



# WHARF

*Established 1886*

## WHARF REAL ESTATE INVESTMENT COMPANY LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 1997



Interim Report 2019



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# Weak Demand, Stable Results

## HIGHLIGHTS

- Demand and market conditions have weakened noticeably since the beginning of the year and have intensified thereafter.
- Underlying Net Profit recorded an increase of 3% while Investment Properties (IP) revaluation surplus decreased by 65%. Group profit decreased by 31% to HK\$6,989 million.
- Net cash inflow (net of dividend payment) of HK\$3.0 billion reduced net debt to HK\$36.4 billion (gearing 16.0%).
- Dividend to be paid on 10 September 2019 (calibrated at 65% of core Underlying Net Profit) increased by 5% to HK\$1.10 per share.

## GROUP RESULTS

Unaudited Group underlying net profit increased by 3% to HK\$5,184 million (2018: HK\$5,022 million), equivalent to HK\$1.71 (2018: HK\$1.65) per share.

With IP revaluation surplus decreasing by 65% to HK\$1,806 million (2018: HK\$5,157 million), Group profit attributable to equity shareholders decreased by 31% to HK\$6,989 million (2018: HK\$10,179 million). Basic earnings per share were HK\$2.30 (2018: HK\$3.35).

## INTERIM DIVIDEND

A first interim dividend of HK\$1.10 per share will be paid on 10 September 2019 to Shareholders on record as at 6:00 p.m. on 23 August 2019. The distribution will amount to HK\$3,340 million, representing 65% of underlying net profit from IP and hotels in Hong Kong.

## BUSINESS REVIEW

Revenue from Hong Kong IP increased by 4% to HK\$7,433 million and operating profit by 4% to HK\$6,591 million.

The Group's three malls combined represents a 10% market share of total Hong Kong retail sales during the period. Harbour City (including hotels) remained the key driver of the Group, contributing 73% of revenue and 76% of operating profit.

### HARBOUR CITY

Total revenue (including hotels) increased by 5% to HK\$6,165 million and operating profit by 6% to HK\$5,093 million.

#### **Retail**

Steady retail sales were recorded notwithstanding challenging market conditions. Retail revenue increased by 6% to HK\$3,994 million, representing 65% of total revenue of Harbour City. Average passing rent grew by 4% to HK\$508 per square foot per month. Occupancy was maintained at 96% at the end of June 2019.

Demand from international premium brands remained keen during the first few months of the year. A line-up of debut brands include the Hong Kong debuts of *BARREL*, *BRIC'S*, *Darphin*, *Infantry*, *Roots*, *Tom Ford Beauty*, as well as the Kowloon debuts of *Bon Parfumeur* and *Hobbs*. Other exciting new brands include *ASICS*, *IL Bisonte*, *JINS*, *Miller Harris*, *Superga*, *Young Versace*, and the luxury brand *Jaquet Droz*.

Luxury jewellery and specialty retailer *Tiffany & Co.* was enhanced and expanded. Expansions of fast-growing brands include *Aesop*, *Balmain Paris*, *CELINE Men* and *FURLA*.

Ocean Terminal Extension, which houses a line-up of nine debut restaurants with panoramic harbour views and alfresco dining area, has achieved success. Other dining options at Harbour City were further elevated by the Hong Kong debut of *Kyoto ICHINODEN*, a long-established saikyo-zuke store in Kyoto, as well as the celebrity sought-after *Vive Cake boutique*, bakery café *Dang Wen Li by Dominique Ansel*, and the Michelin 1-star sukiyaki and shabu-shabu restaurant *Hiyama*.

## **Office**

The newly-completed office converted from Gateway Apartments was more than 50% leased (total leasable area: over 360,000 square feet) but take-up has slowed over the last few months.

Overall office occupancy was 94% as at 30 June 2019. Revenue increased by 6% to HK\$1,355 million. Lease renewal retention rate was 52%. Average spot rent grew by 9% during the period.

## **Apartments**

Occupancy remained at 98% at the end of June 2019 with upward rental adjustments. Revenue eased by 8% to HK\$111 million, primarily due to the conversion of Hampton Court into office. In the first half of 2019, Gateway Apartments was awarded "Service Awards 2019" by Capital Weekly Magazine and "Best Luxury Serviced Apartments of China" in Hotel Starlight Award.

## **Hotel**

Marco Polo Hongkong Hotel, Gateway Hotel and Prince Hotel translated their location advantage, brand reputation and guest satisfaction into positive business results. Overall occupancy rose slightly to 95% in a weak market to hold revenue per room steady. Total revenue increased by 1% to HK\$617 million but operating profit eased by 3% to HK\$207 million due to rising operating costs.

## TIMES SQUARE

While office demands remained stable, the competitive retail landscape and softening consumption sentiment weighed heavily on the retail performance. Revenue remained at HK\$1,431 million while operating profit slipped to HK\$1,271 million.

### **Retail**

Revenue remained stable at HK\$1,062 million. Occupancy rate stood at 98% as at 30 June 2019. Average retail passing rent was HK\$290 per square foot per month.

Retail and lifestyle offerings have been diversified. New additions of beauty offerings include *EVE LOM*, *Miller Harris*, *MTM*, *Rituals* as well as *Ampleur*, *Pra.L* and *Vine Vera* inside Facesss. The high zone trade-mix was further revamped with new tenants, namely *American Tourister*, *Mannings*, *Polo Ralph Lauren*, *ROCOCO*, *TUMI*, and the debuts of *Adidas Sportswear Collective* and *MOURI*. New brands on the basement floor include *Millie's*.

Meanwhile, the lifestyle offerings have been enriched with the debut digital game amusement centre of *Planet J Hong Kong*, the launch of the first standalone yoga and sacred arts centre of *Fivelements Habitat*, an award-winning integrated wellness lifestyle expert, and the debut of *PicoLabb*.

The variety of delectable cuisines was enhanced with the additions of *Kei Cuisine*, a brand new restaurant concept specialising in fish maw dishes and *Lady M*, the popular patisserie café from New York.

### **Office**

Occupancy rate was maintained at 97% as at 30 June 2019. Revenue rose slightly to HK\$369 million. Lease renewal retention rate was 30%. Average spot rent increased by 7%.



