



WHARF

Established 1886

Interim Report 2018

THE WHARF (HOLDINGS) LIMITED

Stock Code: 0004

www.wharfholdings.com



The product is made of FSC™ certified and other controlled material. Pulps used are chlorine-free and acid-free. The FSC™ logo identifies products which contain wood from well-managed forests certified in accordance with the rules of the Forest Stewardship Council®.

DP Contributed 62% of Core Profit

HIGHLIGHTS

Adjusting out the demerged Wharf Real Estate Investment Company Limited (“Wharf REIC”), the following comparison to 2017 is intended to provide a more meaningful perspective:

- Group revenue increased by 4% to HK\$7,823 million and operating profit by 84% to HK\$2,768 million.
- However, core profit decreased by 9% to HK\$2,527 million (2017: HK\$2,792 million).
 - Development Properties (“DP”) declined by 24% to account for 62% of Group total (2017: 73%), partly due to timing differences.
 - Logistics declined by 21% to account for 9% (2017: 10%).
 - All other segments improved.
- Inclusive of net Investment Properties (“IP”) revaluation surplus of HK\$369 million (2017: HK\$699 million), Group profit declined by 19% to HK\$2,860 million (2017: HK\$3,541 million).
- Net debt stood at HK\$29.3 billion (Dec 2017: net cash of HK\$9.3 billion), gearing at 20%.
- Market value of listed investments (excluding the 25% interest in Greentown China Holdings Limited) was HK\$29.0 billion; unrealised surplus HK\$1.0 billion.
- Net asset value HK\$142.5 billion or HK\$46.77 per share.

GROUP RESULTS

Group core profit for the period decreased by 66% to HK\$2,527 million (2017: HK\$7,438 million). Adjusting out the demerged Wharf REIC for a more meaningful comparison, Group core profit decreased by 9% (2017: HK\$2,792 million).

Group profit attributable to equity shareholders, including IP revaluation surplus and other unrealised accounting gains/losses, decreased by 66% to HK\$2,860 million (2017: HK\$8,441 million). Adjusting for the Wharf REIC demerger, the decrease was 19% (2017: HK\$3,541 million).

INTERIM DIVIDEND

A first interim dividend of HK\$0.25 (2017, before the Wharf REIC demerger: HK\$0.64) per share will be paid on 12 September 2018 to Shareholders on record as at 6:00 p.m., 24 August 2018. This will absorb a total amount of HK\$762 million (2017: HK\$1,943 million).

BUSINESS REVIEW

Reporting for the first time without the demerged Wharf REIC, 2017 comparatives in the Business Review have been adjusted to make comparison meaningful.

Currently, the Group is principally engaged in Investment and Development Properties in Hong Kong and the Mainland, Hotels and Management, and Logistics. In addition, CME2 represents a strategic initiative in new economy infrastructure to re-invest the capital released from the earlier exit from CME1 that only covered Hong Kong into a progressive CME2 arena that covers much larger markets with greater growth potential.

During the period, lower contributions were reported for DP, partly due to timing differences, and Logistics while gains were reported for all other segments.

HONG KONG PROPERTIES

DP contracted sales, mainly from the Mount Nicholson project, on an attributable basis, amounted to HK\$1,659 million. Revenue recognition decreased by 40% to HK\$1,270 million and operating profit by 17% to HK\$864 million.

The Peak Portfolio

The Group's Peak Portfolio showcases an enviable collection of luxury and ultra-exclusive residences nestling on the Peak, the most prestigious address in town.

Mount Nicholson (50% owned) offers best-in-class residences that set a new benchmark for luxury living in Hong Kong. During the period under review, two houses and two apartments were contracted for sale for combined proceeds exceeding HK\$3.3 billion (houses at an average of HK\$126,700 per square foot; apartments at HK\$128,400 per square foot). They included House 2 for HK\$1.4 billion or HK\$151,800 per square foot to rank among the most valuable residential units in Asia. Of that, the sale for only one house remains to be completed in the second half of 2018.

Superstructure works for the re-development of 11 Plantation Road (seven houses) and 77 Peak Road (eight houses) were completed last year, while that for the re-development of 1 Plantation Road (20 houses) are well underway. Chelsea Court and Strawberry Hill have been leasing well.

New Land Site in Kowloon Tong

A site was acquired in January within the traditional luxury residential area in Kowloon Tong for HK\$12.5 billion. Standing at the junction of Lion Rock Tunnel Road and Lung Cheung Road with a total developable gross floor area ("GFA") of 436,400 square feet, it is set to become an exquisite living destination in the Kowloon Peninsula. The first general building plan was submitted in May.

Kowloon East Waterfront Portfolio

With Kowloon East set to transform into a new premier CBD of Hong Kong, the “Kowloon East Waterfront Portfolio” represents a new opportunity for the Group.

Kowloon Godown at the Victoria Harbour front comprises a warehouse and an open yard with an existing operating GFA of one million square feet. Different options have been considered for its re-development. General building plans for a revitalisation scheme for the warehouse was approved in June. In parallel, applications for lease modification for a commercial scheme at the open yard and warehouse sites were submitted in 2017.

The 15%-owned Yau Tong Bay joint-venture project, located on the waterfront in close proximity to the MTR station, features a total GFA of four million square feet and is set to provide over 6,300 residential units. General building plans have been approved and lease modification is underway.

CHINA DEVELOPMENT PROPERTIES

On an attributable basis, revenue decreased by 15% to HK\$5,792 million and operating profit increased by 45% to HK\$1,838 million. 182,300 square metres of GFA were completed and recognised during the period (2017: 434,700 square metres).

Constrained by administrative measures to cool an underlying market that is much hotter, attributable contracted sales decreased by 36% to RMB7.2 billion. As at the end of June, the net order book increased to RMB21.3 billion for 0.9 million square metres.

In China East, various projects received very favourable sales response. They included Exquisite Palace and Willow Breeze in Hangzhou, as well as Wuxi Glory of Time, River Pitti and Times City in Wuxi. Projects for sale in other regions also attracted good demand. They included The Throne in Chongqing and Dalian Taoyuan Lane. Two other projects in Hangzhou and Foshan were launched for sale during the period under review.

The Group continues to adopt a selective land acquisition policy with strategic focuses on key Tier 1 or 2 cities in order to secure quality land bank and expected returns. Its strong financial position further sharpens the Group’s competitive edge in land banking in the current tighter credit environment. During the first half of 2018, the Group acquired 10 sites in Suzhou, Hangzhou, Foshan and Guangzhou for RMB14 billion (GFA: 677,300 square metres) on an attributable basis. As at the end of June, the land bank was maintained at 3.8 million square metres.

CHINA INVESTMENT PROPERTIES

Revenue increased by 29% to HK\$1,606 million and operating profit by 23% to HK\$897 million.

Located at ground zero in established or new CBD in selected cities, the new International Finance Square (“IFS”) series features trendsetting landmarks, retailer and shopper critical mass, as well as high-calibre management.

Changsha IFS

Changsha IFS has been getting extensive international, China national, provincial and local media attention. In recognition of Wharf’s excellence in mixed-use developments, and in anticipation of the upcoming premium Grade A Offices and Niccolo Hotel, the project has been awarded the “2018 Mixed-use Development China Award” by International Property Awards.

Retail

Positioned as Central China’s landmark destination, the 246,000-square metre mall opened in May to exceed even our most ambitious expectations, with a commitment rate of 97% and an opening rate of 84%. Situated at city centre, the mall basement is connected to metro interchange station for Lines 1 and 2.

Over 370 brands across nine retail floors include over 70 debut brands for Hunan Province (e.g. Balenciaga, Bulgari, Dior, Hermès, Saint Laurent Paris, Tiffany, Valentino and Italian restaurant Cova), over 30 split-gender duplex flagships (e.g. Louis Vuitton, Bottega Veneta, COS, Dolce & Gabbana, Gucci, Moncler) and over 100 brands which collaborate with Wharf in the Mainland for the first time (e.g. Parkson Beauty, Tesla, and a league of premium internationalised local designers’ labels). The critical mass of diversified trades in well-defined zones have enabled Changsha IFS to cover high-end luxury, affordable luxury, high street, internationalised Chinese designers’ labels, fast fashion, sportswear, kids, entertainment and F&B.

L7 sculpture garden is the home of specially-commissioned artwork KAWS SEEING/WATCHING. A permanent installation which not only marks the first joint appearance of KAWS’ two signature characters (BFF and Companion) but also the first permanent outdoor bronze KAWS sculpture in Greater China. KAWS the artist himself joined the opening ceremony to show his strong endorsement of the successful artwork architecture blend-in.

Office and Hotel

Top-notch office towers in the complex at Changsha IFS are set to raise the standard for future workplace for financial institutions and major corporations. In addition, the opening of Niccolo Changsha is scheduled for the second half of 2018.

