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WHEELLOCK AND COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 20

Interim Results Announcement for the half-year period ended 30 June 2017

Core Business Steady Despite Mixed Outlook

Hong Kong Development Properties Highlights

- **Contracted sales** were on track at HK\$10.1 billion.
- **Residential** drove momentum and contributed 100% of contracted sales.
 - **MONTEREY** presold 100% of 648 launched units for HK\$5.8 billion in two weeks.
 - **Mount Nicholson** sold 2 houses and 6 apartments for HK\$3.1 billion, translating to HK\$1.6 billion on attributable basis.
 - **ONE HOMANTIN, NAPA** and other developments sales presold 306 units for HK\$2.7 billion.
 - A total of 958 units were presold, demonstrating a steady growth compared to previous years.
- **Sales recognition** was HK\$17.1 billion due to completion of Capri, ONE HOMANTIN and SAVANNAH.
- **Urban-focused land bank** under management was 7.8 million square feet.
- **Net order book** eased to HK\$8.9 billion in the absence of One HarbourGate.

Wheelock Group Financials

- Group core profit increased by 6% to HK\$5.4 billion.
- Attributable core profit from Wharf increased by 26% to HK\$4.5 billion.
- Prudent financial position with Wheelock's own net gearing before consolidation reduced to 12.5%.

GROUP RESULTS (unaudited)

Excluding investment property revaluation gain and exceptional items, core profit was HK\$5,412 million (2016: HK\$5,126 million).

Group profit attributable to equity shareholders was HK\$6,243 million (2016: HK\$5,662 million). Earnings per share were HK\$3.06 (2016: HK\$2.79).

INTERIM DIVIDEND

An interim dividend of 47.5 cents (2016: 45.0 cents) per share will be paid on 18 September 2017 to Shareholders, absorbing a total amount of HK\$969 million (2016: HK\$915 million).

BUSINESS REVIEW

Core Business – Hong Kong Development Properties (“DP”)

Contracted sales were on track at **HK\$10.1 billion** as a result of buoyant market and positive residential launches, affirming our proven execution and strengthened brand recognition. Residential drove momentum and contributed 100% of sales during the period. A total of 958 residential units were presold, demonstrating a steady growth compared to previous years. Sell through rate achieved at 91% on 1,050 units launched during the period.

MONTEREY, a waterfront living residence, is the last O' South development. 648 units were presold within two weeks of the project's debut in March 2017, achieving HK\$5.8 billion. The project was more than ten times over-subscribed, underpinning the continued success of our previous developments in O' South, namely, The Parkside, Capri and SAVANNAH. It is a low density residence surrounded by a green field and with a panoramic Harbour view. Furthermore, a 40,000 square feet prestige clubhouse and the well-developed transportation network also amplify its uniqueness.

Mount Nicholson, an ultra-luxury residential project on the Peak, sold two houses and six apartments for HK\$3.1 billion during the period, of which HK\$1.6 billion is attributable to the Group. All 22 typical apartments in Phase I and II were sold and generated HK\$7.3 billion or 56% of sales, of which the highest average cost reached HK\$105,000 per square foot, one of the highest-valued apartments globally. Further, 8 houses were sold for HK\$5.8 billion, among which House No. 1 was sold for \$1.1 billion or \$108,540 per sq. ft. The promising results once again reflect the continuous demand for prestigious and exclusive living on the Peak. Phase III of the project is planned for launch in the second half of 2017, and we expect to see continuous demand for prestigious living at an exclusive address.

ONE HOMANTIN presold 101 units for HK\$1.3 billion during the period. The opening of Ho Man Tin MTR station in October 2016 further enhances its attractiveness and market demand. The project presold 463 units or 89% of launched units for HK\$5.5 billion as at 30 June 2017.

NAPA presold 167 units for HK\$1.1 billion during the period. Since its launch in mid-October 2016, close to 80% of 400 apartments were presold for HK\$2.2 billion as at 30 June 2017. NAPA is a low density development surrounded by lush green hills, and in close proximity to the Hong Kong International Airport and Shenzhen Baoan International Airport. The project also benefits from future connectivity to the Hong Kong–Zhuhai–Macau Bridge. The launch of GRAND NAPA – houses in the development – is making progress.

Sales recognition was HK\$17.1 billion, contributed by four residential developments, of which three were newly completed during the period. Capri obtained occupation permit in the first quarter of 2017 and recognised HK\$4.0 billion sales, while ONE HOMANTIN and SAVANNAH obtained occupation permit in the second quarter and recognised HK\$5.5 billion sales and HK\$5.4 billion sales respectively. Mount Nicholson recognised additional HK\$2.1 billion sales in the first half of 2017. Presold but not yet completed contracted sales, i.e. **net order book** eased to HK\$8.9 billion in the absence of One HarbourGate.

