



# WHARF

*Established 1886*

## WHARF REAL ESTATE INVESTMENT COMPANY LIMITED

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

Stock Code: 1997

### INTERIM REPORT 2020





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# COVID-19 Devastated Economies the World Over

## HIGHLIGHTS

- The Group is no exception to being a victim of this unprecedented outbreak.
- Cash relief of over HK\$1 billion extended to tenants during the first half.
- Lease renewals face harsh market reality and hard reductions.
- The Mainland situation is better than the rest of the world with noticeable economic activity restarted.
- However, no reliable forecast as to when the pandemic would end until a vaccine is found.
- Interim dividend payout ratio maintained in the meantime.

## GROUP RESULTS

Unaudited Group underlying net profit for the half-year period ended 30 June 2020 decreased by 26% to HK\$3,844 million (2019: HK\$5,184 million), equivalent to HK\$1.27 (2019: HK\$1.71) per share.

Inclusive of net investment properties revaluation deficit of HK\$7,350 million (2019: Surplus of HK\$1,806 million), Group loss attributable to equity shareholders amounted to HK\$4,454 million (2019: Profit of HK\$6,989 million). Basic loss per share was HK\$1.47 (2019: Earnings of HK\$2.30).

## INTERIM DIVIDEND

An interim dividend of HK\$0.78 (2019: HK\$1.10) per share will be paid on 2 September 2020 to Shareholders on record as at 6:00 p.m. on 18 August 2020. The distribution will amount to HK\$2,368 million (2019: HK\$3,340 million), representing 65% of underlying net profit from investment properties and hotels in Hong Kong.

## BUSINESS REVIEW

Hong Kong has been gripped by unprecedented crises for over a year. A double jeopardy starting in mid-2019 with the prolonged local unrest, this was compounded by the massive COVID-19 outbreak since early 2020. Domestic consumption has been dampened under social distancing rules, save for the May/June rebound when zero new cases were reported for a welcoming span of time and when extensive marketing programmes boosted strong activities in our malls.

The hospitality sector bore the brunt with hotel occupancy rates plunging to single digits. Retailers' sales were under unprecedented pressure here and the world over. Office leasing also slowed considerably as corporates re-evaluated expansion plans and implemented cost-cutting measures.

Over HK\$1 billion of cash rent relief has been extended to retail tenants and more has been invested in marketing programmes to stimulate shoppers' footfall and consumption.

With the pandemic hitting every aspect of the Group's businesses hard, revenue declined by 20% while operating profit and underlying net profit both declined by 26%.

In addition, an unrealised deficit on revaluation of the Group's investment properties ("IP") and impairment provisions on the Group's hotels were also included. These collectively led to a loss attributable to equity shareholders of HK\$4,454 million, compared to a profit of HK\$6,989 million in 2019 for a reversal of nearly HK\$11.5 billion.

It is not clear how soon this unprecedented pandemic may end and what shape or speed the subsequent recovery may take. We continue to work to enhance the advantage of our property locations and the critical mass of our trade mix and offerings.

A strong balance sheet and prudent financial management remain vital for the Group to weather the present economic storm or capitalise on the opportunities that may arise.

## HARBOUR CITY

Overall revenue (including hotels) declined by 28% and operating profit by 30%.

### Retail

Revenue declined by 30% and operating profit by 33%. With the pandemic slowing down new investment of retailers, an occupancy rate of 90% was reported at the end of June 2020.

Harbour City forges long-term relationships with its best-in-class tenants and strives to create win-win collaborations to retain the dominant position of the shopping destination. In view of the prolonged impact of the pandemic, the Group embraced a more proactive stance by investing promptly in marketing and promotion to drive patronage and sales.

Taking advantage of the easing of social distancing measures, a first-of-its-kind citywide spending reward scheme “Rewarding Everyone” campaign was launched in May to reach all shoppers in Hong Kong. In parallel, various series of spending reward scheme were launched at the mall to encourage repeat purchases and dining out. Moreover, the attractive time-limited offers for selected categories and extended free parking hours were popular with both shoppers and tenants. These marketing initiatives drew favourable responses and foot traffic.

Even in the current extreme market, a myriad of most-wanted and aspirational brands opened their doors. Amongst over 20 fashion and beauty brands and restaurants with harbour views recruited, *Lululemon* set up the largest flagship store in Asia. Other committed brands include the Hong Kong debuts of *Brunello Cucinelli Kids*, *By Kilian*, *Cole Haan Grandshop* and *Messika*, as well as the Kowloon debuts of *Aroma Truffle*, *POLA* and *Thom Browne*. Meanwhile, the luxury cluster was further enriched with the introduction of *Brunello Cucinelli*, *Canada Goose*, *Pomellato* and *Qeelin*.

Some prestigious brands seized the opportunity to expand. *Hermès* is expanding its Kowloon flagship in the prominent retail frontage on Canton Road. Other notable expansions include *Alexander McQueen* and the Kowloon flagship of *Christian Louboutin* in the high-end fashion cluster, as well as *FILA Kids* and *Max Mara*.

New delectable dining options including the only *Dang Wen Li* by *Dominique Ansel* in Asia, the first *Café @ OFF-WHITE* in Hong Kong, *GāGiNāng*, *Harbourside Grill* and *J.S. Foodies Tokyo* offered shoppers more exciting and fresher experiences.

