新世界發展有限公司
New World Development Company Limited
(incorporated in Hong Kong with limited liability)
(Hong Kong Stock Code: 0017)

# Interim Results Announcement 2021/2022

**Results Highlights:**

- The Group recorded consolidated revenues of HK$35,572.8 million, basically the same as 1HFY2021. Underlying profit was HK$3,899.2 million and profit attributable to shareholders of the Company was HK$1,430.4 million, up by 4.8% and 41.2% respectively
- The Group's attributable contracted sales in Hong Kong amounted to about HK$3.88 billion
- The Group's overall contracted sales in Mainland China amounted to about RMB9.34 billion
- Tremendous 86.6% growth in segment results of Mainland China property development, with improvement in segment margin from 30% in 1HFY2021 to 66% in 1HFY2022
- Robust 25.8 % YOY growth in segment results of property investment following an increasing recurring rental income from K11 MUSEA and the Grade A office building K11 ATELIER King's Road in Quarry Bay, and an improvement in operational efficiency
- Continuous stringent cost control efforts as evidenced by an approximately 5.0% YOY decrease in recurring administrative and other operating expenses
- Non-core asset disposal amounted to approximately HK$3.81 billion in 1HFY2022
- Total capital resources amounted to approximately HK$103.2 billion, including cash and bank balances of approximately HK$52.4 billion and undrawn facilities from banks of approximately HK$50.8 billion
- Overall financing cost decreased from 2.93% in 1HFY2021 to 2.52% in 1HFY2022
- All refinancing of borrowings due in FY2022 has been taken care of
- FY2022 interim dividend: HK$0.56 per share, the same as FY2021 interim, maintains the prevailing sustainable and progressive dividend policy

# Business Review

**Hong Kong Property Development**
Hong Kong saw easing COVID-19 conditions in 2H2021 and an 11-year new low in one-month HIBOR concerning the property market, which kept unleashing local housing demand. According to the public data from the Land Registry, Hong Kong recorded a 5.1% year-on-year rise in the agreements for primary sale and purchase of residential building units and a 16.5% year-on-year uptick in the consideration of such agreements from July 2021 to December 2021.

During the period under review, the Group's revenues and segment results of property development in Hong Kong, including joint development projects, amounted to HK$767.1 million and HK$542.2 million, respectively. The contributions were mainly attributable to the carpark project of ACADEMIC TERRACE, and residential projects including ARTRA-REDHILL, DOUBLE COVE, ATRIUM HOUSE, and MOUNT PAVILIA.

During the period under review, the Group's attributable contracted sales in Hong Kong amounted to approximately HK$3.88 billion, which were mainly contributed by the Grade A office project at 888 Lai Chi Kok Road, Cheung Sha Wan and the residential projects including MOUNT PAVILIA and ATRIUM HOUSE. As at 31 December 2021, the Group had a total of 230 residential units available for sale in Hong Kong, of which 200 residential units were under the lead of the sales team of the Group.

In December 2020, sales commenced at the Grade A office project at 888 Lai Chi Kok Road, Cheung Sha Wan, comprising a 28-storey building with a total GFA of approximately 520,000 sq ft, which was expected to complete in April 2022. It was the first major project launched by the Group following the abolition of the Double Stamp Duty on non-residential property transactions announced by the government. As at 31 December 2021, 67% of the attributable GFA of the project were sold, contributing HK$5.50 billion to the attributable contracted sales.

As at 31 December 2021, among the unrecognised attributable income from contracted sales of properties in Hong Kong, HK$6,013 million would be booked in 2HFY2022 and HK$24,809 million would be booked in FY2023. Key projects expected to be booked in 2HFY2022 include the Grade A office project at 888 Lai Chi Kok Road, Cheung Sha Wan. Key projects expected to be booked in FY2023 include THE PAVILIA FARM I and II.

**Hong Kong Property Investment and Others**
Affected by the pandemic, challenges abounded across the office building market in Hong Kong over the previous year, as many tenants relocated from traditional commercial districts to cut their costs. On the other hand, as market sentiment improved in 2H2021, the Group was pleased to witness medical beauty centres, clinics and fitness centres actively relocate to Grade A office buildings for upgrade and expand their service floors, becoming an emerging force in the market.

In light of the above trend, aside from addressing regular office demand, the Group has strategically introduced reputable service providers such as medical beauty centres and clinics to set up their business in the Group's office buildings. Meanwhile, the Group has also developed new office hubs in non-traditional core commercial districts such as Island East and Tsim Sha Tsui, to accommodate tenants exiting traditional commercial districts. During the period under review, occupancy rate climbed further for the Grade A office building K11 ATELIER King's Road in Quarry Bay, and remained at a relatively high level of roughly 80% for K11 ATELIER in Victoria Dockside, Tsim Sha Tsui.

During the period under review, the Group's revenues and segment results of property investment in Hong Kong amounted to HK$1,497.4 million and HK$1,105.7 million, up 4.0% and 33.6% respectively, mainly due to the increasing recurring rental income from K11 MUSEA and the Grade A office building K11 ATELIER King's Road in Quarry Bay, and an improvement in operational efficiency.

With visitors barred from entering Hong Kong under the pandemic, the Group took the initiative to offer local customers differentiated shopping experience by leveraging on the prominent brand characteristic and unique artistic sense of K11. During the period under review, the Group managed to attract a batch of loyal members through its continuous launch of creative marketing and festival activities. In particular, the flagship mall K11 MUSEA recorded a year-on-year increase of 21% in sales during the period under review, whilst its total footfall amounted to around 12 million with a year-on-year increase of 21%.

K11 Art Mall upgraded its tenant portfolio amidst the pandemic, adding over 30 new brands which mainly targeted "Gen Z" consumption experience and introducing pop-up stores of several well-received animations which set foot in Hong Kong for the first time, so as to fulfil the demand for freshness by "Gen Z". The mall also held a range of arts and cultural events to popularise art and increase footfall. During the period under review, the overall average occupancy rate of K11 Art Mall remained at around 100%, with sales and footfall up by 28% and 33% year on year respectively. In December 2021, its footfall reached a historic new high, with the sales eclipsing the pre-pandemic level.

**Hong Kong Landbank**

Land supply shortage stands as a long-term problem besetting the Hong Kong society. In the 2021 Policy Address, the government launched a series of measures to expedite land searching for housing construction, which included proposing the Northern Metropolis Development Strategy for the long-term development of northern New Territories; reclamation plans for western waters; and easing the sale restrictions on Tso/Tong lands (ancestral lands) in the New Territories. The Group believed that the above measures would be conducive to increasing long-term land supply, but that it would remain difficult for private housing land supply to meet the housing demand of citizens in the short to medium term.

Apart from its engagement in public tenders, the Group also actively worked on old building acquisitions and farmland conversions, to replenish its Hong Kong landbank through diversified channels and provide stable land resource for future development.

During the period under review, through its joint venture, the Group successfully acquired Kai Tak Area 4B Site 4 for residential projects from a Mainland developer and its related persons at a total consideration of HK$7,948 million. The newly acquired land, together with the three residential land parcels acquired by consortia of the Group in 2018 and 2019, further expanded the landbank of the Group in the prime Kai Tak section.

As at 31 December 2021, the Group had a landbank with a total attributable GFA of approximately 9.77 million sq ft in Hong Kong available for immediate development, of which approximately 4.88 million sq ft was for property development use. Meanwhile, the Group had an agricultural landbank with a total attributable land area of approximately 16.27 million sq ft pending land use conversion in New Territories, approximately 90% of which was located within the "Northern Metropolis".

In line with the government's Northern Metropolis development plan, the Group expedited farmland conversions to unlock their value. During the period under review, the Group applied to the Town Planning Board for developing three plots of agricultural land in Yuen Long, namely Ngau Tam Mei, Wing Kei Tsuen and Lin Barn Tsuen, into large-scale residential projects. The Group has a total attributable GFA of approximately 3.56 million sq ft in the three projects, which are expected to provide nearly 8,000 residential units.

In January 2022, the Town Planning Board approved the rezoning application for the Sai Kung Sha Ha project held by the Group's consortium. With the project to be used to develop strata residential units, the Group has a total attributable GFA of approximately 720,000 sq ft that provides 966 units. The Group will submit application for deed amendment as soon as possible.

| **Landbank by District**<br><br><br><br><br>**As at 31 December 2021** | **Property Development Total Attributable GFA (sq ft '000)** | **Property Investment and Others Total Attributable GFA (sq ft '000)** | **Total Attributable GFA (sq ft '000)** |
|---|---:|---:|---:|
| Hong Kong Island | 772.7 | - | 772.7 |
| Kowloon | 2,060.0 | 1,118.1 | 3,178.1 |
| New Territories | 2,050.3 | 3,767.4 | 5,817.7 |
| **Total** | **4,883.0** | **4,885.5** | **9,768.5** |

| **Agricultural Landbank by District**<br><br><br>**As at 31 December 2021** | **Total Land Area (sq ft '000)** | **Total Attributable Land Area (sq ft '000)** |
|---|---:|---:|
| Yuen Long District | 12,199.3 | 11,200.5 |
| North District | 2,487.0 | 2,183.2 |
| Sha Tin District and Tai Po District | 1,912.1 | 1,858.0 |
| Sai Kung District | 1,195.9 | 1,024.3 |
| **Total** | **17,794.3** | **16,266.0** |

To alleviate the local housing problems, in September last year, the Group founded the social housing enterprise New World Build for Good, which proposed Hong Kong's first Subsidised Private Housing Model, with new homes that will be sold at 50% to 60% of the market rate. It is also pioneering the ground-breaking Progressive Payment Mortgage Model that will allow young families to purchase quality and sizeable new flats with an affordable down payment, and draw down a mortgage of just 50% of the purchase price. As part of the proposed model, the Group will be donating a plot of land in New Territories West as its pilot site. New World Build for Good is now in discussion with the relevant government departments, banks and regulators with regard to the proposal, and will announce its details in due course.

In addition, New World Development also announced in 2019 that it would donate its farmland reserves to non-profit organisations and/or the Hong Kong SAR government for social housing projects such as transitional homes, with an aim to improve the living conditions of the underprivileged. Since then, a total of four projects have reached their pre-planning stage that will provide an estimate of over 2,000 units. Among these, projects in Fan Kam Road and Ngau Tam Mei have received the approval from the Town Planning Board, and have begun their ensuing construction work.