## CENTRAL PORTFOLIO

Office demands for Wheelock House and Crawford House remained firm with positive rental reversion despite office market softening. Revenue increased by 4% to HK\$243 million and operating profit by 4% to HK\$211 million.

Office occupancy rate at Wheelock House was 97% and a positive rental reversion of 32% was achieved. Lease renewal retention rate was 52%.

Crawford House office was fully occupied with a positive rental reversion of 29%. Lease renewal retention rate was 38%.

The retail premises at both Crawford House and Wheelock House were fully let at the end of June.

The Murray, Hong Kong, a Niccolo Hotel (“The Murray”) was ranked as the top hotel in Hong Kong in “Readers’ Choice Awards 2018 – Top Hotels in China” by Condé Nast Traveler and “World’s Greatest Places 2018 – Places to Stay” by TIME Magazine. In the first half of 2019, The Murray clinched an array of prestigious awards including “Best Luxury Hotel in Hong Kong” by TTG China Travel Awards 2019 and “Best Hotel Openings in the past 12 months” by Travel + Leisure “Hotels It List 2019”. The highly-acclaimed Popinjays was crowned as one of “The 15 Best Rooftop Bars in the World” by Condé Nast Traveler Online.

This exquisite business and leisure destination has become the preferred choice for discerning travellers since its full operation in August 2018. Yet, business ramp-up in current market conditions is behind original expectation. As full depreciation of land and building costs over the 50-year lease term is the current accounting standard, EBITDA would be the immediate management focus.

## PLAZA HOLLYWOOD

Revenue eased by 2% to HK\$284 million and operating profit by 2% to HK\$222 million. Occupancy was 98% as at 30 June 2019.

Constant tenant mix optimisation and proactive marketing strategies are in place to better position the retail destination and to tap the potential of the emerging Kowloon East CBD. Free shuttle service, ambassadors and incentive programmes are offered in collaboration with Kai Tak Cruise Terminal to further attract visitors and boost spending.

During the first half of 2019, new recruitments of retail and lifestyle offerings including *Bellain Accessories Shop*, *Bigpack*, *DPM*<sup>®</sup>, *ITSU*, *Joyful & Health Chinese Medicine Centre & Path One Medical Centre*, *Millie's* and *TREE HOUSE*. In addition, F&B and confectionery offerings were further fortified by housing *Sala Thai*, a modern Thai restaurant with a chic dessert counter, *Green Sun Garden* and *Gong Fu Teahouse*.



## FINANCIAL REVIEW

### (I) REVIEW OF 2019 INTERIM RESULTS

Group underlying net profit increased by 3% to HK\$5,184 million (2018: HK\$5,022 million), out of which IP increased by 2% to HK\$5,033 million. IP and Hotel, in aggregate, accounted for 99% of Group underlying net profit.

Profit attributable to shareholders decreased by 31% to HK\$6,989 million (2018: HK\$10,179 million) after including the IP revaluation surplus of HK\$1,805 million (2018: HK\$5,157 million).

#### **Revenue and Operating Profit**

IP revenue and operating profit grew steadily by 4% to HK\$7,433 million (2018: HK\$7,123 million) and HK\$6,591 million (2018: HK\$6,312 million) respectively. In particular, Harbour City revenue and operating profit increased by 6%, reflecting higher gross rental income from retail and office.

Hotel revenue and operating profit increased by 9% to HK\$906 million (2018: HK\$831 million) and 67% to HK\$139 million (2018: HK\$83 million) respectively, underpinned by the continuous start-up improvement in the performance of The Murray in Central.

Development Properties (“DP”) revenue decreased by 85% to HK\$10 million (2018: HK\$66 million) and reported an operating loss of HK\$14 million (2018: HK\$46 million), stemming from the orderly exit from the segment by listed subsidiary Harbour Centre Development Limited (“HC DL”).

Investment and others revenue grew by 11% to HK\$149 million (2018: HK\$134 million) and operating profit by 18% to HK\$78 million (2018: HK\$66 million).

Consolidated revenue increased by 4% to HK\$8,498 million (2018: HK\$8,154 million) and operating profit by 6% to HK\$6,722 million (2018: HK\$6,352 million).

## **Fair Value Gain of IP**

Book value of IP portfolio as at 30 June 2019 increased to HK\$261.0 billion (2018: HK\$259.0 billion) with HK\$260.3 billion thereof stated at fair value based on independent valuation, which produced a revaluation gain of HK\$1,814 million for the period (2018: HK\$5,224 million). The attributable gain of HK\$1,805 million (2018: HK\$5,157 million), net of related non-controlling interests, was credited to the consolidated statement of profit or loss.

IP under development in the amount of HK\$0.7 billion is carried at cost and will not be carried at fair value until the earlier of its fair values first becoming reliably measurable or the dates of completion.

## **Finance Costs**

Net finance costs amounted to HK\$460 million (2018: HK\$320 million) upon interest capitalisation of HK\$16 million (2018: HK\$5 million) for DP projects. The effective borrowing rate for the period increased to 2.4% (2018: 1.5%), primarily due to HIBOR hike during the period.

## **Income Tax**

Taxation charge for the period increased to HK\$1,028 million (2018: HK\$1,018 million) principally on higher taxable profit in relation to IP.

## **Profit Attributable to Equity Shareholders**

Group profit attributable to equity shareholders for the period amounted to HK\$6,989 million (2018: HK\$10,179 million), representing a decrease of 31% from 2018. Basic earnings per share were HK\$2.30, based on 3,036 million ordinary shares in issue (2018: HK\$3.35 based on 3,036 million ordinary shares in issue).

Underlying net profit is a performance indicator of the Group's major business segments and arrived at after excluding the attributable net IP revaluation gain.

Underlying net profit, excluding the net IP revaluation gain of HK\$1,805 million rose by 3% to HK\$5,184 million (2018: HK\$5,022 million). Underlying earnings per share were HK\$1.71 (2018: HK\$1.65).

