WHEELOCK

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WHEELOCK AND COMPANY LIMITED

INTERIM REPORT 2018

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HK$23.4 BILLION RESIDENTIAL SALES A NEW HIGH

HIGHLIGHTS ON HONG KONG PROPERTIES

- **Residential contracted sales** increased by 131% to a new record of HK$23.4 billion, marking the strongest first half sales. Over 2,000 units were sold or presold in half a year, exceeding the 2017 full year record by 53%.

  – **MALIBU** has presold 1,552 units for HK$14.3 billion within three months, buoyed by positive market response.

  – **GRAND OASIS KAI TAK** has presold 278 units for HK$3.9 billion, while a low rise duplex was presold at close to HK$35,000 per square foot in June 2018.

  – **GRAND MONTEREY** and other residential development sales were on track and presold 191 units for HK$3.5 billion.

- **Net order book** increased by 243% to HK$30.2 billion, based on successful launches of MALIBU, GRAND OASIS KAI TAK and GRAND MONTEREY.

- **Acquired two residential sites** with a total GFA of 0.9 million square feet, including a riverside Kai Tak site to further strengthen our Kowloon East portfolio.

- The **urban-focused land bank** under management was 6.6 million square feet, after preselling 1.1 million square feet at MALIBU.

WHEELOCK GROUP FINANCIALS

- Group core profit decreased by 6% to HK$5.2 billion, mainly due to lower recognition of property sales as a result of the adoption of HKFRS 15 and fewer new project completions.

- Attributable core profit from Wharf REIC increased by 8% to HK$3.1 billion, while that from Wharf Holdings decreased by 7% to HK$1.6 billion after adjusting for the demerger of Wharf REIC.

- Prudent balance sheet and holding power with Wheelock's own net gearing at 13.8% before consolidation of listed subsidiary groups.

GROUP RESULTS (UNAUDITED)

Excluding investment property revaluation gain and exceptional items, core profit was HK$5,160 million (2017: HK$5,516 million).

Group profit attributable to equity shareholders was HK$8,604 million (2017: HK$6,243 million). Earnings per share were HK$4.21 (2017: HK$3.06).

INTERIM DIVIDEND

An interim dividend of 50.0 cents (2017: 47.5 cents) per share will be paid on 17 September 2018 to Shareholders, absorbing a total amount of HK$1,024 million (2017: HK$969 million).

BUSINESS REVIEW

HONG KONG PROPERTIES

Contracted residential sales reached a new record of HK$23.4 billion, representing 131% growth compared to the same period in 2017 and surpassed the 2017 full year by 37%. It marked the strongest first half sales. The impressive results once again affirmed our established brand recognition and proven sales capabilities. Over 2,000 residential units were sold or presold, not only exceeding 2017's full year record by 53%, but also demonstrating steady growth through recent years. The sell-through rate was maintained at a high level of 99% on launched units or 91% on total units.

MALIBU, a new large-scale waterfront residential development, was launched in March 2018 to unveil the O'EAST portfolio. Its debut received encouraging market response with nearly 20 times over-subscription. A total of 1,552 residential units were presold within three months for HK$14.3 billion, with an average selling price of nearly HK$16,000 per square foot. O'EAST is the continuation of our O'SOUTH success story, a waterfront community with MTR connectivity. Being Wheelock's first development in O'EAST, MALIBU is only 2 minutes' walking distance to LOHAS Park MTR station and the upcoming 480,000 square feet LOHAS mall. It is the only site which enjoys stunning Silverstrand and O'SOUTH sea view. The 90,000 square feet Club MALIBU with an infinity pool and 24-hour gym facilities further enhances its attractiveness.

MOUNT NICHOLSON, the ultra-luxury residence on the Peak, sold two houses and two apartments for HK$3.3 billion during the period, of which HK$1.7 billion was attributable to the Group. Following the sale of two houses in 2017, ranked among the Top 3 of 2017 global luxury residential sales by Christie's International Real Estate, the development continued to record phenomenal transactions. House No. 2, featuring 9,172 square feet of prestigious living, was sold for HK$151,800 per square foot or HK$1.4 billion, ranking it the most luxurious home worldwide by Christie's International Real Estate 2018 Report. Since its debut in February 2016, the development has successfully generated HK$22.7 billion in sales, of which HK$11.3 billion was attributable to the Group. The sought-after remaining units will be selectively launched and we expect to see continuous demand for distinguished living at an exclusive address.

GRAND OASIS KAI TAK, the premier phase of a riverside residential development which is within one minute of walking distance to the future Kai Tak MTR station, was launched in January 2018 and presold 278 launched units for HK$3.9 billion, with average selling price approaching HK$26,000 per square foot. A low rise duplex was presold at close to HK$35,000 per square foot in June 2018, setting a new benchmark in the area. The development is situated at the heart of the Kai Tak new development area and close to the future mega Kai Tak Sports Park. Club Oasis, a luxurious clubhouse, and Oasis Garden, which is designed by a world-class landscaping team, further enhance the greenness of living.

GRAND MONTEREY, the premier phase of the grand finale in the O'SOUTH portfolio, was launched in December 2017 and presold an additional 98 units for HK$1.5 billion, with an average selling price of HK$22,200 per square foot, including a simplex unit presold at a record price of HK$39,000 per square foot. It is a low-density residential development surrounded by a green field with panoramic harbour views. A 40,000 square feet prestigious clubhouse and a well-developed transportation network nearby amplify its uniqueness. 22 desirable villas with tranquil living and breathtaking harbour views are being planned for launch in the second half of the year.

NAPA, a low-density development surrounded by garden villas and located in So Kwun Wat, sold 92% of 400 apartments for HK$2.4 billion. The development is near the MacLehose Trail, a National Geographic top hike worldwide, and Tai Lam Chung Reservoir, which offers a stunning green environment for living. It is also strategically located in close proximity to the Hong Kong International Airport and stands to benefit from the planned opening of the Hong Kong-Zhuhai-Macau Bridge later this year. **GRAND NAPA**, rebranded villas of the development, will continue to be launched in the second half of the year.

Net order book increased significantly by 243% to a record high of HK$30.2 billion, driven mainly by the successful launches of MALIBU, GRAND OASIS KAI TAK and GRAND MONTEREY. Sales recognition was HK$2.0 billion during the period due to the adoption of new accounting standard for sales recognition under HKFRS 15.

Four residential developments, namely, SAVANNAH, ISLAND RESIDENCE, NAPA and ONE HOMANTIN were completed and handed over during the period. MONTEREY, the finale of the O'SOUTH portfolio, is expected to be completed within the year, taking the total number of completions to five developments. The results have shown our dedication to high quality homes, affirming customers' confidence in Wheelock's brand.

Land bank under management was 6.6 million square feet after the successful launch of MALIBU, which sold 1.1 million square feet. Our diversified, urban-focused land bank is sufficient to meet the Group's future needs, while we continue to replenish quality land bank through various means. The Group added two sizable residential sites during the period, one in Kai Tak and another one in Kowloon Tong. Although there is no office development under construction presently, our land bank provides a wide variety of product offerings, ranging from the Peak collection, MTR residences, waterfront living to suburban houses. A significant portion of our land bank is situated in Kowloon East, a new prime CBD for Hong Kong, which is well-positioned to benefit from the clustering of international financial institutions, re-energising of the Kwun Tong town center and improving transportation connectivity. Also, 97% of the land bank is located in city center, 90% is in proximity to MTR stations, while 80% is along the Victoria Harbour.

CORPORATE SOCIAL RESPONSIBILITY ("CSR") AND BUSINESS-IN-COMMUNITY

Project *WeCan*, the Group's flagship business-in-community initiative, is an open platform to provide disadvantaged students with opportunities and care to empower them to pursue further studies and future careers. With the increasing interest in STEAM education among schools, we co-organised a joint-school STEAM project with The Hong Kong University of Science and Technology in the first half of this year. 17 teams were formed to enter the prototype competition and the outstanding teams were showcased at Plaza Hollywood in July 2018. The Career Exploration Day, another joint-school project, was held in April 2018 at VTC (Tsing Yi); it was the largest Career Exploration Day ever held, with over 4,000 participating students. The programme was launched in 2015 with a host of activities to inspire students to have better planning for their future. With the continuous support of trusted partners from corporates, universities, consulates and other organisations, Project *WeCan* will expand in September 2018 to cover 76 schools, from the present 53.

On **sustainable development and product quality**, Wheelock Properties Limited ("WPL") received various honours in the RICS (Royal Institution of Chartered Surveyors) Awards 2018, in recognition of our commitment to sustainable and green development. One Bay East, the twin-tower, full sea view Grade-A commercial complex sold to Citigroup and Manulife, was awarded "Sustainability Achievement of the Year"; PENINSULA EAST, our waterfront residential development in Yau Tong, was awarded "Residential Team of the Year — Certificate of Excellence"; and Mr. Stewart Leung, Vice Chairman of the Group, was honoured with a "Lifetime Achiever Award" for his extraordinary contributions to the real estate industry. Besides RICS, WPL has also been given a Top 10 Developer Awards 2018 by BCI Asia for the seventh consecutive year.