**Mainland China Property Development**

The Group adheres to its strategic vision of "Improving Integration and Connectivity in the Greater Bay Area, Continually Refining the Yangtze River Delta Region and Proactively Developing Key First-Tier Cities Nationwide". By actively tapping into its experience and expertise, the Group continues to promote city-industry integration and social innovation. As a result, many of its quality projects yielded outstanding results, with steady development of the ecosystem and frequent successes in project acquisitions. Meanwhile, the Group works to mobilise its own and related industries, talents, technology and capital to concentrate these resources in different Mainland cities, optimise its presence in the Yangtze River Delta, and actively develop a diversified layout of businesses and investments across key first-tier cities nationwide. The Group achieved milestone progress in many projects in Wuhan, Shanghai and Hangzhou, played a pioneering role in improving society and assisted in the high-quality development of its cities.

The Central Government has maintained its target of stabilising land prices, housing prices as well as expectations, proactively minimizing the risk of a real estate bubble, and continuing the steady and sound development of the real estate market. The data released by the National Bureau of Statistics indicated that the sales area of residential properties in Mainland China amounted to 1.79 billion sq m in 2021, a YOY increase of 1.9%, and sales proceeds of residential properties amounted to RMB18.2 trillion, with a YOY growth of 4.8%.

During the period under review, the Group's revenues and segment results of property development in Mainland China, including joint development projects, amounted to HK$8,579.5 million and HK$5,704.9 million respectively. The contributions were mainly attributable to residential projects including Guangzhou, Shenyang and Ningbo.

The Mainland real estate sector has been subject to tightening regulatory policies and a tightening credit environment. Under these challenging market conditions, leveraging its premium brand and high quality projects, the Group's achieved its objectives for the first half of the year, with strong total contracted sales of properties in Mainland China during the period under review. The Group's total contracted sales area of properties in Mainland China amounted to approximately 245,000 sq m for the period under review, with total sales proceeds of RMB9.34 billion. The average price of overall contracted sales exceeded RMB38,000 per sq m. Breaking down the geographical distribution of contracted sales proceeds, the Southern Region, led by the Greater Bay Area, was the largest contributor, accounting for over 87%, followed by the North-eastern Region, which accounted for 11%. Contributions were mainly generated from the projects in the Greater Bay Area, such as Qianhai CTF Financial Tower, Guangzhou Covent Garden New World Canton Bay, Shenzhen Prince Bay BAYHOUSE and Guangzhou Foshan Canton First Estate.

**Contracted Sales by Region**

| **As at 31 December 2021**<br>**Region** | **Area**<br>**(sq m '000)** | **Proceeds**<br>**(RMB m)** |
|---|---|---|
| Southern Region (i.e., the Greater Bay Area) | 163 | 8,131 |
| Eastern Region (i.e., the Yangtze River Delta Region) | 5 | 90 |
| Central Region | 6 | 74 |
| North-eastern Region | 71 | 1,040 |
| **Total** | **245** | **9,335** |

In addition, the Central Government encourages quality enterprises to intensify their merger and acquisition of real estate projects in the market-oriented fashion, creating opportunities for well-established real estate developers with strong financial positions. During the period under review, by virtue of its strategy of steady development and deep -rooted presence in the Greater Bay Area, the Group managed to acquire 3 projects in the Greater Bay Area. It was also active in exploring the "Quick Win" strategy to achieve swift land acquisition, construction and bookings, faster capital return and higher operational efficiency.

During the period under review, online contract signing was completed for the South Tower of Qianhai CTF Financial Tower, the Group's project in the Shenzhen Qianhai Free Trade Zone. Upon construction completion, the entire building will be sold to a Fortune Global 500 financial institution. The South Tower of the project has a total GFA of over 49,000 sq m, with a total sales price of more than RMB3.2 billion. Upon completion, the project is set to upgrade the commercial amenities in the region, optimise and upgrade the business environment of Qianhai, and support the growth of Qianhai's economy and the development of the financial industry in Shenzhen.

As of 31 December 2021, the Group's unrecognised gross income from contracted sales of properties in Mainland China amounted to approximately RMB8.77 billion, of which RMB3.43 billion and RMB5.34 billion will be booked in FY2022 and FY2023 respectively.

The Group maintained its non-core asset disposal strategy, continually working to identify suitable opportunities, optimise its business portfolio, and investing in its core businesses that offer high growth and potential. During the period under review, the Group disposed of commercial and office buildings and carparks in Mainland China which generated approximately RMB180 million.

During the period under review, the Group's total GFA of projects completed in Mainland China (excluding carparks) was approximately 310,000 sq m, a large portion of which is located in the Greater Bay Area and the North-eastern Region. The total GFA of completion (excluding carparks) is expected to reach approximately 1,103,000 sq m in FY2022.

**1HFY2022 Project Completion in Mainland China — Property Development**

| Region | Project / Total GFA (sq m) | Residential | Commercial | Total (excluding carparks) | Total (including carparks) |
|---|---|---|---|---|---|
| Shenyang | Shenyang New World Garden Phase 2C-1 | 75,298 | - | 75,298 | 75,298 |
| Foshan | Guangzhou Foshan Canton First Estate CF-35 | 6,496 | - | 6,496 | 6,496 |
| Shenzhen | Prince Bay BAYHOUSE (Prince Bay Project DY02-04) | 54,726 | 24,840 | 79,566 | 79,566 |
| | **Total** | **136,520** | **24,840** | **161,360** | **161,360** |

**1HFY2022 Project Completion in Mainland China — Property Investment, Hotel and Others**

| Region | Project/Total GFA (sq m) | Commercial | Office | Hotel | Exhibition Centre | Total (excluding carparks) | Total (including carparks) |
|---|---|---|---|---|---|---|---|
| Ningbo | Ningbo Land No. 5 | 1,285 | 81,172 | 42,921 | - | 125,378 | 127,523 |
| Beijing | Beijing New View Commercial Centre | - | 9,817 | - | 13,937 | 23,754 | 34,380 |
| | **Total** | **1,285** | **90,989** | **42,921** | **13,937** | **149,132** | **161,903** |

**2HFY2022 Project Completion Plan in Mainland China — Property Development**

| Region | Project / Total GFA (sq m) | Residential | Commercial | Office | Total (excluding carpark) | Total (including carpark) |
|---|---|---|---|---|---|---|
| Shenyang | Shenyang New World Centre SA1 | 107,589 | - | - | 107,589 | 107,589 |
| | Shenyang New World Centre SA2 | 104,142 | - | - | 104,142 | 104,142 |
| | Shenyang New World Centre SA3 | 75,354 | - | - | 75,354 | 75,354 |
| Guangzhou | Guangzhou Covent Garden Phase 1D | 96,459 | - | - | 96,459 | 96,459 |
| | Zengcheng Comprehensive Development Project | 99,077 | 13,787 | 30,886 | 143,750 | 223,727 |
| Foshan | Guangzhou Foshan Canton CF-32 | 82,149 | 1,093 | - | 83,242 | 105,769 |
| | Guangzhou Foshan Canton CF-03 | 37,192 | - | - | 37,192 | 48,762 |
| | **Total** | **601,962** | **14,880** | **30,886** | **647,728** | **761,802** |

**2HFY2022 Project Completion Plan in Mainland China — Property Investment, Hotel and Others**

| Region | Project/Total GFA (sq m) | Residential | Commercial | Office | Hotel | Total (excluding carparks) | Total (including carparks) |
|---|---|---|---|---|---|---|---|
| Guangzhou | Guangzhou Covent Garden Phase 1D | - | 10,030 | - | - | 10,030 | 32,692 |
| | Zengcheng Comprehensive Development Project | 5,795 | - | 105,439 | 23,363 | 134,597 | 164,999 |
| | **Total** | **5,795** | **10,030** | **105,439** | **23,363** | **144,627** | **197,691** |

**Mainland China Property Investment and Others**

Despite COVID-19 reemergences with sporadic cases appearing in various provinces and cities, Mainland China saw domestic circulation sustain continued growth, with further expansion of domestic demand, faster uptick in residents' income and consumption, continuous optimisation of the ecosystem for innovation and entrepreneurship, as well as swift growth in new industries and operating models. The data released by the National Bureau of Statistics indicated that total retail sales of consumer goods amounted to RMB44,082.3 billion in 2021, registering a 12.5% increase from the same period last year.

During the period under review, the Group's revenues of property investment in Mainland China amounted to HK$1,020.6 million, representing a 16.7% YOY increase due to stable occupancy rates of major projects in its investment property portfolio.

Benefitting from strong sales growth in Mainland China, the Group leveraged its unique brand positioning of K11 to deliver stellar sales performance for its K11 Art Malls owned or managed by the Group in Mainland China.

Hosted at the Guangzhou K11, the global premiere of Hajime Sorayama "Future Land" attracted a record-breaking 31,000-plus visitors and generated an exhibition revenue of nearly RMB15 million in 3 months, as well as over RMB22 million of related consumption by visitors, demonstrating cultural retail as a robust growth engine. Our festive "K-HUB Market" brought together trendy local brands that attracted holiday customers, to create a young and festive consumer culture in Guangzhou. During the National Holiday in 2021, such events contributed to a 17% YOY rise in customer traffic and a 24.4% YOY increase in sales. Furthermore, Guangzhou K11 hosted multiple activities such as Brand Day, Fashion Pass and cross-store gift points which, together with the Group's points programmes, increased members loyalty and stickiness, promoted cross-store consumption and frequency, and effectively boosted sales with exclusive VIP activities.

Wuhan K11 Art Mall I commenced operation last year, representing full operation of the Wuhan Hankou K11 project. With artistic elements as the key driver, it serves as an an engine urban fashion trends. Wuhan K11 Art Mall works to create the largest art co-creation project in Wuhan, powered by fashion trends to garner a mix of high-profile brands. So far, Wuhan K11 Art Mall has cooperated with over 60 brands which opened their first store opening there. Positioned to attract Gen Z customers, Wuhan K11 Select, which locates at Guanggu, houses more than 20 first-store/exclusive/internet viral Gen Z brands, and has hosted over 20 exclusive Gen Z events, which led to an 18% YOY increase in sales. In December 2021, Wuhan K11 Select recorded a record-breaking high of RMB59 million in sales and total member count of 580,000.

