



WHARF

*Established 1886*

THE WHARF (HOLDINGS) LIMITED

Stock Code : 0004

INTERIM REPORT 2021

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# Welcomed Cautious Recovery from Pandemic

## HIGHLIGHTS

- Market for luxury Hong Kong Development Properties (“DP”) is emerging from the shadow of the pandemic while long project time profile increases development risk.
- Strict price control caps Mainland DP returns and suggests a different risk profile. Impairment provisions were made for unprofitable and slow-moving stock.
- For Mainland Investment Properties (“IP”), luxury segment's out-performance is spurring a tenancy chase from new malls. New office supply keeps an unattractive lid on both occupancy and rent.
- Disruptions in supply chains create opportunities for Hong Kong port while materialisation is constrained by shortage of land.

## GROUP RESULTS

The Group reported an underlying net loss of HK\$526 million (2020: HK\$1,132 million).

Group profit attributable to equity shareholders, including IP revaluation surplus and other unrealised accounting gains/losses, was HK\$1,038 million (2020: loss of HK\$1,741 million).

## INTERIM DIVIDEND

A first interim dividend of HK\$0.20 (2020: HK\$0.20) per share will be paid on 15 September 2021 to Shareholders on record as at 6:00 p.m. on 1 September 2021. This will absorb a total amount of HK\$611 million (2020: HK\$610 million).

## BUSINESS REVIEW

### HONG KONG PROPERTIES

A burst of activities in the luxury residential segment on the Peak put the Group in the public spotlight briefly at the beginning of the year. In quick succession, HK\$15.6 billion was invested in two prime sites, five houses and one apartment were sold for a total of HK\$3.4 billion, and two houses were leased for a total monthly rent exceeding HK\$2.2 million.

On an attributable basis, revenue increased to HK\$2,429 million and operating profit to HK\$682 million, mainly due to recognition from houses sold at 77/79 Peak Road. A gain of HK\$573 million was also recognised from disposal of the Group's remaining interest in CABLE TV Tower and One Midtown in Tsuen Wan.

#### The Peak Portfolio

Acquisition of two sites in Mansfield Road doubled the Group's total attributable landbank to nearly 600,000 square feet. However, the development profile in this segment is characterised by long holding period and high capital intensity.

Mount Nicholson may be a useful illustration of the long holding period in this segment. This site was acquired 11 years ago in 2010. It was not until 2016 when the first batch of units was sold. After selling one more apartment at HK\$490 million during the period, 12 units (two houses and 10 apartments) remain unsold. Project internal rate of return will be weighed down by the long holding period.

77/79 Peak Road sold first five houses for a total of HK\$3 billion at up to HK\$92,100 per square foot, with four houses booked in the period. Redevelopment had started in 2012.

### MAINLAND CHINA DEVELOPMENT PROPERTIES

Prevailing policies and strict price control in the residential sector significantly increase development risk and render some projects no longer profitable. On the other hand, oversupply in the non-residential sectors has been observed in many cities with slow-moving stock building. Attributable impairment provisions totaling HK\$3,650 million were made during the period.

Inclusive of joint ventures and associates on an attributable basis, revenue increased by 64% to HK\$6,995 million, while operating profit decreased by 25% to HK\$883 million.

Attributable contracted sales amounted to RMB5.7 billion (2020: RMB8.1 billion), representing 1,815 units totaling 214,400 square metres. Net order book at the end of June was RMB27.3 billion for 0.9 million square metres. In the absence of new acquisitions, the Group's land bank depleted further to 2.6 million square metres.

## MAINLAND CHINA INVESTMENT PROPERTIES

Retail sales is keeping up good growth momentum, mainly led by the luxury segment. However, due to an oversupply of retail space, some landlords are willing to pay a high price to chase a small number of dominant brands. On the office side, the inflating new supply in many cities is keeping an unattractive lid on both occupancy and rent.

Revenue increased by 45% to HK\$2,677 million and operating profit by 50% to HK\$1,780 million, driven mainly by the malls in the International Finance Squares (“IFS”).

### Changsha IFS

Spanning one million square metres, Changsha IFS is a trendsetter for entertainment, dining, lifestyle, retail and culture in Central China. It reported growth of revenue by 90% and operating profit by 122% in the run-up to its third anniversary, compared to the first half of 2020 at the peak of the pandemic.

The 246,000-square-metre mega shopping mall housing over 370 brands reported nearly full occupancy of 99%.

The 452-metre Tower 1, the tallest building in Hunan province, maybe the best address in the city for the still emerging Grade A segment. Occupancy of rental floors climbed to 85%.

The luxury sky hotel at the top floors of Tower 1, Niccolo Changsha, has quickly become the market leader. Record room yield with occupancy of over 95% was achieved in the second quarter of 2021.

Tower 2, which comprises high-end apartments and hotels, is scheduled to complete in phases from the second half of 2022.

### Chengdu IFS

A landmark in Western China, Chengdu IFS reported that revenue increased by 45% and operating profit by 54%.

Ranking regularly among the Mainland’s top 10 for sales, Chengdu IFS mall is renowned for its collection of top tier brands, bridging pop trends and culture. Occupancy maintained high at 96%.

Commanding the highest rental rate in Chengdu, the three Grade A office towers provide a leading platform for Fortune 500 companies and multinational corporations. Occupancy rate improved to 86%.

Niccolo Chengdu has been a market leader soon after opening in 2015. Record room yield with 91% occupancy was reported in the second quarter of 2021.

## WHARF HOTELS

After the opening of Niccolo Suzhou in April, the Group currently manages 17 hotels in Mainland China, Hong Kong and the Philippines under the luxury Niccolo Hotels brand and the foundation Marco Polo Hotels brand, comprising a total of over 5,000 rooms. Three of them are owned by the Group and a fourth by a 50/50 joint venture.

Segment revenue increased by 111% to HK\$259 million from a low base and operating profit was HK\$35 million. The hotel sector is still very sensitive to the ongoing COVID-19 scare. The Group adheres to the strictest health and safety standards and is concurrently preparing for travellers to return upon relaxation of travel restrictions.

## LOGISTICS

Virus control measures at major ports and the Suez Canal congestion caused disruptions in global supply chains. Port activities were further challenged by regional competition and geopolitical tension, whereas air cargo volume saw healthy growth. Segment revenue increased by 13% to HK\$1,361 million and operating profit by 43% to HK\$281 million.

### Modern Terminals (“MTL”)

Hong Kong Seaport Alliance was formed in 2019 to jointly operate the 23 berths at Kwai Tsing Port to enhance efficiency and competitiveness. Nonetheless, handicapped by its natural geographical disadvantage, Kwai Tsing Port mainly competes with other ports in the region for price sensitive transshipment cargo. Disruptions in supply chains create opportunities for Kwai Tsing Port while materialisation is constrained by severe shortage of land.

Throughput handled in Hong Kong increased by 5% to 2.5 million TEUs. In Shenzhen, throughput at DaChan Bay Terminals (MTL’s stake: 65%) increased by 37% to 0.8 million TEUs and at Shekou Container Terminals (MTL’s stake: 20%) by 18% to 3 million TEUs.

### Hong Kong Air Cargo Terminals (“HACTL”)

The 20.8%-owned HACTL, with a substantial market share in the freighters segment, benefitted from market opportunities amidst limited passenger flights in the pandemic. Total cargo handled increased by 26% to 0.9 million tonnes.

