新鴻基地產發展有限公司
Sun Hung Kai Properties Limited

(Incorporated in Hong Kong with limited liability)
(Stock Code: 16)

2021 / 22 Interim Results

CHAIRMAN'S STATEMENT

I am pleased to present my report to the shareholders.

RESULTS

The Group's underlying profit attributable to the Company's shareholders for the six months ended 31 December 2021, excluding the effect of fair-value changes on investment properties, amounted to HK$14,818 million, compared to HK$17,482 million for the corresponding period last year. Underlying earnings per share were HK$5.11, compared to HK$6.03 for the same period last year.

Reported profit and reported earnings per share attributable to the Company's shareholders were HK$15,186 million and HK$5.24 respectively, compared to HK$13,578 million and HK$4.69 for the corresponding period last year. The reported profit for the period included an increase in fair value of investment properties net of deferred taxation and non-controlling interests of HK$872 million, compared to a decrease of HK$3,833 million for the same period last year.

DIVIDEND

The directors have declared an interim dividend payment of HK$1.25 per share for the six months ended 31 December 2021, the same as the corresponding period last year. The dividend will be payable on 17 March 2022.

BUSINESS REVIEW

Development Profit and Rental Income

Development Profit

During the period under review, profit generated from property sales reached HK$7,658 million, as compared to HK$12,366 million for the corresponding period last year. Contracted sales during the period totalled an approximate HK$23,000 million in attributable terms.

Rental Income

The Group's gross rental income during the period, including contributions from joint-ventures and associates, increased 2% year-on-year to HK$12,628 million, and net rental income rose by 2% year-on-year to HK$9,728 million.

Property Business – Hong Kong

Land Bank

During the period under review, the Group continued to replenish its development land bank through lease modification and land exchange. In October 2021, the Group completed the lease modification procedures for the large-scale residential project at Shap Sz Heung, which is about five-minute drive to MTR Wu Kai Sha Station. The total gross floor area of the project is increased by about one million square feet to around 5.8 million square feet. Integrating nature and the concepts of health and wellness to deliver harmonious cross-generational living, this project will contain commercial, sports and recreational as well as community facilities. It is expected to become the most sizeable and remarkable new residential community in the next decade.

As at 31 December 2021, the Group's attributable land bank in Hong Kong amounted to about 57.8 million square feet. This included about 23.6 million square feet of properties under development, which should be adequate to meet the Group's development needs over the next five to six years. The rest were diversified completed properties of around 34.2 million square feet across the city, an overwhelming majority of which are for rental and long-term investment purposes. The Group will continue to use various channels to replenish its land bank when appropriate opportunities arise, including active conversions of agricultural lands into buildable sites. A few agricultural land use conversions are in the final stages.

Property Development

Following impressive performance in the first half of 2021, Hong Kong's residential market has been slowing during the past few months as the local stock market stayed at relatively low levels and the number of local Omicron infections increased. Nevertheless, low interest rates and solid end-user demand continued to support the market, particularly for small- and medium-sized units. Looking forward, the market segment of small- and medium-sized flats will benefit from the latest announced relaxation of maximum loan-to-value ratio for mortgage financing under the Mortgage Insurance Scheme. In addition, the Northern Metropolis blueprint boosts homebuyers' confidence in residential projects in the area.

During the period, the Group's contracted sales in Hong Kong amounted to about HK$20,600 million in attributable terms. Major contributors included Wetland Seasons Bay Phases 1 and 2 near Hong Kong Wetland Park, The YOHO Hub in Yuen Long as well as Kennedy 38 in Kennedy Town. Apart from newly launched projects, the remaining units in completed properties like Cullinan West III in West Kowloon continued to receive positive market response.

The Group's dedication to premium building quality and services has made its projects the preferred choice for homebuyers. As always, a wide range of products with sophisticated designs, efficient layouts and customer-oriented services are provided to meet various needs. In a continuous effort to excel, the Group continues to introduce new design concepts catering to customer preferences. A wider use of technology in new development projects, including the introduction of artificial intelligence systems, adoptions of contactless devices and robotics applications, will not only enhance the efficiency and standards of property management but also offer hassle-free living to residents, which is particularly important during the pandemic. The Group also strives to elevate its projects to higher standards through the provision of a green, sustainable, intergenerational community with increased recreational and wellness facilities.

A total of four residential projects in Hong Kong comprising about 1.2 million square feet of attributable gross floor area were ready for handover during the period under review. In addition, approximately 22,000 square feet of retail space were completed and designated for long-term investment purposes. Project details are shown in the table below.

Project	Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
Wetland Seasons Park Phase 2 / Wetland Seasons Park Phase 3	9 Wetland Park Road, Tin Shui Wai	Residential	100	597,000
Regency Bay / Regency Bay II	23 Hoi Wong Road, Tuen Mun	Residential/Shops	100	307,000
Victoria Harbour II	133 Java Road, North Point	Residential	100	258,000
Central Peak II	18 Stubbs Road, Mid-Levels East	Residential	100	59,000
Total				**1,221,000**

In the second half of this financial year, an approximate 1.4 million square feet of attributable gross floor area are scheduled for completion, of which about 1.3 million square feet are residential premises for sale, mainly from Wetland Seasons Bay Phases 1 and 2. Due to a rapid wave of Omicron cases and the subsequent stringent anti-pandemic measures, the on-site environment of Hong Kong's construction industry has been severely disrupted. Whenever there is an infection at a site, construction works will be suspended for disinfection and COVID-19 testing. A pandemic-induced shortage of labour due to either quarantine measures or workers' unwillingness to report duty has also made an impact on the industry. Besides, the supply chain of goods from the mainland is impeded by stringent containment measures for cross-boundary goods vehicle drivers. These factors have posed a risk to the Group's projects under construction and may delay their planned schedules for completion.

Property Investment

The Group's gross rental income from Hong Kong during the period under review, inclusive of contributions from joint ventures and associates, amounted to HK$8,928 million, representing a 3% year-on-year decline. The overall average occupancy of the Group's diversified rental portfolio for the period was about 91%.

During the period, the performance of the Group's retail portfolio continued to improve with increased leasing activities while social distancing measures were further relaxed. The malls with a local focus saw their footfall resume almost to pre-pandemic levels. Overall occupancy of the portfolio has remained steady. Nevertheless, the performance of tourist-focused malls remained under pressure due to the absence of tourists.

In view of the recent escalation in Omicron variant infections and much more stringent social distancing measures implemented subsequently, the near-term operating environment for the Group's shopping mall business has become increasingly tough. To cope with the situation, the Group has responded swiftly and introduced a series of initiatives such as elevating the hygienic standards of its properties to ensure a safe and healthy environment for its customers, tenants and employees to shop and work in. The Group also proactively maintains frequent communication with tenants and implements timely and appropriate measures to sustain their business.

The Group's well-versed leasing team continues to optimize the tenant mix in accordance with the latest market trends. New food and beverage outlets, such as pet-friendly cafes and eateries which provide special cuisines and experiential dining, have been introduced. The Group also continues to present trendy pop-up stores and popular thematic installations, and carries out asset enhancement works to upgrade open spaces featuring green elements and parent-child recreational facilities. All these initiatives will help the Group deliver a fresh leisure and shopping experience and boost tenant sales over time.

The Group continued to work closely with tenants to organize promotions to boost tenant sales brought by the Consumption Voucher Scheme during the period. A new round of consumption vouchers has been announced in the latest Budget of the HKSAR Government to stimulate local spending. The Group will, as always, partner with tenants to launch promotional activities, helping them to seize business opportunities and increase sales. Moreover, the Group has continued to team up with business partners and strengthen collaboration between its business arms. The Point by SHKP, a loyalty programme for the Group's malls with 1.8 million members, took a step further to form a strategic collaboration with the Group's five Royal brand hotels via the Go Royal by SHKP, a mobile-based loyalty programme to be launched for hotels. The two loyalty programmes will share a common bonus point currency, allowing members to earn loyalty points upon spending at both shopping malls and hotels. The new features are expected to increase customers' loyalty to the Group's malls, driving shopper spending and tenant businesses.

The Group's 10-million-square-foot diversified office portfolio recorded satisfactory overall occupancy during the period despite a challenging office leasing market in Hong Kong. The rental performance, however, was affected as leasing demand was still constrained by cross-border travel restrictions. Given their prestigious locations, comprehensive facilities, green building specifications and professional management, the iconic IFC in core Central and ICC in West Kowloon continued to appeal to leading international financial institutions and mainland corporates. IFC was almost fully let while occupancy of ICC remained satisfactory. The two landmarks saw expansion of some existing tenants, including securities and wealth management firms, following the official launch of Wealth Management Connect in September 2021. In Kowloon East, the Millennium City continued to attract and retain mid-to-large corporations with its large floor plates and single ownership, boosting the resilience of its occupancies amid fierce competition in the area.