Sales of Shanghai K11 were 1% above expectations. In August 2021, it launched “88 Summer Shopping Carnival” (88 夏日狂歡購) in conjunction with the online platform “KLUB 11”, bolstering sales through an array of activities such as exhibitions, VIP parties and Colourful Members (繽紛多彩會員). In July 2021, construction commenced formally for the second Shanghai K11 project at the land parcel of Huaihai Middle Road. With its prime location in the Huaihai Middle Road, the core business district, the project has recruited creative talents from top design teams worldwide. They will uphold the core philosophy of “Art · People · Nature” of K11 and combine it with the unique charm of the century-old Huaihai Road. These efforts will integrate art and business and embody the essence of K11 “Cultural Retail” to construct a new cultural landmark that deepens Shanghai’s cultural exchange with international arts, and promotes the cultural soft power of Shanghai.

Driven by various content and member activities, Shenyang K11 delivered a 10.8% YOY rise in sales, with record single-day sales on Christmas Day. During the period under review, it launched a series of events such as “Sculpture Park” and “Air Fashion Show” as well as other events, turning Shenyang K11 into a popular and internet viral check-in spot from Shenyang and neighbouring cities.

Since its dazzling opening in late May 2021, Tianjin K11 Select has received extensive attention across the Binhai area of Tianjin for its high-end and artistic shopping experience and novel concepts. This, together with a precise positioning catered to Gen Z customers, has managed to lift sales, with the consumption by gold and general card members surpassing expectations.

Many of the Group’s key projects will commence operation in major cities in the Greater Bay Area and the Yangtze River Delta. With the unique positioning of the K11 brand and a diversified business strategy, the Group will further consolidate its diversified businesses in the Greater Bay Area and the Yangtze River Delta, while continuing to increase its recurring rental income.

**Mainland China Landbank**

As of 31 December 2021, the Group had a landbank (excluding carparks) with a total GFA of approximately 5,516,000 sq m available for immediate development in Mainland China, of which approximately 3,126,000 sq m was zoned for residential use. Of the total GFA of the Group’s landbank (excluding carparks), approximately 4.82 million sq m (excluding carparks), are core property development projects located in Guangzhou, Shenzhen, Foshan, Wuhan, Shanghai, Ningbo, Hangzhou, Beijing and Shenyang as well as other cities. 54% of the core project landbank (excluding carparks) is located in the Greater Bay Area and approximately 1,723,000 sq m is zoned for residential use.

| **Landbank by Region**<br>**As at 31 December 2021** | **Total GFA (excluding carpark) (sq m ’000)** | **Residential Total GFA (sq m ’000)** |
|---|---|---|
| Southern Region (i.e. the Greater Bay Area) | 2,616.0 | 1,723.0 |
| Eastern Region (i.e., the Yangtze River Delta Region) | 684.7 | 151.3 |
| Central Region | 647.9 | 288.3 |
| Northern Region | 588.9 | 254.5 |
| North-eastern Region | 978.9 | 708.9 |
| **Total** | **5,516.4** | **3,126.0** |
| **Of which, Core Projects** | **4,823.3** | **2,564.8** |

Leveraging its solid development and strategy of strengthening its presence in the Mainland, the Group has expanded its landbank through tender auctions, co-development, and merger and acquisitions as well as other channels to provide adequate resources for the sustainable development of New World Group.

During the period under review, the Group managed to acquire three Greater Bay Area projects, including the Shenzhen Longgang District project, the Guangqiao Food Factory project in Guangming District of Shenzhen, and the Guangdong No.2 People's Hospital Redevelopment Project in Haizhu District of Guangzhou. Whilst continuing to replenish its landbank, the Group is actively engaged in upgrading industries and urban development across the Greater Bay Area.

**Hotel Operations**
As the COVID-19 pandemic gradually stabilised in 2H2021, occupancy rates during the period under review far surpassed their levels in the previous year. The Group's Hong Kong hotel business remained heavily reliant on local staycation packages. The Group employed different promotions and activities to attract local consumers, such as featured catering, themed activities, and discounts on long-term stays. During the period under review, all the Group's hotels in Hong Kong recorded double-digit growth in occupancy rates. In addition, loosened social distancing restrictions lifted revenue from banquet catering. The Group's pentahotel Hong Kong, Kowloon has entered the sixth cycle since its designation as a quarantine hotel by the government in December 2020, which ensured a stable occupancy rate as well as room and catering income.

In Mainland China, although strict compulsory quarantine measures continued to be imposed on overseas visitors, the thriving demand for domestic tours drove the recovery in occupancy rates.

As at 31 December 2021, the Group owned a total of 16 hotel properties in Hong Kong, Mainland China and Southeast Asia, totaling 6,591 rooms.

Starting in early 2022, , Hong Kong has been battling the Omicron variant, which has led to the re-tightening of social distancing measures and affected the hotel industry. The Group will ramp up its promotion of long-term stays, featured local staycation packages and lunchtime catering, in a bid to prevail over such adversities.

## Four Core Businesses under NWS Holdings Limited ("NWSH)

NWSH's core businesses are Roads, Aviation, Construction and Insurance. In 1HFY2022, NWSH delivered a strong result with its recurring businesses remaining solid.

**Roads**
Overall Roads segment's performance remained largely stable amid all the negative external impacts and NWSH's efforts in enriching its roads portfolio have been bearing fruits. During the period under review, contribution from the three expressways in Central region of the Mainland that NWSH acquired in the past few years, including Suiyuenan Expressway, Sui-Yue Expressway and Changliu Expressway, continued to grow. Excluding the financial incentives associated with the investments in Changliu Expressway and Sui-Yue Expressway, Attributable operating profit ("AOP") contribution from these three roads grew 3% year-on-year and accounted for over 11% of the Roads segment's AOP. Meanwhile, negative impact from resurgence of COVID-19 in various provinces, power crunch and temporary partial prohibition of type 5 and 6 trucks using Hangzhou Ring Road have prompted a slight drop of 2% in overall traffic volume and a drop of 7% in toll revenue of our road portfolio.

During the period under review, NWSH's major expressways, namely Hangzhou Ring Road, Tangjin Expressway (Tianjin North Section), Guangzhou City Northern Ring Road, Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) and the three expressways in Central region, have collectively contributed over 80% of the Roads segment's AOP. Excluding Hangzhou Ring Road, overall traffic volume of the remaining major expressways continued to see steady growth of 1% year-on-year. Including Hangzhou Ring Road, overall traffic flow recorded a 3% year-on-year decline due to the aforesaid challenge faced by Hangzhou Ring Road.

The overall average remaining concession period of NWSH's roads portfolio as at 31 December 2021 was around 10 years. With such long remaining concession period, NWSH expects its Roads segment will continue to generate sustainable income and cash flow in the forthcoming years.

**Aviation**
Aviation segment engages in commercial aircraft leasing business through NWSH's full service leasing platform Goshawk. Thanks to the growth in domestic flights and continued border reopening around the world, overall aviation industry has been stabilising. Against the background of industry stabilisation, Goshawk's AOP during the period under review was steady, despite negative impact from certain lease restructurings and airline reorganizations.

During the period under review, Goshawk has maintained a young and in-demand fleet with long leases with a relatively lower risk profile, encompassing a broad customer base spanning across 60 airlines in 34 countries as at 31 December 2021. Taking into account the direct orders of 40 narrow-body aircraft from two major aircraft manufacturers, the number of aircraft owned, managed and committed totalled 219 (31 December 2020: 224), and the overall appraised value amounted to approximately US$9.6 billion as at 31 December 2021. The 162 aircraft on book as at 31 December 2021 (31 December 2020: 162) had an average age of 5.9 years and an average remaining lease term of 5.2 years, with 78% of the aircraft on book being narrowbody. Goshawk's owned aircraft was almost fully utilized at a rate of 99% during the period under review. Supported by strong improvement in collection of deferred rental payment and reduction of trade receivables due to the completion of airline restructuring, collection rate continued to improve to 127% in the fourth quarter of 2021 from 92% in the second quarter of 2021. Despite the improvement, a few of our lessees are still undergoing restructuring and uncertainties still abound due to the outbreak of COVID-19 variants.

Financial position of Goshawk continued to be strong during the period under review. As at 31 December 2021, besides a well-balanced debt maturities profile, Goshawk had cash and undrawn liquidity of US$1.5 billion.

**Construction**

Construction segment comprises mainly NWSH's wholly-owned interest in Hip Hing Group. During the period under review, performance of Hip Hing Group remained resilient with AOP maintaining steady, notwithstanding challenges from keen competition and rising material costs. Driven by the absence of share of profit from Wai Kee following the reclassification from an associated company to an asset held-for-sale in December 2020 and only dividend income was recognized afterwards, overall Construction segment's AOP saw a 23% drop. Major projects during the period under review included construction management services for Kai Tak Sports Park, foundation works for New Acute Hospital at Kai Tak (Site A & B), commercial development for AIRSIDE at Kai Tak, Two Taikoo Place at Quarry Bay and Inland Revenue Centre at Kai Tak.

Number of new tender offering in the market has been picking up. Hip Hing Group's gross value of contracts on hand improved by 21% year-on-year to approximately HK$54.4 billion, while remaining works to be completed decreased by 5% year-on-year to around HK$28.3 billion during the period under review. Approximately 67% of the remaining works to be completed were from private sector which entailed both commercial and residential, while the remaining about 33% were from government and institutional related projects. During the period under review, Hip Hing Group was awarded approximately HK$8.6 billion of new projects, including but not limited to, the residential development at Kai Tak, development of Micro-Electronics Centre for Hong Kong Science and Technology Parks Corporation, composite development at Shing Kai Road, Kai Tak and piling works for integrated basement and underground road at The West Kowloon Cultural District.

**Insurance**

While continued border closure due to COVID-19 outbreak has prevented Mainland visitors from coming to Hong Kong and affected the performance of the whole insurance industry, FTLife Insurance has outperformed the market with a steady growing trend and recorded a growth of 6% in AOP.

During the period under review, FTLife Insurance further enhanced the attractiveness of its product offerings to boost the business from Hong Kong domestic market despite business from Mainland visitors still hammered by border closure. In addition to the enhanced version of Fortune Saver that has been well-received by the market, FTLife Insurance has also launched ComboPro Insurance Plan in October 2021, a new insurance plan that provides an all-round package of critical illness, medical, accident and life protection, aiming to safeguard customers with comprehensive protection and provide them with support to confront challenges in life. Spurred by FTLife Insurance's captivating product offerings and strengthened distribution capability, its overall Annual Premium Equivalent ("APE") rose by 13% to HK$1,050.5 million during the period under review. Gross written premium increased by 46% to HK$7,229.1 million. Value of New Business ("VONB") grew by 53% to HK$362.3 million, and VONB margin, representing VONB as a percentage of APE, improved to 34% (Last Period: 25%), thanks to enhanced product mix and product re-pricing. Overall investment return of FTLife Insurance's investment portfolio was 5.3% during the period under review (Last Period: 3.6%).

