WHARF

Established 1886

THE WHARF (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)
Stock Code: 4

Interim Results Announcement
for the half-year period ended 30 June 2017

IP Demerger in Progress

HIGHLIGHTS

- Underlying profit increased by 22% to HK$7,271 million.
    - Investment Properties ("IP") were stable and turned in 66% of Group total.
    - Development Properties more than doubled to contribute 32% of Group total.
- Hotel & Logistics witnessed recoveries.
- CME exit to complete in October.
- Net debt reduced to HK$21 billion for a 6.4% gearing ratio.
- Dividend per share increased by 10% to 64 HK cents.
- IP demerger (by distribution in specie) in progress.

GROUP RESULTS

Group core profit for the half-year period ended 30 June 2017 increased year-on-year by 22% to HK$7,271 million (2016: HK$5,972 million).

Group profit attributable to equity shareholders, including IP revaluation surplus and other unrealised accounting gains/losses, for the period amounted to HK$8,441 million (2016: HK$6,725 million) for a 26% increase from 2016. Basic earnings per share were HK$2.78 (2016: HK$2.22).

INTERIM DIVIDENDS

Interim Dividend in Cash

An interim dividend in cash of HK$0.64 (2016: HK$0.58) per share will be paid on 12 September 2017 to Shareholders on record as at 6:00 p.m., 25 August 2017. This will absorb a total amount of HK$1,942 million (2016: HK$1,758 million).

Conditional Declaration of Special Interim Dividend – Distribution in Specie of i-CABLE Shares

Reference is made to the Open Offer Circular issued by listed subsidiary i-CABLE Communications Limited ("**i-CABLE**") on 12 May 2017. The Company has undertaken to distribute in specie all shares in i-CABLE ("**i-CABLE Shares**") held by the Company to its Shareholders on a pro rata basis.

Please refer to the separate announcement of the Company dated 9 August 2017 for details of this conditional declaration of special dividend by way of distribution in specie of i-CABLE Shares and the Company's intention to make further distribution(s) in specie of i-CABLE Shares.

BUSINESS REVIEW

Core profit from properties advanced by 28% to HK$7.1 billion, representing 98% (2016: 92%) of Group total. Hong Kong properties reported an increase of 17% to HK$5.2 billion and Mainland properties by 75% to HK$1.9 billion.

INVESTMENT PROPERTIES

Consistently high occupancy and positive rental reversion underpinned a 3% growth in IP core profit to HK$4.8 billion. The Group's strategic differentiation in management and execution capabilities remained a unique competitive edge to boost performance.

HONG KONG

Retail sales at the Group's malls generally witnessed noticeable signs of improvement. Critical mass, showcase effect, best-positioned destination and unmatched productivity reinforced the Group's unique positioning. Total revenue increased by 4% to HK$6,681 million and operating profit by 4% to HK$5,942 million.

Harbour City

Overall revenue (excluding hotels) increased by 4% to HK$4,656 million and operating profit by 5% to HK$4,162 million.

Retail

Revenue increased by 5% to HK$3,258 million from an occupancy rate of 96%. Harbour City outperformed the market with a 2.8% growth in tenant sales, reflecting a gradual revival of consumption and optimism. Thanks to its exceptional sales productivity and craftily-managed tenant mix, Harbour City enjoyed continued positive rental reversion and steady foot traffic growth.

Harbour City remains the core of the "Greater Harbour City" cluster of high-traffic shopping, entertainment, lifestyle and dining realm, enhancing the overall attraction power of the lively district. The two million square feet of adjoining mall space (including a 530-metre contiguous retail frontage on Canton Road) not only encompasses a significant retail representation of the most productive and dynamic retail precinct in Tsimshatsui, but also is the largest retail offer under one roof in town. The interconnected office towers and hotels also serve as strategic traffic feeders.

As a global showcase and a must-have presence for the world's best-in-class retailers, Harbour City is best positioned to create the ultimate customer experience. Solid retailers' demand underscored Harbour City's competence in attracting new differentiating retailers to create win-win collaborations in a competitive market.

New additions including *Mr & Mrs Italy, ba&sh* and *John Hardy* further redefined the retail experience. Harbour City welcomed a spate of premium debuts to deliver new surprises, of which Hong Kong debuts included *Yves Salomon*, *ERES*, *Eve Lom*, *Little MO&Co.* and *Adore*, while *St.John*, *Laurel* and *Tsuta* established their Kowloon debuts. Iconic pop-up stores, including *Chloe* (exclusive), *Chaumet*, *Coach* (exclusive) and *Estee Lauder/ Tom Ford*, were also introduced to add to the appeal of the mall. Renowned fashion brands have been eyeing expansion at Harbour City. These included *Philipp Plein*, *Roger Vivier*, *MCM* and *Moncler*. *Abercrombie & Fitch* will re-enter the Hong Kong market with a fresh concept store at Harbour City, targeted for opening in the second half of 2017.

Constant re-tenanting and effective value-creation initiatives continued to generate high levels of satisfaction for visitors.

The Cheesecake Factory, a renowned casual dining brand from America, celebrated the long-awaited opening of its Hong Kong debut in May 2017. Modelled on the original store in Beverly Hills, it successfully allured crowds and received strong customer recognition. Further excitements include the recognitions of four eatery outlets, namely *ÉPURE, Sushi Tokami*, *Ye Shanghai* and *China Tang,* in the "MICHELIN Guide Hong Kong/ Macau 2017". Other recent openings include the Hong Kong debut of *Du Hsiao Yueh*, a well-known traditional Tainan restaurant with over 100 years of history.

Targeted for opening in the fourth quarter of 2017, the new extension building at Ocean Terminal ("OTE") commanding a fascinating 270-degree panorama of Victoria Harbour is set to add growth impetus. The west-facing extension exhibiting the best sunset and night views of Hong Kong will comprise 11 dining outlets with alfresco area and upgraded cruise terminal facilities. The exciting eateries including *Tsukada Nojo, Xihe Yayuan*, *Ana Ten, Paper Moon, à nu, retrouvez-vous* and a fine Chinese dining restaurant operated by *Club Cubic*, will create new gastronomic experiences and drive incremental patronage. Setting a new standard of lifestyle experiences, the striking OTE will emerge as a new icon in town.

Harbour City continued to captivate crowds through spectacular marketing campaigns. The annual mega event "Chocolate Trail" with a theme of "All You Eat is LOVE" this year was held to delight devout chocolate fans. Designed to promote "Art in Living", the Harbour Art Fair featuring a line-up of 50 Korean galleries focusing on contemporary artworks was presented at Marco Polo Hongkong Hotel accompanied with art talks and docents. Solo exhibitions of four selected Korean artists were staged in the mall as an extension of the Fair.

Office
Revenue increased by 2% to HK$1,235 million reflecting positive rental reversion and stable rents for new commitments, despite the intensifying supply-side competition. Occupancy rate was 96% at the end of June. Lease renewal retention rate was 62%.

Times Square
Overall revenue decreased by 1% to HK$1,415 million and operating profit by 1% to HK$1,285 million.

Retail
Revenue retreated by 2% to HK$1,065 million notwithstanding a modest increase in passing rent. Such decline was primarily due to the reduction of lettable area (4% of total) for shop amalgamation housing two anchors, the *LEGO Certified Store* and *Facesss*, as well as ongoing tenant mix reshuffling. Occupancy rate was 96%. Tenant sales decline considerably narrowed to 4.3% during the period. Foot traffic remained healthy.