Chengdu IFS

Chengdu IFS has strengthened its leading position as the landmark destination in western China. Overall revenue increased by 31% to HK\$667 million and operating profit by 39% to HK\$361 million.

Retail

Chengdu IFS has been providing the best “retailtainment” lifestyle platforms for shoppers and retailers, ranging from emerging brands to world-class luxury brands. Occupancy rate stood firm at 99.8% at the end of June 2018. Tenant sales continued to outperform the market with a growth rate of 23% while foot traffic grew by 19%.

Newly-committed Chengdu debut brands included HEYTEA BLACK and Mr & Mrs Italy. New additions to the international brand portfolio included Brunello Cucinelli, Calvin Klein Watch, CASIO, GoPro, Miele, Nespresso, Nike Young Athletes and Young Versace pop-up.

An exhibition “Love in Spring” collaborated with the famous Italian illustrator Philip Giordano was launched during Chinese New Year. Other innovative marketing campaigns included a specially designed online interactive game for F&B promotion, 2018 Pixar Animation Exhibition, Nature Connects Art with LEGO Bricks and CDIFS x ELLE Active Forum.

Office, Hotel and IFS Residences

With its selective tenant strategy, the commitment rate at the three premium Grade A office towers reached 73% with rental rates standing among the highest in the city.

During the first half of 2018, Niccolo Chengdu remained the city’s market leader in room yield and clinched multiple new awards, including “Best Popular Hotel Award 2018”, awarded by The Bund Magazine and “Best Business Hotel Gold List, 2018” by Condé Nast Traveler.

IFS Residences is among the most coveted and exclusive serviced residences with 175 upscale apartments.

Chongqing IFS

Located at the heart of Jiangbeizui business district, an emerging financial hub for south-western China, Chongqing IFS is an iconic 300-metre landmark featuring “City-within-a-City” concept that comprises Grade A offices and Niccolo Chongqing atop the 109,000-square-metre world-class retail podium.

It houses the largest cluster of first-tier brands in Chongqing under one roof, with an irresistible line-up of dining choices and entertainment offerings including The Rink and PALACE cinema. Currently, over 95.8% of the retail floor plates have been leased.

Niccolo Chongqing, the city's highest sky hotel with spectacular views of Jialing River and Yangtze River, has been widely recognised as the city's new hotel icon soon after its opening in September last year.

Shanghai Wheelock Square

Representing the most compelling office addresses for multinationals and major corporations in Puxi, Shanghai Wheelock Square achieved total commitment area of 101,500 square metres. Occupancy rate was 95% and lease renewal retention rate was kept at a high level of 92%.

Shanghai Times Square

Shanghai Times Square positioned itself as a cosmopolitan landmark for culture and lifestyle. Retail occupancy rate reached 100%. The offices were 90% leased.

Times Outlets

Times Outlets Chengdu witnessed a solid growth for retail sales of 12% and ranks among the most visited outlet destinations nationwide. Meanwhile, Times Outlets Changsha achieved a strong retail sales growth of 46%.

WHARF HOTELS

Wharf Hotels currently manages 16 hotels in Mainland China, Hong Kong and the Philippines, among them 13 are under the brand of Marco Polo Hotels and three under the luxury brand Niccolo Hotels with a unique positioning of understated luxury, exquisite design and gracious hospitality.

The Murray, Hong Kong, has become the Niccolo brand's flagship hotel since its soft opening in January this year.

Niccolo Chengdu opened in April 2015 and Niccolo Chongqing in September 2017. Both achieved leadership standing quickly. Niccolo Changsha, the luxury sky hotel scheduled to open towards the end of 2018, will be the fourth contemporary chic hotel by Niccolo Hotels. Another hotel under development is Niccolo Suzhou, which is scheduled to open in 2019.

Marco Polo Wuhan, Niccolo Chengdu and the upcoming Niccolo Changsha are wholly owned by the Group, while Niccolo Chongqing is 50%-owned.

LOGISTICS

The logistics segment comprises Modern Terminals (“MTL”) and Hong Kong Air Cargo Terminals (“HACTL”). In a weak market, segment revenue decreased by 8% to HK\$1,256 million and operating profit by 30% to HK\$247 million.

Modern Terminals

South China’s container throughput was consistent with last year, with Shenzhen’s throughput increasing by 4% while Kwai Tsing’s throughput decreasing by 4%. Market shares of Shenzhen and Kwai Tsing were 60% and 40% respectively.

Throughput handled at MTL in Hong Kong was 2.6 million TEUs, 2% lower than last year. In Shenzhen, throughput of DaChan Bay Terminals was 626,000 TEUs, 7% higher than last year driven by higher domestic volume. Throughput at Shekou Container Terminals, in which MTL holds a 20% stake, was 2.8 million TEUs, 4% higher than last year. Chiwan Container Terminal, in which MTL holds an 8% attributable stake, recorded a throughput of 1.1 million TEUs.

Consolidated revenue decreased to HK\$1,251 million (2017: HK\$1,361 million), driven by a continued change in throughput mix with more transshipment business. Operating profit decreased to HK\$242 million (2017: HK\$349 million).

Looking ahead, external uncertainties have swollen markedly, primarily as a result of the escalation of trade conflicts between the U.S. and China. This might weigh on the prevailing global economic sentiment and trade expansion going forward. The Group will continue to strive to deliver world-class service and enhance efficiency with an ultimate goal to maintain its competitiveness amidst the uncertain global trade environment.

Hong Kong Air Cargo Terminals

HACTL is a 20.8% associate of the Group. It is the single largest and most sophisticated multi-level cargo handling facility in the world. HACTL has the capacity to handle cargo for up to 3.5 million tonnes per year and is committed to playing an integral role in the logistics business in Hong Kong and the Pearl River Delta. It handled 0.8 million tonnes in the first half of 2018.

FINANCIAL REVIEW

(I) REVIEW OF 1H 2018 RESULTS

The demerger of Wharf REIC in November 2017 (the “Demerger”) renders direct comparison of the Group’s financials to 2017 less relevant. Accordingly, comparison by excluding Wharf REIC from 2017 is analysed as follows.

(A) Comparison Excluding Wharf REIC from 2017 Results

Revenue and Operating Profit

Group revenue increased by 4% to HK\$7,823 million (2017: HK\$7,517 million), reflecting increases of 27% for IP and 4% for DP but exit from the CME segment.

Operating profit (“OP”) increased by 84% to HK\$2,768 million (2017: HK\$1,503 million), reflecting increases of 21% for IP and 123% for DP but exit from the CME segment.

IP revenue increased by 27% to HK\$1,685 million (2017: HK\$1,326 million) and OP by 21% to HK\$956 million (2017: HK\$788 million). Driven by a maturing Chengdu IFS and the newly-opened Changsha IFS, Mainland IP revenue increased by 29% and OP by 23%.

DP subsidiaries recognised 4% higher revenue of HK\$3,938 million (2017: HK\$3,798 million) with OP increasing by 123% to HK\$1,327 million (2017: HK\$595 million). However, lower contribution from the Mount Nicholson joint venture in Hong Kong upon deferral of sales recognition from the signing of formal agreement to the completion of assignment under the new accounting standard reduced core profit by 24% to HK\$1,567 million (2017: HK\$2,051 million).

Logistics revenue decreased by 8% to HK\$1,256 million (2017: HK\$1,365 million) and OP by 30% to HK\$247 million (2017: HK\$353 million), resulting from lower throughput handled by Modern Terminals and a lower yield.

Exit from the CME segment was completed in September 2017 on distribution of i-CABLE shares in specie to the Company’s shareholders.

Fair Value Gain of Investment Properties

The Group's IP portfolio as at 30 June 2018 was HK\$84.4 billion (2017: HK\$82.1 billion) with HK\$76.3 billion (2017: HK\$65.5 billion) thereof stated at fair value based on independent valuation, which produced a revaluation gain of HK\$737 million (2017: HK\$1,051 million). The attributable net revaluation gain of HK\$369 million (2017: HK\$699 million), after related deferred tax and non-controlling interests, was credited to the consolidated income statement.

IP under development of HK\$8.1 billion (2017: HK\$16.6 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 amounted to HK\$219 million (2017: HK\$63 million) which included an unrealised mark-to-market gain of HK\$175 million (2017: HK\$50 million) on cross currency and interest rate swaps in accordance with prevailing accounting standards.

Excluding the unrealised mark-to-market gain, finance costs after capitalisation were HK\$394 million (2017: HK\$113 million), representing a 249% increase as affected by the financing rearrangement for the Demerger.

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

Attributable profit from associates increased by 15% to HK\$409 million (2017: HK\$357 million) mainly due to higher profit contributions from China DP.