On **innovation**, HKSTP and WPL have jointly opened the HKSTP @Wheelock Gallery in April 2018, a new facility designed to stimulate stronger investment activities in Hong Kong's information and technology sector. The initiative echoes our corporate innovation culture and CSR approach, and creates a platform to connect technology with industry, while bringing synergy to our own digitisation journey for accommodating customer needs and enhancing operational efficiency.

On **art and culture**, the first National Geographic Wheelock Youth Photo Competition's winner exhibition was held at Wheelock Gallery in February and March 2018, and was open to the public.

Wheelock and Company Limited is the majority shareholder of The Wharf (Holdings) Limited, Wharf Real Estate Investment Company Limited and Wheelock Properties (Singapore) Limited. On the following two pages is a report on their operations and achievements during the six months ended 30 June 2018.

The Wharf (Holdings) Limited ("WHL"), 63.4% Equity Investment

Reporting for the first time without the demerged Wharf Real Estate Investment Company Limited ("Wharf REIC"), 2017 comparatives in the Business Review have been adjusted to make comparison meaningful. Currently, WHL is principally engaged in Investment Properties ("IP") and Development Properties ("DP") in Hong Kong and Mainland China, Hotels and Logistics. On an attributable basis, Hong Kong Properties' operating profit decreased by 17% to HK$864 million, partly due to timing differences.

China DP, constrained by administrative measures to cool an underlying market that is much hotter, reported attributable contracted sales decreasing by 36% to RMB7.2 billion. As at the end of June 2018, the net order book increased to RMB21.3 billion for 0.9 million square metres. During the period, WHL acquired 10 sites in Suzhou, Hangzhou, Foshan and Guangzhou for RMB14.0 billion on an attributable basis to maintain the DP land bank at 3.8 million square metres. China IP continued to benefit from International Finance Squares' ("IFS") steady contribution, with operating profit advancing by 23% to HK$0.9 billion. In May 2018, Changsha IFS mall was opened as a new iconic landmark in the heart of the city. It achieved a commitment rate of 97% and an opening rate of 84% by 30 June 2018.

WHL is currently managing 16 hotels in Hong Kong, Mainland China and The Philippines under the Marco Polo Hotels and Niccolo Hotels brands. In addition, communications and media and entertainment ("CME2") represents a strategic initiative in new economy infrastructure to re-invest the capital released from the earlier exit from CME1 in Hong Kong, in a progressive CME2 arena that covers much larger markets with greater growth potential.

Wharf Real Estate Investment Company Limited, 61.8% Equity Investment

On the back of the local retail market recovery, Wharf REIC's core profit increased by 8% to HK$5.0 billion. The IP portfolio reported robust retail sales, which grew at a rate of 31.4% (vs the Hong Kong average of 13.4%) to set a new record of HK$24.6 billion. That represented 9.9% of total Hong Kong retail sales during the period. Harbour City exceeded the market with total revenue (excluding hotels) increasing by 11% to HK$5.2 billion. In the midst of a major re-tenanting exercise to enhance the competitiveness of the mall, Times Square's revenue increased by 1% to HK$1.4 billion. Re-tenanting also affected Plaza Hollywood, with revenue increasing by 1% to HK$290 million.

Wheelock House and Crawford House, part of Wharf REIC's Central Portfolio, performed solidly with revenue and operating profit both increasing by 1% to HK$233 million and HK$203 million respectively.

Celebrating its opening in early 2018, The Murray, Hong Kong, the flagship Niccolo hotel transformed from the iconic Murray Building in prime Central District, is the latest strategic long-term investment. It was honoured with the prestigious accolades of "City Slicker, Big Sleep Awards 2018" by National Geographic Traveller and "The Best New Business Hotel in Asia 2018" by Bloomberg.

Wheelock Properties (Singapore) Limited ("WPSL"), 76.2% Equity Investment

WPSL continued to deliver stable performance. On DP, 96 residential units were sold for S$76 million. On IP, Wheelock Place retail portion achieved 96% occupancy rate whilst Scotts Square retail was 97% occupied as at 30 June 2018.

On 19 July 2018, the Group announced a voluntary unconditional general offer for all shares of WPSL, other than those shares the Group already owned. The offer per share is S$2.1 in cash, valuing WPSL at over S$2.5 billion. The offer price represents a 21% premium to its last closing price on 13 July 2018 and is higher than any closing price since January 2010.

For shareholders, the offer represents an attractive opportunity to exit their entire investment in WPSL, which may otherwise be difficult due to the low trading liquidity.

FINANCIAL REVIEW

(I) REVIEW OF 2018 INTERIM RESULTS

Wheelock and Company (before consolidation of listed subsidiaries WHL, Wharf REIC and WPSL)

Wheelock and Company's own core profit decreased by 73% to HK$198 million (2017: HK$742 million), mainly due to lower revenue recognition of DP sold in Hong Kong, based on the new accounting standards which require recognition at the time of assignment, as well as fewer new project completions in the period.

Wheelock Group

Group core profit decreased by 6% to HK$5,160 million (2017: HK$5,516 million), mainly due to the lower revenue recognition of DP sold in Hong Kong, based on the new accounting standards which require recognition at the time of assignment, as well as fewer new project completions in the period, and partly offset by the improved profit from IP.

Revenue and Operating Profit

Group revenue decreased by 47% to HK$17,577 million (2017: HK$33,005 million), mainly due to lower revenue recognition of DP sold in Hong Kong, based on the new accounting standards which require recognition at the time of assignment, as well as fewer new project completions in the period. Group operating profit decreased slightly by 1% to HK$9,648 million (2017: HK$9,697 million), mainly due to lower revenue recognition of DP as mentioned earlier, and was partly offset by the increase in rental and investment income.

Investment Property

Revenue and operating profit increased by 11% and 9% to HK$9,021 million (2017: HK$8,122 million) and HK$7,408 million (2017: HK$6,801 million) respectively. In Hong Kong, revenue and operating profit increased by 8% and 7% respectively. Harbour City recorded revenue and operating profit growth of 11% and 10% respectively. In Mainland China, IP revenue increased by 29%, with operating profit increased by 23%, mainly driven by a maturing Chengdu IFS and the newly-opened Changsha IFS.

Development Property

Revenue and operating profit decreased by 76% and 42% to HK$5,234 million (2017: HK$21,588 million) and HK$1,552 million (2017: HK$2,655 million) respectively.

In Hong Kong, recognised property sales decreased by 95% to HK$779 million (2017: HK$15,030 million) while operating profit decreased by 75% to HK$198 million (2017: HK$794 million) with lower revenue recognition for the reason mentioned above, despite record sales in the period. No revenue was recognised for new project completion during the period while sales of remaining units at Kensington Hill, CAPRI, ONE HOMANTIN and NAPA were enabling revenue recognition totalled HK$741 million.

In Mainland China, recognised property sales decreased by 27% to HK$4,455 million (2017: HK$6,090 million) and operating profit decreased by 20% to HK$1,361 million (2017: HK$1,710 million), mainly due to lower profit recognition from projects in Mainland China.

Hotels

Revenue increased by 36% to HK$1,056 million (2017: HK$774 million), primarily attributable to a stronger performance from three Marco Polo Hotels in Harbour City and soft opening of The Murray in Hong Kong, while operating profit decreased by 19% to HK$125 million (2017: HK$155 million) as impacted by initial operating loss of The Murray.

Logistics

Logistic revenue decreased by 12% to HK$1,256 million (2017: HK$1,424 million) while operating profit decreased by 31% to HK$247 million (2017: HK$358 million), resulting from lower throughput handled by Modern Terminals and a lower yield.

Communications, Media and Entertainment (“CME”)

Exit from the CME segment was completed through the distribution of i-CABLE shares to shareholders in September 2017, which discontinued the Group’s CME revenue and operating loss (2017: revenue of HK$641 million and operating loss of HK$222 million).

Investment and Others

Operating profit of investment and others increased by 90% to HK$726 million (2017: HK$382 million), mainly comprising dividend and interest income contributed from the Group’s equity and bond investments.

Fair Value Gain of IP

The carrying value of the Group’s IP portfolio as at 30 June 2018 increased to HK$353.9 billion (2017: HK$346.4 billion), with HK$340.7 billion thereof stated at fair value based on independent valuation as at that date. That resulted in a revaluation gain of HK$6,007 million for the period (2017: HK$1,529 million), which was credited to the consolidated income statement.

IP under development of HK$13.2 billion is carried at cost and will not be carried at fair value until the fair values first become reliably measurable or the dates of their respective completion, whichever is earlier.

Other Net (Charge)/Income

Other net charge amounted to HK$74 million (2017: income of HK$407 million), comprising mainly net exchange losses.

Finance Costs

Finance costs amounted to HK$646 million (2017: HK$500 million). Excluding the unrealised mark-to-market gain of HK$155 million (2017: HK$151 million) on swaps, finance costs increased by 11% to HK$1,378 million (2017: HK$1,240 million) before capitalisation of HK$577 million (2017: HK$589 million), and HK$801 million (2017: HK$651 million) after capitalisation. The Group's effective borrowing rate for the period was 2.3% (2017: 3.1%) per annum.

Share of Results of Associates and Joint Ventures

Share of profits of associates increased by 59% to HK$605 million (2017: HK$380 million), mainly due to higher profit contributions from DP in Mainland China.

Share of profits of joint ventures decreased to HK$813 million (2017: HK$986 million), resulting from deferred profit recognition for MOUNT NICHOLSON in Hong Kong and lower recognition from various DP projects in Mainland China.