## **(II) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL COMMITMENTS**

### **Shareholders' and Total Equity**

As at 30 June 2019, shareholders' equity increased by HK\$3.9 billion to HK\$222.7 billion (2018: HK\$218.8 billion), equivalent to HK\$73.35 per share based on 3,036 million ordinary shares in issue (2018: HK\$72.06 per share based on 3,036 million ordinary shares in issue).

Total equity including non-controlling interests increased by HK\$4.0 billion to HK\$228.3 billion (2018: HK\$224.3 billion).

## Assets

Total assets as at 30 June 2019 rose to HK\$283.7 billion (2018: HK\$280.3 billion). Total business assets, excluding bank deposit and cash, equity investments, derivative financial assets and deferred tax assets, increased to HK\$276.9 billion (2018: HK\$274.7 billion).

Geographically, Hong Kong business assets amounted to HK\$268.5 billion (2018: HK\$266.7 billion), representing 97% (2018: 97%) of the Group total.

## IP

IP increased to HK\$261.0 billion (2018: HK\$259.0 billion), representing 94% of total business assets. Harbour City (excluding the three hotels which were stated at cost) and Times Square were valued at HK\$177.0 billion and HK\$59.2 billion as at 30 June 2019, respectively, together representing 91% of the IP portfolio.

## Hotels

Hotel properties comprising The Murray, three Marco Polo Hotels in Hong Kong and Marco Polo Changzhou are stated at cost (less accumulated depreciation & impairment losses) at HK\$8.0 billion (2018: HK\$8.1 billion).

## DP/Interests in an Associate and Joint Ventures

DP increased to HK\$3.9 billion (2018: HK\$3.7 billion) and DP undertaken through an associate and joint ventures remained at HK\$2.9 billion.

## Debts and Gearing

Net cash inflow (net of dividend payment) of HK\$3.0 billion reduced net debt as at 30 June 2019 to HK\$36.4 billion (2018: HK\$39.4 billion). It comprised debts of HK\$39.8 billion and bank deposits and cash of HK\$3.4 billion.

An analysis of net debt is depicted below:

	<b>30 June 2019</b>	31 December 2018
<b>Net debt/(cash)</b>	<b>HK\$ Billion</b>	HK\$ Billion
The Group (excluding HCDL)	<b>37.0</b>	39.0
HCDL	<b>(0.6)</b>	0.4
Total net debt	<b>36.4</b>	39.4

As at 30 June 2019, the ratio of net debt to total equity dropped to 16.0% (2018: 17.6%).

## Finance and Availability of Facilities

Total available loan facilities as at 30 June 2019 amounted to HK\$46.4 billion, of which HK\$39.8 billion was utilised. The breakdown is depicted below:

	30 June 2019		
	Available Facility HK\$ Billion	Total Drawn HK\$ Billion	Undrawn Facility HK\$ Billion
Committed and uncommitted bank facilities			
The Group (excluding HCDL)	41.1	37.2	3.9
HCDL	5.3	2.6	2.7
	46.4	39.8	6.6

Certain banking facilities were secured by mortgage over the Group's IP under development and DP for sales carried at HK\$4.6 billion (2018: HK\$4.4 billion).

The debt portfolio was primarily denominated in Hong Kong dollars ("HKD"). The respective funds available were mainly utilised to finance the Group's IP and remaining DP investments.

The Group continued to adhere to a high level of financial discipline with a strong financial position. Ample surplus cash and undrawn committed facilities were available to facilitate business and investment activities. In addition, the Group also maintained a portfolio of liquid equity investments with an aggregate market value of HK\$2.5 billion (2018: HK\$2.4 billion), which is available for use if necessary.

## Cash Flows for the Group's Operating and Investing Activities

For the period under review, the Group recorded net cash inflows (before changes in working capital) of HK\$6.8 billion (2018: HK\$6.4 billion) principally comprising rental income. Changes in working capital increased the net cash inflow from operating activities to HK\$6.8 billion (2018: HK\$4.0 billion). For investing activities, the Group recorded a net cash outflow of HK\$0.3 billion (2018: inflow of HK\$0.1 billion).

## Capital Commitments

As at 30 June 2019, major expenditures to be incurred in the coming years were estimated at HK\$6.1 billion, of which HK\$1.5 billion was committed. A breakdown (by segment) is as follows:

	As at 30 June 2019		
	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million
<b>Properties</b>			
<b>IP</b>			
Hong Kong	93	757	850
Mainland China	152	205	357
	245	962	1,207
<b>DP</b>			
Mainland China	1,243	3,572	4,815
<b>Properties total</b>			
Hong Kong	93	757	850
Mainland China	1,395	3,777	5,172
	1,488	4,534	6,022
<b>Hotels</b>			
Hong Kong	13	7	20
Mainland China	–	106	106
	13	113	126
<b>Group total</b>	<b>1,501</b>	<b>4,647</b>	<b>6,148</b>

These expenditures will be funded by internal financial resources including surplus cash, cash flows from operations, as well as bank loans and other borrowings. Other available resources include monetisation of equity investments.

Included in the above are HCDL's expenditures totalling HK\$5.3 billion, which will be funded by its own financial resources.

### (III) HUMAN RESOURCES

The Group had approximately 2,800 employees as at 30 June 2019. Employees are remunerated according to their job responsibilities and market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the Group's achievement and results.

## CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2019 — Unaudited

	Note	Six months ended 30 June	
		2019 HK\$ Million	2018 HK\$ Million
<b>Revenue</b>	2	<b>8,498</b>	8,154
Direct costs and operating expenses		<b>(1,312)</b>	(1,397)
Selling and marketing expenses		<b>(153)</b>	(146)
Administrative and corporate expenses		<b>(165)</b>	(111)
Operating profit before depreciation, amortisation, interest and tax		<b>6,868</b>	6,500
Depreciation and amortisation		<b>(146)</b>	(148)
<b>Operating profit</b>	2 & 3	<b>6,722</b>	6,352
Increase in fair value of investment properties		<b>1,814</b>	5,224
Other net income		<b>—</b>	1
Finance costs	4	<b>8,536</b>	11,577
Share of results after tax of:		<b>(460)</b>	(320)
– An associate		<b>25</b>	48
– Joint ventures		<b>—</b>	(6)
Profit before taxation		<b>8,101</b>	11,299
Income tax	5	<b>(1,028)</b>	(1,018)
<b>Profit for the period</b>		<b>7,073</b>	10,281
<b>Profit attributable to:</b>			
Equity shareholders		<b>6,989</b>	10,179
Non-controlling interests		<b>84</b>	102
		<b>7,073</b>	10,281
<b>Earnings per share</b>	6		
Basic		<b>HK\$2.30</b>	HK\$3.35
Diluted		<b>HK\$2.30</b>	HK\$3.35

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019 — Unaudited

	Six months ended 30 June	
	2019 HK\$ Million	2018 HK\$ Million
<b>Profit for the period</b>	<b>7,073</b>	10,281
<b>Other comprehensive income</b>		
Items that will not be reclassified to profit or loss:		
Fair value changes on equity investments at fair value through other comprehensive income (non-recycling)	<b>152</b>	(33)
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of foreign operations – subsidiaries	<b>(12)</b>	(39)
Share of reserves of joint ventures	<b>(1)</b>	(11)
<b>Other comprehensive income for the period</b>	<b>139</b>	(83)
<b>Total comprehensive income for the period</b>	<b>7,212</b>	10,198
<b>Total comprehensive income attributable to:</b>		
Equity shareholders	<b>7,091</b>	10,124
Non-controlling interests	<b>121</b>	74
	<b>7,212</b>	10,198



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019 — Unaudited

	Note	30 June 2019 HK\$ Million	31 December 2018 HK\$ Million
<b>Non-current assets</b>			
Investment properties		261,022	258,984
Hotel and club property, plant and equipment		8,163	8,277
Interest in an associate		1,313	1,294
Interest in joint ventures		1,603	1,601
Equity investments		2,548	2,396
Deferred tax assets		419	336
Derivative financial assets		271	60
Other non-current assets		48	51
		<b>275,387</b>	272,999
<b>Current assets</b>			
Properties for sale		3,880	3,726
Inventories		14	13
Trade and other receivables	8	950	873
Prepaid tax		40	70
Bank deposits and cash		3,398	2,675
		<b>8,282</b>	7,357
<b>Total assets</b>		<b>283,669</b>	280,356

	Note	30 June 2019 HK\$ Million	31 December 2018 HK\$ Million
<b>Non-current liabilities</b>			
Derivative financial liabilities		–	(41)
Deferred tax liabilities		(2,322)	(2,278)
Other deferred liabilities		(331)	(331)
Bank loans and other borrowings	10	(37,631)	(39,027)
		(40,284)	(41,677)
<b>Current liabilities</b>			
Trade and other payables	9	(7,841)	(8,351)
Pre-sale deposits and proceeds		(2,376)	(660)
Derivative financial liabilities		–	(105)
Taxation payable		(2,668)	(2,161)
Bank loans and other borrowings	10	(2,190)	(3,070)
		(15,075)	(14,347)
<b>Total liabilities</b>		(55,359)	(56,024)
<b>NET ASSETS</b>		228,310	224,332
<b>Capital and reserves</b>			
Share capital	11	304	304
Reserves		222,396	218,493
<b>Shareholders' equity</b>		222,700	218,797
<b>Non-controlling interests</b>		5,610	5,535
<b>TOTAL EQUITY</b>		228,310	224,332

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019 — Unaudited

	Equity attributable to the shareholders of the Company						Non-controlling interest	Total equity
	Share capital	Share premium	Investment revaluation reserves	Exchange reserves	Revenue reserves	Total		
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
<b>At 1 January 2019</b>	<b>304</b>	<b>696</b>	<b>355</b>	<b>163</b>	<b>217,279</b>	<b>218,797</b>	<b>5,535</b>	<b>224,332</b>
<b>Changes in equity for the period:</b>								
Profit	-	-	-	-	6,989	6,989	84	7,073
Other comprehensive income	-	-	109	(9)	2	102	37	139
Total comprehensive income	-	-	109	(9)	6,991	7,091	121	7,212
Second interim dividend paid for 2018 (Note 7 (b))	-	-	-	-	(3,188)	(3,188)	-	(3,188)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(46)	(46)
<b>At 30 June 2019</b>	<b>304</b>	<b>696</b>	<b>464</b>	<b>154</b>	<b>221,082</b>	<b>222,700</b>	<b>5,610</b>	<b>228,310</b>
<b>At 1 January 2018</b>	<b>304</b>	<b>696</b>	<b>578</b>	<b>412</b>	<b>205,328</b>	<b>207,318</b>	<b>5,650</b>	<b>212,968</b>
<b>Changes in equity for the period:</b>								
Profit	-	-	-	-	10,179	10,179	102	10,281
Other comprehensive income	-	-	(24)	(31)	-	(55)	(28)	(83)
Total comprehensive income	-	-	(24)	(31)	10,179	10,124	74	10,198
Interim dividend paid for 2017	-	-	-	-	(2,884)	(2,884)	-	(2,884)
Dividends paid to non-controlling interest	-	-	-	-	-	-	(113)	(113)
<b>At 30 June 2018</b>	<b>304</b>	<b>696</b>	<b>554</b>	<b>381</b>	<b>212,623</b>	<b>214,558</b>	<b>5,611</b>	<b>220,169</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019 — Unaudited

	Six months ended 30 June	
	2019 HK\$ Million	2018 HK\$ Million
Operating cash inflow	6,797	6,441
Changes in working capital and others	570	(1,397)
Tax paid	(520)	(1,092)
<b>Net cash generated from operating activities</b>	<b>6,847</b>	3,952
<b>Investing activities</b>		
Additions to investment properties, hotel and club property, plant and equipment	(253)	(234)
Other cash used in investing activities	2	359
Net cash (used in)/generated from investing activities	(251)	125
<b>Financial activities</b>		
Dividends paid to equity shareholders	(3,188)	(2,884)
Other cash used in financing activities	(2,676)	(2,563)
Net cash used in financing activities	(5,864)	(5,447)
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>732</b>	(1,370)
Cash and cash equivalents at 1 January	2,675	3,076
Effect of exchange rate changes	(9)	(22)
<b>Cash and cash equivalents at 30 June</b>	<b>3,398</b>	1,684
<b>Cash and cash equivalents</b>		
Bank deposits and cash in the consolidated statement of financial position	3,398	1,684

# NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

## 1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

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

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

The unaudited interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2018. 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 2018 except for the changes mentioned below.

