



WHARF

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*Established 1886*

THE WHARF (HOLDINGS) LIMITED

Stock Code : 0004

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# Portfolio Facing Headwind

## HIGHLIGHTS

- Assets in Mainland China of over RMB100 billion or over 70% of total Group assets contribute to about 80% of Group profit.
- The roller-coaster Sino-US conflict has profound impact on both economies as well as Hong Kong's.
- Renminbi weakened by 0.4% against Hong Kong Dollar in the first half of 2019 and faces continued uncertainty.
- Back in Hong Kong, weak demand has been further weakened by travel advisories, economic slowdown, contracting exports/re-exports, falling retail sales, stock market jitters and the threat to employment.
- Profit attributable to equity shareholders for the first half of 2019 declined by 14%.
- Full year outlook will also be uncertain.

## GROUP RESULTS

Unaudited Group underlying net profit decreased by 12% to HK\$2,236 million (2018: HK\$2,527 million).

Group profit attributable to equity shareholders, including Investment Properties revaluation surplus and other unrealised accounting gains/losses, decreased by 14% to HK\$2,450 million (2018: HK\$2,860 million).

## INTERIM DIVIDEND

A first interim dividend of HK\$0.25 (2018: HK\$0.25) per share will be paid on 11 September 2019 to Shareholders on record as at 6:00 p.m., 27 August 2019. This will absorb a total amount of HK\$762 million (2018: HK\$762 million).

## BUSINESS REVIEW

The Group's businesses are largely property-related, comprising Investment Properties ("IP"), Hotels and Development Properties ("DP") in Hong Kong and Mainland China. During the period under review, properties contributed to 67% of Group revenue and 84% of Group underlying net profit. Bolstered by the new International Finance Squares ("IFs"), the IP portfolio constitutes a recurring income base, while the DP portfolio of premium quality projects represents asset turns.

Other businesses include Logistics through Modern Terminals and Hong Kong Air Cargo Terminals.

## HONG KONG PROPERTIES

The Mount Nicholson project remains the key contributor of DP contracted sales in Hong Kong. The development pipeline also includes the Kowloon Tong Residential Project and projects in Kowloon East. Experience indicates demand for luxury homes is steady but has a tempo different from mass market sales.

### The Peak Portfolio

Mount Nicholson, a 50:50 joint venture development, represents the epitome of exclusivity and luxury living atop Hong Kong's highest elevation. During the first half of 2019, four houses and two apartments were contracted for sale for a total of HK\$3.6 billion or an average of HK\$94,000 per square foot.

11 Plantation Road and 77 Peak Road are being redeveloped to provide seven houses (total gross floor area ("GFA"): 46,000 square feet) and eight houses (total GFA: 42,000 square feet) respectively. Superstructure has been completed. 1 Plantation Road for 20 houses (total GFA: 91,000 square feet) is under redevelopment. Chelsea Court and Strawberry Hill have been leasing well.

### Kowloon Tong Residential Project

This residential site commands a fantastic view towards Kowloon Peninsula with its prime location at the junction of Lion Rock Tunnel Road and Lung Cheung Road, adjacent to the traditional luxury residential cluster of Beacon Hill. With a total developable GFA of 436,000 square feet, approval has been granted to build four blocks of 13-storey residential buildings. Foundation work is in progress.

### Kowloon East

With an aim of creating another core business district for Hong Kong, the Government's visionary "Energising Kowloon East" initiative is gradually beginning to bear fruit. The enhanced integration and connectivity position the district to benefit from the ongoing trend towards office decentralisation in the city. The Group's Kowloon East projects, comprising Kowloon Godown and 15%-owned Yau Tong Bay joint-venture project at the harbourfront, are poised to tap the massive potential from this vibrant transformation.

Various redevelopment options are under consideration for Kowloon Godown which comprises a warehouse and an open yard with an existing operating GFA of one million square feet.

Yau Tong Bay features a total GFA of four million square feet and is set to provide over 6,300 residential units. This harbourfront residential project enjoys a stunning view over the Victoria Harbour and is in close proximity to the MTR Station. General building plans have been approved and lease modification is under way.

## **MAINLAND CHINA DEVELOPMENT PROPERTIES**

Underlying demand for quality properties in Mainland China remained firm in top-tier cities. However, as primary sales pricing is effectively controlled by government which seriously affects future project profitability, the Group has been prudent and not made any new land purchase for nearly one year.

Inclusive of joint ventures and associates on an attributable basis, revenue recognised in the first half of 2019 decreased by 10% to HK\$5,232 million (for 105,200 square metres of GFA) and operating profit by 1% to HK\$1,828 million. Operating profit margin, however, increased by three percentage points to 35%.

Attributable contracted sales decreased by 10% to RMB6.5 billion for 1,400 units totalling 192,000 square metres. Approximately 80% of contracted sales value was generated from 10 projects in four cities, namely Hangzhou, Beijing, Shanghai and Suzhou. As at the end of June, the net order book increased to RMB23.5 billion for 0.8 million square metres. The land bank totalled 3.6 million square metres.

## **MAINLAND CHINA INVESTMENT PROPERTIES**

The opening of Changsha IFS last year enhanced the Group's IP portfolio. Revenue increased by 22% to HK\$1,958 million and operating profit by 30% to HK\$1,162 million. However, over-supply in the office sector in most cities may increase in coming years.

### **Changsha IFS**

As a one-stop destination from entertainment to lifestyle, retail, culture and dining, the retail-led Changsha IFS has promptly emerged as the new landmark in central China. Top architecture, retail diversity and quality service, alongside the unparalleled location in the bustling heart of the city with underground linkage to Wuyi Plaza Station (the interchange station for Metro Lines 1 and 2), collectively gave rise to an intense concentration of foot traffic. Overall revenue and operating profit reached HK\$378 million and HK\$130 million respectively during the period.

#### **Retail**

The 246,000-square-metre mega mall has won wide critical acclaim since its opening in May 2018 and has recently been crowned as "RLI International Shopping Centre 2019" in the Global RLI Awards 2019, a testament to the success of the exclusive retail destination. Other notable accolades received included the 2019 Winner of "Commercial Project of the Year" awarded by Royal Institution of Chartered Surveyors in China, as well as two Gold Awards and one Silver Award in "2019 China Shopping Centre & Retailer Awards" by International Council of Shopping Centers ("ICSC").

The nine-storey retail podium is home to over 370 brands strategically arrayed in well-defined zones covering high-end luxury, affordable luxury, high street, internationalised Chinese designers' labels, fast fashion, sportswear, kids, entertainment and F&B, forming critical mass of diversified trades.

The exceptional trade mix across every category comprises over 70 debuts for Hunan Province, over 30 split-gender duplex flagships of renowned fashion brands and over 100 brands which staged their first-ever collaboration with Wharf in Mainland China. Occupancy reached 98% and opening rate 97% at the end of June. Tenant sales maintain a strong momentum and achieved RMB2,138 million during the first half of 2019.

