

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2019 – Unaudited

	Note	Six months ended 30 June	
		2019 HK\$ Million	2018 HK\$ Million
Revenue	2	21,713	17,577
Direct costs and operating expenses		(7,024)	(6,048)
Selling and marketing expenses		(649)	(504)
Administrative and corporate expenses		(868)	(899)
Operating profit before depreciation, amortisation, interest and tax		13,172	10,126
Depreciation and amortisation	3	(493)	(478)
Operating profit	2 & 3	12,679	9,648
Increase in fair value of investment properties		2,249	6,007
Other net income/(charge)	4	186	(74)
Finance costs	5	(881)	(646)
Share of results after tax of:			
Associates		302	605
Joint ventures		161	813
Profit before taxation		14,696	16,353
Income tax	6	(2,827)	(2,581)
Profit for the period		11,869	13,772
Profit attributable to:			
Equity shareholders		8,327	8,604
Non-controlling interests		3,542	5,168
		11,869	13,772
Earnings per share	7		
Basic		HK\$4.07	HK\$4.21
Diluted		HK\$4.06	HK\$4.20

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
Profit for the period	11,869	13,772
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange losses on translation of foreign operations	(347)	(1,106)
Share of other comprehensive income of associates and joint ventures	(145)	(253)
Net surplus/(deficit) on bond investments:	35	(10)
Fair value changes	32	(16)
Transfer from investments revaluation reserve to profit or loss on disposal	3	6
Others	–	3
Items that will not be reclassified to profit or loss:		
Fair value changes on listed equity investments	7,892	955
Other comprehensive income for the period	7,435	(411)
Total comprehensive income for the period	19,304	13,361
Total comprehensive income attributable to:		
Equity shareholders	13,702	8,228
Non-controlling interests	5,602	5,133
	19,304	13,361

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019 – Unaudited

	Note	30 June 2019 HK\$ Million	31 December 2018 HK\$ Million
Non-current assets			
Investment properties	9	344,035	341,466
Property, plant and equipment		21,576	21,970
Interest in associates		21,568	21,390
Interest in joint ventures		32,997	29,161
Other long term investments		52,930	42,645
Goodwill and other intangible assets		298	298
Deferred tax assets		1,380	1,116
Derivative financial assets		616	282
Other non-current assets		867	1,032
		476,267	459,360
Current assets			
Properties for sale		96,823	91,433
Inventories		14	13
Trade and other receivables	10	14,958	10,002
Derivative financial assets		73	171
Bank deposits and cash		25,829	28,824
		137,697	130,443
Non-current assets classified as held for sale		–	2,821
		137,697	133,264
Total assets		613,964	592,624
Non-current liabilities			
Derivative financial liabilities		(611)	(682)
Deferred tax liabilities		(14,727)	(13,984)
Other deferred liabilities		(331)	(331)
Bank loans and other borrowings	12	(114,362)	(106,863)
		(130,031)	(121,860)
Current liabilities			
Liabilities directly associated with the non-current assets classified as held for sale		–	(11)
Trade and other payables	11	(32,124)	(34,916)
Deposits from sale of properties		(31,487)	(24,780)
Derivative financial liabilities		(212)	(490)
Taxation payable		(5,541)	(6,121)
Bank loans and other borrowings	12	(12,206)	(14,968)
		(81,570)	(81,286)
Total liabilities		(211,601)	(203,146)
NET ASSETS		402,363	389,478
Capital and reserves			
Share capital	13	3,751	3,724
Reserves		260,569	247,353
Shareholders' equity		264,320	251,077
Non-controlling interests		138,043	138,401
TOTAL EQUITY		402,363	389,478