The HKICPA has issued a number of new HKFRSs 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 consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) 23	Uncertainty over income tax treatments
Amendments to HKAS 28	Long-term interest in associates and joint ventures
Annual Improvements to HKFRSs 2015-2017 Cycle	

The Group has assessed the impact of the adoption of the above new standards and amendments to HKFRSs and considered that there was no significant impact on the Group’s results and financial position.

## **HKFRS 16, Leases**

Under HKFRS 16, the lessees no longer distinguish between operating and finance leases. Instead, subject to practical expedients, a lease liability in respect of the present value of the minimum future lease payments and a corresponding right-of-use asset are recognised in the consolidated statement of financial position for all lease arrangements of more than 12 months by lessees. HKFRS 16 does not significantly change the way that lessors account for their rights and obligations under a lease.

At the commencement date of the lease, the Group as lessee recognises and measures a lease liability at the present value of the minimum future lease payment and recognises a corresponding “right-of-use” asset. After initial recognition of this asset and liability, the Group recognises interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset and impairment losses (if any), instead of the previous accounting policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term.

Given the Group does not have material lease arrangements as a lessee, the Group considers that there is no significant financial impact on the consolidated financial statements of the Group upon the adoption of HKFRS 16.

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

## **2. SEGMENT INFORMATION**

The Group manages its diversified businesses according to the nature of services and products provided. Management has determined three reportable operating segments for measuring performance and allocating resources. The segments are investment property, development property and hotels. No operating segments have been aggregated to form the reportable segments.

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

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

Hotels segment includes hotel operations in Hong Kong and Mainland China.

Management evaluates performance primarily based on operating profit as well as the equity share of results of an associate and joint ventures of each segment.

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

Six months ended	Revenue	Operating profit	Increase in fair value of investment properties	Other net (loss)/ income	Finance costs	Share of results after tax of an associate	Share of results after tax of joint ventures	Profit before taxation
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
30 June 2019								
Investment property	7,433	6,591	1,814	-	(441)	-	-	7,964
Development property	10	(14)	-	-	-	25	-	11
Hotels	906	139	-	-	(19)	-	-	120
Segment total	8,349	6,716	1,814	-	(460)	25	-	8,095
Investment and others	149	78	-	-	-	-	-	78
Corporate expenses	-	(72)	-	-	-	-	-	(72)
Group total	8,498	6,722	1,814	-	(460)	25	-	8,101
30 June 2018								
Investment property	7,123	6,312	5,224	-	(303)	-	-	11,233
Development property	66	(46)	-	(1)	(2)	48	(6)	(7)
Hotels	831	83	-	-	(15)	-	-	68
Segment total	8,020	6,349	5,224	(1)	(320)	48	(6)	11,294
Investment and others	134	66	-	2	-	-	-	68
Corporate expenses	-	(63)	-	-	-	-	-	(63)
Group total	8,154	6,352	5,224	1	(320)	48	(6)	11,299



**b. Disaggregation of revenue**

<b>Six months ended 30 June</b>	<b>2019 HK\$ Million</b>	2018 HK\$ Million
<b>Revenue recognised under HKFRS 15</b>		
Management and services income	<b>602</b>	572
Other rental related income	<b>157</b>	98
Hotel and club operations	<b>906</b>	831
Sale of development properties	<b>10</b>	66
	<b>1,675</b>	1,567
<b>Revenue recognised under other accounting standards</b>		
Rental income under investment property segment	<b>6,674</b>	6,453
Investment and others	<b>149</b>	134
	<b>6,823</b>	6,587
Total revenue	<b>8,498</b>	8,154

The Group has applied practical expedient in paragraph 121 of HKFRS 15 to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date to its property management fees and other rental related income as the Group recognises revenue at the amount to which it has a right to invoice, which corresponds directly with the value to the customer of the Group's performance completed to date.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date to its revenue from sales of completed properties as the performance obligation is part of a contract that has an original expected duration of one year or less.

### c. Geographical information

Six months ended 30 June	Revenue		Operating profit	
	2019 HK\$ Million	2018 HK\$ Million	2019 HK\$ Million	2018 HK\$ Million
Hong Kong	8,398	8,000	6,688	6,359
Outside Hong Kong	100	154	34	(7)
Group total	8,498	8,154	6,722	6,352

### 3. OPERATING PROFIT

Operating profit is arrived at:

	Six months ended 30 June	
	2019 HK\$ Million	2018 HK\$ Million
<b>After charging/(crediting):</b>		
Depreciation and amortisation on		
– hotel and club property, plant and equipment	142	144
– leasehold land	4	4
Total depreciation and amortisation	146	148
Staff cost (Note (i))	506	478
Cost of trading properties for recognised sales	9	96
Gross rental revenue from investment properties (Note (ii))	(7,433)	(7,123)
Direct operating expenses of investment properties	801	760
Interest income	(19)	(13)
Dividend income from equity investments	(52)	(46)

Notes:

- (i) Staff costs included contributions to defined contribution pension schemes of HK\$29 million (2018: HK\$28 million).
- (ii) Rental income included contingent rentals of HK\$789 million (2018: HK\$676 million).

#### 4. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2019</b> <b>HK\$ Million</b>	2018 HK\$ Million
Interest charged on:		
Bank loans and overdrafts	<b>358</b>	234
Other borrowings	<b>92</b>	62
Total interest charge	<b>450</b>	296
Other finance costs	<b>26</b>	29
Less: Amount capitalised	<b>(16)</b>	(5)
Total	<b>460</b>	320

- a. The Group's average effective borrowing rate for the period was 2.4% p.a. (2018: 1.5% p.a.).
- b. The above interest charge has taken into account the interest paid/receipts in respect of interest rate swaps and cross currency interest rate swaps.

