

# CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2018 – Unaudited

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018 – Unaudited

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018 — Unaudited

	Note	30 June 2018 HK\$ Million	31 December 2017 HK\$ Million
<b>Non-current assets</b>			
Investment properties	9	353,934	346,442
Property, plant and equipment		21,479	21,772
Interest in associates		28,802	25,533
Interest in joint ventures		15,511	16,390
Equity and bond investments		47,197	29,001
Goodwill and other intangible assets		298	298
Deferred tax assets		1,077	1,336
Derivative financial assets		206	204
Other non-current assets		1,212	1,158
		<b>469,716</b>	442,134
<b>Current assets</b>			
Properties for sale		88,798	58,518
Inventories		14	12
Trade and other receivables	10	8,478	12,359
Derivative financial assets		138	175
Bank deposits and cash		24,650	56,474
		<b>122,078</b>	127,538
<b>Total assets</b>			
		<b>591,794</b>	569,672
<b>Non-current liabilities</b>			
Derivative financial liabilities		(1,047)	(814)
Deferred tax liabilities		(14,060)	(13,535)
Other deferred liabilities		(329)	(314)
Bank loans and other borrowings	12	(94,635)	(79,021)
		<b>(110,071)</b>	(93,684)
<b>Current liabilities</b>			
Trade and other payables	11	(29,083)	(32,314)
Deposits from sale of properties		(21,226)	(14,861)
Derivative financial liabilities		(435)	(347)
Taxation payable		(4,720)	(5,473)
Bank loans and other borrowings	12	(29,971)	(35,170)
		<b>(85,435)</b>	(88,165)
<b>Total liabilities</b>			
		<b>(195,506)</b>	(181,849)
<b>NET ASSETS</b>			
		<b>396,288</b>	387,823
<b>Capital and reserves</b>			
Share capital	13	3,698	3,418
Reserves		245,038	238,266
<b>Shareholders' equity</b>			
		<b>248,736</b>	241,684
<b>Non-controlling interests</b>			
		<b>147,552</b>	146,139
<b>TOTAL EQUITY</b>			
		<b>396,288</b>	387,823

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018 – Unaudited

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

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018 — Unaudited

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

# NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

## 1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

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

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

The unaudited interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2017. The unaudited interim financial information and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

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

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

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

The Group has early adopted HKFRS 9 since the financial year ended 31 December 2016. Except for HKFRS 15, the adoption of these new standards and amendments to HKFRSs does not have significant impact on the Group’s results and financial position for the current and prior periods have been prepared or presented.

## HKFRS 15, Revenue from contracts with customers

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

The Group has elected to use the cumulative effect transition method for the adoption of HKFRS 15. As allowed by HKFRS 15, the Group applied the new requirements only to contracts that were not completed before 1 January 2018. No adjustments to the opening balance of equity at 1 January 2018 have been made upon the initial application of HKFRS 15 as the number of “open” contracts for sales of development properties at 31 December 2017 is immaterial.

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

### (a) *Timing of revenue recognition*

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

**(b) Significant financing component**

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

Payments received in advance of revenue recognition are not common in the Group's arrangements with its customers, with the exception of when residential properties are marketed by the Group while the property is still under construction. In this situation, the Group may offer customers a discount compared to the listed sales price, provided that the customers agree to pay the balance of the consideration early while construction is still ongoing, rather than on legal assignment.

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

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

The financial information relating to the financial year ended 31 December 2017 that is included in the unaudited interim financial information as comparative information does not constitute the Company's statutory annual financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

## 2. SEGMENT INFORMATION

The Group manages its diversified businesses according to the nature of services and products provided. Management has determined five reportable operating segments for measuring performance and allocating resources. The segments are investment property, development property, hotels, logistics and communications and media and entertainment (“CME”). No operating segments have been aggregated to form the reportable segments.