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019 – Unaudited

	Shareholders' equity						
	Share capital HK\$ Million	Investments revaluation and other reserves HK\$ Million	Exchange reserves HK\$ Million	Revenue reserves HK\$ Million	Total shareholders' equity HK\$ Million	Non- controlling interests HK\$ Million	Total equity HK\$ Million
At 1 January 2019	3,724	(3,203)	(2,369)	252,925	251,077	138,401	389,478
Changes in equity for the period:							
Profit	-	-	-	8,327	8,327	3,542	11,869
Other comprehensive income	-	5,634	(260)	1	5,375	2,060	7,435
Total comprehensive income	-	5,634	(260)	8,328	13,702	5,602	19,304
Shares issued under the share option scheme	27	(5)	-	-	22	-	22
Equity settled share-based payments	-	7	-	-	7	2	9
Acquisition of additional interest in subsidiaries	-	-	-	1,663	1,663	(4,582)	(2,919)
Capital contribution from non-controlling interests of a subsidiary	-	-	-	-	-	320	320
2018 second interim dividend paid (Note 8(b))	-	-	-	(2,151)	(2,151)	-	(2,151)
Dividends paid to non-controlling interests	-	-	-	-	-	(1,700)	(1,700)
At 30 June 2019	3,751	2,433	(2,629)	260,765	264,320	138,043	402,363
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
Shares 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	-	-	-	(1,945)	(1,945)	-	(1,945)
Dividends paid to non-controlling interests	-	-	-	-	-	(2,422)	(2,422)
At 30 June 2018	3,698	2,202	(105)	242,941	248,736	147,552	396,288

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
Operating cash inflow	11,596	9,446
Changes in working capital/others	(4,842)	(23,801)
Tax paid	(2,855)	(2,357)
Net cash generated from/(used in) operating activities	3,899	(16,712)
Investing activities		
Additions to investment properties and property, plant and equipment	(1,471)	(2,025)
Acquisition of additional interest in subsidiaries	(2,859)	(1,000)
Net cash used in other investing activities	(531)	(15,314)
Net cash used in investing activities	(4,861)	(18,339)
Financing activities		
Dividends paid to equity shareholders	(2,151)	(1,945)
Dividends paid to non-controlling interests	(1,700)	(2,422)
Net cash generated from other financing activities	4,533	11,194
Net cash generated from financing activities	682	6,827
Net decrease in cash and cash equivalents	(280)	(28,224)
Cash and cash equivalents at 1 January	26,129	52,244
Effect of exchange rate changes	(20)	(180)
Cash and cash equivalents at 30 June (Note)	25,829	23,840
Note: Cash and cash equivalents		
Bank deposits and cash in the consolidated statement of financial position	25,829	24,650
Less: Bank deposits with maturity greater than three months	-	(702)
Pledged bank deposits	-	(108)
Cash and cash equivalents in the condensed consolidated statement of cash flows	25,829	23,840

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 “Listing Rules”).

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

The unaudited interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2018. The unaudited interim financial information and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The accounting policies and methods of computation used in the preparation of the unaudited interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2018 except for the changes mentioned below.

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

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

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

HKFRS 16, Leases

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

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

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

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

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) (the “Companies Ordinance”) 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 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"), Hong Kong Air Cargo Terminals Limited and other public transport operations.

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 other long term 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

	Revenue HK\$ Million	Operating profit HK\$ Million	Increase in fair value of investment properties HK\$ Million	Other net income/ (charge) 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 2019								
Investment property	9,681	7,950	2,249	561	(564)	-	31	10,227
Hong Kong	7,560	6,677	1,854	559	(462)	-	-	8,628
Mainland China	1,958	1,162	395	2	(102)	-	31	1,488
Singapore	163	111	-	-	-	-	-	111
Development property	7,838	3,173	-	(371)	(168)	187	129	2,950
Hong Kong	4,454	1,763	-	-	(141)	1	149	1,772
Mainland China	3,116	1,291	-	(371)	(27)	186	(20)	1,059
Singapore	268	119	-	-	-	-	-	119
Hotels	1,173	170	-	2	(19)	-	-	153
Logistics	1,253	224	-	(27)	(101)	115	1	212
Terminals	1,247	218	-	(6)	(101)	79	1	191
Others	6	6	-	(21)	-	36	-	21
Inter-segment revenue	(132)	-	-	-	-	-	-	-
Segment total	19,813	11,517	2,249	165	(852)	302	161	13,542
Investment and others	1,900	1,589	-	21	(29)	-	-	1,581
Corporate expenses	-	(427)	-	-	-	-	-	(427)
Group total	21,713	12,679	2,249	186	(881)	302	161	14,696
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

