceptance period. As at the date of this report, the Company has tendered such shares in KLN in accordance with the KPL Irrevocable Undertaking.

The net proceeds to be received by the Company from the Partial Offer (upon the Partial Offer becoming or being declared unconditional in all respects) is dependent on the number of KLN Shares tendered by the Company into the Partial Offer which is validly accepted by the Offeror; and the net proceeds to be received by the Company from the Placing Agreements (provided that the conditions precedent as set out in the Circular and the Announcement are satisfied) is dependent on the number of KLN Shares actually sold by the Company. Conditional upon completion of the Partial Offer and disposal of KLN Shares, the Company expects to receive net proceeds, from the Partial Offer, the Placing Agreements and the special dividend declared by KLN, of not less than HK\$11 billion. The Directors have resolved on 19 August 2021 to declare a special dividend of HK\$2.3 per share (the "**Special Dividend**"), the aggregate amount of which is equivalent to approximately 25% to 30% of the expected range of such net proceeds, to shareholders of the Company (the "**Shareholders**"). The declaration of Special Dividend is conditional upon completion of the Partial Offer and disposal of KLN Shares and the Special Dividend will be paid to all Shareholders whose names appear on the registers of members of the Company (the "**Registers of Members**") on a record date, which date will be determined and announced by the Company. Further announcement(s) will be made by the Company in relation to the record date and the expected payment date of the Special Dividend as and when appropriate, after the final timetable of the Partial Offer has been determined. For the avoidance of doubt, there is no assurance that the Partial Offer and the disposal of KLN Shares will complete.

BUSINESS REVIEW

VALUATION OF INVESTMENT PROPERTIES

The investment properties portfolio of the Group valued as at 30 June 2021 on a fair value basis recorded an increase of fair value of HK\$1.41 billion, net of deferred taxation, compared to a decrease of HK\$32 million for the same period in 2020.

The increase in valuation is mainly driven by improved market conditions in the Mainland, with assets in our key cities of Shanghai and Shenzhen recording improved occupancy rates and unit rent. For Hong Kong, we saw the portfolio's value stabilised with modest gains in our warehouse segment when compared to the same period last year. Additionally, fair value changes from our major associates also contributed towards the gain.

HONG KONG PROPERTY DIVISION

During the six months ended 30 June 2021, Hong Kong Property Division reported a revenue of HK\$2.66 billion (2020: HK\$1.54 billion) and a gross profit of HK\$1.29 billion (2020: HK\$852 million). Hong Kong Property Division's revenue for the period was mainly derived from recognised sales of completed residential properties at Mantin Heights, The Bloomsway and Mont Rouge.

The Group's contracted sales in Hong Kong accelerated in the second quarter as market sentiment improved, helping to position Hong Kong Property Division ahead for a busy second half 2021 launch schedule with LA MARINA, the first of two Wong Chuk Hang seafront MTR transit oriented residential projects in the third quarter; and No. 3 Lung Kui Road, Beacon Hill, the second phase of our high-end harbour view project Mont Rouge in the fourth quarter.

Hong Kong's investment property portfolio which comprises premium residential and office spaces, as well as the MegaBox family mall, continued to underpin the segment's resilience amid market volatility and maintained rental revenue of HK\$656 million.

(i) Development Property Portfolio Performance

During the first six months of 2021, sales of completed properties in Hong Kong contributed a revenue of HK\$2.01 billion (2020: HK\$883 million) to the Group. A gross profit of HK\$767 million (2020: HK\$327 million) was derived from recognised sales of Mantin Heights, The Bloomsway and Mont Rouge.

Contracted sales in Hong Kong during the period was approximately HK\$2.02 billion, which represents 36% of the annual sales target for Hong Kong which is HK\$5.6 billion. This was contributed mainly from Mont Rouge through the sales of villas, houses and apartments, in addition to The Bloomsway and 10 LaSalle. With the objective of focusing on Mont Rouge and current stock in the first half, the Group will now channel its efforts towards driving sales volume from its Wong Chuk Hang project LA MARINA in the third quarter, and its Beacon Hill project No. 3 Lung Kui Road in the fourth quarter. Of our contracted sales of HK\$2.02 billion, approximately HK\$1.90 billion were unrecognised income available to be recognised in second half of 2021, and subsequent years.

BUSINESS REVIEW (continued)

HONG KONG PROPERTY DIVISION (continued)

(i) Development Property Portfolio Performance (continued)

A summary of contracted sales for Hong Kong achieved as of 30 June 2021 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	1,427	99.9%
Mont Rouge No. 9 Lung Kui Road, Beacon Hill	100%	115,000	22	49%
The Bloomsway Nos. 18, 28, 29 Tsing Ying Road, So Kwun Wat	100%	838,000	1,092	99%
10 LaSalle No. 10 La Salle Road, Ho Man Tin	100%	36,000	3	4%

(ii) Investment Property Portfolio Performance

The Group's completed investment properties in Hong Kong generated revenues of HK\$656 million (2020: HK\$654 million), that produced gross profits of HK\$523 million for the period under review (2020: HK\$525 million).

During the first quarter of 2021, Hong Kong operated under the constraints of the pandemic's third wave. As a result, the leasing market slowed down, and social distancing and seating capacity restrictions muted retail sales and foot traffic for the retail segment. In the face of this challenging start to the year, the Group stepped up its lease renewal efforts to proactively secure commitments with its tenants across asset types. At the same time, it also took the opportunity to refresh its tenant mix with new brands and retail experiences from vacancies that arose in 2020. During the period under review, these new leases and renewals contributed to a steady stream of recurrent income on the back of stable occupancy levels and rental rates across Office, Retail and Residential assets.

The aggregate gross floor area ("GFA") of the completed investment property portfolio in Hong Kong amounted to 4.12 million square feet ("s.f.") as of 30 June 2021 (31 December 2020: 4.12 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 2021		As of 31 December 2020	
	Group's attributable GFA ('000 s.f.)	Occupancy rate	Group's attributable GFA ('000 s.f.)	Occupancy rate
Residential	871	94%	871	83%
Retail	1,213	94%	1,213	100%
Office	778	97%	778	98%
Warehouse	1,266	88%	1,266	85%
	4,128		4,128	

Investment property leasing performance during the six months ended 30 June 2021 was stable, with revenue maintained at a similar level to the same period in 2020 amid the challenges posed by the third COVID-19 wave in the first quarter of 2021. As conditions improved in the second quarter of 2021, foot traffic and tenant sales gradually improved in MegaBox, with the pace of retail turnover starting to trend up as the peak summer holiday period approaches. The occupancy rate for MegaBox of 94% as of 30 June 2021 includes the vacated space by a departing cinema operator. The entire retail space has been taken over by a new operator in July 2021.

Office rental remained steady for Kerry Centre at 96% occupancy, and Enterprise Square Five reported 97% occupancy. The slight movement in Kerry Centre's occupancy is due to regular tenancy reshuffling, with occupancy expected to return to last year's level in the second half.

Residential for lease which includes the high-end luxury Mid-Levels portfolio, and the urban-chic Resiglow portfolio both saw occupancy rates improve to 95% and 86% respectively. This increase was driven by improved outlook by tenants in the high-end segment, and proactive leasing strategies employed by the Group for the Resiglow portfolio.

A summary of our 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 2021	Occupancy rate as of 31 December 2020
MegaBox	100%	1,160,000	94%	99.9%
Enterprise Square Five No. 38 Wang Chiu Road, Kowloon Bay	100%	519,000	97%	97%
Kerry Centre No. 683 King's Road, Quarry Bay	40%	204,000	96%	100%
Mid-Levels Portfolio	100%	722,000	95%	86%
Resiglow Portfolio	100%	149,000	86%	80%

(iii) Hong Kong Properties under Development and Landbank

Hong Kong Property Division has a number of properties under development, including landbank for future development which amounts to approximately 1.44 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 mass market family homes.

