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WHEELOCK AND COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 20

Interim Results Announcement for the half-year period ended 30 June 2018

HK\$23.4 billion Residential Sales a New High

Highlights on Hong Kong Properties

- **Residential contracted sales** increased by 131% to a new record of HK\$23.4 billion and contributed by nine developments, making the strongest first half sales.
 - **MALIBU** has presold 1,552 units for HK\$14.3 billion in three months with positive market response.
 - **GRAND OASIS KAI TAK** has presold 278 units for HK\$3.9 billion while a low-rise duplex presold close to HK\$35,000 per square foot in June 2018.
 - **GRAND MONTEREY** and other residential developments sales were on track and presold 191 units for HK\$3.5 billion.
 - A total of 2,021 units were sold or presold, exceeding 2017 full year record by 53%.

- **Net order book** increased by 243% to HK\$30.2 billion with successful launches of MALIBU, GRAND OASIS KAI TAK and GRAND MONTEREY.
- **Acquired two residential sites** with a total GFA of 0.9 million square feet, including a riverside Kai Tak site to further strengthen our Kowloon East portfolio.
- **Urban-focused land bank** under management was 6.6 million square feet after encouraging sales of MALIBU which sold 1.1 million square feet.

Wheelock Group Financials

- Group core profit decreased by 6% to HK\$5.2 billion, mainly due to lower revenue recognition of property sales as a result of the adoption of HKFRS 15 and less new project completion.
- Attributable core profit from Wharf REIC increased by 8% to HK\$3.1 billion while that of Wharf Holdings decreased by 7% to HK\$1.6 billion as if the demerger has been completed since 1 January 2017.
- Prudent balance sheet and holding power with Wheelock's own net gearing before consolidation at 13.8%.

GROUP RESULTS (unaudited)

Excluding investment property revaluation gain and exceptional items, core profit was HK\$5,160 million (2017: HK\$5,516 million).

Group profit attributable to equity shareholders was HK\$8,604 million (2017: HK\$6,243 million). Earnings per share were HK\$4.21 (2017: HK\$3.06).

INTERIM DIVIDEND

An interim dividend of 50.0 cents (2017: 47.5 cents) per share will be paid on 17 September 2018 to Shareholders, absorbing a total amount of HK\$1,024 million (2017: HK\$969 million).

BUSINESS REVIEW

Hong Kong Properties ("HKP")

Residential contracted sales reached a new record of **HK\$23.4 billion**, representing 131% growth compared to the same period in 2017 and surpassed 2017 full year residential sales by 37%. It marked the strongest first half sales. The impressive results once again affirmed our established brand recognition and proven sales capabilities. A total of 2,021 residential units were sold or presold, not merely exceeding 2017's full year record by 53%, but also demonstrating a steady growth compared to previous years. Sell-through rate was maintained at a high level of 99% on launched units or 91% on total units.

MALIBU, the new large-scale waterfront residential development was launched in March 2018 to unveil the O’EAST portfolio. Its debut received encouraging market response with nearly 20 times over-subscription. A total of 1,552 residential units were presold in three months for **HK\$14.3 billion** with average selling price near **HK\$16,000 per square foot**. O’EAST is the continuation of our O’SOUTH successful story, providing a completely new waterfront community with MTR connectivity. Being Wheelock’s first development in O’EAST, MALIBU is only 2 minutes’ walking distance to LOHAS Park MTR station and the upcoming 480,000 square feet LOHAS mall. It is the only site which enjoys stunning Silverstrand and O’SOUTH sea view. Moreover, the 90,000 square feet Club MALIBU with infinity pool and 24-hour gym facilities further enhance its attractiveness.

MOUNT NICHOLSON, the ultra-luxury residence on the Peak, sold two houses and two apartments for **HK\$3.3 billion** during the period, of which HK\$1.7 billion was attributable to the Group. Following two houses sold in 2017 ranked among Top 3 of 2017 global luxury residential sales by Christie’s International Real Estate, the development continued to achieve phenomenal transactions during the period. **House No. 2**, featuring 9,172 square feet of prestigious living, was sold for **HK\$151,800 per square foot** or **HK\$1.4 billion**, ranking it the most luxurious home worldwide by Christie’s International Real Estate 2018 Report. Since its debut in February 2016, the development has successfully generated HK\$22.7 billion in sales, of which HK\$11.3 billion was attributable to the Group. The sought-after remaining units will be selectively launched and we expect to see continuous demand for distinguished living at an exclusive address.