## FINANCIAL REVIEW

### (I) REVIEW OF 1H 2021 RESULTS

Group underlying net loss narrowed to HK\$526 million (2020: HK\$1,132 million) after total impairment provisions of HK\$3,650 million for Mainland DP (2020: HK\$2,864 million impairment provision for Hong Kong DP). Including net IP revaluation surplus of HK\$282 million (2020: deficit of HK\$641 million) and other non-recurring gains, the Group reported an attributable profit to Shareholders of HK\$1,038 million (2020: loss of HK\$1,741 million).

#### Revenue and Operating Profit ("OP")

Group revenue increased by 122% to HK\$12,337 million (2020: HK\$5,551 million) and OP by 71% to HK\$4,301 million (2020: HK\$2,517 million).

Hong Kong Properties reported revenue of HK\$2,428 million (2020: nil) and OP of HK\$694 million (2020: loss of HK\$3 million), mainly attributable to sales completion for 4 houses at 77/79 Peak Road.

Mainland DP revenue increased to HK\$4,276 million (2020: HK\$1,176 million) and OP to HK\$714 million (2020: HK\$489 million), on a lower OP margin of 17% (2020: 42%).

Mainland IP revenue increased by 45% to HK\$2,677 million (2020: HK\$1,851 million) and OP by 50% to HK\$1,780 million (2020: HK\$1,183 million), resulting mainly from growth in retail rental upon stabilisation of the COVID pandemic.

Hotels revenue increased by 111% to HK\$259 million (2020: HK\$123 million) and OP improved to HK\$35 million (2020: loss of HK\$49 million) as Mainland hotels recovered from the hard hit first half of 2020.

Logistics revenue increased by 13% to HK\$1,361 million (2020: HK\$1,202 million) and OP by 43% to HK\$281 million (2020: HK\$196 million), mainly due to increase in volume handled by Modern Terminals Limited ("Modern Terminals").

Investment OP increased by 39% to HK\$773 million (2020: HK\$558 million) mainly due to increase in dividend income from the enlarged investment portfolio.

### **IP Revaluation Surplus/Deficit**

The Group's IP portfolio was stated at HK\$75.7 billion (2020: HK\$78.2 billion), based on independent valuation as at 30 June 2021. Including IP held by joint venture, the valuation giving rise to an attributable net revaluation surplus (after related deferred tax and non-controlling interests) of HK\$282 million (2020: deficit of HK\$641 million), credited to the consolidated income statement. Net of deferred tax and non-controlling interests, the portfolio's value attributable to the Group was HK\$67.3 billion.

### **Other Net Charge**

Other net charge was HK\$1,717 million (2020: HK\$2,940 million) which mainly represented impairment provisions of HK\$2,980 million for Mainland DP held by subsidiaries. This was partly compensated by a gain of HK\$573 million (2020: nil) on disposal of interests in certain non-core IP and the fair value gain of HK\$661 million (2020: HK\$132 million) on long term investments classified as financial assets.

### **Finance Costs**

Finance costs decreased by 56% to HK\$264 million (2020: HK\$594 million), which included an unrealised mark-to-market loss of HK\$20 million (2020: HK\$75 million) on cross currency and interest rate swaps. The effective borrowing rate fell to 1.8% (2020: 3.4%). Excluding the mark-to-market loss, finance costs before capitalisation of HK\$273 million (2020: HK\$243 million) decreased by 32% to HK\$517 million (2020: HK\$762 million).

### **Share of Results (after tax) of Associates and Joint Ventures**

Associates' attributable profit decreased to HK\$12 million (2020: HK\$222 million) while joint ventures' attributable loss was HK\$328 million (2020: profit of HK\$372 million), mainly due to lower profit contribution and impairment provisions of HK\$670 million from Mainland DP projects.

## Income Tax

Taxation charge increased to HK\$1,426 million (2020: HK\$352 million), which included a deferred charge of HK\$423 million (2020: credit of HK\$339 million) resulting from the revaluation surplus of Mainland IP.

Excluding the above deferred taxation, tax charge increased by 45% due to higher OP from Mainland IP as well as Land Appreciation Tax on certain Mainland DP projects.

## Profit/Loss to Shareholders

Group profit attributable to equity shareholders amounted to HK\$1,038 million (2020: loss of HK\$1,741 million). Basic earnings per share were HK\$0.34, based on weighted average of 3,053 million shares (2020: basic loss per share HK\$0.57 based on 3,049 million shares).

Group underlying net loss (a performance indicator of the Group's major business segments), mainly excluding the investment revaluation gain of HK\$661 million and IP revaluation surplus of HK\$282 million, narrowed to HK\$526 million (2020: HK\$1,132 million). By segment, Mainland IP increased by 77% to HK\$1,279 million (2020: HK\$723 million), Logistics increased by 66% to HK\$258 million (2020: HK\$155 million), Investments increased by 93% to HK\$686 million (2020: HK\$356 million) but DP loss increased by 23% to HK\$2,808 million (2020: HK\$2,284 million), combining Hong Kong DP profit of HK\$536 million and Mainland DP loss of HK\$3,344 million after the total impairment provisions of HK\$3,650 million.

## (II) DP SALES AND NET ORDER BOOK (INCLUSIVE OF JOINT VENTURE PROJECTS ON AN ATTRIBUTABLE BASIS)

Total contracted sales (including non-core properties) increased by 42% to HK\$12,931 million (2020: HK\$9,120 million).

Mainland contracted sales decreased by 29% to RMB5,695 million (2020: RMB8,060 million). Net order book maintained at RMB27,261 million (December 2020: RMB27,999 million).

Hong Kong contracted DP sales mainly from Peak properties totalled HK\$3,440 million (2020: HK\$267 million). In addition, interests in certain non-core IP were disposed of at a total consideration of HK\$2,647 million (2020: nil).

### **(III) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL COMMITMENTS**

#### **Shareholders' and Total Equity**

As at 30 June 2021, shareholders' equity increased by 4% to HK\$165.1 billion (2020: HK\$158.9 billion), equivalent to HK\$54.03 (2020: HK\$52.07) per share. In addition to the reported profit, the increase was also attributable to HK\$4.8 billion of surplus arising from investment revaluation as at period end which was dealt with in reserves.

Total equity including non-controlling interests increased by 4% to HK\$169.8 billion (2020: HK\$163.5 billion).

#### **Assets**

Total business assets, excluding bank deposits and cash, financial and deferred tax assets, increased by 9% to HK\$256.3 billion (2020: HK\$236.1 billion). Properties, Logistics and Investments assets accounted for 62%, 6%, 32% (2020: 65%/7%/28%) of the Group total, respectively.

Geographically, Mainland business assets amounted to HK\$119.2 billion (2020: HK\$125.5 billion), Hong Kong business assets amounted to HK\$103.3 billion (2020: HK\$86.3 billion) and Overseas business assets, mainly Investments, amounted to HK\$33.8 billion (2020: HK\$24.3 billion), representing 47%, 40% and 13% (2020: 53%/37%/10%) of the Group total, respectively.

#### **Investment properties**

IP portfolio is stated at valuation of HK\$75.7 billion (2020: HK\$78.2 billion), representing 30% (2020: 33%) of total business assets. This portfolio comprised Mainland IP of HK\$58.1 billion (2020: HK\$57.0 billion) and Hong Kong IP of HK\$17.6 billion (2020: HK\$21.2 billion) after disposal of certain non-core interests during the period.

#### **Properties for sale**

DP assets increased by 15% to HK\$48.9 billion (2020: HK\$42.4 billion), comprising Mainland DP of HK\$25.4 billion (2020: HK\$31.2 billion), and Hong Kong DP of HK\$23.5 billion (2020: HK\$11.2 billion) with the addition of Nos. 2-8 Mansfield Road site in Hong Kong.

## Interests in associates and joint ventures

Interests in associates and joint ventures increased by 6% to HK\$35.1 billion (2020: HK\$33.1 billion) following the addition of Nos. 9-11 Mansfield Road site in Hong Kong through a 50%-owned joint venture.