The Group's project on Beacon Hill, No. 3 Lung Kui Road, which is part of the Mont Rouge high-end luxury series, is scheduled to launch in the fourth quarter of 2021, and will feature large-sized residential units and mansions that boast panoramic views of the Central harbourfront and Kowloon East's skyline.

Under the middle market designer homes category are the Group's Wong Chuk Hang MTR transit-oriented development projects. The first project, LA MARINA has 493,000 s.f. GFA and 600 residential units. Pre-sale will commence in the third quarter of 2021. LA MARINA overlooks Island South with scenic views of the coastline and its natural settings. The second project in the Wong Chuk Hang portfolio is the larger of the two sites at approximately 638,000 s.f. GFA, and will expand on the residents' facilities of LA MARINA on completion in 2025. Pre-sale is expected to commence in 2022.

BUSINESS REVIEW (continued)

HONG KONG PROPERTY DIVISION (continued)

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

A new entry in the Group's development property portfolio is the mass market family home offering. Leveraging the Group's expertise in developing high-end luxury properties, people-centric design thinking and high-quality materials will be applied to projects totaling approximately 1,828,000 s.f. GFA. LOHAS Park Package Thirteen is the final land parcel in the Tseung Kwan O MTR comprehensive development area, and is expected to provide 2,550 residential units by the estimated completion date in 2026. Pre-sale is expected to commence in 2024.

The latest acquisition by the Group in the first half of 2021 is the 50% equity stake that the Group acquired for two sites in Yuen Long. Situated within a fifteen-minute walk from the Yuen Long MTR station and the town centre, the Group intends to develop no less than 500 residential units that will offer the high quality homes the Group is known for, in an up-and-coming district in the bustling Yuen Long area. Pre-sale is expected to commence in 2023, with completion estimated in 2025 for the two sites of approximately 281,000 s.f. GFA.

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
No. 3 Lung Kui Road, Beacon Hill	100%	343,000	2021
LA MARINA	50%	246,000	2023
THE SOUTHSIDE Package Two Property Development No. 11 Heung Yip Road, Wong Chuk Hang			
THE SOUTHSIDE Package Four Property Development No. 11 Heung Yip Road, Wong Chuk Hang	50%	319,000	2025
LOHAS Park Package Thirteen Property Development No. 1 Lohas Park Road, Tseung Kwan O	25%	387,000	2026
Shap Pat Heung, Yuen Long	50%	141,000	2025

MAINLAND PROPERTY DIVISION

The Mainland Property Division reported revenue of HK\$3.71 billion during the first six months of 2021 (2020: HK\$2.38 billion), an increase of 56% year on year. The improvement was driven by 145% growth in sales revenue from completed properties and a 39% increase in recurring revenue from rental and hotel operations. Gross profit increased to HK\$2.37 billion (2020: HK\$1.54 billion).

The Mainland was able to benefit from being one of the earliest markets to start recovering from the pandemic that held back economic activities for most of 2020, and the Group was able to capture the opportunities arising from the downturn. On the development properties side, a combination of pent-up demand accumulated from 2020, and strong interest for high-quality residential units in mixed-use developments with good accessibility came together to drive robust contracted sales for the Group in the first half of 2021. Riding on the positive sentiment in key cities, commercial real estate activities also saw encouraging returns for the Group. Office leasing continued its stable occupancy and revenue contribution to the portfolio, while the Residential segment gained back lost ground in terms of occupancy levels by the first half. On the Retail side, in spite of COVID-19 cases being reported in Beijing and Guangdong in the second quarter of 2021, performance was marked by a progressive uplift in tenant sales and occupancies that returned to the Group's normalised levels. Of note, the Hotel segment which recorded declines in revenue and occupancy for the first half of 2020, recorded positive results in the first half of 2021, bringing with it a healthy addition to our Mainland investment property performance.

(i) Development Property Portfolio Performance

During the six months ended 30 June 2021, sales of completed properties in the Mainland delivered revenues of HK\$923 million (2020: HK\$376 million), mainly from recognised sales of Lake Grandeur in Hangzhou and Arcadia Height in Shenyang, with total gross profit of HK\$589 million (2020: HK\$186 million).

The Mainland Property Division achieved approximately HK\$6.17 billion in contracted sales during the period, which represents approximately 78% of the Division's full year contracted sales target of HK\$7.90 billion. The positive results were achieved on the back of high-quality and good accessibility products, effective marketing strategies, diligent customer service and improving market conditions. Of the total first half contracted sales of HK\$6.17 billion, approximately HK\$4.81 billion was derived from the pre-sales and sales of Zhengzhou Arcadia Court, Qianhai Kerry Centre Phase I, Shenyang's Arcadia Height, and Fuzhou Rivercity. The remainder of the Mainland's first half contracted sales of approximately HK\$1.36 billion was from the sale of existing stock including the luxury residential project Lake Grandeur in Hangzhou.

A summary of contracted sales from major projects for the Mainland achieved as of 30 June 2021 follows:

Property name	Group's attributable interest	Approximate total saleable area (s.f.)	Total number of units sold	Percentage of total units sold
Qianhai Kerry Centre Phase I, Shenzhen	100%	459,000	436	97%
Lake Grandeur, Hangzhou	75%	333,000	104	86%
Arcadia Height, Shenyang	60%	1,177,000	489	99%
The Arcadia, Shenyang	60%	2,157,000	209	20%
Habitat, Qinhuangdao	60%	1,576,000	721	93%
Arcadia Court, Zhengzhou	55%	1,012,000	364	71%
Rivercity, Fuzhou	100%	2,033,000	486	31%

(ii) Investment Property Portfolio Performance

During the six months ended 30 June 2021, the Group recorded revenue of HK\$1.99 billion (2020: HK\$1.67 billion) and a gross profit of HK\$1.51 billion (2020: HK\$1.32 billion) from its portfolio of completed investment properties in the Mainland, representing increases of 20% and 14% respectively.

Investment property performance for the Mainland Property Division had a positive performance through proactive leasing efforts and marketing programmes that drove forward results to narrow a subdued first quarter of 2021 due to lingering COVID-19 cases being reported.

BUSINESS REVIEW (continued)

MAINLAND PROPERTY DIVISION (continued)

(ii) Investment Property Portfolio Performance (continued)

Offices gave a resilient performance with relatively stable unit rent and occupancies. Gross rental revenue including attributable rental income from associates for Office was HK\$1.09 billion (2020: HK\$965 million), growing 13% year-on-year. This was supported by stable occupancies, with Jing An Kerry Centre at 97%, Pudong Kerry Parkside at 100%, Beijing Kerry Centre at 87%, Hangzhou Kerry Centre at 97% and Shenzhen Kerry Plaza at 93%. Beijing Kerry Centre faced keen competition during the period under review, with additional new supply expected for the coming 3 years. In anticipation to this, the Group will adopt new leasing and marketing strategies to compete in this evolving landscape. Lastly, our latest project Qianhai Kerry Centre Phase I has 45% committed office tenancy as of 30 June 2021. In view of the satisfactory performance, the Group will continue to pursue further growth.

On the Retail side, gross rental revenue including attributable rental income from associates was HK\$590 million (2020: HK\$421 million), growing 40% year-on-year. This was supported by year on year growth in occupancy for the Group's major shopping malls as seen in Jing An Kerry Centre at 96%, Pudong Kerry Parkside at 99%, Beijing Kerry Centre at 95% and Hangzhou Kerry Centre at 93%.

For Residential, the local teams gave a strong effort to reverse the occupancy decline in 2020 to lift it back to a normalised level, with gross rental revenue including attributable rental income from associates for Residential at HK\$179 million (2020: HK\$153 million), growing 17% year-on-year. This was supported by stable occupancies with Jing An Kerry Centre residential at 97%, Pudong Kerry Parkside residential at 96%, and Beijing Kerry Centre residential at 91%.