## Office

Uncertainties in business outlook have slowed leasing decisions, resulting in a quiet market with minimal leasing activity.

Inclusive of the 360,000 square feet of additional office space converted from Gateway Apartments last year, occupancy rate edged down to 86% at the end of June 2020. Revenue remained relatively stable, despite escalating pressure on average rental.

## Gateway Apartments

Amidst softer leasing demand and increasing supply in the market, Gateway Apartments achieved an occupancy rate of 82%.

## Hotels and Club

Marco Polo Hongkong Hotel, Gateway Hotel and Prince Hotel were severely affected by the global travel lockdown which triggered cancellations of rooms and events bookings. This opened a time window for Prince Hotel to be closed since February for a complete overhaul. The hotel is scheduled to re-open with a fresh look in the first half of 2021.

With health and safety being the utmost priority, proactive measures have been taken to elevate the standards of hygiene to provide comfort to incoming guests during this unprecedented period.

## TIMES SQUARE

Overall revenue decreased by 19% and operating profit by 21%.

### Retail

Businesses at Times Square were widely disrupted by the pandemic and the social distancing measures. As a result of the weaker market sentiment, retail revenue decreased by 23% and operating profit by 25%. Occupancy rate dropped to 92% at the end of June 2020.

Times Square spares no efforts to drive foot traffic and entice spending in the competitive market. Joining hands with Harbour City, the citywide spending reward scheme “Rewarding Everyone” campaign was launched to excite and reward all shoppers in Hong Kong. In parallel, a spate of alluring marketing events, including various coupon rewards and shopping surprise offers, have been rolled out to encourage repeat visits. Foot traffic picked up substantially in the second quarter of 2020.

### Office

The challenging business environment halted office leasing to a partial standstill during the period.

Occupancy rate was 91% at the end of June 2020.

## CENTRAL PORTFOLIO

Wheelock House and Crawford House continued to show resilience underpinned by their location and standards. Revenue increased by 6% and operating profit by 8%.

Occupancy rate remained consistently high despite the current soft market. Wheelock House offices achieved an occupancy of 94% at the end of June 2020. Occupancy rate at Crawford House offices was 98%.

The retail premises at Wheelock House was fully occupied as at 30 June 2020, whereas Crawford House’s occupancy was at 95% for retail premises.

The Murray, Hong Kong, a Niccolo Hotel, faced intense challenges as the massive COVID-19 outbreak has put business and leisure travel on pause.

## PLAZA HOLLYWOOD

Revenue decreased by 13% and operating profit by 17% amid the current soft market. Occupancy rate was 96% at the end of June 2020.

Packed with a comprehensive retail offering, Plaza Hollywood caters to the diverse preferences of the expanding middle class population in Kowloon East. The partial opening of the MTR's Tuen Ma Line from Tai Wai to Kai Tak via Diamond Hill early this year further amplified the geographical advantage of the well-established retail destination. Special cross trade promotions and exclusive reward programmes for VIC members have been launched to boost patronage during the period.

## SINGAPORE PORTFOLIO

Acquired in late 2019, the Group's IP portfolio in Singapore comprises Wheelock Place and Scotts Square mall in the renowned Orchard Road belt. However, business in Singapore was disrupted by the government's "circuit-breaker" lockdown restrictions during much of the first half of 2020.

Wheelock Place office tower and retail portion achieved 93% occupancy whilst Scotts Square mall retail was 96% occupied.

## FINANCIAL REVIEW

### (I) REVIEW OF 2020 INTERIM RESULTS

Group underlying net profit decreased by 26% to HK\$3,844 million (2019: HK\$5,184 million) with investment properties (“IP”) decreasing by 23% to HK\$3,853 million and hotels turning from profit to loss. Including the revaluation and impairment losses of IP and hotels, the Group recorded a loss of HK\$4,454 million attributable to equity shareholders (2019: Profit of HK\$6,989 million).

#### Revenue and Operating Profit

Group revenue and operating profit decreased by 20% to HK\$6,775 million (2019: HK\$8,498 million) and 26% to HK\$4,966 million (2019: HK\$6,722 million) respectively.

IP revenue decreased by 18% to HK\$6,089 million (2019: HK\$7,433 million) and operating profit by 21% to HK\$5,211 million (2019: HK\$6,591 million), mainly due to reduction in turnover rent and base rent concessions to help retail tenants amid the current unfavourable circumstance.

Hotel revenue nosedived by 72% to HK\$256 million (2019: HK\$906 million), resulting in operating loss of HK\$243 million (2019: Profit of HK\$139 million), as cross border travels effectively came to a halt.

Investment and others revenue rose by 4% to HK\$155 million (2019: HK\$149 million) and operating profit by 15% to HK\$89 million (2019: HK\$78 million).

#### Fair Value Loss of IP

IP portfolio was stated at HK\$251.5 billion based on an independent valuation as at 30 June 2020, representing a revaluation deficit of HK\$7,529 million. Netting out relevant non-controlling interests, an attributable unrealised loss of HK\$7,350 million was charged to the consolidated statement of profit or loss.