Times Square, among the most successful vertical malls globally, has established itself as the core of the "Greater Times Square" cluster in Causeway Bay. Its unparalleled positioning and management expertise continue to drive celebrated retailers' appetite for openings or expansion at the prominent 17-level shopping landmark. Constant value-accretive initiatives including the establishment of the "Kids Square" on 13A floor and the conversion of the 9th and part of the 10th floor into a lifestyle hub further reinforce the mall's differentiation in the vibrant retail hub.

In a bid to create new experiences for repeat visitors and to attract newcomers, the retail offer was proactively enhanced with new additions including *ba&sh*, *Michael Kors*, *Proteca & ACE* and *John Masters Organics* (Hong Kong debut). The opening of a 3,385-square-foot *LEGO Certified Store* (Hong Kong Island debut) in early July 2017 further strengthened the lifestyle cluster. *Facesss*, a beauty category killer taking up over 6,450 square feet, also opened in the same month.

Excitement also lies in the eclectic collection of dining options introduced from across the globe to dazzle diners. These included *Petit Pret* and the Hong Kong debut of *La Création & Châteraisé.*

Exclusive marketing initiatives and inspiring cultural enrichment activities for the community have proven success. These included the Picasso and Jacqueline Exhibition which surprised visitors with the curated collection of 13 precious masterpieces by the legendary artist flown in all the way from the Museu Picasso in Barcelona.

Office

Revenue increased by 1% to HK$350 million on favourable rental reversions. Occupancy rate was 98.7% at the end of June. Lease renewal retention rate was 64%.

Plaza Hollywood

Revenue increased by 6% to HK$287 million and operating profit by 8% to HK$228 million. Occupancy rate was 97% at the end of June.

The tremendous growth opportunities in Kowloon East, a lively and alternative CBD, strengthen Plaza Hollywood's position as a leading shopping destination in the region. Plaza Hollywood has not only a unique critical mass hosting 259 retail outlets, 25 restaurants, and a purpose-built stadium housing six-screen cinema multiplex with 1,614 seats, but also a highly efficient layout (65% of GFA is lettable). Its deliberate design without towers atop also allows maximum flexibility for future planning. Retail offer enhancement and innovative marketing strategies continued to create value and drive growth.

Other Hong Kong Properties

Wheelock House and Crawford House

High occupancy and positive rental reversions underpinned both properties' steady performances. The offices were 97% let while the retail spaces of Crawford House (including *Zara*'s largest flagship in town) were 96% occupied.

CHINA
Despite the adverse impact of the unfavourable currency movements, revenue increased by 4% to HK$1,246 million and operating profit by 6% to HK$732 million on translation to Hong Kong dollars.

In Operation
Chengdu International Finance Square ("IFS")
Overall revenue increased by 15% to HK$508 million and operating profit by 24% to HK$259 million. Proven track record and unmatched sales productivity reinforced Chengdu IFS's differentiation in the western China region.

Retail
Revenue increased by 18% to RMB367 million. Occupancy rate was 99% at the end of June. Tenants' sales posted a robust gain of 30% while foot traffic grew by 22%.

The enviable location, critical mass and high-calibre management of the Chengdu IFS mall underlined its leading position in the region. The award-winning trendsetting landmark demonstrated its ability to attract best-in-class retailers and to create win-win partnerships. Its exquisite collection of nearly 300 global premium brands, with over 100 debuts in China West, fosters exceptional brand diversity and sets a new standard of retail experience. The compelling entertainment offerings including an IMAX movie theatre and an ice skating rink successfully lure crowds, while the 15-metre-tall outdoor giant panda art installation and the 7,700-square-metre Sculpture Garden have proudly become favourite photogenic destinations of the city. In a bid to enhance the customer journey, tenant mix was further optimized with new additions including *Nike Jordan*, *Vacheron Constantin*, *Onitsuka Tiger* and *FJALLRAVEN*.

Powerful marketing campaigns play a pivotal role in securing shoppers flow. An unprecedented "sister streets' partnership" was announced between Chengdu IFS and Le Comité Saint Germain des Prés of Paris, which helps foster Sino-French exchange and co-operation in art, culture, business and tourism. The world's debut of the 180-metre-long Sonic Runway, a contemporary audio-visual art avenue, was launched on Hongxing Road as well by performing a glorious showcase of sonic art based on the integration of science, technology and art at the CDIFS International Fashion Walk. Other enthralling events included "Rock U Rooster" Chinese New Year Interactive Art Exhibition and Disney "Beauty and The Beast" Movie Exhibition.

Chengdu IFS continued to garner new distinguished awards including "ICSC China Awards - 2017 Silver Award for Marketing Excellence", as well as "Asian Licensing Awards 2016 - Best Location-Based or Experiential Initiative of the Year" by International Licensing Industry Merchandiser's Association.

Office
The three top-notch Grade A office towers raising the bar for future workplace represent the most preferred location for multinationals, financial institutions and major corporations in China West. It is well positioned as an optimal marketplace for tenants to conduct seamless business interaction. Embarking on a selective tenant strategy, more than 125,000 square metres (46% of total GFA) have been leased to premium tenants, with rental rates secured among the highest in the city.

IFS Residences
Inaugurated in November 2016, it has established itself as one of the most exclusive and preferred serviced residences with superb service in Chengdu. Comprising 150 luxurious apartments, it is currently accommodating elite entrepreneurs and expatriates of multinational corporations.

Shanghai Wheelock Square
Representing the most compelling office addresses for multinationals and major corporations in Puxi, the tallest skyscraper at 270 metres in the district delivered steady performance. It boasts a prominent location with unparalleled accessibility, right opposite to Jing'an Temple Metro Station from where frequent trains commute to Pudong International Airport and adjacent to the Yan'an elevated expressway. It also sits between the Bund and Zhongshan Xi Road with Hongqiao International Airport further to the west. Total new commitments during the period reached 10,755 square metres. Occupancy rate was 88% at the end of June. Lease renewal retention rate was maintained at 66%, with solid rental reversion.

Across a range of healthy and creative events, the 4th Vertical Run, an annual health-promoting event aiming to raise the spirit of "Sports for All", attracted more than 400 participants including professional marathon runners and white-collar workers in Wheelock Square.

Shanghai Times Square
The exclusive retail destination hosting the largest Lane Crawford store in the Mainland and a mega lifestyle specialty store CitySuper is strategically located in the premier shopping, entertainment and business hub of Huaihai Zhong Road. Occupancy rate was 97% at the end of June. Creative sports-themed marketing campaigns were rolled out in the wake of the athleisure boom. These included Nike X One Foundation Running club, Nike X STS Valentine's training "Love together. Exercise together" program, and Kids Sports Day. Other interesting events included Naked-eye 3D Dome Theatre and Monster kids curry workshop.

The offices were 92% let. Lease renewal retention rate was 60%.

Chengdu Times Outlet
The 63,000-square-metre Chengdu Times Outlet, among the most visited outlet destinations across China, is home to over 250 international brands at attractive prices. Solid domestic consumption from China's emerging middle class drove a solid growth of 11% in retail sales during the period.