## Long term investments

Long term investments amounted to HK\$81.2 billion (2020: HK\$66.9 billion), of which HK\$73.6 billion are listed, including HK\$6.7 billion in Greentown China Holdings Limited and HK\$66.9 billion in a portfolio of blue chips held for long term growth and/or reasonable dividend yield. The portfolio performed overall in line with the relevant markets. None of the investments is individually material to the Group's total assets. Marking these investments to market produced a net surplus of HK\$4.8 billion (2020: HK\$0.1 billion) as reflected in the Other Comprehensive Income Statement. The surplus was mainly derived from listed equities in new economy sector while those invested in property sector performed stably with reasonable dividend return.

The Group's investment portfolio is analysed by industry sectors and by geographical locations as below:

	30 June 2021 <i>HK\$ Billion</i>	31 December 2020 <i>HK\$ Billion</i>
<b>Analysed by industry sectors</b>		
Properties	24.7	21.7
New economy	45.7	35.8
Others	10.8	9.4
<b>Total</b>	<b>81.2</b>	<b>66.9</b>
<b>Analysed by geographical locations</b>		
Hong Kong	47.3	42.5
Overseas	33.9	24.4
<b>Total</b>	<b>81.2</b>	<b>66.9</b>

## Deposits from sale of properties

Deposits from sale of properties amounted to HK\$7.2 billion (2020: HK\$8.1 billion) pending for recognition in the coming years.

## Net Debt and Gearing

Net debt as at 30 June 2021 increased by 63% to HK\$41.6 billion (2020: HK\$25.5 billion), mainly resulting from payment of HK\$15.6 billion for the acquisition of the two Mansfield Road sites coupled with the net purchase of long-term investments. It comprised of HK\$20.0 billion in bank deposits and cash and HK\$61.6 billion in debts. It includes Modern Terminals' net debt of HK\$4.8 billion (2020: HK\$5.3 billion), which is non-recourse to the Company and its other subsidiaries. At 30 June 2021, the ratio of net debt to total equity rose to 24.5% (2020: 15.6%). Gearing remained modest and the Group will continue to maintain a reasonable level of surplus cash to facilitate business and investment activities.

## Finance and Availability of Facilities

Total available loan facilities and issued debt securities as at 30 June 2021 amounting to HK\$73.5 billion, of which HK\$61.6 billion had been utilised, are analysed as below:

	Available Facilities <i>HK\$ Billion</i>	Utilised Facilities <i>HK\$ Billion</i>	Un-utilised Facilities <i>HK\$ Billion</i>
<b>Company/wholly-owned subsidiaries</b>			
Committed and uncommitted bank facilities	50.8	45.6	5.2
Debt securities	11.2	11.2	–
	62.0	56.8	5.2
<b>Non-wholly-owned subsidiaries</b>			
Committed and uncommitted facilities — Modern Terminals	11.5	4.8	6.7
<b>Group total</b>	<b>73.5</b>	<b>61.6</b>	<b>11.9</b>

Of the above debts, HK\$12.8 billion (2020: HK\$7.9 billion) was secured by mortgages over certain IP, DP and other property, plant and equipment together with carrying value of HK\$33.9 billion (2020: HK\$26.5 billion).

The Group's debt portfolio comprised primarily United States dollar, Hong Kong dollar and Renminbi. Funds sourced from such debt portfolio were mainly used to finance IP, DP and port investments.

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

The Group continued to maintain a strong financial position with ample surplus cash and undrawn committed facilities to facilitate business and investment activities. In addition, the Group also maintained a portfolio of liquid listed investments with an aggregate market value of HK\$73.6 billion (2020: HK\$60.9 billion).

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

For the period under review, the Group recorded net cash inflow of HK\$3.7 billion (2020: HK\$2.0 billion) before changes in working capital. A decrease in working capital of HK\$9.2 billion (2020: increase of HK\$2.1 billion) mainly from the acquisition of Nos. 2-8 Mansfield Road site generated a total net outflow from operating activities of HK\$6.7 billion (2020: inflow of HK\$2.8 billion). For investing activities, the Group recorded a net outflow of HK\$8.9 billion (2020: HK\$4.8 billion) mainly for the increase in interests in joint ventures arising from the acquisition of Nos. 9-11 Mansfield Road site and net purchases of other long term investments, partly compensated by sales of interests in certain non-core IP.

## Major Capital and Development Expenditures

Major expenditures incurred in 2021 are analysed as follows:

	Hong Kong <i>HK\$ Million</i>	Mainland China <i>HK\$ Million</i>	Total <i>HK\$ Million</i>
<b>Properties</b>			
IP	173	211	384
DP	15,907	2,842	18,749
	16,080	3,053	19,133
<b>Others</b>	47	1	48
<b>Group total</b>	16,127	3,054	19,181

- i. IP expenditure was mainly for construction of the Peak Properties.
- ii. DP expenditures included land cost payments for 100%-owned Nos. 2-8 Mansfield Road and 50%-owned Nos. 9-11 Mansfield Road sites totalling HK\$15.6 billion.
- iii. DP and IP expenditures included HK\$4.8 billion for property projects undertaken by associates and joint ventures.
- iv. Other expenditure was mainly related to Modern Terminals' terminal equipment.

## Commitment

As at 30 June 2021, major expenditures to be incurred in the coming years was estimated at HK\$22.5 billion, of which HK\$9.7 billion was committed. They are analysed by segment as below:

	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million
<b>IP</b>			
Hong Kong	786	303	1,089
Mainland China	159	224	383
	945	527	1,472
<b>DP</b>			
Hong Kong	470	6,957	7,427
Mainland China	6,378	5,274	11,652
	6,848	12,231	19,079
<b>Others</b>	1,930	23	1,953
<b>Group total</b>	<b>9,723</b>	<b>12,781</b>	<b>22,504</b>

Properties commitments are mainly for land cost and construction cost, inclusive of attributable commitments to associates and joint ventures, to be incurred by stages.

These expenditures will be funded by internal financial resources including surplus cash, cash flows from operations including pre-sale proceeds, as well as bank and other borrowings. Other available resources include listed equity investments available for sale.

## (IV) HUMAN RESOURCES

The Group had approximately 6,700 employees as at 30 June 2021, including about 1,100 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective group's achievement and results.

## CONSOLIDATED INCOME STATEMENT

For The Six Months Ended 30 June 2021 — Unaudited

	Note	Six months ended 30 June	
		2021 HK\$ Million	2020 HK\$ Million
<b>Revenue</b>	2	<b>12,337</b>	5,551
Direct costs and operating expenses		<b>(6,715)</b>	(1,895)
Selling and marketing expenses		<b>(317)</b>	(239)
Administrative and corporate expenses		<b>(624)</b>	(549)
Operating profit before depreciation, amortisation, interest and tax		<b>4,681</b>	2,868
Depreciation and amortisation		<b>(380)</b>	(351)
<b>Operating profit</b>	2 & 3	<b>4,301</b>	2,517
Increase/(decrease) in fair value of investment properties		<b>572</b>	(946)
Other net charge	4	<b>(1,717)</b>	(2,940)
Finance costs	5	<b>3,156</b>	(1,369)
Share of results after tax of: Associates		<b>(264)</b>	(594)
Joint ventures		<b>12</b>	222
		<b>(328)</b>	372
Profit/(loss) before taxation		<b>2,576</b>	(1,369)
Income tax	6	<b>(1,426)</b>	(352)
<b>Profit/(loss) for the period</b>		<b>1,150</b>	(1,721)
<b>Profit/(loss) attributable to:</b>			
Equity shareholders		<b>1,038</b>	(1,741)
Non-controlling interests		<b>112</b>	20
		<b>1,150</b>	(1,721)
<b>Earnings/(loss) per share</b>	7		
Basic		<b>HK\$0.34</b>	(HK\$0.57)
Diluted		<b>HK\$0.34</b>	(HK\$0.57)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Six Months Ended 30 June 2021 — Unaudited