#### Finance Costs

Net finance costs amounted to HK\$677 million (2019: HK\$460 million) after interest capitalisation of HK\$8 million (2019: HK\$16 million) for development properties (“DP”) and an unrealised mark-to-market loss on borrowings of HK\$123 million (2019: Nil). The Group’s effective borrowing rate was 2.3% per annum (2019: 2.4%). Excluding the unrealised mark-to-market loss, finance costs before capitalisation were HK\$562 million (2019: HK\$476 million), representing a 18% increase.



## **Income Tax**

Taxation charge decreased by 62% to HK\$389 million (2019: HK\$1,028 million) principally on a reduction in taxable profit of IP and hotels. In addition, a one-off land appreciation tax write-back of HK\$494 million for a Mainland development property was recorded upon clearance with relevant tax authorities.

## **Loss Attributable to Equity Shareholders**

Group loss attributable to equity shareholders for the period amounted to HK\$4,454 million (2019: Profit of HK\$6,989 million). Basic loss per share was HK\$1.47, based on 3,036 million ordinary shares in issue (2019: Earnings of HK\$2.30 based on 3,036 million ordinary shares in issue).

Underlying net profit (a performance indicator of the Group's major business segments and arrived at after excluding the attributable net IP revaluation surplus/deficit, impairment provision on hotel properties and unrealised mark-to-market loss on borrowings) decreased by 26% to HK\$3,844 million (2019: HK\$5,184 million). Underlying earnings per share were HK\$1.27 (2019: HK\$1.71).

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

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

As at 30 June 2020, shareholders' equity decreased by HK\$8.3 billion to HK\$207.9 billion (2019: HK\$216.2 billion), equivalent to HK\$68.47 per share based on 3,036 million ordinary shares in issue (2019: HK\$71.20 per share based on 3,036 million ordinary shares in issue).

Total equity including non-controlling interests decreased by HK\$9.0 billion to HK\$212.4 billion (2019: HK\$221.4 billion).

### **Assets**

Total assets as at 30 June 2020 was HK\$287.0 billion (2019: HK\$284.3 billion), 94% (2019: 94%) of which was in Hong Kong. Total business assets, excluding bank deposits and cash, equity investments, derivative financial assets and deferred tax assets, was HK\$269.8 billion (2019: HK\$276.6 billion).

## IP

IP decreased by 3% to HK\$251.5 billion (2019: HK\$259.9 billion), representing 93% (2019: 94%) of total business assets. Harbour City (excluding the three hotels which were stated at cost) was valued at HK\$168.1 billion (2019: HK\$172.6 billion). Including the internal valuation of these hotels, Harbour City had a total valuation of HK\$175.2 billion or HK\$58 per share. Times Square was valued at HK\$54.6 billion, or about HK\$18 per share.

## Hotels

Hotel properties are stated at cost less accumulated depreciation and impairment losses at HK\$7.2 billion (2019: HK\$7.7 billion). Internal valuation of these hotels amounted to HK\$14.1 billion (2019: HK\$15.2 billion).

## DP/Interests in an Associate and Joint Ventures

DP amounted to HK\$6.6 billion (2019: HK\$5.1 billion), mainly representing DP portion of Suzhou IFS. DP undertaken through an associate and joint ventures amounted to HK\$2.7 billion.

## Debts and Gearing

Net debt as at 30 June 2020 rose to HK\$52.6 billion (2019: HK\$42.6 billion). It comprised debts of HK\$58.1 billion and bank deposits and cash of HK\$5.5 billion.

An analysis of net debt is depicted below:

<b>Net debt/(cash)</b>	<b>30 June 2020 HK\$ Billion</b>	31 December 2019 HK\$ Billion
The Group (excluding Harbour Centre Development Limited ("HCDL"))	<b>50.4</b>	40.9
HCDL	<b>2.2</b>	1.7
<b>Total net debt</b>	<b>52.6</b>	42.6

As at 30 June 2020, the ratio of net debt to total equity rose to 24.8% (2019: 19.3%).

## Finance and Availability of Facilities

Total available loan facilities as at 30 June 2020 amounted to HK\$66.6 billion, of which HK\$58.1 billion was utilised. The breakdown is depicted below:

	Available Facility HK\$ Billion	30 June 2020 Total Drawn HK\$ Billion	Undrawn Facility HK\$ Billion
Committed and uncommitted bank facilities The Group (excluding HCDL)	61.2	55.2	6.0
HCDL	5.4	2.9	2.5
	66.6	58.1	8.5

Certain banking facilities were secured by mortgage over the Group's properties held for sales with total carrying value of HK\$6.6 billion (2019: HK\$5.7 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.

## 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 and tax payment) of HK\$5.0 billion (2019: HK\$6.8 billion) principally comprising rental income. Changes in working capital, primarily due to profits tax payment, reduced the net cash inflow from operating activities to HK\$1.0 billion (2019: HK\$6.8 billion). For investing activities, the Group recorded a net cash outflow of HK\$7.4 billion (2019: HK\$0.3 billion) mainly attributable to equity investments.