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

Property name	Group's attributable interest	Group's approximate GFA (s.f.)	Occupancy rate as of 30 June 2021	Occupancy rate as of 31 December 2020
Jing An Kerry Centre I, Shanghai	74.25%	555,000	94%	92%
Jing An Kerry Centre II, Shanghai	51%	1,091,000	98%	95%
Pudong Kerry Parkside, Shanghai	40.80%	787,000	99%	97%
Beijing Kerry Centre	71.25%	1,087,000	89%	89%
Hangzhou Kerry Centre	75%	900,000	94%	93%
Shenzhen Kerry Plaza	100%	1,654,000	94%	93%
Shenyang Kerry Centre	60%	840,000	82%	81%
Tianjin Kerry Centre	49%	435,000	84%	79%
Qianhai Kerry Centre Phase I	100%	1,510,000	18%	12%
Jinan Enterprise Square	55%	229,000	84%	82%

Note: The occupancy rate above does not include committed tenancies that have not commenced during reporting period. The committed office tenancy rate for Qianhai Kerry Centre Phase I is 45% as of 30 June 2021.

Hotel performance during the six months ended 30 June 2021 saw revenue grow to HK\$788 million (2020: HK\$339 million), improving by 132% when compared to the same period in 2020. The good recovery was due to the domestic economy opening up with regional travel made possible by the pandemic being effectively controlled. Driving revenue growth were higher consumer spending on food and beverages, MICE (Meeting, Incentives, Conventions and Exhibitions) services, increased domestic business and leisure travel, and diligent cost rationalisation efforts, which helped to deliver much improved results.

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 2021	Average occupancy rate for the six months ended 30 June 2020
Jing An Shangri-La Hotel	51%	68%	30%
Kerry Hotel Beijing	71.25%	54%	19%
Kerry Hotel Pudong, Shanghai	40.80%	58%	20%
Midtown Shangri-La Hotel, Hangzhou	75%	69%	36%
Shangri-La Hotel, Shenyang	60%	37%	20%
Shangri-La Hotel, Nanchang	80%	64%	37%
Shangri-La Hotel, Jinan	55%	71%	37%
Shangri-La Hotel, Putian	60%	22%	N/A
Shangri-La Hotel, Tianjin	49%	55%	24%
Shangri-La Hotel, Nanjing	45%	66%	30%
Shangri-La Hotel, Tangshan	40%	47%	31%

(iii) Mainland Properties under Development and Landbank

The Group has a number of mixed-use properties under development in the Mainland's core cities and provincial capitals with total attributable GFA upon completion amounting to approximately 20.9 million s.f.. The asset types within the mixed-use developments span across a spectrum of Office, Retail and Hotel, and also Residential for Sale, with estimated target completion by phases between 2021 and 2025 onwards. This gives the Group a robust pipeline of residential properties (approximately 11.1 million s.f. GFA) and office, retail and hotel properties (approximately 9.8 million s.f. GFA) which will sufficiently support the Group's healthy growth over the next five years and beyond.

In terms of development properties, notable projects for future launch include Wuhan with residential GFA of 2.6 million s.f. with estimated pre-sale in 2023, Hangzhou's upcoming mixed-use project in the Wulin district has residential GFA of 1.2 million s.f. and is estimated to commence pre-sale in 2022, and Shanghai's Pudong Jufeng Road project which has residential GFA of 0.5 million s.f. is estimated to launch pre-sale in 2022. Large-scale projects which have already commenced pre-sales by phases include Fuzhou Rivercity with residential GFA of 2.0 million s.f. that commenced sales by phases in 2020, Shenyang Phase 3 with total residential GFA of 3.3 million s.f. will launch in the second half of 2021, and Qinhuangdao Phase 2 with residential GFA of 3.0 million s.f. will commence pre-sale for a new phase of beach-front units in the second half of 2021.

BUSINESS REVIEW (continued)

MAINLAND PROPERTY DIVISION (continued)

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

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

	Group's Attributable GFA Upon Completion					Target Completion
	Residential	Office	Retail (<i>'000 s.f.</i>)	Hotel	Total	
Wuhan	2,632	1,325	483	–	4,440	From 2025
Fuzhou	2,033	685	800	–	3,518	2022
Shenyang	1,996	461	482	–	2,939	From 2022
Hangzhou	1,202	245	1,109	174	2,730	From 2024
Qinhuangdao	1,819	–	77	–	1,896	From 2023
Shenzhen	436	707	128	108	1,379	From 2021
Shanghai	185	108	945	–	1,238	2025
Zhengzhou	557	349	23	226	1,155	From 2023
Tianjin	150	489	92	–	731	2025
Nanchang	–	496	18	–	514	2023
Kunming	124	–	–	258	382	2023
Total	11,134	4,865	4,157	766	20,922	

MACAU & OVERSEAS PROPERTY DIVISION

(i) Macau

The Group has a land parcel in Macau's Nam Van Lake area designated for a luxury residential project, and another residential project which is the subject of discussions with the Macao Special Administrative Region ("**Macao SAR**") Government for potential land exchange.

On the Nam Van Lake project, the Macao SAR Government gazetted the expiry of the land lease in May 2018, citing the cause as non-development. The Group had filed appeals to overturn the decision of the Chief Executive of Macao SAR, yet all appeals filed seeking to overturn the decision in declaring the expiry of the land lease were dismissed by the relevant courts including the Court of Final Appeal of Macao SAR. In July 2019, the Group filed with the Administrative Court of Macao SAR, a petition against the Macao SAR Government claiming, *inter alia*, due compensation for damages and loss of profits caused. The case is still under judicial proceedings.

In terms of the land exchange project, the Group was notified by the Macao SAR Government in July 2019 that the project would be considered together with all the land debt cases in Macao. In April 2020, the Group was further informed by the Macao SAR Government that in order for the government to handle all the land debt cases together, they have commenced a study and assessment of the land identified for exchange. The Group awaits the completion of the study for further progress.

(ii) 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 maintains a 34.61% equity interest and a 30.75% interest in its depository receipts.

SPI holds a 100% interest in the Shangri-La Plaza Mall, Manila, and a 70.04% interest in The Enterprise Center, an office and retail property in Makati, Manila’s financial district. As of 30 June 2021, the occupancy rates of Shangri-La Plaza Mall and The Enterprise Center were 87% and 84% respectively (as at 31 December 2020: 90% and 96%, respectively).

SPI 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 10% during the period under review (2020: 38%) due to the global travel ban and social restrictions caused by COVID-19.

In addition, SPI has three major projects under development. The first is The Rise, which is located in Malugay Street, Makati City, will have a GFA of approximately 1.63 million s.f.. The project, comprising 3,044 residential units and approximately 96,000 s.f. of retail space, has demonstrated a strong sales performance. As of 30 June 2021, 98% of the total of 3,019 units had been sold, excluding 25 units held for long-term investment.

The second is Shang Residences at Wack Wack, Mandaluyong City, and will have approximately 860,000 s.f. GFA for development into 404 residential units. Sales of this project were launched in September 2018, and as of 30 June 2021, 57% of the total of 400 units had been reserved and sold, excluding four units to be held for long-term investment.

The third is a residential project called Aurelia, and is located in Fort Bonifacio Global City, Manila. It has more than 98,000 s.f., and pre-sale commenced in September 2019, with 58% of 279 total units being reserved and sold as of 30 June 2021. SPI has a 50% interest in this joint venture.

(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 is comprised of residential and retail components.

Originally scheduled to be developed over a period of eight to nine years, the development has been postponed due to incidents that occurred in Sri Lanka in April 2019, and subsequently the pandemic. The project schedule will be reviewed at the end of 2021.

(iv) Singapore

The Group and Allgreen Properties Limited formed a joint venture in which the Group holds a 30% interest. The joint venture is currently developing a residential project, Pasir Ris 8, with GFA of approximately 1.02 million s.f.. During its launch in July 2021, the project demonstrated strong sales performance, with more than 85% of total units being sold during its launch weekend.