The above-market performance was a testament to FTLife Insurance's capability in launching appealing insurance products as well as its efforts in strengthening tied-agency force with enhanced productivity, with the number of agent qualifying for Million Dollar Round Table ("MDRT") increasing by 21% in 2021. As at 30 September 2021, FTLife Insurance's ranking among Hong Kong life insurance companies by APE has further advanced to 11th from 12th as at 30 June 2021 with an overall APE growth of 1% continuing to outperform the 5% decline in the industry, while the 3% decline in APE of our Hong Kong domestic business was also better than the 6% drop in the industry in the third quarter of 2021.

The financial footing of FTLife Insurance remained resilient. As at 31 December 2021, FTLife Insurance's solvency ratio of 443% was well above minimum industry regulatory requirement of 150%. Embedded value increased by 6% year-on-year to HK$21.3 billion. Moody's has continued to maintain the insurance financial strength rating of FTLife Insurance at A3/Stable, while Fitch Rating has affirmed FTLife Insurance's A- insurer financial strength rating with stable rating outlook.

# Outlook

The Hong Kong economy has started to regain its stability since the second quarter of 2021. With more citizens vaccinated and electronic consumption vouchers distributed since August, local consumption sentiment was bolstered further. In general, the fundamentals remain solid, despite the rapidly changing pandemic situation due to the Omicron variant in early January 2022 which may exert pressure on business sentiment. As long as it actively integrates into the national development landscape, the Hong Kong economy is bound to embrace more growth drivers and room of development.

Regarding Hong Kong property development, as at the end of December 2021, the government expects the primary market to supply approximately 98,000 private residential units for the next three to four years, representing the increase of short and medium-term supply to a new high in 4.5 years. However, there has been a long-term imbalance between supply and demand in the local private residential market. With the increasingly upbeat progress in border opening between Hong Kong and Mainland China, the property market will benefit from such positive effect and is expected to experience steady and positive development in 2022.

The Group will successively solicit sales for its remaining units in the Grade A office project at 888 Lai Chi Kok Road, Cheung Sha Wan and the residential project MOUNT PAVILIA. A number of major projects are also scheduled for launch in phases, including the office project with a total GFA of roughly 360,000 sq ft in Wing Hong Street, West Kowloon (a non-traditional commercial district), the residential project at Kai Tak Runway Area 4B Site 4 in East Kowloon with a total GFA of around 575,000 sq ft, and The Southside Package V atop Wong Chuk Hang MTR Station with a total GFA of 636,000 sq ft.

With respect to Hong Kong property investment, despite higher market trading volume in 2H2021, the overall market rents for office buildings are expected to remain pressured in 1H2022 due to successive relocation of tenants from traditional commercial districts. Following the "de-Central" trend, the Group will successively complete its property investment projects in Cheung Sha Wan and Hong Kong International Airport.

On the retail front, considering the drastic changes of the pandemic situation in early January 2022, the Group is actively monitoring market trends with prompt response. We will cooperate with new stores and pop-up stores to entice the "Gen Z" customer group. In FY2022, nearly 50 new stores and pop-up stores will commence operation at K11 Art Mall in various periods.

In addition, we will enhance K11 MUSEA as the first destination for talent cultivation and culture dissemination, by introducing pop-up stores to increase footfall and further optimise our brand portfolio. The Group is also conducting preliminary marketing for Mainland China consumer groups with a view to expanding its market share after the re-opening of the Hong Kong border with Mainland China.

Situated in Hong Kong International Airport, the "11 SKIES" project is furnished with a one-stop commercial zone for retail, dining and entertainment as well as three Grade A office towers, which are scheduled for completion in phases from 2022 to 2025. In particular, the three Grade A office towers of K11 ATELIER will take the lead in commencing operation in July 2022 and have entered the pre-leasing stage; the Group strives to draw such Greater Bay firms that focus on wealth management and healthcare services, with the objective of reaching a 65% occupancy rate by mid-2022.

At the onset of the 14th Five-Year Plan, the Central Economic Work Conference raised the "exploration of a new development model" for the real estate market in early 2022, and stressed the importance of "promoting the virtuous cycle and sound development of the real estate industry". As one of the earliest Hong Kong property developers to enter the Mainland China market, the Group will take into account industrial upgrade and transformation to explore a completely new development model.

To achieve high quality development while furthering Common Prosperity is an objective for all Chinese people. In 2022, the Group will continue to solidify its status as a high-quality enterprise, and do better, achieve excellence, maintain authenticity, and grow stronger. The Group will continue to display its distinct advantages in industry diversification and international operational edge as a Hong Kong enterprise. The Group will also respond to national policies by assisting in the development of cities in Mainland China, supporting city-industry integration and social innovation, improving people's livelihood, facilitating industrial upgrade and helping to achieve Common Prosperity. At the same time, the Group will take the role of "City Operator" and integrate concepts of "High-quality and Professional" products into the city building process. It will put its full effort into preserving local natural ecology and cultural heritage, employ innovative technology to achieve sustainability in energy, the environment and cities. The Group will harness the power of business to give back to society and create shared value.

In Mainland China, the Group is about to launch its key project, Wangjiang New Town in Shangcheng District of Hangzhou. Situated in downtown Hangzhou and serving as the centre for economic and cultural activities for the city, Wangjiang New Town is the core new development of Shangcheng District. Boasting renowned landscape and cenery, regional advantages and a high potential development area, the project is set to promote the comprehensive development of Hangzhou, from society and economy to business opportunities. As the first project to commenced construction after the pandemic, the project reflects the Group's superb execution capability and high efficiency.

K11 is the world's first brand that combines "Art · People · Nature", and reflects the Group's relentless pursuit of creativity, culture and innovation. K11 Shanghai and K11 Guangzhou will undergo transformation and brand revamp during the year, striving to become new landmarks for high-end consumption in Shanghai and Guangzhou. With respect to the Gen Z population, a number of our K11 projects in Mainland China and Hong Kong have a precise position and cater to this young demographic, and will develop into ideal destinations for Gen Z youth customers to get together and create lasting memories and experiences. By FY2026, K11 is expected to attain a footprint of 38 projects with a total GFA of 2,794,000 sq m in ten major cities across Greater China. With gradual completions and openings of K11 projects across Greater China in the pipeline, as well as the completed transformation and upgrades of projects, the Group's recurring rental income will continue to grow, and will serve as an essential growth driver for the Group.

By means of active disposal of non-core assets and businesses, the Group concentrates on developing its core businesses, continuously optimising its asset portfolio and returns, enhancing corporate efficiency and creating more value for shareholders. The Group completed the disposal of non-core assets worth about HK$3.81 billion in 1HFY2022, and held approximately HK$4.0 billion to HK$6.0 billion of assets available for sale in 2HFY2022, which will bring additional cash flow for developing its core businesses

The Group has maintained a sound financial position, with total capital resources of HK$103.2 billion as at 31 December 2021, including approximately HK$52.4 billion of cash and bank deposits and approximately HK$50.8 billion of undrawn facilities from banks. The Group manages cash flow in an active and prudent manner, and strives to improve cost efficiency, diversify financing channels, balance risks and lower operating costs. As a result, its recurring administrative and other operating expenses declined by approximately 5.0% during the period under review. All refinancing of borrowings due in FY2022 has been taken care of. In the foreseeable future, equity raising is not necessary for the Company.

2021 was a year of test and trial, where the lingering pandemic overshadowed every industry and even personal life with uncertainties. In spite of unceasing challenges, the Group remains upbeat in turning numerous challenges into infinite opportunities and yielding abundant achievements.

We have founded "New World Build for Good", a social housing enterprise that advocates the building of Hong Kong's first not-for-profit privately subsidised housing project. In promoting preservation and city-industry integration, we endeavour to develop the State Theatre in Hong Kong and a number of urban renewal projects in Mainland China into landmarks in the Greater Bay Area. We address climate change with green building design and sustainable finance. Going forward, we will continue to strengthen our contact with stakeholders and meet our commitment to creating shared value through concrete action.

# LIQUIDITY AND CAPITAL RESOURCES

**Net Debt**

| | **As at 31 December 2021 HK$m** | As at 30 June 2021 HK$m |
|---|---|---|
| Consolidated net debt | **124,287.8** | 108,194.8 |
| NWSH (stock code: 0659) | **8,198.5** | 13,619.0 |
| New World Department Store China Limited ("NWDS") – net cash and bank balances (stock code: 0825) | **(850.5)** | (870.1) |
| Net debt (exclude listed subsidiaries) | **116,939.8** | 95,445.9 |

The Group's funding and treasury policy is designed to maintain a diversified and balanced debt profile and financing structure. The Group's debts were primarily denominated in Hong Kong dollar, United States Dollar and Renminbi. In respect of the Group's operations in Mainland China, the Group maintains an appropriate level of external borrowings in Renminbi for natural hedging. The Renminbi currency exposure of the Group is mainly derived from the translation of non-current assets and liabilities of the subsidiaries, associated companies and joint ventures in Mainland China with functional currency of Renminbi and the Renminbi deposits held for future development costs to Hong Kong Dollar. As at 31 December 2021, the translation of non-current assets and liabilities of subsidiaries, associated companies and joint ventures with functional currency other than Hong Kong Dollar to Hong Kong Dollar by using exchange rates at that day resulted a gain of HK$2,914.8 million is recognised in equity. Apart from this, the Group does not have any material foreign exchange exposure.

The Group's borrowings were arranged on both floating and floating rate basis. The financing costs had decreased to HK$1,259.3 million despite the net debt had increased. The Group used interest rate swaps, cross currency swaps and foreign exchange forward contracts to hedge part of the Group's underlying interest rate and foreign exchange exposure. The Group's insurance segment enters into cross currency swaps and forward starting swaps to hedge against its foreign currency risk from bond investments and its interest rate risk for bonds to be purchased respectively. As at 31 December 2021, the Group had outstanding cross currency swaps and foreign exchange forward contracts in the amounts of HK$7,689.3 million, and had other outstanding derivative instruments in the amounts of HK$16,000.0 million and US$150.0 million (equivalent to approximately HK$1,170.0 million).