Changsha Times Outlet
Opened in late 2016, the 72,000-square-metre outlet enjoys convenient access to multiple major motorways (including metro and high-speed expressway) that link Changsha to various popular national tourist attractions, including Zhangjiajie and Dongting Lake. Emulating the success of the Group's Times Outlet brand, Changsha Times Outlet is a one-stop integrated shopping and leisure landmark, hosting more than 230 international and top local apparels and lifestyle brands as well as eateries. Occupancy rate was 73% at the end of June.

Under Development
The Group is building an exciting pipeline of IFS developments that will continue to create long-term value. The remarkable performance of Harbour City in Hong Kong and Chengdu IFS sets an excellent model for other future IFS developments and creates synergy. The upcoming IFS complexes in Chongqing and Changsha will tap into the Group's management expertise and experience in operating some of the most productive retail-cum-office developments. The respective new mega malls are expected to tap the huge experience-based consumption markets in the regions and to take the retail experience to the next level. The promising retail pre-leasing status achieved also bears testimony to retailers' confidence in the Group's value creation capability and the untapped potential of the respective cities. This is particularly apparent for those retailers who are new to the markets involved.

Chongqing IFS
Prominently located in Jiangbei District (Chongqing's new CBD), the 50%-owned Chongqing IFS will be the most massive mixed-use complex in the district envisioning an iconic 300-metre landmark tower and four other towers atop a 114,000-square-metre retail podium. The Grade A offices and Niccolo Chongqing, the second luxurious Niccolo Hotel in the Mainland, will reinforce the position of the development as a boutique-sized Harbour City.

The mall is poised to be an iconic retail destination offering an exceptional one-stop lifestyle experience in the vibrant alternative CBD. Currently, over 90% of the retail floor plates are leased or under offer to key anchors and various major tenants. The coveted destination will be the first in the city to assemble such an ample and comprehensive collection of more than 150 retailers including 80 renowned global brands. Of which, 20 are debuts in Chongqing including *Dior, Fendi, Valentino, Alexander McQueen, Saint Laurent, Tory Burch* and *Brooks Brothers*.

A delectable range of dining options including *NY Night Market, KITAYAMA, ABC Cooking Studio* and *Vinoteka* will be introduced to delight diners' palate, while the delightful entertainment offerings including *The Rink* and *PALACE* cinema are set to provide visitors with truly integrated "shoppertainment" experiences.

88% of office Tower Two, Three and Five was sold. The mall and Niccolo Chongqing are scheduled to open in the third quarter of 2017.

Changsha IFS
Changsha IFS is set to differentiate itself in the Central China metropolis with its gigantic 254,000-square-metre mall, the most enviable location and the Group's proven management capabilities. Targeted to open in the first quarter of 2018, the mega mall will be home to a myriad of the world's most aspirational retailers and the most coveted shopping, dining, lifestyle and leisure destination in Hunan province. Retail pre-leasing status was encouraging, with over 90% of total retail areas leased and under offer to retailers.

Representing the ultimate workspace for tomorrow, the top-notch office towers are well-positioned to be the most desirable addresses for financial institutions and major corporations based in the region. Handover to tenants is scheduled to commence by the fourth quarter of 2017.

The opening of Niccolo Changsha, the third Niccolo hotel in the Mainland, at Changsha IFS is targeted for the first quarter of 2018.

Full completion of the project is scheduled for 2018.

Suzhou IFS
The 80%-owned Suzhou IFS is a 450-metre landmark development (GFA: 299,000 square metres) featuring Grade A offices, sky residences and Niccolo Suzhou. Squarely located in the new CBD overlooking Jinji Lake and adjacent to Xinghu Street MTR Station (Line 1), the development is on track for completion starting in 2018.

DEVELOPMENT PROPERTIES

DP sales decreased by 23% to HK$15.3 billion and revenue by 19% to HK$11.2 billion, inclusive of joint ventures and associates on an attributable basis. Core profit, however, surged by 161% to HK$2.3 billion, thanks to increased recognitions of good-margin projects including Mount Nicholson in Hong Kong and Suzhou Times City.

HONG KONG

Mount Nicholson, a 50:50 joint venture development with Nan Fung Group (project's total attributable GFA: 162,000 square feet) is a fabulous landmark for luxury living. It features exclusive and ultra-luxury residences boasting a stunning uninterrupted view over Victoria Harbour. During the period, two houses and six apartments were sold for combined proceeds exceeding HK$3.1 billion or an average of HK$73,600 per square foot (houses: HK$1.4 billion or an average of HK$85,900 per square foot; apartments: HK$1.8 billion or an average of HK$66,100 per square foot). Another house was sold for HK$645 million or an average of HK$80,100 per square foot in July 2017.

The latest general building plan of the 15%-owned Yau Tong joint venture project has been submitted in early 2017.

CHINA

With 563,900 square metres of GFA completed and recognized during the period (2016: 872,000 square metres), revenue decreased by 30% to HK$9,095 million but operating profit increased by 1% to HK$2,355 million, inclusive of joint ventures and associates on an attributable basis.

With the latest round of cooling measures imposed by the government, the Group's attributable interest in contracted sales decreased by 27% to RMB11.9 billion. The restrictive policies are expected to add to uncertainties over the trading conditions and to depict a challenging outlook. At the end of June, the net order book increased to RMB30.2 billion for 1.1 million square metres.

In Eastern China, various projects in Shanghai, Suzhou, Hangzhou and Wuxi met with good demand. Shanghai Pudong E18 sold 35 units for RMB1.4 billion. In Suzhou, Bellagio sold 335 units for RMB0.8 billion. In Hangzhou, Greentown Zhijiang No. 1 sold 123 units for RMB0.7 billion on an attributable basis. In Wuxi, River Pitti and Times City sold in aggregate 495 units for RMB0.9 billion. Projects on sale in other regions of China also received encouraging responses. In particular, Pearl on the Crown in Beijing and The Scenery Bay in Tianjin sold in aggregate 163 units for RMB1.0 billion on an attributable basis.

At the end of June, the DP land bank was maintained at 3.4 million square metres.

The Group continues to take a disciplined and selective approach to land purchases, strategically focusing on first-tier and top second-tier cities.

OTHER HONG KONG PROPERTIES

The Peak Portfolio

Wharf's Peak Portfolio redefines the concept of luxury living with a landmark collection of the most respected and prestigious residences nestled on the Peak. Epitomizing a unique and exclusive lifestyle at the most sought-after address in town, these developments are poised to offer the ultimate destination for the most discerning residents.

Superstructure/ foundation works for the re-development of the Peak Portfolio including 1 Plantation Road (20 houses), 11 Plantation Road (7 houses) and 77 Peak Road (8 houses) are progressing to plan.

Kowloon East

The revitalization of Kowloon East into a vibrant CBD2 reveals massive potential for the Group's striking "Kowloon East Waterfront Portfolio" of new developments. Enjoying a compelling Harbour view and spanning a 500-metre coastline, this thriving collection comprises 8 Bay East (a 534,000-square-foot re-development of the former Wharf T&T Square), Kowloon Godown (pending re-development) and parent company Wheelock's One Bay East (comprising two office towers already sold to and occupied by Manulife and Citigroup respectively). Superstructure works for 8 Bay East is underway.