(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	9,681	(68)	9,613	9,021	(44)	8,977
Development property	7,838	-	7,838	5,234	-	5,234
Hotels	1,173	(47)	1,126	1,056	-	1,056
Logistics	1,253	-	1,253	1,256	-	1,256
Investment and others	1,900	(17)	1,883	1,068	(14)	1,054
	21,845	(132)	21,713	17,635	(58)	17,577

(c) Disaggregation of revenue

Six months ended 30 June	2019 HK\$ Million	2018 HK\$ Million
Revenue recognised under HKFRS 15		
Sales of development properties	7,838	5,234
Management and service income	870	827
Other rental related income	160	100
Hotel and club operations	1,126	1,056
Logistic service income	1,253	1,256
	11,247	8,473
Revenue recognised under other accounting standards		
Rental income	8,626	8,093
Investment and others	1,840	1,011
	10,466	9,104
Group total	21,713	17,577

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 HK\$ Million	2018 HK\$ Million	2019 HK\$ Million	2018 HK\$ Million
Hong Kong	14,537	10,658	9,316	7,216
Mainland China	6,482	6,602	2,893	2,206
Singapore	694	317	470	226
Group total	21,713	17,577	12,679	9,648

3. OPERATING PROFIT

	Six months ended 30 June	
	2019 HK\$ Million	2018 HK\$ Million
Operating profit is arrived at after charging/(crediting):		
Depreciation and amortisation on		
– assets held for use under operating leases	81	78
– property, plant and equipment	381	364
– leasehold land	31	36
Total depreciation and amortisation	493	478
Staff costs (Note (a))	1,800	1,824
Cost of trading properties for recognised sales	4,292	2,950
Gross rental revenue from investment properties (Note (b))	(9,681)	(8,200)
Direct operating expenses of investment properties	1,695	1,130
Interest income	(990)	(326)
Dividend income from other long term investments	(585)	(422)

Notes:

(a) Staff costs included contributions to defined contribution pension schemes of HK\$143 million (2018: HK\$154 million) and equity settled share-based payment expenses of HK\$9 million (2018: HK\$18 million).

(b) Rental income included contingent rentals of HK\$1,256 million (2018: HK\$1,012 million).

4. OTHER NET INCOME/(CHARGE)

Other net income for the period amounted to HK\$186 million (2018: charge of HK\$74 million) and mainly comprised:

- (a) Gain on disposal of investment properties of HK\$559 million (2018: Nil).
- (b) Net foreign exchange gain of HK\$57 million (2018: loss of HK\$45 million) which included the impact of foreign exchange contracts.

(c) Net fair value loss of HK\$38 million (2018: Nil) on other long term investments classified as financial assets at fair value through profit or loss.

(d) Provision for diminution in value of HK\$357 million (2018: Nil) was made in respect of certain development properties in Mainland China.

5. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	HK\$ Million	HK\$ Million
Interest charged on:		
Bank loans and overdrafts	1,041	699
Other borrowings	547	543
Total interest charge	1,588	1,242
Other finance costs	129	136
Less: Amount capitalised	(735)	(577)
	982	801
Fair value gain:		
Cross currency interest rate swaps	(91)	(77)
Interest rate swaps	(10)	(78)
	(101)	(155)
Total	881	646

(a) The Group's average effective borrowing rate for the period was approximately 2.9% (2018: 2.3%) per annum.