### **Office and Hotel**

Two top-notch office cum hotel towers include the 452-metre Tower 1, the tallest building in Hunan province. The towers offer a prestigious office address and draw favourable demands from financial institutions and major corporations. Tower 2 is due to open in 2021.

Niccolo Changsha, the new luxury sky hotel inaugurated in late 2018, features 243 contemporary chic rooms and spectacular suites. Crowning the top floors of Tower 1, this tallest hotel in central China strives to set a new benchmark by providing impeccable hospitality and exceptional services for global and domestic travellers.

### **Chengdu IFS**

For our flagship IP in western China, overall revenue increased by 14% to HK\$859 million and operating profit by 28% to HK\$463 million.

### **Retail**

With an expansive retail space of 204,000 square metres, the world-class retail landmark boasts an impressive collection of over 600 top-tier international brands and enjoyed nearly full occupancy. Tenant sales increased by 13% to RMB3,297 million during the period, reaffirming the leading position of Chengdu IFS in sales productivity in the western region.

Constant tenant mix optimisation continued to offer pleasant surprises and wow visitors. New commitments include 7 For All Mankind, Amelie Wang, ba&sh, CARA BLUE, Givenchy Kids, Liquides Imaginaires, PAPA HUG, Roger Dubuis, Segway Ninebot and Tom Ford Beauty. Retailtainment experiences were further enriched by not only the 7,700-square-metre Sculpture Garden that encourages greenery space and art, but also the attractive entertainment offerings including the IMAX movie theatre and an ice skating rink.

In recognition of the outstanding performance, Chengdu IFS has garnered 24 awards during the first half of 2019, of which eight are significant international awards. In the 13<sup>th</sup> Heavent Awards, Chengdu IFS won the "Sport, Cultural, Educational or Entertainment Event Award" for a range of events under its "sister street partnership" with Le Comité Saint Germain des Prés of Paris and became the sole winner from the Asia Pacific region. The retail landmark also received two Silver Awards for Marketing Excellence in "2019 China Shopping Centre & Retailer Awards" by ICSC.

### **Office, Hotel and IFS Residences**

Located at the epicenter of the metropolitan city with convenient access to commercial areas and major transportation hub, the three premium Grade A office towers command among the highest rental rates in Chengdu. With a selective tenant portfolio comprising multinationals, financial institutions and major corporations in China West, commitment rate increased to 80%.

The award-winning Niccolo Chengdu has achieved a room occupancy of 82% and consistently leads the market in room yield.

IFS Residences has been awarded "Expatriates' Favorite Serviced Apartment" in the list of top 10 hotels and serviced apartment of Chengdu by well-known media, China Real Estate.

### **Chongqing IFS**

Chongqing IFS enjoys seamless linkage to the interchange station (Jiangbei Town Station) for metros Line 6 and Line 9 (under construction), as well as the newly-opened bridge connecting to Jiangbeizui Financial Center. Its prominent location towering over the confluence of Yangtze River and Jialing River offers a splendid river view to the iconic 300-metre towering landmark and the four other towers.

The 109,000-square-metre retail podium houses over 170 brands, of which nearly 30 brands are exclusive or debuts in the city, and represents the largest cluster of first-tier brands in Chongqing. Captivating experiences are further enhanced by the diverse range of exciting dining options, as well as the exclusive lifestyle facilities such as ice skating rink and luxury cinema. Occupancy reached 99% at the end of June. Meanwhile, the Grade-A office towers, adjacent to a cluster of financial institutions, offers a coveted office address for multinationals, Global 500 and state enterprises in the area and provide a quality work environment for high-flying executives to excel.

Niccolo Chongqing, the city's highest sky hotel, accommodates 252 elegant guestrooms and suites offering stunning city and river views.

### **Shanghai Wheelock Square**

Commanding a prime location in Puxi, the 270-metre landmark is among the most preferred office addresses for multinationals and major corporations. It continued to enjoy high occupancy rate of 94%.

## **WHARF HOTELS**

Currently, the Group manages 17 hotels (with a total of 5,750 rooms) in Mainland China, Hong Kong and the Philippines, including 13 under the Marco Polo flag and four under the Niccolo collection of contemporary chic luxury hotels.

The Murray, Hong Kong, a Niccolo Hotel has earned various prestigious and authoritative 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". Moreover, in recognition of the unique signature experiences, the rooftop restaurant and bar, Popinjays, was named one of "The 15 Best Rooftop Bars in the World" by Condé Nast Traveler Online.

Niccolo Changsha elevates luxury hospitality to new heights with its 243 sophisticated rooms and suites alongside the sky-high dining destinations. The award-winning culture continues, with Niccolo Changsha garnering numerous industry awards since its opening including “2018 Best Newly Opened Hotel” by Voyage, “The Best New Opening Hotel” by City Traveler, and “Best Business Hotel in Central South and Southwest China” by TTG China Travel Awards 2019.

Niccolo Suzhou, the upcoming project in the pipeline, is scheduled for opening in 2021.

Meanwhile, Marco Polo Ortigas, Manila, has once again been selected as a Forbes Travel Guide Five-Star hotel, and became the only Philippine non-gaming hotel to receive the highly esteemed award for three consecutive years, a testament to our dedication to service excellence.

## LOGISTICS

Looming macro concerns from Sino-US trade tension, economic slowdown and geopolitical instability continued to challenge the logistics industry. During the period under review, segment revenue from Modern Terminals (“MTL”) and Hong Kong Air Cargo Terminals (“HACTL”) slightly decreased to HK\$1,253 million and operating profit by 9% to HK\$224 million.

### Modern Terminals

Amidst supply chain disruption and growing regional competition, container throughput in South China declined by 2%, with Shenzhen’s increasing by 2% and Kwai Tsing’s decreasing by 8%. Market shares of Shenzhen and Kwai Tsing were 63% and 37% respectively.

In the face of the ever-changing business environment and fierce competition from regional rivals, MTL is proactively implementing different measures to restore the competitive edge of Hong Kong’s port business. With an aim of improving the value proposition of the Port of Hong Kong, MTL entered into a Joint Operating Agreement in January 2019 with three other terminal operators to form Hong Kong Seaport Alliance to enhance operational efficiency and resources utilization. The progressive implementation of the joint operation of 23 berths in the Kwai Tsing Container Terminals commenced on 1 April 2019 and the efficiency gains will be realised over a three-year period.

In Shenzhen, throughput at DaChan Bay Terminals (MTL’s stake: 65%) was 628,000 TEUs, in line with last year, while that at Shekou Container Terminals (MTL’s stake: 20%) increased by 4% to 2.9 million TEUs. Chiwan Container Terminal (MTL’s stake: 8%) recorded a throughput of 1.2 million TEUs.