WHARF HOTELS

Currently, the Group manages 14 hotels (six owned by the Group) in China, Hong Kong and the Philippines under the legacy brand of *Marco Polo Hotels* and the new luxury brand, *Niccolo Hotels*. The stylish collection of contemporary urban chic *Niccolo* hotels truly epitomises understated luxury with a seamless blend of exquisite design and gracious hospitality. While the hotels are modern sophisticated spaces, the timeless pleasures of impeccable hospitality are the key to their success. Every touch point is detailed to make first class travel effortlessly luxurious for captains of industry and leaders in style.

This brand evolution has proven to be a resounding success. *Niccolo* Chengdu at Chengdu IFS, the first *Niccolo* opened in late 2015, catapulted the business to new heights and set a new standard in the region. It remains the city's market leader in room yield and has earned a host of reputable awards since opening, including "Best Business Hotels" in the "2017 Condé Nast Traveler China Gold List". It sets a strong model for the coming three *Niccolo* hotels in the IFS complexes in Chongqing, Changsha and Suzhou which are progressing to plan.

The Murray, Hong Kong, a *Niccolo* Hotel, under conversion from Central's landmark Murray Building, is slated to open in late 2017. The 336-room luxury hotel is best positioned to befit the city's most prestigious visitors and to become the new epicentre for events and celebrations. An array of dining concepts including *Murray On The Roof* (Bar and Restaurant), *The Tai Pan* (Modern European), *Murray Lane* (the Lobby Bar), *The Garden Lounge* and Michelin-starred brand *Guo Fu Lou* (Cantonese), will be introduced to take their place amongst the most popular dining venues in Hong Kong and to captivate the city's dining connoisseurs.

These four new *Niccolo* hotels will bring the Group's hotel portfolio to 18 hotels in the near future. The exciting pipeline is in line with the Group's vision to expand its hotel presence in Asia Pacific. During the period, *Niccolo* and *Marco Polo* hotel brands were officially grouped under Wharf Hotels Management Limited, a new identity for the two brands. It not only marks an exciting new chapter for the Group's development in hotel business, but also allows for differentiated and defined strategies to be developed for both brands.

MODERN TERMINALS

Global trade flows staged tentative signs of revival as the U.S. and European economies went through a tepid recovery. South China's container throughput increased by 7% while Shenzhen's and Kwai Tsing's throughput increased by 4% and 11% respectively. Market shares of Shenzhen and Kwai Tsing were 59% and 41% respectively.

Modern Terminals' contracted throughput in Hong Kong increased by a robust 17% to 2.7 million TEUs that outperformed the overall market. In the Mainland, throughput at DaChan Bay in Shenzhen declined by 11% to 0.6 million TEUs, mainly due to new carrier Alliance deployments, while that at Taicang International Gateway in Suzhou grew by 11% to 1.2 million TEUs. Throughput at Shekou Container Terminals in Shenzhen, in which Modern Terminals holds a 20% stake, posted an 8% growth to 2.7 million TEUs. Chiwan Container Terminal in Shenzhen, in which Modern Terminals holds an 8% attributable stake, handled 1.1 million TEUs.

Consolidated revenue improved to HK$1,361 million (2016: HK$1,234 million), driven by a continued change in throughput mix trend with more barge and transshipment in the business mix. Operating profit increased to HK$349 million (2016: HK$290 million).

In June 2017, Modern Terminals sold the remaining 50% of its indirect equity interest in Taicang container port business to Ningbo Port Co. Ltd, with the remaining disposal gain booked during the period.

The operating environment may remain challenging underpinned by political uncertainties including global trade protectionism and the prospect of Brexit. However, Modern Terminals has made every effort to improve operational efficiency with various initiatives. It is also making significant investments in its port infrastructure and quay crane equipment to secure market share and to drive growth in the competitive market.

i-CABLE

Currently, i-CABLE has cleared all major regulatory hurdles for the introduction of Forever Top (Asia) Limited as its new investor and the next step is to proceed with its Open Offer (expected completion: 14 September 2017) and the Loan Capitalisation (expected completion: September/ October 2017).

A conditional special dividend by way of distribution in specie of i-CABLE Shares held currently by the Group to its Shareholders on a pro rata basis has been declared by the Board.

Existing funding commitments for i-CABLE will not be extended upon expiry. Nonetheless, the Group will convert its debts of i-CABLE, amounting to HK$300 million, to shares, and distribute them in specie to its shareholders at a later stage upon completion of the Loan Capitalisation. Completion of all distribution in specie is scheduled for September/ October 2017. These will mark the Group's complete exit of Communication, Media and Entertainment segment.

STRATEGIC REVIEW ON IP

Following a strategic review announced in our 2016 Final Results Announcement, the Company has submitted a proposal to the Stock Exchange in accordance with Practice Note 15 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited to demerge its wholly-owned subsidiary Wharf Real Estate Investment Company Limited ("Wharf REIC") for a separate listing by way of introduction. The proposal has been approved by the Stock Exchange.

Wharf REIC is in the process of preparing its application to the Stock Exchange for the listing of, and permission to deal in, Wharf REIC shares on the Main Board of the Stock Exchange.

Wharf REIC will be primarily focused on investment properties in Hong Kong and will also hold the Company's 72%-owned listed subsidiary, Harbour Centre Development Limited. Wharf REIC will hold a portfolio of six premium quality investment properties in Hong Kong, namely Harbour City, Times Square, Plaza Hollywood, Crawford House, Wheelock House and The Murray (being converted into a luxury hotel for opening in late 2017). This portfolio of about 11 million square feet of GFA has a total value of over HK$230 billion and an annual turnover of over HK$13 billion.

After the demerger, the Company will be primarily focused on investment properties and development properties in Mainland China, other Hong Kong properties, as well as logistics and hotel management.

The proposed demerger is at an early stage. The application for the listing of Wharf REIC has not yet been submitted to the Stock Exchange and the listing has not yet been approved by the Stock Exchange. The implementation of the demerger is subject to the final decisions of the boards of directors of Wheelock, the Company and Wharf REIC. Accordingly, shareholders and potential investors of the Company should be aware that there is no assurance that the proposed demerger and separate listing of Wharf REIC will take place or as to when it may take place. Further announcements will be made by the Company as and when appropriate.

FINANCIAL REVIEW

(I) Review of Interim 2017 results

Group core profit rose by 22% year-on-year to HK$7,271 million (2016: HK$5,972 million) in the first half of 2017. Against the backdrops of the challenging market conditions, Investment Properties ("IP") managed to achieve 3% core profit growth to HK$4,777 million and Development Properties ("DP") surged by 161% to HK$2,306 million.

Profit attributable to shareholders increased by 26% to HK$8,441 million (2016: HK$6,725 million) with higher IP revaluation surplus of HK$1,171 million (2016: HK$525 million).

<u>Revenue and Operating Profit</u>

IP revenue and operating profit continued growing by 4% to HK$7,927 million (2016: HK$7,644 million) and 5% to HK$6,674 million (2016: HK$6,377 million), respectively. In Hong Kong, both revenue and operating profit increased by 4%. Mainland revenue rose by 4% and operating profit rose by 6% in HKD terms, or rose by 9% and 11% in RMB terms.

DP recognised 29% lower property sales to HK$5,964 million (2016: HK$8,409 million) mainly from Mainland projects but for 32% higher operating profit to HK$1,730 million (2016: HK$1,311 million), benefitting from higher margins achieved for certain Mainland projects. Together with joint venture projects, DP core profit rose by 161% to HK$2,306 million (2016: HK$885 million), including Mount Nicholson contribution in Hong Kong.