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

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

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

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

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

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

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

## (a) Analysis of segment revenue and results

	Revenue HK\$ Million	Operating profit HK\$ Million	Increase in fair value of investment properties HK\$ Million	Other net (charge)/ income HK\$ Million	Finance costs HK\$ Million	Share of results after tax of associates HK\$ Million	Share of results after tax of joint ventures HK\$ Million	Profit before taxation HK\$ Million
For the six months ended								
30 June 2018								
Investment property	9,021	7,408	6,007	25	(411)	-	-	13,029
Hong Kong	7,240	6,395	5,603	-	(319)	-	-	11,679
Mainland China	1,606	897	404	25	(92)	-	-	1,234
Singapore	175	116	-	-	-	-	-	116
Development property	5,234	1,552	-	95	(209)	316	807	2,561
Hong Kong	779	198	-	-	(120)	-	776	854
Mainland China	4,455	1,361	-	95	(89)	316	31	1,714
Singapore	-	(7)	-	-	-	-	-	(7)
Hotels	1,056	125	-	-	(15)	-	-	110
Logistics	1,256	247	-	(15)	(88)	141	6	291
Terminals	1,251	242	-	6	(88)	95	6	261
Others	5	5	-	(21)	-	46	-	30
Inter-segment revenue	(58)	-	-	-	-	-	-	-
Segment total	16,509	9,332	6,007	105	(723)	457	813	15,991
Investment and others	1,068	726	-	(179)	77	148	-	772
Corporate expenses	-	(410)	-	-	-	-	-	(410)
Group total	17,577	9,648	6,007	(74)	(646)	605	813	16,353
For the six months ended								
30 June 2017								
Investment property	8,122	6,801	1,529	10	(616)	-	-	7,724
Hong Kong	6,708	5,958	724	-	(538)	-	-	6,144
Mainland China	1,246	732	805	10	(78)	-	-	1,469
Singapore	168	111	-	-	-	-	-	111
Development property	21,588	2,655	-	509	(11)	218	980	4,351
Hong Kong	15,030	794	-	(4)	(5)	3	848	1,636
Mainland China	6,090	1,710	-	506	(6)	215	132	2,557
Singapore	468	151	-	7	-	-	-	158
Hotels	774	155	-	-	(1)	-	-	154
Logistics	1,424	358	-	112	(103)	142	6	515
Terminals	1,361	349	-	133	(103)	90	6	475
Others	63	9	-	(21)	-	52	-	40
CME (i-CABLE)	641	(222)	-	83	(5)	-	-	(144)
Inter-segment revenue	(179)	-	-	-	-	-	-	-
Segment total	32,370	9,747	1,529	714	(736)	360	986	12,600
Investment and others	635	382	-	(307)	236	20	-	331
Corporate expenses	-	(432)	-	-	-	-	-	(432)
Group total	33,005	9,697	1,529	407	(500)	380	986	12,499

(b) Analysis of inter-segment revenue

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

(c) Geographical information

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

### 3. OPERATING PROFIT

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

Notes:

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

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

### 4. OTHER NET (CHARGE)/INCOME

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

- (a) Net foreign exchange loss of HK\$45 million (2017: HK\$380 million) which included the impact of forward foreign exchange contracts.
- (b) In 2017, write-back of impairment provision of HK\$279 million on certain development projects in Mainland China.
- (c) In 2017, net gain of HK\$422 million on disposal of an associate and subsidiaries.

## 5. FINANCE COSTS

	Six months ended 30 June	
	2018 HK\$ Million	2017 HK\$ Million
Interest charged on:		
Bank loans and overdrafts	<b>699</b>	562
Other borrowings	<b>543</b>	503
Total interest charge	<b>1,242</b>	1,065
Other finance costs	<b>136</b>	175
Less: Amount capitalised	<b>(577)</b>	(589)
	<b>801</b>	651
Fair value (gain)/loss:		
Cross currency interest rate swaps	<b>(77)</b>	(406)
Interest rate swaps	<b>(78)</b>	255
	<b>(155)</b>	(151)
Total	<b>646</b>	500

- (a) The Group's average effective borrowing rate for the period was 2.3% (2017: 3.1%) per annum.
- (b) The above interest charge has taken into account the interest paid/received in respect of interest rate swaps and cross currency interest rate swaps.

## 6. INCOME TAX

Taxation charged to the consolidated income statement includes:

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

- (a) The provision for Hong Kong Profits Tax is based on the profit for the period as adjusted for tax purposes at a rate of 16.5% (2017:16.5%).
- (b) Income tax on profits assessable outside Hong Kong is mainly China corporate income tax calculated at a rate of 25% (2017: 25%), China withholding income tax at a rate of up to 10% (2017: 10%) and Singapore income tax at a rate of 17% (2017:17%).
- (c) Under the Provisional Regulations on LAT, all gains arising from transfer of real estate property in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds on sales of properties less deductible expenditure including cost of land use rights, borrowing costs and all development property expenditure.
- (d) Tax attributable to associates and joint ventures for the six months ended 30 June 2018 of HK\$396 million (2017: HK\$447 million) is included in the share of results after tax of associates and joint ventures.