Income Tax

Taxation charge was HK$2,581 million (2017: HK$2,616 million), which included deferred taxation of HK$369 million (2017: HK$353 million) provided for the fair value gain of IP located in Mainland China.

Excluding the above deferred taxation, the taxation charge decreased by 2% to HK$2,212 million (2017: HK$2,263 million), mainly due to lower DP operating profit, partly offset by higher profit from IP segment.

Non-controlling Interests ("NCI")

Profit attributable to NCI increased by 42% to HK$5,168 million (2017: HK$3,640 million). Excluding the NCI relating to IP revaluation gain (after deducting related deferred tax) of HK$2,173 million (2017: HK$454 million), NCI decreased by 6% to HK$2,995 million (2017: HK$3,186 million).

Profit attributable to Equity Shareholders

Group profit attributable to equity shareholders increased by 38% to HK$8,604 million (2017: HK$6,243 million). Earnings per share were HK$4.21 based on weighted average of 2,045 million issued ordinary shares (2017: HK$3.06 based on 2,037 million issued ordinary shares).

Excluding the attributable IP revaluation gain (after deducting related deferred tax and NCI) of HK$3,465 million (2017: HK$722 million), Group profit attributable to equity shareholders decreased by 7% to HK$5,139 million (2017: HK$5,521 million).

Set out below is an analysis of the Group profit attributable to equity shareholders as contributed by each of Wheelock and Company, WHL, Wharf REIC and WPSL as if the demerger of Wharf REIC had been completed since 1 January 2017.

	2018 HK$ Million	2017 HK$ Million
Core profit attributable to:		
Wheelock and Company	**198**	742
WHL group	**1,600**	1,723
Wharf REIC group	**3,100**	2,864
WPSL group	**262**	187
Core profit	**5,160**	5,516
Attributable amount of non-core gains/(losses) (e.g. mark-to-market and exchange gain/(loss) on certain financial instruments, etc.)	**(21)**	5
Profit before IP valuation gain	**5,139**	5,521
IP valuation gain (net of deferred tax)	**3,465**	722
Profit attributable to equity shareholders	**8,604**	6,243

WHL's profit for the period decreased to HK$2,860 million (2017: HK$8,441 million). Excluding the exceptional items, WHL's core profit decreased by 66% to HK$2,527 million (2017: HK$7,438 million), mainly due to the demerger of Wharf REIC in 2017. If the demerger was completed on 1 January 2017, WHL's core profit would decrease by 9% to HK$2,527 million from HK$2,792 million in 2017.

Wharf REIC's profit for the period was HK$10,179 million (2017: HK$4,900 million as if the demerger of Wharf REIC had been completed since 1 January 2017). Excluding the exceptional items, Wharf REIC's core profit was HK$5,022 million (2017: HK$4,646 million).

WPSL's profit for the period was HK$346 million (2017: HK$252 million).

(II) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL COMMITMENTS

Shareholders' and Total Equity

Shareholders' equity slightly increased by 3% to HK$248.7 billion (2017: HK$241.7 billion), or HK$121.49 per share based on 2,047 million issued shares (2017: HK$118.37 per share based on 2,042 million issued shares) as at 30 June 2018.

Including the NCI, the Group's total equity increased by 2% to HK$396.3 billion (2017: HK$387.8 billion).

Assets and Liabilities

The Group's total assets were HK$591.8 billion (2017: HK$569.7 billion). Total business assets, i.e. excluding bank deposits and cash, financial and deferred tax assets, increased to HK$523.3 billion (2017: HK$487.3 billion).

Geographically, the Group's business assets in Mainland China, mainly properties and terminals, increased to HK$146.7 billion (2017: HK$136.9 billion), representing 28% (2017: 28%) of the Group's total business assets.

Investment Properties

The Group's IP portfolio, included in the Group's total assets, slightly increased by 2% to HK$353.9 billion (2017: HK$346.4 billion), representing 68% of total business assets. Harbour City (excluding the three hotels) and Times Square in Hong Kong were valued at HK$231.6 billion, representing 65% of the portfolio's value.

Properties for Sale

DP amounted to HK$88.8 billion (2017: HK$58.5 billion), mainly comprised of properties in Hong Kong of HK$42.5 billion, in Mainland China of HK$45.9 billion and in Singapore of HK$0.4 billion, which were under development or held for sale as at 30 June 2018.

Interests in Associates and Joint Ventures

Interests in associates and joint ventures amounted to HK$44.3 billion (2017: HK$41.9 billion), mainly represented by various joint venture DP projects undertaken in Mainland China and Hong Kong.

Deposits from Sale of Properties

Deposits from sale of properties amounted to HK$21.2 billion (2017: HK$14.9 billion), reflecting contracted sales in Hong Kong, Mainland China and Singapore pending revenue recognition.

Debt and Gearing

The Group's net debt increased by 73% or HK$42.3 billion to HK$100.0 billion (2017: HK$57.7 billion) as at 30 June 2018. The net debt comprised debt of HK$124.6 billion less bank deposits and cash of HK$24.6 billion. An analysis of the net debt by group is shown below:

Net debt/(cash)	**30 June 2018 HK$ Million**	31 December 2017 HK$ Million
Wheelock and Company	**34,347**	29,012
WHL group	**29,292**	(9,288)
Wharf REIC group	**41,220**	42,476
WPSL group	**(4,903)**	(4,483)
Group total	**99,956**	57,717

Excluding the net debt of WHL group and Wharf REIC group and net cash of WPSL group, which were non-recourse to the Company and its wholly-owned subsidiaries, Wheelock and Company's own net debt increased by HK$5.3 billion to HK$34.3 billion (2017: HK$29.0 billion).

As at 30 June 2018, the net debt to total equity (on a consolidated basis) was increased to 25.2% (2017: 14.9%). Excluding the net debt of WHL group and Wharf REIC group and net cash of WPSL group, Wheelock and Company's own net debt to shareholders' equity (on an attributable net asset value basis) increased to 13.8% (2017: 12.0%).

Finance and Availability of Facilities

As at 30 June 2018, the Group's available loan facilities and issued debt securities amounted to HK$163.1 billion (2017: HK$157.7 billion), of which HK$124.6 billion were utilised. An analysis is shown below:

	Available Facilities HK$ Billion	**Total Debt HK$ Billion**	**Undrawn Facilities HK$ Billion**
Wheelock and Company	61.0	36.8	24.2
WHL group	51.7	44.9	6.8
Wharf REIC group	50.0	42.9	7.1
WPSL group	0.4	–	0.4
Group total	163.1	124.6	38.5

Of the above debt, HK$9.2 billion (2017: HK$12.1 billion) was secured by mortgages over certain DP, IP and property, plant and equipment with a total carrying value of HK$27.9 billion (2017: HK$42.3 billion).

The Group's debt was primarily denominated in United States dollars ("USD"), Hong Kong dollars ("HKD") and Renminbi ("RMB"). The borrowings were mainly used to fund 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 were 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, USD and Singapore dollars, and undrawn committed facilities to facilitate the Group's business and investment activities. The Group also maintained a portfolio of equity and bond investments with an aggregate market value of HK$47.2 billion (2017: HK$29.0 billion) as at 30 June 2018, which is immediately available for the Group's use when in need.

Cash Flows from the Group's Operating and Investing Activities

For the period under review, the Group's operating cash inflow was HK$9.4 billion (2017: HK$9.9 billion). Together with the changes in working capital and others of HK$26.1 billion (2017: HK$2.9 billion), the net cash outflow from operating activities was HK$16.7 billion (2017: inflow of HK$7.0 billion). For investing activities, the Group recorded a net cash outflow of HK$18.3 billion (2017: inflow of HK$4.9 billion), mainly from acquisition of equity and bond investments.

Major Capital and Development Expenditure and Commitments

The Group's major capital and development expenditure incurred in the first half of 2018 is analysed as follows:

A. Major Capital and Development Expenditure during 1H 2018

	Hong Kong/ Singapore HK$ Million	Mainland China HK$ Million	Total HK$ Million
Wheelock and Company			
IP	37	–	37
DP	13,903	–	13,903
	13,940	–	13,940
WHL group			
IP	100	2,213	2,313
DP	12,487	20,282	32,769
Non-property and others	116	3	119
	12,703	22,498	35,201
Wharf REIC group			
IP	73	2	75
DP	–	560	560
Non-property and others	56	–	56
	129	562	691
WPSL group			
IP	5	–	5
DP	–	62	62
	5	62	67
Analysis by segment:			
IP	215	2,215	2,430
DP	26,390	20,904	47,294
Non-property and others	172	3	175
Group total	26,777	23,122	49,899

i. Wheelock's own expenditure for IP and DP amounted to HK$13.9 billion, mainly attributable to the land and construction cost payments for its Hong Kong DP projects.

ii. WHL's expenditure totalled HK$35.2 billion, comprising expenditure of HK$2.3 billion for IP (mainly construction costs of the IFS projects in Mainland China), HK$32.8 billion for DP (including those undertaken by associates and joint ventures) and HK$0.1 billion for Modern Terminals.

iii. Wharf REIC's expenditure amounted to HK$0.7 billion, comprising expenditure of HK$0.1 billion for IP (mainly construction costs of the Suzhou IFS project) and HK$0.6 billion for DP projects in Mainland China (including those undertaken by associates and joint ventures).

iv. WPSL's expenditure of HK$0.1 billion was mainly for construction cost payments for its Mainland China DP project.