Joint ventures profit dropped by 26% to HK\$764 million (2017: HK\$1,026 million) from deferred profit recognition for Mount Nicholson and lower recognition from various China DP projects.

Income Tax

Taxation charge increased by 69% to HK\$1,487 million (2017: HK\$881 million), which included deferred taxation of HK\$369 million (2017: HK\$353 million) provided for the period's revaluation gain attributable to IP in the Mainland.

Profit to Shareholders

Core profit decreased by 9% to HK\$2,527 million (2017: HK\$2,792 million) with IP increasing by 19%, DP decreasing by 24% and Logistics decreasing by 21% to account for 21%, 62% and 9% of Group total (2017: 16%, 73% and 10%), respectively.

Including the net IP revaluation gain of HK\$369 million (2017: HK\$699 million) and other non-core items, Group profit attributable to equity shareholders decreased by 19% to HK\$2,860 million (2017: HK\$3,541 million). Basic earnings per share were HK\$0.94, based on weighted average of 3,043 million shares (2017: HK\$1.17 per share based on 3,033 million shares).

Results Summary by Excluding Wharf REIC from 2017 as follows:

	2018 HK\$ Million	Excluding Wharf REIC 2017 HK\$ Million		2018 HK\$ Million	Excluding Wharf REIC 2017 HK\$ Million
Revenue	7,823	7,517	Operating profit	2,768	1,503
IP	1,685	1,326	IP	956	788
DP	3,938	3,798	DP	1,327	595
Hotels	225	128	Hotels	42	11
Logistics	1,256	1,365	Logistics	247	353
CME	–	641	CME	–	(222)
Investments and others	719	259	Investments and others	196	(22)
			Increase in fair value of IP	737	1,051
			Other net (charges)/income	(71)	618
			Finance costs	(219)	(63)
			Associates/Joint ventures	1,173	1,383
			Income tax	(1,487)	(881)
			Non-controlling interests	(41)	(70)
			Profit to shareholders	2,860	3,541
			Core Profit	2,527	2,792
			IP	531	448
			DP	1,567	2,051
			Hotels	37	7
			Logistics	216	273
			CME	–	(104)
			Investments and others	176	117

(B) Comparison including Wharf REIC in 2017 Results

Group revenue decreased by 54% to HK\$7,823 million (2017: HK\$17,063 million) and OP by 68% to HK\$2,768 million (2017: HK\$8,553 million).

IP revenue decreased by 79% to HK\$1,685 million (2017: HK\$7,927 million) and OP by 86% to HK\$956 million (2017: HK\$6,674 million).

DP subsidiaries recognised 34% lower revenue of HK\$3,938 million (2017: HK\$5,964 million) with OP reducing by 23% to HK\$1,327 million (2017: HK\$1,730 million), mainly due to demerger of the Mainland projects held by Wharf REIC's listed subsidiary Harbour Centre Development Limited. Together with the decrease in contribution from Mount Nicholson joint venture in Hong Kong, DP core profit decreased by 32% to HK\$1,567 million.

Hotel revenue declined by 71% to HK\$225 million (2017: HK\$774 million) and OP by 73% to HK\$42 million (2017: HK\$155 million), resulting from the spinoff of all Hong Kong hotels under the Demerger. Core profit decreased to HK\$37 million.

Logistics revenue decreased by 12% to HK\$1,256 million (2017: HK\$1,424 million) and OP by 31% to HK\$247 million (2017: HK\$358 million). Exit from the CME segment discontinued the Group's CME revenue and operating loss. Investment and others revenue increased by 60% to HK\$719 million (2017: HK\$449 million) and OP by 102% to HK\$500 million (2017: HK\$248 million).

Fair Value Gain of Investment Properties

The Group recorded a revaluation gain of HK\$737 million for the period (2017: HK\$1,529 million) with an attributable net revaluation gain of HK\$369 million (2017: HK\$1,171 million).

Finance Costs

Finance costs charged to the consolidated income statement amounted to HK\$219 million (2017: HK\$589 million). The effective borrowing rate for the period was 3.4% (2017: 3.3%).

Finance costs after capitalisation were HK\$394 million (2017: HK\$639 million), representing a 38% decrease.

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

Attributable profit from associates increased by 13% to HK\$409 million (2017: HK\$361 million) while joint venture profit dropped by 23% to HK\$764 million (2017: HK\$986 million).

Income Tax

Taxation charge decreased by 39% to HK\$1,487 million (2017: HK\$2,434 million), which included deferred taxation of HK\$369 million (2017: HK\$353 million) provided for the period's IP revaluation gain in the Mainland.

Non-controlling Interests

Group profit attributable to non-controlling interests decreased to HK\$41 million (2017: HK\$324 million), mainly from the absence of net profits of certain non-wholly-owned subsidiaries after the Demerger.

Profit to Shareholders

Group core profit decreased by 66% to HK\$2,527 million (2017: HK\$7,438 million).

Group profit attributable to shareholders decreased by 66% to HK\$2,860 million (2017: HK\$8,441 million) with lower net IP revaluation surplus of HK\$369 million (2017: HK\$1,171 million).

Basic earnings per share were HK\$0.94, based on weighted average of 3,043 million shares (2017: HK\$2.78 per share based on 3,033 million shares).

(II) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL COMMITMENTS

Shareholders' and Total Equity

As at 30 June 2018, shareholders' equity was maintained at HK\$142.5 billion (2017: HK\$142.0 billion), equivalent to HK\$46.77 per share based on 3,047 million issued shares (2017: HK\$46.75 per share based on 3,037 million issued shares).

Total equity including non-controlling interests of HK\$3.5 billion (2017: HK\$3.5 billion) increased to HK\$146.0 billion (2017: HK\$145.5 billion).

Assets

Total assets as at 30 June 2018 amounted to HK\$232.2 billion (2017: HK\$222.6 billion) following the increase in DP and equity investments. Total business assets, excluding bank deposit and cash, financial and deferred tax assets, increased to HK\$184.2 billion (2017: HK\$161.7 billion).

Geographically, Mainland business assets, mainly comprising properties and terminals, amounted to HK\$137.9 billion (2017: HK\$127.5 billion), representing 75% (2017: 79%) of total business assets.

Investment properties

Included in total assets is the IP portfolio of HK\$84.4 billion (2017: HK\$82.1 billion), representing 46% (2017: 51%) of total business assets. This portfolio comprised Mainland IP at valuation of HK\$64.3 billion (2017: HK\$62.5 billion), mainly attributable to newly completed retail portion of Changsha IFS, Chengdu IFS and Shanghai Wheelock Square, and those under development at cost of HK\$8.1 billion.

Properties for sale

DP assets increased significantly to HK\$44.8 billion (2017: HK\$25.2 billion), reflecting the acquisition of Lung Cheung Road site and China DP together with construction cost incurred.

Interests in associates and joint ventures

Interests in associates and joint ventures amounted to HK\$33.0 billion (2017: HK\$30.5 billion), mainly representing DP projects in Hong Kong and the Mainland.

Equity Investments

Inclusive of the Group's 25% interest in Greentown China Holdings Limited, total equity investments amounted to HK\$36.8 billion (2017: HK\$19.1 billion), mainly representing a portfolio of blue chips held for long term growth with reasonable dividend return. The portfolio performed overall in line with the market and none of the investments is individually material to the Group's total assets. The revaluation of portfolio produced a net surplus of HK\$1.3 billion (2017: HK\$1.7 billion) as reflected in the other comprehensive income for the period.

Deposits from sale of properties

Deposits from sale of properties amounted to HK\$10.4 billion (2017: HK\$9.1 billion), representing contracted sales in the Mainland pending recognition in the coming years.

Net Debt/(Cash) and Gearing

Net debt as at 30 June 2018 amounted to HK\$29.3 billion, compared to net cash of HK\$9.3 billion at 2017 year end, mainly resulting from re-investment in DP projects in Hong Kong and the Mainland as well as in equity investments. Net debt comprised of HK\$15.6 billion in bank deposits and cash and HK\$44.9 billion in debts. It includes Modern Terminals' net debt of HK\$6.8 billion (2017: HK\$6.8 billion), which is non-recourse to the Company and its other subsidiaries. Excluding non-recourse debts, the Group's net debt was HK\$22.5 billion (2017: net cash HK\$16.1 billion).