OUTLOOK

HONG KONG PROPERTY DIVISION

In the beginning of the year, the Hong Kong government tightened its management of the COVID-19 pandemic, bringing the daily cases of infections swiftly down from the end of January onwards. Since April, we have seen sentiment improving in areas of the economy that include residential sales, retail activity, and the leasing of offices and warehouses. The residential sales market picked up momentum in the second quarter with large MTR-linked developments lifting purchase sentiment and the Centa-City Leading Index moving close to the five-year high range last seen in 2019. The Company capitalised on this window to drive sales in the second quarter with Mont Rouge contributing HK\$1.32 billion, or 65% of Hong Kong's first half contracted sales results.

The Company has two new major project launches in the second half, and with the property market exhibiting positive sentiment, we anticipate good demand to support the launch of our Wong Chuk Hang and Beacon Hill projects. Our Island South project LA MARINA in Wong Chuk Hang which has 600 residential units will be one of the key drivers for second half contracted sales. Our second high-end luxury project on Beacon Hill, No. 3 Lung Kui Road is expected to launch in the fourth quarter with large-sized units and mansions overlooking the Victoria Harbour. At the same time, the Company will continue to drive sales for Mont Rouge, and targets selling-through our Mantin Heights and The Bloomsway projects in 2021.

The Hong Kong rental properties business is on course to maintain its previous year's revenue levels. The Residential segment is recovering from last year with year-on-year improvement in occupancies, while the Office segment performance is more mixed. Our office in Quarry Bay is performing resiliently, while in our Kowloon East office we see vacancies edging up, reflecting the overall trend for Kowloon East. MegaBox is performing well, benefitting from increased foot traffic and tenant sales. With Kowloon East transforming into a second central business district, we will proactively look for opportunities to grow with the district.

In terms of land banking, the Company will use a multi-faceted approach to acquire land parcels with good development potential through government land tender, land usage conversion of existing landbank, and private venture arrangements with other developers and landlords. In June, the Company entered into a cooperation agreement with another developer to develop a residential project for sale in Yuen Long. Located in an up-and-coming area within a short walking distance to the town centre, this approximately 500-unit residential project will be a good addition to our for-sale properties pipeline.

The Company holds a positive short-to-medium term outlook for its operations in Hong Kong. With the eventual opening up of borders between Hong Kong and the Mainland, plus Hong Kong's critical financial hub status for the Mainland and its companies, we see Hong Kong getting back on a growth track, and maintaining this course in the longer term as China continues to grow.

MAINLAND PROPERTY DIVISION

In February, we acquired an exceptional land parcel in the Jinqiao subdistrict of Pudong, Shanghai through a partnership with GIC (Realty) Pte. Ltd to build a mixed-use project above a major transit hub. Its catchment of 700,000 residents, coupled with broad accessibility via metro, bus and car, makes this as a welcome addition to our development property and recurrent revenue pipeline.

In terms of our rental properties business, revenue grew year-on-year with occupancy rates improving for Offices, Retail and Residential in our major mixed-use properties in Shanghai, Beijing, and Shenzhen. Supporting our first half revenue growth was Hotel's positive revenue contribution after a subdued 2020. Notwithstanding pockets of COVID-19 cases in various cities, we see the majority of our rental properties trending well in the months ahead.

The Company is focused on building sustainable projects for a greener future. Under this direction, we are pleased that our latest mixed-use development in Shenzhen, Qianhai Kerry Centre, which launched at the end of 2020, was the very first project in the Mainland to receive a citation for Project of the Year at the LEED Homes Award; and also won Gold and Silver awards for Best Mixed-Use Development and Best Green Development respectively in 2020 by MIPIM Asia. In Shanghai, our 6-year-old Enterprise Centre at Kerry Everbright City Phase III became the first development in the Mainland to be awarded the LEED Zero Waste Certification, demonstrating that our green efforts also extend towards asset enhancement initiatives. We are committed to sustainable developments, and to deliver on this, all current and future investment properties under development will strive to achieve a LEED Gold, or higher, certification.

On the development property side, the first half results have been encouraging, the Company's pipeline gradually coming to fruition after years of landbanking and project development meeting with good demand. In the second half of 2021, we will continue to sell from projects in Fuzhou, Zhengzhou, Hangzhou and Shenyang, together with our second half launch of a new phase in our Qinhuangdao project.

The Mainland government continues to handle the COVID-19 pandemic admirably, and we expect the economy to continue to grow robustly as the government pursues a goal of sustainable growth by reining in excessive speculation in real estate; emphasizing new technology and advanced manufacturing, in addition to services and consumption, as drivers of its economic growth while taking the lead in environmental stewardship through impressive carbon emission targets. We feel positive about China's growth, and will be looking for opportunities to develop impactful and sustainable projects in the core cities that we are focused on.

FINANCIAL REVIEW

The Group has centralised funding 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 2021, total foreign currency borrowings (excluding RMB bank loans) amounted to the equivalence of HK\$3.60 billion and RMB bank loans amounted to the equivalence of HK\$8.04 billion. Therefore, non-RMB total foreign currency borrowings and RMB bank loans represented approximately 8% and 19% respectively, of the Group's total borrowings of HK\$42.95 billion as at 30 June 2021.

The total foreign currency borrowings of HK\$11.64 billion include approximately RMB6.69 billion bank loans, JPY8 billion bank loan and approximately AUD516 million bank loans. The Group has arranged cross currency swap contracts amounting to RMB3.29 billion, JPY8 billion and approximately AUD516 million to hedge the exchange rate exposure between Renminbi and Hong Kong dollars, between Japanese Yen and Hong Kong dollars and between Australian dollars and Hong Kong dollars, respectively.

Out of the Group's total borrowings as at 30 June 2021, HK\$7.82 billion (representing approximately 18%) was repayable within one year, HK\$3.86 billion (representing approximately 9%) was repayable in the second year, HK\$28.13 billion (representing approximately 66%) was repayable in the third to fifth years and HK\$3.14 billion (representing approximately 7%) was repayable over five years. As at 30 June 2021, 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.

On 7 April 2021, the Group fully redeemed the 10 years US\$300 million fixed rate bonds issued in April 2011.

As at 30 June 2021, the Group entered into a HK\$800 million sustainability-linked bank loan to reinforce the Group's commitment to improve sustainability performance. With more sustainability-linked bank loans in the pipeline for the next quarter, the Group will benefit from discounted interest rates.

As at 30 June 2021, the gearing ratio for the Group was 23.9% (as at 31 December 2020: 25.1%), calculated based on net debt of HK\$26.99 billion and shareholders' equity of HK\$112.84 billion.

As at 30 June 2021, the Group had outstanding interest rate swap contracts which amounted to HK\$5.4 billion in total, enabling the Group to hedge its interest rate exposure and to have a more stable interest rate profile.

In terms of the Group's available financial resources as at 30 June 2021, the Group had total undrawn bank loan facilities of HK\$21.67 billion and cash and bank deposits of HK\$15.96 billion. In addition, the generation of strong recurrent cashflows from the Group's investment property portfolio and hotel operations provides the Group with a strong financial position, and enables the Group to reap the benefits of investment opportunities as and when they arise.