GRAND OASIS KAI TAK, premier phase of a riverside residential development within a minute’s walking distance to the future Kai Tak MTR station, was launched in January 2018 and presold 278 launched units for **HK\$3.9 billion** with average selling price approaching **HK\$26,000 per square foot**. A low-rise duplex was presold at **HK\$34,500 per square foot** in June 2018, setting a new benchmark in the area. The development is situated at the heart of the Kai Tak new development area and close to the future large mega Kai Tak Sports Park. Club Oasis, a luxurious clubhouse, and Oasis Garden, the central garden designed by a world-class landscaping team, further enhances the greenness of living.

GRAND MONTEREY, premier phase of the grand finale in the O’SOUTH portfolio, was launched in December 2017 and continued to presale an additional 98 units for **HK\$1.5 billion** with average selling price at **HK\$22,200 per square foot**, including a simplex unit presold at a record price of **HK\$39,000 per square foot**. It is a low-density residential development surrounded by a green field and offers panoramic harbour view. A 40,000 square feet prestigious clubhouse and a well-developed transportation network nearby amplify its uniqueness. 22 desirable villas with tranquil living and breathtaking harbour views is planned to launch in second half of the year.

NAPA, a low-density development surrounded with garden villas located in So Kwun Wat, sold 92% of 400 apartments for HK\$2.4 billion. The development is near to the MacLehose Trail, a National Geographic top hike worldwide, and Tai Lam Chung Reservoir, which offers a stunning green environment for living. Also, it is strategically located in close proximity to the Hong Kong International Airport and stands to benefit from the planned opening of the Hong Kong–Zhuhai–Macau Bridge later this year. **GRAND NAPA**, rebrand villas of the developments, will continue to be launched in second half of the year.

Net order book increased significantly by 243% to a record high of **HK\$30.2 billion**, driven mainly by the successful launches of MALIBU, GRAND OASIS KAI TAK and GRAND MONTEREY. Sales recognition was HK\$2.0 billion during the period due to the adoption of new accounting standard for sales recognition under HKFRS 15.

Four residential developments, namely, SAVANNAH, ISLAND RESIDENCE, NAPA and ONE HOMANTIN were completed and handed over during the period. MONTEREY, the finale of O'SOUTH portfolio, is expected to be completed within the year, making total completion to five developments. The results have shown our dedication to high quality homes, affirming customers' confidence in Wheelock's brand.

Land bank under management was **6.6 million square feet** after the successful launch of MALIBU which sold 1.1 million square feet. Our diversified urban-focused land bank is sufficient to meet the Group's future needs, and we continue to replenish quality land bank through various means. The Group added two sizable residential sites during the period, one in Kai Tak and another one in Kowloon Tong. Though there are no office developments under construction presently, our land bank provides a wide variety of product offerings, ranging from the Peak collection, MTR residences, waterfront living to suburban houses. A significant portion of our land bank is situated in Kowloon East, a new prime CBD for Hong Kong, which is well-positioned to benefit from the clustering of international financial institutions, re-energising of the Kwun Tong town center and improving transportation connectivity. Also, 97% of the land bank is located in city center, 90% is in proximity to MTR stations, while 80% is along the Victoria Harbour.

Corporate Social Responsibility (“CSR”) and Business-in-Community

Project *WeCan*, the Group's flagship business-in-community initiative, is an open platform to provide disadvantage students with opportunities and care to empower them for pursuing higher studies and future careers. With the increasing interest in STEAM education among schools, we have co-organised a joint-school STEAM project with The Hong Kong University of Science and Technology in first half of this year. A total of 17 teams were formed to enter the prototype competition and outstanding ones were showcased at Plaza Hollywood in July 2018. The Career Exploration Day, another joint-school project, was held in April 2018 at VTC (Tsing Yi) with the largest scale of over 4,000 students in one day this year. The programme was launched in 2015 with a host of activities to inspire students to have better planning for their future and shape their future. With the continuous support of trusted partner from corporates, universities, consulates and other organisations, Project *WeCan* will expand to cover 75 schools from the present 53 from the next school term onwards.

On **sustainable development and product quality**, Wheelock Properties Limited (“WPL”) received various awards at RICS (Royal Institution of Chartered Surveyors) Awards 2018, in recognition of our commitment to sustainable and green development. Among which, One Bay East, the full sea view Grade-A commercial building sold to Citigroup and Manulife respectively was awarded “Sustainability Achievement of the Year”. PENINSULA EAST, our waterfront residential development in Yau Tong was awarded “Residential Team of the Year - Certificate of Excellence”. Noticeable, Mr. Stewart Leung, Vice Chairman of the Group, was awarded “Lifetime Achiever Award” by RICS for his extraordinary contributions to the real estate industry. Moreover, WPL has been awarded as Top 10 Developer Awards 2018 by BCI Asia for the seventh consecutive years.