	Six months ended 30 June	
	2021 HK\$ Million	2020 HK\$ Million
<b>Profit/(loss) for the period</b>	<b>1,150</b>	(1,721)
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
Fair value changes on equity investments	<b>4,776</b>	79
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange difference on translation of Mainland operations	<b>823</b>	(983)
Share of other comprehensive income of associates/ joint ventures	<b>159</b>	(189)
<b>Other comprehensive income for the period</b>	<b>5,758</b>	(1,093)
<b>Total comprehensive income for the period</b>	<b>6,908</b>	(2,814)
<b>Total comprehensive income attributable to:</b>		
Equity shareholders	<b>6,750</b>	(2,782)
Non-controlling interests	<b>158</b>	(32)
	<b>6,908</b>	(2,814)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 30 June 2021 — Unaudited

	Note	30 June 2021 HK\$ Million	31 December 2020 HK\$ Million
<b>Non-current assets</b>			
Investment properties		75,665	78,151
Property, plant and equipment		13,032	13,250
Interests in associates		15,740	16,898
Interests in joint ventures		19,315	16,241
Other long term investments		81,211	66,875
Goodwill and other intangible assets		298	298
Deferred tax assets		1,059	670
Derivative financial assets		203	275
Other non-current assets		24	24
		<b>206,547</b>	192,682
<b>Current assets</b>			
Properties for sale		48,910	42,396
Trade and other receivables	9	2,700	2,160
Derivative financial assets		205	189
Bank deposits and cash		20,002	16,668
		<b>71,817</b>	61,413
<b>Total assets</b>		<b>278,364</b>	254,095
<b>Non-current liabilities</b>			
Derivative financial liabilities		(344)	(351)
Deferred tax liabilities		(14,445)	(13,915)
Other non-current liabilities		(21)	(30)
Bank loans and other borrowings	11	(42,519)	(30,625)
		<b>(57,329)</b>	(44,921)
<b>Current liabilities</b>			
Trade and other payables	10	(20,885)	(21,607)
Deposits from sale of properties		(7,211)	(8,098)
Derivative financial liabilities		(218)	(199)
Taxation payable		(3,803)	(4,245)
Bank loans and other borrowings	11	(19,081)	(11,549)
		<b>(51,198)</b>	(45,698)
<b>Total liabilities</b>		<b>(108,527)</b>	(90,619)
<b>NET ASSETS</b>		<b>169,837</b>	163,476
<b>Capital and reserves</b>			
Share capital		30,364	30,270
Reserves		134,693	128,584
<b>Shareholders' equity</b>		<b>165,057</b>	158,854
<b>Non-controlling interests</b>		<b>4,780</b>	4,622
<b>TOTAL EQUITY</b>		<b>169,837</b>	163,476

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Six Months Ended 30 June 2021 — Unaudited

	Attributable to equity shareholders of the Company						Total equity HK\$ Million
	Share capital HK\$ Million	Investments revaluation and other reserves HK\$ Million	Exchange reserves HK\$ Million	Revenue reserves HK\$ Million	Total shareholders' equity HK\$ Million	Non-controlling interests HK\$ Million	
<b>At 1 January 2021</b>	<b>30,270</b>	<b>8,708</b>	<b>481</b>	<b>119,395</b>	<b>158,854</b>	<b>4,622</b>	<b>163,476</b>
Changes in equity for the period:							
Profit for the period	-	-	-	1,038	1,038	112	1,150
Other comprehensive income	-	4,776	936	-	5,712	46	5,758
<b>Total comprehensive income</b>	<b>-</b>	<b>4,776</b>	<b>936</b>	<b>1,038</b>	<b>6,750</b>	<b>158</b>	<b>6,908</b>
Transfer from property revaluation reserve to revenue reserves upon disposal	-	(1,427)	-	1,427	-	-	-
Transfer to revenue reserves upon de-recognition of equity investments	-	(121)	-	121	-	-	-
Shares issued under the share option scheme	94	(30)	-	-	64	-	64
Second interim dividends paid for 2020 (Note 8b)	-	-	-	(611)	(611)	-	(611)
<b>At 30 June 2021</b>	<b>30,364</b>	<b>11,906</b>	<b>1,417</b>	<b>121,370</b>	<b>165,057</b>	<b>4,780</b>	<b>169,837</b>
<b>At 1 January 2020</b>	<b>30,221</b>	<b>2,569</b>	<b>(5,096)</b>	<b>115,180</b>	<b>142,874</b>	<b>3,469</b>	<b>146,343</b>
Changes in equity for the period:							
(Loss)/profit for the period	-	-	-	(1,741)	(1,741)	20	(1,721)
Other comprehensive income	-	79	(1,120)	-	(1,041)	(52)	(1,093)
<b>Total comprehensive income</b>	<b>-</b>	<b>79</b>	<b>(1,120)</b>	<b>(1,741)</b>	<b>(2,782)</b>	<b>(32)</b>	<b>(2,814)</b>
Transfer to revenue reserves upon de-recognition of equity investments	-	(1,187)	-	1,187	-	-	-
Shares issued under the share option scheme	5	(1)	-	-	4	-	4
Equity settled share-based payments	-	1	-	-	1	-	1
Second interim dividends paid for 2019 (Note 8b)	-	-	-	(229)	(229)	-	(229)
<b>At 30 June 2020</b>	<b>30,226</b>	<b>1,461</b>	<b>(6,216)</b>	<b>114,397</b>	<b>139,868</b>	<b>3,437</b>	<b>143,305</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For The Six Months Ended 30 June 2021 — Unaudited

	Six months ended 30 June	
	2021 HK\$ Million	2020 HK\$ Million
<b>Operating cash inflow</b>	<b>3,694</b>	2,018
Changes in working capital/others	<b>(8,693)</b>	2,531
Tax paid	<b>(1,727)</b>	(1,764)
<b>Net cash (used in)/generated from operating activities</b>	<b>(6,726)</b>	2,785
<b>Investing activities</b>		
Additions to investment properties and property, plant and equipment	<b>(502)</b>	(529)
Other cash used in investing activities	<b>(8,423)</b>	(4,284)
<b>Net cash used in investing activities</b>	<b>(8,925)</b>	(4,813)
<b>Financing activities</b>		
Dividends paid to equity shareholders	<b>(611)</b>	(229)
Other cash generated from/(used in) financing activities	<b>19,426</b>	(4,238)
<b>Net cash generated from/(used in) financing activities</b>	<b>18,815</b>	(4,467)
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>3,164</b>	(6,495)
Cash and cash equivalents at 1 January	<b>16,668</b>	25,091
Effect of exchange rate changes	<b>170</b>	(257)
<b>Cash and cash equivalents at 30 June (Note)</b>	<b>20,002</b>	18,339

Note:

### Cash and cash equivalents

	2021 HK\$ Million	2020 HK\$ Million
Bank deposits and cash in the consolidated statement of financial position	<b>20,002</b>	18,339

## NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

### 1. Principal Accounting Policies and Basis of Preparation

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

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

The unaudited interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2020. The unaudited interim financial information and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

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

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial information for the current accounting period:

Amendments to HKFRS 9, Interest Rate Benchmark Reform — Phase 2  
HKAS 39 and HKFRS 7

The Group has assessed the impact of the adoption of the above amendments and considered that there was no significant impact on the Group’s results and financial position or any substantial changes in the Group’s accounting policies for the current and prior periods have been prepared or presented.