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	
		2021	2020
		HK\$'000	HK\$'000
Revenue	3	6,374,122	3,917,548
Cost of sales and direct expenses		(2,714,634)	(1,522,164)
Gross profit	3	3,659,488	2,395,384
Other income and net gains		498,253	257,403
Selling, administrative and other operating expenses		(935,613)	(771,776)
Increase/(decrease) in fair value of investment properties		1,210,132	(168,859)
Operating profit before finance costs		4,432,260	1,712,152
Finance costs	4	(292,596)	(428,432)
Operating profit	4	4,139,664	1,283,720
Share of results of associates and joint ventures		1,583,491	558,715
Profit before taxation		5,723,155	1,842,435
Taxation	5	(1,239,262)	(679,183)
Profit for the period		4,483,893	1,163,252
Profit attributable to:			
Company's shareholders		3,773,188	1,073,933
Non-controlling interests		710,705	89,319
		4,483,893	1,163,252
Earnings per share	6		
– Basic		HK\$2.59	HK\$0.74
– Diluted		HK\$2.59	HK\$0.74

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	4,483,893	1,163,252
Other comprehensive income		
Items that may be reclassified to profit or loss		
Cash flow hedges	(1,486)	(224,589)
Share of other comprehensive income of associates and joint ventures	(36,275)	(189,156)
Net translation differences on foreign operations	755,510	(1,479,036)
Items that will not be reclassified to profit or loss		
Fair value (losses)/gains on financial assets at fair value through other comprehensive income	(17,279)	34,007
Other comprehensive income for the period, net of tax	700,470	(1,858,774)
Total comprehensive income for the period	5,184,363	(695,522)
Total comprehensive income attributable to:		
Company's shareholders	4,353,139	(484,350)
Non-controlling interests	831,224	(211,172)
	5,184,363	(695,522)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

		Unaudited As at 30 June 2021 <i>HK\$'000</i>	Audited As at 31 December 2020 <i>HK\$'000</i>
	Note		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	7	5,461,218	5,224,126
Investment properties	7	85,490,420	83,823,976
Right-of-use assets	7	1,986,626	2,010,595
Properties under development		16,354,187	8,306,893
Land deposits		3,505,548	14,304,249
Associates and joint ventures		32,387,734	30,598,430
Derivative financial instruments		231,432	293,496
Financial assets at fair value through other comprehensive income		1,560,639	1,577,918
Financial assets at fair value through profit or loss		727,117	737,532
Mortgage loans receivable		1,318,375	1,944,669
Intangible assets	7	122,504	122,504
		149,145,800	148,944,388
Current assets			
Properties under development		23,455,597	18,015,885
Completed properties held for sale		8,375,638	9,731,371
Accounts receivable, prepayments and deposits	8	2,027,876	1,616,939
Current portion of mortgage loans receivable		454,892	98,301
Tax recoverable		693,573	176,984
Tax reserve certificates		189,255	189,255
Derivative financial instruments		23,976	779
Restricted bank deposits		923,995	565,770
Cash and bank balances		15,033,262	16,429,494
		51,178,064	46,824,778

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (continued)

		Unaudited As at 30 June 2021 <i>HK\$'000</i>	Audited As at 31 December 2020 <i>HK\$'000</i>
	Note		
Current liabilities			
Accounts payable, deposits received and accrued charges	9	5,843,101	6,608,922
Contract liabilities		8,664,698	4,962,150
Current portion of lease liabilities		53,474	52,555
Taxation		1,493,300	2,080,298
Short-term bank loans and current portion of long-term bank loans	10	7,819,432	4,587,085
Fixed rate bonds		–	2,325,147
Derivative financial instruments		–	843
		23,874,005	20,617,000
Net current assets		27,304,059	26,207,778
Total assets less current liabilities		176,449,859	175,152,166
Non-current liabilities			
Long-term bank loans	10	35,131,749	37,622,263
Amounts due to non-controlling interests		2,294,863	2,749,035
Lease liabilities		21,431	48,444
Derivative financial instruments		252,057	261,349
Deferred taxation		10,293,000	9,814,735
		47,993,100	50,495,826
ASSETS LESS LIABILITIES		128,456,759	124,656,340
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		1,456,501	1,456,501
Share premium		13,065,589	13,062,999
Other reserves		13,974,356	13,310,301
Retained profits		84,345,554	82,042,736
		112,842,000	109,872,537
Non-controlling interests		15,614,759	14,783,803
TOTAL EQUITY		128,456,759	124,656,340

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Operating activities		
Net cash generated from operations	5,206,667	1,654,203
Interest paid	(424,310)	(553,863)
Income tax paid	(1,921,543)	(1,719,303)
Net cash generated from/(used in) operating activities	2,860,814	(618,963)
Investing activities		
Additions of property, plant and equipment	(28,908)	(19,377)
Additions of investment properties	(39,870)	(409,448)
Increase in land deposits	(1,066,109)	(3,787,436)
Disposal of subsidiaries	149,440	-
Increase in investment in associates and joint ventures	(184,076)	-
Dividends received from associates and joint ventures	322,175	295,954
Additional loans to associates and joint ventures	(451,489)	(96,731)
Repayment of loans by associates and joint ventures	97,720	1,016,726
Additional loans from associates and joint ventures	93,320	27,947
Repayment of loans to associates and joint ventures	(14,069)	(126)
Decrease in mortgage loans receivable	248,003	764,551
Interest received	223,539	170,514
Return of investment from financial assets at fair value through profit or loss	36,611	69,748
Increase in restricted bank deposits	(353,669)	(112,819)
Decrease/(increase) in bank deposits maturing after more than three months	11,202	(30,802)
Dividends received from listed and unlisted investments	29,325	25,128
Proceeds from sale of property, plant and equipment	540	359
Proceeds from sale of investment properties	-	105
Proceeds from sale of financial assets at fair value through profit or loss	-	7,394
Net cash used in investing activities	(926,315)	(2,078,313)
Financing activities		
Repayment of bank loans	(16,856,302)	(22,720,623)
Drawdown of bank loans	17,620,354	25,891,239
Principal elements of lease payments	(27,618)	(27,540)
Dividends paid	(1,383,676)	(1,383,676)
Redemption of fixed rate bonds	(2,330,430)	-
Return of capital to non-controlling interests	-	(88,904)
Dividends of subsidiaries paid to non-controlling interests	(268)	(14,786)
Additional loans from non-controlling interests	-	5,399
Repayment of loans to non-controlling interests	(458,878)	(62,169)
Net cash (used in)/generated from financing activities	(3,436,818)	1,598,940
Decrease in cash and cash equivalents	(1,502,319)	(1,098,336)
Effect of exchange rate changes	115,787	(182,308)
Cash and cash equivalents at 1 January	15,874,948	11,701,131
Cash and cash equivalents at 30 June	14,488,416	10,420,487
Analysis of cash and cash equivalents		
Cash and bank balances (excluding bank deposits maturing after more than three months)	14,488,416	10,420,487

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	Attributable to shareholders of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Retained profits	Total		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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 reserves 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	<u>1,456,501</u>	<u>13,065,589</u>	<u>13,974,356</u>	<u>84,345,554</u>	<u>112,842,000</u>	<u>15,614,759</u>	<u>128,456,759</u>

	Attributable to shareholders of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 January 2020	1,456,501	13,061,007	8,526,697	78,660,305	101,704,510	13,678,517	115,383,027
Profit for the period	-	-	-	1,073,933	1,073,933	89,319	1,163,252
Cash flow hedges	-	-	(224,589)	-	(224,589)	-	(224,589)
Share of reserves of associates and joint ventures	-	-	(189,156)	-	(189,156)	-	(189,156)
Net translation differences on foreign operations	-	-	(1,178,545)	-	(1,178,545)	(300,491)	(1,479,036)
Fair value gains on financial assets at fair value through other comprehensive income	-	-	34,007	-	34,007	-	34,007
Total comprehensive income for the six months ended 30 June 2020	-	-	(1,558,283)	1,073,933	(484,350)	(211,172)	(695,522)
Dividends paid	-	-	-	(1,383,676)	(1,383,676)	(14,786)	(1,398,462)
Capital reduction of subsidiaries	-	-	-	-	-	(88,904)	(88,904)
Total transactions with owners	-	-	-	(1,383,676)	(1,383,676)	(103,690)	(1,487,366)
Balance as at 30 June 2020	<u>1,456,501</u>	<u>13,061,007</u>	<u>6,968,414</u>	<u>78,350,562</u>	<u>99,836,484</u>	<u>13,363,655</u>	<u>113,200,139</u>