On **innovation**, HKSTP and WPL have jointly opened the new HKSTP @Wheelock Gallery in April 2018, a new facility designed to stimulate stronger investment activities in Hong Kong's information and technology sector. The initiative echoes well with our corporate innovation culture and CSR approach. It creates a platform to connect technology and industry, while bringing synergy to our own digitisation journey for accommodating customer needs and operational efficiency.

On **art and culture**, the first National Geographic Wheelock Youth Photo Competition winner's exhibitions was held at Wheelock Gallery from 28th February to 11th March 2018, which was free of charge and open to the public for sharing the masterpiece.

Wheelock and Company Limited is the majority shareholder of The Wharf (Holdings) Limited, Wharf Real Estate Investment Company Limited and Wheelock Properties (Singapore) Limited. Below is a report on their operations and achievements during the six months ended 30 June 2018.

The Wharf (Holdings) Limited (“WHL”) 63.4% Equity Investment

Reporting for the first time without the demerged Wharf Real Estate Investment Company Limited (“Wharf REIC”), 2017 comparatives in the Business Review have been adjusted to make comparison meaningful. Currently, WHL is principally engaged in Investment and Development Properties in Hong Kong and Mainland, Hotels and Logistics. On an attributable basis, Hong Kong Properties' operating profit decreased by 17% to HK\$864 million, partly due to timing differences. The Peak Portfolio showcases an enviable collection of luxurious residences while the “Kowloon East Waterfront Portfolio” comprises Kowloon Godown and the Yau Tong Bay joint venture project represents another valuable portfolio to WHL.

China development properties that constrained by administrative measures to cool an underlying market that is much hotter, its attributable interest in contracted sales decreased by 36% to RMB 7.2 billion. As at the end of June, the net order book decreased to RMB 21.3 billion for 0.9 million square metres. During the period, WHL acquired 10 sites in Suzhou, Hangzhou, Foshan and Guangzhou for RMB 14.0 billion on an attributable basis. As at the end of June, the DP land bank was maintained at 3.8 million square metres. China IP continued to benefit from International Finance Square's (“IFS”) steady contribution, with operating profit advanced by 23% to HK\$0.9 billion. In May 2018, the retail-oriented Changsha IFS complex has been opened to serve as a new iconic landmark in the heart of the city. It achieved a commitment rate of 97% and an opening rate of 84% by 30 June 2018.

WHL is currently managing 16 hotels in Mainland China, Hong Kong and the Philippines under the brand of Marco Polo Hotels and Niccolo Hotels. In addition, CME2 represents a strategic initiative in new economy infrastructure to re-invest the capital released from the earlier exit from CME1 in Hong Kong in a progressive CME2 arena that covers much larger markets with greater growth potential.

Wharf Real Estate Investment Company Limited 61.8% Equity Investment

On the back of the local retail market recovery, Wharf REIC's core profit increased by 8% to HK\$5.0 billion. The IP portfolio reported robust retail sales, which grew at a rate of 31.4% (vs the Hong Kong average of 13.4%) to set a new record of HK\$24.6 billion. That represented 9.9% of total Hong Kong retail sales during the period. Harbour City excelled the market with total revenue (excluding hotels) increased by 11% to HK\$5.2 billion. In the midst of a major re-tenanting exercise to enhance the competitiveness of the mall, Times Square's revenue increased by 1% to HK\$1.4 billion. Re-tenanting also affected Plaza Hollywood, with revenue increased by 1% to HK\$290 million.

Wheelock House and Crawford House, part of our Central Portfolio, performed solidly with revenue and operating profit both increased by 1% to HK\$233 million and HK\$203 million respectively.

Celebrated its opening in early 2018, The Murray, Hong Kong, the flagship Niccolo hotel transformed from the iconic Murray Building in prime Central District, is the latest strategic long-term investment. It was honoured with the prestigious accolades of “City Slicker, Big Sleep Awards 2018” by National Geographic Traveller and “Best New Business Hotel in Asia 2018” by Bloomberg.

Wheelock Properties (Singapore) Limited (“WPSL”) 76.2% Equity Investment

WPSL continued to deliver stable performance. On DP, 96 residential units were sold for S\$76 million. On IP, Wheelock Place retail portion achieved 96% occupancy rate whilst Scotts Square retail was 97% occupied as at 30 June 2018.

On 19 July 2018, a voluntary unconditional general offer for all shares of WPSL other than those shares the Group already owned was made. The offer per share is S\$2.1 in cash, valuing WPSL at over S\$2.5 billion. The offer price represents a 21% premium to its last closing price on 13 July 2018 and is even higher than any closing price since January 2010.