In September 2021, a US$150.0 million (equivalent to approximately HK$1,170.0 million) 5.25% guaranteed senior perpetual capital securities were issued by a wholly-owned subsidiary of the Group and listed on the Stock Exchange at a price of 106.060% of the principal amount with net proceeds (excluding accrued interest) of US$159.1 million (equivalent to approximately HK$1,241.0 million). The proceeds were for general working capital purpose including the acquisition and development of property projects in Hong Kong and the Mainland China.

In October 2021, a wholly-owned subsidiary of the Group redeemed the US$818.7 million (equivalent to approximately HK$6,385.9 million) 5.75% guaranteed senior perpetual capital securities (stock code: 4561) at principal amount. Together with the US$381.3 million (equivalent to approximately HK$2,974.1 million) guaranteed senior perpetual capital securities redeemed in June 2021, the 5.75% guaranteed senior perpetual capital securities of US$1,200 million (equivalent to approximately HK$9,360 million) were fully redeemed.

As at 31 December 2021, the Group's cash and bank balances (including restricted bank balances) stood at HK$52,364.4 million (30 June 2021: HK$61,955.1 million) and the consolidated net debt amounted to HK$124,287.8 million (30 June 2021: HK$108,194.8 million). The net debt to equity ratio was 41.3%; an increase of 5.7 percentage points as compared to 30 June 2021.

As at 31 December 2021, the Group's long-term bank loans, other loans and fixed rate bonds and notes payable amounted to HK$146,460.3 million (30 June 2021: HK$146,059.4 million). Short-term bank and other loans as at 31 December 2021 were HK$30,191.9 million (30 June 2021: HK$24,090.5 million). The maturity of bank loans, other loans and fixed rate bonds and notes payable as at 31 December 2021 and 30 June 2021 was as follows:

| | **As at 31 December 2021 HK$m** | As at 30 June 2021 HK$m |
|---|---|---|
| Within one year | **55,151.4** | 36,659.5 |
| In the second year | **24,171.3** | 30,715.6 |
| In the third to fifth year | **64,652.3** | 67,062.2 |
| After the fifth year | **32,677.2** | 35,712.6 |
| | **176,652.2** | 170,149.9 |

Equity of the Group as at 31 December 2021 decreased to HK$300,650.8 million against HK$304,192.4 million as at 30 June 2021.

It is expected that equity raising is not necessary for the Company in the foreseeable future.

## MAJOR ACQUISITION AND DISPOSAL

1. In January 2021, the NWSH Group entered into a conditional sale and purchase agreement with SUEZ (Asia) Limited for the disposal of its entire 42.0% interest in SUEZ NWS Limited, an associated company of the NWSH Group, at the cash consideration of HK$4,173.0 million. Completion of the disposal took place in November 2021.

2. In August 2021, the NWSH Group entered into a conditional sale and purchase agreement with Xiamen International Port Co., Ltd. for the disposal of its entire 20.0% interest in Xiamen Container Terminal Group Co., Ltd., an associated company of the Group, at the cash consideration of RMB1,568.0 million (equivalent to approximately HK$1,877.8 million). Completion of the disposal took place in October 2021.

3. In September 2021, K11 Shanghai Properties Company Limited (the "Purchaser"), an indirect wholly-owned subsidiary of the Group, entered into a sale and purchase agreement with Chow Tai Fook Nominee Limited (the "Vendor", a direct subsidiary of Chow Tai Fook (Holding) Limited), whereby the Vendor agreed to sell, and the Purchaser agreed to acquire 50.0% of the entire equity interest of Shanghai New World Huai Hai Property Development Co., Ltd. ("Shanghai New World Huai Hai"), for a total consideration of RMB3,375.0 million (equivalent to approximately HK$4,041.9 million) (the "Acquisition"). Shanghai New World Huai Hai is principally engaged in the business of development, management and operation of Shanghai Hong Kong New World Tower located at 300 Huaihaizhong Road, Huangpu District, Shanghai, the PRC. The Acquisition was completed in September 2021.

# RESULTS

The board of Directors (the "Board") of New World Development Company Limited (新世界發展有限公司) (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 31 December 2021 as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT - UNAUDITED

| | | For the six months ended 31 December | |
|---|---|---|---|
| | | **2021** | 2020 |
| | *Note* | **HK$m** | HK$m |
| Revenues | 2 | **35,572.8** | 35,577.3 |
| Cost of sales | | **(25,511.5)** | (26,262.4) |
| Gross profit | | **10,061.3** | 9,314.9 |
| Other income | | **353.5** | 90.5 |
| Other (losses)/gains, net | | **(324.0)** | 664.8 |
| Selling and marketing expenses | | **(1,212.7)** | (1,198.6) |
| Expenses of department store's operation | | **(660.7)** | (644.4) |
| Administrative and other operating expenses | | **(3,364.9)** | (3,209.7) |
| Overlay approach adjustments on financial assets | | **1,175.8** | (895.1) |
| Changes in fair value of investment properties | | **(24.6)** | 92.0 |
| Operating profit | 3 | **6,003.7** | 4,214.4 |
| Financing income | | **1,382.7** | 1,419.3 |
| Financing costs | | **(1,259.3)** | (1,547.7) |
| | | **6,127.1** | 4,086.0 |
| Share of results of | | | |
| Joint ventures | | **270.6** | 411.2 |
| Associated companies | | **997.8** | 341.4 |
| Profit before taxation | | **7,395.5** | 4,838.6 |
| Taxation | 4 | **(3,927.7)** | (2,320.2) |
| Profit for the period | | **3,467.8** | 2,518.4 |
| Attributable to: | | | |
| Shareholders of the Company | | **1,430.4** | 1,013.0 |
| Holders of perpetual capital securities | | **1,232.9** | 1,070.7 |
| Non-controlling interests | | **804.5** | 434.7 |
| | | **3,467.8** | 2,518.4 |
| Interim dividend of HK$0.56 per share (2020: HK$0.56 per share) | | **1,409.3** | 1,421.7 |
| Earnings per share (HK$) | 5 | | |
| Basic | | **0.57** | 0.40 |
| Diluted | | **0.57** | 0.40 |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED

| | For the six months ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$m** | HK$m |
| Profit for the period | **3,467.8** | 2,518.4 |
| Other comprehensive income | | |
| Items that will not be reclassified to profit or loss | | |
| Net fair value changes of equity instruments as financial assets at fair value through other comprehensive income | **452.0** | (36.1) |
| Revaluation of investment properties upon reclassification from property, plant and equipment and right-of-use assets, net of taxation | **0.7** | 1,784.2 |
| Remeasurement of post-employment benefit obligation | **-** | 3.1 |
| Share of gain arising from revaluation of a logistics property held by a joint venture upon reclassification to investment property, net of taxation | **6,312.1** | - |
| Items that had been reclassified/may be reclassified subsequently to profit or loss | | |
| Share of other comprehensive income of joint ventures and associated companies | **(27.2)** | 1,878.1 |
| Net fair value changes and other net movements of debt instruments as financial assets at fair value through other comprehensive income | **925.7** | 332.8 |
| Release of reserves upon disposal of non-current assets classified as assets held for sale | **(81.9)** | - |
| Cash flow/fair value hedges | **(447.3)** | (221.5) |
| Amount reported in other comprehensive income applying overlay approach adjustments on financial assets | **(1,175.8)** | 895.1 |
| Release of reserves upon disposal of subsidiaries | **-** | 99.1 |
| Release of reserves upon disposal of interests in joint ventures | **-** | (22.5) |
| Release of reserves upon disposal/partial disposal of interests in associated companies | **-** | 9.1 |
| Release of reserves upon deconsolidation of a subsidiary | **-** | (10.3) |
| Translation differences | **2,635.3** | 12,258.0 |
| Other comprehensive income for the period | **8,593.6** | 16,969.1 |
| Total comprehensive income for the period | **12,061.4** | 19,487.5 |
| Attributable to: | | |
| Shareholders of the Company | **7,656.5** | 16,456.2 |
| Holders of perpetual capital securities | **1,232.9** | 1,070.7 |
| Non-controlling interests | **3,172.0** | 1,960.6 |
| | **12,061.4** | 19,487.5 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

| | Note | As at 31 December 2021 HK$m | As at 30 June 2021 HK$m |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investment properties | | **209,337.0** | 195,883.5 |
| Property, plant and equipment | | **20,402.6** | 22,300.0 |
| Right-of-use assets | | **7,041.5** | 8,117.9 |
| Intangible concession rights | | **13,957.5** | 14,281.0 |
| Intangible assets | | **8,239.7** | 8,245.9 |
| Value of business acquired | | **5,300.4** | 5,395.1 |
| Deferred acquisition costs | | **2,149.8** | 1,711.5 |
| Interests in joint ventures | | **52,716.4** | 47,361.6 |
| Interests in associated companies | | **15,485.7** | 13,877.5 |
| Financial assets at fair value through profit or loss | | **17,095.6** | 18,370.9 |
| Financial assets at fair value through other comprehensive income | | **46,007.0** | 42,888.9 |
| Derivative financial instruments | | **270.2** | 659.4 |
| Properties for development | | **23,014.6** | 23,070.9 |
| Deferred tax assets | | **2,238.3** | 1,742.3 |
| Other non-current assets | | **22,521.4** | 15,106.3 |
| | | **445,777.7** | 419,012.7 |
| **Current assets** | | | |
| Properties under development | | **67,972.8** | 68,255.8 |
| Properties held for sale | | **18,605.8** | 21,052.2 |
| Inventories | | **622.4** | 597.9 |
| Debtors, prepayments, premium receivables and contract assets | 6 | **36,894.8** | 34,683.3 |
| Investments related to unit-linked contracts | | **10,205.3** | 10,770.2 |
| Financial assets at fair value through profit or loss | | **2,329.8** | 1,584.5 |
| Financial assets at fair value through other comprehensive income | | **4,262.6** | 1,898.1 |
| Derivative financial instruments | | **158.4** | 897.6 |
| Restricted bank balances | | **1,837.2** | 340.1 |
| Cash and bank balances | | **50,527.2** | 61,615.0 |
| | | **193,416.3** | 201.694.7 |
| Non-current assets classified as assets held for sale | 7 | **490.8** | 6,370.0 |
| | | **193,907.1** | 208,064.7 |
| **Total assets** | | **639,684.8** | 627,077.4 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