## 5. INCOME TAX

Taxation charged to the consolidated statement of profit or loss represents:

	<b>Six months ended June</b>	
	<b>2019 HK\$ Million</b>	2018 HK\$ Million
<b>Current income tax</b>		
Hong Kong		
– provision for the period	<b>1,007</b>	970
Outside Hong Kong		
– provision for the period	<b>55</b>	(3)
	<b>1,062</b>	967
<b>Land appreciation tax (“LAT”) in Mainland China</b>	<b>1</b>	2
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<b>(35)</b>	49
<b>Total</b>	<b>1,028</b>	1,018

- 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% (2018: 16.5%).
- b. Income tax on assessable profits outside Hong Kong is mainly corporate income tax and withholding tax in Mainland China, calculated at a rate of 25% (2018: 25%) and up to 10%, respectively.
- c. Under the Provisional Regulations on LAT, all gains arising from transfer of real estate property in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights, borrowings costs and all property development expenditures.
- d. Tax attributable to an associate and joint ventures for the six months ended 30 June 2019 of HK\$8 million (2018: HK\$43 million) is included in the share of results of an associate and joint ventures.

## 6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders for the period of HK\$6,989 million (2018: HK\$10,179 million) and 3,036 million ordinary shares in issue during the period.

There are no potential dilutive ordinary shares in issue during the period ended 30 June 2019 and 2018.

## 7. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	Six months ended 30 June			
	2019 HK\$ per share	2019 HK\$ Million	2018 HK\$ per share	2018 HK\$ Million
First interim dividend declared after the end of the reporting period	1.10	3,340	1.05	3,188

- a. The first interim dividend based on 3,036 million 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\$3,188 million for 2018 was approved and paid in 2019.

## 8. TRADE AND OTHER RECEIVABLES

Included in this item are trade receivables (net of allowance for bad and doubtful debts) with an ageing analysis based on the invoice date as at 30 June 2019 as follows:

	<b>30 June 2019 HK\$ Million</b>	31 December 2018 HK\$ Million
Trade receivables		
0 – 30 days	<b>315</b>	409
31 – 60 days	<b>15</b>	40
61 – 90 days	<b>6</b>	9
Over 90 days	<b>9</b>	10
Other receivables and prepayments	<b>345</b>	468
	<b>605</b>	405
	<b>950</b>	873

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 from which the proceeds are receivable pursuant to the terms of the agreements. All the trade and other receivables are expected to be recoverable within one year.

## 9. TRADE AND OTHER PAYABLES

Included in this item are trade payables with an ageing analysis based on the invoice date as at 30 June 2019 as follows:

	<b>30 June 2019 HK\$ Million</b>	31 December 2018 HK\$ Million
Trade payables		
0 – 30 days	<b>92</b>	128
31 – 60 days	<b>6</b>	19
61 – 90 days	<b>5</b>	7
Over 90 days	<b>5</b>	7
Rental and customer deposits	<b>108</b>	161
Construction costs payable	<b>3,636</b>	3,579
Amount due to joint ventures	<b>610</b>	1,005
Other payables	<b>1,592</b>	1,593
	<b>1,895</b>	2,013
	<b>7,841</b>	8,351



## 10. BANK LOANS AND OTHER BORROWINGS

	<b>30 June 2019 HK\$ Million</b>	31 December 2018 HK\$ Million
Notes (unsecured)	<b>7,540</b>	7,184
Bank loans (secured)	<b>641</b>	643
Bank loans (unsecured)	<b>31,640</b>	34,270
<b>Total bank loans and other borrowings</b>	<b>39,821</b>	42,097
<b>Analysis of maturities of the above borrowings:</b>		
<b>Current borrowings</b>		
Due within 1 year	<b>2,190</b>	3,070
<b>Non-current borrowings</b>		
Due after more than 1 year but not exceeding 5 years	<b>30,091</b>	31,843
Due after more than 5 years	<b>7,540</b>	7,184
	<b>37,631</b>	39,027
<b>Total bank loans and other borrowings</b>	<b>39,821</b>	42,097

## 11. SHARE CAPITAL

	<b>30 June 2019 No. of shares Million</b>	31 December 2018 No. of shares Million	<b>30 June 2019 HK\$ Million</b>	31 December 2018 HK\$ Million
Authorised ordinary shares of HK\$0.1 each	<b>5,000</b>	5,000	<b>500</b>	500
Issued and fully paid ordinary shares At 30 June/31 December	<b>3,036</b>	3,036	<b>304</b>	304

## 12. FAIR VALUES MEASUREMENT OF FINANCIAL INSTRUMENTS

### a. Assets and liabilities carried at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement ("HKFRS13"). The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique. The levels are defined as follows:

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

### Financial instruments carried at fair value

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

	At 30 June 2019			At 31 December 2018		
	Level 1 HK\$ Million	Level 2 HK\$ Million	Total HK\$ Million	Level 1 HK\$ Million	Level 2 HK\$ Million	Total HK\$ Million
<b>Assets</b>						
Equity investments						
– Listed investments	2,548	–	2,548	2,396	–	2,396
Derivative financial instruments:						
– Interest rate swaps	–	110	110	–	60	60
– Cross currency interest rate swaps	–	161	161	–	–	–
	2,548	271	2,819	2,396	60	2,456
<b>Liabilities</b>						
Derivative financial instruments:						
– Interest rate swaps	–	–	–	–	48	48
– Cross currency interest rate swaps	–	–	–	–	98	98
Bank loans and other borrowings:						
– Unsecured notes	–	7,540	7,540	–	7,184	7,184
	–	7,540	7,540	–	7,330	7,330

During the six months ended 30 June 2019, there were no transfers of instruments between Level 1 and Level 2, or transfers into or out of Level 3.

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

### *Valuation techniques and inputs used in Level 2 fair value measurements*

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

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

#### **b. Assets and liabilities carried at other than fair value**

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 30 June 2019 and 31 December 2018.