For shareholders, the offer represents an attractive opportunity to exit their entire investment in WPSL, which may otherwise be difficult due to the low trading liquidity.

FINANCIAL REVIEW

(I) REVIEW OF 2018 INTERIM RESULTS

WHEELOCK AND COMPANY (before consolidation of listed subsidiaries WHL, Wharf REIC and WPSL)

Wheelock and Company’s own core profit decreased by 73% to HK\$198 million (2017: HK\$742 million), mainly due to the lower revenue recognition of development properties sold in Hong Kong, based on the new accounting standards which require recognition at the time of assignment, as well as the decrease in new project completion in the period.

WHEELOCK GROUP

Group’s core profit decreased by 6% to HK\$5,160 million (2017: HK\$5,516 million), mainly due to the lower revenue recognition of development properties sold in Hong Kong, based on the new accounting standards which require recognition at the time of assignment, as well as the decrease in new project completion in the period, partly offset by the improved profit from investment properties.

Revenue and Operating Profit

Group revenue decreased by 47% to HK\$17,577 million (2017: HK\$33,005 million), mainly due to the lower revenue recognition of development properties sold in Hong Kong, based on the new accounting standards which require recognition at the time of assignment, as well as the decrease in new project completion in the period. Group operating profit decreased slightly by 1% to HK\$9,648 million (2017: HK\$9,697 million), mainly due to lower revenue recognition of development properties as mentioned earlier, partly offset by the increase in rental and investment income.

Investment Property (“IP”)

Revenue and operating profit increased by 11% and 9% to HK\$9,021 million (2017: HK\$8,122 million) and HK\$7,408 million (2017: HK\$6,801 million) respectively. In Hong Kong, revenue and operating profit increased by 8% and 7% respectively. Harbour City recorded revenue and operating profit growth of 11% and 10% respectively. In Mainland China, IP revenue, driven by Chengdu International Finance Square (“IFS”) coupled with newly contributed Changsha IFS since May 2018, increased by 29%, with operating profit increased by 23%.

Development Property (“DP”)

Revenue and operating profit decreased by 76% and 42% to HK\$5,234 million (2017: HK\$21,588 million) and HK\$1,552 million (2017: HK\$2,655 million) respectively.

In Hong Kong, recognised property sales decreased by 95% to HK\$779 million (2017: HK\$15,030 million) while operating profit decreased by 75% to HK\$198 million (2017: profit of HK\$794 million) with lower revenue recognition for the reason mentioned above, despite record sales in the period. No revenue was recognised for new project completion during the period while sales of remaining units at Kensington Hill, CAPRI, ONE HOMANTIN and NAPA were enabling revenue recognition totalled HK\$741 million.

In Mainland China, recognised property sales decreased by 27% to HK\$4,455 million (2017: HK\$6,090 million) and operating profit decreased by 20% to HK\$1,361 million (2017: HK\$1,710 million), mainly due to lower profit recognition from projects in Mainland China.

Hotels

Revenue increased by 36% to HK\$1,056 million (2017: HK\$774 million), primarily attributable to a stronger performance from three Marco Polo Hotels and soft opening of The Murray in Hong Kong and Niccolo Chengdu in Mainland China while operating profit decreased by 19% to HK\$125 million (2017: HK\$155 million) as impacted by initial operating loss of The Murray.

Logistics

Logistic revenue decreased by 12% to HK\$1,256 million (2017: HK\$1,424 million) while operating profit decreased by 31% to HK\$247 million (2017: HK\$358 million), resulting from lower throughput handled by Modern Terminals and a lower yield.

Communications, Media and Entertainment (“CME”)

Exit from the CME segment was completed through the distribution of i-CABLE shares to shareholders in September 2017, which discontinued the Group’s CME revenue and operating loss (2017: revenue of HK\$641 million and operating loss of HK\$222 million).

Investment and Others

Operating profit of investment and others increased by 90% to HK\$726 million (2017: HK\$382 million), mainly comprising dividend and interest income contributed from the Group’s equity and bond investments.

Fair Value Gain of IP

The carrying value of the Group’s IP portfolio as at 30 June 2018 increased to HK\$353.9 billion (2017: HK\$346.4 billion), with HK\$340.7 billion thereof stated at fair value based on independent valuation as at that date. That resulted in a revaluation gain of HK\$6,007 million for the period (2017: HK\$1,529 million), which was credited to the consolidated income statement.

IP under development of HK\$13.2 billion is carried at cost and will not be carried at fair value until the fair values first become reliably measurable or the dates of their respective completion, whichever is earlier.