Land bank under management was **7.8 million square feet** and is adequate to fulfill development needs over the coming years. This urban-focused land bank is spread among Hong Kong’s key strategic regions, including the Peak, CBDs and LOHAS. Also, 98% of the land bank is in urban areas, while 75% is along the Victoria Harbour. These figures demonstrate the unique location and development potential of our land bank.

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

The 5th **Project WeCan** Young Innovators Bazaar, which provides a platform for secondary school students to have a taste of entrepreneurship, was successfully held in February 2017. With volunteers’ immense contribution, the number of participating students has grown from 200 to more than 1,000. It was the first time to partner with the Global Business programme of the Hong Kong University of Science and Technology to form coaching teams to support students in preparing for the Bazaar. Meanwhile, Fung Kai No. 1 Secondary School and Ng Yuk Secondary School, the two secondary schools supported by Wheelock, won seven prizes in total, including “Most Favorite Booth” and “Best Team Spirit”.

On **community service**, we spare no effort to inspire and encourage our employees to build a caring Hong Kong together with our community partners. Our staff dedicated more than 2,100 volunteer hours in 81 activities jointly held with various partners in 2016, including Hong Chi Association, WWF-Hong Kong, Community Chest and so forth. With a commitment to promote Arts and Culture, Wheelock Properties Limited (“WPL”) organised its 4th public photo competition and themed “City Transformation”. Over 1,000 entries were received, of which six winners were selected for the photographic exhibition held at Gallery by the Harbour in Harbour City in January 2017 to showcase the winning photographs and feature artworks that portray the city’s evolution.

Sustainable development and quality excellence are at the core of the Group’s strategies. Following the LEED Gold certification achieved by One Bay East and One HarbourGate, our latest commercial redevelopment project, 8 Bay East, further pushes the limits in performance and has been awarded LEED Platinum Certification by the U.S. Green Building Council, the highest building rating in green practices from the certification body. Meanwhile, WPL was not only awarded “Corporate Social Responsibility Project of the Year” by RICS Hong Kong for four consecutive years, but also named the “Top 10 Developers Award” by BCI Asia for six consecutive years. The prominent achievements once again have granted their confidence in our quality and recognised our commitment to sustainable and green developments.

Wheelock and Company Limited is the majority shareholder of The Wharf (Holdings) Limited and Wheelock Properties (Singapore) Limited. Below is a report on their operations and achievements during the six months ended 30 June 2017.

The Wharf (Holdings) Limited (“Wharf”) 61.6% Equity Investment

Hong Kong Investment Properties (“IP”) outperformed the market, reflecting a gradual revival of consumption and optimism. Tenants’ retail sales generally witnessed noticeable signs of improvement. Wharf’s strategic differentiation in management and execution capabilities remained an unrivalled advantage to boost performance. Total revenue increased by 4% to HK\$6,681 million and operating profit by 4% to HK\$5,942 million. The new extension building at Ocean Terminal commanding a fascinating 270-degree panorama of Victoria Harbour is set to add growth impetus, targeting to open in the fourth quarter of 2017. On the other hand, office revenue reflected solid rental reversion and stable rents for new commitments. Occupancy rate at Harbour City and Times Square stood at 96% at the end of June.

China IP revenue increased by 4% to HK\$1,246 million and operating profit by 6% to HK\$732 million on translation to Hong Kong dollars, despite the adverse impact of the unfavourable currency movements. Chengdu International Finance Centre (“IFS”)’s differentiation in the western China region was reinforced by its proven track record and unmatched sales productivity. Tenants’ sales from its 2.2 million square feet retail mall posted a robust gain of 30% while foot traffic grew by 22%. Retail occupancy rate was 99% at the end of June. Total revenue increased by 18% to RMB367 million. Chengdu IFS continued to garner new distinguished awards since opening, including “ICSC China Awards - 2017 Silver Award for Marketing Excellence” and “Asian Licensing Awards 2016 - Best Location-Based or Experiential Initiative of the Year”.

IFS developments continue to create long-term value. The upcoming mega malls in Chongqing and Changsha IFS are expected to tap the huge experience-based consumption markets in the regions and to take the retail experience to the next level. The promising retail pre-leasing status achieved also bears testimony to retailers’ confidence in value creation capability.

China DP revenue decreased by 30% to HK\$9,095 million but operating profit was up by 1% to HK\$2,355 million, inclusive of joint ventures and associates on an attributable basis with 563,900 square metres of GFA completed and recognised during the period. Its attributable interest in contracted sales decreased by 27% to RMB11.9 billion with the latest round of cooling measures imposed by the government. At the end of June, the DP land bank was maintained at 3.4 million square metres.