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

The financial information relating to the financial year ended 31 December 2020 that is included in the unaudited interim financial information as comparative information does not constitute the Company’s statutory annual financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622 of the laws of Hong Kong) (“Companies Ordinance”) is as follows:

## 1. Principal Accounting Policies and Basis of Preparation (continued)

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

## 2. Segment Information

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

Investment properties segment primarily includes property leasing and management operations. The Group's properties portfolio, which mainly consists of retail, office and serviced apartments is primarily located in Mainland China.

Development properties segment encompasses activities relating to the acquisition, development, sales and marketing of the Group's trading properties primarily in Hong Kong and Mainland China.

Hotels segment includes hotel management in Asia. The Group operates 17 hotels in Asia, four of which are owned by the Group.

Logistics segment mainly includes the container terminal operations in Hong Kong and Mainland China undertaken by Modern Terminals Limited, and Hong Kong Air Cargo Terminals Limited.

Investments segment includes a diversified portfolio of listed equity investments in Hong Kong and overseas and unlisted investments, mainly property and new economy companies. The performance of the portfolio is assessed and monitored by top management regularly.

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

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

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

## 2. Segment Information (continued)

### a. Analysis of segment revenue and results

For the six months ended	Revenue HK\$ Million	Operating profit/ (loss) HK\$ Million	Increase/ (decrease) in fair value of investment properties HK\$ Million	Other net charge HK\$ Million	Finance costs HK\$ Million	Share of results after tax of associates HK\$ Million	Share of results after tax of joint ventures HK\$ Million	Profit/ (loss) before taxation HK\$ Million
30 June 2021								
Investment properties	2,746	1,787	572	-	(98)	-	166	2,427
Hong Kong	69	7	221	-	(14)	-	-	214
Mainland China	2,677	1,780	351	-	(84)	-	166	2,213
Development properties	6,704	1,408	-	(2,998)	-	(128)	(499)	(2,217)
Hong Kong	2,428	694	-	-	-	-	(11)	683
Mainland China	4,276	714	-	(2,998)	-	(128)	(488)	(2,900)
Hotels	259	35	-	-	-	1	2	38
Logistics	1,361	281	-	(19)	(49)	139	3	355
Terminals	1,358	278	-	2	(49)	85	3	319
Others	3	3	-	(21)	-	54	-	36
Investments	773	773	-	661	(69)	-	-	1,365
Segment total	11,843	4,284	572	(2,356)	(216)	12	(328)	1,968
Others	494	235	-	639	(48)	-	-	826
Corporate expenses	-	(218)	-	-	-	-	-	(218)
<b>Group total</b>	<b>12,337</b>	<b>4,301</b>	<b>572</b>	<b>(1,717)</b>	<b>(264)</b>	<b>12</b>	<b>(328)</b>	<b>2,576</b>
30 June 2020								
Investment properties	1,932	1,227	(946)	19	(148)	-	(8)	144
Hong Kong	81	44	(17)	22	(17)	-	-	32
Mainland China	1,851	1,183	(929)	(3)	(131)	-	(8)	112
Development properties	1,176	486	-	(3,084)	(1)	122	386	(2,091)
Hong Kong	-	(3)	-	(2,864)	-	(1)	242	(2,626)
Mainland China	1,176	489	-	(220)	(1)	123	144	535
Hotels	123	(49)	-	-	-	-	(4)	(53)
Logistics	1,202	196	-	(22)	(89)	100	(2)	183
Terminals	1,196	190	-	(1)	(89)	59	(2)	157
Others	6	6	-	(21)	-	41	-	26
Investments	558	558	-	132	(199)	-	-	491
Segment total	4,991	2,418	(946)	(2,955)	(437)	222	372	(1,326)
Others	560	330	-	15	(157)	-	-	188
Corporate expenses	-	(231)	-	-	-	-	-	(231)
<b>Group total</b>	<b>5,551</b>	<b>2,517</b>	<b>(946)</b>	<b>(2,940)</b>	<b>(594)</b>	<b>222</b>	<b>372</b>	<b>(1,369)</b>

## 2. Segment Information (continued)

### b. Disaggregation of revenue

<b>Six months ended 30 June</b>	<b>2021</b> <i>HK\$ Million</i>	2020 <i>HK\$ Million</i>
<b>Revenue recognised under HKFRS 15</b>		
Sale of development properties	<b>6,704</b>	1,176
Management and services income	<b>292</b>	222
Hotels	<b>259</b>	123
Logistics	<b>1,361</b>	1,202
	<b>8,616</b>	2,723
<b>Revenue recognised under other accounting standards</b>		
Rental income under investment properties segment		
Fixed	<b>1,490</b>	1,262
Variable	<b>964</b>	448
Investments	<b>773</b>	558
Others	<b>494</b>	560
	<b>3,721</b>	2,828
<b>Group total</b>	<b>12,337</b>	5,551

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date, i.e. revenue from hotels, logistics and management fees under investment properties segment as the Group recognises revenue at the amount to which it has a right to invoice, which corresponds directly with the value to the customer of the Group's performance completed to date.

## 2. Segment Information (continued)

### c. Geographical information

Six months ended 30 June	Revenue		Operating profit	
	2021	2020	2021	2020
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	4,397	1,571	1,712	890
Mainland China	7,820	3,934	2,475	1,586
Others	120	46	114	41
<b>Group total</b>	<b>12,337</b>	<b>5,551</b>	<b>4,301</b>	<b>2,517</b>

## 3. Operating Profit

Operating profit is arrived at:

	Six months ended 30 June	
	2021	2020
	HK\$ Million	HK\$ Million
<b>After charging:</b>		
Depreciation and amortisation on		
— Hotel and other property, plant and equipment	316	297
— leasehold land	44	35
— right-of-use assets	20	19
Total depreciation and amortisation	380	351
Staff cost (Note)	913	824
Cost of trading properties for recognised sales	4,084	591
Direct operating expenses of investment properties	955	630
<b>After crediting:</b>		
Gross rental revenue from investment properties	2,746	1,932
Interest income	214	303
Dividend income from other long term investments	773	558

Note:

Staff costs included contributions to defined contribution pension schemes of HK\$102 million (2020: HK\$64 million), which included MPF schemes after a forfeiture of HK\$2 million (2020: HK\$1 million) and no equity-settled share-based payment expenses (2020: HK\$1 million).

#### 4. Other Net Charge

Other net charge for the period amounted to HK\$1,717 million (2020: HK\$2,940 million) mainly comprises:

- a. Net provision for diminution in value of HK\$2,980 million was made for certain development properties held by subsidiaries in Mainland China (2020: HK\$2,864 million for a development property in Hong Kong).
- b. A gain of HK\$573 million arose from disposal of interests in certain non-core investment properties.
- c. Net exchange loss of HK\$28 million (2020: HK\$200 million), including impacts of foreign exchange contracts.
- d. Net fair value gain of HK\$661 million (2020: HK\$132 million) on other long term investments which was classified as financial assets at fair value through profit or loss.

#### 5. Finance Costs

	Six months ended 30 June	
	2021	2020
	HK\$ Million	HK\$ Million
Interest charged on:		
Bank loans and overdrafts	340	493
Other borrowings	137	241
Total interest charge	477	734
Other finance costs	40	28
Less: Amount capitalised	(273)	(243)
	244	519
Fair value loss:		
Cross currency interest rate swaps	20	50
Interest rate swaps	–	25
	20	75
<b>Group total</b>	<b>264</b>	<b>594</b>

- a. The Group's average effective borrowing rate for the period was 1.8% p.a. (2020: 3.4% p.a.).
- b. The above interest charge has taken into account the interest paid/receipts in respect of interest rate swaps and cross currency interest rate swaps.