## Capital Commitments

As at 30 June 2020, major expenditures to be incurred in the coming years were estimated at HK\$3.2 billion, of which HK\$0.6 billion was committed. A breakdown (by segment) is as follows:

	As at 30 June 2020		Total HK\$ Million
	Committed HK\$ Million	Uncommitted HK\$ Million	
<b>Properties</b>			
<b>IP</b>			
Hong Kong	134	466	600
Singapore	1	–	1
	135	466	601
<b>DP</b>			
Mainland China	304	1,663	1,967
<b>Properties total</b>			
Hong Kong	134	466	600
Mainland China	304	1,663	1,967
Singapore	1	–	1
	439	2,129	2,568
<b>Hotels</b>			
Hong Kong	116	85	201
Mainland China	86	394	480
	202	479	681
<b>Group total</b>	<b>641</b>	<b>2,608</b>	<b>3,249</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\$2.4 billion, which will be funded by its own financial resources.

### (III) HUMAN RESOURCES

The Group had approximately 2,800 employees as at 30 June 2020. 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 STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020 — Unaudited

	Note	Six months ended 30 June	
		2020 HK\$ Million	2019 HK\$ Million
<b>Revenue</b>	2	<b>6,775</b>	8,498
Direct costs and operating expenses		<b>(1,395)</b>	(1,312)
Selling and marketing expenses		<b>(124)</b>	(153)
Administrative and corporate expenses		<b>(139)</b>	(165)
Operating profit before depreciation, amortisation, interest and tax		<b>5,117</b>	6,868
Depreciation and amortisation		<b>(151)</b>	(146)
<b>Operating profit</b>	2 & 3	<b>4,966</b>	6,722
(Decrease)/Increase in fair value of investment properties		<b>(7,529)</b>	1,814
Other net charge	4	<b>(1,148)</b>	–
Finance costs	5	<b>(3,711)</b>	8,536
Share of results after tax of: – An associate		<b>(677)</b>	(460)
(Loss)/Profit before taxation		<b>(4,464)</b>	8,101
Income tax	6	<b>(389)</b>	(1,028)
<b>(Loss)/Profit for the period</b>		<b>(4,853)</b>	7,073
<b>(Loss)/Profit attributable to:</b>			
Equity shareholders		<b>(4,454)</b>	6,989
Non-controlling interests		<b>(399)</b>	84
		<b>(4,853)</b>	7,073
<b>(Loss)/Earnings per share</b>	7		
Basic		<b>(HK\$1.47)</b>	HK\$2.30
Diluted		<b>(HK\$1.47)</b>	HK\$2.30

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020 — Unaudited

	Six months ended 30 June	
	2020 HK\$ Million	2019 HK\$ Million
<b>(Loss)/Profit for the period</b>	<b>(4,853)</b>	7,073
<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	<b>(1,021)</b>	152
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of the operations outside Hong Kong – subsidiaries	<b>(232)</b>	(12)
Share of reserves of an associate	<b>(15)</b>	(1)
Others	<b>2</b>	–
<b>Other comprehensive income for the period</b>	<b>(1,266)</b>	139
<b>Total comprehensive income for the period</b>	<b>(6,119)</b>	7,212
<b>Total comprehensive income attributable to:</b>		
Equity shareholders	<b>(5,456)</b>	7,091
Non-controlling interests	<b>(663)</b>	121
	<b>(6,119)</b>	7,212

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020 — Unaudited

	Note	30 June 2020 HK\$ Million	31 December 2019 HK\$ Million
<b>Non-current assets</b>			
Investment properties		251,466	259,873
Hotel and club properties, plant and equipment		7,479	7,928
Interest in an associate		1,124	1,249
Interest in joint ventures		1,603	1,604
Equity investments		10,340	4,065
Deferred tax assets		263	374
Derivative financial assets		846	238
Other non-current assets		57	57
		<b>273,178</b>	275,388
<b>Current assets</b>			
Properties for sale		6,606	5,123
Inventories		15	16
Trade and other receivables	9	1,512	885
Prepaid tax		122	22
Bank deposits and cash		5,535	2,907
		<b>13,790</b>	8,953
<b>Total assets</b>		<b>286,968</b>	284,341



	Note	30 June 2020 HK\$ Million	31 December 2019 HK\$ Million
<b>Non-current liabilities</b>			
Derivative financial liabilities		(57)	(20)
Deferred tax liabilities		(2,449)	(2,403)
Other deferred liabilities		(333)	(333)
Bank loans and other borrowings	11	(41,424)	(33,236)
		<b>(44,263)</b>	(35,992)
<b>Current liabilities</b>			
Trade and other payables	10	(9,400)	(8,384)
Pre-sale deposits and proceeds		(3,283)	(3,172)
Derivative financial liabilities		(60)	–
Taxation payable		(818)	(3,079)
Bank loans and other borrowings	11	(16,703)	(12,300)
		<b>(30,264)</b>	(26,935)
<b>Total liabilities</b>		<b>(74,527)</b>	(62,927)
<b>NET ASSETS</b>			
		<b>212,441</b>	221,414
<b>Capital and reserves</b>			
Share capital	12	304	304
Reserves		207,580	215,860
<b>Shareholders' equity</b>		<b>207,884</b>	216,164
<b>Non-controlling interests</b>		<b>4,557</b>	5,250
<b>TOTAL EQUITY</b>		<b>212,441</b>	221,414