The Group's property investment portfolio will be further expanded with new quality properties of about five million square feet in attributable terms under development. The large-scale project atop the High Speed Rail West Kowloon Terminus will comprise about 2.6 million square feet of premium grade-A offices and some 600,000 square feet of retail space. The Group holds a 100% interest in the retail portion and nearly 1.2 million square feet of office space as long-term investment. Designed to obtain Platinum ratings from LEED, WELL and BEAM Plus certifications, the commercial landmark will come with inviting green and wellness elements.

Under the latest approved plan, the project will offer open green spaces of some 100,000 square feet and part of the 1.5-kilometre-long West Kowloon Parkway linking old and new communities. The design will further benefit the general public through the provision of smooth pedestrian connectivity with West Kowloon Cultural District and its neighbouring areas, bringing about positive interactions and creating a green and harmonious district supported by integrated facilities. With an extensive transportation network connecting to other parts of Hong Kong and mainland cities, the development will create synergy with the Group's ICC and two five-star hotels nearby, and is expected to be a major business hub in the Greater Bay Area. The basement work of this project is under way.

Synergizing with the Millennium City cluster, the joint-venture 98 How Ming Street development in Kowloon East is expected to be completed in 2023 with Platinum rating from both LEED and WELL certifications. Two grade-A office towers of 650,000 square feet have been topped out and pre-leasing activities are progressing well. Scheduled to open in 2024, the retail podium of 500,000 square feet will become a one-stop modern lifestyle mall. This retail podium, together with APM, will form a shopping hub of nearly 1.1 million square feet for the area.

The Yuen Long Station Development will provide additional retail space of 107,000 square feet to the existing YOHO Mall. Following the scheduled opening of this extension in 2023, the mega YOHO Mall will be further expanded to about 1.1 million square feet, becoming the largest mall in northwest New Territories. It is expected to achieve great success on a par with New Town Plaza, the Group's flagship mall in eastern New Territories. The expanded YOHO Mall, together with retail space of 132,000 square feet adjoining the future MTR Kwu Tung Station and the office-cum-retail project adjacent to MTR Tin Shui Wai Station in Yuen Long, will contribute to the development of Northern Metropolis as a promising area to live, work and shop.

Property Business – Mainland

Land Bank

As at 31 December 2021, the Group's total attributable land bank on the mainland stood at 71.1 million square feet. About 53.6 million square feet were properties under development, of which 43% will be developed into quality residences for sale. An overwhelming majority of the remaining 17.5 million square feet were completed properties in strategic locations for rental and long-term investment purposes. The Group will adhere to its selective and focused approach to seeking business opportunities in major cities on the mainland.

Property Development

The tightened policy environment towards the housing market has shown signs of modest loosening in mortgage financing to support reasonable home demand since the fourth quarter of 2021. The principle of 'houses are for living in, not for speculation' continues to underpin the healthy development of the residential market over the long term.

During the period under review, the Group's attributable contracted sales amounted to about RMB2,000 million. Major contributors included the sales of the wholly-owned Grand Waterfront in Dongguan as well as several joint-venture projects such as TODTOWN in Shanghai, Taihu International City in Wuxi, Oriental Bund in Foshan and Chengdu ICC.

The Group completed three projects with a combined attributable gross floor area of about 2.2 million square feet during the period. Project details are shown in the table below. In the second half of this financial year, the Group is expected to complete a total gross floor area of about 3.2 million square feet on the mainland, including the 220-metre-tall office tower at ITC in Shanghai. The office tower will provide over one million square feet of quality office space to tenants.

Project	**Location**	**Usage**	**Group's Interest** (%)	**Attributable Gross Floor Area** (square feet)
Jovo Town Phase 3A	Chengdu	Residential	91	1,228,000
Oriental Bund Phase 3B, 4A & 4B	Foshan	Residential/ Shops/Office	50	759,000
Lake Genève Phase 2A	Suzhou	Residential	90	245,000
Total				**2,232,000**

Property Investment

The Group's gross rental income from the mainland, including contributions from joint-ventures and associates, registered a 12% year-on-year growth to RMB2,781 million during the period. The increase was primarily driven by the robust performance of its retail portfolio.

Supported by the healthy retail market, the Group's premium malls in Shanghai, totalling about three million square feet, delivered solid performance with high occupancy during the period. Shanghai IFC Mall in Pudong, a must-visit venue housing the most elite brands, continued to record healthy growth in tenant sales from a high base. Its catchment area has been further enhanced following the opening of the new section of a metro line in December 2021. Bringing in popular modish brands and concept stores, IAPM in Puxi remains a magnet for well-to-do young shoppers, while One ITC, also in Puxi, houses an assortment of high-end brands with trendy art decorations, offering an instagrammable shopping experience to customers.

The performance of the Group's shopping malls in other major cities remained satisfactory despite the impact of the pandemic in some districts. In Beijing, Beijing APM registered high occupancy during the period although its traffic was affected by a limited number of tourists. The mall has further improved convenience for shoppers after a new connection to the metro station opened in late 2021. Two joint-venture malls in Guangzhou, IGC and Parc Central, continued to record high occupancies during the period. Supported by the resilient domestic consumption from middle-class families and workers in the area, tenant sales of IGC remained solid. Affording vast outdoor space and greenery, Parc Central is a popular choice for leading brands to hold signature events and open pop-ups.

Known for its premium building quality and attentive customer service, the Group's grade-A office portfolio in Shanghai remained an ideal choice for multinationals and local corporates and recorded high occupancy notwithstanding keen competition. The Group's office space at Shanghai IFC continued to draw renowned financial institutions with its prime location and an endorsement from LEED. The completed offices in ITC and Shanghai ICC also achieved satisfactory performance. The two office towers of Nanjing IFC, the Group's premium integrated development in Nanjing, kept attracting reputable foreign and domestic corporations from diverse industries despite a challenging leasing environment and pandemic-related disruptions. Nanjing One IFC registered a committed occupancy of about 85%, while occupancy of Nanjing Two IFC continued to ramp up.

The Group will continue to develop premium integrated projects on the mainland over the long term. Construction of the remaining phase of the mega ITC in Shanghai is progressing as planned. Its 220-metre office tower is scheduled for completion in mid 2022 and received enthusiastic pre-commitments. Other portions of the phase, including a 370-metre office tower, a mega mall of about 2.5 million square feet and the Andaz Shanghai ITC hotel, will be completed in phases from 2023 onwards. The well-planned footbridges linking different phases will significantly boost the connectivity of the entire development and the area. In Nanjing, boasting a gross floor area of over one million square feet, the Nanjing IFC mall will feature an assortment of top retail brands and popular restaurants. It is scheduled to open in phases from mid 2022 onwards.

In Hangzhou, construction work of the Jianghehui integrated development, named Hangzhou IFC, has been progressing as planned. The nine-million-square-foot-plus joint-venture project will enjoy excellent connectivity with its proximity to two metro lines and a proposed new line. It is set to benefit from the added vibrancy brought by emerging opportunities in Hangzhou, the host city of the Asian Games 2022. In Guangzhou, the groundbreaking of the Group's TOD project adjacent to Guangzhou South Railway Station was held in late December 2021. Covering a gross floor area of 9.3 million square feet, the integrated landmark will be completed in phases starting from 2025 onwards. Over 40% of the gross floor area will be held for long-term investment and the remainder will be put up for sale. Sitting atop the key transportation hub in the Greater Bay Area, the project will offer excellent station-city integration and further expand the Group's footprint in the Area.

The Group aims to maintain the competitive edge of its rental portfolio by carrying out asset enhancement works. Sun Dong An Office Tower in Beijing is now under renovation, which is expected to be completed by the end of this year.

Other Businesses

Hotels

During the period under review, the performance of the Group's hotels in Hong Kong improved amid a well-contained local pandemic situation, particularly the Royal brand hotels which have been successful in attracting more long-stay local customers. The food and beverage business, particularly banquet, also benefitted from more relaxed social distancing measures. Nevertheless, the near-term operating environment is likely to be very challenging given the impact of the recent Omicron outbreak in Hong Kong.

In addition to various measures to raise operational efficiency in this challenging environment, the hotel management team continued to strengthen its marketing and sales channels to boost business. A partnership with The Point by SHKP, the Group's integrated loyalty programme for its malls, has been conducive to the sales of hotel rooms. The appeal of the Group's hotels also increased through enhancing customer experience by means of a wider use of smart technology. Besides, the Go Royal by SHKP loyalty programme, which covers the Group's five Royal brand hotels and their 20 restaurants, will be launched to drive customers' spending through a bonus point programme. The Group has fine-tuned the business model of some of its hotels to better serve customers' needs arising from the pandemic.

During the period, the overall performance of the Group's hotels on the mainland were affected by the intermittent pandemic. The Group will continue to develop premium hotels within its integrated developments in major cities on the mainland, including Andaz Nanjing and Andaz Shanghai ITC. Andaz Nanjing at Nanjing IFC is scheduled to open in the second half of 2022 while Four Seasons Hotel Suzhou is planned to open in 2023, both in phases.