## 6. Income Tax

Taxation charged/(credited) to the consolidated income statement represents:

	Six months ended 30 June	
	2021 HK\$ Million	2020 HK\$ Million
<b>Current income tax</b>		
Hong Kong		
— provision for the period	240	59
— under/(over-) provision in respect of prior years	33	(6)
Outside Hong Kong		
— provision for the period	929	275
— over-provision in respect of prior years	(114)	(65)
	<b>1,088</b>	263
<b>Land appreciation tax (“LAT”) in Mainland China</b>	<b>237</b>	121
<b>Deferred tax</b>		
Change in fair value of investment properties	423	(339)
Origination and reversal of temporary differences	231	307
Benefit of previously unrecognised tax losses now recognised	(553)	–
	<b>101</b>	(32)
<b>Group total</b>	<b>1,426</b>	352

- a. The provision for Hong Kong profits tax is based on the profit for the period as adjusted for tax purposes at the rate of 16.5% (2020: 16.5%).
- b. Income tax on assessable profits outside Hong Kong is mainly corporate income tax and withholding tax in Mainland China, calculated at a rate of 25% (2020: 25%) and up to 10%, respectively.
- c. Under the Provisional Regulations on LAT, all gains arising from transfer of real estate properties in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights, borrowings costs and all property development expenditures.
- d. Tax attributable to associates and joint ventures for the six months ended 30 June 2021 of HK\$216 million (2020: HK\$219 million) is included in the share of results of associates and joint ventures.

## 7. Earnings/(Loss) Per Share

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity shareholders for the period of HK\$1,038 million (2020: loss of HK\$1,741 million) and the weighted average of 3,053 million ordinary shares in issue during the period (2020: 3,049 million ordinary shares).

The calculation of diluted earnings/(loss) per share is based on the profit attributable to equity shareholders for the period of HK\$1,038 million (2020: loss of HK\$1,741 million) and the weighted average of 3,053 million (2020: 3,050 million) ordinary shares which is the weighted average number of ordinary shares in issue during the period after adjusting for the effect of deemed issue of shares under the Company's share option scheme. For the prior period, the effect of all share options was excluded from the calculation of diluted loss per share as the conversion of potential ordinary shares in relation to the outstanding share options would have an anti-dilutive effect.

## 8. Dividends Attributable to Equity Shareholders

	Six months ended 30 June			
	2021 HK\$ per share	2021 HK\$ Million	2020 HK\$ per share	2020 HK\$ Million
First interim dividend declared after the end of the reporting period	0.20	611	0.20	610

- a. The first interim dividend based on 3,056 million (2020: 3,049 million) issued ordinary shares declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.
- b. The second interim dividend of HK\$611 million for 2020 was approved and paid in 2021.

## 9. Trade and Other Receivables

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

	30 June 2021 <i>HK\$ Million</i>	31 December 2020 <i>HK\$ Million</i>
Trade receivables		
0–30 days	139	164
31–60 days	62	48
61–90 days	26	16
Over 90 days	169	248
	<b>396</b>	476
Other receivables and prepayments	<b>2,304</b>	1,684
<b>Group total</b>	<b>2,700</b>	2,160

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

## 10. Trade and Other Payables

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

	30 June 2021 <i>HK\$ Million</i>	31 December 2020 <i>HK\$ Million</i>
Trade payables		
0–30 days	336	369
31–60 days	275	302
61–90 days	72	23
Over 90 days	295	170
	<b>978</b>	864
Rental and customer deposits	<b>1,376</b>	1,362
Construction costs payable	<b>5,297</b>	6,733
Amounts due to associates	<b>7,755</b>	7,427
Amounts due to joint ventures	<b>1,864</b>	1,761
Other payables	<b>3,615</b>	3,460
<b>Group total</b>	<b>20,885</b>	21,607

## 11. Bank Loans and Other Borrowings

	30 June 2021 <i>HK\$ Million</i>	31 December 2020 <i>HK\$ Million</i>
Bonds and notes (unsecured)	11,194	8,994
Bank loans (secured)	12,806	7,857
Bank loans (unsecured)	37,600	25,323
<b>Total bank loans and other borrowings</b>	<b>61,600</b>	42,174
<b>Analysis of maturities of the above borrowings:</b>		
<b>Current borrowings</b>		
Due within 1 year	19,081	11,549
<b>Non-current borrowings</b>		
Due after more than 1 year but not exceeding 5 years	39,595	26,334
Due after more than 5 years	2,924	4,291
	<b>42,519</b>	30,625
<b>Total bank loans and other borrowings</b>	<b>61,600</b>	42,174

## 12. Fair Values Measurement of Financial Instruments

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

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

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

## 12. Fair Values Measurement of Financial Instruments (continued)

### a. Assets and liabilities carried at fair value (continued)

#### *Financial instruments carried at fair value*

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

	At 30 June 2021				At 31 December 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
<b>Assets</b>								
Other long term investments:								
— Equity investments	73,567	-	-	73,567	60,875	-	-	60,875
— Unlisted investments	-	-	7,644	7,644	-	-	6,000	6,000
Derivative financial instruments:								
— Forward foreign exchange contracts	-	45	-	45	-	46	-	46
— Interest rate swaps	-	263	-	263	-	342	-	342
— Cross currency interest rate swaps	-	100	-	100	-	76	-	76
	<b>73,567</b>	<b>408</b>	<b>7,644</b>	<b>81,619</b>	<b>60,875</b>	<b>464</b>	<b>6,000</b>	<b>67,339</b>
<b>Liabilities</b>								
Derivative financial instruments:								
— Forward foreign exchange contracts	-	102	-	102	-	72	-	72
— Interest rate swaps	-	304	-	304	-	192	-	192
— Cross currency interest rate swaps	-	156	-	156	-	286	-	286
Bank loans and other borrowings:								
— Bonds and notes	-	5,676	-	5,676	-	4,699	-	4,699
— Bank loans	-	619	-	619	-	482	-	482
	<b>-</b>	<b>6,857</b>	<b>-</b>	<b>6,857</b>	<b>-</b>	<b>5,731</b>	<b>-</b>	<b>5,731</b>

During the six months ended 30 June 2021 and 2020, there were no transfers of instruments between Level 1 and Level 2, or transfers into or out of Level 3.

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

## 12. Fair Values Measurement of Financial Instruments (continued)

### a. Assets and liabilities carried at fair value (continued)

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

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

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

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

#### ***Valuation techniques and inputs used in Level 3 fair value measurements:***

The Group's unlisted investments measured at categorised in Level 3 comprise private equity funds. These private equity funds were managed by unrelated asset managers who applied various investment strategies to accomplish their respective investment objectives. The fair value of these funds is recorded based on valuations supplied by the fund managers. These valuations are measured by the percentage of ownership of the private equity's net asset value, which is an unobservable input. The fund managers estimated the fair value of underlying investments based on direct market quote for Level 1 financial instruments. For other investments, the fund managers apply appropriate valuation techniques such as latest transaction price, discounted cash flow, or a forward price/earnings multiple arrived at by comparison with publicly-traded comparable companies and after applying a liquidity discount. The models are calibrated regularly and tested for validity using prices from any observable current market transactions in the same instruments or based on any available observable market data.