Wharf manages 14 hotels in China, Hong Kong and the Philippines under the iconic legacy brand of Marco Polo Hotels and the new luxury brand, Niccolo Hotels. The Murray, Hong Kong, a Niccolo Hotel, under conversion from Central’s landmark Murray Building, is slated to open in late 2017. The 336-room luxury hotel is best positioned to befit the city’s most prestigious visitors and to become the new epicentre for events and celebrations.

i-CABLE

Currently, i-CABLE has received all major regulatory approvals for the introduction of Forever Top (Asia) Limited as its new investor and the next step is to proceed with its Open Offer (expected completion: 14 September 2017) and the Loan Capitalisation (expected completion: September/October 2017). Wharf will distribute all i-CABLE shares to its shareholders, which include existing shares plus new shares from loan capitalization. Wheelock will in turn distribute the relevant shares received to its shareholders. New shares from loan capitalization will be separately addressed at a later date. Completion of all distribution in specie is scheduled for

September/October 2017. These will mark Wharf's complete exit of Communication, Media and Entertainment segment.

Strategic Review on IP

Following a strategic review announced in Wharf's Final Results Announcement, it has submitted a proposal to the Stock Exchange in accordance with Practice Note 15 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited to demerge its wholly-owned subsidiary Wharf Real Estate Investment Company Limited ("Wharf REIC") for a separate listing by way of introduction. The proposal has been approved by the Stock Exchange.

Wharf REIC is in the process of preparing its application to the Stock Exchange for the listing of, and permission to deal in, Wharf REIC shares on the Main Board of the Stock Exchange.

Wharf REIC will be primarily focused on investment properties in Hong Kong and will also hold Wharf's 72%-owned listed subsidiary, Harbour Centre Development Limited. Wharf REIC will hold a portfolio of six premium quality investment properties in Hong Kong, namely Harbour City, Times Square, Plaza Hollywood, Crawford House, Wheelock House and The Murray (being converted into a luxury hotel for opening in late 2017). This portfolio of about 11 million square feet of GFA has a total value of over HK\$230 billion and an annual turnover of over HK\$13 billion.

After the demerger, Wharf will be primarily focused on investment properties and development properties in Mainland China, other Hong Kong properties, as well as logistics and hotel management.

The proposed demerger is at an early stage. The application for the listing of Wharf REIC has not yet been submitted to the Stock Exchange and the listing has not yet been approved by the Stock Exchange. The implementation of the demerger is subject to the final decisions of the boards of directors of Wheelock, Wharf and Wharf REIC. Accordingly, shareholders and potential investors of Wheelock and Wharf should be aware that there is no assurance that the proposed demerger and separate listing of Wharf REIC will take place or as to when it may take place. Further announcement will be made when appropriate.

Wheelock Properties (Singapore) Limited ("WPSL") 76.2% Equity Investment

WPSL gave a stable performance in the first half. On DP, 135 residential units were sold for S\$187 million. On IP, Wheelock Place office tower achieved full occupancy whilst its retail portion and Scotts Square retail were more than 96% occupied at the end of June.

FINANCIAL REVIEW

(I) Review of 2017 interim results

Wheelock & Company Core Profit (before consolidation of listed subsidiaries Wharf and WPSL)

Wheelock & Company's own core profit decreased by 46% to HK\$742 million (2016: HK\$1,372 million), mainly due to recognition of One HarbourGate profit in the first half of 2016.

Wheelock Group

Group's core profit increased by 6% to HK\$5,412 million (2016: HK\$5,126 million), mainly attributable to resilient rental revenue.

Revenue and Operating Profit

Group revenue increased by 21% to HK\$33,005 million (2016: HK\$27,196 million). Operating profit was reduced by 4% to HK\$9,697 million (2016: HK\$10,059 million).

Investment Property

Revenue and operating profit increased by 3% and 4% to HK\$8,122 million (2016: HK\$7,889 million) and HK\$6,801 million (2016: HK\$6,537 million) respectively. In Hong Kong, revenue and operating profit increased by 3% and 4% respectively. Mainland revenue and operating profit rose by 4% and 6% respectively in HK dollars. If in RMB, revenue and operating profit up by 9% and 11% respectively.

Development Property

Revenue increased by 42% to HK\$21,588 million (2016: HK\$15,232 million). Operating profit decreased by 13% to HK\$2,655 million (2016: HK\$3,056 million).

In Hong Kong, recognised property sales increased by 157% to HK\$15,030 million (2016: HK\$5,858 million) while operating profit decreased by 51% to HK\$794 million (2016: HK\$1,617 million). Capri, ONE HOMANTIN and SAVANNAH were completed in the first half of 2017, enabling revenue recognition of HK\$4,025 million, HK\$5,470 million and HK\$5,435 million respectively.

In the Mainland, recognised property sales were HK\$6,090 million (2016: HK\$8,409 million). Operating profit increased by 31% to HK\$1,710 million (2016: HK\$1,307 million).