Telecommunications and Information Technology

SmarTone

The operating environment for SmarTone remained challenging during the period under review. Roaming revenues stayed at a low level while the local mobile market continued to be competitive. Additional amortization costs were incurred, primarily relating to the 4G spectrum renewal committed to several years ago. Against such headwinds, the company has taken steps to strengthen its fundamentals. The cost optimization initiative improved productivity and yielded material savings. The adoption of 5G by consumers continued to be strong, bolstered by the truly world-class 5G network built by the company. There is also an encouraging ramp-up of 5G Home Broadband service, which is fast and cost competitive. On the business side, the company's enterprise solutions business has continued to grow. In fact, the Group's various businesses have become a major client of SmarTone in their journey towards digital transformation. As a result, SmarTone's profitability during the period has improved materially after discounting the impact of government subsidies in the previous financial year.

SmarTone has invested heavily in building a state-of-the-art 5G network in Hong Kong. The company believes that the development of Hong Kong into a technology hub hinges on the availability of a world-class digital infrastructure like 5G, and it must ensure businesses and consumers alike understand how to leverage 5G. In light of customers' changing lifestyles and needs, the company's 5G network is expanding to cover country parks and hiking trails as well as the community isolation facility at Penny's Bay. Since opening in May 2021, the 5G Lab at Sky100 Hong Kong Observation Deck has now welcomed about 400,000 visitors. It has also hosted students from more than 200 high schools, with the objective of educating the youth and raising their interest in technology. The Group remains confident of SmarTone's prospects and will continue to hold its stake in the company as a long-term investment. The Group will also leverage SmarTone as its telecommunication technology arm for the adoption of technology to improve customers' experience.

SUNeVision

During the period under review, SUNeVision recorded healthy business growth, driven largely by demand from both existing and new customers. The digitalization process for businesses and consumers continues to accelerate on the back of increasing cloud adoption and accelerating 5G usage.

Looking ahead, SUNeVision has a strong pipeline for growth. The two self-owned greenfield projects, namely MEGA Gateway in Tsuen Wan and Phase I of MEGA IDC in Tseung Kwan O, are both targeted to open within the next 12 to 18 months. Upon their completion, the total gross floor area of the company's data centre in Hong Kong will grow from the current 1.4 million square feet to almost three million square feet. The company's power capacity will quadruple from the current 70MW to over 280MW to better serve customers. These two greenfield projects have already drawn pre-commitments and keen interest from customers. With superior infrastructure and power capacity, MEGA IDC is built on a site dedicated for data centre development, and is free from any subletting restrictions which are placed on sites in the nearby industrial estates. MEGA Fanling, the company's eighth data centre, will also start to operate soon. It is already fully committed and will be occupied by a single cloud tenant. SUNeVision will continue to actively source opportunities for future growth, and invest in best-in-class infrastructure and services including the adoption of Environmental, Social and Governance (ESG) measures to serve its customers.

Infrastructure and Other Businesses

During the period under review, the Group's infrastructure and transport businesses reported mixed performance amid the COVID-19 pandemic. Wilson Group's business achieved steady growth on the back of improving domestic consumption, but traffic at Route 3 (CPS) was still negatively impacted by the continued cross-border travel restrictions. The Hong Kong Business Aviation Centre (HKBAC) has continued to be heavily impacted by the virtual stoppage of cross-border travel. Nevertheless, the Group is confident in its long-term prospects, and in April 2021 completed an agreement with the Hong Kong International Airport to extend the franchise. The Airport Freight Forwarding Centre performed well amid the challenge of disrupted supply chains under the pandemic. The River Trade Terminal recorded good business growth as well, supported by increased throughput and business from new customers.

YATA has expanded its product range, especially in fresh produce, to provide customers with more choices. It has also adopted technology to enhance customer satisfaction, such as reducing checkout waiting time. YATA will continue to expand the store network to increase its coverage in Hong Kong and bring excitement to customers.

Corporate Finance

To reaffirm its commitment to prudent financial discipline, the Group has always maintained a low gearing and high liquidity. As at 31 December 2021, it recorded a low net debt to shareholders' funds at 17.5% and high interest coverage of 13 times. Attaching great importance to credit ratings, the Group maintains a score of A1 and A+ with stable outlooks from Moody's and S&P respectively, the highest among Hong Kong real estate companies.

During the period, the Group launched its debut 4-year HK$8,650 million sustainability-linked loan. The overwhelming response from the banking community demonstrated its ongoing efforts in ESG policies. The Group will continue to look for opportunities in ESG financing. In the private placement market, the Group issued HK$1,400 million 3-year bonds and HK$690 million 7-year bonds.

In late 2021, credit default incidents of certain mainland property developers inevitably brought woes and turmoil to the mainland property sector, which also spilled over to the financing end. Nevertheless, the Group's credit conditions and operations on the mainland remained good, gaining strong support from major banks. The Group also looked for other financing tools from time to time to ensure stable funding for its mainland operations.

The Group has not entered into derivative transactions for speculative purposes. A majority of the Group's borrowings are denominated in Hong Kong dollars and the rest are mainly in US dollars and Renminbi. Its overall foreign exchange exposure from debt financing is at a controllable level.

Corporate Governance

The Group adopts a set of comprehensive mechanisms to uphold high standards of corporate governance, which is crucial for its sustainable businesses and for safeguarding the interests of its stakeholders.

The Board of Directors oversees the Group's overall strategy, business direction and development, including its sustainability strategies. The Board consists of 17 members who come from different backgrounds and have a diverse mix of professional experience. All of the seven Executive Directors together with senior executives from the Group's core business units form the Executive Committee to formulate business policies and make decisions on key issues.

Backing the Executive Committee and co-led by two Deputy Managing Directors, the Group's Crisis Management Taskforce deals with major urgent matters, including the pandemic situation. Almost half of the Board members are Independent Non-Executive Directors (INEDs) to ensure the objectivity of the Board's decision-making process. The three Board Committees, namely Audit and Risk Management Committee, Nomination Committee and Remuneration Committee, all chaired by INEDs, play a vital role in supporting the Group to maintain effective risk management and internal control systems.

The Group discloses corporate information in a timely manner and engages its stakeholders via different channels, including a proactive investor-relations programme, in order to enhance transparency. As an endorsement of its outstanding management, good corporate governance and interactive communication with stakeholders, the Group has earned numerous awards and accolades from leading financial publications over the years. During the period under review, major recognitions were received from *Euromoney*, *Bloomberg Businessweek/Chinese Edition* and *Asiamoney.*

Sustainable Development

Guided by its belief in Building Homes with Heart, the Group integrates sustainable elements into every aspect of its operations to create long-term value for stakeholders and the community at large. The positive impact of its sustainability practices has continued to earn the Group recognition from the investment community and ESG rating agencies. In addition to being a constituent member of the FTSE4Good Global Index and attaining a rating of A in the MSCI ESG Ratings assessment, the Group remained a top-three company in the Hang Seng Corporate Sustainability Index.

Environment

The Group's commitment to the environment is demonstrated right from the start of building construction through to property management, and is reinforced by its new 10-year environmental targets covering greenhouse gas emissions, energy consumption, water use and construction waste diversion. While attaining prestigious green certifications for its major completed developments, the Group aims to obtain LEED certifications with gold or above ratings for all its major new properties for investment purposes.

To support the national goal of achieving carbon neutrality, the Group strives to reduce energy consumption and greenhouse gas emissions of its developments with green design and convenient eco-friendly facilities. It seeks to adopt renewable energy through an extensive plan to install solar panels at its properties. By the end of 2022, the developments under its management with solar panel installations are expected to increase from 26 to about 45.

The Group also actively supports the use of electric vehicles (EVs) to reduce greenhouse gas emissions and improve roadside air quality, with more EV charging stations being installed at its commercial and residential buildings. Contributing to the development of sustainable public transport, the Group has encouraged its associate, Transport International, to use electric buses extensively. The bus fleet will continue to go green by using different types of new energy. In addition, solar panels have been installed on more than 1,000 buses to help save electricity.

To minimize waste and other negative impacts of the construction process, the Group adopts sustainable building methods including Building Information Modelling (BIM) and precasting wherever feasible. Exothermic welding was used as the first of its kind in Hong Kong during a new project's construction to help curb fume emissions. The Group was also the first developer in the city to adopt the Bridge Launching Technique by Rotation, saving 60% construction time while minimizing construction noise and public inconvenience caused by road closures.

The Group's endeavours to integrate conservation with development are demonstrated by projects like PARK YOHO, Wetland Seasons Park and Wetland Seasons Bay. The designs of these projects emphasize nature conservation, allowing residents to live in harmony with wildlife. To bring the wider public closer to nature, the Group set up urban farms at a number of residential, commercial and industrial developments. More open spaces at its shopping malls and office buildings have been optimized with landscaped designs to create a more relaxing ambience.

Social

The Group adopts a multi-pronged strategy to enhance the social, physical and mental well-being of the community. Collaborating with different sectors of society for worthy causes, the Group is dedicated to making Hong Kong a better place to live, work, and nurture the next generations.