Consolidated revenue edged down to HK\$1,247 million (2018: HK\$1,251 million), partly resulting from the continued adjustment in volume mix with more barge and transshipment. Operating profit decreased to HK\$218 million (2018: HK\$242 million).

### Hong Kong Air Cargo Terminals

HACTL, 20%-owned by the Group, is a leading air cargo terminal operator in Hong Kong with unique world-class facilities, highly efficient operation, and innovative technology. It handled 0.7 million tonnes in the first half of 2019.

## FINANCIAL REVIEW

### (I) REVIEW OF 1H 2019 RESULTS

#### Revenue and Operating Profit

Group revenue increased by 3% to HK\$8,064 million (2018: HK\$7,823 million), reflecting 21% increase for Investment Properties (“IP”), but offset by 21% decrease for Development Properties (“DP”) with less project completions for revenue recognition and increase in investment and other income.

Operating profit (“OP”) increased by 34% to HK\$3,701 million (2018: HK\$2,768 million), mainly resulting from 28% increase for IP and 145% increase in Investment and others.

IP revenue continued to grow by 21% to HK\$2,040 million (2018: HK\$1,685 million) and OP by 28% to HK\$1,220 million (2018: HK\$956 million). With the driving force from the maturing Chengdu International Finance Square (“IFS”) and the newly-opened Changsha IFS, Mainland China IP revenue increased by 22% and OP by 30%.

DP owned by subsidiaries recognised 21% lower revenue to HK\$3,092 million (2018: HK\$3,938 million) while OP stayed flat at HK\$1,311 million (2018: HK\$1,327 million). DP joint ventures are equity accounted with share of results included in associates/joint ventures.

Hotel revenue increased by 19% to HK\$267 million (2018: HK\$225 million) on the back of the newly opened Niccolo Changsha. OP decreased by 26% to HK\$31 million (2018: HK\$42 million) mainly due to the start-up loss of Niccolo Changsha.

Logistics revenue stayed at HK\$1,253 million (2018: HK\$1,256 million), but OP decreased by 9% to HK\$224 million (2018: HK\$247 million).

Investment and other revenue increased by 96% to HK\$1,412 million (2018: HK\$719 million) and OP by 145% to HK\$1,226 million (2018: HK\$500 million) for the higher investment income including dividends from the Group’s enlarged investment portfolio.

#### Fair Value Gain of Investment Properties

The Group’s IP portfolio as at 30 June 2019 was HK\$75.2 billion (2018: HK\$74.7 billion), substantially all of it stated at fair value based on independent valuation. An attributable net revaluation gain of HK\$91 million (2018: HK\$369 million), after related deferred tax and non-controlling interests, was credited to the consolidated income statement.

## Other Net Charge

Other net charge of HK\$288 million mainly included provision for diminution for certain Mainland China DP projects.

## Finance Costs

Finance costs amounted to HK\$427 million (2018: HK\$219 million), which included an unrealised mark-to-market loss of HK\$22 million (2018: gain HK\$175 million) on cross currency and interest rate swaps arrived at in accordance with prevailing accounting standards. The effective borrowing rate was 3.3% (2018: 3.4%) for the period.

Excluding the unrealised mark-to-market gain/loss, finance costs before capitalisation were HK\$648 million (2018: HK\$656 million), representing a 1% decrease. Finance costs after capitalisation increased by 3% to HK\$405 million (2018: HK\$394 million).

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

Associates' attributable profit decreased by 32% to HK\$277 million (2018: HK\$409 million) mainly due to lower profit from Mainland China DP.

Joint ventures attributable profit decreased by 79% to HK\$161 million (2018: HK\$764 million) due to lower recognition from Hong Kong DP and increase in pre-operating loss from certain Mainland China DP projects.

## Income Tax

Taxation charge for the period decreased by 4% to HK\$1,429 million (2018: HK\$1,487 million).

## Profit to Shareholders

Group underlying net profit (a performance indicator of the Group's major business segments and arrived at after excluding the attributable net IP revaluation gain, mark-to-market and exchange gain/loss on certain financial instruments and exceptional items) decreased by 12% to HK\$2,236 million (2018: HK\$2,527 million) mainly with DP decreasing by 27% to HK\$1,142 million (2018: HK\$1,567 million), representing 51% of Group total. IP increased by 38% to HK\$733 million while Logistics decreased by 22% to HK\$169 million, accounting for 33% and 8% of Group total, respectively.

All inclusive, Group profit attributable to equity shareholders decreased by 14% to HK\$2,450 million (2018: HK\$2,860 million). Basic earnings per share were HK\$0.80, based on weighted average of 3,047 million shares (2018: HK\$0.94 based on 3,043 million shares).

## (II) DP SALES AND NET ORDER BOOK

Inclusive of joint venture projects on an attributable basis, total DP contracted sales decreased by 10% to HK\$9,204 million (2018: HK\$10,247 million).

Mainland China contracted sales decreased by 10% to RMB6,498 million (2018: RMB7,240 million). Net order book increased to RMB23,517 million (December 2018: RMB21,766 million). Revenue recognition declined to HK\$5,232 million (2018: HK\$5,792 million) and OP to HK\$1,828 million (2018: HK\$1,838 million).

Hong Kong contracted sales HK\$1,817 million (2018: HK\$1,659 million) was attributed to Mount Nicholson. Revenue recognition decreased to HK\$280 million (2018: HK\$1,270 million) and OP to HK\$178 million (2018: HK\$861 million).

## (III) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL COMMITMENTS

### Shareholders' and Total Equity

As at 30 June 2019, shareholders' equity increased by 5% to HK\$142.5 billion (2018: HK\$135.5 billion), equivalent to HK\$46.77 per share based on 3,047 million issued shares (2018: HK\$44.45 per share based on 3,047 million issued shares), mainly due to an investment revaluation surplus of HK\$6.3 billion.

Total equity including non-controlling interests of HK\$3.6 billion (2018: HK\$3.3 billion) increased to HK\$146.1 billion (2018: HK\$138.8 billion).

### Assets

Total assets excluding bank deposit and cash increased to HK\$217.4 billion (2018: HK\$209.9 billion) following the recovery in market value of other long term investments. Properties, Logistics, investments and other assets accounted for around 80%, 7%, 10% and 3% of the Group, respectively.

Total business assets, excluding bank deposit and cash, financial and deferred tax assets, amounted to HK\$179.9 billion (2018: HK\$181.0 billion). Geographically, Mainland China accounted for HK\$133.7 billion (2018: HK\$135.3 billion), representing 74% (2018: 75%) of total business assets.

### Investment properties

IP portfolio increased to HK\$75.2 billion (2018: HK\$74.7 billion), representing 42% (2018: 41%) of total business assets. This portfolio comprised Mainland China IP at valuation of HK\$54.6 billion (2018: HK\$54.4 billion).

## Properties for sale

DP assets slightly decreased to HK\$44.5 billion (2018: HK\$46.0 billion) without major acquisitions.