Other Net (Charge)/Income

Other net charge amounted to HK\$74 million (2017: income of HK\$407 million), comprising mainly net exchange losses.

Finance Costs

Finance costs amounted to HK\$646 million (2017: HK\$500 million). Excluding the unrealised mark-to-market gain of HK\$155 million (2017: HK\$151 million) on swaps, finance costs increased by 11% to HK\$1,378 million (2017: HK\$1,240 million) before capitalisation of HK\$577 million (2017: HK\$589 million), and HK\$801 million (2017: HK\$651 million) after capitalisation. The Group's effective borrowing rate for the period was 2.3% (2017: 3.1%) per annum.

Share of Results of Associates and Joint Ventures

Share of profits of associates increased by 59% to HK\$605 million (2017: HK\$380 million), mainly due to higher profit contributions from DP in Mainland China.

Share of profits of joint ventures decreased to HK\$813 million (2017: HK\$986 million), resulting from deferred profit recognition for MOUNT NICHOLSON in Hong Kong and lower recognition from various DP projects in Mainland China.

Income Tax

Taxation charge was HK\$2,581 million (2017: HK\$2,616 million), which included deferred taxation of HK\$369 million (2017: HK\$353 million) provided for the fair value gain of IP located in Mainland China.

Excluding the above deferred taxation, the taxation charge decreased by 2% to HK\$2,212 million (2017: HK\$2,263 million), mainly due to lower DP operating profit, partly offset by higher profit from IP segment.

Non-controlling Interests ("NCI")

Profit attributable to NCI increased by 42% to HK\$5,168 million (2017: HK\$3,640 million). Excluding the NCI relating to IP revaluation gain (after deducting related deferred tax) of HK\$2,173 million (2017: HK\$454 million), NCI decreased by 6% to HK\$2,995 million (2017: HK\$3,186 million).

Profit attributable to Equity Shareholders

Group profit attributable to equity shareholders increased by 38% to HK\$8,604 million (2017: HK\$6,243 million). Earnings per share were HK\$4.21 based on weighted average of 2,045 million issued ordinary shares (2017: HK\$3.06 based on 2,037 million issued ordinary shares).

Excluding the attributable IP revaluation gain (after deducting related deferred tax and NCI) of HK\$3,465 million (2017: HK\$722 million), Group profit attributable to equity shareholders decreased by 7% to HK\$5,139 million (2017: HK\$5,521 million).

Set out below is an analysis of the Group profit attributable to equity shareholders as contributed by each of Wheelock and Company, WHL, Wharf REIC and WPSL as if the demerger of Wharf REIC had been completed since 1 January 2017.

	2018	2017
	HK\$ Million	HK\$ Million
Core profit attributable to:		
Wheelock and Company	198	742
WHL group	1,600	1,723
Wharf REIC group	3,100	2,864
WPSL group	262	187
	5,160	5,516
Attributable amount of non-core gains/(losses) (e.g. mark-to-market and exchange gain/(loss) on certain financial instruments, etc.)	(21)	5
Profit before IP valuation gain	5,139	5,521
IP valuation gain (net of deferred tax)	3,465	722
Profit attributable to equity shareholders	8,604	6,243

WHL's profit for the period decreased to HK\$2,860 million (2017: HK\$8,441 million). Excluding the exceptional items, WHL's core profit decreased by 66% to HK\$2,527 million (2017: HK\$7,438 million) mainly due to the demerger of Wharf REIC in 2017. If the demerger was completed on 1 January 2017, WHL's core profit would decrease by 9% to HK\$2,527 million from HK\$2,792 million in 2017.

Wharf REIC's profit for the period was HK\$10,179 million (2017: HK\$4,900 million as if the demerger of Wharf REIC has been completed since 1 January 2017). Excluding the exceptional items, Wharf REIC's core profit was HK\$5,022 million (2017: HK\$4,646 million).

WPSL's profit for the period was HK\$346 million (2017: HK\$252 million).

(II) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL COMMITMENTS

Shareholders' and Total Equity

Shareholders' equity slightly increased by 3% to HK\$248.7 billion (2017: HK\$241.7 billion), or HK\$121.49 per share based on 2,047 million issued shares (2017: HK\$118.37 per share based on 2,042 million issued shares) as at 30 June 2018.

Including the NCI, the Group's total equity increased by 2% to HK\$396.3 billion (2017: HK\$387.8 billion).

Assets and Liabilities

The Group's total assets were HK\$591.8 billion (2017: HK\$569.7 billion). Total business assets, i.e. excluding bank deposits and cash, financial and deferred tax assets, increased to HK\$523.3 billion (2017: HK\$487.3 billion).