Hotels

Revenue and operating profit increased by 5% and 49% to HK\$774 million (2016: HK\$740 million) and HK\$155 million (2016: HK\$104 million) respectively. Hong Kong revenue increased with improved occupancies while the newly opened hotels in the Mainland have started to contribute.

Logistics

Revenue and operating profit increased by 11% and 22% to HK\$1,424 million (2016: HK\$1,286 million) and HK\$358 million (2016: HK\$293 million) respectively, mainly attributable to higher throughput handled by Modern Terminals.

CME

The portfolio, after Wharf T&T termination in November 2016, resulted in revenue drop by 63% to HK\$641 million (2016: HK\$1,715 million) and operating loss of HK\$222 million (2016: profit of HK\$78 million).

Investment and Others

Investment and others' profit increased by 19% to HK\$382 million (2016: HK\$321 million), partly contributed from the Group's equity and bond investments.

Fair Value Gain of IP

The book value of the Group's IP portfolio as at 30 June 2017 increased to HK\$334.6 billion (2016: HK\$329.1 billion), with HK\$314.7 billion thereof stated at fair value based on independent valuation as at that date. That resulted in a revaluation gain of HK\$1,529 million for the period (2016: HK\$495 million), which was credited to the consolidated income statement.

IP under development of HK\$19.9 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 Income/(Charge)

Other net income was HK\$407 million (2016: charge of HK\$568 million), comprising mainly net gain on disposal of an associate and subsidiaries of HK\$422 million.

Finance Costs

Finance costs amounted to HK\$500 million (2016: HK\$331 million). Excluding mark-to-market gain on swaps, finance costs decreased by 19% to HK\$1,240 million (2016: HK\$1,533 million) before capitalisation of HK\$589 million (2016: HK\$753 million). The Group's effective borrowing rate for the period was 3.1% (2016: 2.9%) per annum, mainly due to higher proportion of borrowings at higher interest rate.

Share of Results of Associates and Joint Ventures

Share of profits of associates decreased to HK\$380 million (2016: HK\$536 million) with lower profit contributions from Mainland DP.

Share of profits of joint ventures increased by 102% to HK\$986 million (2016: HK\$489 million), mainly attributable to Mount Nicholson in Hong Kong.

Income Tax

The taxation charge was HK\$2,616 million (2016: HK\$2,032 million), which included deferred taxation of HK\$353 million (2016: credit of HK\$12 million) provided for the fair value gain of IP located in the Mainland.

Excluding the above deferred taxation, the taxation charge increased by 11% to HK\$2,263 million (2016: HK\$2,044 million), mainly due to higher profits from IP segment but offset by lower DP segment.

Non-controlling Interests ("NCI")

Profit attributable to NCI increased by 22% to HK\$3,640 million (2016: HK\$2,986 million), mainly due to increase in profit of Wharf.

Profit attributable to Equity Shareholders

Group profit attributable to equity shareholders increased by 10% to HK\$6,243 million (2016: HK\$5,662 million). Earnings per share were HK\$3.06 based on weighted average of 2,037 million issued ordinary shares (2016: HK\$2.79 based on 2,032 million issued ordinary shares).

Excluding the attributable IP revaluation gain (after deducting related deferred tax and NCI) of HK\$722 million (2016: HK\$313 million), Group profit attributable to equity shareholders increased by 3% to HK\$5,521 million (2016: HK\$5,349 million).

Set out below is an analysis of the Group profit attributable to equity shareholders as contributed by each of Wheelock & Company, Wharf and WPSL.

	2017 HK\$ Million	2016 HK\$ Million
Profit attributable to		
Wheelock & Company	742	1,372
Wharf group	4,483	3,564
WPSL group	187	190
Core profit	<u>5,412</u>	<u>5,126</u>
Attributable net mark-to-market and exchange (loss)/gain on certain financial instruments / other non-recurrent gains	<u>109</u>	<u>223</u>
Profit before IP valuation gain	5,521	5,349
IP valuation gain (after deferred tax)	722	313
Profit attributable to equity shareholders	<u>6,243</u>	<u>5,662</u>

Wharf's profit for the first half ended 30 June 2017 increased by 26% to HK\$8,441 million (2016: HK\$6,725 million). Excluding the exceptional items, Wharf's core profit increased by 22% to HK\$7,271 million (2016: HK\$5,972 million).

WPSL's profit for the first half ended 30 June 2017 was S\$46.6 million (2016: S\$46.4 million), according to the accounting standards adopted in Singapore. In accordance with Hong Kong Financial Reporting Standards, WPSL's contributed profit to the Group was HK\$252 million (2016: HK\$250 million).