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 2020 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 2020. The adoption of amendments to existing standards which are effective for the accounting period beginning on 1 January 2021 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 2020 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).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2021:

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets				
Derivative financial instruments	–	255,408	–	255,408
Financial assets at fair value through other comprehensive income	–	–	1,560,639	1,560,639
Financial assets at fair value through profit or loss	56,118	–	670,999	727,117
First mortgage loans receivable	–	–	609,578	609,578
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total assets	<u>56,118</u>	<u>255,408</u>	<u>2,841,216</u>	<u>3,152,742</u>
Liabilities				
Derivative financial instruments	–	252,057	–	252,057
	<u>–</u>	<u>252,057</u>	<u>–</u>	<u>252,057</u>
Total liabilities	<u>–</u>	<u>252,057</u>	<u>–</u>	<u>252,057</u>

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2020:

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets				
Derivative financial instruments	–	294,275	–	294,275
Financial assets at fair value through other comprehensive income	–	–	1,577,918	1,577,918
Financial assets at fair value through profit or loss	31,086	–	706,446	737,532
First mortgage loans receivable	–	–	836,012	836,012
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total assets	<u>31,086</u>	<u>294,275</u>	<u>3,120,376</u>	<u>3,445,737</u>
Liabilities				
Derivative financial instruments	–	262,192	–	262,192
	<u>–</u>	<u>262,192</u>	<u>–</u>	<u>262,192</u>
Total liabilities	<u>–</u>	<u>262,192</u>	<u>–</u>	<u>262,192</u>

There were no transfers between Levels during the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

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	
	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January	836,012	1,717,988	1,577,918	1,453,753	706,446	1,055,735
Return of investment	-	-	-	-	(36,611)	(69,748)
(Losses)/gains recognised in other comprehensive income or profit or loss	-	-	(17,279)	34,007	-	(11,317)
Repayments	(226,434)	(664,468)	-	-	-	-
Exchange adjustment	-	-	-	-	1,164	(40,391)
At 30 June	<u>609,578</u>	<u>1,053,520</u>	<u>1,560,639</u>	<u>1,487,760</u>	<u>670,999</u>	<u>934,279</u>

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.

(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		Commercial properties under development		Completed residential properties		Completed commercial properties		Completed warehouses	Total
	Hong Kong	Mainland	Hong Kong	Mainland	Hong Kong	Mainland	Hong Kong	Mainland	Hong Kong	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
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
At 30 June 2021	<u>504,000</u>	<u>-</u>	<u>16,553,600</u>	<u>4,603,125</u>	<u>10,876,750</u>	<u>48,752,945</u>	<u>4,200,000</u>			<u>85,490,420</u>
At 1 January 2020	1,394,000	5,640,882	16,605,050	4,170,827	11,580,750	36,718,180	4,100,000			80,209,689
Additions	75,909	233,921	79,941	5,260	3,942	10,309	166			409,448
Change in fair value	57,091	332,883	(127,291)	(5,738)	(158,512)	(267,126)	(166)			(168,859)
Disposals	-	-	-	-	(7,130)	-	-			(7,130)
Exchange adjustment	-	(109,563)	-	(81,332)	-	(717,372)	-			(908,267)
At 30 June 2020	<u>1,527,000</u>	<u>6,098,123</u>	<u>16,557,700</u>	<u>4,089,017</u>	<u>11,419,050</u>	<u>35,743,991</u>	<u>4,100,000</u>			<u>79,534,881</u>

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 2021.

Valuation techniques

Fair value of completed properties is mainly derived using the income capitalisation method and whenever appropriate, by direct comparison method.

Income capitalisation method 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.

Direct comparison method 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 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

2. Financial risk management and fair value measurement (continued)

(vii) Valuation of investment properties (continued)

Valuation techniques (continued)

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 2020.

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 2021, capitalisation rates of 2.4% to 5.2% (31 December 2020: 2.4% to 5.2%) and 4.8% to 8.3% (31 December 2020: 4.8% to 8.8%) are used in the income capitalisation method 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 2021. 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 2021.

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	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Principal activities:				
Property rental and others				
– Mainland Property	1,999,165	1,666,123	1,509,980	1,321,057
– Hong Kong Property	656,294	653,935	523,018	524,859
	2,655,459	2,320,058	2,032,998	1,845,916
Property sales (Note)				
– Mainland Property	922,570	375,621	589,317	186,663
– Hong Kong Property	2,007,667	882,917	767,093	326,892
	2,930,237	1,258,538	1,356,410	513,555
Hotel operations – Mainland Property	788,426	338,952	270,080	35,913
	6,374,122	3,917,548	3,659,488	2,395,384
Principal markets:				
– Mainland	3,710,161	2,380,696	2,369,377	1,543,633
– Hong Kong	2,663,961	1,536,852	1,290,111	851,751
	6,374,122	3,917,548	3,659,488	2,395,384

Note: No sales of investment properties were recorded for the six months ended 30 June 2021 (2020: sales from Hong Kong investment properties of HK\$7,360,000 were excluded from revenue).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

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 2021				
	Mainland Property HK\$'000	Hong Kong Property HK\$'000	Total Operating Segments HK\$'000	Others HK\$'000	Total HK\$'000
Revenue	<u>3,710,161</u>	<u>2,663,961</u>	<u>6,374,122</u>	–	<u>6,374,122</u>
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					<u>1,210,132</u>
Operating profit before finance costs					<u>4,432,260</u>
Finance costs					<u>(292,596)</u>
Operating profit					4,139,664
Share of results of associates and joint ventures					<u>1,583,491</u>
Profit before taxation					5,723,155
Taxation					<u>(1,239,262)</u>
Profit for the period					<u>4,483,893</u>
Profit attributable to:					
Company's shareholders					3,773,188
Non-controlling interests					<u>710,705</u>
					<u>4,483,893</u>
Depreciation	<u>223,089</u>	<u>34,771</u>	<u>257,860</u>	<u>668</u>	<u>258,528</u>

	Six months ended 30 June 2020				
	Mainland Property <i>HK\$'000</i>	Hong Kong Property <i>HK\$'000</i>	Total Operating Segments <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>2,380,696</u>	<u>1,536,852</u>	<u>3,917,548</u>	<u>–</u>	<u>3,917,548</u>
Results					
Segment results – gross profit	1,543,633	851,751	2,395,384	–	2,395,384
Other income and net gains					257,403
Selling, administrative and other operating expenses					(771,776)
Decrease in fair value of investment properties					<u>(168,859)</u>
Operating profit before finance costs					1,712,152
Finance costs					<u>(428,432)</u>
Operating profit					1,283,720
Share of results of associates and joint ventures					<u>558,715</u>
Profit before taxation					1,842,435
Taxation					<u>(679,183)</u>
Profit for the period					<u>1,163,252</u>
Profit attributable to:					
Company's shareholders					1,073,933
Non-controlling interests					<u>89,319</u>
					<u>1,163,252</u>
Depreciation	<u>211,710</u>	<u>33,718</u>	<u>245,428</u>	<u>1,912</u>	<u>247,340</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

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 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	<u>117,576,425</u>	<u>67,367,417</u>	<u>4,742,961</u>	<u>189,686,803</u>	<u>87,760,230</u>	<u>(77,123,169)</u>	<u>200,323,864</u>
Total liabilities	<u>61,755,009</u>	<u>28,957,727</u>	<u>1,593,011</u>	<u>92,305,747</u>	<u>56,684,527</u>	<u>(77,123,169)</u>	<u>71,867,105</u>