Geographically, the Group's business assets in Mainland China, mainly properties and terminals, increased to HK\$146.7 billion (2017: HK\$136.9 billion), representing 28% (2017: 28%) of the Group's total business assets.

Investment Properties

The Group's IP portfolio, included in the Group's total assets, slightly increased by 2% to HK\$353.9 billion (2017: HK\$346.4 billion), representing 68% of total business assets. Harbour City (excluding the three hotels) and Times Square in Hong Kong were valued at HK\$231.6 billion, representing 65% of the value of the portfolio.

Properties for Sale

DP amounted to HK\$88.8 billion (2017: HK\$58.5 billion), mainly comprised properties in Hong Kong of HK\$42.5 billion, in Mainland China of HK\$45.9 billion and in Singapore of HK\$0.4 billion, which were under development or held for sale as at 30 June 2018.

Interests in Associates and Joint Ventures

Interests in associates and joint ventures amounted to HK\$44.3 billion (2017: HK\$41.9 billion), mainly represented by various joint-venture DP projects undertaken in Mainland China and Hong Kong.

Deposits from Sale of Properties

Deposits from sale of properties amounted to HK\$21.2 billion (2017: HK\$14.9 billion), reflecting contracted sales in Hong Kong, Mainland China and Singapore pending for revenue recognition.

Debt and Gearing

The Group's net debt increased by 73% or HK\$42.3 billion to HK\$100.0 billion (2017: HK\$57.7 billion) as at 30 June 2018. The net debt comprised debt of HK\$124.6 billion less bank deposits and cash of HK\$24.6 billion. An analysis of the net debt by group is shown below:

	30 June 2018	31 December 2017
	HK\$ Million	HK\$ Million
Net debt/(cash)		
Wheelock and Company	34,347	29,012
WHL group	29,292	(9,288)
Wharf REIC group	41,220	42,476
WPSL group	(4,903)	(4,483)
Group total	<u>99,956</u>	<u>57,717</u>

Excluding the net debt of WHL group and Wharf REIC group and net cash of WPSL group, which were non-recourse to the Company and its wholly-owned subsidiaries, Wheelock and Company's own net debt increased by HK\$5.3 billion to HK\$34.3 billion (2017: HK\$29.0 billion).

As at 30 June 2018, the net debt to total equity (on a consolidated basis) was increased to 25.2% (2017: 14.9%). Excluding the net debt of WHL group and Wharf REIC group and net cash of WPSL group, Wheelock and Company's own net debt to shareholders' equity (on an attributable net asset value basis) increased to 13.8% (2017: 12.0%).

Finance and Availability of Facilities

As at 30 June 2018, the Group's available loan facilities and issued debt securities amounted to HK\$163.1 billion (2017: HK\$157.7 billion), of which HK\$124.6 billion were utilised. An analysis is shown below:

	Available Facilities	Total Debt	Undrawn Facilities
	HK\$ Billion	HK\$ Billion	HK\$ Billion
Wheelock and Company	61.0	36.8	24.2
WHL group	51.7	44.9	6.8
Wharf REIC group	50.0	42.9	7.1
WPSL group	0.4	—	0.4
Group total	<u>163.1</u>	<u>124.6</u>	<u>38.5</u>

Of the above debt, HK\$9.2 billion (2017: HK\$12.1 billion) was secured by mortgages over certain DP, IP and property, plant and equipment with a total carrying value of HK\$27.9 billion (2017: HK\$42.3 billion).

The Group's debt was primarily denominated in United States dollars ("USD"), Hong Kong dollars ("HKD") and Renminbi ("RMB"). The borrowings were mainly used to fund the Group's 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 by the Group were primarily used for management of the Group's interest rate and currency exposures.

The Group continued to maintain a strong financial position with ample surplus cash denominated principally in RMB, HKD, USD and Singapore dollars, and undrawn committed facilities to facilitate the Group's business and investment activities. The Group also maintained a portfolio of equity and bond investments with an aggregate market value of HK\$47.2 billion (2017: HK\$29.0 billion) as at 30 June 2018, which is immediately available for the Group's use when in need.

Cash Flows from the Group's Operating and Investing Activities

For the period under review, the Group's operating cash inflow was HK\$9.4 billion (2017: HK\$9.9 billion). Together with the changes in working capital and others of HK\$26.1 billion (2017: HK\$2.9 billion), the net cash outflow from operating activities was amounted to HK\$16.7 billion (2017: inflow of HK\$7.0 billion). For investing activities, the Group recorded a net cash outflow of HK\$18.3 billion (2017: inflow of HK\$4.9 billion), mainly from acquisition of equity and bond investments.