In tune with the HKSAR Government's policies to cope with a housing shortage, the Group made a project application for the Land Sharing Pilot Scheme with a site near Tung Shing Lei in Yuen Long. It is planned to provide around 4,000 public and private housing units in the short-to-medium term. On the transitional housing front, United Court in Yuen Long, which is built on a site leased by the Group to Hong Kong Sheng Kung Hui Welfare Council at a nominal rent of HK$1, will provide a decent living environment at a very affordable rent to people in need. The intake of residents is expected to commence in mid 2022. Taking into account families moving in and out, the 1,800 units of United Court are expected to ultimately benefit about 5,000 underprivileged families.

The Group continues to care for the less fortunate. In addition to distributing daily necessities and providing basic home decoration services to the underprivileged, the SHKP Volunteer Team has partnered with a non-governmental organization to launch a year-long programme to support single mothers and their children. The programme fills the beneficiaries with positive energy and optimism, so they will feel confident about overcoming challenges in life.

Recently, the Omicron infections have surged in Hong Kong. The Group goes all out to support the HKSAR Government to fight against this latest wave of pandemic, hoping that different sectors can join hands to combat the virus. A number of key initiatives are in place. First, the Group lends for free two pieces of land with a combined attributable site area of 1.2 million square feet to the HKSAR Government for building community isolation and treatment facilities. Second, the Group would provide additional places at its office and mall premises, including APM in Kwun Tong, Landmark North in North District and YOHO Mall in Yuen Long, as venues for community vaccination. All these properties enjoy direct and convenient access to MTR stations. Third, the Group will donate 400,000 COVID-19 rapid test kits to frontline anti-pandemic forces, the underprivileged and the Group’s employees. Fourth, the Group would also provide 25 medical disinfection robots to public hospitals and clinics to help prevent the spread of virus in such premises. In addition, the Group continues to motivate people to receive a vaccine. During the period, it rolled out a city-wide daily lucky draw campaign to promote vaccination. This was followed by another lucky draw held by the SHKP Club to encourage its 470,000-plus members and their families to get vaccinated. The Club also reinforced its role as a two-way communication vehicle between the Group and its customers through various means to keep tabs on customers’ needs for continuous improvement.

The Group has operated Ma Wan Park, including Noah’s Ark Hong Kong and Ma Wan Park Nature Garden, since 2007 with a dedication to promoting ESG initiatives. Noah’s Ark Hong Kong has collaborated with 1,400 local charity groups to organize 10,000-plus life education and public welfare activities for more than 680,000 people. About half of the participants were children and youngsters, and the remainder were the underprivileged comprising the elderly, the disabled and the chronically ill. These demonstrate the Group’s proactive effort to promote environmental protection and care for the underprivileged as well as the elderly. Ma Wan Park has attracted 7.16 million visitors in the past 14 years, bringing them unconventional experiences through a series of environmental, scientific exploration, parent-child and life education workshops.

Contributing to Hong Kong’s development into an international innovation and technology hub, the Group leverages its resources to educate the public, particularly the young generation, on 5G and other cutting-edge technologies. Through its online platform Read For More and outreach activities in schools, the SHKP Reading Club enhances students’ knowledge of innovation and technology as well as Science, Technology, Engineering and Mathematics (STEM) in its ongoing promotion of reading. Presenting a range of innovative 5G applications, SmarTone’s 5G Lab at Sky100 Hong Kong Observation Deck is dedicated to arousing the young generation’s interest in technology. Its 5G STEM classes and guided tours have benefitted over 200 schools.

During the period, the Group continued to promote sports and healthy living by being the title sponsor of the Sun Hung Kai Properties Hong Kong 10K Championships. To further enhance the development of cycling sports, the SHKP Cycling Academy launched its training centres at three secondary schools as training hubs for schools in respective districts. This not only allows students to have professional and systematic cycling training but also raises their awareness of road safety and helps them develop positive thinking and perseverance as part of character training. The scheme will be promoted to around 5,000 students and aims to train 400 people every year.

The Group continues to increase its talent pool, particularly people with digital and data analytical skills, to sustain its business development and expansion over time. Staff members are provided with opportunities to acquire or improve their digital and technological knowledge and skills for better job performance and personal growth in an increasingly digitalized world. In view of the recent Omicron outbreak in Hong Kong, the Group has made arrangements for employees to work from home wherever practicable to reduce the risk of virus transmission. The Group arranges nucleic acid tests to be conducted on-site for targeted groups, including frontline staff and those who have been in close contact with COVID-19 patients, to reduce employees' risk of being exposed to crowd gatherings. This helps provide them with much convenience and easing their concerns. In addition, the Group will also arrange all its headquarters staff to undergo a nucleic acid test, ensuring them a safe work environment.

PROSPECTS

2022 is likely to remain challenging with a number of uncertainties. Existing and new COVID-19 variants are still a major threat to the global economy. Frequent mutations of the virus, intermittent quarantine measures, suspension of international flights and persistent disruptions of global supply chains are obstacles to a full economic recovery. Meanwhile, major central banks are either implementing quantitative tapering or raising interest rates amid rising inflation. Geopolitical risks, including escalating Russia-Ukraine crisis and continuing Sino-US tensions, remain a headwind. On a brighter note, increased availability and broader uptake of vaccines coupled with continuous advancement of antiviral pills will help manage these pandemic-related challenges. This will boost market confidence and global economic recovery.

The mainland economic development is facing pressure from both global and local uncertainties while industries such as real estate are consolidating. Nevertheless, the Central Government has been upholding a series of measures to safeguard macroeconomic stability and growth, and current adjustments will likely be beneficial from a long-term perspective. Meanwhile, well-contained COVID-19 infections amid effective measures against the pandemic will continue to provide a normal, favourable environment for households and businesses. Various supportive macro initiatives to stimulate the vitality of market entities, including fiscal and monetary policies, will be conducive to stable, reasonable economic growth. The dual circulation strategy, together with intensified efforts to promote the development of technology and innovation as well as a green economy, will continue to have positive economic impacts. The upside for the country will elevate the economy to a new level, significantly enlarging the middle-income population over the long term.

Hong Kong's social and political environment has turned stable and positive over the past two years, providing a solid foundation for the local economy to move forward. Continuous growth in merchandise trade will underpin Hong Kong's economy in the near term. Nevertheless, the recent outbreak of Omicron variant infections is expected to bring additional challenges to the local economy, particularly domestic consumption and contact-intensive industries. The Group proactively contributes to HKSAR Government's anti-pandemic efforts. It firmly believes that Hong Kong will be able to overcome the pandemic with the full support from the Central Government, similar to mainland cities which are able to achieve 'dynamic zero infection' rapidly and effectively. All these will be conducive to a gradual resumption of quarantine-free travel with the mainland, driving a full recovery of the local economy. In addition, the relief measures and economic stimulus initiatives introduced in the latest Budget of HKSAR Government will give added impetus to the city's economic recovery. Over the long term, with its advantage under 'One Country, Two Systems' and increasing integration into the national development, Hong Kong will boost its status as an international hub of finance, transportation and trade and develop into an international centre for innovation and technology.

The Group is confident about the prospects of the mainland and Hong Kong and will continue to invest in the country. It will carry on strengthening its property development business with selective land acquisitions when good opportunities arise. The Group will keep putting up new projects for sale once ready, both on the mainland and in Hong Kong. Over the next 10 months, major projects planned to go on the city's market include a new phase of Victoria Harbour in North Point, Prince Central in Ho Man Tin, Wetland Seasons Bay Phase 3, the first phase of a residential project next to MTR Siu Hong Station in Tuen Mun, the first phase of a residential development in Pak Shek Kok, and the second phase of St Michel in Sha Tin. An industrial building in Tsuen Wan is also scheduled for sale. Nevertheless, both the schedule of the new launches and the issuance of government approvals for pre-sales may be affected by the pandemic situation. On the mainland, the wholly-owned residential units from Shanghai Arch in Shanghai, Park Royale and the Guangzhou South Railway Station development in Guangzhou will go on the market. In addition, several joint-venture projects are expected to be on offer, including residential units at Hangzhou IFC in Hangzhou, Jovo Town at Chengdu, The Woodland in Zhongshan and Oriental Bund in Foshan.

On the property investment side, the Group will keep expanding its portfolio and strengthening its recurrent income stream by developing new integrated projects. In Hong Kong, the extension of YOHO Mall in Yuen Long will be opened in 2023 while the Group's office-cum-retail development in Kwun Tong will be completed. In addition, the 220-metre-tall office tower at ITC in Shanghai is scheduled for completion in mid 2022. Andaz Nanjing and Nanjing IFC mall in Nanjing are planned to open in phases from the second half of 2022. A number of integrated landmark projects are expected to be fully completed by the end of financial year 2025/26, including the mega ITC in Shanghai and Hangzhou IFC in Hangzhou. Accordingly, the Group's property investment portfolio will increase by a total of about 16 million square feet, of which about 80% will be from the mainland. The Group will be well-positioned to take advantage of the opportunities arising from growing domestic spending under the dual circulation strategy. In financial terms, the Group's total recurrent income from the mainland is expected to show a phenomenal growth from the current level. Over the long term, the Group's recurrent income will see further growth momentum upon the completion of the High Speed Rail West Kowloon Terminus integrated development in Hong Kong and the Guangzhou South Railway Station project in Guangzhou. The Group will also continue to selectively look for landmark integrated projects with great potential in major mainland cities.