	As at 31 December 2020						
	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	<u>113,281,820</u>	<u>69,511,917</u>	<u>4,737,295</u>	<u>187,531,032</u>	<u>90,441,743</u>	<u>(82,203,609)</u>	<u>195,769,166</u>
Total liabilities	<u>60,290,706</u>	<u>30,431,279</u>	<u>1,588,431</u>	<u>92,310,416</u>	<u>61,006,019</u>	<u>(82,203,609)</u>	<u>71,112,826</u>

4. Operating profit

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Operating profit is stated after crediting/charging the following:		
<i>Crediting</i>		
Dividend income	29,325	25,128
Interest income	261,374	261,785
Loss on sale of investment properties, net	–	(896)
Gain on disposal of subsidiaries	117,838	–
<i>Charging</i>		
Depreciation of property, plant and equipment and right-of-use assets	258,528	247,340
Total finance costs incurred	413,959	601,965
Less: amount capitalised in properties under development and investment properties under development	(121,363)	(173,533)
Total finance costs expensed during the period	292,596	428,432

5. Taxation

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
The taxation (charge)/credit comprises:		
Mainland taxation		
Current	(598,065)	(348,062)
Over/(Under)-provision in prior years	8	(65,445)
Deferred	(431,224)	(120,462)
	(1,029,281)	(533,969)
Hong Kong profits tax		
Current	(203,436)	(137,510)
(Under)/Over-provision in prior years	(931)	278
Deferred	225	214
	(204,142)	(137,018)
Overseas taxation		
Current	(3,987)	(5,341)
Deferred	(1,852)	(2,855)
	(5,839)	(8,196)
	(1,239,262)	(679,183)

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profit for the six months ended 30 June 2021. Income tax on the Mainland and overseas profits has been calculated on the estimated assessable profit for the six months ended 30 June 2021 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 (continued)

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	
	2021	2020
Weighted average number of ordinary shares in issue	1,456,501,228	1,456,501,228
	HK\$'000	HK\$'000
Profit attributable to shareholders	3,773,188	1,073,933
Basic earnings per share	HK\$2.59	HK\$0.74

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	
	2021	2020
Weighted average number of ordinary shares in issue	1,456,501,228	1,456,501,228
Adjustment for share options	–	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,456,501,228	1,456,501,228
	HK\$'000	HK\$'000
Profit attributable to shareholders	3,773,188	1,073,933
Diluted earnings per share	HK\$2.59	HK\$0.74

7. Capital expenditure

	Property, plant and equipment <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Right-of-use assets <i>HK\$'000</i>	Intangible assets <i>HK\$'000</i>
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)	–	–	–
Transfers	370,301	–	18,826	–
Depreciation	(200,851)	–	(58,088)	–
Exchange adjustment	39,065	416,442	15,293	–
	<u>5,461,218</u>	<u>85,490,420</u>	<u>1,986,626</u>	<u>122,504</u>
Net book value at 30 June 2021	<u>5,461,218</u>	<u>85,490,420</u>	<u>1,986,626</u>	<u>122,504</u>
Net book value at 1 January 2020	5,250,030	80,209,689	2,004,077	122,504
Additions	19,377	409,448	1,282	–
Fair value losses	–	(168,859)	–	–
Disposals	(495)	(7,130)	–	–
Depreciation	(192,611)	–	(55,190)	–
Exchange adjustment	(95,781)	(908,267)	(36,213)	–
	<u>4,980,520</u>	<u>79,534,881</u>	<u>1,913,956</u>	<u>122,504</u>
Net book value at 30 June 2020	<u>4,980,520</u>	<u>79,534,881</u>	<u>1,913,956</u>	<u>122,504</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

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 2021 is as follows:

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Below 1 month	79,457	69,377
Between 1 month and 3 months	60,426	50,597
Over 3 months	<u>26,689</u>	<u>23,935</u>
	<u>166,572</u>	<u>143,909</u>

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 2021 is as follows:

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Below 1 month	127,288	288,376
Between 1 month and 3 months	15,136	24,121
Over 3 months	<u>12,833</u>	<u>6,337</u>
	<u>155,257</u>	<u>318,834</u>

10. Bank loans

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Bank loans – unsecured		
Non-current	35,131,749	37,622,263
Current	7,819,432	4,587,085
	42,951,181	42,209,348

As at 30 June 2021, the Group's bank loans were repayable as follows:

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Within one year	7,819,432	4,587,085
In the second to fifth year		
– In the second year	3,860,293	8,998,313
– In the third year	13,542,040	6,605,746
– In the fourth year	12,674,821	7,941,754
– In the fifth year	1,912,127	10,681,189
	31,989,281	34,227,002
Repayable within five years	39,808,713	38,814,087
Over five years	3,142,468	3,395,261
	42,951,181	42,209,348

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

11. Commitments

At 30 June 2021, the Group had capital and other commitments in respect of investment properties, land costs, properties under development and interest in joint ventures contracted for at the end of the period but not provided for in these financial statements as follows:

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Investment properties	3,165	64,367
Land costs	1,741,501	2,710,342
Properties under development	12,020,815	6,868,220
Interest in joint ventures	2,916,574	–
	<u>16,682,055</u>	<u>9,642,929</u>

12. Contingent liabilities

Guarantees for banking facilities

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
– Guarantees for banking facilities of certain associates and joint ventures (note (i))	4,646,366	4,532,449
– Guarantees to certain banks for mortgage facilities granted to first hand buyers of certain properties in the Mainland (note (ii))	2,938,762	1,639,013
	<u>7,585,128</u>	<u>6,171,462</u>

(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 2021 amounted to approximately HK\$4,646,366,000 (31 December 2020: HK\$4,532,449,000). The total amount of such facilities covered by the Group's guarantees as at 30 June 2021 amounted to approximately HK\$5,071,286,000 (31 December 2020: HK\$5,071,415,000).

(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 2021 amounted to approximately HK\$2,938,762,000 (31 December 2020: HK\$1,639,013,000).

Apart from the above, there are no material changes in contingent liabilities of the Group since 31 December 2020.

13. Related party transactions

The following significant transactions were carried out with related parties during the period:

On 25 May 2021, Kerry Real Estate (Hangzhou) Co. Ltd. ("**KREH**"), a joint venture held by the Group and Shangri-La Asia Limited in the proportion of 75% and 25% respectively, entered into the Agreements with Hangzhou Yutai Management Consultancy Ltd. ("**Yutai**") and Hangzhou Yuxiang Management Consultancy Ltd. ("**Yuxiang**"), both are indirect wholly-owned subsidiaries of Kerry Holdings Limited, the intermediate holding company of the Company, for sale of two units in Lake Grandeur by KREH to Yutai and Yuxiang, respectively, at a total consideration of RMB71,508,400. Based on the book value of RMB19,378,000, upon completion of the transactions in the second half of 2021, the Group will record a gain of approximately RMB15,150,000 from the transactions after deduction of stock costs, direct marketing costs and taxes.

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 2021 and some of them are set out below:

<i>Event</i>	<i>Venue</i>
Citi's Asia Pacific Property Conference 2021	Hong Kong
DBS Vickers HK Property Conference 2021	Hong Kong

STAFF

As at 30 June 2021, the Company and its subsidiaries had approximately 7,700 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.

SHARE OPTIONS

On 20 May 2020, 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 terminated such that no further share options can be offered or granted under the 2011 Share Option Scheme, but the share options which have been granted during the life of the 2011 Share Option Scheme and remain outstanding should continue to be valid and exercisable in accordance with the terms thereof.