## Interests in associates and joint ventures

Interests in associates and joint ventures amounted to HK\$41.4 billion (2018: HK\$41.9 billion), mainly representing DP projects in Hong Kong and Mainland China.

## Other long term investments

Other long term investments amounted to HK\$38.6 billion (2018: HK\$30.5 billion), including mainly the Group's strategic investment in Greentown China Holdings Limited ("Greentown") of HK\$3.0 billion and a portfolio of blue chips of HK\$35.6 billion. The portfolio performed overall in line with the market and no investment is individually material to the Group's total assets. Marking these investments to market produced a net surplus of HK\$6.3 billion (2018: HK\$1.3 billion) as reflected in the other comprehensive income, reversing accumulated deficit balance of HK\$5.9 billion at 2018 year end to HK\$0.4 billion surplus at end June 2019.

## Deposits from sale of properties

Deposits from sale of properties amounted to HK\$12.5 billion (2018: HK\$9.3 billion), pending recognition in the coming years.

## Net Debt and Gearing

Net debt as at 30 June 2019 was reduced by 4% to HK\$24.6 billion (2018: HK\$25.6 billion). It comprised of HK\$19.0 billion in bank deposits and cash and HK\$43.6 billion in debts. The ratio of net debt to total equity was 16.9%. Excluding Modern Terminals' net debt of HK\$6.2 billion (2018: HK\$6.3 billion), which is non-recourse to the Company and its other subsidiaries, the Group's net debt was HK\$18.4 billion (2018: HK\$19.3 billion).

## Finance and Availability of Facilities

Total available loan facilities and issued debt securities as at 30 June 2019 amounting to HK\$74.9 billion, of which HK\$43.6 billion utilised, are analysed as below:

	Available Facility HK\$ Billion	30 June 2019 Total Drawn HK\$ Billion	Undrawn Facility HK\$ Billion
<b>Company/wholly-owned subsidiaries</b>			
Committed and uncommitted			
— Bank facilities	44.7	16.9	27.8
— Debt securities	19.7	19.7	–
	64.4	36.6	27.8
<b>Non-wholly-owned subsidiaries</b>			
Committed and uncommitted			
— Modern Terminals	10.5	7.0	3.5
<b>Group total</b>	<b>74.9</b>	<b>43.6</b>	<b>31.3</b>

Of the above debts, HK\$6.8 billion (2018: HK\$7.4 billion) was secured by mortgages over certain IP, DP and other assets with total carrying value of HK\$26.1 billion (2018: HK\$26.5 billion).

The Group's debt portfolio comprised primarily United States dollar, Hong Kong dollar and Renminbi. Funds sourced from such debt portfolio were mainly used to finance IP, DP and port investments.

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

The Group continued to maintain a sound financial position with ample surplus cash and undrawn committed facilities to facilitate business and investment activities. In addition, the Group also maintained a portfolio of liquid listed investments with an aggregate market value of HK\$36.9 billion (2018: HK\$29.2 billion), which is available for use if necessary.

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

For the period under review, the Group recorded net cash inflows before changes in working capital of HK\$2.8 billion (2018: HK\$2.6 billion). Increase in working capital resulting from decrease in DP acquisitions further increased net cash from operating activities to HK\$4.9 billion (2018: outflow HK\$15.8 billion). For investing activities, the Group recorded a net outflow of HK\$2.8 billion (2018: HK\$19.3 billion).

## Major Capital and Development Expenditures

Major expenditures incurred in the first half of 2019 are analysed as follows:

	Hong Kong HK\$ Million	Mainland China HK\$ Million	Total HK\$ Million
<b>Properties</b>			
IP	174	34	208
DP	82	4,082	4,164
	256	4,116	4,372
<b>Others</b>	53	1	54
<b>Group total</b>	309	4,117	4,426

- i. IP expenditure was mainly for construction costs of Peak Properties.
- ii. DP and IP expenditures included HK\$2.9 billion for property projects undertaken by associates and joint ventures.
- iii. Other expenditure mainly related to Modern Terminals' terminal equipment.

## Commitment

As at 30 June 2019, major expenditures to be incurred in the coming years were estimated at HK\$25.7 billion, of which HK\$15.6 billion was committed. They are analysed by segment as below:

	As at 30 June 2019		Total HK\$ Million
	Committed HK\$ Million	Uncommitted HK\$ Million	
<b>IP</b>			
Hong Kong	791	–	791
Mainland China	31	265	296
	822	265	1,087
<b>DP</b>			
Hong Kong	627	–	627
Mainland China	10,343	9,783	20,126
	10,970	9,783	20,753
<b>Others</b>	3,821	62	3,883
<b>Group total</b>	<b>15,613</b>	<b>10,110</b>	<b>25,723</b>

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

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

## (IV) HUMAN RESOURCES

The Group had approximately 8,400 employees as at 30 June 2019, including about 2,300 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective group's achievement and results.

## CONSOLIDATED INCOME STATEMENT

For The Six Months Ended 30 June 2019 — Unaudited

		Six months ended 30 June	
	Note	2019 HK\$ Million	2018 HK\$ Million
<b>Revenue</b>	2	8,064	7,823
Direct costs and operating expenses		(3,092)	(3,756)
Selling and marketing expenses		(269)	(265)
Administrative and corporate expenses		(638)	(707)
Operating profit before depreciation, amortisation, interest and tax		4,065	3,095
Depreciation and amortisation		(364)	(327)
<b>Operating profit</b>	2 & 3	3,701	2,768
Increase in fair value of investment properties		478	737
Other net charge	4	(288)	(71)
Finance costs	5	3,891	3,434
Share of results after tax of:		(427)	(219)
Associates		277	409
Joint ventures		161	764
Profit before taxation		3,902	4,388
Income tax	6	(1,429)	(1,487)
<b>Profit for the period</b>		2,473	2,901
<b>Profit attributable to:</b>			
Equity shareholders		2,450	2,860
Non-controlling interests		23	41
		2,473	2,901
<b>Earnings per share</b>	7		
Basic		HK\$0.80	HK\$0.94
Diluted		HK\$0.80	HK\$0.94

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Six Months Ended 30 June 2019 — Unaudited

	Six months ended 30 June	
	2019	2018
	HK\$ Million	HK\$ Million
<b>Profit for the period</b>	2,473	2,901
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
Fair value changes on equity investments	6,341	1,271
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange difference on translation of foreign operations	(426)	(735)
Share of other comprehensive income of associates/joint ventures	(144)	(225)
Others	–	3
<b>Other comprehensive income for the period</b>	5,771	314
<b>Total comprehensive income for the period</b>	8,244	3,215
<b>Total comprehensive income attributable to:</b>		
Equity shareholders	8,312	3,197
Non-controlling interests	(68)	18
	8,244	3,215