The latest Omicron wave has made Hong Kong's operating environment more challenging. The Group has taken extra preventive measures to raise the hygiene standards of its residential and commercial properties, ensuring a safe and comfortable environment for residents, customers, tenants and employees. The Group also proactively maintains frequent communication with shopping mall tenants and introduces appropriate supportive measures according to different circumstances. Meanwhile, the Group continues to excel itself by raising product quality and service standards to meet the latest customers' needs and preferences. A wider use of smart technology in new project developments will bring exceptional experience and convenience to homebuyers and tenants as well as shoppers. The Group will also make extra efforts to deal with climate change and achieve sustainable development. It aims to obtain green certifications such as LEED with gold or above ratings for all the major new properties for investment. De-carbonization initiatives, such as the installation of EV charging stations and solar panels wherever feasible, are being introduced in new projects. The Group believes all these measures will not only better serve its customers but also contribute to the greater good of society.

During the past half-century, the Group has weathered good and bad times alongside the people of Hong Kong. The Group firmly believes that Hong Kong will continue with its success as the Pearl of the Orient under 'One Country, Two Systems', given its well-established Common Law system, world-class business standards and practices, comprehensive infrastructure and hard-working and perseverant people. The Group reaches an important milestone in 2022 as the year marks the 50th anniversary of its public listing in Hong Kong. As always, the Group will adhere to its commitment to Hong Kong while upholding its philosophy of Building Homes with Heart. With its premium brand and product quality, customer-centric culture, seasoned management team and strong financial position, the Group will continue its journey to success and scale new heights in the coming decades.

APPRECIATION

I would like to take this opportunity to express my sincere gratitude to all staff for their commitment, diligence and contribution, particularly in ensuring the Group's effective operations and providing quality customer services amid the fluctuating pandemic situation. I would also like to thank my fellow directors for their guidance and our shareholders and customers for their continued support.

Kwok Ping-luen, Raymond
Chairman & Managing Director

Hong Kong, 24 February 2022

ANNOUNCEMENT

The Board of Directors of Sun Hung Kai Properties Limited announces the following unaudited consolidated figures of the Group for the six months ended 31 December 2021 with comparative figures for 2020:-

Consolidated Income Statement
For the six months ended 31 December 2021
(Expressed in millions of Hong Kong dollars)

	Notes	(Unaudited) Six months ended 31 December 2021	2020
Revenue	**2**	**40,153**	46,070
Cost of sales		**(20,253)**	(21,569)
Gross profit		**19,900**	24,501
Other net income		**607**	627
Selling and marketing expenses		**(2,118)**	(2,829)
Administrative expenses		**(1,482)**	(1,276)
Operating profit	**2**	**16,907**	21,023
Change in fair value of investment properties		**1,038**	(3,240)
Finance costs		**(1,103)**	(1,172)
Finance income		**186**	155
Net finance costs	**3**	**(917)**	(1,017)
Share of results of:			
Associates		**125**	674
Joint ventures		**1,829**	675
	2	**1,954**	1,349
Profit before taxation	**4**	**18,982**	18,115
Taxation	**5**	**(3,468)**	(4,140)
Profit for the period		**15,514**	13,975
Profit for the period attributable to:			
Company's shareholders		**15,186**	13,578
Perpetual capital securities holders		**-**	66
Non-controlling interests		**328**	331
		15,514	13,975
(Expressed in Hong Kong dollars)			
Earnings per share based on profit attributable to the Company's shareholders (reported earnings per share)	**6(a)**		
Basic		**$5.24**	$4.69
Diluted		**$5.24**	$4.69
Earnings per share excluding the effect of change in fair value of investment properties net of deferred tax (underlying earnings per share)	**6(b)**		
Basic		**$5.11**	$6.03
Diluted		**$5.11**	$6.03

Consolidated Statement of Comprehensive Income
For the six months ended 31 December 2021
(Expressed in millions of Hong Kong dollars)

	(Unaudited) Six months ended 31 December	
	2021	2020
Profit for the period	**15,514**	13,975
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of Mainland operations	**1,808**	6,883
Cash flow hedge		
- fair value gains/(losses) recognized directly through other comprehensive income	**218**	(231)
- fair value gains transferred to consolidated income statement	**(33)**	(9)
	185	(240)
Debt securities		
- fair value (losses)/gains recognized directly through other comprehensive income	**(25)**	3
- fair value gains transferred to consolidated income statement	**(6)**	-
	(31)	3
Share of other comprehensive income of associates and joint ventures	**483**	2,070
Items that will not be reclassified to profit or loss:		
Fair value losses of equity securities at fair value through other comprehensive income	**(80)**	(66)
Share of other comprehensive income of an associate	**155**	145
Other comprehensive income for the period	**2,520**	8,795
Total comprehensive income for the period	**18,034**	22,770
Total comprehensive income for the period attributable to:		
Company's shareholders	**17,672**	22,177
Perpetual capital securities holders	**-**	66
Non-controlling interests	**362**	527
	18,034	22,770

Consolidated Statement of Financial Position
As at 31 December 2021
(Expressed in millions of Hong Kong dollars)

	Notes	**(Unaudited) 31 December 2021**	(Audited) 30 June 2021
Non-current assets			
Investment properties	**8**	**402,864**	395,879
Property, plant and equipment		**43,860**	42,921
Associates		**7,283**	7,093
Joint ventures		**95,008**	94,388
Financial investments		**3,153**	3,229
Intangible assets		**6,108**	4,273
Other non-current assets		**5,087**	5,803
		563,363	553,586
Current assets			
Properties for sale		**200,656**	200,934
Inventories		**554**	362
Trade and other receivables	**9**	**24,991**	18,373
Financial investments		**834**	1,383
Bank deposits and cash		**17,909**	21,781
		244,944	242,833
Current liabilities			
Bank and other borrowings		**(24,250)**	(20,979)
Trade and other payables	**10**	**(30,940)**	(28,210)
Deposits received on sales of properties		**(5,685)**	(8,644)
Current tax payable		**(12,573)**	(15,366)
		(73,448)	(73,199)
Net current assets		**171,496**	169,634
Total assets less current liabilities		**734,859**	723,220
Non-current liabilities			
Bank and other borrowings		**(98,614)**	(95,844)
Deferred tax liabilities		**(26,856)**	(25,694)
Other non-current liabilities		**(3,842)**	(2,056)
		(129,312)	(123,594)
NET ASSETS		**605,547**	599,626
CAPITAL AND RESERVES			
Share capital		**70,703**	70,703
Reserves		**530,070**	523,117
Shareholders' equity		**600,773**	593,820
Non-controlling interests		**4,774**	5,806
TOTAL EQUITY		**605,547**	599,626

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34, Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

The financial information relating to the year ended 30 June 2021 included in this interim results announcement as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. The Company has delivered the consolidated financial statements for the year ended 30 June 2021 to the Registrar of Companies and the Company's auditor has reported on the consolidated 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 407(3) of the Hong Kong Companies Ordinance.

The accounting policies applied in the preparation of these interim financial statements are consistent with those applied in the consolidated financial statements for the year ended 30 June 2021. The Group has adopted a number of amendments to Hong Kong Financial Reporting Standards that are effective for the first time for this interim period. None of these amendments had a material impact on the Group’s financial statements.

The Group has not applied any new standard or amendment that is not effective for the current accounting period.

(Expressed in millions of Hong Kong dollars)

2. Segment Information

Segment revenue and results are measured without allocation of central administration costs, other net income, net finance costs and change in fair value of investment properties, which are reported to the Group's management for the purposes of resource allocation and assessment of segment performance.