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

6. INCOME TAX

Taxation charged to the consolidated income statement includes:

	Six months ended 30 June	
	2019	2018
	HK\$ Million	HK\$ Million
Current income tax		
Hong Kong		
– provision for the period	1,420	1,087
– over-provision in respect of prior years	(8)	(7)
Outside Hong Kong		
– provision for the period	807	308
– under-provision in respect of prior years	47	25
	2,266	1,413
Land appreciation tax (“LAT”) in Mainland China	40	260
Deferred tax		
Change in fair value of investment properties	388	369
Origination and reversal of temporary differences	169	539
Benefit of previously unrecognised tax losses now recognised	(36)	–
	521	908
Total	2,827	2,581

- (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 assessable profits outside Hong Kong is mainly corporate income tax calculated at a rate of 25% (2018: 25%) and withholding income tax at a rate of up to 10% in Mainland China, and Singapore income tax at a rate of 17% (2018: 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 expenditures including cost of land use rights, borrowing costs and all property development expenditures.
- (d) Tax attributable to associates and joint ventures for the six months ended 30 June 2019 of HK\$200 million (2018: HK\$396 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	
	2019	2018
	HK\$ Million	HK\$ Million
Profit attributable to equity shareholders	8,327	8,604

(b) Weighted average number of ordinary shares

	30 June 2019	30 June 2018
	No. of shares	No. of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,048,224,425	2,044,677,464
Effect of dilutive potential shares – Share options	2,557,846	4,360,868
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,050,782,271	2,049,038,332

8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	Six months ended 30 June			
	2019	2019	2018	2018
	HK\$ per share	HK\$ Million	HK\$ per share	HK\$ Million
First interim dividend declared after the end of the reporting period	0.525	1,075	0.500	1,024

(a) The first interim dividend based on 2,049 million (2018: 2,047 million) issued ordinary shares declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) The second interim dividend of HK\$2,151 million for 2018 was approved and paid in 2019.

9. INVESTMENT PROPERTIES

During the six months ended 30 June 2019, the Group recognised an increase in fair value of HK\$2,249 million (2018: HK\$6,007 million) on investment properties which were revalued by independent

professional surveyors as at 30 June 2019 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 the invoice dates as at 30 June 2019 as follows:

	30 June 2019	31 December 2018
	HK\$ Million	HK\$ Million
Trade receivables		
0 – 30 days	440	632
31 – 60 days	50	86
61 – 90 days	28	40
Over 90 days	109	100
	627	858
Accrued sales receivables	4,159	18
Other receivables and prepayments	10,172	9,126
	14,958	10,002

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 the invoice dates as at 30 June 2019 as follows:

	30 June 2019	31 December 2018
	HK\$ Million	HK\$ Million
Trade payables		
0 – 30 days	320	579
31 – 60 days	199	227
61 – 90 days	90	24
Over 90 days	153	73
	762	903
Rental and customer deposits	4,879	4,742
Construction costs payable	9,944	12,853
Amounts due to associates	3,562	2,709
Amounts due to joint ventures	6,105	5,707
Other payables	6,872	8,002
	32,124	34,916

12. BANK LOANS AND OTHER BORROWINGS

	30 June 2019	31 December 2018
	HK\$ Million	HK\$ Million
Bonds and notes (unsecured)	30,600	34,494
Bank loans (secured)	16,148	16,749
Bank loans (unsecured)	79,820	70,588
Total bank loans and other borrowings	126,568	121,831
Analysis of maturities of the above borrowings:		
Current borrowings		
Due within 1 year	12,206	14,968
Non-current borrowings		
Due after 1 year but within 5 years	104,215	95,776
Due after 5 years	10,147	11,087
	114,362	106,863
Total bank loans and other borrowings	126,568	121,831

13. SHARE CAPITAL

	30 June 2019	30 June 2019	31 December 2018	31 December 2018
	No. of shares	HK\$ Million	No. of shares	HK\$ Million
Issued and fully paid ordinary shares At 1 January	2,047,949,287	3,724	2,041,749,287	3,418
Shares issued under the share option scheme	600,000	27	6,200,000	306
At 30 June/31 December	2,048,549,287	3,751	2,047,949,287	3,724