## 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		75,171	74,738
Property, plant and equipment		13,465	13,670
Interest in associates		20,252	20,092
Interest in joint ventures		21,193	21,767
Other long term investments		38,646	30,544
Goodwill and other intangible assets		298	298
Deferred tax assets		930	737
Derivative financial assets		310	200
Other non-current assets		20	20
		<b>170,285</b>	<b>162,066</b>
<b>Current assets</b>			
Properties for sale		44,539	45,954
Trade and other receivables	9	2,476	1,722
Derivative financial assets		72	159
Bank deposits and cash		18,963	17,448
		<b>66,050</b>	<b>65,283</b>
<b>Total assets</b>		<b>236,335</b>	<b>227,349</b>

	Note	30 June 2019 HK\$ Million	31 December 2018 HK\$ Million
<b>Non-current liabilities</b>			
Derivative financial liabilities		(452)	(440)
Deferred tax liabilities		(12,334)	(11,637)
Other non-current liabilities		(31)	–
Bank loans and other borrowings	11	(34,094)	(31,847)
		(46,911)	(43,924)
<b>Current liabilities</b>			
Trade and other payables	10	(19,090)	(20,427)
Deposits from sale of properties		(12,454)	(9,263)
Derivative financial liabilities		(212)	(268)
Taxation payable		(2,088)	(3,468)
Bank loans and other borrowings	11	(9,516)	(11,239)
		(43,360)	(44,665)
<b>Total liabilities</b>		(90,271)	(88,589)
<b>NET ASSETS</b>		146,064	138,760
<b>Capital and reserves</b>			
Share capital		30,173	30,173
Reserves		112,349	105,251
<b>Shareholders' equity</b>		142,522	135,424
<b>Non-controlling interests</b>		3,542	3,336
<b>TOTAL EQUITY</b>		146,064	138,760

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Six Months Ended 30 June 2019 — Unaudited

	Attributable to equity shareholders of the Company						
	Share capital	Investments and other reserves	Exchange reserves	Revenue reserves	Total shareholders' equity	Non-controlling interests	Total equity
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
<b>At 1 January 2019</b>	30,173	(4,410)	(2,982)	112,643	135,424	3,336	138,760
Changes in equity for the period:							
Profit for the period	–	–	–	2,450	2,450	23	2,473
Other comprehensive income	–	6,341	(479)	–	5,862	(91)	5,771
<b>Total comprehensive income</b>	–	6,341	(479)	2,450	8,312	(68)	8,244
Capital contribution from non-controlling interest of a subsidiary	–	–	–	–	–	320	320
Equity settled share-based payments	–	5	–	–	5	–	5
Second interim dividends paid for 2018 (Note 8b)	–	–	–	(1,219)	(1,219)	–	(1,219)
Dividends paid to non-controlling interests	–	–	–	–	–	(46)	(46)
<b>At 30 June 2019</b>	30,173	1,936	(3,461)	113,874	142,522	3,542	146,064
<b>At 1 January 2018</b>	29,760	1,326	1,188	109,700	141,974	3,497	145,471
Changes in equity for the period:							
Profit for the period	–	–	–	2,860	2,860	41	2,901
Other comprehensive income	–	1,271	(934)	–	337	(23)	314
<b>Total comprehensive income</b>	–	1,271	(934)	2,860	3,197	18	3,215
Shares issued under the share option scheme	399	(170)	–	–	229	–	229
Equity settled share-based payments	–	9	–	–	9	–	9
Second interim dividends paid for 2017	–	–	–	(2,893)	(2,893)	–	(2,893)
Dividends paid to non-controlling interests	–	–	–	–	–	(47)	(47)
<b>At 30 June 2018</b>	30,159	2,436	254	109,667	142,516	3,468	145,984

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For The Six Months Ended 30 June 2019 — Unaudited

	Six months ended 30 June	
	2019	2018
	HK\$ Million	HK\$ Million
<b>Operating cash inflow</b>	2,845	2,573
Changes in working capital/others	4,292	(17,132)
Tax paid	(2,240)	(1,238)
<b>Net cash generated from/(used in) operating activities</b>	<b>4,897</b>	<b>(15,797)</b>
<b>Investing activities</b>		
Additions to investment properties and property, plant and equipment	(1,120)	(1,692)
Other cash used in investing activities	(1,640)	(17,574)
<b>Net cash used in investing activities</b>	<b>(2,760)</b>	<b>(19,266)</b>
<b>Financial activities</b>		
Dividends paid to equity shareholders	(1,219)	(2,893)
Other cash generated from financing activities	648	8,729
<b>Net cash (used in)/generated from financing activities</b>	<b>(571)</b>	<b>5,836</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>1,566</b>	<b>(29,227)</b>
Cash and cash equivalents at 1 January	17,448	44,995
Effect of exchange rate changes	(51)	(117)
<b>Cash and cash equivalents at 30 June (Note)</b>	<b>18,963</b>	<b>15,651</b>

Note:

### Cash and cash equivalents

	2019	2018
	HK\$ Million	HK\$ Million
Bank deposits and cash in the consolidated statement of financial position	18,963	15,651

## 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 standards and amendments to HKFRSs which are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s 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 and considered that there was no significant impact on the Group’s results and financial position or any substantial changes in the Group’s accounting policies, except for HKFRS 16, Leases, as discussed below.

## HKFRS 16, Leases

HKFRS 16 replaces HKAS 17, Leases, and related interpretations and introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. The distinction between the accounting for operating and finance leases is removed for lessee, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised on the consolidated statement of financial position for all leases by lessees. HKFRS 16 does not significantly change the way that lessor accounts 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 (and impairment losses (if any)) of the right-of-use asset, instead of the previous accounting policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term.

HKFRS 16 primarily affect the Group’s accounting as a lessee of leases for properties, plant and equipment which was classified as operating leases in previous accounting period. As allowed by HKFRS 16, the Group has elected the modified retrospective approach for the adoption of HKFRS 16 and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and has not restated the comparative information. As allowed by HKFRS 16, the Group has used the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group has therefore applied the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group has also elected the practical expedient for not applying the new accounting model to short-term leases (i.e. lease term of 12 months or less) and leases of low-value assets.

Upon adoption of HKFRS 16 on 1 January 2019, the Group recognised right-of-use assets under property, plant and equipment of HK\$74 million and current and non-current lease liabilities amounting to HK\$43 million and HK\$31 million, respectively.

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

The financial information relating to the financial year ended 31 December 2018 that is included in the unaudited interim financial information as comparative information does not constitute the Company’s statutory annual financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

## 2. Segment Information

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

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

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

Hotels segment includes hotel operations in the Asia Pacific region. The Group operates 17 hotels in the Asia Pacific region, four of which owned by the Group.

Logistics segment mainly includes the container terminal operations in Hong Kong and Mainland China undertaken by Modern Terminals Limited, and Hong Kong Air Cargo Terminals Limited.