Major Capital and Development Expenditure and Commitments

The Group's major capital and development expenditure incurred in the first half of 2018 is analysed as follows:

A. Major Capital and Development Expenditure during 1H 2018

	Hong Kong / Singapore	Mainland China	Total
	HK\$ Million	HK\$ Million	HK\$ Million
Wheelock and Company			
IP	37	—	37
DP	13,903	—	13,903
	<u>13,940</u>	<u>—</u>	<u>13,940</u>
WHL group			
IP	100	2,213	2,313
DP	12,487	20,282	32,769
Non-property and others	116	3	119
	<u>12,703</u>	<u>22,498</u>	<u>35,201</u>
Wharf REIC group			
IP	73	2	75
DP	—	560	560
Non-property and others	56	—	56
	<u>129</u>	<u>562</u>	<u>691</u>
WPSL group			
IP	5	—	5
DP	—	62	62
	<u>5</u>	<u>62</u>	<u>67</u>
<u>Analysis by segment:</u>			
IP	215	2,215	2,430
DP	26,390	20,904	47,294
Non-property and others	172	3	175
Group total	<u>26,777</u>	<u>23,122</u>	<u>49,899</u>

- i. Wheelock's own expenditure for IP and DP amounted to HK\$13.9 billion, mainly attributable to the land and construction cost payments for its Hong Kong DP projects.
- ii. WHL's expenditure totalled HK\$35.2 billion, comprising expenditure of HK\$2.3 billion for IP (mainly construction costs of the IFS projects in Mainland China), HK\$32.8 billion for DP (including those undertaken by associates and joint ventures) and HK\$0.1 billion for Modern Terminals.

- iii. Wharf REIC's expenditure amounted to HK\$0.7 billion, comprising expenditure of HK\$0.1 billion for IP (mainly construction costs of the Suzhou IFS project) and HK\$0.6 billion for DP projects in Mainland China (including those undertaken by associates and joint ventures).
- iv. WPSL's expenditure of HK\$0.1 billion was mainly for construction cost payments for its Mainland China DP project.

B. Commitments to Capital and Development Expenditure

As at 30 June 2018, the Group's major commitments to capital and development expenditure to be incurred in the forthcoming years were estimated at HK\$57.9 billion, of which HK\$24.6 billion was committed. By segment, the commitments are analysed as follows:

	As at 30 June 2018		Total
	Committed	Uncommitted	
	HK\$ Million	HK\$ Million	HK\$ Million
Wheelock and Company			
DP	11,924	6,181	18,105
	11,924	6,181	18,105
WHL group			
IP	2,649	3,736	6,385
DP	7,865	16,457	24,322
Non-property and others	133	107	240
	10,647	20,300	30,947
Wharf REIC group			
IP	1,567	3,419	4,986
DP	119	2,090	2,209
Non-property and others	24	124	148
	1,710	5,633	7,343
WPSL group			
IP	1	—	1
DP	283	1,280	1,563
	284	1,280	1,564
<u>Analysis by business segment:</u>			
IP	4,217	7,155	11,372
DP	20,191	26,008	46,199
Non-property and others	157	231	388
Group total	24,565	33,394	57,959
<u>Analysis by geographical segment:</u>			
Hong Kong IP	1,015	506	1,521
Hong Kong DP	11,924	6,181	18,105
China IP	3,201	6,649	9,850
China DP	8,267	19,827	28,094
Singapore	1	—	1
Properties total	24,408	33,163	57,571
Non-property and others	157	231	388
Group total	24,565	33,394	57,959

- i. Wheelock and Company's own commitments of HK\$18.1 billion mainly relate to construction costs for DP in Hong Kong.
- ii. WHL's commitments of HK\$30.9 billion mainly comprise of expenditure of HK\$6.4 billion for IP, HK\$24.3 billion land and construction costs for DP (inclusive of associates and joint ventures' attributable commitments) and HK\$0.2 billion mainly for Modern Terminals.
- iii. Wharf REIC's commitments of HK\$7.3 billion mainly comprise of expenditure of HK\$5.0 billion for IP, HK\$2.2 billion construction costs for DP and HK\$0.1 billion mainly for Hotels.
- iv. WPSL's commitments of HK\$1.6 billion mainly relate to construction costs for DP in Mainland China.
- v. The commitments and planned expenditure will be funded by the respective group's own 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 equity and bond investments.