Finance and Availability of Facilities

Total available loan facilities and issued debt securities as at 30 June 2018 amounting to HK\$51.7 billion, of which HK\$44.9 billion were utilised, are analysed as below:

	30 June 2018		
	Available Facility HK\$ Billion	Total Debts HK\$ Billion	Undrawn Facility HK\$ Billion
Company/wholly-owned subsidiaries			
Committed and uncommitted bank facilities	17.6	14.3	3.3
Debt securities	23.0	23.0	–
	40.6	37.3	3.3
Non-wholly-owned subsidiaries			
Committed and uncommitted — Modern Terminals	11.1	7.6	3.5
	51.7	44.9	6.8

Of the above debts, HK\$2.6 billion (2017: HK\$4.8 billion) was secured by mortgages over certain IP, DP and property, plant and equipment with total carrying value of HK\$10.9 billion (2017: HK\$18.6 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”). Funds sourced from such debt portfolio was mainly used to finance IP, DP and port investments.

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

The Group continued to maintain a strong financial position with ample surplus cash and undrawn committed facilities to facilitate business and investment activities. In addition, the Group also maintained a portfolio of liquid listed investments with an aggregate market value of HK\$34.7 billion (2017: HK\$19.1 billion), which is available for use if necessary.

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\$2.6 billion (2017: HK\$8.8 billion). The changes in working capital led to a net cash used in operating activities HK\$15.8 billion (2017: net inflow of HK\$5.7 billion) mainly as a result of increase in DP. For investing activities, the Group recorded a net outflow of HK\$19.3 billion (2017: inflow of HK\$2.2 billion), mainly for increase in associates and equity investments during the period.

Major Capital and Development Expenditures and Commitments

Major expenditures incurred in 2018 are analysed as follows:

	Hong Kong HK\$ Million	Mainland China HK\$ Million	Total HK\$ Million
Properties			
IP	100	2,213	2,313
DP	12,487	20,282	32,769
	12,587	22,495	35,082
Others			
Modern Terminals	116	3	119
Group total	12,703	22,498	35,201

- i. IP expenditure was mainly for construction costs of the IFS projects.
- ii. DP and IP expenditures included HK\$9.4 billion for property projects undertaken by associates and joint ventures.
- iii. Expenditure for Modern Terminals was related mainly to terminal equipment.

As at 30 June 2018, major expenditure to be incurred in the coming years was estimated at HK\$30.9 billion, of which HK\$10.6 billion was committed. They are analysed by segment as below:

	As at 30 June 2018		Total HK\$ Million
	Committed HK\$ Million	Uncommitted HK\$ Million	
IP			
Hong Kong	674	–	674
Mainland China	1,975	3,736	5,711
	2,649	3,736	6,385
DP			
Mainland China	7,865	16,457	24,322
Others			
Modern Terminals	133	107	240
Group total	10,647	20,300	30,947

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

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

(III) HUMAN RESOURCES

The Group had approximately 8,600 employees as at 30 June 2018, 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 2018 — Unaudited

		Six months ended 30 June	
	Note	2018 HK\$ Million	2017 HK\$ Million
Revenue	2	7,823	17,063
Direct costs and operating expenses		(3,756)	(6,745)
Selling and marketing expenses		(265)	(455)
Administrative and corporate expenses		(707)	(789)
Operating profit before depreciation, amortisation, interest and tax		3,095	9,074
Depreciation and amortisation		(327)	(521)
Operating profit	2 & 3	2,768	8,553
Increase in fair value of investment properties		737	1,529
Other net (charge)/income	4	(71)	359
Finance costs	5	3,434 (219)	10,441 (589)
Share of results after tax of:			
Associates		409	361
Joint ventures		764	986
Profit before taxation		4,388	11,199
Income tax	6	(1,487)	(2,434)
Profit for the period		2,901	8,765
Profit attributable to:			
Equity shareholders		2,860	8,441
Non-controlling interests		41	324
		2,901	8,765
Earnings per share	7		
Basic		HK\$0.94	HK\$2.78
Diluted		HK\$0.94	HK\$2.78

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Six Months Ended 30 June 2018 — Unaudited

	Six months ended 30 June	
	2018	2017
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Profit for the period	2,901	8,765
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Fair value changes on equity investments	1,271	1,682
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of foreign operations	(735)	1,989
Share of other comprehensive income of associates/joint ventures	(225)	466
Others	3	6
Other comprehensive income for the period	314	4,143
Total comprehensive income for the period	3,215	12,908
Total comprehensive income attributable to:		
Equity shareholders	3,197	12,320
Non-controlling interests	18	588
	3,215	12,908

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 30 June 2018 — Unaudited

	Note	30 June 2018 HK\$ Million	31 December 2017 HK\$ Million
Non-current assets			
Investment properties		84,393	82,128
Property, plant and equipment		12,996	13,201
Interest in associates		20,103	16,608
Interest in joint ventures		12,907	13,837
Equity investments		36,773	19,109
Goodwill and other intangible assets		298	298
Deferred tax assets		687	954
Derivative financial assets		178	180
Other non-current assets		124	134
		168,459	146,449
Current assets			
Properties for sale		44,835	25,200
Trade and other receivables	9	3,201	5,192
Derivative financial assets		83	109
Bank deposits and cash		15,651	45,697
		63,770	76,198
Total assets		232,229	222,647

	Note	30 June 2018 HK\$ Million	31 December 2017 HK\$ Million
Non-current liabilities			
Derivative financial liabilities		(570)	(578)
Deferred tax liabilities		(11,724)	(11,252)
Bank loans and other borrowings	11	(25,217)	(26,267)
		(37,511)	(38,097)
Current liabilities			
Trade and other payables	10	(16,412)	(16,982)
Deposits from sale of properties		(10,385)	(9,083)
Derivative financial liabilities		(332)	(343)
Taxation payable		(1,879)	(2,529)
Bank loans and other borrowings	11	(19,726)	(10,142)
		(48,734)	(39,079)
Total liabilities		(86,245)	(77,176)
NET ASSETS		145,984	145,471
Capital and reserves			
Share capital	12	30,159	29,760
Reserves		112,357	112,214
Shareholders' equity		142,516	141,974
Non-controlling interests		3,468	3,497
TOTAL EQUITY		145,984	145,471

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Six Months Ended 30 June 2018 — Unaudited

	Shareholders' equity						Total equity HK\$ Million
	Share capital HK\$ Million	Investments revaluation and other reserves HK\$ Million	Exchange reserves HK\$ Million	Revenue reserves HK\$ Million	Total shareholders' equity HK\$ Million	Non-controlling interests HK\$ Million	
At 1 January 2018	29,760	1,326	1,188	109,700	141,974	3,497	145,471
Changes in equity for the period:							
Profit	-	-	-	2,860	2,860	41	2,901
Other comprehensive income	-	1,271	(934)	-	337	(23)	314
Total comprehensive income	-	1,271	(934)	2,860	3,197	18	3,215
Shares issued under the share option scheme	399	(170)	-	-	229	-	229
Equity settled share-based payments	-	9	-	-	9	-	9
Second interim dividends paid for 2017 (Note 8b)	-	-	-	(2,893)	(2,893)	-	(2,893)
Dividends paid to non-controlling interests	-	-	-	-	-	(47)	(47)
At 30 June 2018	30,159	2,436	254	109,667	142,516	3,468	145,984
At 1 January 2017	29,497	(2,024)	(3,531)	292,852	316,794	8,612	325,406
Changes in equity for the period:							
Profit	-	-	-	8,441	8,441	324	8,765
Other comprehensive income	-	1,567	2,312	-	3,879	264	4,143
Total comprehensive income	-	1,567	2,312	8,441	12,320	588	12,908
Shares issued under the share option scheme	92	(8)	-	-	84	-	84
Equity settled share-based payments	-	20	-	-	20	-	20
Capital repatriation to non-controlling interests of a subsidiary	-	-	-	-	-	(339)	(339)
Second interim dividends paid for 2016	-	-	-	(4,762)	(4,762)	-	(4,762)
Dividends paid to non-controlling interests	-	-	-	-	-	(190)	(190)
At 30 June 2017	29,589	(445)	(1,219)	296,531	324,456	8,671	333,127

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For The Six Months Ended 30 June 2018 — Unaudited

	Six months ended 30 June	
	2018 HK\$ Million	2017 HK\$ Million
Operating cash inflow	2,573	8,828
Changes in working capital/others	(17,132)	(1,691)
Tax paid	(1,238)	(1,404)
Net cash (used in)/generated from operating activities	(15,797)	5,733
Investing activities		
Additions to investment properties and property, plant and equipment	(1,692)	(3,338)
Other cash (used in)/generated from investing activities	(17,574)	5,556
Net cash (used in)/generated from investing activities	(19,266)	2,218
Financial activities		
Dividends paid to equity shareholders	(2,893)	(4,762)
Other cash generated from/(used in) financing activities	8,729	(10,780)
Net cash generated from/(used in) financing activities	5,836	(15,542)
Decrease in cash and cash equivalents	(29,227)	(7,591)
Cash and cash equivalents at 1 January	44,995	32,530
Effect of exchange rate changes	(117)	613
Cash and cash equivalents at 30 June (Note)	15,651	25,552

Note:

Cash and cash equivalents

	2018 HK\$ Million	2017 HK\$ Million
Bank deposits and cash in the consolidated statement of financial position	15,651	29,781
Less: Bank deposits with maturity greater than three months	–	(4,229)
Cash and cash equivalents in the consolidated statement of cash flows	15,651	25,552

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 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 2017. The unaudited interim financial information and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The accounting policies and methods of computation used in the preparation of the unaudited interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2017 except for the changes mentioned below.