B. Commitments to Capital and Development Expenditure

As at 30 June 2018, the Group's major commitments to capital and development expenditure to be incurred in the forthcoming years were estimated at HK$57.9 billion, of which HK$24.6 billion was committed. By segment, the commitments are analysed as follows:

	As at 30 June 2018		
	Committed HK$ Million	**Uncommitted HK$ Million**	**Total HK$ Million**
Wheelock and Company			
DP	11,924	6,181	18,105
	11,924	6,181	18,105
WHL group			
IP	2,649	3,736	6,385
DP	7,865	16,457	24,322
Non-property and others	133	107	240
	10,647	20,300	30,947
Wharf REIC group			
IP	1,567	3,419	4,986
DP	119	2,090	2,209
Non-property and others	24	124	148
	1,710	5,633	7,343
WPSL group			
IP	1	–	1
DP	283	1,280	1,563
	284	1,280	1,564
Analysis by business segment:			
IP	4,217	7,155	11,372
DP	20,191	26,008	46,199
Non-property and others	157	231	388
Group total	24,565	33,394	57,959
Analysis by geographical segment:			
Hong Kong IP	1,015	506	1,521
Hong Kong DP	11,924	6,181	18,105
China IP	3,201	6,649	9,850
China DP	8,267	19,827	28,094
Singapore	1	–	1
Properties total	24,408	33,163	57,571
Non-property and others	157	231	388
Group total	24,565	33,394	57,959

i. Wheelock and Company's own commitments of HK$18.1 billion were mainly related to construction costs for DP in Hong Kong.

ii. WHL's commitments of HK$30.9 billion were mainly comprised of expenditure of HK$6.4 billion for IP, HK$24.3 billion land and construction costs for DP (inclusive of associates and joint ventures' attributable commitments) and HK$0.2 billion mainly for Modern Terminals.

iii. Wharf REIC's commitments of HK$7.3 billion were mainly comprised of expenditure of HK$5.0 billion for IP, HK$2.2 billion construction costs for DP and HK$0.1 billion mainly for Hotels.

iv. WPSL's commitments of HK$1.6 billion were mainly related to construction costs for DP in Mainland China.

v. The commitments and planned expenditure will be funded by the respective group's own 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 equity and bond investments.

(III) HUMAN RESOURCES

The Group had approximately 12,700 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 trends, 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

	Note	Six months ended 30 June 2018 HK$ Million	2017 HK$ Million
Revenue	2	**17,577**	33,005
Direct costs and operating expenses		**(6,048)**	(20,689)
Selling and marketing expenses		**(504)**	(1,251)
Administrative and corporate expenses		**(899)**	(844)
Operating profit before depreciation, amortisation, interest and tax		**10,126**	10,221
Depreciation and amortisation	3	**(478)**	(524)
Operating profit	2 & 3	**9,648**	9,697
Increase in fair value of investment properties		**6,007**	1,529
Other net (charge)/income	4	**(74)**	407
		15,581	11,633
Finance costs	5	**(646)**	(500)
Share of results after tax of:			
Associates		**605**	380
Joint ventures		**813**	986
Profit before taxation		**16,353**	12,499
Income tax	6	**(2,581)**	(2,616)
Profit for the period		**13,772**	9,883
Profit attributable to:			
Equity shareholders		**8,604**	6,243
Non-controlling interests		**5,168**	3,640
		13,772	9,883
Earnings per share	7		
Basic		**HK$4.21**	HK$3.06
Diluted		**HK$4.20**	HK$3.06

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018 — Unaudited

	Six months ended 30 June	
	2018	2017
	HK$ Million	HK$ Million
Profit for the period	**13,772**	9,883
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange (losses)/gains on translation of foreign operations	**(1,106)**	2,845
Share of other comprehensive income of associates/joint ventures	**(253)**	485
Net deficit on bond investments:	**(10)**	(5)
Fair value changes	**(16)**	(5)
Investments revaluation reserve transfer to profit or loss on disposal	**6**	–
Others	**3**	6
Item that will not be reclassified to profit or loss:		
Fair value changes on equity investments	**955**	2,521
Other comprehensive income for the period	**(411)**	5,852
Total comprehensive income for the period	**13,361**	15,735
Total comprehensive income attributable to:		
Equity shareholders	**8,228**	10,050
Non-controlling interests	**5,133**	5,685
	13,361	15,735

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	9	**353,934**	346,442
Property, plant and equipment		**21,479**	21,772
Interest in associates		**28,802**	25,533
Interest in joint ventures		**15,511**	16,390
Equity and bond investments		**47,197**	29,001
Goodwill and other intangible assets		**298**	298
Deferred tax assets		**1,077**	1,336
Derivative financial assets		**206**	204
Other non-current assets		**1,212**	1,158
		469,716	442,134
Current assets			
Properties for sale		**88,798**	58,518
Inventories		**14**	12
Trade and other receivables	10	**8,478**	12,359
Derivative financial assets		**138**	175
Bank deposits and cash		**24,650**	56,474
		122,078	127,538
Total assets		**591,794**	569,672
Non-current liabilities			
Derivative financial liabilities		**(1,047)**	(814)
Deferred tax liabilities		**(14,060)**	(13,535)
Other deferred liabilities		**(329)**	(314)
Bank loans and other borrowings	12	**(94,635)**	(79,021)
		(110,071)	(93,684)
Current liabilities			
Trade and other payables	11	**(29,083)**	(32,314)
Deposits from sale of properties		**(21,226)**	(14,861)
Derivative financial liabilities		**(435)**	(347)
Taxation payable		**(4,720)**	(5,473)
Bank loans and other borrowings	12	**(29,971)**	(35,170)
		(85,435)	(88,165)
Total liabilities		**(195,506)**	(181,849)
NET ASSETS		**396,288**	387,823
Capital and reserves			
Share capital	13	**3,698**	3,418
Reserves		**245,038**	238,266
Shareholders' equity		**248,736**	241,684
Non-controlling interests		**147,552**	146,139
TOTAL EQUITY		**396,288**	387,823

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018 — Unaudited

	Shareholders' equity						
	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	Total equity HK$ Million
At 1 January 2018	**3,418**	**1,888**	**734**	**235,644**	**241,684**	**146,139**	**387,823**
Changes in equity for the period:							
Profit	**–**	**–**	**–**	**8,604**	**8,604**	**5,168**	**13,772**
Other comprehensive income	**–**	**463**	**(839)**	**–**	**(376)**	**(35)**	**(411)**
Total comprehensive income	**–**	**463**	**(839)**	**8,604**	**8,228**	**5,133**	**13,361**
Share issued under the share option scheme	**280**	**(56)**	**–**	**–**	**224**	**–**	**224**
Equity settled share-based payments	**–**	**15**	**–**	**–**	**15**	**3**	**18**
Shares issued by a subsidiary	**–**	**(108)**	**–**	**–**	**(108)**	**337**	**229**
Acquisition of additional interest in subsidiaries	**–**	**–**	**–**	**638**	**638**	**(1,638)**	**(1,000)**
2017 second interim dividend paid (Note 8b)	**–**	**–**	**–**	**(1,945)**	**(1,945)**	**–**	**(1,945)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(2,422)**	**(2,422)**
At 30 June 2018	**3,698**	**2,202**	**(105)**	**242,941**	**248,736**	**147,552**	**396,288**
At 1 January 2017	3,075	(1,450)	(3,297)	217,037	215,365	134,155	349,520
Changes in equity for the period:							
Profit	–	–	–	6,243	6,243	3,640	9,883
Other comprehensive income	–	1,735	2,072	–	3,807	2,045	5,852
Total comprehensive income	–	1,735	2,072	6,243	10,050	5,685	15,735
Share issued under the share option scheme	278	(57)	–	–	221	–	221
Equity settled share–based payments	–	32	–	–	32	8	40
Shares issued by a subsidiary	–	(5)	–	–	(5)	89	84
Acquisition of additional interest in a subsidiary	–	–	–	89	89	(250)	(161)
Transfer to revenue reserves upon de-recognition of equity investments	–	(6)	–	6	–	–	–
Capital repatriated to non-controlling interests of a subsidiary	–	–	–	–	–	(339)	(339)
2016 second interim dividend paid	–	–	–	(1,733)	(1,733)	–	(1,733)
Dividends paid to non–controlling interests	–	–	–	–	–	(2,113)	(2,113)
At 30 June 2017	3,353	249	(1,225)	221,642	224,019	137,235	361,254