(II) Liquidity, Financial Resources and Capital Commitments

Shareholders' and Total Equity

Shareholders' equity increased by 4% to HK\$224.0 billion (2016: HK\$215.4 billion), or HK\$109.80 per share based on 2,040 million issued ordinary shares (2016: HK\$105.85 per share based on 2,035 million issued ordinary shares) as at 30 June 2017.

Including the NCI, the Group's total equity increased by 3% to HK\$361.3 billion (2016: HK\$349.5 billion).

Assets and Liabilities

The Group's total assets were HK\$511.8 billion (2016: HK\$520.4 billion). Total business assets, i.e. excluding bank deposits and cash, financial and deferred tax assets, decreased to HK\$464.7 billion (2016: HK\$468.1 billion).

Geographically, the Group's business assets in the Mainland, mainly properties and terminals, slightly decreased to HK\$122.0 billion (2016: HK\$122.6 billion), representing 26% (2016: 26%) of the Group's total business assets.

Investment Properties

The Group's IP portfolio, included in the Group's total assets, increased to HK\$334.6 billion (2016: HK\$329.1 billion), representing 72% of total business assets. Harbour City (excluding the three hotels) and Times Square in Hong Kong were valued at HK\$219.5 billion, representing 66% of the value of the portfolio. Wharf's IP in the Mainland amounted to HK\$62.3 billion, including IP under development at a cost of HK\$18.4 billion.

Properties for Sale

DP amounted to HK\$57.3 billion (2016: HK\$70.1 billion), mainly comprised of properties in Hong Kong of HK\$30.8 billion, in China of HK\$21.5 billion and in Singapore of HK\$5.0 billion, which were held for sale as at 30 June 2017.

Interests in Associates and Joint Ventures

Interests in associates and joint ventures amounted to HK\$33.3 billion (2016: HK\$35.1 billion), mainly represented by various joint-venture DP projects undertaken in the Mainland and Hong Kong.

Deposits from Sale of Properties

Deposits from sale of properties amounted to HK\$25.1 billion (2016: HK\$30.6 billion), representing contracted sales in the Mainland, Hong Kong and Singapore pending revenue recognition.

Debt and Gearing

The Group's net debt was reduced by 8% or HK\$4.0 billion to HK\$47.0 billion (2016: HK\$51.0 billion) as at 30 June 2017. The net debt comprised debt of HK\$83.8 billion less bank deposits and cash of HK\$36.8 billion. Wheelock & Company's own net debt decreased by HK\$1.6 billion to HK\$28.1 billion (2016: HK\$29.7 billion). Wharf's net debt decreased to HK\$21.4 billion, which was non-recourse to the Company and its wholly-owned subsidiaries. An analysis of the net debt by group is shown below:

	30 June 2017	31 December 2016
	HK\$ Million	HK\$ Million
Net debt/(cash)		
Wheelock & Company	28,081	29,674
Wharf group	21,426	23,837
WPSL group	(2,538)	(2,534)
Group	<u>46,969</u>	<u>50,977</u>

As at 30 June 2017, the net debt to total equity (on a consolidated basis) was reduced to 13.0% (2016: 14.6%). Excluding net debt of Wharf and the cash of WPSL, Wheelock & Company's own net debt to shareholders' equity (on an attributable net asset value basis) declined to 12.5% (2016: 13.8%).

Finance and Availability of Facilities

As at 30 June 2017, the Group's available loan facilities and issued debt securities amounted to HK\$139.2 billion (2016: HK\$146.5 billion), of which HK\$83.8 billion were utilised. An analysis is shown below:

	Available Facilities HK\$ Billion	Total Debt HK\$ Billion	Undrawn Facilities HK\$ Billion
Wheelock & Company	66.5	32.6	33.9
Wharf group	72.7	51.2	21.5
WPSL group	—	—	—
Group	<u>139.2</u>	<u>83.8</u>	<u>55.4</u>

Of the above debt, HK\$13.9 billion (2016: HK\$13.6 billion) was secured by mortgages over certain DP, IP and property, plant and equipment with a total carrying value of HK\$43.9 billion (2016: HK\$43.5 billion).

The Group's debt was primarily denominated in US 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 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\$13.0 billion (2016: HK\$9.5 billion) as at 30 June 2017.

Cash Flows from the Group's Operating and Investing Activities

For the period under review, the Group's operating cash inflows was HK\$9.9 billion (2016: HK\$10.4 billion). The changes in working capital and others of HK\$2.9 billion (2016: HK\$4.6 billion) reduced the net cash inflow from operating activities to HK\$7.0 billion (2016: increased to HK\$15.0 billion). For investing activities, the Group recorded a net cash inflow of HK\$4.9 billion (2016: outflow of HK\$8.0 billion), mainly from release of bank deposits with maturity greater than three months and decrease in advances to associates and joint ventures offsetting by additions of IPs.