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020 — 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 2020</b>	<b>304</b>	<b>696</b>	<b>297</b>	<b>116</b>	<b>214,751</b>	<b>216,164</b>	<b>5,250</b>	<b>221,414</b>
<b>Changes in equity for the period:</b>								
Loss	-	-	-	-	(4,454)	(4,454)	(399)	(4,853)
Other comprehensive income	-	-	(777)	(227)	2	(1,002)	(264)	(1,266)
Total comprehensive income	-	-	(777)	(227)	(4,452)	(5,456)	(663)	(6,119)
Second interim dividend paid for 2019 (Note 8(b))	-	-	-	-	(2,824)	(2,824)	-	(2,824)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(30)	(30)
<b>At 30 June 2020</b>	<b>304</b>	<b>696</b>	<b>(480)</b>	<b>(111)</b>	<b>207,475</b>	<b>207,884</b>	<b>4,557</b>	<b>212,441</b>
<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	-	-	-	-	(3,188)	(3,188)	-	(3,188)
Dividends paid to non-controlling interest	-	-	-	-	-	-	(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>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020 — Unaudited

	Six months ended 30 June	
	2020 HK\$ Million	2019 HK\$ Million
Operating cash inflow	5,002	6,797
Changes in working capital and others	(1,455)	570
Tax paid	(2,578)	(520)
<b>Net cash generated from operating activities</b>	<b>969</b>	6,847
<b>Investing activities</b>		
Payment for investment properties, hotel and club properties, plant and equipment	(112)	(253)
Other cash (used in)/generated from investing activities	(7,245)	2
Net cash used in investing activities	(7,357)	(251)
<b>Financial activities</b>		
Dividends paid to equity shareholders	(2,824)	(3,188)
Other cash generated from/(used in) financing activities	11,876	(2,676)
Net cash generated from/(used in) financing activities	9,052	(5,864)
<b>Increase in cash and cash equivalents</b>	<b>2,664</b>	732
Cash and cash equivalents at 1 January	2,907	2,675
Effect of exchange rate changes	(36)	(9)
<b>Cash and cash equivalents at 30 June</b>	<b>5,535</b>	3,398
<b>Cash and cash equivalents</b>		
Bank deposits and cash in the consolidated statement of financial position	5,535	3,398

## 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 2019. 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 2019 except for the changes mentioned below.

The HKICPA has issued a number of amendments 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:

Amendments to HKFRS 3	Definition of a business
Amendments to HKAS 1 and HKAS 8	Definition of material

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

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 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 entails property leasing and management operations. Currently, the Group's investment property portfolio, which mainly consists of retail, office and serviced apartments is primarily located in Hong Kong and Singapore.

Development property segment encompasses activities relating to the acquisition, development, construction and sales of trading properties in Mainland China and Singapore.

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. Inter-segment pricing is generally determined on an arm's length basis.

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 HK\$ Million	Operating profit HK\$ Million	(Decrease)/ increase in fair value of investment properties HK\$ Million	Other net charge HK\$ Million	Finance costs HK\$ Million	Share of results after tax of an associate HK\$ Million	(Loss)/ profit before taxation HK\$ Million
30 June 2020							
Investment property	6,089	5,211	(7,529)	-	(517)	-	(2,835)
Development property	303	(3)	-	-	-	(76)	(79)
Hotel	256	(243)	-	(1,043)	(24)	-	(1,310)
Inter-segment revenue	(28)	-	-	-	-	-	-
Segment total	6,620	4,965	(7,529)	(1,043)	(541)	(76)	(4,224)
Investment and others	155	89	-	(105)	(136)	-	(152)
Corporate expenses	-	(88)	-	-	-	-	(88)
Group total	6,775	4,966	(7,529)	(1,148)	(677)	(76)	(4,464)
30 June 2019							
Investment property	7,433	6,591	1,814	-	(441)	-	7,964
Development property	10	(14)	-	-	-	25	11
Hotel	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

## b. Disaggregation of revenue

	Six months ended 30 June	
	2020 HK\$ Million	2019 HK\$ Million
<b>Revenue recognised under HKFRS 15</b>		
Management and services income	561	602
Other rental related income	194	157
Hotel and club operations	256	906
Sale of development properties	303	10
	<b>1,314</b>	1,675
<b>Revenue recognised under other accounting standards</b>		
Rental income		
– Fixed	5,154	5,885
– Variable	160	789
	<b>5,314</b>	6,674
Investment and others	147	149
	<b>5,461</b>	6,823
<b>Total revenue</b>	<b>6,775</b>	8,498

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. Analysis of inter-segment revenue

	Six months ended 30 June					
	2020			2019		
	Total Revenue HK\$ Million	Inter-segment revenue HK\$ Million	Group Revenue HK\$ Million	Total Revenue HK\$ Million	Inter-segment revenue HK\$ Million	Group Revenue HK\$ Million
Investment property	6,089	(20)	6,069	7,433	–	7,433
Development property	303	–	303	10	–	10
Hotel	256	–	256	906	–	906
Investment and others	155	(8)	147	149	–	149
<b>Group total</b>	<b>6,803</b>	<b>(28)</b>	<b>6,775</b>	<b>8,498</b>	<b>–</b>	<b>8,498</b>

### d. Geographical information

	Six months ended 30 June			
	Revenue		Operating profit	
	2020 HK\$ Million	2019 HK\$ Million	2020 HK\$ Million	2019 HK\$ Million
Hong Kong	6,263	8,398	4,864	6,688
Outside Hong Kong	512	100	102	34
<b>Group total</b>	<b>6,775</b>	<b>8,498</b>	<b>4,966</b>	<b>6,722</b>



### 3. OPERATING PROFIT

Operating profit is arrived at:

	Six months ended 30 June	
	2020 HK\$ Million	2019 HK\$ Million
<b>After charging:</b>		
Depreciation and amortisation on		
– hotel and club properties, plant and equipment	147	142
– leasehold land	4	4
Total depreciation and amortisation	151	146
Staff cost (Note)	442	506
Cost of trading properties for recognised sales	281	9
Direct operating expenses of investment properties	834	801
<b>and crediting:</b>		
Gross rental revenue from investment properties	6,089	7,433
Interest income	18	19
Dividend from equity investments	97	52

Note:

Staff costs included contributions to defined contribution pension schemes of HK\$24 million (2019: HK\$29 million).