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018 — Unaudited

	Six months ended 30 June	
	2018	2017
	HK$ Million	HK$ Million
Operating cash inflow	**9,446**	9,865
Changes in working capital/others	**(23,801)**	(1,253)
Tax paid	**(2,357)**	(1,595)
Net cash (used in)/generated from operating activities	**(16,712)**	7,017
Investing activities		
Additions to investment properties and property, plant and equipment	**(2,025)**	(3,600)
Acquisition of additional interest in subsidiaries	**(1,000)**	(161)
Other cash (used in)/generated from investing activities	**(15,314)**	8,637
Net cash (used in)/generated from investing activities	**(18,339)**	4,876
Financing activities		
Dividends paid to equity shareholders	**(1,945)**	(1,733)
Dividends paid to non-controlling interests	**(2,422)**	(2,113)
Other cash generated from/(used in) financing activities	**11,194**	(11,860)
Net cash generated from/(used in) financing activities	**6,827**	(15,706)
Net decrease in cash and cash equivalents	**(28,224)**	(3,813)
Cash and cash equivalents at 1 January	**52,244**	35,214
Effect of exchange rate changes	**(180)**	746
Cash and cash equivalents at 30 June (Note)	**23,840**	32,147
Note: Cash and cash equivalents		
Bank deposits and cash in the consolidated statement of financial position	**24,650**	36,878
Less: Bank deposits with maturity greater than three months	**(702)**	(4,629)
Pledged bank deposits	**(108)**	(102)
Cash and cash equivalents in the condensed consolidated statement of cash flows	**23,840**	32,147

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

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

The preparation of the unaudited interim financial information in conformity with HKAS 34 requires management to make judgements, 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
Amendments to HKAS 40	Investment property: Transfers of investment property
HK(IFRIC) 22	Foreign currency transactions and advance consideration

The Group has early adopted HKFRS 9 since the financial year ended 31 December 2016. Except for HKFRS 15, the adoption of these new standards and amendments to HKFRSs does not have 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. No adjustments to the opening balance of equity at 1 January 2018 have been made upon the initial application of HKFRS 15 as the number of "open" contracts for sales of development properties at 31 December 2017 is immaterial.

Further details of the nature and the changes in accounting policies are set out below:

(a) Timing of revenue recognition

HKFRS 15 does not have significant impact on how the Group recognises revenue from rental income from investment properties, income from logistics and hotels operation. However, the timing of revenue recognition for sales of development properties in Hong Kong and Mainland China is affected. Taking into account the contract terms, the Group's business practice and the respective local legal and regulatory environment of Hong Kong and Mainland China, the Group has assessed that its property sales contracts in Hong Kong and Mainland China do not meet the criteria for recognising revenue over time and therefore revenue from property sales in Hong Kong and Mainland China continues to be 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 issue of occupation permit/ completion certificate by the relevant government authorities, which was taken to be the point in time when the risks and rewards of ownership of the property had been transferred to the customers. Under the transfer-of-control approach of HKFRS 15, revenue from sales of development properties in Hong Kong and Mainland China are generally recognised when 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 resulted in the Group's revenue from sales of development properties being recognised later than the time recognised under the previous accounting policy.

(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.

Payments received in advance of revenue recognition 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 offer customers a discount compared to the listed sales price, provided that the customers agree to pay the balance of the consideration early while construction is still ongoing, rather than on legal assignment.

Where such advance payment schemes include a significant financing component, the transaction price is adjusted to separately account for this component. Such adjustment will result in interest expense being accrued by the Group 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 in revenue recognised from the sale of properties when control of the completed property is transferred to the customer.

The Group has not applied any new standard 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 (Cap. 622) 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.

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, Mainland China and Singapore.

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

Hotels segment includes hotel operations in the Asia Pacific region which are operated by The Wharf (Holdings) Limited ("WHL") and Wharf Real Estate Investment Company Limited ("Wharf REIC").

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 equity and bond investments, deferred tax assets and 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 HK$ Million	Operating profit HK$ Million	Increase in fair value of investment properties HK$ Million	Other net (charge)/ income HK$ Million	Finance costs HK$ Million	Share of results after tax of associates HK$ Million	Share of results after tax of joint ventures HK$ Million	Profit before taxation HK$ Million
For the six months ended 30 June 2018								
Investment property	**9,021**	**7,408**	**6,007**	**25**	**(411)**	**–**	**–**	**13,029**
Hong Kong	**7,240**	**6,395**	**5,603**	**–**	**(319)**	**–**	**–**	**11,679**
Mainland China	**1,606**	**897**	**404**	**25**	**(92)**	**–**	**–**	**1,234**
Singapore	**175**	**116**	**–**	**–**	**–**	**–**	**–**	**116**
Development property	**5,234**	**1,552**	**–**	**95**	**(209)**	**316**	**807**	**2,561**
Hong Kong	**779**	**198**	**–**	**–**	**(120)**	**–**	**776**	**854**
Mainland China	**4,455**	**1,361**	**–**	**95**	**(89)**	**316**	**31**	**1,714**
Singapore	**–**	**(7)**	**–**	**–**	**–**	**–**	**–**	**(7)**
Hotels	**1,056**	**125**	**–**	**–**	**(15)**	**–**	**–**	**110**
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	**(58)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Segment total	**16,509**	**9,332**	**6,007**	**105**	**(723)**	**457**	**813**	**15,991**
Investment and others	**1,068**	**726**	**–**	**(179)**	**77**	**148**	**–**	**772**
Corporate expenses	**–**	**(410)**	**–**	**–**	**–**	**–**	**–**	**(410)**
Group total	**17,577**	**9,648**	**6,007**	**(74)**	**(646)**	**605**	**813**	**16,353**
For the six months ended 30 June 2017								
Investment property	8,122	6,801	1,529	10	(616)	–	–	7,724
Hong Kong	6,708	5,958	724	–	(538)	–	–	6,144
Mainland China	1,246	732	805	10	(78)	–	–	1,469
Singapore	168	111	–	–	–	–	–	111
Development property	21,588	2,655	–	509	(11)	218	980	4,351
Hong Kong	15,030	794	–	(4)	(5)	3	848	1,636
Mainland China	6,090	1,710	–	506	(6)	215	132	2,557
Singapore	468	151	–	7	–	–	–	158
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	(179)	–	–	–	–	–	–	–
Segment total	32,370	9,747	1,529	714	(736)	360	986	12,600
Investment and others	635	382	–	(307)	236	20	–	331
Corporate expenses	–	(432)	–	–	–	–	–	(432)
Group total	33,005	9,697	1,529	407	(500)	380	986	12,499

(b) Analysis of inter-segment revenue

Six months ended 30 June	2018 Total revenue HK$ Million	2018 Inter-segment revenue HK$ Million	2018 Group revenue HK$ Million	2017 Total revenue HK$ Million	2017 Inter-segment revenue HK$ Million	2017 Group revenue HK$ Million
Investment property	**9,021**	**(44)**	**8,977**	8,122	(132)	7,990
Development property	**5,234**	**–**	**5,234**	21,588	–	21,588
Hotels	**1,056**	**–**	**1,056**	774	–	774
Logistics	**1,256**	**–**	**1,256**	1,424	–	1,424
CME	**–**	**–**	**–**	641	(1)	640
Investment and others	**1,068**	**(14)**	**1,054**	635	(46)	589
	17,635	**(58)**	**17,577**	33,184	(179)	33,005

(c) Geographical information

Six months ended 30 June	Revenue 2018 HK$ Million	Revenue 2017 HK$ Million	Operating profit 2018 HK$ Million	Operating profit 2017 HK$ Million
Hong Kong	**10,658**	24,429	**7,216**	7,098
Mainland China	**6,602**	7,891	**2,206**	2,307
Singapore	**317**	685	**226**	292
Group total	**17,577**	33,005	**9,648**	9,697

3. OPERATING PROFIT

	Six months ended 30 June	
	2018	2017
	HK$ Million	HK$ Million
Operating profit is arrived at after charging/(crediting):		
Depreciation and amortisation on		
— assets held for use under operating leases	**78**	69
— property, plant and equipment	**364**	371
— leasehold land	**36**	30
— programming library	**–**	54
Total depreciation and amortisation	**478**	524
Staff costs (Note a)	**1,824**	1,962
Cost of trading properties for recognised sales	**2,950**	17,891
Gross rental revenue from investment properties (Note b)	**(8,200)**	(8,122)
Direct operating expenses of investment properties	**1,130**	1,247
Interest income	**(326)**	(304)
Dividend income from investments	**(422)**	(111)
Loss on disposal of property, plant and equipment	**–**	19

Notes:

(a) Staff costs included contributions to defined contribution pension schemes of HK$154 million (2017: HK$155 million) and equity settled share-based payment expenses of HK$18 million (2017: HK$40 million).

(b) Rental income included contingent rentals of HK$1,012 million (2017: HK$608 million).

4. OTHER NET (CHARGE)/INCOME

Other net charge for the period amounted to HK$74 million (2017: income of HK$407 million) and mainly comprised:

(a) Net foreign exchange loss of HK$45 million (2017: HK$380 million) which included the impact of forward foreign exchange contracts.

(b) In 2017, write-back of impairment provision of HK$279 million on certain development projects in Mainland China.

(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	**699**	562
Other borrowings	**543**	503
Total interest charge	**1,242**	1,065
Other finance costs	**136**	175
Less: Amount capitalised	**(577)**	(589)
	801	651
Fair value (gain)/loss:		
Cross currency interest rate swaps	**(77)**	(406)
Interest rate swaps	**(78)**	255
	(155)	(151)
Total	**646**	500

(a) The Group's average effective borrowing rate for the period was 2.3% (2017: 3.1%) per annum.

(b) The above interest charge has taken into account the interest paid/received in respect of interest rate swaps and cross currency interest rate swaps.