Hotel revenue rose by 5% to HK$774 million (2016: HK$740 million) and operating profit by 49% to HK$155 million (2016: HK$104 million). Hong Kong revenue increased with improved occupancies while the newly opened hotels in Mainland China have started to contribute.

Logistics revenue grew by 11% to HK$1,424 million (2016: HK$1,286 million) and operating profit by 22% to HK$358 million (2016: HK$293 million) resulting from more throughput handled by Modern Terminals.

CME disposed Wharf T&T in November 2016 with i-CABLE remaining in the segment, resulting in 63% revenue decline to HK$641 million (2016: HK$1,715 million) and increase in operating loss to HK$222 million (2016: profit of HK$78 million).

Investment and others revenue rose by 18% to HK$449 million (2016: HK$382 million) and operating profit by 19% to HK$248 million (2016: HK$208 million) chiefly due to increase in interest income.

Consolidated revenue fell by 15% to HK$17,063 million but operating profit rose by 6% to HK$8,553 million for the first half of the year.

DP Sales

DP contracted sales, inclusive of joint venture projects on an attributable basis, dropped by 23% to HK$15,299 million (2016: HK$19,797 million).

Mainland contracted sales dropped by 27% to RMB11,908 million (2016: RMB16,250 million). Sales recognition dropped by 30% to HK$9,095 million (2016: HK$13,049 million) but operating profit rose by 1% to HK$2,355 million (2016: HK$2,328 million). Net order book increased to RMB30,227 million (December 2016: RMB27,436 million).

Hong Kong contracted sales, mainly attributable to Mount Nicholson joint-venture, amounted to HK$1,579 million (2016: HK$785 million). Sales recognition increased to HK$2,119 million (2016: HK$785 million), which contributed an operating profit of HK$1,045 million (2016: HK$349 million).

Fair Value Gain of Investment Properties

The book value of the Group's IP portfolio as at 30 June 2017 increased to HK$324.4 billion (2016: HK$319.3 billion) with HK$306.0 billion thereof stated at fair value based on independent valuation, which produced a revaluation gain of HK$1,529 million for the period (2016: HK$495 million). The attributable net revaluation gain of HK$1,171 million (2016: HK$525 million), after taking into account the related deferred tax and non-controlling interests, was credited to the consolidated income statement.

IP under development in the amount of HK$18.4 billion is carried at cost and will not be carried at fair value until the earlier of their fair values first becoming reliably measurable or the dates of completion.

Finance Costs

Finance costs charged to the consolidated income statement amounted to HK$589 million (2016: HK$322 million), including an unrealised mark-to-market gain of HK$50 million (2016: gain of HK$352 million) on the cross currency and interest rate swaps in accordance with prevailing accounting standards.

The Group's effective borrowing rate for the period rose to 3.3% (2016: 2.9%), mainly due to higher proportion of borrowings at higher interest rate. Excluding the unrealised mark-to-market gain, finance costs before capitalisation were HK$808 million (2016: HK$988 million), representing a decrease of HK$180 million. Finance costs after capitalisation were HK$639 million (2016: HK$674 million), representing a decrease of HK$35 million.

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

Attributable profit from associates decreased to HK$361 million (2016: HK$513 million) with lower profit contributions from Mainland DP.

Joint ventures increased profit to HK$986 million (2016: HK$485 million) attributable to Mount Nicholson project in Hong Kong.

Income Tax

Taxation charge for the period was HK$2,434 million (2016: HK$1,705 million), which included deferred taxation of HK$353 million (2016: credit of HK$12 million) provided for the current period's revaluation gain attributable to investment properties in the Mainland.

Excluding the above deferred tax, the tax charge increased by 21% to HK$2,081m million (2016: HK$1,717 million) mainly due to higher profits from IP and China DP segments.

Non-controlling Interests

Group profit attributable to non-controlling interests increased to HK$324 million (2016: HK$214 million), reflecting the increase in net profits of certain non-wholly-owned subsidiaries.

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders for the period amounted to HK$8,441 million (2016: HK$6,725 million), representing an increase of 26%. Basic earnings per share were HK$2.78, based on weighted average of 3,033 million shares (2016: HK$2.22 based on 3,031 million shares).

Excluding the net IP revaluation gain of HK$1,171 million (2016: HK$525 million), Group profit attributable to shareholders for the period increased by 17% to HK$7,270 million (2016: HK$6,200 million).

Group core profit rose by 22% to HK$7,271 million (2016: HK$5,972 million), of which 66% was attributable to IP and 32% to DP. Core earnings per share were HK$2.40 (2016: HK$1.97).

Core profit is a performance indicator of the Group's major business segments and arrived at after excluding net IP revaluation gain, the attributable net mark-to-market and exchange loss of HK$188 million (2016: gain of HK$228 million) on certain financial instruments and other non-recurrent gains of HK$187 million.

(II) Liquidity, Financial Resources and Capital Commitments

Shareholders' and Total Equity

As at 30 June 2017, shareholders' equity increased by HK$7.7 billion to HK$324.5 billion (2016: HK$316.8 billion), equivalent to HK$106.94 per share based on 3,034 million issued shares (2016: HK$104.48 per share based on 3,032 million issued shares.

The Group's total equity including non-controlling interests increased by HK$7.7 billion to HK$333.1 billion (2016: HK$325.4 billion).

Assets and Liabilities

The Group's total assets as at 30 June 2017 decreased to HK$438.5 billion (2016: HK$443.8 billion). Total business assets, excluding bank deposit and cash, financial and deferred tax assets, increased to HK$404.1 billion (2016: HK$403.0 billion).

Geographically, the Mainland business assets, mainly comprising properties and terminals, amounted to HK$120.4 billion (2016: HK$121.0 billion), representing 30% (2016: 30%) of the Group's total business assets.

Investment properties

Included in the Group's total assets is the IP portfolio of HK$324.4 billion, representing 80% of total business assets. Core assets in this portfolio are Harbour City and Times Square in Hong Kong, which were valued at HK$165.0 billion (excluding the three hotels) and HK$54.5 billion, respectively, together representing 68% of the IP portfolio. Mainland IP amounted to HK$62.3 billion, mainly including Chengdu IFS and Shanghai Wheelock Square, as well as Changsha IFS and Suzhou IFS which were under development and stated at cost of HK$18.4 billion.

Properties for sale

DP assets dropped to HK$19.8 billion (2016: HK$23.9 billion), reflecting the sales of Mainland DP portfolio during the period.

Interests in associates and joint ventures

Interests in associates and joint ventures amounted to HK$29.1 billion (2016: HK$31.1 billion), mainly representing various joint-venture DP projects undertaken in the Mainland and Hong Kong.

Deposits from sale of properties

Deposits from sale of properties amounted to HK$19.6 billion (2016: HK$18.9 million), representing contracted sales in Mainland China pending revenue recognition in the coming years.