The HKICPA has issued a number of new standards and amendments to HKFRSs which are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s financial statements:

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
Amendments to HKFRS 2	Share-based payment, Classification and measurement of share-based payment transactions
HK(IFRIC) 22	Foreign currency transactions and advance consideration
Amendment to HKAS 40	Investment property: Transfers of investment property

HKFRS 9 has been early adopted in the year ended 31 December 2016, and the other of the above developments has had no significant impact on the Group’s results and financial position for the current and prior periods have been prepared or presented.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method for the adoption of HKFRS 15. As allowed by HKFRS 15, the Group applied the new requirements only to contracts that were not completed before 1 January 2018. Since the number of “open” contracts for sales of development properties at 31 December 2017 is immaterial, there was no material impact for the Group’s result and financial position.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(a) *Timing of revenue recognition*

The new revenue standard does not have significant impact on how it recognises revenue from rental income from investment properties and income from logistics and hotels operation of the Group. However, revenue recognition for sales of development properties is affected. The Group’s property development activities are carried out in Hong Kong and Mainland China. Taking into account the contract terms, the Group’s business practice and the legal and regulatory environment of Hong Kong and Mainland China, the Group assessed that its property sales contracts do not meet the criteria for recognising revenue over time and therefore revenue from property sales is recognised at a point in time. Previously the Group recognised revenue from property sales upon the later of the signing of the sale and purchase agreement and the completion of the property development, which was taken to be the point in time when the risks and rewards of ownership of the property have been transferred to the customer. Under the transfer-of-control approach in the current standard, revenue from property sales is recognised when the legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. This would result in revenue being recognised later than the time recognised under the previous standard.

(b) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears. Previously, the Group did not apply such a policy when payments were received in advance.

Advance payments are not common in the Group's arrangements with its customers, with the exception of when residential properties are marketed by the Group while the property is still under construction. In this situation, the Group may collect the balance of the purchase price early.

In assessing whether such advance payments schemes include a significant financing component, the Group has considered the length of time between the payment date and the completion date of legal assignment based on typical arrangements entered into with customers.

Where such advance payment schemes include a significant financing component, the transaction price will need to be adjusted to separately account for this component. Such adjustment will result in interest expense being recognised to reflect the effect of the financing benefits obtained from the customers during the period between the payment date and the completion date of legal assignment, with a corresponding increase to revenue on sale of properties recognised when control of the completed property is transferred to the customers.

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

The financial information relating to the financial year ended 31 December 2017 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 2017 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, development property, hotels, logistics and communications and media and entertainment (“CME”). No operating segments have been aggregated to form the reportable segments.

In November 2017, six Hong Kong prime investment properties including Harbour City, Times Square, Plaza Hollywood, Wheelock House, Crawford House and The Murray, Hong Kong were spun off through the distribution and separate listing of Wharf REIC.

Investment property segment primarily includes property leasing operations. After Wharf REIC’s spinoff, the Group’s properties portfolio, which mainly consists of retail, office and serviced apartments is primarily located in 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. After Wharf REIC’s spinoff, the Group operates 16 hotels (five of which are owned by Wharf REIC) in the Asia Pacific region, three 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”), and Hong Kong Air Cargo Terminals Limited.

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.

a. Analysis of segment revenue and results

	Revenue	Operating profit	Investment properties fair value	Other net (charge)/ income	Finance costs	Associates	Joint ventures	Profit before taxation
For the six months ended	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
30 June 2018								
Investment property	1,685	956	737	25	(105)	-	-	1,613
Hong Kong	79	59	333	-	(13)	-	-	379
Mainland China	1,606	897	404	25	(92)	-	-	1,234
Development property	3,938	1,327	-	96	(131)	268	758	2,318
Hong Kong	-	(3)	-	-	(44)	-	721	674
Mainland China	3,938	1,330	-	96	(87)	268	37	1,644
Hotels	225	42	-	-	-	-	-	42
Logistics	1,256	247	-	(15)	(88)	141	6	291
Terminals	1,251	242	-	6	(88)	95	6	261
Others	5	5	-	(21)	-	46	-	30
Inter-segment revenue	-	-	-	-	-	-	-	-
Segment total	7,104	2,572	737	106	(324)	409	764	4,264
Investment and others	719	500	-	(177)	105	-	-	428
Corporate expenses	-	(304)	-	-	-	-	-	(304)
Group total	7,823	2,768	737	(71)	(219)	409	764	4,388
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

b. Analysis of inter-segment revenue

Six months ended 30 June	2018			2017		
	Total Revenue HK\$ Million	Inter-segment revenue HK\$ Million	Group Revenue HK\$ Million	Total Revenue HK\$ Million	Inter-segment revenue HK\$ Million	Group Revenue HK\$ Million
Investment property	1,685	–	1,685	7,927	(90)	7,837
Development property	3,938	–	3,938	5,964	–	5,964
Hotels	225	–	225	774	–	774
Logistics	1,256	–	1,256	1,424	–	1,424
CME	–	–	–	641	(1)	640
Investment and others	719	–	719	449	(25)	424
	7,823	–	7,823	17,179	(116)	17,063

c. Geographical information

Six months ended 30 June	Revenue		Operating profit	
	2018 HK\$ Million	2017 HK\$ Million	2018 HK\$ Million	2017 HK\$ Million
Hong Kong	1,779	9,274	586	6,200
Mainland China	6,037	7,756	2,176	2,320
Others	7	33	6	33
Group total	7,823	17,063	2,768	8,553

3. Operating Profit

Operating profit is arrived at:

	Six months ended 30 June	
	2018	2017
	HK\$ Million	HK\$ Million
After charging/(crediting):		
Depreciation and amortisation on		
— assets held for use under operating leases	78	69
— property, plant and equipment	217	368
— leasehold land	32	30
— programming library	—	54
Total depreciation and amortisation	327	521
Staff cost (Note i)	1,053	1,702
Cost of trading properties for recognised sales	2,715	4,020
Gross rental revenue from investment properties (Note ii)	(1,685)	(7,927)
Direct operating expenses of investment properties	705	1,194
Interest income	(236)	(237)
Dividend income from investments	(291)	(48)
Loss on disposal of property, plant and equipment	—	19

Notes:

- (i) Staff costs included contributions to defined contribution pension schemes of HK\$112 million (2017: HK\$142 million) and equity-settled share-based payment expenses of HK\$9 million (2017: HK\$20 million).
- (ii) Rental income included contingent rentals of HK\$334 million (2017: HK\$607 million).

4. Other Net (Charge)/Income

Other net charge for the period amounted to HK\$71 million (2017: net income of HK\$359 million) mainly comprises:

- a. Net foreign exchange loss of HK\$58 million (2017: HK\$377 million) which included the impact of foreign exchange contracts.
- b. In 2017, write-back of impairment provision of HK\$279 million on certain development projects in the Mainland.
- c. In 2017, net gain of HK\$422 million on disposal of an associate and subsidiaries.

5. Finance Costs

	Six months ended 30 June	
	2018 HK\$ Million	2017 HK\$ Million
Interest charged on:		
Bank loans and overdrafts	254	446
Other borrowings	383	307
Total interest charge	637	753
Other finance costs	19	55
Less: Amount capitalised	(262)	(169)
	394	639
Fair value (gain)/loss:		
Cross currency interest rate swaps	(93)	(305)
Interest rate swaps	(82)	255
	(175)	(50)
Total	219	589

- a. The Group's average effective borrowing rate for the period was 3.4% p.a. (2017: 3.3% p.a.).
- b. The above interest charge has taken into account the interest paid/receipts in respect of interest rate swaps and cross currency interest rate swaps.

6. Income Tax

Taxation charged to the consolidated income statement represents :

	Six months ended June	
	2018	2017
	HK\$ Million	HK\$ Million
Current income tax		
Hong Kong		
— provision for the period	69	954
— overprovision in respect of prior years	(7)	(17)
Outside Hong Kong		
— provision for the period	285	504
— under/(over)-provision in respect of prior years	26	(11)
	373	1,430
Land appreciation tax (“LAT”) in China	246	511
Deferred tax		
Change in fair value of investment properties	369	353
Origination and reversal of temporary differences	499	140
	868	493
Total	1,487	2,434

- 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% (2017: 16.5%).
- b. Income tax on profits assessable outside Hong Kong is mainly China corporate income tax calculated at a rate of 25% (2017: 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 of sales of properties less deductible expenditures including cost of land use rights, borrowings costs and all property development expenditures.
- d. Tax attributable to associates and joint ventures for the six months ended 30 June 2018 of HK\$353 million (2017: HK\$447 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\$2,860 million (2017: HK\$8,441 million) and the weighted average of 3,043 million ordinary shares in issue during the period (2017: 3,033 million ordinary shares).