(a) Segment revenue and results

An analysis of the revenue and results for the period of the Group and its share of associates and joint ventures by reportable and operating segments is as follows:

For the six months ended 31 December 2021

	The Company and its subsidiaries		Associates and joint ventures			
	Revenue	Results	Share of revenue	Share of results	Combined revenue	Consolidated results
Property sales						
Hong Kong	16,964	7,012	33	24	16,997	7,036
Mainland	341	178	1,124	444	1,465	622
	17,305	7,190	1,157	468	18,462	7,658
Property rental						
Hong Kong	7,540	5,612	1,388	1,103	8,928	6,715
Mainland	2,902	2,417	472	349	3,374	2,766
Singapore	-	-	326	247	326	247
	10,442	8,029	2,186	1,699	12,628	9,728
Hotel operations	1,564	(138)	247	(24)	1,811	(162)
Telecommunications	3,792	391	-	-	3,792	391
Transport infrastructure and logistics	2,002	602	1,897	176	3,899	778
Data centre operations	995	505	-	-	995	505
Other businesses	4,053	594	293	51	4,346	645
Segment total	40,153	17,173	5,780	2,370	45,933	19,543
Other net income		607		50		657
Unallocated administrative expenses		(873)		-		(873)
Operating profit		16,907		2,420		19,327
Change in fair value of investment properties						
Hong Kong		(825)		(455)		(1,280)
Mainland		1,863		348		2,211
Singapore		-		448		448
		1,038		341		1,379
Net finance costs		(917)		(131)		(1,048)
Profit before taxation		17,028		2,630		19,658
Taxation						
- Group		(3,468)		-		(3,468)
- Associates		-		(22)		(22)
- Joint ventures		-		(654)		(654)
Profit for the period		13,560		1,954		15,514

(Expressed in millions of Hong Kong dollars)

For the six months ended 31 December 2020

	The Company and its subsidiaries		Associates and joint ventures			
	Revenue	Results	Share of revenue	Share of results	Combined revenue	Consolidated results
Property sales						
Hong Kong	23,374	10,449	59	35	23,433	10,484
Mainland	1,590	891	1,885	991	3,475	1,882
	24,964	11,340	1,944	1,026	26,908	12,366
Property rental						
Hong Kong	7,736	5,754	1,445	1,169	9,181	6,923
Mainland	2,454	2,024	412	289	2,866	2,313
Singapore	-	-	314	260	314	260
	10,190	7,778	2,171	1,718	12,361	9,496
Hotel operations	1,030	(202)	183	(26)	1,213	(228)
Telecommunications	3,244	380	-	-	3,244	380
Transport infrastructure and logistics	1,868	612	1,523	235	3,391	847
Data centre operations	923	471	-	-	923	471
Other businesses	3,851	799	342	36	4,193	835
Segment total	46,070	21,178	6,163	2,989	52,233	24,167
Other net income		627		-		627
Unallocated administrative expenses		(782)		-		(782)
Operating profit		21,023		2,989		24,012
Change in fair value of investment properties						
Hong Kong		(3,258)		(164)		(3,422)
Mainland		18		37		55
Singapore		-		(492)		(492)
		(3,240)		(619)		(3,859)
Net finance costs		(1,017)		(180)		(1,197)
Profit before taxation		16,766		2,190		18,956
Taxation						
- Group		(4,140)		-		(4,140)
- Associates		-		14		14
- Joint ventures		-		(855)		(855)
Profit for the period		12,626		1,349		13,975

As of 31 December 2021, the aggregate amount of transaction price allocated to the remaining performance obligations under the Group's existing contracts of sales of properties was HK$29,442 million (30 June 2021: HK$26,382 million). This represents the aggregate amount of revenue expected to be recognized by the Group in the future, of which approximately 64% (30 June 2021: 71%) is expected to be recognized as revenue within the next 12 months when the control over the ownership or physical possession of the property is transferred to the customers.

(Expressed in millions of Hong Kong dollars)

Results from property sales include selling and marketing expenses of HK$166 million (2020: HK$458 million) and HK$63 million (2020: HK$52 million) that relate to pre-sale of property projects under construction in Hong Kong and Mainland, respectively.

Other businesses comprise revenue and profit derived from other activities including property management, department store operations and financial services.

Other net income includes mainly net gain on disposal of investment properties, net investment income from financial assets and gain on disposal of subsidiaries.

(b) Geographical information

An analysis of the Group's revenue by geographical area of principal markets is as follows:

	Six months ended 31 December	
	2021	2020
Hong Kong	**36,435**	41,734
Mainland	**3,458**	4,260
Others	**260**	76
	40,153	46,070

3. Net Finance Costs

	Six months ended 31 December	
	2021	2020
Interest and other finance costs on bank and other borrowings	**1,453**	1,500
Notional non-cash interest accretion	**23**	9
Finance costs on lease liabilities	**14**	22
Less: Amount capitalized	**(387)**	(359)
	1,103	1,172
Interest income on bank deposits	**(186)**	(155)
	917	1,017

(Expressed in millions of Hong Kong dollars)

4. Profit before Taxation

	Six months ended 31 December	
	2021	2020
Profit before taxation is arrived at		
after charging:		
Cost of properties sold	**8,940**	11,674
Cost of other inventories sold	**2,143**	1,822
Depreciation of property, plant and equipment	**1,452**	1,459
Amortization of		
Intangible assets (included in cost of sales)	**328**	287
Contract acquisition costs	**735**	1,119
Impairment loss on goodwill	**1**	1
Credit loss allowance on		
Trade and other receivables	**4**	5
Financial investments measured at FVOCI and amortized cost	**144**	-
Lease expenses		
Short-term and low-value assets leases	**224**	227
Variable lease payments	**77**	78
Staff costs (including directors' emoluments and retirement schemes contributions)	**4,565**	3,905
Share-based payments	**14**	13
Loss on disposal of financial investments at fair value through profit or loss	**36**	-
Fair value losses on financial investments at fair value through profit or loss	**34**	-
and crediting:		
Dividend income from investments	**56**	57
Interest income from investments	**41**	39
Profit on disposal of financial investments at fair value through profit or loss	**-**	43
Fair value gains on financial investments at fair value through profit or loss	**-**	203

(Expressed in millions of Hong Kong dollars)

5. Taxation

	Six months ended 31 December	
	2021	2020
Current tax expenses		
Hong Kong profits tax	**2,052**	2,714
Over provision in prior years	**(13)**	(18)
	2,039	2,696
Tax outside Hong Kong	**717**	1,168
Over provision in prior years	**(1)**	-
	716	1,168
Total current tax	**2,755**	3,864
Deferred tax expenses		
Change in fair value of investment properties	**407**	(29)
Other origination and reversal of temporary differences	**306**	305
Total deferred tax	**713**	276
Total income tax expenses	**3,468**	4,140

Hong Kong profits tax is provided at the rate of 16.5% (2020: 16.5%) based on the estimated assessable profits for the period. Tax outside Hong Kong, which includes Mainland land appreciation tax and withholding tax on income distribution, is calculated at the rates applicable in the relevant jurisdictions.

6. Earnings per Share

(a) Reported earnings per share

The calculations of basic and diluted earnings per share are based on the Group's profit for the period attributable to the Company's shareholders of HK$15,186 million (2020: HK$13,578 million).

The basic earnings per share is based on the weighted average number of shares in issue during the interim period of 2,897,780,274 (2020: 2,897,780,274) shares.

Diluted earnings per share were the same as the basic earnings per share as there were no dilutive potential ordinary shares in existence during the periods.

(Expressed in millions of Hong Kong dollars)

(b) Underlying earnings per share

For the purpose of assessing the underlying performance of the Group, basic and diluted earnings per share are additionally calculated based on the underlying profit for the period attributable to the Company's shareholders of HK$14,818 million (2020: HK$17,482 million), which excluded the net effect of change in the valuation of investment properties. A reconciliation of profit is as follows:

	Six months ended 31 December	
	2021	2020
Profit attributable to the Company's shareholders as shown in the consolidated income statement	**15,186**	13,578
(Increase)/decrease in fair value of investment properties		
Subsidiaries	**(1,038)**	3,240
Associates	**26**	(405)
Joint ventures	**(367)**	1,024
	(1,379)	3,859
Effect of corresponding deferred tax expenses		
Subsidiaries	**407**	(29)
Joint ventures	**102**	15
Non-controlling interests	**(2)**	(12)
Unrealized fair value (gains)/losses of investment properties net of deferred tax	**(872)**	3,833
Fair value gains of investment properties net of deferred tax realized on disposal	**504**	71
Net effect of change in fair value of investment properties	**(368)**	3,904
Underlying profit attributable to the Company's shareholders	**14,818**	17,482

(Expressed in millions of Hong Kong dollars)

7. Dividends

(a) Interim dividend payable to equity shareholders of the Company declared after the interim period

	Six months ended 31 December	
	2021	2020
Interim dividend declared after the interim period of HK$1.25 (2020: HK$1.25) per share	**3,622**	3,622

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

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

	Six months ended 31 December	
	2021	2020
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK$3.70 (2020: HK$3.70) per share	**10,722**	10,722

8. Investment Properties

(a) Movement during the period

	Completed	**Under development**	**Total**
Valuation			
At 1 July 2021	**333,091**	**62,788**	**395,879**
Additions	**426**	**3,553**	**3,979**
Transfer upon completion	**1,136**	**(1,136)**	**-**
Disposals	**(365)**	**-**	**(365)**
Transfer to property, plant and equipment	**(70)**	**-**	**(70)**
Exchange difference	**1,597**	**806**	**2,403**
(Decrease)/increase in fair value	**(271)**	**1,309**	**1,038**
At 31 December 2021	**335,544**	**67,320**	**402,864**

(Expressed in millions of Hong Kong dollars)

(b) The Group's investment properties were valued at their fair values at 31 December 2021 and 30 June 2021 by Knight Frank Petty Limited, an independent firm of professional qualified valuers, on a market value basis, in accordance with Valuation Standards on Properties issued by Hong Kong Institute of Surveyors.

The Group's completed investment properties are valued using the income capitalization method by capitalizing the net income from the existing tenancies and reversionary income potential at appropriate capitalization rates for individual properties. The capitalization rate adopted is derived by making reference to the yields achieved from analysis of comparable property investment transactions and valuer's view of prevailing investor expectations regarding rental growth and perceived risks.