| | Note | **As at 31 December 2021 HK$m** | As at 30 June 2021 HK$m |
|---|---|---|---|
| **EQUITY** | | | |
| Share capital | | **78,382.1** | 78,373.3 |
| Reserves | | **146,970.0** | 144,955.5 |
| Shareholders' funds | | **225,352.1** | 223,328.8 |
| Perpetual capital securities | | **43,758.4** | 48,938.2 |
| Non-controlling interests | | **31,540.3** | 31,925.4 |
| **Total equity** | | **300,650.8** | 304,192.4 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Long-term borrowings and other interest-bearing liabilities | | **127,805.2** | 137,828.7 |
| Lease liabilities | | **5,807.0** | 5,204.4 |
| Insurance and investment contract liabilities | | **18,411.2** | 18,143.5 |
| Liabilities related to unit-linked contracts | | **188.0** | 180.8 |
| Deferred tax liabilities | | **11,071.9** | 11,128.5 |
| Derivative financial instruments | | **457.4** | 670.8 |
| Other non-current liabilities | | **160.0** | 167.0 |
| | | **163,900.7** | 173,323.7 |
| **Current liabilities** | | | |
| Creditors, accrued charges, payables to policyholders and contract liabilities | 8 | **67,147.4** | 63,977.8 |
| Current portion of long-term borrowings and other interest-bearing liabilities | | **24,959.5** | 12,569.0 |
| Short-term borrowings and other interest-bearing liabilities | | **30,688.1** | 25,619.2 |
| Lease liabilities | | **442.1** | 1,639.2 |
| Insurance and investment contract liabilities | | **28,571.5** | 24,359.3 |
| Liabilities related to unit-linked contracts | | **10,202.7** | 10,770.2 |
| Derivative financial instruments | | **0.2** | 0.3 |
| Current tax payable | | **13,008.8** | 10,626.3 |
| | | **175,020.3** | 149,561.3 |
| Liabilities directly associated with non-current assets classified as assets held for sale | 7 | **113.0** | - |
| | | **175,133.3** | 149,561.3 |
| **Total liabilities** | | **339,034.0** | 322,885.0 |
| **Total equity and liabilities** | | **639,684.8** | 627,077.4 |

*Notes:*

1. **Basis of preparation and accounting policies**

The unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") for the six months ended 31 December 2021 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (the "Listing Rules"). The Interim Financial Statements should be read in conjunction with the 30 June 2021 annual financial statements.

The accounting policies used in the preparation of these Interim Financial Statements are consistent with those set out in the annual report for the year ended 30 June 2021.

(a) Adoption of amendments to standards

The Group has adopted the following amendments to standards which are relevant to the Group's operations and are mandatory for the financial year ending 30 June 2022:

| | |
|---|---|
| Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2 |
| Amendments to HKFRS 16 | COVID-19-Related Rent Concessions beyond 30 June 2021 |

The adoption of these amendments to standards does not have significant effect on the results and financial position of the Group.

(b) New standard, amendments to standards and interpretation which are not yet effective

The following new standard, amendments to standards and interpretation are mandatory for accounting periods beginning on or after 1 July 2022 or later periods but which the Group has not early adopted:

| | |
|---|---|
| HKFRS 17 and Amendments to HKFRS 17 | Insurance Contracts |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-Current |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies |
| Amendments to HKAS 8 | Definition of Accounting Estimates |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities from a Single Transaction |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use |
| Amendments to HKAS 37 | Onerous Contracts - Cost of Fulfilling a Contract |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |
| HK Interpretation 5 (2020) | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause |
| HKFRSs Amendments | Annual Improvements to HKFRSs 2018-2020 Cycle |
| Accounting Guideline 5 (Revised) | Merger Accounting for Common Control Combinations |

HKFRS 17, "Insurance Contracts" ("HKFRS 17") and Amendments to HKFRS 17

HKFRS 17 will replace the current HKFRS 4, "Insurance Contracts". HKFRS 17 includes some fundamental differences to current accounting in both insurance contract measurement and profit recognition. The general model is based on a discounted cash flow model with a risk adjustment and deferral of unearned profits. A separate approach applies to insurance contracts that are linked to returns on underlying items and meet certain requirements. Additionally, HKFRS 17 requires more granular information and a new presentation format for the statement of comprehensive income as well as extensive disclosures. In October 2020, HKFRS 17 (Amendments) was issued to address concerns and implementation challenges that were identified after HKFRS 17 was published and to defer the effective date of HKFRS 17 (incorporating the amendments) to accounting period beginning on or after 1 January 2023. The Group is undertaking assessments and taking steps to get ready for adoption of HKFRS 17 in accordance with the required timeline.

The Group has already commenced an assessment of the impact of other amendments to standards and interpretation, certain of which may be relevant to the Group's operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the consolidated financial statements.

## 2. Revenues and segment information

Revenues recognised during the period are as follows:

| | For the six months ended 31 December 2021 HK$m | 2020 HK$m |
|---|---|---|
| Revenues | | |
| Property development | **9,346.6** | 12,794.6 |
| Property investment | **2,518.0** | 2,314.6 |
| Roads | **1,481.9** | 1,646.1 |
| Construction | **12,342.8** | 10,844.9 |
| Insurance | **6,820.6** | 4,583.7 |
| Hotel operations | **494.9** | 429.9 |
| Others | **2,568.0** | 2,963.5 |
| Total | **35,572.8** | 35,577.3 |

The Executive Committee of the Company, being the chief operating decision-maker, determines and reviews the Group's internal reporting in order to assess performance and allocate resources. The operating segments are determined based on the afore-mentioned internal reporting and are reviewed occasionally.

The Executive Committee considers the business from products and services perspectives, which comprises property development, property investment, roads, aviation, construction, insurance, hotel operations and others (including facilities management, environment, logistic, department store, media and technology and other strategic businesses) segments.

The Executive Committee assesses the performance of the operating segments based on each segment's operating profit. The measurement of segment operating profit excludes the effects of unallocated items (including corporate expenses, corporate financing income and corporate financing costs). In addition, taxation is not allocated to segments.

Sales between segments are carried out in accordance with terms agreed by the parties involved.

## 2. Revenues and segment information (Continued)

| | Property development HK$m | Property investment HK$m | Roads HK$m | Aviation HK$m | Construction HK$m | Insurance HK$m | Hotel operations HK$m | Others HK$m | Consolidated HK$m |
|---|---|---|---|---|---|---|---|---|---|
| For the six months ended 31 December 2021 | | | | | | | | | |
| Total revenues | 9,346.6 | 2,592.6 | 1,481.9 | - | 16,314.9 | 6,820.6 | 494.9 | 2,578.6 | 39,630.1 |
| Inter-segment | - | (74.6) | - | - | (3,972.1) | - | - | (10.6) | (4,057.3) |
| Revenues-external | 9,346.6 | 2,518.0 | 1,481.9 | - | 12,342.8 | 6,820.6 | 494.9 | 2,568.0 | 35,572.8 |
| Revenues from contracts with customers: | | | | | | | | | |
| - Recognised at a point in time | 8,624.2 | - | 1,481.9 | - | - | - | 207.9 | 2,248.6 | 12,562.6 |
| - Recognised over time | 722.4 | - | - | - | 12,342.8 | 401.6 | 287.0 | 319.4 | 14,073.2 |
| | 9,346.6 | - | 1,481.9 | - | 12,342.8 | 401.6 | 494.9 | 2,568.0 | 26,635.8 |
| Revenues from other source: | | | | | | | | | |
| - Rental income | - | 2,518.0 | - | - | - | - | - | - | 2,518.0 |
| - Insurance revenue | - | - | - | - | - | 6,419.0 | - | - | 6,419.0 |
| | - | 2,518.0 | - | - | - | 6,419.0 | - | - | 8,937.0 |
| | 9,346.6 | 2,518.0 | 1,481.9 | - | 12,342.8 | 6,820.6 | 494.9 | 2,568.0 | 35,572.8 |
| Segment results (Note b) | 5,155.7 | 1,562.9 | 698.1 | (0.6) | 303.0 | (353.7) | (237.3) | (659.2) | 6,468.9 |
| Other (losses)/gains, net (Note c) | (600.3) | 2.3 | 62.7 | - | 2.4 | (277.0) | (0.3) | 486.2 | (324.0) |
| Changes in fair value of investment properties | - | (24.6) | - | - | - | - | - | - | (24.6) |
| Overlay approach adjustments on financial assets | - | - | - | - | - | 1,175.8 | - | - | 1,175.8 |
| Operating profit before unallocated corporate expenses | 4,555.4 | 1,540.6 | 760.8 | (0.6) | 305.4 | 545.1 | (237.6) | (173.0) | 7,296.1 |
| Unallocated corporate expenses | | | | | | | | | (554.0) |
| Operating profit | | | | | | | | | 6,742.1 |
| Financing income | | | | | | | | | 597.1 |
| Financing costs | | | | | | | | | (1,212.1) |
| | | | | | | | | | 6,127.1 |
| Share of results of | | | | | | | | | |
| Joint ventures (Note d) | 204.5 | (122.6) | 388.2 | 1.2 | - | - | (188.1) | (12.6) | 270.6 |
| Associated companies | 886.9 | 13.3 | 100.7 | - | 14.8 | - | 0.1 | (18.0) | 997.8 |
| Profit before taxation | | | | | | | | | 7,395.5 |
| Taxation | | | | | | | | | (3,927.7) |
| Profit for the period | | | | | | | | | 3,467.8 |
| As at 31 December 2021 | | | | | | | | | |
| Segment assets | 132,593.7 | 213,517.8 | 14,771.0 | 6,167.7 | 20,262.9 | 69,715.0 | 12,824.2 | 36,393.8 | 506,246.1 |
| Interests in joint ventures | 18,067.4 | 10,931.6 | 4,676.2 | 1,359.8 | - | - | 3,946.4 | 13,735.0 | 52,716.4 |
| Interests in associated companies | 6,857.9 | 2,086.3 | 2,956.5 | - | 69.0 | - | - | 3,516.0 | 15,485.7 |
| Unallocated assets | | | | | | | | | 65,236.6 |
| Total assets | | | | | | | | | 639,684.8 |
| Segment liabilities | 43,144.3 | 3,590.9 | 587.8 | 3.0 | 8,866.1 | 50,284.1 | 534.8 | 13,641.1 | 120,652.1 |
| Unallocated liabilities | | | | | | | | | 218,381.9 |
| Total liabilities | | | | | | | | | 339,034.0 |
| For the six months ended 31 December 2021 | | | | | | | | | |
| Additions to non-current assets (Note a) | 2,547.1 | 1,496.5 | 165.2 | - | 1,510.4 | 49.4 | 567.6 | 370.4 | 6,706.6 |
| Depreciation and amortisation | - | 4.7 | 607.3 | - | 37.5 | 141.6 | 263.8 | 685.7 | 1,740.6 |
| Impairment loss and loss allowance | 146.1 | 207.6 | - | - | 1.5 | 75.2 | - | 343.1 | 773.5 |