8. Dividends Attributable to Equity Shareholders

	Six months ended 30 June			
	2018 HK\$ per share	2018 HK\$ Million	2017 HK\$ per share	2017 HK\$ Million
Declared after the end of the reporting period:				
First interim dividend	0.25	762	0.64	1,943
Distribution in specie in the form of shares in i-CABLE	–	–	0.09	262
	0.25	762	0.73	2,205

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 based on 3,047 million issued ordinary shares (2017: 3,035 million shares) declared after the end of the reporting period.
- b. The second interim dividend of HK\$2,893 million for 2017 was approved and paid in 2018.

9. Trade and Other Receivables

Included in this item are trade receivables (net of allowance for bad and doubtful debts) with an ageing analysis based on the invoice date as at 30 June 2018 as follows:

	30 June 2018 <i>HK\$ Million</i>	31 December 2017 <i>HK\$ Million</i>
Trade receivables		
0–30 days	165	177
31–60 days	72	37
61–90 days	36	14
Over 90 days	157	108
	430	336
Other receivables and prepayments	2,771	4,856
	3,201	5,192

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

10. Trade and Other Payables

Included in this item are trade payables with an ageing analysis based on the invoice date as at 30 June 2018 as follows:

	30 June 2018 <i>HK\$ Million</i>	31 December 2017 <i>HK\$ Million</i>
Trade payables		
0–30 days	238	313
31–60 days	192	187
61–90 days	40	33
Over 90 days	45	108
	515	641
Rental and customer deposits	1,097	1,017
Construction costs payable	6,520	7,113
Amount due to associates	2,611	2,933
Amount due to joint ventures	2,352	592
Other payables	3,317	4,686
	16,412	16,982

11. Bank Loans and Other Borrowings

	30 June 2018 <i>HK\$ Million</i>	31 December 2017 <i>HK\$ Million</i>
Bonds and notes (unsecured)	23,069	23,207
Bank loans (secured)	2,640	4,842
Bank loans (unsecured)	19,234	8,360
Total bank loans and other borrowings	44,943	36,409
Analysis of maturities of the above borrowings:		
Current borrowings		
Due within 1 year	19,726	10,142
Non-current borrowings		
Due after more than 1 year but not exceeding 5 years	21,691	22,252
Due after more than 5 years	3,526	4,015
	25,217	26,267
Total bank loans and other borrowings	44,943	36,409

12. Share Capital

	30 June 2018 <i>No. of shares Million</i>	31 December 2017 <i>No. of shares Million</i>	30 June 2018 <i>HK\$ Million</i>	31 December 2017 <i>HK\$ Million</i>
Issued and fully paid ordinary shares				
At 1 January	3,037	3,032	29,760	29,497
Shares issued under the share option scheme	10	5	399	263
At 30 June/31 December	3,047	3,037	30,159	29,760

13. Fair Values Measurement of Financial Instruments

a. Assets and liabilities carried at fair value

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

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

Financial instruments carried at fair value

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

	At 30 June 2018			At 31 December 2017		
	Level 1 HK\$ Million	Level 2 HK\$ Million	Total HK\$ Million	Level 1 HK\$ Million	Level 2 HK\$ Million	Total HK\$ Million
Assets						
Equity investments:						
— Listed investments	34,666	–	34,666	19,025	–	19,025
— Unlisted investments	–	2,107	2,107	–	84	84
Derivative financial instruments:						
— Forward foreign exchange contracts	–	86	86	–	77	77
— Interest rate swaps	–	57	57	–	132	132
— Cross currency interest rate swaps	–	118	118	–	80	80
	34,666	2,368	37,034	19,025	373	19,398
Liabilities						
Derivative financial instruments:						
— Interest rate swaps	–	153	153	–	215	215
— Cross currency interest rate swaps	–	740	740	–	706	706
— Forward foreign exchange contracts	–	9	9	–	–	–
Bank loans and other borrowings:						
— Bonds and notes	–	12,181	12,181	–	12,138	12,138
	–	13,083	13,083	–	13,059	13,059

During the six months ended 30 June 2018, there were no transfers of instruments between Level 1 and Level 2, or transfers into or out of Level 3.

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

Valuation techniques and inputs used in Level 2 fair value measurements

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

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

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

b. Assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 30 June 2018 and 31 December 2017.

14. Material Related Party Transaction

The Group has entered into the following material related party transactions during the period ended 30 June 2018:

- a.** There was rental income totalling HK\$83 million (2017: HK\$570 million) from various tenants which are wholly or partly owned by companies which in turn are wholly-owned by the family interests of close family members of, or by a trust the settlor of which is a close family member of, the chairman of the Company's ultimate holding company.
- b.** There were in existence agreements with subsidiaries of Wharf REIC for the management, marketing, project management and technical services on Wharf REIC's hotel operations. Total fees receivable under this arrangement during the current period amounted to HK\$47 million. Such transaction also constitute a connected transaction as defined under Listing Rules.

15. Contingent Liabilities

As at 30 June 2018, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to overdrafts, short term loans and credit facilities, bonds and notes of up to HK\$44,040 million (31/12/2017: HK\$35,324 million). There were also contingent liabilities in respect of guarantees given by the Company on behalf of joint ventures and associates of HK\$1,927 million (31/12/2017: HK\$2,664 million) of which HK\$1,037 million (31/12/2017: HK\$892 million) had been drawn.

As at 30 June 2018, there were guarantees of HK\$4,041 million (31/12/2017: HK\$5,285 million) provided by the Group to the banks in favour of their customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's development properties. There were also mortgage loan guarantees of HK\$2,437 million (31/12/2017: HK\$3,468 million) provided by joint ventures and associates of the Group to the banks in favour of their customers.

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

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

16. Commitments

The Group's outstanding commitments as at 30 June 2018 are detailed as below:

a. Planned expenditure

	30 June 2018			31 December 2017		
	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million
(I) Properties						
Investment properties						
Hong Kong	674	–	674	748	–	748
Mainland China	1,975	3,736	5,711	2,512	5,409	7,921
	2,649	3,736	6,385	3,260	5,409	8,669
Development properties						
Hong Kong	78	–	78	–	–	–
Mainland China	7,787	16,457	24,244	4,641	12,517	17,158
	7,865	16,457	24,322	4,641	12,517	17,158
Properties total						
Hong Kong	752	–	752	748	–	748
Mainland China	9,762	20,193	29,955	7,153	17,926	25,079
	10,514	20,193	30,707	7,901	17,926	25,827
(II) Non-properties						
Modern Terminals	133	107	240	113	26	139
	133	107	240	113	26	139
Group total	10,647	20,300	30,947	8,014	17,952	25,966

- (i) Properties commitments are mainly for construction costs to be incurred in the forthcoming years including HK\$3.4 billion (2017: HK\$2.0 billion) attributable land costs.
- (ii) The expenditure for properties included attributable amounts for developments undertaken by joint ventures and associates of HK\$9,621 million (31/12/2017: HK\$7,211 million) in Mainland China.

- b. The Group leases a number of properties under operating leases. The leases typically run for an initial period of three years, with an option to renew each lease upon expiry when all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals. Total operating leases commitments are detailed as below:

	30 June 2018 <i>HK\$ Million</i>	31 December 2017 <i>HK\$ Million</i>
Expenditure for operating leases		
Within one year	12	23
After one year but within five years	4	5
	16	28

17. Review of Unaudited Interim Financial Information

The unaudited interim financial information for the six months ended 30 June 2018 has been reviewed with no disagreement by the Audit Committee of the Company.

CORPORATE GOVERNANCE CODE

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

Such deviation is deemed appropriate as it is considered to be more efficient to have one single person to be Chairman of the Company as well as to discharge the executive functions of a chief executive thereby enabling more effective planning and better execution of long-term strategies. The Board of Directors 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 ("INEDs").

CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

A set of the Company's own code of conduct (the "Company's Code") was adopted by the Company in 2014 to govern Directors' securities transactions with terms thereof being no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors of the Company, and all the Directors have complied with the required standard set out in the Company's Code during the period under review.