### 4. OTHER NET CHARGE

Other net charge for the period amounted to HK\$1,148 million (2019: Nil) mainly comprises:

- a. Impairment provision of HK\$1,043 million made for hotel properties.
- b. Net foreign exchange loss of HK\$89 million (2019: Nil) which included the impact of foreign exchange contracts.

## 5. FINANCE COSTS

	Six months ended 30 June	
	2020 HK\$ Million	2019 HK\$ Million
Interest charged on:		
Bank loans and overdrafts	358	358
Other borrowings	179	92
Total interest charge	537	450
Other finance costs	25	26
Less: Amount capitalised	(8)	(16)
	554	460
Fair value loss on borrowings	123	–
Total	677	460

- a. The Group's average effective borrowing rate for the period was 2.3% p.a. (2019: 2.4% p.a.).
- b. The above interest charge has taken into account the interest paid/receipts in respect of interest rate swaps and cross currency interest rate swaps.

## 6. INCOME TAX

Taxation charged/(credited) to the consolidated statement of profit or loss represents:

	Six months ended June	
	2020 HK\$ Million	2019 HK\$ Million
<b>Current income tax</b>		
Hong Kong		
– provision for the period	701	1,007
Outside Hong Kong		
– provision for the period	25	55
	<b>726</b>	1,062
<b>Land appreciation tax (“LAT”) in Mainland China</b>	<b>(494)</b>	1
<b>Deferred tax</b>		
Origination and reversal of temporary differences	157	(35)
<b>Total</b>	<b>389</b>	1,028

- 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% (2019: 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% (2019: 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. A one-off LAT write-back of HK\$494 million was recorded upon clearance with relevant tax authorities in Mainland China.
- d. Tax attributable to an associate for the six months ended 30 June 2020 of HK\$18 million (2019: HK\$8 million) is included in the share of results of an associate.

## 7. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders for the period of HK\$4,454 million (2019: profit HK\$6,989 million) and 3,036 million ordinary shares in issue (2019: 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 2020 and 2019.

## 8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	Six months ended 30 June			
	2020 HK\$ Per share	2020 HK\$ Million	2019 HK\$ Per share	2019 HK\$ Million
First interim dividend declared after the end of the reporting period	0.78	2,368	1.10	3,340

- a. The first interim dividend based on 3,036 million ordinary shares in issue 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\$2,824 million for 2019 was approved and paid in 2020.

## 9. TRADE AND OTHER RECEIVABLES

Included in this item are trade receivables (net of loss allowance) with an ageing analysis based on the invoice date as at 30 June 2020 as follows:

	30 June 2020 HK\$ Million	31 December 2019 HK\$ Million
Trade receivables		
0 – 30 days	307	271
31 – 60 days	67	32
61 – 90 days	47	14
Over 90 days	101	15
Other receivables and prepayments	522 990	332 553
	1,512	885

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.

## 10. TRADE AND OTHER PAYABLES

Included in this item are trade payables with an ageing analysis based on the invoice date as at 30 June 2020 as follows:

	<b>30 June 2020 HK\$ Million</b>	31 December 2019 HK\$ Million
Trade payables		
0 – 30 days	<b>251</b>	133
31 – 60 days	<b>4</b>	7
61 – 90 days	<b>1</b>	1
Over 90 days	<b>2</b>	10
	<b>258</b>	151
Rental and customer deposits	<b>3,651</b>	3,761
Construction costs payable	<b>2,073</b>	615
Amount due to joint ventures	<b>1,587</b>	1,589
Other payables	<b>1,831</b>	2,268
	<b>9,400</b>	8,384

## 11. BANK LOANS AND OTHER BORROWINGS

	<b>30 June 2020 HK\$ Million</b>	31 December 2019 HK\$ Million
Notes (unsecured)	<b>20,664</b>	10,351
Bank loans (secured)	<b>330</b>	335
Bank loans (unsecured)	<b>37,133</b>	34,850
<b>Total bank loans and other borrowings</b>	<b>58,127</b>	45,536
<b>Analysis of maturities of the above borrowings:</b>		
<b>Current borrowings</b>		
Due within 1 year	<b>16,703</b>	12,300
<b>Non-current borrowings</b>		
Due after more than 1 year but not exceeding 5 years	<b>27,873</b>	25,217
Due after more than 5 years	<b>13,551</b>	8,019
	<b>41,424</b>	33,236
<b>Total bank loans and other borrowings</b>	<b>58,127</b>	45,536