## 2. Revenues and segment information (Continued)

| | Property development HK$m | Property investment HK$m | Roads HK$m | Aviation HK$m | Construction HK$m | Insurance HK$m | Hotel operations HK$m | Others HK$m | Consolidated HK$m |
|---|---|---|---|---|---|---|---|---|---|
| **For the six months ended 31 December 2020** | | | | | | | | | |
| Total revenues | 12,795.4 | 2,397.0 | 1,646.1 | - | 13,514.4 | 4,583.7 | 429.9 | 3,065.1 | 38,431.6 |
| Inter-segment | (0.8) | (82.4) | - | - | (2,669.5) | - | - | (101.6) | (2,854.3) |
| Revenues-external | 12,794.6 | 2,314.6 | 1,646.1 | - | 10,844.9 | 4,583.7 | 429.9 | 2,963.5 | 35,577.3 |
| Revenues from contracts with customers: | | | | | | | | | |
| - Recognised at a point in time | 12,730.4 | - | 1,646.1 | - | - | - | 166.5 | 2,354.3 | 16,897.3 |
| - Recognised over time | 64.2 | - | - | - | 10,844.9 | 310.8 | 263.4 | 609.2 | 12,092.5 |
| | 12,794.6 | - | 1,646.1 | - | 10,844.9 | 310.8 | 429.9 | 2,963.5 | 28,989.8 |
| Revenues from other source: | | | | | | | | | |
| - Rental income | - | 2,314.6 | - | - | - | - | - | - | 2,314.6 |
| - Insurance revenue | - | - | - | - | - | 4,272.9 | - | - | 4,272.9 |
| | - | 2,314.6 | - | - | - | 4,272.9 | - | - | 6,587.5 |
| | 12,794.6 | 2,314.6 | 1,646.1 | - | 10,844.9 | 4,583.7 | 429.9 | 2,963.5 | 35,577.3 |
| Segment results (Note b) | 4,004.1 | 1,270.4 | 942.7 | (12.0) | 335.3 | 433.8 | (420.3) | (990.3) | 5,563.7 |
| Other (losses)/gains, net (Note c) | 66.6 | 15.5 | 4.2 | - | 23.5 | 911.1 | 29.6 | (385.7) | 664.8 |
| Changes in fair value of investment properties | - | 106.3 | - | - | - | - | - | (14.3) | 92.0 |
| Overlay approach adjustments on financial assets | - | - | - | - | - | (895.1) | - | - | (895.1) |
| Operating profit before unallocated corporate expenses | 4,070.7 | 1,392.2 | 946.9 | (12.0) | 358.8 | 449.8 | (390.7) | (1,390.3) | 5,425.4 |
| Unallocated corporate expenses | | | | | | | | | (568.1) |
| Operating profit | | | | | | | | | 4,857.3 |
| Financing income | | | | | | | | | 726.4 |
| Financing costs | | | | | | | | | (1,497.7) |
| | | | | | | | | | 4,086.0 |
| Share of results of | | | | | | | | | |
| Joint ventures (Note d) | 119.5 | (55.2) | 372.7 | (144.2) | - | - | (246.0) | 364.4 | 411.2 |
| Associated companies | (8.9) | (35.3) | 111.5 | - | 131.2 | - | - | 142.9 | 341.4 |
| Profit before taxation | | | | | | | | | 4,838.6 |
| Taxation | | | | | | | | | (2,320.2) |
| Profit for the period | | | | | | | | | 2,518.4 |
| **As at 30 June 2021** | | | | | | | | | |
| Segment assets | 132,622.5 | 200,463.0 | 15,131.1 | 6,168.0 | 16,895.9 | 65,291.4 | 13,783.3 | 39,458.5 | 489,813.7 |
| Interests in joint ventures | 18,997.5 | 10,915.6 | 4,312.4 | 1,198.7 | - | - | 4,076.2 | 7,861.2 | 47,361.6 |
| Interests in associated companies | 6,394.6 | 1,371.5 | 2,808.1 | - | 69.8 | - | - | 3,233.5 | 13,877.5 |
| Unallocated assets | | | | | | | | | 76,024.6 |
| Total assets | | | | | | | | | 627,077.4 |
| Segment liabilities | 41,939.7 | 2,728.0 | 472.4 | - | 9,551.4 | 46,324.6 | 648.5 | 11,826.6 | 113,491.2 |
| Unallocated liabilities | | | | | | | | | 209,393.8 |
| Total liabilities | | | | | | | | | 322,885.0 |
| **For the six months ended 31 December 2020** | | | | | | | | | |
| Additions to non-current assets (Note a) | 5,761.9 | 5,847.4 | 50.6 | - | 1,437.7 | 49.8 | 324.4 | 162.7 | 13,634.5 |
| Depreciation and amortisation | 34.2 | 33.6 | 539.5 | - | 55.5 | 255.5 | 278.7 | 654.2 | 1,851.2 |
| Impairment loss and loss allowance | - | - | - | - | - | 39.7 | - | 346.8 | 386.5 |

## 2. Revenues and segment information (Continued)

| | **Hong Kong HK$m** | **Mainland China HK$m** | **Others HK$m** | **Total HK$m** |
|---|---|---|---|---|
| **For the six months ended 31 December 2021** | | | | |
| **Revenues** | | | | |
| **Property development** | **767.1** | **8,579.5** | **-** | **9,346.6** |
| **Property investment** | **1,497.4** | **1,020.6** | **-** | **2,518.0** |
| **Roads** | **-** | **1,481.9** | **-** | **1,481.9** |
| **Construction** | **12,046.0** | **296.0** | **0.8** | **12,342.8** |
| **Insurance** | **6,820.6** | **-** | **-** | **6,820.6** |
| **Hotel operations** | **160.3** | **271.5** | **63.1** | **494.9** |
| **Others** | **963.0** | **1,605.0** | **-** | **2,568.0** |
| | **22,254.4** | **13,254.5** | **63.9** | **35,572.8** |
| **As at 31 December 2021** | | | | |
| **Non-current assets (Note a)** | **169,651.6** | **121,005.9** | **1,100.6** | **291,758.1** |

| | Hong Kong HK$m | Mainland China HK$m | Others HK$m | Total HK$m |
|---|---|---|---|---|
| For the six months ended 31 December 2020 | | | | |
| Revenues | | | | |
| Property development | 2,764.5 | 10,030.1 | - | 12,794.6 |
| Property investment | 1,440.0 | 874.6 | - | 2,314.6 |
| Roads | - | 1,646.1 | - | 1,646.1 |
| Construction | 10,722.5 | 121.6 | 0.8 | 10,844.9 |
| Insurance | 4,583.7 | - | - | 4,583.7 |
| Hotel operations | 218.6 | 196.0 | 15.3 | 429.9 |
| Others | 1,398.0 | 1,565.5 | - | 2,963.5 |
| | 21,127.3 | 14,433.9 | 16.1 | 35,577.3 |
| As at 30 June 2021 | | | | |
| Non-current assets (Note a) | 163,091.7 | 115,325.0 | 1,282.1 | 279,698.8 |

Notes:

(a) Non-current assets represent non-current assets other than financial instruments, interests in joint ventures, interests in associated companies, deferred tax assets, value of business acquired, deferred acquisition costs and long-term loans and receivables, long-term prepayments and deposits and policy loans within other non-current assets.

(b) For the six months ended 31 December 2021, segment results of insurance segment included insurance related financing income of HK$784.8 million (2020: HK$692.9 million) and financing costs of HK$47.3 million (2020: HK$50.0 million).

(c) For the six months ended 31 December 2021, others segment included gain on disposal of interests in SUEZ NWS Limited of HK$269.0 million (2020: Nil) and other gain on disposal net of impairment loss of property, plant and equipment, intangible assets and right-of-use assets of HK$73.1 million (2020: loss of HK$357.1 million) in relation to department store business.

(d) For the six months ended 31 December 2021, the share of results of joint ventures within aviation segment included the Group’s share of impairment loss/loss allowance of HK$274.0 million (2020: HK$415.9 million) in relation to Goshawk Aviation Limited’s assets impairment, provision for expected credit loss on receivables and aircraft repossession/recovery costs.

## 3. Operating profit

Operating profit of the Group is arrived at after crediting/(charging) the following:

| | For the six months ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$m** | HK$m |
| (Loss)/gain associated with investments related to united-linked contracts | **(474.2)** | 1,592.7 |
| Net losses on remeasuring on assets classified as held-for-sale and financial assets at fair value through profit or loss | **(44.7)** | (1,373.9) |
| Credits/(charges) related to unit-linked contracts | **474.0** | (1,584.6) |
| Net (loss)/gain on fair value of financial assets at fair value through profit or loss | **(364.2)** | 2,154.6 |
| Net gain/(loss) on fair value of derivative financial instruments | **21.9** | (194.2) |
| Write back of loss allowance for loans and other receivables | **33.9** | 47.0 |
| Rent concession, government grants and subsidies | **129.2** | 257.7 |
| Net profit/(loss) on disposal/liquidation of | | |
| Assets held for sale | **(56.0)** | - |
| Debt instruments as financial assets at fair value through other comprehensive income | **142.9** | 1.8 |
| Financial assets at fair value through profit or loss | **(19.7)** | (41.0) |
| Investment properties and property, plant and equipment | **44.5** | 92.6 |
| Subsidiaries | **222.8** | (61.8) |
| Associated companies and joint ventures | **269.7** | 74.5 |
| Impairment loss/loss allowance on | | |
| Assets held for sale | **(4.9)** | - |
| Debt instruments as financial assets at fair value through other comprehensive income | **(206.9)** | (35.6) |
| Loans, debtors, premium receivables and other receivables | **(241.3)** | (4.8) |
| Intangible assets | **(69.6)** | (194.3) |
| Inventories | **(2.6)** | - |
| Properties held for sale | **(146.1)** | - |
| Property, plant and equipment and right-of-use assets | **(102.1)** | (151.8) |
| Cost of inventories sold | **(5,932.7)** | (8,344.6) |
| Cost of services rendered | **(12,933.3)** | (14,031.6) |
| Claims and benefits, net of reinsurance | **(6,868.9)** | (3,791.2) |
| Depreciation and amortisation | **(1,740.6)** | (1,851.2) |
| Change in deferred acquisition costs | **(223.0)** | (149.2) |
| Net exchange gains | **69.4** | 85.9 |

## 4. Taxation

| | For the six months ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$m** | HK$m |
| Current taxation | | |
| Hong Kong profits tax | **266.1** | 371.6 |
| Mainland China and overseas taxation | **1,725.4** | 1,411.4 |
| Mainland China land appreciation tax | **2,625.4** | 1,891.7 |
| Deferred taxation | **(689.2)** | (1,354.5) |
| | **3,927.7** | 2,320.2 |

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profit for the period.