The Group's investment properties under development are valued using the residual method by estimating the value of the property when completed using income capitalization method with reference to comparable sales transactions assuming that the property had been completed in accordance with the current development plan on the valuation date less the costs that will be incurred to complete the development with appropriate allowance for profit and risk.

Set out below is the significant unobservable inputs used for fair value measurements:

	Fair value		**Weighted average capitalization rate**	
	31 December 2021	30 June 2021	**31 December 2021**	30 June 2021
Completed				
Hong Kong	**259,566**	259,233	**5.1%**	5.1%
Mainland	**75,978**	73,858	**6.6%**	6.6%
	335,544	333,091		

	Fair value (residual method)		**Capitalization rate**	
	31 December 2021	30 June 2021	**31 December 2021**	30 June 2021
Under development				
Hong Kong	**26,207**	26,132	**3.0%-5.5%**	3.0%-5.5%
Mainland	**41,113**	36,656	**5.0%-8.8%**	5.0%-8.8%
	67,320	62,788		

9. Trade and Other Receivables

Included in trade and other receivables of the Group are trade receivables of HK$3,386 million (30 June 2021: HK$2,770 million), of which 63% are aged less than 30 days, 16% between 31 to 60 days, 5% between 61 to 90 days and 16% more than 90 days (30 June 2021: 65%, 14%, 5% and 16% respectively).

10. Trade and Other Payables

Included in trade and other payables of the Group are trade payables of HK$3,313 million (30 June 2021: HK$2,708 million), of which 67% are aged less than 30 days, 10% between 31 to 60 days, 2% between 61 to 90 days and 21% more than 90 days (30 June 2021: 64%, 7%, 3% and 26% respectively).

FINANCIAL REVIEW

Review of Results for the First Half of FY2021/22

Underlying profit attributable to the Company's shareholders for the six months ended 31 December 2021, which excluded the effect of fair value change on investment properties, was HK$14,818 million, a decrease of HK$2,664 million or 15% from HK$17,482 million reported in the same period last year. The decrease was mainly attributable to the decrease in property development profit due to relatively lower sales completions of residential projects both in Honk Kong and Mainland when compared with the corresponding period in 2020.

Including the net effect of fair value change on investment properties attributable to shareholders, the Company reported an attributable profit to shareholders of HK$15,186 million for the six months ended 31 December 2021, representing an increase of HK$1,608 million or 12% compared with HK$13,578 million for the same period last year.

	Six months ended 31 December	
	2021	2020
	HK$ Million	*HK$ Million*
Underlying profit attributable to Company's shareholders	**14,818**	17,482
Adjustment for net revaluation movements on investment properties		
Net revaluation gain/(loss)	**872**	(3,833)
Valuation gains realized on disposal	**(504)**	(71)
Net effect	**368**	(3,904)
Profit attributable to Company's shareholders	**15,186**	13,578

Revenue and Operating profit/(loss) by segment for the six months ended 31 December (including share of joint ventures and associates)

	Revenue		Operating profit/(loss)	
	2021	2020	**2021**	2020
	HK$ Million	*HK$ Million*	***HK$ Million***	*HK$ Million*
Property sales				
Hong Kong	**16,997**	23,433	**7,036**	10,484
Mainland	**1,465**	3,475	**622**	1,882
	18,462	26,908	**7,658**	12,366
Property rental				
Hong Kong	**8,928**	9,181	**6,715**	6,923
Mainland	**3,374**	2,866	**2,766**	2,313
Singapore	**326**	314	**247**	260
	12,628	12,361	**9,728**	9,496
Hotel operations	**1,811**	1,213	**(162)**	(228)
Telecommunications	**3,792**	3,244	**391**	380
Transport infrastructure and logistics	**3,899**	3,391	**778**	847
Data centre operations	**995**	923	**505**	471
Other businesses	**4,346**	4,193	**645**	835
Segment total	**45,933**	52,233	**19,543**	24,167

Total revenue of the Group's business segments (including share of joint ventures and associates) for the six months ended 31 December 2021 dropped 12% year-on-year to HK$45,933 million as property sales revenue during the period dropped 31% year-on-year to HK$18,462 million. Total operating profit from all business segments (including share of joint ventures and associates) dropped 19% year-on-year to HK$19,543 million as profit from property sales dropped 38% to HK$7,658 million.

Revenue from property sales (including share of joint ventures) in Hong Kong and Mainland for the six months ended 31 December 2021 was HK$16,997 million and HK$1,465 million, respectively. Profit from property sales in Hong Kong decreased by 33% to HK$7,036 million over the same period last year, after the 65% rise in the preceding period, and was mainly derived from sales of residential units in Wetland Seasons Park Phase 2 and 3, Regency Bay, Regency Bay II, Cullinan West III and Grand YOHO Phase 2. Profit from property sales on the Mainland decreased by HK$1,260 million to HK$622 million, mainly driven by revenue recognition from Forest Hills and Oriental Bund Phase 3B. As at 31 December 2021, contracted property sales attributable to the Group (including share of joint ventures) not yet recognized amounted to HK$34.5 billion, comprising HK$28.6 billion in Hong Kong and HK$5.9 billion on the Mainland, of which approximately HK$16.5 billion is expected to be recognized in the second half of the current financial year and HK$12.5 billion in the next financial year.

Rental revenue for the first half of the financial year, including share of joint ventures and associates, increased by 2% to HK$12,628 million, driven by growth in the Mainland portfolio. Net rental income of the Group, including contributions from joint ventures and associates, increased by 2% to HK$9,728 million. The Mainland portfolio continued to deliver an impressive year-on-year revenue growth of 18% to HK$3,374 million with net rental income increased by 20% to HK$2,766 million, driven mainly by the retail portfolio. The Hong Kong portfolio posted a year-on-year revenue decrease of 3% to HK$8,928 million with net rental income decreased by 3% to HK$6,715 million. The Hong Kong retail portfolio continued to be impacted by the COVID-19 pandemic. Rental revenue drop narrowed, down by 4% year-on-year mainly due to negative rental reversions, while occupancy maintained at high levels and tenant sales continued to improve with little to no rental concessions granted during the period. Rental growth on renewals of the Hong Kong office portfolio has come under increased pressure from the subdued leasing demand as the pandemic drags on, and a moderate year-on-year drop of 4% in rental revenue was recorded for the period under review.

Hotel operations (including share of joint ventures) recorded a loss of HK$162 million (after depreciation charge of HK$321 million) as compared with the loss of HK$228 million (after depreciation charge of HK$330 million) for the same period last year. The hotel business in Hong Kong continued to be severely impacted by the lack of tourists due to stringent travel restrictions, cross-border closures and social distancing measures. The Group achieved improved revenue and occupancy during the period through new initiatives to attract local customers including long-stay offers, festive staycation packages and loyalty programs as well as implementing various measures to save costs and improve operating efficiency.

SmarTone reported an operating profit growth of 3% to HK$391 million, mainly driven by the improvement in revenue from local services and handset sales as well as improved profit margin resulting from effective measures to reduce operating costs.

Operating profit from transport infrastructure and logistics businesses (including share of joint ventures and associates) decreased 8% to HK$778 million. Revenue improved 15% year-on-year and satisfactory result was achieved from the Wilson Group, Airport Freight Forwarding Centre and franchised bus business, while the Group's toll road and business aviation centre operations continued to be adversely affected by the cross-border travel restrictions. Operating profit of the previous reporting period was benefitted from the government subsidies which did not reoccur in the current period. If excluding the government subsidies received in the previous financial year, underlying operating profit for the period under review would have recorded a like-for-like growth.

SUNeVision delivered a 7% growth in operating profit to HK$505 million over the same period last year. Benefitting from the increased use of digital infrastructure, cloud adoption and 5G usage, demand for data centre services continued to grow from both existing and new customers.

The Group's other businesses (including share of joint ventures and associates), mainly comprising property management, department store operations and financial services. Due to the impact of government subsidies received in the previous reporting period, operating profit for the period under review decreased to HK$645 million as compared with HK$835 million reported in the same period last year.

Investment Property Revaluation Gain/Loss

The Group's investment properties (including investment properties held by joint ventures and associates) were appraised by independent valuers as at 31 December 2021, giving rise to a revaluation gain of HK$1,379 million (2020: loss of HK$3,859 million). The Mainland portfolio reported a revaluation gain of HK$2,211 million (2020: gain of HK$55 million), mainly driven by rental growth from the retail portfolio, while a revaluation loss of HK$1,280 million (2020: loss of HK$3,422 million) was recorded for the Hong Kong portfolio. Valuation technique is applied consistently with no material change in the capitalization rates used in the fair value measurement. An attributable net revaluation gain (after related deferred tax and non-controlling interests) of HK$872 million (2020: loss of HK$3,833 million) was recognized in the consolidated income statement.

Financial Resources and Liquidity

(a) Capital management, net debt and gearing

The Group has always maintained a strong capital base and sufficient financial resources to support business development and growth. The Group regularly reviews and manages its capital structure to ensure that it remains financially sound, so that the Group can continue to provide returns to shareholders while keeping financial leverage at a prudent level.