Debts and Gearing

The Group's net debt as at 30 June 2017 was reduced by HK$2.4 billion or 10% to HK$21.4 billion (2016: HK$23.8 billion). The net debt was made up of HK$51.2 billion in debts and HK$29.8 billion in bank deposits and cash. Included in the net debt were HK$7.2 billion (2016: HK$7.1 billion) attributable to Modern Terminals, HCDL and other subsidiaries, which are without recourse to the Company and its other subsidiaries. Excluding these non-recourse debts, the Group's net debt was HK$14.2 billion (2016: HK$16.7 billion). An analysis of the net debt is as below:

Net debt/(cash)	**30 June 2017 HK$ Million**	31 December 2016 HK$ Million
Wharf (excluding below subsidiaries)	**14,206**	16,755
Modern Terminals	**6,932**	8,502
HCDL	**(374)**	(1,904)
i-CABLE	**662**	484
	21,426	23,837

As at 30 June 2017, the ratio of net debt to total equity declined to 6.4% (2016: 7.3%).

Finance and Availability of Facilities

The Group's total available loan facilities and issued debt securities as at 30 June 2017 amounting to HK$72.7 billion, of which HK$51.2 billion was utilised, are analysed as below:

	30 June 2017		
	Available Facility HK$ Billion	**Total Debts HK$ Billion**	**Undrawn Facility HK$ Billion**
Company/wholly-owned subsidiaries			
Committed bank facilities	29.7	15.2	14.5
Debt securities	26.1	26.1	-
	55.8	41.3	14.5
Non-wholly-owned subsidiaries			
Committed and uncommitted			
- Modern Terminals	11.8	7.4	4.4
- HCDL	4.2	1.8	2.4
- i-CABLE	0.9	0.7	0.2
	72.7	51.2	21.5

Of the above debts, HK$7.3 billion (2016: HK$6.7 billion) was secured by mortgages over certain IP, DP and property, plant and equipment with total carrying value of HK$19.1 billion (2016: HK$17.7 billion).

The Group diversified the debt portfolio across a bundle of currencies including primarily United States dollar ("USD"), Hong Kong dollar ("HKD") and Renminbi ("RMB"). The funding sourced from such debt portfolio was mainly used to finance the Group's IP, DP and port investments.

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

The Group continued to maintain a strong financial position with ample surplus cash denominated principally in RMB, HKD and USD and undrawn committed facilities to facilitate the Group's business and investment activities. In addition, the Group also maintained a portfolio of equity investments with an aggregate market value of HK$7.9 billion (2016: HK$5.7 billion), which is immediately available for liquidation for the Group's use when in need.

Cash Flows for the Group's Operating and Investing Activities

For the period under review, the Group recorded net cash inflows before changes in working capital of HK$8.8 billion (2016: HK$8.5 billion). The changes in working capital reduced the net cash inflow from operating activities to HK$5.7 billion (2016: HK$12.3 billion). For investing activities, the Group recorded a net cash inflow of HK$2.2 billion (2016: outflow of HK$7.8 billion), mainly from decrease in advances to associates and joint ventures offsetting by additions of IPs whereas last period included acquisition of Wheelock House of HK$6.2 billion.

Major Capital and Development Expenditure and Commitments

The Group's major capital and development expenditure incurred in the first half of 2017 is analysed as follows:

A. Major capital and development expenditure

	Hong Kong HK$ Million	**Mainland China HK$ Million**	**Total HK$ Million**
Properties			
IP	565	2,072	2,637
DP	119	5,671	5,790
	684	7,743	8,427
Others			
Hotels	684	-	684
Modern Terminals	129	6	135
i-CABLE	109	-	109
	922	6	928
Group total	1,606	7,749	9,355

i. IP expenditure was mainly for construction costs of the Mainland IFS projects.

ii. DP and IP expenditure included HK$3.3 billion for properties projects undertaken by associates and joint ventures.

iii. Modern Terminals' capital expenditure was mainly for terminal equipment while those of i-CABLE were incurred substantially for facilities and equipment.

B. Commitments to capital and development expenditure

As at 30 June 2017, the Group's major commitments to capital and development expenditure that are to be incurred in the forthcoming years was estimated at HK$30.6 billion, of which HK$13.4 billion was committed. By segment, the commitments are analysed as below:

	As at 30 June 2017		
	Committed HK$ Million	**Uncommitted HK$ Million**	**Total HK$ Million**
IP			
Hong Kong	1,793	469	2,262
Mainland China	3,750	6,156	9,906
	5,543	6,625	12,168
DP			
Hong Kong	-	-	-
Mainland China	6,603	10,395	16,998
	6,603	10,395	16,998
Others			
Hotels	899	124	1,023
Modern Terminals	332	57	389
	1,231	181	1,412
Group total	13,377	17,201	30,578

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

The commitments and planned expenditure will be funded by Group's internal financial resources including its surplus cash, cash flows from operations, as well as bank and other borrowings and pre-sale proceeds. Other available resources include equity investments available for sale.

(III) Human Resources

The Group had approximately 13,300 employees as at 30 June 2017, including about 2,300 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective group's achievement and results.

CONSOLIDATED INCOME STATEMENT
For The Six Months Ended 30 June 2017 – Unaudited

	Note	Six months ended 30 June **2017** **HK$ Million**	 2016 HK$ Million
Revenue	2	**17,063**	20,021
Direct costs and operating expenses		**(6,745)**	(9,877)
Selling and marketing expenses		**(455)**	(652)
Administrative and corporate expenses		**(789)**	(689)
Operating profit before depreciation, amortisation, interest and tax		**9,074**	8,803
Depreciation and amortisation		**(521)**	(728)
Operating profit	2 & 3	**8,553**	8,075
Increase in fair value of investment properties		**1,529**	495
Other net income/(charge)	4	**359**	(602)
		10,441	7,968
Finance costs	5	**(589)**	(322)
Share of results after tax of:			
Associates		**361**	513
Joint ventures		**986**	485
Profit before taxation		**11,199**	8,644
Income tax	6	**(2,434)**	(1,705)
Profit for the period		**8,765**	6,939
Profit attributable to :			
Equity shareholders		**8,441**	6,725
Non-controlling interests		**324**	214
		8,765	6,939
Earnings per share	7		
Basic		**HK$2.78**	HK$2.22
Diluted		**HK$2.78**	HK$2.22

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Six Months Ended 30 June 2017 – Unaudited

	Six months ended 30 June	
	2017	2016
	HK$ Million	HK$ Million
Profit for the period	**8,765**	6,939
Other comprehensive income		
Items that will not be reclassified to profit or loss :		
Fair value changes on equity investments	**1,682**	(1,456)
Items that may be reclassified subsequently to profit or loss :		
Exchange difference on translation of foreign operations	**1,989**	(1,775)
Share of other comprehensive income of associates/joint ventures	**466**	(322)
Others	**6**	2
Other comprehensive income for the period	**4,143**	(3,551)
Total comprehensive income for the period	**12,908**	3,388
Total comprehensive income attributable to:		
Equity shareholders	**12,320**	3,367
Non-controlling interests	**588**	21
	12,908	3,388

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As At 30 June 2017 – Unaudited