6. INCOME TAX

Taxation charged to the consolidated income statement includes:

	Six months ended 30 June	
	2018	2017
	HK$ Million	HK$ Million
Current income tax		
Hong Kong		
— provision for the period	**1,087**	1,053
— over-provision in respect of prior years	**(7)**	(17)
Outside Hong Kong		
— provision for the period	**849**	555
— over-provision in respect of prior years	**(27)**	(13)
	1,902	1,578
Land appreciation tax ("LAT") in Mainland China (Note 6c)	**270**	515
Deferred tax		
Change in fair value of investment properties	**369**	353
Origination and reversal of temporary differences	**40**	170
	409	523
Total	**2,581**	2,616

(a) The provision for Hong Kong Profits Tax is based on the profit for the period as adjusted for tax purposes at a 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%), China withholding income tax at a rate of up to 10% (2017: 10%) and Singapore income tax at a rate of 17% (2017:17%).

(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 expenditure including cost of land use rights, borrowing costs and all development property expenditure.

(d) Tax attributable to associates and joint ventures for the six months ended 30 June 2018 of HK$396 million (2017: HK$447 million) is included in the share of results after tax of associates and joint ventures.

7. EARNINGS PER SHARE

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

(a) Earnings for the purpose of basic and diluted earnings per share

	Six months ended 30 June	
	2018	2017
	HK$ Million	HK$ Million
Profit attributable to equity shareholders	**8,604**	6,243

(b) Weighted average number of ordinary shares

	30 June 2018	30 June 2017
	No. of shares	No. of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,044,677,464**	2,037,088,514
Effect of dilutive potential shares — Share options	**4,360,868**	6,275,985
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,049,038,332**	2,043,364,499

8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	Six months ended 30 June			
	2018	**2018**	2017	2017
	HK$ per share	**HK$ Million**	HK$ per share	HK$ Million
First interim dividend declared after the end of the reporting period	**0.500**	**1,024**	0.475	969

(a) The first interim dividend based on 2,047,349,287 (2017: 2,040,249,287) issued ordinary shares declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) The second interim dividend of HK$1,945 million for 2017 was approved and paid in 2018.

9. INVESTMENT PROPERTIES

During the six months ended 30 June 2018, the Group recognised an increase in fair value of HK$6,007 million (2017: HK$1,529 million) on investment properties which were revalued by independent professional surveyors as at 30 June 2018 on a market value basis and have taken into account the net rental income allowing for reversionary potential and the redevelopment potential of the properties where appropriate.

10. 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 dates as at 30 June 2018, shown as follows:

	30 June 2018 HK$ Million	31 December 2017 HK$ Million
Trade receivables		
0 – 30 days	**476**	944
31 – 60 days	**91**	150
61 – 90 days	**39**	55
Over 90 days	**165**	115
	771	1,264
Accrued sales receivables	**2,018**	4,425
Other receivables and prepayments	**5,689**	6,670
	8,478	12,359

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 recoverable within one year.

11. TRADE AND OTHER PAYABLES

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

	30 June 2018 HK$ Million	31 December 2017 HK$ Million
Trade payables		
0 – 30 days	**396**	431
31 – 60 days	**216**	204
61 – 90 days	**46**	36
Over 90 days	**60**	114
	718	785
Rental and customer deposits	**4,621**	4,530
Construction costs payable	**9,762**	12,089
Amounts due to associates	**2,611**	2,933
Amounts due to joint ventures	**5,047**	3,209
Other payables	**6,324**	8,768
	29,083	32,314

12. BANK LOANS AND OTHER BORROWINGS

	30 June 2018 HK$ Million	31 December 2017 HK$ Million
Bonds and notes (unsecured)	**34,058**	31,447
Bank loans (secured)	**9,150**	12,097
Bank loans (unsecured)	**81,398**	70,647
Total bank loans and other borrowings	**124,606**	114,191
Analysis of maturities of the above borrowings:		
Current borrowings		
Due within 1 year	**29,971**	35,170
Non-current borrowings		
Due after 1 year but within 5 years	**84,038**	75,006
Due after 5 years	**10,597**	4,015
	94,635	79,021
Total bank loans and other borrowings	**124,606**	114,191

13. SHARE CAPITAL

	30 June 2018 No. of shares	30 June 2018 HK$ Million	31 December 2017 No. of shares	31 December 2017 HK$ Million
Issued and fully paid ordinary shares				
At 1 January	**2,041,749,287**	**3,418**	2,034,699,287	3,075
Shares issued under the share option scheme	**5,600,000**	**280**	7,050,000	343
At 30 June/31 December	**2,047,349,287**	**3,698**	2,041,749,287	3,418

14. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial 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 below:

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 only 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:

	Fair value measurements categorised into					
	30 June 2018			31 December 2017		
	Level 1	**Level 2**	**Total**	Level 1	Level 2	Total
	HK$ Million	**HK$ Million**	**HK$ Million**	HK$ Million	HK$ Million	HK$ Million
Assets						
Equity and bond investments						
– Listed investments	**45,083**	**–**	**45,083**	28,910	–	28,910
– Unlisted investments	**–**	**2,114**	**2,114**	–	91	91
Derivative financial instruments:						
– Interest rate swaps	**–**	**70**	**70**	–	169	169
– Cross currency interest rate swaps	**–**	**159**	**159**	–	87	87
– Forward foreign exchange contracts	**–**	**115**	**115**	–	123	123
	45,083	**2,458**	**47,541**	28,910	470	29,380
Liabilities						
Derivative financial instruments:						
– Interest rate swaps	**–**	**(305)**	**(305)**	–	(228)	(228)
– Cross currency interest rate swaps	**–**	**(1,166)**	**(1,166)**	–	(932)	(932)
– Forward foreign exchange contracts	**–**	**(11)**	**(11)**	–	(1)	(1)
Bank loans and other borrowings:						
– Bonds and notes	**–**	**(21,843)**	**(21,843)**	–	(18,933)	(18,933)
– Bank loans	**–**	**(986)**	**(986)**	–	(993)	(993)
	–	**(24,311)**	**(24,311)**	–	(21,087)	(21,087)

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

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

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

The fair values of bank loans and other borrowings in Level 2 are 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.

15. MATERIAL RELATED PARTY TRANSACTIONS

The Group has not been a party to any material related party transaction during the six months ended 30 June 2018 except for the rental income totalling HK$561 million (2017: HK$529 million) earned 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. These transactions are considered to be related party transactions, of which HK$482 million (2017: HK$449 million) also constitute connected transactions as defined under the Listing Rules.

16. CONTINGENT LIABILITIES

(a) As at 30 June 2018, there were contingent liabilities in respect of guarantees given by the Group on behalf of certain associates and joint ventures of HK$1,927 million (31 December 2017: HK$2,664 million), of which HK$1,037 million (31 December 2017: HK$892 million) had been drawn.

(b) As at 30 June 2018, there were guarantees of HK$4,419 million (31 December 2017: HK$7,221 million) provided by WHL group and Wharf REIC 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 development properties of WHL group and Wharf REIC group. There were also mortgage loan guarantees of HK$2,437 million (31 December 2017: HK$3,470 million) provided by associates and joint ventures of WHL group to the banks in favour of their customers.

17. COMMITMENTS

The Group's outstanding commitments as at 30 June 2018 are detailed 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 property						
Hong Kong	**1,015**	**506**	**1,521**	1,091	468	1,559
Mainland China	**3,201**	**6,649**	**9,850**	3,726	8,312	12,038
Singapore	**1**	**–**	**1**	2	–	2
	4,217	**7,155**	**11,372**	4,819	8,780	13,599
Development property						
Hong Kong	**11,924**	**6,181**	**18,105**	12,372	6,022	18,394
Mainland China	**8,267**	**19,827**	**28,094**	4,824	16,207	21,031
	20,191	**26,008**	**46,199**	17,196	22,229	39,425
Properties total						
Hong Kong	**12,939**	**6,687**	**19,626**	13,463	6,490	19,953
Mainland China	**11,468**	**26,476**	**37,944**	8,550	24,519	33,069
Singapore	**1**	**–**	**1**	2	–	2
	24,408	**33,163**	**57,571**	22,015	31,009	53,024
(II) Non property and others						
Hotels	**24**	**124**	**148**	16	120	136
Modern Terminals	**133**	**107**	**240**	113	26	139
	157	**231**	**388**	129	146	275
Total	**24,565**	**33,394**	**57,959**	22,144	31,155	53,299

(i) Properties commitments are mainly for construction costs to be incurred in the forthcoming years, including attributable land costs of HK$3.4 billion (31 December 2017: HK$2.1 billion).

(ii) The expenditure for development properties includes attributable amounts for developments undertaken by associates and joint ventures of HK$12.4 billion (31 December 2017: HK$9.4 billion) 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 below:

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

18. EVENT AFTER THE REPORTING PERIOD

On 19 July 2018, Star Attraction Limited, a wholly-owned indirect subsidiary of the Company which holds 76.2% equity interest in Wheelock Properties (Singapore) Limited ("WPSL"), launched a voluntary unconditional general offer to acquire all the issued and paid-up ordinary shares of WPSL at S$2.10 per share from the other existing shareholders. The offer will close on 7 September 2018 or such later date(s) as may be announced from time to time. Further details of the offer are set out in the announcement of WPSL dated 19 July 2018 and the offer document dated 10 August 2018.