Major Capital and Development Expenditure and Commitments

The Group's major capital and development expenditure incurred in the first half of 2017 is analysed as follows:

A. Major Capital and Development Expenditure

	Hong Kong / Singapore HK\$ Million	Mainland China HK\$ Million	Total HK\$ Million
Wheelock & Company			
IP	259	—	259
DP	4,111	—	4,111
	4,370	—	4,370
Wharf group			
IP	565	2,072	2,637
DP	119	5,671	5,790
Non property and others	922	6	928
	1,606	7,749	9,355
WPSL group			
IP	3	—	3
DP	89	41	130
	92	41	133
Analysis by segment:			
IP	827	2,072	2,899
DP	4,319	5,712	10,031
Non property and others	922	6	928
Group total	6,068	7,790	13,858

- i. Wheelock & Company's own expenditure for IP and DP amounted to HK\$4.4 billion, mainly attributable to the construction cost payments for its Hong Kong DP projects.
- ii. Wharf's expenditure totalled HK\$9.4 billion, comprising expenditure of HK\$2.7 billion for IP (mainly construction costs of the Mainland IFS projects), HK\$5.8 billion for DP and HK\$0.9 billion mainly for Hotels and Modern Terminals.
- iii. WPSL's expenditure of HK\$0.1 billion was mainly for construction cost payments for its Singapore and China DP projects.

B. Commitments to Capital and Development Expenditure

As at 30 June 2017, the Group's major commitments to capital and development expenditure to be incurred in the forthcoming years were estimated at HK\$53.6 billion, of which HK\$23.8 billion was committed. By segment, the commitments are analysed as follows:

	As at 30 June 2017		Total HK\$ Million
	Committed HK\$ Million	Uncommitted HK\$ Million	
Wheelock & Company			
IP	—	—	—
DP	10,233	11,082	21,315
	<u>10,233</u>	<u>11,082</u>	<u>21,315</u>
Wharf group			
IP	5,543	6,625	12,168
DP	6,603	10,395	16,998
Non property and others	1,231	181	1,412
	<u>13,377</u>	<u>17,201</u>	<u>30,578</u>
WPSL group			
IP	5	—	5
DP	188	1,536	1,724
	<u>193</u>	<u>1,536</u>	<u>1,729</u>
Analysis by segment:			
IP	5,548	6,625	12,173
DP	17,024	23,013	40,037
Non property and others	1,231	181	1,412
Group total	<u>23,803</u>	<u>29,819</u>	<u>53,622</u>
Hong Kong IP	1,793	469	2,262
Hong Kong DP	10,233	11,082	21,315
China IP	3,750	6,156	9,906
China DP	6,733	11,717	18,450
Singapore	63	214	277
Properties total	22,572	29,638	52,210
Non property and others	1,231	181	1,412
Group total	<u>23,803</u>	<u>29,819</u>	<u>53,622</u>

- i. Wheelock & Company's own commitments of HK\$21.3 billion mainly relate to construction costs for DP in Hong Kong.
- ii. Wharf's commitments of HK\$30.6 billion mainly comprise of expenditure of HK\$12.2 billion for IP, HK\$17.0 billion construction costs for DP and HK\$1.4 billion mainly for Hotels and Modern Terminals.
- iii. WPSL's commitments of HK\$1.7 billion mainly relate to construction costs of HK\$0.3 billion for DP in Singapore and HK\$1.4 billion for DP in the Mainland.
- iv. The commitments and planned expenditure will be funded by the respective group's own internal financial resources, pre-sale proceeds, and bank and other borrowings. Other available resources include equity and bond investments.

(III) Human Resources

The Group had approximately 14,200 employees as at 30 June 2017, 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 2017 - Unaudited

	Note	Six months ended 30 June	
		2017 HK\$ Million	2016 HK\$ Million
Revenue	2	33,005	27,196
Direct costs and operating expenses		(20,689)	(14,788)
Selling and marketing expenses		(1,251)	(888)
Administrative and corporate expenses		(844)	(730)
Operating profit before depreciation, amortisation, interest and tax		10,221	10,790
Depreciation and amortisation	3	(524)	(731)
Operating profit	2 & 3	9,697	10,059
Increase in fair value of investment properties		1,529	495
Other net income/(charge)	4	407	(568)
		11,633	9,986
Finance costs	5	(500)	(331)
Share of results after tax of:			
Associates		380	536
Joint ventures		986	489
Profit before taxation		12,499	10,680
Income tax	6	(2,616)	(2,032)
Profit for the period		9,883	8,648
Profit attributable to:			
Equity shareholders		6,243	5,662
Non-controlling interests		3,640	2,986
		9,883	8,648
Earnings per share	7		
Basic		HK\$3.06	HK\$2.79
Diluted		HK\$3.06	HK\$2.79