The assessable profits of the Group's insurance business are computed in accordance with the special provisions of the Hong Kong Inland Revenue Ordinance ("IRO"). Profits tax for the long-term insurance business, as defined by IRO, is computed at a rate of 16.5% of 5% of net premiums (gross premiums received less reinsurance premiums ceded) of the life insurance business in accordance with Section 23(1)(a) of IRO.

Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profit for the period at the rates of taxation prevailing in the countries in which the Group operates. These rates range from 12% to 28% (2020: 12% to 28%). Withholding tax on dividend is mainly provided at the rate of 5% or 10% (2020: 5% or 10%).

Mainland China land appreciation tax is provided at progressive rates ranging from 30% to 60% (2020: 30% to 60%) on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including costs of land use rights and property development expenditures.

Share of results of joint ventures and associated companies is stated after deducting the share of taxation of joint ventures and associated companies of HK$78.2 million and HK$1,168.1 million (2020: HK$225.8 million and HK$144.2 million) respectively.

## 5. Earnings per share

The calculation of basic and diluted earnings per share for the period is based on the following:

| | For the six months ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$m** | HK$m |
| Profit attributable to shareholders of the Company for calculating basic and diluted earnings per share | **1,430.4** | 1,013.0 |

| | Number of shares (million) | |
|---|---|---|
| | For the six months ended 31 December | |
| | **2021** | 2020 |
| Weighted average number of shares for calculating basic and diluted earnings per share | **2,526.4** | 2,554.9 |

The share options granted by the Company have potential dilutive effect on the earnings per share.

The share options have a dilutive effect only when the average market price of ordinary shares during the year exceeds the exercise price of the share options.

For the six months ended 31 December 2021 and 31 December 2020, the exercise price was above the average market price of the ordinary shares. Accordingly, the share options of the Company had an anti-dilutive effect on the basic earnings per share and therefore were not included in the calculation of diluted earnings per share.

## 6. Trade debtors

Aging analysis of trade debtors based on invoice date is as follows:

| | **As at 31 December 2021 HK$m** | As at 30 June 2021 HK$m |
|---|---|---|
| Less than 30 days | **1,901.3** | 2,056.3 |
| 31 to 60 days | **95.3** | 349.4 |
| Over 60 days | **630.9** | 427.5 |
| | **2,627.5** | 2,833.2 |

The Group has different credit policies for different business operations depending on the requirements of the markets and businesses in which the subsidiaries operate.

## 7. Non-current assets classified as assets held for sale/ liabilities directly associated with non-current assets classified as assets held for sale

**Non-current assets classified as assets held for sale**

| | **As at 31 December 2021 HK$m** | As at 30 June 2021 HK$m |
|---|---|---|
| Assets of disposal groups classified as held for sale | **156.3** | - |
| Investment properties | - | 45.1 |
| Interests in associated companies | **334.5** | 6,324.9 |
| | **490.8** | 6,370.0 |

**Liabilities directly associated with non-current assets classified as assets held for sale**

| | **As at 31 December 2021 HK$m** | As at 30 June 2021 HK$m |
|---|---|---|
| Other liabilities classified as held for sale | **113.0** | - |
| | **113.0** | - |

## 8. Trade creditors

Aging analysis of trade creditors based on invoice date is as follows:

| | **As at 31 December 2021 HK$m** | As at 30 June 2021 HK$m |
|---|---|---|
| Less than 30 days | **7,134.7** | 6,065.2 |
| 31 to 60 days | **252.9** | 289.1 |
| Over 60 days | **6,917.3** | 6,164.8 |
| | **14,304.9** | 12,519.1 |

## 9. Pledge of assets

As at 31 December 2021, the assets with an aggregated amount of HK$86,025.7 million (30 June 2021: HK$65,076.7 million) were pledged as securities for certain banking facilities of the Group.

## 10. Financial guarantee and contingent liabilities

| | **As at 31 December 2021 HK$m** | As at 30 June 2021 HK$m |
|---|---|---|
| Financial guarantee contracts: | | |
| Mortgage facilities for certain purchasers of properties | **3,488.0** | 3,555.9 |
| Guarantees for credit facilities granted to | | |
| Joint ventures | **10,836.5** | 5,721.0 |
| Associated companies | **1,740.7** | 1,736.8 |
| | **16,065.2** | 11,013.7 |

## INTERIM DIVIDEND

The Board has declared an interim dividend of HK$0.56 per share in cash for the financial year ending 30 June 2022 to shareholders whose names appear on the register of members of the Company on 24 March 2022. It is expected that the interim dividend will be distributed to shareholders on or about 12 April 2022.

## BOOK CLOSE DATES

| | | |
|---|---|---|
| Book close dates (both days inclusive) | : | 18 March 2022 to 24 March 2022 |
| Latest time to lodge transfer with Share Registrar | : | 4:30 pm on Thursday, 17 March 2022 |
| Address of Share Registrar | : | Tricor Tengis Limited<br>Level 54, Hopewell Centre,<br>183 Queen's Road East, Hong Kong |

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 December 2021, the Company bought back a total of 26,016,000 shares of the Company on the Hong Kong Stock Exchange at an aggregate consideration of HK$963,307,750.00 (before expenses). All such bought back shares were subsequently cancelled during the period. As at 31 December 2021, the total number of shares of the Company in issue was 2,516,633,171.

Details of the shares bought back during the period are as follows:

| Month | Number of shares bought back | Price paid per share | | Aggregate consideration (before expenses) |
|---|---|---|---|---|
| | | Highest HK$ | Lowest HK$ | HK$ |
| July 2021 | 11,955,000 | 37.65 | 36.25 | 442,658,150 |
| August 2021 | 14,061,000 | 37.30 | 36.65 | 520,649,600 |
| | 26,016,000 | | | 963,307,750 |

The above share buy-backs were made with a view to enhancing the earnings per share of the Company and thus benefit the shareholders as a whole.

On 5 October 2021, NWD Finance (BVI) Limited redeemed in whole its US$1,200,000,000 (equivalent to HK$9,360,000,000) 5.750% guaranteed senior perpetual capital securities (stock code: 4561) (the "Securities") at their outstanding principal amount together with distribution accrued to such date, if any, in accordance with the terms and conditions of the Securities. Listing of the Securities on the Hong Kong Stock Exchange was withdrawn with effect upon the close of business on 13 October 2021.

During the six months ended 31 December 2021, the Company has not redeemed any of its listed securities. Save as disclosed above, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 31 December 2021

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## EMPLOYEES AND REMUNERATION POLICIES

At 31 December 2021, around 30,000 staff was employed by entities under the Group's management. Remuneration policies are reviewed annually. Remuneration and bonuses are awarded to employees based on individual performances and are in line with market practices. Education subsidies will be granted to employees who are taking job-related courses. Periodic in-house training programs are also offered. Under the share option schemes of the Company and all the listed subsidiaries of the Group, options may be granted to certain Directors of the Company and certain employees of the Group to subscribe for shares in the Company and/or the respective subsidiaries.

## CORPORATE GOVERNANCE CODE

The Company has complied with all the applicable code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the six months ended 31 December 2021 with the exception of code provision A.6.4.

Code provision A.6.4 is in relation to guidelines for securities dealings by relevant employees. Under code provision A.6.4, the Board should establish written guidelines on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules for its relevant employees in respect of their dealings in the securities of the Company. Instead of following the Model Code strictly, the Board has established its own guidelines which are not on no less exacting terms than the Model Code. Such deviation from the CG Code is considered necessary because of the huge size of employees of the Group which is around 30,000 and the Group's diversified businesses. For these reasons, to follow the exact guidelines of the Model Code will cause immense administrative burden to the Company in processing written notifications from the relevant employees who deal in the securities of the Company, which can be avoided under the Company's own guidelines.

## REVIEW OF INTERIM RESULTS

The Company's unaudited interim results for the six months ended 31 December 2021 have not been reviewed by external auditor, but have been reviewed by the Audit Committee of the Company.

## REQUIREMENT IN CONNECTION WITH PUBLICATION OF "NON-STATUTORY ACCOUNTS" UNDER SECTION 436 OF THE HONG KONG COMPANIES ORDINANCE CAP. 622

The financial information relating to the year ended 30 June 2021 that is included in the Interim Report 2021/2022 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company had delivered the financial statements for the year ended 30 June 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor had reported on those financial statements of the Group. 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 sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

**Dr. Cheng Kar-Shun, Henry**
**Chairman**

Hong Kong, 25 February 2022

*As at the date of this announcement, (a) the Executive Directors of the Company are Dr. CHENG Kar-Shun, Henry, Dr. CHENG Chi-Kong, Adrian, Mr. CHENG Chi-Heng, Ms. CHENG Chi-Man, Sonia, Mr. SITT Nam-Hoi, Ms. HUANG Shaomei, Echo and Ms. CHIU Wai-Han, Jenny ; (b) the Non-executive Directors of the Company are Mr. DOO Wai-Hoi, William and Mr. CHENG Kar-Shing, Peter; and (c) the Independent Non-executive Directors of the Company are Mr. YEUNG Ping-Leung, Howard, Mr. HO Hau-Hay, Hamilton, Mr. LEE Luen-Wai, John, Mr. LIANG Cheung-Biu, Thomas, Mr. IP Yuk-Keung, Albert and Mr. CHAN Johnson Ow.*