Shareholders' equity was HK$600.8 billion or HK$207.3 per share as at 31 December 2021, an increase of HK$7 billion compared with HK$593.8 billion as at 30 June 2021. The increase was primarily driven by the net profit attributable to the shareholders of HK$15.2 billion and foreign exchange gain of HK$2.3 billion on translation of financial statements of the Mainland and overseas operations, net of dividends paid of HK$10.7 billion.

The Group's strong financial strength allows it to continue raising long-term financing at competitive rates, thus reducing the overall cost of capital. The Group's financial position remains sound with a low debt leverage and high interest cover. Gearing ratio as at 31 December 2021, calculated on the basis of net debt to shareholders' equity of the Company, was 17.5% compared to 16% as at 30 June 2021. Interest coverage was 13 times, measured by the ratio of operating profit to total net interest expenses including those capitalized for the current period.

As at 31 December 2021, the Group's gross borrowings totalled HK$122,864 million. Net debt, after deducting bank deposits and cash of HK$17,909 million, amounted to HK$104,955 million. The maturity profile of the Group's gross borrowings is set out as follows:

	31 December 2021 *HK$ Million*	30 June 2021 *HK$ Million*
Repayable:		
Within one year	**24,250**	20,979
After one year but within two years	**31,491**	21,419
After two years but within five years	**34,381**	41,385
After five years	**32,742**	33,040
Total bank and other borrowings	**122,864**	116,823
Bank deposits and cash	**17,909**	21,781
Net debt	**104,955**	95,042

The Group has also procured substantial undrawn committed banking facilities, most of which are arranged on a medium to long term basis, to help minimize refinancing risk and strengthen the Group's financing flexibility. The Group regularly reviews its liquidity and financing requirements to ensure that available financial resources are sufficient to cover its financing needs.

With ample committed banking facilities in place, continuous cash inflow from property sales and a solid base of recurrent income, the Group has adequate financial resources for its funding requirements and is well positioned to take advantage of investment opportunities when they arise.

(b) Treasury policies

The Group adopts a prudent policy in cash and debt management. The entire Group's financing and treasury activities are centrally managed and controlled at the corporate level. As at 31 December 2021, about 75% of the Group's bank and other borrowings were raised through its wholly-owned finance subsidiaries and the remaining 25% through its operating subsidiaries.

The Group's foreign exchange exposure was small given both its large asset base and operational cash flow are primarily denominated in Hong Kong dollar, which is the Group's presentation currency. The Group may borrow in foreign currencies to finance its operations in Hong Kong, which exposes the Group to currency risk. When appropriate, the Group may enter into cross currency interest rate swaps to hedge the currency risks associated with these borrowings. As at 31 December 2021, about 76% of the Group's total borrowings were denominated in Hong Kong dollar (after cross currency interest rate swaps) and 6% in US dollar, which were raised for financing the Group's business operations in Hong Kong while the remaining 18% were mostly in Renminbi and for financing the construction cost of property projects in the Mainland. The Group is exposed to currency translation risk arising from translating the financial statements of subsidiaries and joint ventures operating in the Mainland. Land acquisition costs for the Mainland projects are principally financed by capital injection funded by the Group's equity and internally generated funds. On-going business operations in the Mainland are financed through internal resources and borrowings in Renminbi as natural hedges to minimize the Group's exposure to exchange rate risk. The Group has not entered into foreign currency derivatives to hedge the translation risk exposure of its net investments in Mainland. As at 31 December 2021, approximately 20% of the Group's net assets were denominated in Renminbi.

The Group has insignificant currency risk exposure associated with certain monetary assets and liabilities denominated in foreign currencies. Where feasible and cost effective, the Group may enter into foreign exchange contracts to reduce the currency risk.

The Group maintained an appropriate combination of fixed and floating rate borrowings to mitigate interest rate risk. As at 31 December 2021, about 58% of the Group's total borrowings were on floating rate basis including those borrowings that were converted from fixed rate basis to floating rate basis through interest rate swaps, and 42% were on fixed rate basis.

As at 31 December 2021, the Group has entered into certain interest rate swaps, cross currency interest rate swaps and forward foreign exchange contracts in the aggregate notional amount of HK$22,443 million to manage its interest rate risk and currency risk exposures. The use of derivative instruments is strictly controlled and solely for managing the Group's underlying financial exposures for its core business operations. It is the Group's policy not to enter into derivative and structured product transactions for speculative purposes.

As at 31 December 2021, about 28% of the Group's bank deposits and cash were denominated in Hong Kong dollar, 66% in Renminbi, and the remaining 6% mostly in US dollar. The Renminbi deposits were mostly held by the Mainland subsidiaries for meeting the funding needs of their Mainland projects.

Charges of Assets

As at 31 December 2021, certain bank deposits of the Group's subsidiaries in the aggregate amount of HK$5 million were pledged for securing guarantees issued by the banks. Additionally, certain assets of the Group's subsidiaries with an aggregate carrying value of HK$1,041 million have been charged as security for bank borrowings. Except for the aforementioned charges, all the Group's assets are free from any encumbrances.

Contingent Liabilities

As at 31 December 2021, the Group had contingent liabilities in respect of guarantees for bank borrowings of certain joint ventures and other guarantees in the aggregate amount of HK$2,242 million (30 June 2021: HK$2,293 million).

EMOLUMENT POLICY AND LONG-TERM INCENTIVE SCHEMES OF THE GROUP

As at 31 December 2021, the Group employed more than 38,500 employees. The related employees' costs before reimbursements for the six months ended 31 December 2021 amounted to approximately HK$6,508 million. Compensation for the Group is made with reference to the market as well as individual performance and contributions. Extensive use of bonuses to link performance with reward is adopted. The Group also provides a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training appropriate to individual needs. Share option and share award schemes are in place to provide appropriate long-term incentive to the key staff of the Group.

BASIS OF DETERMINING EMOLUMENT TO DIRECTORS

The same remuneration philosophy also applies to the Directors of the Company. Apart from benchmarking against the market, the Company looks at individual competence and contributions and the affordability of the Company in determining the exact level of remuneration for each Director. Appropriate benefits schemes are in place for the Executive Directors, including the share option scheme, which is the same as that offered to other employees of the Group.

INTERIM DIVIDEND

The Board of Directors of the Company (the "Board") has declared an interim dividend of HK$1.25 per share (2020: HK$1.25 per share) for the six months ended 31 December 2021 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Friday, 11 March 2022. The interim dividend will be payable in cash on Thursday, 17 March 2022. Shares of the Company will be traded ex-dividend as from Wednesday, 9 March 2022.

CLOSURE OF REGISTER OF MEMBERS

The record date for ascertaining Shareholders' entitlement to the interim dividend will be Friday, 11 March 2022, during which the register of members of the Company will be closed and no transfer of shares will be registered. In order to establish entitlements to the interim dividend, Shareholders must lodge all transfer documents accompanied by the relevant share certificates for registration with Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 10 March 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2021.

REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim results for the six months ended 31 December 2021 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants by Messrs. Deloitte Touche Tohmatsu, whose report on review of condensed consolidated financial statements will be set out in the 2021/22 interim report. The interim results have also been reviewed by the Audit and Risk Management Committee of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 31 December 2021, the Company has complied with the code provisions (the "Code Provisions") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except that there is no separation of the roles of chairman and chief executive as required under Code Provision A.2.1 (which has been re-numbered as Code Provision C.2.1 under the new Corporate Governance Code that came into effect on 1 January 2022). However, the powers and authorities have not been concentrated as all major decisions have been made in consultation with the Board and appropriate Board committees, as well as top management. In addition, there are two Non-Executive Directors and eight Independent Non-Executive Directors on the Board offering their experience, expertise, independent advice and views from different perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards in place.

INTERIM REPORT

The 2021/22 interim report containing all the financial and other related information of the Company required by the Listing Rules will be published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.shkp.com, and printed copies will be sent to the Shareholders before the end of March 2022.

By order of the Board
YUNG Sheung-tat, Sandy
Company Secretary

Hong Kong, 24 February 2022

As at the date hereof, the Board comprises seven Executive Directors, being KWOK Ping-luen, Raymond (Chairman and Managing Director)(KWOK Ho-lai, Edward being his Alternate Director), WONG Chik-wing, Mike (Deputy Managing Director), LUI Ting, Victor (Deputy Managing Director), KWOK Kai-fai, Adam, KWOK Kai-wang, Christopher, TUNG Chi-ho, Eric and FUNG Yuk-lun, Allen; two Non-Executive Directors, being KWAN Cheuk-yin, William and KWOK Kai-chun, Geoffrey; and eight Independent Non-Executive Directors, being YIP Dicky Peter, WONG Yue-chim, Richard, LI Ka-cheung, Eric, FUNG Kwok-lun, William, LEUNG Nai-pang, Norman, LEUNG KO May-yee, Margaret, FAN Hung-ling, Henry and WU Xiang-dong.