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

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

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

## a. Analysis of segment revenue and results

For the six months ended	Revenue	Operating profit	Increase in fair value of investment properties	Other net charge	Finance costs	Share of results after tax of associates	Share of results after tax of joint ventures	Profit before taxation
	<i>HK\$ Million</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>
30 June 2019								
Investment property	2,040	1,220	478	2	(118)	–	30	1,612
Hong Kong	82	58	82	–	(16)	–	–	124
Mainland China	1,958	1,162	396	2	(102)	–	30	1,488
Development property	3,092	1,311	–	(371)	(67)	162	129	1,164
Hong Kong	–	(2)	–	–	(40)	1	149	108
Mainland China	3,092	1,313	–	(371)	(27)	161	(20)	1,056
Hotels	267	31	–	2	–	–	1	34
Logistics	1,253	224	–	(27)	(101)	115	1	212
Terminals	1,247	218	–	(6)	(101)	79	1	191
Others	6	6	–	(21)	–	36	–	21
Segment total	6,652	2,786	478	(394)	(286)	277	161	3,022
Investment and others	1,412	1,226	–	106	(141)	–	–	1,191
Corporate expenses	–	(311)	–	–	–	–	–	(311)
<b>Group total</b>	<b>8,064</b>	<b>3,701</b>	<b>478</b>	<b>(288)</b>	<b>(427)</b>	<b>277</b>	<b>161</b>	<b>3,902</b>
30 June 2018								
Investment property	1,685	956	737	25	(105)	–	–	1,613
Hong Kong	79	59	333	–	(13)	–	–	379
Mainland China	1,606	897	404	25	(92)	–	–	1,234
Development property	3,938	1,327	–	96	(131)	268	758	2,318
Hong Kong	–	(3)	–	–	(44)	–	721	674
Mainland China	3,938	1,330	–	96	(87)	268	37	1,644
Hotels	225	42	–	–	–	–	–	42
Logistics	1,256	247	–	(15)	(88)	141	6	291
Terminals	1,251	242	–	6	(88)	95	6	261
Others	5	5	–	(21)	–	46	–	30
Segment total	7,104	2,572	737	106	(324)	409	764	4,264
Investment and others	719	500	–	(177)	105	–	–	428
Corporate expenses	–	(304)	–	–	–	–	–	(304)
<b>Group total</b>	<b>7,823</b>	<b>2,768</b>	<b>737</b>	<b>(71)</b>	<b>(219)</b>	<b>409</b>	<b>764</b>	<b>4,388</b>

## b. Analysis of inter-segment revenue

Six months ended 30 June	2019			2018		
	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	2,040	–	2,040	1,685	–	1,685
Development property	3,092	–	3,092	3,938	–	3,938
Hotels	267	–	267	225	–	225
Logistics	1,253	–	1,253	1,256	–	1,256
Investment and others	1,412	–	1,412	719	–	719
<b>Group total</b>	<b>8,064</b>	<b>–</b>	<b>8,064</b>	<b>7,823</b>	<b>–</b>	<b>7,823</b>

## c. Disaggregation of revenue

Six months ended 30 June	2019 HK\$ Million	2018 HK\$ Million
<b>Revenue recognised under HKFRS 15</b>		
Sale of development properties	3,092	3,938
Management and services income	228	214
Hotels	267	225
Logistics	1,253	1,256
	<b>4,840</b>	<b>5,633</b>
<b>Revenue recognised under other accounting standards</b>		
Rental income under investment property segment	1,812	1,471
Investment and others	1,412	719
	<b>3,224</b>	<b>2,190</b>
<b>Group total</b>	<b>8,064</b>	<b>7,823</b>

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to revenue from hotels, logistics and management fee under investment property such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts with customers that had an original expected duration of one year or less.

#### d. Geographical information

Six months ended 30 June	Revenue		Operating profit	
	2019	2018	2019	2018
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	1,627	1,779	767	586
Mainland China	6,420	6,037	2,919	2,176
Others	17	7	15	6
<b>Group total</b>	<b>8,064</b>	<b>7,823</b>	<b>3,701</b>	<b>2,768</b>

### 3. Operating Profit

Operating profit is arrived at:

	Six months ended 30 June	
	2019	2018
	HK\$ Million	HK\$ Million
<b>After charging/(crediting):</b>		
Depreciation and amortisation on		
— assets held for use under operating leases	81	78
— property, plant and equipment	233	217
— leasehold land	31	32
— right-of-use assets	19	—
Total depreciation and amortisation	364	327
Staff cost (Note i)	975	1,053
Cost of trading properties for recognised sales	1,684	2,715
Gross rental revenue from investment properties (Note ii)	(2,040)	(1,685)
Direct operating expenses of investment properties	835	705
Interest income	(877)	(236)
Dividend income from other long term investments	(348)	(291)

Notes:

- (i) Staff costs included contributions to defined contribution pension schemes of HK\$99 million (2018: HK\$112 million) and equity-settled share-based payment expenses of HK\$5 million (2018: HK\$9 million).
- (ii) Rental income included contingent rentals of HK\$466 million (2018: HK\$334 million).

#### 4. Other Net Charge

Other net charge for the period amounted to HK\$288 million (2018: HK\$71 million) mainly comprises:

- a. Net foreign exchange gain of HK\$128 million (2018: loss of HK\$58 million) which included the impact of foreign exchange contracts.
- b. Net fair value loss of HK\$38 million on other long term investments classified as financial assets at fair value through profit or loss.
- c. Provision for diminution in value of HK\$357 million was made in respect of certain development properties in Mainland China.

#### 5. Finance Costs

	Six months ended 30 June	
	2019 HK\$ Million	2018 HK\$ Million
Interest charged on:		
Bank loans and overdrafts	306	254
Other borrowings	315	383
Total interest charge	621	637
Other finance costs	27	19
Less: Amount capitalised	(243)	(262)
	405	394
Fair value loss/(gain):		
Cross currency interest rate swaps	32	(93)
Interest rate swaps	(10)	(82)
	22	(175)
<b>Group total</b>	<b>427</b>	<b>219</b>

- a. The Group's average effective borrowing rate for the period was 3.3% p.a. (2018: 3.4% 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 to the consolidated income statement represents:

	Six months ended 30 June	
	2019 HK\$ Million	2018 HK\$ Million
<b>Current income tax</b>		
Hong Kong		
— provision for the period	86	69
— overprovision in respect of prior years	(8)	(7)
Outside Hong Kong		
— provision for the period	723	285
— underprovision in respect of prior years	47	26
	<b>848</b>	<b>373</b>
<b>Land appreciation tax ("LAT") in Mainland China</b>	<b>38</b>	<b>246</b>
<b>Deferred tax</b>		
Change in fair value of investment properties	388	369
Origination and reversal of temporary differences	189	499
Benefit of previously unrecognised tax losses now recognised	(34)	—
	<b>543</b>	<b>868</b>
<b>Group total</b>	<b>1,429</b>	<b>1,487</b>

- a. The provision for Hong Kong profits tax is based on the profit for the period as adjusted for tax purposes at the rate of 16.5% (2018: 16.5%).
- b. Income tax on profits assessable 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 on sales of properties less deductible expenditures including cost of land use rights, borrowings costs and all development property expenditures.
- d. Tax attributable to associates and joint ventures for the six months ended 30 June 2019 of HK\$192 million (2018: HK\$353 million) is included in the share of results of associates and joint ventures.