## 12. Fair Values Measurement of Financial Instruments (continued)

### a. Assets and liabilities carried at fair value (continued)

#### **Valuation techniques and inputs used in Level 3 fair value measurements: (continued)**

The movement during the period in the balance of these Level 3 fair value measurements are as follows:

	2021 HK\$ Million	2020 HK\$ Million
<b>Unlisted investments</b>		
At 1 January	6,000	2,361
Payment for purchases	985	622
Net unrealised gains recognised in the consolidated income statement during the period	661	132
Disposal	(2)	–
At 30 June	7,644	3,115

Any gain or loss arising from the remeasurement of the Group's unlisted investments are recognised in the other net charge (Note 4) in the consolidated income statement.

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

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

## 13. Material Related Party Transactions

Material transactions between the Group and related parties during the period ended 30 June 2021 are as follows:

- a. There was rental income totalling HK\$72 million (2020: HK\$47 million) from various tenants which are wholly or partly owned by companies which in turn are wholly owned by the family interests of close family members of, or by a trust the settlor of which is a close family member of the chairman of Wheelock and Company Limited ("Wheelock").
- b. There were in existence agreements with subsidiaries of Wharf Real Estate Investment Company Limited ("Wharf REIC") for the management, marketing, project management and technical services on Wharf REIC's hotel operations. Total fees receivable under this arrangement during the current period amounted to HK\$7 million (2020: HK\$4 million). Such transaction also constitutes a connected transaction as defined under the Listing Rules.

### 13. Material Related Party Transactions (continued)

- c. There were in existence agreements with subsidiaries of Wharf REIC for the provision of property services on Wharf REIC's property projects. Total fee receivable under this agreement during the current period amount to HK\$9 million (2020: HK\$61 million). Such transaction also constitutes a connected transaction as defined under the Listing Rules.
- d. The Group paid property services fees in respect of the Group's property projects totalling HK\$51 million (2020: HK\$62 million). Of which, HK\$25 million (2020: HK\$44 million) was paid to subsidiaries of Wheelock and Wharf REIC and also constitutes a connected transaction as defined under the Listing Rules.
- e. The Group recognised capitalised rent totalling HK\$112 million (2020: HK\$103 million) for the provision of rental services provided by Wharf REIC to the Group. Such transaction also constitutes a connected transaction as defined under the Listing Rules.

### 14. Contingent Liabilities

As at 30 June 2021, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to overdrafts, short term loans and credit facilities, bonds and notes of up to HK\$65,028 million (31/12/2020: HK\$62,039 million). There were also contingent liabilities in respect of guarantees given by the Company on behalf of joint ventures and associates of HK\$5,620 million (31/12/2020: HK\$6,897 million) of which HK\$3,602 million had been drawn (31/12/2020: HK\$3,683 million).

As at 30 June 2021, there were guarantees of HK\$2,299 million (31/12/2020: HK\$3,020 million) provided by the Group to the financial institutions in favour of their customers in respect of the mortgage loans provided by the financial institutions to those customers for the purchase of the Group's development properties. There were also mortgage loan guarantees of HK\$5,159 million (31/12/2020: HK\$4,985 million) provided by joint ventures and associates of the Group to the financial institutions in favour of their customers.

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

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

## 15. Commitments

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

	30 June 2021			31 December 2020		
	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million
<b>(i) Properties</b>						
<b>Investment properties</b>						
Hong Kong	786	303	1,089	812	–	812
Mainland China	159	224	383	235	177	412
	945	527	1,472	1,047	177	1,224
<b>Development properties</b>						
Hong Kong	470	6,957	7,427	12,311	–	12,311
Mainland China	6,378	5,274	11,652	6,509	6,211	12,720
	6,848	12,231	19,079	18,820	6,211	25,031
<b>Properties total</b>						
Hong Kong	1,256	7,260	8,516	13,123	–	13,123
Mainland China	6,537	5,498	12,035	6,744	6,388	13,132
	7,793	12,758	20,551	19,867	6,388	26,255
<b>(ii) Others</b>	1,930	23	1,953	1,584	42	1,626
	1,930	23	1,953	1,584	42	1,626
<b>Group total</b>	<b>9,723</b>	<b>12,781</b>	<b>22,504</b>	<b>21,451</b>	<b>6,430</b>	<b>27,881</b>

- (i) Properties commitments are mainly for construction costs to be incurred in the forthcoming period including HK\$0.1 billion (31/12/2020: HK\$12.0 billion) attributable land costs.
- (ii) The expenditure for development properties included attributable amounts for developments undertaken by joint ventures and associates totalled HK\$5,655 million (31/12/2020: HK\$4,248 million).

## 16. Comparative Figures

Certain comparative figures on segment reporting have been reclassified to conform to current period's presentation.

## 17. Review of Unaudited Interim Financial Information

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

## CORPORATE GOVERNANCE CODE

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

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

## CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

A set of the Company’s own code of conduct (the “Company’s Code”) was adopted by the Company in 2014 to govern securities transactions of the Directors of the Company (the “Directors”) with terms thereof being no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors (except Mr Kevin C Y Hui who was appointed as Director with effect from 1 July 2021), and all those Directors have complied with the required standard set out in the Model Code and the Company’s Code during the period under review.

## DIRECTORS' INTERESTS IN SECURITIES

### (A) INTERESTS IN SHARES

At 30 June 2021, Directors of the Company had the following beneficial interests, all being long positions, in the shares of the Company, Modern Terminals Limited ("Modern Terminals") (the Company's subsidiary) and Greentown China Holdings Limited ("Greentown") (the Company's associated corporation of which the Company is interested in more than 20% of its issued shares). The percentages which the relevant shares represented to the total number of shares in issue of the three companies respectively are also set out below:

	Quantity held (percentage, where applicable)	Nature of Interest
<b>The Company</b>		
Stephen T H Ng	3,785,445 (0.1239%)	Personal Interest
Andrew O K Chow	800,000 (0.0262%)	Personal Interest
Paul Y C Tsui	300,000 (0.0098%)	Personal Interest
Y T Leng	1,050,000 (0.0344%)	Personal Interest
Kevin K P Chan	520,000 (0.0170%)	Personal Interest
Vincent K Fang	500,000 (0.0164%)	Personal Interest
David Muir Turnbull	70,000 (0.0023%)	Personal Interest
<b>Modern Terminals</b>		
Hans Michael Jebson	3,787 (5.40%)	Corporate Interest
<b>Greentown</b>		
Andrew O K Chow	390,000 (0.02%)	Personal Interest

Notes:

- (1) *The interests in shares disclosed above do not include interests in share options of the Company held by Directors as at 30 June 2021. Details of such interests in share options are separately set out below under the sub-section headed "(B) Interests in Share Options of the Company".*
- (2) *The shareholdings classified as "Corporate Interest" in which the Director concerned was taken to be interested as stated above were interests of corporation(s) at general meetings of which the relevant Director was either entitled to exercise (or taken under Part XV of the Securities and Futures Ordinance (the "SFO") to be able to exercise) or control the exercise of one-third or more of the voting power in general meetings of such corporation(s).*

## (B) INTERESTS IN SHARE OPTIONS OF THE COMPANY

Set out below are particulars of all interests (all being personal interests) in share options held during the six months ended 30 June 2021 by Directors of the Company to subscribe for ordinary shares of the Company granted/exercisable under the share option scheme of the Company:

Name of Director	Date of grant (Day/Month/Year)	No. of shares under option			Subscription price per share (HK\$)	Vesting/Exercise Period (Day/Month/Year)
		As at 1 January 2021	Exercised during the period	As at 30 June 2021 (percentage based on total no. of shares in issue)		
Stephen T H Ng	07/07/2016	1,000,000	(1,000,000) <sup>(1)</sup>	–	15.92	08/07/2019–07/07/2021 08/07/2020–07/07/2021
		1,000,000	(600,000) <sup>(1)</sup>	400,000		
		<b>Total</b>	<b>2,000,000</b>	<b>(1,600,000)<sup>(1)</sup></b>		
Andrew O K Chow	07/07/2016	500,000	(500,000) <sup>(2)</sup>	–	15.92	08/07/2018–07/07/2021 08/07/2019–07/07/2021 08/07/2020–07/07/2021
		600,000	(600,000) <sup>(2)</sup>	–		
		600,000	(300,000) <sup>(2)</sup>	300,000		
		<b>Total</b>	<b>1,700,000</b>	<b>(1,400,000)<sup>(2)</sup></b>		
Y T Leng	07/07/2016	200,000	(200,000) <sup>(3)</sup>	–	15.92	08/07/2018–07/07/2021 08/07/2019–07/07/2021 08/07/2020–07/07/2021
		200,000	(200,000) <sup>(3)</sup>	–		
		200,000	(200,000) <sup>(3)</sup>	–		
		<b>Total</b>	<b>600,000</b>	<b>(600,000)<sup>(3)</sup></b>		
Kevin K P Chan	07/07/2016	200,000	(200,000) <sup>(4)</sup>	–	15.92	08/07/2019–07/07/2021 08/07/2020–07/07/2021
		200,000	(200,000) <sup>(4)</sup>	–		
		<b>Total</b>	<b>400,000</b>	<b>(400,000)<sup>(4)</sup></b>		
<b>Grand Total</b>		<b>4,700,000</b>	<b>(4,000,000)</b>	<b>700,000</b>		

Notes:

- (1) *The weighted average closing price of the Company's shares immediately before the dates of exercises of share options by Mr Stephen T H Ng during the period was HK\$20.43 per share.*
- (2) *The weighted average closing price of the Company's shares immediately before the dates of exercises of share options by Mr Andrew O K Chow during the period was HK\$24.28 per share.*
- (3) *The closing price of the Company's shares immediately before the date of exercise of share options (all exercised on the same day) by Ms Y T Leng during the period was HK\$29.75 per share.*
- (4) *The weighted average closing price of the Company's shares immediately before the dates of exercises of share options by Mr Kevin K P Chan during the period was HK\$21.58 per share.*
- (5) *Except as disclosed above, no share option of the Company held by Directors and/or their associate(s) lapsed or was exercised or cancelled during the financial period, and no share option of the Company was granted to any Director and/or their associate(s) during the financial period.*

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

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

Names	No. of ordinary shares (percentage based on total number of shares in issue)
(i) Wheelock and Company Limited ("Wheelock")	1,829,207,551 (59.87%)
(ii) HSBC Trustee (C.I.) Limited ("HSBC Trustee")	1,829,207,551 (59.87%)

Notes:

- (1) For the avoidance of doubt and double counting, it should be noted that the shareholdings stated against parties (i) and (ii) above represented the same block of shares.
- (2) The deemed shareholding interests of Wheelock and HSBC Trustee of 1,829,207,551 shares (59.87%) as at 30 June 2021 stated above included interests held through Wheelock's wholly-owned subsidiaries as below:

Names	No. of ordinary shares (percentage based on total number of shares in issue)
(i) Lynchpin Limited ("LL")	265,576,072 (8.69%)
(ii) WF Investment Partners Limited ("WIPL")	711,224,579 (23.28%)
(iii) High Fame Investments Limited ("HFIL")	387,022,000 (12.67%)
(iv) Locus Investments Pte. Ltd. ("LIPL")	98,436,000 (3.22%)
(v) Max Bloom International Development Limited	680,000 (0.02%)
(vi) Crystal Pond Limited ("CPL")	^235,791,000 (7.72%)
(vii) Greeley Global Investments Limited ("GGIL")	40,695,000 (1.33%)
(viii) Meridian Genius Holdings Limited ("MGHL")	27,356,000 (0.90%)
(ix) Golden Chariot Holdings Limited ("GCHL")	81,801,000 (2.68%)
(x) ACE Orchard Limited ("AOL")	86,916,000 (2.84%)
(xi) Alpha Pioneer Investments Limited ("APIL")	16,894,000 (0.55%)
(xii) Captain Concord Limited ("CCL")	13,464,000 (0.44%)
(xiii) Kowloon Wharf Pte Limited ("KWPL")	*1,828,527,551 (59.85%)

^ For the avoidance of doubt and double counting, it should be noted that CPL's interests included the shareholding interests of GGIL, MGHL and GCHL.

\* For the avoidance of doubt and double counting, it should be noted that KWPL's interests included the shareholding interests of LL, WIPL, HFIL, LIPL, CPL, AOL, APIL and CCL. Further, KWPL's interests also included 10,614,900 shares (0.35%) and 2,589,000 shares (0.08%) deemed shareholding interests held through Ample Elect Limited and Buzz Century Limited respectively, both being indirect wholly-owned subsidiaries of Harbour Centre Development Limited, being a publicly listed subsidiary of Wharf Real Estate Investment Company Limited ("Wharf REIC") which in turn is 48.98%-owned by Wheelock as at 30 June 2021.

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

## SHARE OPTION SCHEME

Details of the Company's share options granted to Directors of the Company and the relevant movement(s) during the financial period are set out in the sub-section headed "(B) Interests in Share Options of the Company".

Set out below are particulars and movement(s), if any, during the financial period of all of the Company's outstanding share options which were granted to certain employees (all of them being present Directors of the Company), all working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance and are participants with options not exceeding the respective individual limits:

Date of grant (Day/Month/Year)	No. of shares under option			Vesting/Exercise Period (Day/Month/Year)	Subscription price per share (HK\$)
	As at 1 January 2021	Exercised during the period	As at 30 June 2021		
07/07/2016	700,000	(700,000)	–	08/07/2018–07/07/2021	15.92
	2,000,000	(2,000,000)	–	08/07/2019–07/07/2021	
	2,000,000	(1,300,000)	700,000	08/07/2020–07/07/2021	
<b>Total</b>	<b>4,700,000</b>	<b>(4,000,000)</b>	<b>700,000</b>		

Notes:

- (1) The weighted average closing price of the Company's shares immediately before the dates of exercises of the share options during the period was HK\$23.29 per share.
- (2) Except as disclosed above, no share option of the Company lapsed or was granted, exercised or cancelled during the financial period.

## CHANGES IN INFORMATION OF DIRECTORS

- (I) There is no change in the information relating to Directors' emoluments since the publication of the last annual report of the Company which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.
- (II) Given below are changes in other information of the Director(s) of the Company required to be disclosed pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) under the Listing Rules since the publication of the last annual report of the Company:

	<b>Effective Date</b>
<b>Elizabeth Law</b>	
<ul style="list-style-type: none"><li>Sunwah International Limited (listed on the Toronto Stock Exchange until 14 June 2021) — resigned as independent non-executive director</li></ul>	30 June 2021
<ul style="list-style-type: none"><li>Equal Opportunities Commission — ceased to be member</li></ul>	19 May 2021

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

By Order of the Board of  
**The Wharf (Holdings) Limited**  
**Kevin C Y Hui**  
*Director and Company Secretary*

Hong Kong, 10 August 2021

*As at the date of this interim report, the Board comprises Mr Stephen T H Ng, Mr Andrew O K Chow, Mr Paul Y C Tsui, Ms Y T Leng, Mr Kevin K P Chan and Mr Kevin C Y Hui, together with seven INEDs, namely, Professor Edward K Y Chen, Mr Vincent K Fang, Mr Hans Michael Jebsen, Ms Elizabeth Law, Mr Richard Y S Tang, Ms Nancy S L Tse and Mr David Muir Turnbull.*

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