(III) HUMAN RESOURCES

The Group had approximately 12,700 employees as at 30 June 2018, including about 2,300 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay trends, 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 2018 - Unaudited

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2018 - Unaudited

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2018 – Unaudited

	Note	30 June 2018 HK\$ Million	31 December 2017 HK\$ Million
Non-current assets			
Investment properties		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
		<u>469,716</u>	<u>442,134</u>
Current assets			
Properties for sale		88,798	58,518
Inventories		14	12
Trade and other receivables	9	8,478	12,359
Derivative financial assets		138	175
Bank deposits and cash		24,650	56,474
		<u>122,078</u>	<u>127,538</u>
Total assets		<u>591,794</u>	<u>569,672</u>
Non-current liabilities			
Derivative financial liabilities		(1,047)	(814)
Deferred tax liabilities		(14,060)	(13,535)
Other deferred liabilities		(329)	(314)
Bank loans and other borrowings		(94,635)	(79,021)
		<u>(110,071)</u>	<u>(93,684)</u>
Current liabilities			
Trade and other payables	10	(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		(29,971)	(35,170)
		<u>(85,435)</u>	<u>(88,165)</u>
Total liabilities		<u>(195,506)</u>	<u>(181,849)</u>
NET ASSETS		<u>396,288</u>	<u>387,823</u>
Capital and reserves			
Share capital		3,698	3,418
Reserves		245,038	238,266
Shareholders' equity		<u>248,736</u>	<u>241,684</u>
Non-controlling interests		147,552	146,139
TOTAL EQUITY		<u>396,288</u>	<u>387,823</u>

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 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	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

	2018			2017		
	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
Six months ended 30 June						
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
	17,635	(58)	17,577	33,184	(179)	33,005

(c) Geographical information

Six months ended 30 June	Revenue		Operating profit	
	2018 HK\$ Million	2017 HK\$ Million	2018 HK\$ Million	2017 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	17,577	33,005	9,648	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 scheme 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) 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	2017
	HK\$ Million	HK\$ Million
Interest charged on:		
Bank loans and overdrafts	699	562
Other borrowings	543	503
Total interest charge	1,242	1,065
Other finance costs	136	175
Less: Amount capitalised	(577)	(589)
	801	651
Fair value (gain)/loss:		
Cross currency interest rate swaps	(77)	(406)
Interest rate swaps	(78)	255
	(155)	(151)
Total	646	500

The Group's average effective borrowing rate for the period was 2.3% (2017: 3.1%) per annum.

6. INCOME TAX

Taxation charged to the consolidated income statement includes:

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

- (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	<u>8,604</u>	<u>6,243</u>

(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	<u>2,044,677,464</u>	2,037,088,514
Effect of dilutive potential shares - Share options	<u>4,360,868</u>	<u>6,275,985</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,049,038,332</u>	<u>2,043,364,499</u>

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	<u>0.500</u>	<u>1,024</u>	<u>0.475</u>	<u>969</u>

- (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. 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:

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

10. 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:

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

11. 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.

12. 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.

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 on The Stock Exchange of Hong Kong Limited were met by the Company, with the exception of two deviations, namely, (i) Code Provision A.2.1 (the “First Deviation”) providing for the roles of chairman and chief executive to be performed by different individuals; and (ii) Code Provision F.1.3 (the “Second Deviation”) providing for the company secretary to report to the board chairman or the chief executive.

Regarding the First Deviation, the relevant arrangement is deemed appropriate as it is considered to be more efficient for one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive. 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 more than half of them being Independent Non-executive Directors. As regards the Second Deviation, the Company Secretary of the Company has for some years directly reported to, and continues to report to, the Deputy Chairman of the Company, which is considered appropriate and reasonable given the size of the Group. In the view of the Directors, this reporting arrangement in no way adversely affects the efficient discharge by the Company Secretary of his job duties.

PURCHASE, SALE OR REDEMPTION OF SHARES

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.

RECORD DATE FOR INTERIM DIVIDEND

There will be no book closure for determining Shareholders’ entitlements to the Interim Dividend, which will be paid on 17 September 2018 to Shareholders on record as at the close of business on 28 August 2018. In order to qualify for the Interim Dividend, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company’s Registrars, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 28 August, 2018.

By Order of the Board
Wilson W. S. Chan
Company Secretary

Hong Kong, 14 August 2018

As at the date of this Announcement, the Board of Directors of the Company comprises Mr. Douglas C. K. Woo, Mr. Stephen T. H. Ng, Mr. Stewart C. K. Leung, Mr. Paul Y. C. Tsui, Mr. Ricky K. Y. Wong and Mrs. Mignonne Cheng, together with seven Independent Non-executive Directors, namely, Mr. Tak Hay Chau, Mr. Winston K. W. Leong, Mr. Alan H. Smith, Mr. Richard Y. S. Tang, Mr. Kenneth W. S. Ting, Ms. Nancy S. L. Tse and Mr. Glenn S. Yee.