## 7. EARNINGS PER SHARE

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

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

	Six months ended 30 June	
	2018	2017
	HK\$ Million	HK\$ Million
Profit attributable to equity shareholders	<b>8,604</b>	6,243

### (b) Weighted average number of ordinary shares

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

## 8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

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

- (a) The first interim dividend based on 2,047,349,287 (2017: 2,040,249,287) issued ordinary shares declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.
- (b) The second interim dividend of HK\$1,945 million for 2017 was approved and paid in 2018.

## 9. INVESTMENT PROPERTIES

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

## 10. TRADE AND OTHER RECEIVABLES

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

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

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

## 11. TRADE AND OTHER PAYABLES

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

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

## 12. BANK LOANS AND OTHER BORROWINGS

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

## 13. SHARE CAPITAL

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

## 14. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

### (a) Financial assets and liabilities carried at fair value

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

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using only Level 2 inputs i.e. observable inputs which fail to meet Level 1 and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

### Financial instruments carried at fair value

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

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

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

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

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

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

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

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

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

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

## **15. MATERIAL RELATED PARTY TRANSACTIONS**

The Group has not been a party to any material related party transaction during the six months ended 30 June 2018 except for the rental income totalling HK\$561 million (2017: HK\$529 million) earned from various tenants which are wholly or partly owned by companies which in turn are wholly-owned by the family interests of close family members of, or by a trust the settlor of which is a close family member of, the Chairman of the Company. These transactions are considered to be related party transactions, of which HK\$482 million (2017: HK\$449 million) also constitute connected transactions as defined under the Listing Rules.

## **16. CONTINGENT LIABILITIES**

- (a) As at 30 June 2018, there were contingent liabilities in respect of guarantees given by the Group on behalf of certain associates and joint ventures of HK\$1,927 million (31 December 2017: HK\$2,664 million), of which HK\$1,037 million (31 December 2017: HK\$892 million) had been drawn.
- (b) As at 30 June 2018, there were guarantees of HK\$4,419 million (31 December 2017: HK\$7,221 million) provided by WHL group and Wharf REIC group to the banks in favour of their customers in respect of the mortgage loans provided by the banks to those customers for the purchase of development properties of WHL group and Wharf REIC group. There were also mortgage loan guarantees of HK\$2,437 million (31 December 2017: HK\$3,470 million) provided by associates and joint ventures of WHL group to the banks in favour of their customers.

## 17. COMMITMENTS

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

### (a) Planned expenditure

	30 June 2018			31 December 2017		
	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million
<b>(I) Properties</b>						
<b>Investment property</b>						
Hong Kong	1,015	506	1,521	1,091	468	1,559
Mainland China	3,201	6,649	9,850	3,726	8,312	12,038
Singapore	1	-	1	2	-	2
	<b>4,217</b>	<b>7,155</b>	<b>11,372</b>	<b>4,819</b>	<b>8,780</b>	<b>13,599</b>
<b>Development property</b>						
Hong Kong	11,924	6,181	18,105	12,372	6,022	18,394
Mainland China	8,267	19,827	28,094	4,824	16,207	21,031
	<b>20,191</b>	<b>26,008</b>	<b>46,199</b>	<b>17,196</b>	<b>22,229</b>	<b>39,425</b>
<b>Properties total</b>						
Hong Kong	12,939	6,687	19,626	13,463	6,490	19,953
Mainland China	11,468	26,476	37,944	8,550	24,519	33,069
Singapore	1	-	1	2	-	2
	<b>24,408</b>	<b>33,163</b>	<b>57,571</b>	<b>22,015</b>	<b>31,009</b>	<b>53,024</b>
<b>(II) Non property and others</b>						
Hotels	24	124	148	16	120	136
Modern Terminals	133	107	240	113	26	139
	<b>157</b>	<b>231</b>	<b>388</b>	<b>129</b>	<b>146</b>	<b>275</b>
Total	<b>24,565</b>	<b>33,394</b>	<b>57,959</b>	<b>22,144</b>	<b>31,155</b>	<b>53,299</b>

- (i) Properties commitments are mainly for construction costs to be incurred in the forthcoming years, including attributable land costs of HK\$3.4 billion (31 December 2017: HK\$2.1 billion).
- (ii) The expenditure for development properties includes attributable amounts for developments undertaken by associates and joint ventures of HK\$12.4 billion (31 December 2017: HK\$9.4 billion) in Mainland China.

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

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

## 18. EVENT AFTER THE REPORTING PERIOD

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

## 19. REVIEW OF UNAUDITED INTERIM FINANCIAL INFORMATION

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