## **13. MATERIAL RELATED PARTY TRANSACTION**

Transactions between the Company and its subsidiaries have been eliminated on consolidation. The Group has entered into the following material related party transactions during the period ended 30 June 2019:

- (a) For the period ended 30 June 2019, the Group earned rental income totalling HK\$561million (2018: HK\$539 million).
  - (i) There was HK\$496 million (2018: HK\$477 million) from 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 Wheelock and Company Limited ("Wheelock").
  - (ii) There was an amount HK\$65 million (2018: HK\$62 million) from various tenants which are subsidiaries of Wheelock and The Wharf (Holdings) Limited ("Wharf"). Such transaction also constitutes a connected transaction as defined under Listing Rules.
- (b) There were in existence agreements with a subsidiary of Wharf for the management, marketing, project management and technical services of the Group's hotel operations. For the period ended 30 June 2019, total fees payable under this arrangement amounted to HK\$48 million (2018: HK\$47 million). Such transaction also constitutes a connected transaction as defined under Listing Rules.
- (c) There were in existence agreements with subsidiaries of Wheelock and Wharf for the property services in respect of the Group's property projects. For the period ended 30 June 2019, total fees payable under this arrangement amounted to HK\$13 million (2018: HK\$10 million). Such transaction also constitutes a connected transaction as defined under Listing Rules.

## 14. CONTINGENT LIABILITIES

As at 30 June 2019, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to overdrafts, short term loans and credit facilities and notes of up to HK\$40,877 million (31 December 2018: HK\$41,900 million).

As at 30 June 2019, there were guarantees of HK\$286 million (31 December 2018: HK\$89 million) provided by the Group to the banks in favour of their customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's development properties.

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

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

## 15. COMMITMENTS

The Group's outstanding commitments as at 30 June 2019 are detailed as below:

### Planned expenditure

	30 June 2019			31 December 2018		
	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million
<b>(I) Properties</b>						
<b>Investment properties</b>						
Hong Kong	93	757	850	111	891	1,002
Mainland China	152	205	357	142	278	420
	245	962	1,207	253	1,169	1,422
<b>Development properties</b>						
Mainland China	1,243	3,572	4,815	1,243	3,771	5,014
<b>Properties total</b>						
Hong Kong	93	757	850	111	891	1,002
Mainland China	1,395	3,777	5,172	1,385	4,049	5,434
	1,488	4,534	6,022	1,496	4,940	6,436
<b>(II) Hotels</b>						
Hong Kong	13	7	20	5	5	10
Mainland China	-	106	106	-	114	114
	13	113	126	5	119	124
<b>Group total</b>	1,501	4,647	6,148	1,501	5,059	6,560

- (i) Properties commitments are mainly for construction costs to be incurred in the forthcoming years.
- (ii) The outstanding commitment for development properties included attributable amounts for developments undertaken by joint ventures of HK\$2,142 million (31 December 2018: HK\$2,169 million) in Mainland China.

## 16. REVIEW OF UNAUDITED INTERIM FINANCIAL INFORMATION

The unaudited interim financial information for the six months ended 30 June 2019 has been reviewed with no disagreement by the Audit Committee of the Company.

## **CORPORATE GOVERNANCE CODE**

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

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

## **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 2017 to govern Directors’ securities transactions with terms thereof being no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors of the Company, and all the Directors have complied with the required standard set out in the Company’s Code during the period under review.

## DIRECTORS' INTERESTS IN SECURITIES

### (A) Interests in Shares

At 30 June 2019, Directors of the Company had the following beneficial interests, all being long positions, in the shares of the Company, Wheelock and Company Limited ("Wheelock") (the Company's parent company) and The Wharf (Holdings) Limited ("Wharf") (the Company's fellow subsidiary). The percentages (where applicable) which the relevant shares represented to the respective number of shares in issue of the three companies are also set out below:

	Quantity held (percentage, where applicable)	Nature of Interest
<b>The Company</b>		
Stephen T H Ng	1,009,445 (0.0332%)	Personal Interest
Andrew K Y Leung	6,629 (0.0002%)	Family Interest
E K Yeoh	20,000 (0.0007%)	Personal Interest
<b>Wheelock</b>		
Stephen T H Ng	176,000 (0.0086%)	Personal Interest
Paul Y C Tsui	300,000 (0.0146%)	Personal Interest
<b>Wharf</b>		
Stephen T H Ng	1,509,445 (0.0495%)	Personal Interest
Doreen Y F Lee	600,000 (0.0197%)	Personal Interest
Y T Leng	750,000 (0.0246%)	Personal Interest
Alexander S K Au	100,000 (0.0033%)	Personal Interest
Andrew K Y Leung	6,629 (0.0002%)	Family Interest
E K Yeoh	20,000 (0.0007%)	Personal Interest

*Note: The interests in shares disclosed above do not include interests in share options of the Company's associated corporation(s) held by Directors as at 30 June 2019. Details of such interests in share options are separately set out below under the sub-sections headed "(B) Interests in Share Options of Wharf" and "(C) Interests in Share Options of Wheelock".*



## (B) Interests in Share Options of Wharf

Set out below are particulars of all interests (all being personal interests) in options held by Directors of the Company during the six months ended 30 June 2019 to subscribe for ordinary shares of Wharf granted/exercisable under the share option scheme of Wharf:

Name of Director	Date of grant (Day/Month/Year)	No. of Wharf's shares under option			Subscription price per share (HK\$)	Vesting/Exercise period (Day/Month/Year)
		As at 1 January 2019	Exercised during the period	As at 30 June 2019 (percentage based on no. of shares in issue)		
Stephen T H Ng	07/07/2016	500,000	-	500,000	15.92	08/07/2017 - 07/07/2021
		1,000,000	-	1,000,000		08/07/2018 - 07/07/2021
		1,000,000	-	1,000,000		08/07/2019 - 07/07/2021
		1,000,000	-	1,000,000		08/07/2020 - 07/07/2021
<b>Total</b>		<b>3,500,000</b>	<b>-</b>	<b>3,500,000</b>		(0.11%)
Doreen Y F Lee	07/07/2016	600,000	-	600,000	15.92	08/07/2019 - 07/07/2021
		600,000	-	600,000		08/07/2020 - 07/07/2021
<b>Total</b>		<b>1,200,000</b>	<b>-</b>	<b>1,200,000</b>		(0.04%)
Paul Y C Tsui	07/07/2016	300,000	-	300,000	15.92	08/07/2018 - 07/07/2021
		300,000	-	300,000		08/07/2019 - 07/07/2021
		300,000	-	300,000		08/07/2020 - 07/07/2021
<b>Total</b>		<b>900,000</b>	<b>-</b>	<b>900,000</b>		(0.03%)
Y T Leng	07/07/2016	200,000	-	200,000	15.92	08/07/2018 - 07/07/2021
		200,000	-	200,000		08/07/2019 - 07/07/2021
		200,000	-	200,000		08/07/2020 - 07/07/2021
<b>Total</b>		<b>600,000</b>	<b>-</b>	<b>600,000</b>		(0.02%)
<b>Grand Total</b>		<b>6,200,000</b>	<b>-</b>	<b>6,200,000</b>		