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2017 - Unaudited

	Six months ended 30 June	
	2017	2016
	HK\$ Million	HK\$ Million
Profit for the period	9,883	8,648
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange gains/(losses) on translation of foreign operations	2,845	(1,113)
Net deficit on bond investments:	(5)	(16)
Deficit on revaluation	(5)	—
Transfer to profit or loss on disposal	—	(16)
Share of other comprehensive income of associates/joint ventures	485	(293)
Others	6	2
Item that will not be reclassified to profit or loss:		
Fair value changes on equity investments	2,521	(1,501)
Other comprehensive income for the period	5,852	(2,921)
Total comprehensive income for the period	15,735	5,727
Total comprehensive income attributable to:		
Equity shareholders	10,050	4,126
Non-controlling interests	5,685	1,601
	15,735	5,727

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2017 - Unaudited

	Note	30 June 2017 HK\$ Million	31 December 2016 HK\$ Million
Non-current assets			
Investment properties		334,624	329,057
Property, plant and equipment		21,475	20,756
Interest in associates		15,801	17,539
Interest in joint ventures		17,511	17,578
Equity and bond investments		12,951	9,530
Goodwill and other intangible assets		298	298
Deferred tax assets		711	705
Derivative financial assets		243	324
Other non-current assets		991	609
		404,605	396,396
Current assets			
Properties for sale		57,289	70,050
Inventories		26	29
Trade and other receivables	9	12,683	9,567
Derivative financial assets		311	429
Bank deposits and cash		36,878	43,964
		107,187	124,039
Total assets		511,792	520,435
Non-current liabilities			
Derivative financial liabilities		(1,275)	(2,073)
Deferred tax liabilities		(11,513)	(10,700)
Other deferred liabilities		(312)	(305)
Bank loans and other borrowings		(64,422)	(69,055)
		(77,522)	(82,133)
Current liabilities			
Trade and other payables	10	(24,906)	(28,881)
Deposits from sale of properties		(25,098)	(30,599)
Derivative financial liabilities		(425)	(777)
Taxation payable		(3,162)	(2,639)
Bank loans and other borrowings		(19,425)	(25,886)
		(73,016)	(88,782)
Total liabilities		(150,538)	(170,915)
NET ASSETS		361,254	349,520
Capital and reserves			
Share capital		3,353	3,075
Reserves		220,666	212,290
Shareholders' equity		224,019	215,365
Non-controlling interests		137,235	134,155
TOTAL EQUITY		361,254	349,520

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 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 2016 except for the changes mentioned below.

The HKICPA has issued certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) which are first effective for the current accounting period of the Group. The amendments do not have significant impact on the Group’s results and financial position for the current or prior periods have been prepared or presented.

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 2016. 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 HKFRSs.

The financial information relating to the financial year ended 31 December 2016 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 2016 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, sale 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. Currently, The Wharf (Holdings) Limited (“Wharf”) operates 14 hotels in the Asia Pacific region, six of which are owned by Wharf.

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

CME segment comprises pay television, internet and multimedia and other businesses operated by i-CABLE Communications Limited (“i-CABLE”). The telecommunication businesses operated by Wharf T&T Limited (“Wharf T&T”) has been terminated after Wharf disposed of its entire equity interest in Wharf T&T in November 2016.

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	Investment properties fair value HK\$ Million	Other net income/ (charge) HK\$ Million	Finance costs HK\$ Million	Associates HK\$ Million	Joint ventures HK\$ Million	Profit before taxation HK\$ Million
For the six months ended 30 June 2017								
Investment property	8,122	6,801	1,529	10	(616)	-	-	7,724
Hong Kong	6,708	5,958	724	-	(538)	-	-	6,144
Mainland China	1,246	732	805	10	(78)	-	-	1,469
Singapore	168	111	-	-	-	-	-	111
Development property	21,588	2,655	-	509	(11)	218	980	4,351
Hong Kong	15,030	794	-	(4)	(5)	3	848	1,636
Mainland China	6,090	1,710	-	506	(6)	215	132	2,557
Singapore	468	151	-	7	-	-	-	158
Hotels	774	155	-	-	(1)	-	-	154
Logistics	1,424	358	-	112	(103)	142	6	515
Terminals	1,361	349	-	133	(103)	90	6	475
Others	63	9	-	(21)	-	52	-	40
CME (i-CABLE)	641	(222)	-	83	(5)	-	-	(144)
Inter-segment revenue	(179)	-	-	-	-	-	-	-
Segment total	32,370	9,747	1,529	714	(736)	360	986	12,600
Investment and others	635	382	-	(307)	236	20	-	331
Corporate expenses	-	(432)	-	-	-	-	-	(432)
Group total	33,005	9,697	1,529	407	(500)	380	986	12,499