DIRECTORS' INTERESTS IN SECURITIES

(A) Interests in Shares and Debt Securities

At 30 June 2018, Directors of the Company had the following beneficial interests, all being long positions, in the shares and/or debentures of the Company, Wheelock and Company Limited ("Wheelock") (which is the Company's parent company), one fellow subsidiary of the Company, namely, Wharf Real Estate Investment Company Limited ("Wharf REIC"), one subsidiary of the Company, namely, Modern Terminals Limited ("Modern Terminals"), and one associated corporation of the Company (of which the Company is interested in more than 20% of its issued shares), namely, Greentown China Holdings Limited ("Greentown"). The percentages (where applicable) which the relevant shares represented to the number of shares in issue of the five companies respectively are also set out below:

	Quantity held (percentage, where applicable)	Nature of Interest
The Company		
Stephen T H Ng	1,509,445 (0.0495%)	Personal Interest
Andrew O K Chow	1,785,000 (0.0586%)	Personal Interest
K P Chan	900,000 (0.0295%)	Personal Interest
Vincent K Fang	100,000 (0.0033%)	Personal Interest
Wheelock		
Stephen T H Ng	176,000 (0.0086%)	Personal Interest
Paul Y C Tsui	300,000 (0.0147%)	Personal Interest
Wharf REIC		
Stephen T H Ng	1,009,445 (0.0332%)	Personal Interest
K P Chan	100,000 (0.0033%)	Personal Interest
Vincent K Fang	100,000 (0.0033%)	Personal Interest
Modern Terminals		
Hans Michael Jebsen	3,787 (5.40%)	Corporate Interest
Greentown		
Andrew O K Chow	180,000 (0.01%)	Personal Interest

Notes:

- (1) *The interests in shares disclosed above do not include interests in share options of the Company and/or associated corporation(s) held by Directors as at 30 June 2018. Details of such interests in share options are separately set out below under the sub-sections headed "(B) Interests in Share Options of the Company" and "(C) Interests in Share Options of Wheelock".*
- (2) *The shareholdings classified as "Corporate Interest" in which the Director(s) concerned were taken to be interested as stated above were interests of corporation(s) at general meetings of which the relevant Director was either entitled to exercise (or taken under Part XV of the Securities and Futures Ordinance (the "SFO") to be able to exercise) or control the exercise of one-third or more of the voting power in general meetings of such corporation(s).*

(B) Interests in Share Options of the Company

Set out below are particulars of all interests (all being personal interests) in options held during the six months ended 30 June 2018 by Directors (and/or their respective associate(s)) of the Company to subscribe for ordinary shares of the Company granted/ exercisable under the share option scheme of the Company:

Name of Director	Date of grant (Day/Month/Year)	No. of shares under option			Subscription price per share (HK\$)	Vesting/Exercise period (Day/Month/Year)	
		As at 1 January 2018	Exercised during the period	As at 30 June 2018 (percentage based on no. of shares in issue)			
Stephen T H Ng	05/06/2013	200,000	(200,000) ⁽¹⁾	–	23.83	06/06/2015 – 05/06/2018	
		400,000	(400,000) ⁽¹⁾	–		06/06/2016 – 05/06/2018	
		400,000	(400,000) ⁽¹⁾	–		06/06/2017 – 05/06/2018	
	Sub-total	1,000,000	(1,000,000) ⁽¹⁾	–			
	07/07/2016	1,000,000	(500,000) ⁽¹⁾	500,000	15.92	08/07/2017 – 07/07/2021	
		1,000,000	–	1,000,000		08/07/2018 – 07/07/2021	
		1,000,000	–	1,000,000		08/07/2019 – 07/07/2021	
		1,000,000	–	1,000,000		08/07/2020 – 07/07/2021	
	Sub-total	4,000,000	(500,000) ⁽¹⁾	3,500,000			
	Total	5,000,000	(1,500,000)⁽¹⁾	3,500,000 (0.11%)			
	Andrew O K Chow	05/06/2013	400,000	(400,000) ⁽²⁾	–	23.83	06/06/2014 – 05/06/2018
			400,000	(400,000) ⁽²⁾	–		06/06/2015 – 05/06/2018
			400,000	(400,000) ⁽²⁾	–		06/06/2016 – 05/06/2018
			400,000	(400,000) ⁽²⁾	–		06/06/2017 – 05/06/2018
Sub-total		1,600,000	(1,600,000) ⁽²⁾	–			
07/07/2016		600,000	(300,000) ⁽²⁾	300,000	15.92	08/07/2017 – 07/07/2021	
		600,000	–	600,000		08/07/2018 – 07/07/2021	
		600,000	–	600,000		08/07/2019 – 07/07/2021	
		600,000	–	600,000		08/07/2020 – 07/07/2021	
Sub-total		2,400,000	(300,000) ⁽²⁾	2,100,000			
Total		4,000,000	(1,900,000)⁽²⁾	2,100,000 (0.07%)			

Name of Director	Date of grant (Day/Month/Year)	No. of shares under option			Subscription price per share (HK\$)	Vesting/Exercise period (Day/Month/Year)
		As at 1 January 2018	Exercised during the period	As at 30 June 2018 (percentage based on no. of shares in issue)		
Doreen Y F Lee	05/06/2013	400,000	(400,000) ⁽³⁾	–	23.83	06/06/2013 – 05/06/2018
		400,000	(400,000) ⁽³⁾	–		06/06/2014 – 05/06/2018
		400,000	(400,000) ⁽³⁾	–		06/06/2015 – 05/06/2018
		400,000	(400,000) ⁽³⁾	–		06/06/2016 – 05/06/2018
		400,000	(400,000) ⁽³⁾	–		06/06/2017 – 05/06/2018
	Sub-total	2,000,000	(2,000,000) ⁽³⁾	–		
	07/07/2016	600,000	–	600,000	15.92	08/07/2018 – 07/07/2021
		600,000	–	600,000		08/07/2019 – 07/07/2021
		600,000	–	600,000		08/07/2020 – 07/07/2021
	Sub-total	1,800,000	–	1,800,000		
Total	3,800,000	(2,000,000)⁽³⁾	1,800,000 (0.06%)			
Paul Y C Tsui	05/06/2013	200,000	(200,000) ⁽⁴⁾	–	23.83	06/06/2013 – 05/06/2018
		200,000	(200,000) ⁽⁴⁾	–		06/06/2014 – 05/06/2018
		200,000	(200,000) ⁽⁴⁾	–		06/06/2015 – 05/06/2018
		200,000	(200,000) ⁽⁴⁾	–		06/06/2016 – 05/06/2018
		200,000	(200,000) ⁽⁴⁾	–		06/06/2017 – 05/06/2018
	Sub-total	1,000,000	(1,000,000) ⁽⁴⁾	–		
	07/07/2016	300,000	–	300,000	15.92	08/07/2018 – 07/07/2021
		300,000	–	300,000		08/07/2019 – 07/07/2021
		300,000	–	300,000		08/07/2020 – 07/07/2021
	Sub-total	900,000	–	900,000		
Total	1,900,000	(1,000,000)⁽⁴⁾	900,000 (0.03%)			

Name of Director	Date of grant (Day/Month/Year)	No. of shares under option			Subscription price per share (HK\$)	Vesting/Exercise period (Day/Month/Year)
		As at 1 January 2018	Exercised during the period	As at 30 June 2018 (percentage based on no. of shares in issue)		
K P Chan	05/06/2013	150,000	(150,000) ⁽⁵⁾	–	23.83	06/06/2013 – 05/06/2018
		150,000	(150,000) ⁽⁵⁾	–		06/06/2014 – 05/06/2018
		150,000	(150,000) ⁽⁵⁾	–		06/06/2015 – 05/06/2018
		150,000	(150,000) ⁽⁵⁾	–		06/06/2016 – 05/06/2018
		150,000	(150,000) ⁽⁵⁾	–		06/06/2017 – 05/06/2018
	Sub-total	750,000	(750,000) ⁽⁵⁾	–		
	07/07/2016	200,000	–	200,000	15.92	08/07/2018 – 07/07/2021
		200,000	–	200,000		08/07/2019 – 07/07/2021
		200,000	–	200,000		08/07/2020 – 07/07/2021
	Sub-total	600,000	–	600,000		
Total	1,350,000	(750,000)⁽⁵⁾	600,000 (0.02%)			
Grand Total	16,050,000	(7,150,000)	8,900,000			

Notes:

- (1) The weighted average closing price of the Company's shares immediately before the date(s) of exercise(s) of the options by Mr Stephen T H Ng during the period was HK\$27.72 per share.
- (2) The weighted average closing price of the Company's shares immediately before the date(s) of exercise(s) of the options by Mr Andrew O K Chow during the period was HK\$26.16 per share.
- (3) The closing price of the Company's shares immediately before the date(s) of exercise(s) of the options (all exercised on the same day) by Ms Doreen Y F Lee during the period was HK\$27.60 per share.
- (4) The closing price of the Company's shares immediately before the date(s) of exercise(s) of the options (all exercised on the same day) by Mr Paul Y C Tsui during the period was HK\$29.20 per share.
- (5) The weighted average closing price of the Company's shares immediately before the date(s) of exercise(s) of the options by Mr K P Chan during the period was HK\$29.57 per share.
- (6) Except as disclosed above, no option of the Company held by Directors (and/or their associate(s)) lapsed or was exercised or cancelled during the financial period, and no option of the Company was granted to any Director (and/or their associate(s)) during the financial period.