19. 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 the exception of two deviations, namely, (i) Code Provision A.2.1 (the "First Deviation") providing for the roles of chairman and chief executive to be performed by different individuals; and (ii) Code Provision F.1.3 (the "Second Deviation") providing for the company secretary to report to the board chairman or the chief executive.

Regarding the First Deviation, the relevant arrangement is deemed appropriate as it is considered to be more efficient for 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 more than half of them being Independent Non-executive Directors. As regards the Second Deviation, the Company Secretary of the Company has for some years directly reported to, and continues to report to, the Deputy Chairman of the Company, which is considered appropriate and reasonable given the size of the Group. In the view of the Directors, this reporting arrangement in no way adversely affects the efficient discharge by the Company Secretary of his job duties.

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 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 & DEBT SECURITIES

At 30 June 2018, Directors of the Company had the following interests, all being personal, beneficial and long position interests, in the shares and/or debt securities of the Company, of three subsidiaries of the Company, namely, The Wharf (Holdings) Limited ("WHL"), Wharf Real Estate Investment Company Limited ("Wharf REIC") and Wheelock Finance Limited, and also of Greentown China Holdings Limited, which is regarded as an associated corporation of the Company, and the percentages which the relevant shares represented as compared to the total number of shares in issue of the relevant companies respectively are also set out below:

	Quantity (percentage, where applicable) **held**
The Company	
Douglas C K Woo — Ordinary Shares	3,000,000 (0.15%)
Stephen T H Ng — Ordinary Shares	176,000 (0.01%)
Stewart C K Leung — Ordinary Shares	350,000 (0.02%)
Paul Y C Tsui — Ordinary Shares	300,000 (0.01%)
Ricky K Y Wong — Ordinary Shares	610,000 (0.03%)
WHL	
Stephen T H Ng — Ordinary Shares	1,509,445 (0.05%)
Kenneth W S Ting — Ordinary Shares	659,024 (0.02%)
Wharf REIC	
Stephen T H Ng — Ordinary Shares	1,009,445 (0.03%)
Kenneth W S Ting — Ordinary Shares	659,024 (0.02%)
Wheelock Finance Limited	
Ricky K Y Wong — HKD Guaranteed Notes due 2022	HK$5,000,000
Greentown China Holdings Limited	
Ricky K Y Wong — USD Fixed Rate Notes due 2020	US$600,000

Note: *The interests in shares disclosed above do not include interests in share options of the Company and/or its subsidiary(ies) held by Directors of the Company as at 30 June 2018. Details of such interests in share options are separately set out below under subsections "(B) Interests in Share Options of the Company" and "(C) Interests in Share Options of WHL".*

(B) INTERESTS IN SHARE OPTIONS OF THE COMPANY

Set out below are particulars and movements, if any, of all options (all being personal interests) 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 (the "Company's share(s)" or "Wheelock's share(s)") granted/exercisable under the share option scheme of the Company:

Name of Director	Total No. of Wheelock's shares under option held as at 30 June 2018 (percentage based on all issued shares)	Date of grant (Day/Month/Year)	No. of Wheelock's shares under option: As at date of grant	As at 1 January 2018	Exercised during the period	As at 30 June 2018	Subscription price per share (HK$)
Douglas C K Woo (Note b)	5,000,000 (0.24%)	14/06/2013	3,000,000	3,000,000	(3,000,000) (Note c)	–	39.98
		07/07/2016	5,000,000	5,000,000	–	5,000,000	36.60
Stewart C K Leung	1,800,000	14/06/2013	3,000,000	–	–	–	39.98
	(0.09%)	07/07/2016	3,000,000	1,800,000	–	1,800,000	36.60
Paul Y C Tsui	900,000	14/06/2013	1,500,000	–	–	–	39.98
	(0.04%)	07/07/2016	1,500,000	900,000	–	900,000	36.60
Ricky K Y Wong	1,800,000 (0.09%)	14/06/2013	3,000,000	600,000	(600,000) (Note d)	–	39.98
		07/07/2016	3,000,000	1,800,000	–	1,800,000	36.60

Notes:

(a) *Regarding the share options granted to the abovementioned Directors on each of the dates of grant as set out above, each of the relevant share options as originally granted (i.e. the original total quantity of options granted on the relevant date(s) of grant) was/is vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant options, i.e. exercisable to the extent of one-fifth of the relevant total number of Wheelock's shares, and with the 1st tranche exercisable from the day immediately following the date(s) of grant, and the 2nd, 3rd, 4th and 5th tranches exercisable from the day immediately following the 1st, 2nd, 3rd and 4th anniversary dates of the relevant date(s) of grant respectively; all the options will lapse at the close of business on the 5th anniversary date of the respective date(s) of grant.*

(b) *As at 1 January 2018 (and also as at the date of grant), an associate of Mr Douglas C K Woo, namely, Mr Peter K C Woo, who is the father of Mr Douglas C K Woo, held options granted by the Company on 14 June 2013 covering 2,000,000 shares (0.098% based on all issued shares) of the Company. All such options for Wheelock's shares were exercised by Mr Peter K C Woo during the period under review. Other particulars of the share options are set out below under the section headed "Substantial Shareholders' Interests". The share options so held by Mr Peter K C Woo are not included in the options held by Mr Douglas C K Woo as stated above.*

(c) *The closing price of Wheelock's shares immediately before the date of exercise of options by both Mr Douglas C K Woo and Mr Peter K C Woo (all exercised on the same day) during the period under review was HK$57.15 per share.*

(d) *The closing price of Wheelock's shares immediately before the date of exercise of options by Mr Ricky K Y Wong (all exercised on the same day) during the period under review was HK$59.20 per share.*

(C) INTERESTS IN SHARE OPTIONS OF WHL

There was in existence during the financial period under review a share option scheme of WHL (the "WHL's Scheme"). Set out below are particulars and movements, if any, of all options (all being personal interests) 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 WHL granted/exercisable under the WHL's Scheme:

Name of Director	Total No. of WHL's shares under option held as at 30 June 2018 (percentage based on all issued shares)	Date of grant (Day/Month/ Year)	No. of WHL's shares under option: As at date of grant	As at 1 January 2018	Exercised during the period	As at 30 June 2018	Subscription price per share (HK$)
Stephen T H Ng	3,500,000 (0.11%)	05/06/2013	2,000,000	1,000,000	(1,000,000) (Note iii)	–	23.83
		07/07/2016	5,000,000	4,000,000	(500,000) (Note iii)	3,500,000	15.92
Paul Y C Tsui	900,000 (0.03%)	05/06/2013	1,000,000	1,000,000	(1,000,000) (Note iv)	–	23.83
		07/07/2016	1,500,000	900,000	–	900,000	15.92

Notes:

(i) *Regarding the share options granted to the abovementioned Directors on each of the dates of grant as set out above, each of the relevant share options as originally granted (i.e. the original total quantity of options granted on the relevant date(s) of grant) was/is vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant options, i.e. exercisable to the extent of one-fifth of the relevant total number of WHL's shares, and with the 1st tranche exercisable from the day immediately following the date(s) of grant, and the 2nd, 3rd, 4th and 5th tranches exercisable from the day immediately following the 1st, 2nd, 3rd and 4th anniversary dates of the relevant date(s) of grant respectively; all the options will lapse at the close of business on the 5th anniversary date of the respective date(s) of grant.*

(ii) *As at 1 January 2018 (and also as at the date of grant), an associate of Mr Douglas C K Woo, namely, Mr Peter K C Woo, who is the father of Mr Douglas C K Woo, held options granted by WHL on 5 June 2013 covering 2,000,000 shares of WHL. All such options for WHL's shares were exercised by Mr Peter K C Woo during the period under review. The closing price of WHL's shares immediately before the date of exercise of options by Mr Peter K C Woo (all exercised on the same day) was HK$28.85 per share. Other particulars of the share options are set out below under the section headed "Substantial Shareholders' Interests".*

(iii) *The weighted average closing price of WHL's shares immediately before the date(s) of exercise(s) of options by Mr Stephen T H Ng during the period under review was HK$27.72 per share.*

(iv) *The closing price of WHL's shares immediately before the date of exercise of the options by Mr Paul Y C Tsui (all exercised on the same day) during the period under review was HK$29.20 per share.*

Except as disclosed above:

(1) no share option of the Company and/or WHL held by Directors of the Company and/or their associate(s) (including Mr Peter K C Woo who, being an associate of Mr Douglas C K Woo, is also a substantial shareholder of the Company) lapsed or was exercised or cancelled during the financial period and no share option of the Company and/or WHL was granted to any Director of the Company and/or any of their associate(s) during the financial period; and

(2) as recorded in the register kept by the Company under section 352 of the Securities and Futures Ordinance ("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 to the Listing Rules, there were no interests, both long and short positions, held 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/or 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/or its associated corporations held by any of them as at 30 June 2018.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties 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 (percentages based on all issued 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		**Number** (percentage) **of Ordinary Shares**
(i)	Mr Peter K C Woo (Notes 1 & 4)	265,490,652 (12.97%)
(ii)	Mrs Bessie P Y Woo (Notes 1 & 4)	265,490,652 (12.97%)
(iii)	HSBC Trustee (C. I.) Limited	995,221,678 (48.61%)

Notes:

(1) The interests of party (i) (who is the spouse of party (ii) and is therefore regarded as an associate of party (ii) and vice versa) and party (ii) stated above do not include the personal interests held by party (i) in certain share options of the Company, particulars of which are given in Note (3) below.