## 12. SHARE CAPITAL

	<b>30 June 2020 No. of shares Million</b>	31 December 2019 No. of shares Million	<b>30 June 2020 HK\$ Million</b>	31 December 2019 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

## 13. FAIR VALUES MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

### **Financial instruments carried at fair value**

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

	At 30 June 2020			At 31 December 2019		
	Level 1	Level 2	Total	Level 1	Level 2	Total
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
<b>Assets</b>						
Equity investments:						
– Listed securities	10,340	-	10,340	4,065	-	4,065
Derivative financial instruments:						
– Interest rate swaps	-	143	143	-	52	52
– Cross currency interest rate swaps	-	703	703	-	186	186
	10,340	846	11,186	4,065	238	4,303
<b>Liabilities</b>						
Derivative financial instruments:						
– Forward foreign exchange contracts	-	18	18	-	-	-
– Interest rate swaps	-	57	57	-	12	12
– Cross currency interest rate swaps	-	42	42	-	8	8
Bank loans and other borrowings:						
– Unsecured notes	-	11,041	11,041	-	10,351	10,351
	-	11,158	11,158	-	10,371	10,371

During the six months ended 30 June 2020, 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.

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.

#### **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 2020 and 31 December 2019.

## **14. 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 2020:

- (a) For the period ended 30 June 2020, the Group earned rental income totalling HK\$348 million (2019: HK\$561 million).
  - (i) There was HK\$295 million (2019: HK\$496 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\$53 million (2019: HK\$65 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 2020, total fees payable under this arrangement amounted to HK\$4 million (2019: HK\$48 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 2020, total fees payable under this arrangement amounted to HK\$68 million (2019: HK\$13 million). Such transaction also constitutes a connected transaction as defined under Listing Rules.

## 15. CONTINGENT LIABILITIES

As at 30 June 2020, 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\$60,287 million (31 December 2019: HK\$44,224 million).

As at 30 June 2020, there were guarantees of HK\$601 million (31 December 2019: HK\$546 million) provided by the Group to the financial institutions in favour of their customers in respect of the mortgage loans provided by the financial institutions to those customers for the purchase of the Group's development properties. There were no (31 December 2019: HK\$58 million) mortgage loan guarantees provided by associates of the Group to the financial institutions in favour of their customers.

The Group and the Company have not recognised any deferred income of the above guarantees for subsidiaries, joint ventures and associates as their fair value cannot be reliably measured and their transaction price was HK\$Nil (31 December 2019: HK\$Nil).

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

## 16. COMMITMENTS

The Group's outstanding commitments as at 30 June 2020 are detailed as below:-

### Planned expenditure

	30 June 2020			31 December 2019		
	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	134	466	600	125	871	996
Mainland China	-	-	-	82	152	234
Singapore	1	-	1	2	-	2
	<b>135</b>	<b>466</b>	<b>601</b>	209	1,023	1,232
<b>Development properties</b>						
Mainland China	304	1,663	1,967	968	3,371	4,339
<b>Properties total</b>						
Hong Kong	134	466	600	125	871	996
Mainland China	304	1,663	1,967	1,050	3,523	4,573
Singapore	1	-	1	2	-	2
	<b>439</b>	<b>2,129</b>	<b>2,568</b>	1,177	4,394	5,571
<b>(ii) Hotels</b>						
Hong Kong	116	85	201	11	5	16
Mainland China	86	394	480	-	104	104
	<b>202</b>	<b>479</b>	<b>681</b>	11	109	120
<b>Group total</b>	<b>641</b>	<b>2,608</b>	<b>3,249</b>	1,188	4,503	5,691

- (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\$1,967 million (31 December 2019: HK\$2,025 million) in Mainland China.

## 17. REVIEW OF UNAUDITED INTERIM FINANCIAL INFORMATION

The unaudited interim financial information for the six months ended 30 June 2020 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 nine experienced and high calibre individuals, with four directors 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 2020, 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 as at 30 June 2020) and The Wharf (Holdings) Limited ("Wharf") (the Company's fellow subsidiary as at 30 June 2020). The percentages (where applicable) which the relevant shares represented to the total number of shares in issue of the three companies respectively are also set out below:

	Quantity held (percentage, where applicable)	Nature of Interest
<b>The Company</b>		
Stephen T H Ng	1,259,445 (0.0415%)	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	2,009,445 (0.0659%)	Personal Interest
Doreen Y F Lee	360,000 (0.0118%)	Personal Interest
Y T Leng	750,000 (0.0246%)	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 2020. 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 2020 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 2020	Exercised during the period	As at 30 June 2020 (percentage based on total no. of shares in issue)		
Stephen T H Ng	07/07/2016	1,000,000	-	1,000,000	15.92	08/07/2018 – 07/07/2021
		1,000,000	-	1,000,000		
		1,000,000	-	1,000,000		
		<b>Total</b>	<b>3,000,000</b>	<b>-</b>		
Doreen Y F Lee	07/07/2016	600,000	-	600,000	15.92	08/07/2020 – 07/07/2021
		<b>Total</b>	<b>600,000</b>	<b>-</b>		
Paul Y C Tsui	07/07/2016	300,000	-	300,000	15.92	08/07/2020 – 07/07/2021
		<b>Total</b>	<b>300,000</b>	<b>-</b>		
Y T Leng	07/07/2016	200,000	-	200,000	15.92	08/07/2018 – 07/07/2021
		200,000	-	200,000		
		200,000	-	200,000		
		<b>Total</b>	<b>600,000</b>	<b>-</b>		
<b>Grand Total</b>		<b>4,500,000</b>	<b>-</b>	<b>4,500,000</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 2020 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 2020	Exercised during the period	As at 30 June 2020 (percentage based on total no. of shares in issue)		
Paul Y C Tsui	07/07/2016	300,000	–	300,000	36.60	08/07/2019 – 07/07/2021
		300,000	–	300,000		08/07/2020 – 07/07/2021
	<b>Total</b>	<b>600,000</b>	<b>–</b>	<b>600,000</b> (0.03%)		