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 Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). 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 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 2021, a total of 18,693,500 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 2021 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 30/06/2021	Exercise price per share HK\$	Exercise period
			Outstanding as at 01/01/2021	Transferred to other category during the period ²	Transferred from other category during the period ²	Lapsed during the period			
1. Directors									
Wong Siu Kong	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
Wong Chi Kong, Louis	30/04/2012	I	250,000	-	-	-	250,000	35.45	31/10/2012 – 29/04/2022
	30/04/2012	II	250,000	-	-	-	250,000	35.45	31/10/2013 – 29/04/2022
	08/01/2014	I	400,000	-	-	-	400,000	26.88	08/07/2014 – 07/01/2024
	08/01/2014	II	400,000	-	-	-	400,000	26.88	08/01/2015 – 07/01/2024
2. Continuous Contract Employees									
	30/04/2012	I	1,786,500	(200,000)	-	-	1,586,500	35.45	31/10/2012 – 29/04/2022
	30/04/2012	II	2,275,000	(350,000)	-	-	1,925,000	35.45	31/10/2013 – 29/04/2022
	08/01/2014	I	817,000	-	-	-	817,000	26.88	08/07/2014 – 07/01/2024
	08/01/2014	II	1,384,000	(300,000)	-	-	1,084,000	26.88	08/01/2015 – 07/01/2024
3. Others									
	30/04/2012	I	2,608,000	-	200,000	(130,000)	2,678,000	35.45	31/10/2012 – 29/04/2022
	30/04/2012	II	3,061,000	-	350,000	(130,000)	3,281,000	35.45	31/10/2013 – 29/04/2022
	08/01/2014	I	738,000	-	-	-	738,000	26.88	08/07/2014 – 07/01/2024
	08/01/2014	II	850,000	-	300,000	-	1,150,000	26.88	08/01/2015 – 07/01/2024
Total:			18,953,500	(850,000)	850,000	(260,000)	18,693,500		

Notes:

- The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- The transfers were due to retirement of employees of continuous contracts.
- During the six months ended 30 June 2021, no share option was granted, exercised or cancelled under the 2011 Share Option Scheme.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2021, 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

(a) Long position in ordinary shares of the Company

Names of Directors	Number of ordinary shares interested				Total interests	Approximate % of shareholding [#]
	Personal interests ¹	Family interests ²	Corporate interests ³	Other interests ⁴		
Wong Siu Kong	–	–	–	50,000	50,000	0.00
Kuok Khoon Hua	2,199,413	–	1,000,000	3,297,763	6,497,176	0.45
Bryan Pallop Gaw	–	4,324,763	–	1,202,048	5,526,811	0.38
Wong Chi Kong, Louis	140	–	–	50,000	50,140	0.00

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.

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

Names of Directors	Capacity in which the underlying shares were held	Number of underlying shares in respect of share options granted ^(Note)	Approximate % of shareholding [#]
Wong Siu Kong	Beneficial Owner	3,784,000	0.26
Bryan Pallop Gaw	Beneficial Owner	350,000	0.02
Wong Chi Kong, Louis	Beneficial Owner	1,300,000	0.09

Note: Information on the movement of the Company's share options during the six-month period ended 30 June 2021 is set out in the section headed "SHARE OPTIONS" of this report.

(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 [^]
		Personal interests ¹	Family interests ²	Other interests ³		
Kerry Group Limited	Wong Siu Kong	4,955,973	8,504,300	1,615,476	15,075,749	0.98
	Kuok Khoon Hua	2,000,000	–	233,993,229	235,993,229	15.27
	Bryan Pallop Gaw	2,500,000	186,597,766	48,015,464	237,113,230	15.34
	Wong Chi Kong, Louis	1,571,725	–	1,615,476	3,187,201	0.21
Kerry Logistics Network Limited	Wong Siu Kong	–	–	1,300,000	1,300,000	0.07
	Kuok Khoon Hua	1,101,000	–	3,018,492	4,119,492	0.23
	Bryan Pallop Gaw	–	1,493,382	1,891,024	3,384,406	0.19
	Wong Chi Kong, Louis	–	–	1,300,000	1,300,000	0.07
	Wong Yu Pok, Marina	200,000	–	–	200,000	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
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 discretionary trust(s) of which the relevant Director is a discretionary beneficiary.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(d) Long position in underlying shares of the Associated Corporations

Associated Corporation	Name of Director	Capacity in which the underlying shares were held	Number of underlying shares in respect of share options granted	Approximate % of shareholding [^]
Kerry Group Limited	Wong Siu Kong	Beneficial Owner	2,500,000	0.16

Save as disclosed above, as at 30 June 2021, 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 entered 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 2021, the interests of those persons (other than the Directors) in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO 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 [#]
Kerry Group Limited	Interest of controlled corporations	874,090,494 ^(Note)	60.01
Kerry Holdings Limited	Interest of controlled corporations	746,230,656 ^(Note)	51.23
Caninco Investments Limited	Beneficial owner	312,248,193 ^(Note)	21.44
Darmex Holdings Limited	Beneficial owner	256,899,261 ^(Note)	17.64
Schroders Plc	Investment Manager	101,894,000	6.99
Moslane Limited	Beneficial owner	73,821,498 ^(Note)	5.07

Note: 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.

Save as disclosed above, as at 30 June 2021, no interests or short positions in the shares or underlying shares of the Company had been recorded in the register kept by the Company under Section 336 of the SFO.

The percentage represents the number of ordinary shares of the Company interested divided by the total number of the Company's issued shares as at 30 June 2021 (i.e. 1,456,501,228 ordinary shares).

[^] The percentage has been compiled based on the total number of ordinary shares of the respective Associated Corporations in issue as at 30 June 2021.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code and that the Directors have confirmed their compliance with the required standards set out in the Model Code during the six months ended 30 June 2021.

CORPORATE GOVERNANCE

During the six months ended 30 June 2021, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules.

CHANGE IN INFORMATION OF DIRECTORS

Set out below is the change in the Director's information since the publication of the Company's last annual report, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

- With effect from 29 June 2021, Mr Chang Tso Tung, Stephen, an Independent Non-executive Director of the Company, has resigned as an independent non-executive director of China Life Insurance Company Limited, a company listed on the Stock Exchange (stock code: 2628) and Shanghai Stock Exchange (stock code: 601628).

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

INTERIM DIVIDEND AND QUALIFICATION FOR INTERIM DIVIDEND

The Directors have declared an interim dividend of HK\$0.4 per share for the six months ended 30 June 2021 (the "**Interim Dividend**") (2020: HK\$0.4), amounting to approximately HK\$583 million in aggregate based on 1,456,501,228 ordinary shares in issue as at 30 June 2021 and payable on Friday, 17 September 2021 to the Shareholders whose names appear on the Registers of Members on Monday, 6 September 2021. The ex-dividend date will be Friday, 3 September 2021. The actual amount of Interim Dividend payable will be subject to the actual number of ordinary shares in issue on 6 September 2021.

At the Company's Annual General Meeting held on 27 May 2021, the Shareholders approved the final dividend of HK\$0.95 per share for the year ended 31 December 2020 which amounted to a total of approximately HK\$1.38 billion and was paid on 11 June 2021.

In order to qualify for the Interim Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 6 September 2021.

SPECIAL DIVIDEND

As set out in the section headed “UPDATE ON THE PARTIAL OFFER AND THE DISPOSAL OF SHARES IN KERRY LOGISTICS NETWORK LIMITED AND PROPOSED SPECIAL DIVIDEND” of this report, the Directors have resolved to declare the Special Dividend of HK\$2.3 per share, which is conditional upon completion of the Partial Offer and disposal of KLN Shares and the Special Dividend will be paid to the Shareholders whose names appear on the Registers of Members on a record date to be determined and announced by the Company. For the avoidance of doubt, there is no assurance that the Partial Offer and the disposal of KLN Shares will complete.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2021.

DIRECTORS

As at the date of this report, the Directors of the Company are:

Executive Directors:

Messrs Wong Siu Kong, Kuok Khoon Hua, Bryan Pallop Gaw and Wong Chi Kong, Louis

Independent Non-executive Directors:

Ms Wong Yu Pok, Marina, JP, Mr Chang Tso Tung, Stephen and Mr Hui Chun Yue, David

By Order of the Board

Soon Yuk Tai

Company Secretary

Hong Kong, 19 August 2021