## 7. 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\$2,450 million (2018: HK\$2,860 million) and the weighted average of 3,047 million ordinary shares in issue during the period (2018: 3,043 million ordinary shares).

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders for the period of HK\$2,450 million and the weighted average of 3,050 million ordinary shares which is the weighted average number of ordinary shares in issue during the period after adjusting for the effect of deemed issue of shares under the Company's share option scheme.

## 8. 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	0.25	762	0.25	762

- a. The first interim dividend based on 3,047 million issued ordinary shares (2018: 3,047 million shares) declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.
- b. The second interim dividend of HK\$1,219 million for 2018 was approved and paid in 2019.

## 9. Trade and Other Receivables

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

	30 June 2019 <i>HK\$ Million</i>	31 December 2018 <i>HK\$ Million</i>
Trade receivables		
0 – 30 days	112	203
31 – 60 days	34	46
61 – 90 days	22	19
Over 90 days	99	90
Other receivables and prepayments	267 2,209	358 1,364
<b>Group total</b>	<b>2,476</b>	<b>1,722</b>

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

## 10. Trade and Other Payables

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

	30 June 2019 <i>HK\$ Million</i>	31 December 2018 <i>HK\$ Million</i>
Trade payables		
0 – 30 days	220	440
31 – 60 days	192	206
61 – 90 days	84	16
Over 90 days	146	65
Rental and customer deposits	642 1,132	727 1,033
Construction costs payable	6,980	8,744
Amount due to associates	3,562	2,709
Amount due to joint ventures	3,527	3,070
Other payables	3,247	4,144
<b>Group total</b>	<b>19,090</b>	<b>20,427</b>

## 11. Bank Loans and Other Borrowings

	30 June 2019 <i>HK\$ Million</i>	31 December 2018 <i>HK\$ Million</i>
Bonds and notes (unsecured)	19,754	23,376
Bank loans (secured)	6,776	7,374
Bank loans (unsecured)	17,080	12,336
<b>Total bank loans and other borrowings</b>	<b>43,610</b>	<b>43,086</b>
<b>Analysis of maturities of the above borrowings:</b>		
<b>Current borrowings</b>		
Due within 1 year	9,516	11,239
<b>Non-current borrowings</b>		
Due after more than 1 year but not exceeding 5 years	31,487	27,944
Due after more than 5 years	2,607	3,903
	<b>34,094</b>	<b>31,847</b>
<b>Total bank loans and other borrowings</b>	<b>43,610</b>	<b>43,086</b>

## 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 ("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 2019			At 31 December 2018		
	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>						
Other long term investments:						
— Equity investments	36,884	–	36,884	29,198	–	29,198
— Unlisted investments	–	1,762	1,762	–	1,346	1,346
Derivative financial instruments:						
— Forward foreign exchange contracts	–	97	97	–	114	114
— Interest rate swaps	–	240	240	–	126	126
— Cross currency interest rate swaps	–	45	45	–	119	119
<b>Group total</b>	<b>36,884</b>	<b>2,144</b>	<b>39,028</b>	<b>29,198</b>	<b>1,705</b>	<b>30,903</b>
<b>Liabilities</b>						
Derivative financial instruments:						
— Interest rate swaps	–	145	145	–	99	99
— Cross currency interest rate swaps	–	488	488	–	594	594
— Forward foreign exchange contracts	–	31	31	–	15	15
Bank loans and other borrowings:						
— Bonds and notes	–	8,295	8,295	–	11,834	11,834
— Bank loans	–	502	502	–	535	535
<b>Group total</b>	<b>–</b>	<b>9,461</b>	<b>9,461</b>	<b>–</b>	<b>13,077</b>	<b>13,077</b>

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

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

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

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

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

### **13. Material Related Party Transaction**

Material transactions between the Group and other related parties during the period ended 30 June 2019 are as follows:

- a. There was rental income totalling HK\$81 million (2018: HK\$83 million) from various tenants which are wholly or partly owned by companies which in turn are wholly-owned by the family interests of close family members of, or by a trust the settlor of which is a close family member of, the Chairman of the Company's ultimate holding company.
- b. There were in existence agreement with subsidiaries of Wharf Real Estate Investment Company Limited ("Wharf REIC") for the management, marketing, project management and technical services on Wharf REIC's hotel operations. Total fees receivable under this arrangement during the current period amounted to HK\$48 million (2018: HK\$47 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, bonds and notes of up to HK\$63,274 million (31/12/2018: HK\$57,166 million). There were also contingent liabilities in respect of guarantees given by the Company on behalf of joint ventures and associates of HK\$2,206 million (31/12/2018: HK\$1,998 million) of which HK\$1,087 million had been drawn (31/12/2018: HK\$1,034 million).

As at 30 June 2019, there were guarantees of HK\$2,425 million (31/12/2018: HK\$3,273 million) provided by the Group to the banks in favour of their customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's development properties. There were also mortgage loan guarantees of HK\$1,354 million (31/12/2018: HK\$1,780 million) provided by joint ventures and associates of the Group to the banks in favour of their customers.

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

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

## 15. Commitments

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

### a. 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	791	–	791	894	–	894
Mainland China	31	265	296	54	267	321
	822	265	1,087	948	267	1,215
<b>Development properties</b>						
Hong Kong	627	–	627	81	–	81
Mainland China	10,343	9,783	20,126	9,163	13,041	22,204
	10,970	9,783	20,753	9,244	13,041	22,285
<b>Properties total</b>						
Hong Kong	1,418	–	1,418	975	–	975
Mainland China	10,374	10,048	20,422	9,217	13,308	22,525
	11,792	10,048	21,840	10,192	13,308	23,500
<b>(II) Others</b>	3,821	62	3,883	3,612	70	3,682
	3,821	62	3,883	3,612	70	3,682
<b>Group total</b>	15,613	10,110	25,723	13,804	13,378	27,182

- (i) Properties commitments are mainly for construction costs to be incurred in the forthcoming period including HK\$0.3 billion (2018: HK\$1.3 billion) attributable land costs.
- (ii) The expenditure for properties included attributable amounts for developments undertaken by joint ventures and associates of HK\$8,629 million (31/12/2018: HK\$10,443 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 the Chairman of the Company as well as to discharge the executive functions of a chief executive thereby enabling more effective planning and better execution of long-term strategies. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals, with half of them being Independent Non-executive Directors ("INEDs").

## CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

## DIRECTORS' INTERESTS IN SECURITIES

### (A) Interests in Shares and Debt Securities

At 30 June 2019, Directors of the Company had the following beneficial interests, all being long positions, in the shares and/or debentures of the Company, Wheelock and Company Limited ("Wheelock") (which is the Company's parent company), one fellow subsidiary of the Company, namely, Wharf Real Estate Investment Company Limited ("Wharf REIC"), one subsidiary of the Company, namely, Modern Terminals Limited ("Modern Terminals"), and one associated corporation of the Company (of which the Company is interested in more than 20% of its issued shares), namely, Greentown China Holdings Limited ("Greentown"). The percentages (where applicable) which the relevant shares represented to the number of shares in issue of the five companies respectively are also set out below:

	Quantity held (percentage, where applicable)	Nature of Interest
<b>The Company</b>		
Stephen T H Ng	1,509,445 (0.0495%)	Personal Interest
Andrew O K Chow	382,000 (0.0125%)	Personal Interest
Doreen Y F Lee	600,000 (0.0197%)	Personal Interest
Kevin K P Chan	900,000 (0.0295%)	Personal Interest
Vincent K Fang	100,000 (0.0033%)	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 REIC</b>		
Stephen T H Ng	1,009,445 (0.0332%)	Personal Interest
Kevin K P Chan	100,000 (0.0033%)	Personal Interest
Vincent K Fang	100,000 (0.0033%)	Personal Interest
<b>Modern Terminals</b>		
Hans Michael Jebsen	3,787 (5.40%)	Corporate Interest
<b>Greentown</b>		
Andrew O K Chow	300,000 (0.01%)	Personal Interest

Notes:

- (1) *The interests in shares disclosed above do not include interests in share options of the Company and/or associated corporation(s) held by Directors as at 30 June 2019. Details of such interests in share options are separately set out below under the sub-sections headed "(B) Interests in Share Options of the Company" and "(C) Interests in Share Options of Wheelock".*
- (2) *The shareholdings classified as "Corporate Interest" in which the Directors concerned were taken to be interested as stated above were interests of corporation(s) at general meetings of which the relevant Director was either entitled to exercise (or taken under Part XV of the Securities and Futures Ordinance (the "SFO") to be able to exercise) or control the exercise of one-third or more of the voting power in general meetings of such corporation(s).*

## (B) Interests in Share Options of the Company

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

Name of Director	Date of grant (Day/Month/Year)	No. of shares under option			Subscription price per share (HK\$)	Vesting/Exercise Period (Day/Month/Year)
		As at 1 January 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%)		
Andrew O K Chow	07/07/2016	300,000	–	300,000	15.92	08/07/2017 – 07/07/2021
		600,000	–	600,000		08/07/2018 – 07/07/2021
		600,000	–	600,000		08/07/2019 – 07/07/2021
		600,000	–	600,000		08/07/2020 – 07/07/2021
<b>Total</b>	<b>2,100,000</b>	<b>–</b>	<b>2,100,000</b>	(0.07%)		
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%)		
Kevin K P Chan	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>8,300,000</b>	<b>–</b>	<b>8,300,000</b>		

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

### (C) Interests in Share Options of Wheelock

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

Name of Director	Date of grant (Day/Month/Year)	No. of Wheelock's shares under option			Subscription price per share (HK\$)	Vesting/Exercise Period (Day/Month/Year)
		As at 1 January 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>900,000</b> (0.04%)		

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

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the SFO in respect of information required to be notified to the Company and the Stock Exchange by the Directors and/or Chief Executive of the Company pursuant to the SFO or the Model Code (or any other applicable code), there were no interests, whether long or short positions, held or deemed to be interested as at 30 June 2019 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), nor had there been any rights to subscribe for any shares, underlying shares or debentures of the Company and its associated corporations held or deemed to be interested by any of them as at 30 June 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, and the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register"):

Names	No. of Ordinary Shares (percentage based on total number of shares in issue)
(i) Wheelock and Company Limited	2,012,760,608 (66.05%)
(ii) HSBC Trustee (C.I.) Limited	2,012,760,608 (66.05%)

*Notes:*

- (1) *For the avoidance of doubt and double counting, it should be noted that the shareholdings stated against parties (i) and (ii) represented the same block of shares.*
- (2) *Wheelock's deemed shareholding interests stated above included interests held through its wholly-owned subsidiaries, namely, Lynchpin Limited ("LL"), WF Investment Partners Limited ("WIPL"), High Fame Investments Limited ("HFIL"), Locus Investments Pte. Ltd. ("LIPL") and Wheelock Investments Limited ("WIL"), with 265,576,072 shares (8.72%) being the deemed interests held by LL, 1,378,657,536 shares (45.24%) being the deemed interests held by WIPL, 317,702,000 shares (10.43%) being the deemed interests held by HFIL, 50,825,000 shares (1.67%) being the deemed interests held by LIPL and 2,012,760,608 shares (66.05%) 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.

## SHARE OPTION SCHEME

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

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

Date of grant (Day/Month/Year)	No. of shares under option			Vesting/Exercise Period (Day/Month/Year)	Subscription price per share (HK\$)
	As at 1 January 2019	Exercised during the period	As at 30 June 2019		
07/07/2016	800,000	–	800,000	08/07/2017 – 07/07/2021	15.92
	2,300,000	–	2,300,000	08/07/2018 – 07/07/2021	
	2,900,000	–	2,900,000	08/07/2019 – 07/07/2021	
	2,900,000	–	2,900,000	08/07/2020 – 07/07/2021	
<b>Total:</b>	<b>8,900,000</b>	<b>–</b>	<b>8,900,000</b>		

*Note: Except as disclosed above, no share option of the Company lapsed or was granted, exercised or cancelled during the financial period.*

## CHANGES IN INFORMATION OF DIRECTORS

- (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 REIC 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	5,210 (2018: 5,040)	9,000 (2018: 23,772)
Andrew O K Chow	5,679 (2018: 5,674)	9,000 (2018: 43,206)
Doreen Y F Lee	1,689 (2018: 1,600)	4,500 (2018: 15,293)
Paul Y C Tsui	2,257 (2018: 3,098)	3,676 (2018: 15,630)
Kevin K P Chan	3,747 (2018: 3,634)	5,000 (2018: 12,485)

(1) Not including the Chairman's fee of HK\$300,000 per annum (2018: HK\$250,000) and the Remuneration Committee Members' 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.

- (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

#### Andrew O K Chow

- Greentown China Holdings Limited  
— appointed as alternate 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, 8 August 2019

*As at the date of this interim report, the Board of Directors of the Company comprises Mr Stephen T H Ng, Mr Andrew O K Chow, Ms Doreen Y F Lee, Mr Paul Y C Tsui and Mr Kevin K P Chan, together with five INEDs, namely, Professor Edward K Y Chen, Mr Vincent K Fang, Mr Hans Michael Jebsen, Ms Elizabeth Law and Mr David Muir Turnbull.*

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