Notes:

1. According to the scheme document jointly published by Wheelock and the offeror, namely, Admiral Power Holdings Limited, on 21 May 2020, the share options of Wheelock lapsed automatically on the effective date of the scheme, i.e. 23 July 2020, and would no longer be exercisable as from such date. The relevant details are set out in the scheme document.
2. 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 2020 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 2020.

## 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 2020, 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 total number of shares in issue)
(i) Wheelock and Company Limited	2,114,434,608 (69.64%)
(ii) HSBC Trustee (C.I.) Limited ("HSBC Trustee")	2,114,434,608 (69.64%)

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) The deemed shareholding interests of Wheelock and HSBC Trustee of 2,114,434,608 shares (69.64%) as at 30 June 2020 stated above included Wheelock's beneficial interests of 667,432,957 shares (21.98%) and interests held through Wheelock's wholly-owned subsidiaries as below:

<b>Names</b>	<b>No. of ordinary shares</b> (percentage based on total number of shares in issue)
(i) Big Heritage Limited ("BHL")	34,612,000 (1.14%)
(ii) High Fame Investments Limited ("HFIL")	286,286,000 (9.43%)
(iii) Lynchpin Limited ("LL")	254,734,072 (8.39%)
(iv) Manuka Investments Pte. Ltd. ("MIPL")	43,668,000 (1.44%)
(v) WF Investment Partners Limited ("WIPL")	*827,701,579 (27.26%)
(vi) Wheelock Investments Limited ("WIL")	1,447,001,651 (47.66%)

- \* WIPL's interests included 126,962,000 shares (4.18%) deemed shareholding interests held through Vision Expert (0004) Limited ("VE4L"), an indirect wholly-owned subsidiary of Wharf which in turn is a publicly listed subsidiary of Wheelock.

- (3) As at 23 July 2020, according to the respective disclosure of interests forms filed by Wheelock and HSBC Trustee under the SFO, the deemed shareholding interests of Wheelock and HSBC Trustee in the Company were 1,484,946,651 shares (48.91%), which included interests held through Wheelock's wholly-owned subsidiaries as below:

<b>Names</b>	<b>No. of ordinary shares</b> (percentage based on total number of shares in issue)
(i) ACE Orchard Limited	8,175,000 (0.27%)
(ii) Alpha Pioneer Investments Limited	12,240,000 (0.40%)
(iii) BHL	34,612,000 (1.14%)
(iv) Captain Concord Limited	17,530,000 (0.58%)
(v) HFIL	286,286,000 (9.43%)
(vi) LL	254,734,072 (8.39%)
(vii) MIPL	43,668,000 (1.44%)
(viii) WIPL	700,739,579 (23.08%)
(ix) WIL	*1,484,946,651 (48.91%)

- \* WIL's interests included 126,962,000 shares (4.18%) deemed shareholding interests held through VE4L, an indirect wholly-owned subsidiary of Wharf which in turn is a publicly listed subsidiary of Wheelock.

All the interests stated above represented long positions. As at 30 June 2020, 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 2020 (and the year 2019), 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	3,558	(2019: 3,455)	5,600	(2019: 9,304)
Doreen Y F Lee	5,125	(2019: 4,976)	6,850	(2019: 14,425)
Paul Y C Tsui	2,325	(2019: 2,257)	2,600	(2019: 5,070)
Y T Leng	4,929	(2019: 4,736)	6,000	(2019: 6,777)
Kevin C Y Hui <sup>(3)</sup>	1,638	(2019: Nil)	699	(2019: Nil)

Notes:

- (1) Not including the Chairman's fee of HK\$300,000 (2019: HK\$300,000) per annum and the Remuneration Committee Member's fee of HK\$50,000 (2019: HK\$50,000) per annum payable to Chairman and the Director's fee of HK\$250,000 (2019: HK\$250,000) per annum 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 Kevin C Y Hui was appointed as Director on 1 January 2020.

- (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

- Joyce Boutique Group Limited ("JBGL")  
(listed on the Stock Exchange until 27 April 2020)
    - resigned as non-executive chairman
- 27 April 2020

#### Kevin C Y Hui

- JBGL
    - resigned as company secretary
- 27 April 2020

#### R Gareth Williams

- Wharf Real Estate Investment Company Limited
    - appointed as member of Remuneration Committee
- 7 May 2020

## 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 of

**Wharf Real Estate Investment Company Limited**

**Kevin C Y Hui**

*Director and Company Secretary*

Hong Kong, 30 July 2020

*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 Kevin C Y Hui, together with four Independent Non-executive Directors, namely Mr Alexander S K Au, Hon Andrew K Y Leung, 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.*