14. FAIR VALUES 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 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 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					
	At 30 June 2019			At 31 December 2018		
	Level 1 HK\$ Million	Level 2 HK\$ Million	Total HK\$ Million	Level 1 HK\$ Million	Level 2 HK\$ Million	Total HK\$ Million
Assets						
Other long term investments:						
– Listed investments	51,161	–	51,161	41,292	–	41,292
– Unlisted investments	–	1,769	1,769	–	1,353	1,353
Derivative financial instruments:						
– Interest rate swaps	–	365	365	–	188	188
– Cross currency interest rate swaps	–	220	220	–	137	137
– Forward foreign exchange contracts	–	104	104	–	128	128
	51,161	2,458	53,619	41,292	1,806	43,098
Liabilities						
Derivative financial instruments:						
– Interest rate swaps	–	(152)	(152)	–	(162)	(162)
– Cross currency interest rate swaps	–	(640)	(640)	–	(994)	(994)
– Forward foreign exchange contracts	–	(31)	(31)	–	(16)	(16)
Bank loans and other borrowings:						
– Bonds and notes	–	(18,490)	(18,490)	–	(21,644)	(21,644)
– Bank loans	–	(502)	(502)	–	(1,527)	(1,527)
	–	(19,815)	(19,815)	–	(24,343)	(24,343)

During the six months ended 30 June 2019, 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 2019 and 31 December 2018.

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 2019 except for the rental income totalling HK\$579 million (2018: HK\$561 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\$506 million (2018: HK\$482 million) also constitute connected transactions as defined under the Listing Rules.

16. CONTINGENT LIABILITIES

(a) As at 30 June 2019, there were contingent liabilities in respect of guarantees given by the Group on behalf of certain associates and joint ventures of HK\$5,261 million (31 December 2018: HK\$1,998 million), of which HK\$3,549 million (31 December 2018: HK\$1,034 million) had been drawn.

(b) As at 30 June 2019, there were guarantees of HK\$2,711 million (31 December 2018: HK\$3,362 million) provided by WHL group and Wharf REIC group in aggregate 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\$1,354 million (31 December 2018: HK\$1,780 million) provided by associates and joint ventures of WHL group to the banks in favour of their customers.

(c) 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.

17. COMMITMENTS

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

Planned expenditure

	30 June 2019			31 December 2018		
	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million
(I) Properties						
Investment properties						
Hong Kong	884	757	1,641	1,005	891	1,896
Mainland China	183	470	653	196	545	741
Singapore	3	-	3	1	-	1
	1,070	1,227	2,297	1,202	1,436	2,638
Development properties						
Hong Kong	9,923	4,019	13,942	8,415	7,528	15,943
Mainland China	11,996	14,384	26,380	10,565	18,120	28,685
	21,919	18,403	40,322	18,980	25,648	44,628
Properties total						
Hong Kong	10,807	4,776	15,583	9,420	8,419	17,839
Mainland China	12,179	14,854	27,033	10,761	18,665	29,426
Singapore	3	-	3	1	-	1
	22,989	19,630	42,619	20,182	27,084	47,266
(II) Non-properties and others						
Hotels	13	113	126	5	119	124
Modern Terminals	64	62	126	93	70	163
Others	3,757	-	3,757	3,519	-	3,519
	3,834	175	4,009	3,617	189	3,806
Total	26,823	19,805	46,628	23,799	27,273	51,072

- (i) Properties commitments are mainly for construction costs to be incurred in the forthcoming years including attributable land costs of HK\$0.3 billion (31 December 2018: HK\$1.3 billion).
- (ii) The expenditure for development properties includes attributable amounts for developments undertaken by associates and joint ventures of HK\$0.9 billion (31 December 2018: HK\$0.9 billion) in Hong Kong and HK\$10.8 billion (31 December 2018: HK\$12.6 billion) in Mainland China, respectively.

18. 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.