(C) Interests in Share Options of Wheelock

Set out below are particulars of all interests (all being personal interests) in options held during the six months ended 30 June 2018 by Directors (and/or their respective associate(s)) of the Company to subscribe for ordinary shares of Wheelock granted/ exercisable under the share option scheme of Wheelock:

Name of Director	Date of grant (Day/Month/Year)	No. of Wheelock's shares under option			Subscription price per share (HK\$)	Vesting/Exercise period (Day/Month/Year)
		As at 1 January 2018	Exercised during the period	As at 30 June 2018 (percentage based on no. of shares in issue)		
Paul Y C Tsui	07/07/2016	300,000	–	300,000	36.60	08/07/2018 – 07/07/2021
		300,000	–	300,000		08/07/2019 – 07/07/2021
		300,000	–	300,000		08/07/2020 – 07/07/2021
Total		900,000	–	900,000 (0.04%)		

Note:

- (1) Except as disclosed above, no share option of Wheelock held by Directors of the Company (and/or their associate(s)) lapsed or was exercised or cancelled during the financial period and no share option of Wheelock was granted to any Director of the Company (and/or their associate(s)) during the financial period.

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the SFO in respect of information required to be notified to the Company and the Stock Exchange by the Directors and/or Chief Executive of the Company pursuant to the SFO or the Model Code (or any other applicable code), there were no interests, whether long or short positions, held or deemed to be interested as at 30 June 2018 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), nor had there been any rights to subscribe for any shares, underlying shares or debentures of the Company and its associated corporations held or deemed to be interested by any of them as at 30 June 2018.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties, other than person(s) who is/are Director(s), who/which were, directly or indirectly, interested in 5% or more of any class of voting shares of the Company as at 30 June 2018, and the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register"):

Names	No. of Ordinary Shares (percentage based on number of shares in issue)
(i) Wheelock and Company Limited	1,920,267,608 (63.03%)
(ii) HSBC Trustee (C.I.) Limited	1,920,267,608 (63.03%)

Notes:

- (1) *For the avoidance of doubt and double counting, it should be noted that the shareholdings stated against parties (i) and (ii) represented the same block of shares.*
- (2) *Wheelock's deemed shareholding interests stated above included interests held through its wholly-owned subsidiaries, namely, Lynchpin Limited ("LL"), WF Investment Partners Limited ("WIPL"), High Fame Investments Limited ("HFIL") and Wheelock Investments Limited ("WIL"), with 259,216,072 shares (8.51%) being the deemed interests held by LL, 1,373,214,536 shares (45.07%) being the deemed interests held by WIPL, 287,837,000 shares (9.45%) being the deemed interests held by HFIL and 1,920,267,608 shares (63.03%) being the deemed interests held by WIL.*

All the interests stated above represented long positions. As at 30 June 2018, there were no short position interests recorded in the Register.

SHARE OPTION SCHEME

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

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

Date of grant (Day/Month/Year)	No. of shares under option			Vesting/Exercise period (Day/Month/Year)	Subscription price per share (HK\$)
	As at 1 January 2018	Exercised during the period	As at 30 June 2018		
05/06/2013	1,300,000	(1,300,000)	–	06/06/2013 – 05/06/2018	23.83
	1,700,000	(1,700,000)	–	06/06/2014 – 05/06/2018	
	1,900,000	(1,900,000)	–	06/06/2015 – 05/06/2018	
	2,100,000	(2,100,000)	–	06/06/2016 – 05/06/2018	
	2,100,000	(2,100,000)	–	06/06/2017 – 05/06/2018	
	9,100,000	(9,100,000)	–		
07/07/2016	1,600,000	(800,000)	800,000	08/07/2017 – 07/07/2021	15.92
	2,900,000	–	2,900,000	08/07/2018 – 07/07/2021	
	2,900,000	–	2,900,000	08/07/2019 – 07/07/2021	
	2,900,000	–	2,900,000	08/07/2020 – 07/07/2021	
	10,300,000	(800,000)	9,500,000		
Total:	19,400,000	(9,900,000)	9,500,000		

Notes:

- (1) The weighted average closing price of the Company's shares immediately before the date(s) of exercise(s) of the options during the financial period was HK\$28.15 per share.
- (2) Except as disclosed above, no share option of the Company lapsed or was granted, exercised or cancelled during the financial period.

CHANGES IN INFORMATION OF DIRECTORS

- (l) Given below is the latest information regarding annual emoluments, exclusive of any and all amounts which would be borne by Wheelock, Wharf REIC and/or their respective wholly-owned subsidiary(ies) and calculated on an annualised basis, of all those Directors for whom there have been changes of amounts of emoluments during the course of their respective terms of office since the publication of the last annual report of the Company:

Director(s)	⁽¹⁾ Salary and various allowances HK\$'000		⁽²⁾ Discretionary annual bonus in cash HK\$'000	
Stephen T H Ng	5,035	<i>(2017: 7,721)</i>	23,772	<i>(2017: 84,100)</i>
Andrew O K Chow	5,686	<i>(2017: 5,668)</i>	43,206	<i>(2017: 8,000)</i>
Doreen Y F Lee	1,600	<i>(2017: 5,659)</i>	15,293	<i>(2017: 8,000)</i>
Paul Y C Tsui	2,193	<i>(2017: 5,254)</i>	15,630	<i>(2017: 6,500)</i>
K P Chan	3,646	<i>(2017: 3,490)</i>	12,485	<i>(2017: 4,000)</i>

⁽¹⁾ Not including the Chairman's fee of HK\$250,000 per annum (2017: HK\$250,000) and the Remuneration Committee Members' fee of HK\$50,000 per annum (2017: HK\$50,000) payable to the Chairman and the Director's fee of HK\$200,000 per annum (2017: HK\$200,000) payable to each of the other Directors of the Company.

⁽²⁾ The amounts of such discretionary annual bonuses were fixed/decided unilaterally by the employers.

- (II) Given below are changes in other information of the Director(s) of the Company required to be disclosed pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) under the Listing Rules since the publication of the last annual report of the Company:

	Effective Date
Stephen T H Ng	
• Hong Kong General Chamber of Commerce — retired as chairman	18 May 2018
• Hong Kong Trade Development Council — ceased to be council member	18 May 2018
• Employers' Federation of Hong Kong — appointed as vice chairman of council, vice chairman of general committee and executive committee member	25 May 2018
Paul Y C Tsui	
• Wharf Real Estate Investment Company Limited — appointed as vice chairman and Executive Director	1 June 2018
Edward K Y Chen	
• Human Resources Planning Commission — appointed as non-official member	1 April 2018
Elizabeth Law	
• Protection of Wages on Insolvency Fund Board — appointed as member	1 April 2018
• Employees Compensation Assistance Fund Board — ceased to be member	30 June 2018

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

RELEVANT DATES FOR INTERIM DIVIDEND

Ex-entitlement date	23 August 2018 (Thu)
Latest time to lodge share transfer	4:30 p.m., 24 August 2018 (Fri)
Record date/ time	6:00 p.m., 24 August 2018 (Fri)
Payment Date	12 September 2018 (Wed)

In order to qualify for the above-mentioned 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, 24 August 2018.

By Order of the Board
Kevin C Y Hui
Company Secretary

Hong Kong, 9 August 2018

As at the date of this interim report, 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 and Mr K P Chan, together with five INEDs, namely, Professor Edward K Y Chen, Mr Vincent K Fang, Mr Hans Michael Jebsen, Ms Elizabeth Law and Mr David Muir Turnbull.

Notwithstanding any choice of language or means for the receipt of corporate communications (viz. annual report, interim report, etc.) previously made by Shareholder(s) and communicated to the Company, Shareholder(s) is/are given the option (which may be exercised at any time by giving reasonable prior notice to the Company) of changing his/her/their choice of printed language version(s) to English only, Chinese only or both English and Chinese for receiving future corporate communications, or changing the choice of receiving future corporate communications to using electronic means instead of in printed version (or vice versa). Such notice of change of choice should contain the full name(s) in English, address and contact telephone number of the relevant Shareholder(s), together with the relevant words regarding the request for the change of choice, and should be sent to the Company, c/o the Company's Registrars, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by post or by hand delivery, or via email to wharfholdings-ecom@hk.tricorglobal.com.