	Note	**30 June 2017 HK$ Million**	31 December 2016 HK$ Million
Non-current assets			
Investment properties		**324,390**	319,298
Property, plant and equipment		**21,455**	20,735
Interest in associates		**12,483**	14,437
Interest in joint ventures		**16,633**	16,710
Equity investments		**7,886**	5,723
Goodwill and other intangible assets		**298**	298
Deferred tax assets		**686**	654
Derivative financial assets		**196**	247
Other non-current assets		**244**	252
		384,271	378,354
Current assets			
Properties for sale		**19,838**	23,874
Inventories		**26**	29
Trade and other receivables	9	**4,374**	4,281
Derivative financial assets		**194**	332
Bank deposits and cash		**29,781**	36,957
		54,213	65,473
Total assets		**438,484**	443,827
Non-current liabilities			
Derivative financial liabilities		**(974)**	(1,539)
Deferred tax liabilities		**(11,437)**	(10,633)
Other deferred liabilities		**(312)**	(305)
Bank loans and other borrowings		**(41,341)**	(45,616)
		(54,064)	(58,093)
Current liabilities			
Trade and other payables	10	**(19,522)**	(24,245)
Deposits from sale of properties		**(19,648)**	(18,937)
Derivative financial liabilities		**(407)**	(685)
Taxation payable		**(1,850)**	(1,283)
Bank loans and other borrowings		**(9,866)**	(15,178)
		(51,293)	(60,328)
Total liabilities		**(105,357)**	(118,421)
NET ASSETS		**333,127**	325,406
Capital and reserves			
Share capital		**29,589**	29,497
Reserves		**294,867**	287,297
Shareholders' equity		**324,456**	316,794
Non-controlling interests		**8,671**	8,612
TOTAL EQUITY		**333,127**	325,406

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

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

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

The accounting policies and methods of computation used in the preparation of the unaudited interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2016 except for the changes mentioned below.

The HKICPA has issued certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") which are first effective for the current accounting period of the Group. The amendments do not have significant impact on the Group's results and financial position for the current or prior periods have been prepared or presented.

The unaudited interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2016. The unaudited interim financial information and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The financial information relating to the financial year ended 31 December 2016 that is included in the unaudited interim financial information as comparative information does not constitute the Company's statutory annual financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

2. SEGMENT INFORMATION

The Group manages its diversified businesses according to the nature of services and products provided. Management has determined five reportable operating segments for measuring performance and allocating resources. The segments are investment property ("IP"), development property ("DP"), hotels, logistics and communications and media and entertainment ("CME"). No operating segments have been aggregated to form the reportable segments.

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

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

Hotels segment includes hotel operations in the Asia Pacific region. Currently, the Group operates 14 hotels in the Asia Pacific region, six of which owned by the Group.

Logistics segment mainly includes the container terminal operations in Hong Kong and Mainland China undertaken by Modern Terminals Limited ("Modern Terminals"), Hong Kong Air Cargo Terminals Limited ("Hactl") and other public transport operations.

CME segment comprises pay television, internet and multimedia and other businesses operated by i-CABLE Communications Limited ("i-CABLE"). The telecommunication businesses operated by Wharf T&T Limited ("Wharf T&T") has been terminated after disposal of the entire equity interests in Wharf T&T in November 2016.

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

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

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

2. SEGMENT INFORMATION

a. Analysis of segment revenue and results

For the six months ended	Revenue HK$ Million	Operating profit HK$ Million	Investment properties fair value HK$ Million	Other net Income/ (charge) HK$ Million	Finance costs HK$ Million	Associates HK$ Million	Joint ventures HK$ Million	Profit before taxation HK$ Million
30 June 2017								
Investment property	**7,927**	**6,674**	**1,529**	**10**	**(609)**	**-**	**-**	**7,604**
Hong Kong	**6,681**	**5,942**	**724**	**-**	**(531)**	**-**	**-**	**6,135**
Mainland China	**1,246**	**732**	**805**	**10**	**(78)**	**-**	**-**	**1,469**
Development property	**5,964**	**1,730**	**-**	**506**	**(6)**	**219**	**980**	**3,429**
Hong Kong	**9**	**7**	**-**	**-**	**-**	**4**	**848**	**859**
Mainland China	**5,955**	**1,723**	**-**	**506**	**(6)**	**215**	**132**	**2,570**
Hotels	**774**	**155**	**-**	**-**	**(1)**	**-**	**-**	**154**
Logistics	**1,424**	**358**	**-**	**112**	**(103)**	**142**	**6**	**515**
Terminals	**1,361**	**349**	**-**	**133**	**(103)**	**90**	**6**	**475**
Others	**63**	**9**	**-**	**(21)**	**-**	**52**	**-**	**40**
CME (i-CABLE)	**641**	**(222)**	**-**	**83**	**(5)**	**-**	**-**	**(144)**
Inter-segment revenue	**(116)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Segment total	**16,614**	**8,695**	**1,529**	**711**	**(724)**	**361**	**986**	**11,558**
Investment and others	**449**	**248**	**-**	**(352)**	**135**	**-**	**-**	**31**
Corporate expenses	**-**	**(390)**	**-**	**-**	**-**	**-**	**-**	**(390)**
Group total	**17,063**	**8,553**	**1,529**	**359**	**(589)**	**361**	**986**	**11,199**
30 June 2016								
Investment property	7,644	6,377	495	(68)	(603)	-	-	6,201
Hong Kong	6,447	5,688	132	-	(603)	-	-	5,217
Mainland China	1,197	689	363	(68)	-	-	-	984
Development property	8,409	1,311	-	(496)	(38)	390	479	1,646
Hong Kong	-	(1)	-	-	-	2	279	280
Mainland China	8,409	1,312	-	(496)	(38)	388	200	1,366
Hotels	740	104	-	-	(1)	-	-	103
Logistics	1,286	293	-	(70)	(60)	123	6	292
Terminals	1,234	290	-	(49)	(60)	95	6	282
Others	52	3	-	(21)	-	28	-	10
CME	1,715	78	-	-	(16)	-	-	62
i-CABLE	710	(133)	-	-	(2)	-	-	(135)
Telecommunications	1,005	214	-	-	(14)	-	-	200
Others	-	(3)	-	-	-	-	-	(3)
Inter-segment revenue	(155)	-	-	-	-	-	-	-
Segment total	19,639	8,163	495	(634)	(718)	513	485	8,304
Investment and others	382	208	-	32	396	-	-	636
Corporate expenses	-	(296)	-	-	-	-	-	(296)
Group total	20,021	8,075	495	(602)	(322)	513	485	8,644

2. SEGMENT INFORMATION

b. Analysis of inter-segment revenue

Six months ended 30 June	**2017** Total Revenue HK$ Million	**2017** Inter-segment revenue HK$ Million	**2017** Group Revenue HK$ Million	2016 Total Revenue HK$ Million	2016 Inter-segment revenue HK$ Million	2016 Group Revenue HK$ Million
Investment property	**7,927**	**(90)**	**7,837**	7,644	(84)	7,560
Development property	**5,964**	**-**	**5,964**	8,409	-	8,409
Hotels	**774**	**-**	**774**	740	-	740
Logistics	**1,424**	**-**	**1,424**	1,286	-	1,286
CME	**641**	**(1)**	**640**	1,715	(37)	1,678
Investment and others	**449**	**(25)**	**424**	382	(34)	348
	17,179	**(116)**	**17,063**	20,176	(155)	20,021

c. Geographical information

Six months ended 30 June	Revenue **2017** HK$ Million	Revenue 2016 HK$ Million	Operating profit **2017** HK$ Million	Operating profit 2016 HK$ Million
Hong Kong	**9,274**	9,841	**6,200**	6,250
Mainland China	**7,756**	10,144	**2,320**	1,788
Singapore	**33**	36	**33**	37
Group total	**17,063**	20,021	**8,553**	8,075

3. OPERATING PROFIT

Operating profit is arrived at :

	Six months ended 30 June **2017** HK$ Million	Six months ended 30 June 2016 HK$ Million
After charging / (crediting) :-		
Depreciation and amortisation on		
– assets held for use under operating leases	**69**	75
– property, plant and equipment	**368**	571
– leasehold land	**30**	30
– programming library	**54**	52
Total depreciation and amortisation	**521**	728
Staff costs	**1,702**	1,716
Cost of trading properties for recognised sales	**4,020**	6,924
Gross rental revenue from investment properties (Note)	**(7,927)**	(7,644)
Direct operating expenses of investment properties	**1,194**	1,206
Interest income	**(237)**	(173)
Dividend income from investments	**(48)**	(69)
Loss/(gain) on disposal of property, plant and equipment	**19**	(20)

Note: Rental income included contingent rentals of HK$607 million (2016: HK$582 million).