(2) Duplication occurred in respect of the shareholdings stated against parties (i) and (ii) above to the extent that they represented the same block of shares.

(3) As at 1 January 2018 (and also as at the dates of grant), party (i) stated above held options granted by the Company on 14 June 2013 covering 2,000,000 shares (0.098% based on all issued shares) of the Company, and options granted by WHL on 5 June 2013 covering 2,000,000 WHL's shares, with the subscription prices and the vesting/exercise periods thereof being the same as those which are applicable to share options of the Company and of WHL granted on the respective dates to the relevant Director(s) of the Company as stated above under subsections (B) and (C) in the section headed "Directors' Interests in Securities". All the abovementioned share options of the Company and of WHL were exercised by party (i) during the period under review. Other particulars relating to the respective exercise(s) of those options are set out above under the section headed "Directors' Interests in Securities".

(4) For the purpose of disclosure of interests in share options of the Company and of WHL under the Listing Rules, Mr Douglas C K Woo is regarded as an associate of each of party (i) and party (ii). Particulars of Mr Douglas C K Woo's relevant share option interests (not included in the interests held by party (i) and party (ii) mentioned above) are set out above under subsections (B) and (C) in the section headed "Directors' Interests in Securities".

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

SHARE OPTION SCHEMES

(A) DETAILS OF OUTSTANDING OPTIONS FOR SHARES OF THE COMPANY

Set out below are particulars and movements, if any, during the six months ended 30 June 2018 of all share options of the Company outstanding during the period which were granted to certain employees of the Group (including Directors of the Company), all working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance and all being participants with options not exceeding the respective individual limits:

	No. of Wheelock's shares under option				
Date of grant (Day/Month/Year)	**As at 1 January 2018**	**Exercised during the period**	**As at 30 June 2018**	**Vesting/Exercise Period** (both dates inclusive) (Day/Month/Year)	**Subscription price per share** (HK$)
(i) 14/06/2013:	1,000,000	(1,000,000)	–	15/06/2013 – 14/06/2018	39.98
	1,000,000	(1,000,000)	–	15/06/2014 – 14/06/2018	39.98
	1,000,000	(1,000,000)	–	15/06/2015 – 14/06/2018	39.98
	1,000,000	(1,000,000)	–	15/06/2016 – 14/06/2018	39.98
	1,600,000	(1,600,000)	–	15/06/2017 – 14/06/2018	39.98
	5,600,000	(5,600,000)	–		
(ii) 07/07/2016:	1,000,000	–	1,000,000	08/07/2016 – 07/07/2021	36.60
	1,000,000	–	1,000,000	08/07/2017 – 07/07/2021	36.60
	2,500,000	–	2,500,000	08/07/2018 – 07/07/2021	36.60
	2,500,000	–	2,500,000	08/07/2019 – 07/07/2021	36.60
	2,500,000	–	2,500,000	08/07/2020 – 07/07/2021	36.60
	9,500,000	–	9,500,000		
Total:	**15,100,000**	**(5,600,000)**	**9,500,000**		

Notes:

(1) The weighted average closing price of Wheelock's shares immediately before the date(s) of exercise(s) of the options during the financial period as abovementioned was HK$57.37 per share.

(2) Except as disclosed above, no share option of the Company lapsed or was granted, exercised or cancelled during the financial period.

(B) DETAILS OF OUTSTANDING OPTIONS FOR SHARES OF WHL

Set out below are particulars and movements, if any, during the six months ended 30 June 2018 of all WHL's share options outstanding during the period which were granted to certain employees and/or directors of WHL and/or its subsidiaries (some being also Directors of the Company), all working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance and all being participants with options not exceeding the respective individual limits:

	No. of WHL's shares under option				Subscription
		Exercised		Vesting/Exercise Period	price per share
Date of grant	**As at**	**during**	**As at**	(both dates inclusive)	(Note 1)
(Day/Month/Year)	**1 January 2018**	**the period**	**30 June 2018**	(Day/Month/Year)	(HK$)
(i) 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	23.83
	1,900,000	(1,900,000)	–	06/06/2015 – 05/06/2018	23.83
	2,100,000	(2,100,000)	–	06/06/2016 – 05/06/2018	23.83
	2,100,000	(2,100,000)	–	06/06/2017 – 05/06/2018	23.83
	9,100,000	(9,100,000)	–		
(ii) 07/07/2016:	–	–	–	08/07/2016 – 07/07/2021	15.92
	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	15.92
	2,900,000	–	2,900,000	08/07/2019 – 07/07/2021	15.92
	2,900,000	–	2,900,000	08/07/2020 – 07/07/2021	15.92
	10,300,000	(800,000)	9,500,000		
Total:	**19,400,000**	**(9,900,000)**	**9,500,000**		

Notes:

(1) The subscription prices applicable to the WHL's share options granted on 5 June 2013 and 7 July 2016 were adjusted from HK$70.20 and HK$46.90 respectively to HK$23.83 and HK$15.92 on 30 November 2017 as a result of the spin-off of Wharf REIC and the special interim dividend to WHL's shareholders by way of allotment and issue of new shares in Wharf REIC.

(2) The weighted average closing price of WHL's shares immediately before the date(s) of exercise(s) of the options during the financial period as abovementioned was HK$28.15 per share.

(3) Except as disclosed above, no share option of WHL lapsed or was granted, exercised or cancelled during the financial period.

CHANGES OF INFORMATION OF DIRECTORS

(A) Given below is the latest information regarding annual emoluments, calculated on an annualised basis for the year 2018 (and the year 2017), of all those Directors of the Company for whom there have been changes of amounts of emoluments since the publication of the last annual report of the Company:

Directors	**#Salary and various allowances HK$'000**		**##Discretionary annual bonus in cash HK$'000**	
Douglas C K Woo	6,478	*(2017: 6,223)*	15,000	*(2017: 10,000)*
Stephen T H Ng	8,392	*(2017: 8,063)*	41,640	*(2017: 84,100*)*
Stewart C K Leung	5,501	*(2017: 5,476)*	12,000	*(2017: 9,000)*
Paul Y C Tsui	5,482	*(2017: 5,254)*	17,430	*(2017: 6,500)*
Ricky K Y Wong	4,968	*(2017: 4,552)*	10,000	*(2017: 8,000)*

Not including the Chairman's fee of HK$250,000 (2017: HK$250,000) per annum and the Remuneration Committee Member's fee of HK$50,000 (2017: HK$50,000) per annum payable to Mr Douglas C K Woo and the Director's fee of HK$200,000 (2017: HK$200,000) per annum to each of the other Directors of the Company payable by the Company.

Paid during the six-month period ended 30 June 2018, with the amounts of such discretionary annual bonuses fixed/decided unilaterally by the employers.

* *Included a discretionary one-off Special Entrepreneurial Merit Award of HK$72.6 million for Mr Stephen T H Ng's contribution to building up and managing Wharf T&T since it was established in 1995 and the realisation of substantial investment value from the disposal of Wharf T&T in 2016.*

(B) Given below is the latest information regarding the directorships held at present and/or former directorship(s) (if any) held within the past three years in other listed public company(ies) in respect of any and all those Director(s) of the Company for whom there has/have been change(s) in the relevant information since the publication of the last annual report of the Company:

Director(s)	**Present/*(Former)* directorship(s) in other listed public company(ies)**
Paul Y C Tsui	WHL; Wharf REIC (appointed in June 2018); Joyce Boutique Holdings Limited; *(i-CABLE Communications Limited)*

Note: Mr Paul Y C Tsui, being a former director of three listed public companies, namely, Greentown China Holdings Limited, Harbour Centre Development Limited and Wheelock Properties (Singapore) Limited, ceased to be their director during the period from 1 July to 1 August 2015 (i.e. more than three years ago).

PURCHASE, SALE OR REDEMPTION OF SHARES

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.

RECORD DATE FOR INTERIM DIVIDEND

There will be no book closure for determining Shareholders' entitlements to the Interim Dividend, which will be paid on 17 September 2018 to Shareholders on record as at the close of business on 28 August 2018. In order to qualify for the Interim Dividend, all share 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, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 28 August 2018.

By Order of the Board
Wilson W S Chan
Company Secretary

Hong Kong, 14 August 2018

As at the date of this Interim Report, the Board of Directors of the Company comprises Mr Douglas C K Woo, Mr Stephen T H Ng, Mr Stewart C K Leung, Mr Paul Y C Tsui, Mr Ricky K Y Wong and Mrs Mignonne Cheng, together with seven Independent Non-executive Directors, namely, Mr Tak Hay Chau, Mr Winston K W Leong, Mr Alan H Smith, Mr Richard Y S Tang, Mr Kenneth W S Ting, Ms Nancy S L Tse and Mr Glenn S Yee.

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) has/have the option (which may be exercised at any time by giving reasonable prior notice to the Company) of changing the 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 (i.e. instruction in writing) 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, Wanchai, Hong Kong, by post or by hand delivery, or via email to wheelockcompany-ecom@hk.tricorglobal.com.