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

## (C) Interests in Share Options of Wheelock

Set out below are particulars of all interests (all being personal interests) in options held by Director(s) of the Company during the six months ended 30 June 2019 to subscribe for ordinary shares of Wheelock granted/exercisable under the share option scheme of Wheelock:

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

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

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) (the "SFO") in respect of information required to be notified to the Company and the Stock Exchange by the Directors and/or Chief Executive of the Company pursuant to the SFO or the Model Code (or any other applicable code), there were no interests, whether long or short positions, held or deemed to be interested as at 30 June 2019 by any of Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), nor had there been any rights to subscribe for any shares, underlying shares or debentures of the Company and its associated corporations held or deemed to be interested by any of them as at 30 June 2019.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties, other than person(s) who is/are Director(s), who/which were, directly or indirectly, interested in 5% or more of any class of voting shares of the Company as at 30 June 2019, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register"):

<b>Names</b>	<b>No. of Ordinary Shares</b> (percentage based on number of shares in issue)
(i) Wheelock and Company Limited	1,912,950,608 (63.00%)
(ii) HSBC Trustee (C.I.) Limited	1,912,950,608 (63.00%)

Notes:

- (1) For the avoidance of doubt and double counting, it should be noted that the shareholdings stated against parties (i) and (ii) represented the same block of shares.
- (2) Wheelock's deemed shareholding interests stated above included interests held through its wholly-owned subsidiaries, namely Lynchpin Limited ("LL"), High Fame Investments Limited ("HFIL"), WF Investment Partners Limited ("WIPL") and Wheelock Investments Limited ("WIL"), with 254,734,072 shares (8.39%) being the deemed interests held by LL, 268,128,000 shares (8.83%) being the deemed interests held by HFIL, 1,372,226,536 shares (45.20%) being the deemed interests held by WIPL (inclusive of 4,054,000 shares (0.13%) deemed shareholding interests held through Vision Expert (0004) Limited, an indirect wholly-owned subsidiary of Wharf which in turn is a publicly listed subsidiary of Wheelock) and 1,912,950,608 shares (63.00%) being the deemed interests held by WIL.

All the interests stated above represented long positions. As at 30 June 2019, there were no short position interests recorded in the Register.

## CHANGES IN INFORMATION OF DIRECTORS

- (I) Given below is the latest information regarding annual emoluments calculated on an annualised basis for the year 2019 (and the year 2018), exclusive of any and all amounts which would be borne by Wheelock, Wharf and/or their respective wholly-owned subsidiary(ies), of all those Directors for whom there have been changes of amounts of emoluments during the course of their respective terms of office since the publication of the last annual report of the Company:

Director(s)	<sup>(1)</sup> Salary and various allowances HK\$'000		<sup>(2)</sup> Discretionary annual bonus in cash HK\$'000	
Stephen T H Ng	3,439	(2018: 3,352)	6,000	(2018: 17,868)
Doreen Y F Lee	4,945	(2018: 4,801)	6,500	(2018: 24,879)
Paul Y C Tsui <sup>(3)</sup>	2,257	(2018: 1,277)	1,524	(2018: Nil)
Y T Leng	4,735	(2018: 4,503)	6,000	(2018: 13,310)
K H Leung	1,121	(2018: 1,120)	1,500	(2018: 629)

Notes:

- (1) Not including the Chairman's fee of HK\$300,000 per annum (2018: HK\$250,000) and the Remuneration Committee Member's fee of HK\$50,000 per annum (2018: HK\$50,000) payable to Chairman and the Director's fee of HK\$250,000 per annum (2018: HK\$200,000) payable to each of the other Directors of the Company.
- (2) The amounts of such discretionary annual bonuses fixed/decided unilaterally by the employers.
- (3) Mr Paul Y C Tsui was appointed as Vice Chairman and Executive Director on 1 June 2018.

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

### Effective Date

#### Stephen T H Ng

- Greentown China Holdings Limited
  - appointed as non-executive director 11 July 2019

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

By Order of the Board

**Kevin C Y Hui**

*Company Secretary*

Hong Kong, 6 August 2019

*As at the date of this interim report, the Board of Directors of the Company comprises Mr Stephen T H Ng, Ms Doreen Y F Lee, Mr Paul Y C Tsui, Ms Y T Leng and Mr K H Leung, together with five Independent Non-executive Directors, namely Mr Alexander S K Au, Hon Andrew K Y Leung, Mr Andrew J Seaton, Mr R Gareth Williams and Professor E K Yeoh.*

*Notwithstanding any choice of language or means for the receipt of corporate communications (viz. annual report, interim report, etc.) previously made by Shareholder(s) and communicated to the Company, Shareholder(s) is/are given the option (which may be exercised at any time by giving reasonable prior notice to the Company) of changing his/her/their choice of printed language version(s) to English only, Chinese only or both English and Chinese for receiving future corporate communications, or changing the choice of receiving future corporate communications to using electronic means instead of in printed version (or vice versa). Such notice of change of choice should contain the full name(s) in English, address and contact telephone number of the relevant Shareholder(s), together with the relevant words regarding the request for the change of choice, and should be sent to the Company, c/o the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by post or by hand delivery, or via email to [wharfreic-ecom@hk.tricorglobal.com](mailto:wharfreic-ecom@hk.tricorglobal.com).*