4. OTHER NET INCOME/(CHARGE)

Other net income for the period amounted to HK$359 million (2016: net charge of HK$602 million) mainly comprises:

a. Net foreign exchange loss of HK$377 million (2016: HK$84 million) which included the impact of foreign exchange contracts.

b. Write-back of impairment provision of HK$279 million (2016: provision charge of HK$496 million) on certain development projects in the Mainland.

c. Net gain of HK$422 million on disposal of an associate and subsidiaries.

5. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	HK$ Million	HK$ Million
Interest charged on :		
Bank loans and overdrafts	**446**	402
Other borrowings	**307**	499
Total interest charge	**753**	901
Other finance costs	**55**	87
Less : Amount capitalised	**(169)**	(314)
	639	674
Fair value (gain)/loss :		
Cross currency interest rate swaps	**(305)**	(381)
Interest rate swaps	**255**	29
	(50)	(352)
Total	**589**	322

The Group’s average effective borrowing rate for the period was 3.3% p.a. (2016: 2.9% p.a.).

6. INCOME TAX

Taxation charged to the consolidated income statement represents:

	Six months ended 30 June	
	2017	2016
	HK$ Million	HK$ Million
Current income tax		
Hong Kong		
- provision for the period	**954**	864
- overprovision in respect of prior years	**(17)**	(6)
Outside Hong Kong		
- provision for the period	**504**	448
- overprovision in respect of prior years	**(11)**	(4)
	1,430	1,302
Land appreciation tax ("LAT") in China	**511**	188
Deferred tax		
Change in fair value of investment properties	**353**	(12)
Origination and reversal of temporary differences	**140**	227
	493	215
Total	**2,434**	1,705

a. The provision for Hong Kong profits tax is based on the profit for the period as adjusted for tax purposes at the rate of 16.5% (2016: 16.5%).

b. Income tax on profits assessable outside Hong Kong is mainly China corporate income tax calculated at a rate of 25% (2016: 25%) and China withholding tax at a rate of up to 10%.

c. Under the Provisional Regulations on LAT, all gains arising from transfer of real estate property in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds on sales of properties less deductible expenditures including cost of land use rights, borrowings costs and all development property expenditures.

d. Tax attributable to associates and joint ventures for the six months ended 30 June 2017 of HK$447 million (2016: HK$460 million) is included in the share of results of associates and joint ventures.

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to ordinary equity shareholders for the period of HK$8,441 million (2016: HK$6,725 million) and the weighted average of 3,033 million ordinary shares in issue during the period (2016: 3,031 million ordinary shares).

8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	Six months ended 30 June			
	2017	**2017**	2016	2016
	HK$ per share	**HK$ Million**	HK$ per share	HK$ Million
Declared after the end of the reporting period:				
First interim dividend	**0.64**	**1,942**	0.58	1,758
Distribution in specie in the form of shares in i-CABLE	**0.09**	**262**	-	-
	0.73	**2,204**	0.58	1,758

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

a. The first interim dividend was based on 3,035 million issued ordinary shares (2016: 3,031 million shares) declared after the end of the reporting period.

b. The distribution in specie comprises the entire shareholding of 1,485.3 million i-CABLE shares currently held by the Company with an attributable book value of HK$262 million. On basis of the existing 3,035,127,327 shares in issue of the Company as at the date of this announcement, Shareholders will receive about 48 i-CABLE Shares for every 100 Wharf shares held and the actual distribution ratio will be determined on basis of the number of shares in issue of the Company as on the record date of this entitlement.

c. The second interim dividend of HK$4,762 million for 2016 was approved and paid in 2017.

9. TRADE AND OTHER RECEIVABLES

Included in this item are trade receivables (net of allowance for bad and doubtful debts) with an ageing analysis based on invoice date as at 30 June 2017 as follows:

	30 June 2017 HK$ Million	31 December 2016 HK$ Million
Trade receivables		
0 - 30 days	**362**	411
31 – 60 days	**72**	70
61 – 90 days	**34**	31
Over 90 days	**156**	143
	624	655
Other receivables and prepayments	**3,750**	3,626
	4,374	4,281

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

10. TRADE AND OTHER PAYABLES

Included in this item are trade payables with an ageing analysis based on invoice date as at 30 June 2017 as follows:

	30 June 2017 HK$ Million	31 December 2016 HK$ Million
Trade payables		
0 - 30 days	**308**	349
31 - 60 days	**193**	261
61 - 90 days	**37**	39
Over 90 days	**44**	188
	582	837
Rental and customer deposits	**4,309**	4,129
Construction costs payable	**5,565**	8,112
Amount due to associates	**2,298**	3,390
Amount due to joint ventures	**2,067**	1,875
Other payables	**4,701**	5,902
	19,522	24,245

11. REVIEW OF UNAUDITED INTERIM FINANCIAL INFORMATION

The unaudited interim financial information for the six months ended 30 June 2017 has been reviewed with no disagreement by the Audit Committee of the Company.

CORPORATE GOVERNANCE CODE

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

It is deemed appropriate as it is considered to be more efficient to have one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals, with half of them being Independent Non-executive Directors.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

RELEVANT DATES FOR INTERIM DIVIDENDS

Interim Dividend in Cash

Ex-entitlement date	24 August 2017 (Thu)
Latest time to lodge share transfer	4:30 p.m., 25 August 2017 (Fri)
Record date/time	6:00 p.m., 25 August 2017 (Fri)
Payment Date	12 September 2017 (Tue)

Conditional Special Interim Dividend – Distribution in Specie of i-CABLE Shares

Ex-entitlement date	24 August 2017 (Thu)
Latest time to lodge share transfer	4:30 p.m., 25 August 2017 (Fri)
Record date/time	6:00 p.m., 25 August 2017 (Fri)
Despatch of share certificates of i-CABLE Shares	7 September 2017 (Thu)

In order to qualify for the abovementioned interim dividend in cash and conditional special interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 25 August 2017.

By Order of the Board
Kevin C. Y. Hui
Company Secretary

Hong Kong, 9 August 2017

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Stephen T. H. Ng, Mr. Andrew O. K. Chow, Ms. Doreen Y. F. Lee, Mr. Paul Y. C. Tsui, Ms. Y. T. Leng and Mr. K. P. Chan, together with seven Independent Non-executive Directors, namely, Mr. Alexander S. K. Au, Professor Edward K. Y. Chen, Mr. Vincent K. Fang, Mr. Hans Michael Jebsen, Ms. Elizabeth Law, Mr. David Muir Turnbull and Professor E. K. Yeoh.