For the six months ended
30 June 2016

Investment property	7,889	6,537	495	(68)	(612)	-	-	6,352
Hong Kong	6,516	5,742	132	-	(612)	-	-	5,262
Mainland China	1,197	689	363	(68)	-	-	-	984
Singapore	176	106	-	-	-	-	-	106
Development property	15,232	3,056	-	(496)	(121)	400	483	3,322
Hong Kong	5,858	1,617	-	-	(73)	1	283	1,828
Mainland China	8,409	1,307	-	(496)	(38)	399	200	1,372
Singapore	965	132	-	-	(10)	-	-	122
Hotels	740	104	-	-	(1)	-	-	103
Logistics	1,286	293	-	(70)	(60)	123	6	292
Terminals	1,234	290	-	(49)	(60)	95	6	282
Others	52	3	-	(21)	-	28	-	10
CME	1,715	78	-	-	(16)	-	-	62
i-CABLE	710	(133)	-	-	(2)	-	-	(135)
Telecommunications	1,005	214	-	-	(14)	-	-	200
Others	-	(3)	-	-	-	-	-	(3)
Inter-segment revenue	(219)	-	-	-	-	-	-	-
Segment total	26,643	10,068	495	(634)	(810)	523	489	10,131
Investment and others	553	321	-	66	479	13	-	879
Corporate expenses	-	(330)	-	-	-	-	-	(330)
Group total	27,196	10,059	495	(568)	(331)	536	489	10,680

(b) Analysis of inter-segment revenue

	2017			2016		
	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	8,122	(132)	7,990	7,889	(124)	7,765
Development property	21,588	-	21,588	15,232	-	15,232
Hotels	774	-	774	740	-	740
Logistics	1,424	-	1,424	1,286	-	1,286
CME	641	(1)	640	1,715	(37)	1,678
Investment and others	635	(46)	589	553	(58)	495
	33,184	(179)	33,005	27,415	(219)	27,196

(c) Geographical information

Six months ended 30 June	Revenue		Operating profit	
	2017 HK\$ Million	2016 HK\$ Million	2017 HK\$ Million	2016 HK\$ Million
Hong Kong	24,429	15,859	7,098	8,006
Mainland China	7,891	10,144	2,307	1,783
Singapore	685	1,193	292	270
Group total	33,005	27,196	9,697	10,059

3. OPERATING PROFIT

	Six months ended 30 June	
	2017 HK\$ Million	2016 HK\$ Million
Operating profit is arrived at after charging/(crediting):		
Depreciation and amortisation on		
- assets held for use under operating leases	69	75
- property, plant and equipment	371	574
- leasehold land	30	30
- programming library	54	52
Total depreciation and amortisation	524	731
Staff costs	1,962	1,957
Cost of trading properties for recognised sales	17,891	10,945
Gross rental revenue from investment properties (Note)	(8,122)	(7,889)
Direct operating expenses of investment properties	1,247	1,265
Interest income	(304)	(221)
Dividend income from investments	(111)	(131)
Loss/(profit) on disposal of property, plant and equipment	19	(20)

Note: Rental income included contingent rentals of HK\$608 million (2016: HK\$583 million).

4. OTHER NET INCOME/(CHARGE)

Other net income for the period amounted to HK\$407 million (2016: charge of HK\$568 million) and mainly comprised:

- (a) Net foreign exchange loss of HK\$380 million (2016: HK\$74 million) which included the impact of forward foreign exchange contracts.
- (b) Write-back of impairment provision of HK\$279 million (2016: provision charge of HK\$496 million) on certain development projects in Mainland China.
- (c) Net gain of HK\$422 million (2016: Nil) on disposal of an associate and subsidiaries.

5. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	HK\$ Million	HK\$ Million
Interest charged on:		
Bank loans and overdrafts	562	529
Other borrowings	503	801
Total interest charge	1,065	1,330
Other finance costs	175	203
Less: Amount capitalised	(589)	(753)
	651	780
Fair value (gain)/loss:		
Cross currency interest rate swaps	(406)	(478)
Interest rate swaps	255	29
	(151)	(449)
Total	500	331

The Group's average effective borrowing rate for the period was 3.1% (2016: 2.9%) per annum.

6. INCOME TAX

Taxation charged to the consolidated income statement includes:

	Six months ended 30 June	
	2017	2016
	HK\$ Million	HK\$ Million
Current income tax		
Hong Kong		
- provision for the period	1,053	1,130
- overprovision in respect of prior years	(17)	(6)
Outside Hong Kong		
- provision for the period	555	497
- overprovision in respect of prior years	(13)	(5)
	<u>1,578</u>	<u>1,616</u>
Land appreciation tax (“LAT”) in Mainland China	<u>515</u>	<u>188</u>
(Note 6(c))		
Deferred tax		
Change in fair value of investment properties	353	(12)
Origination and reversal of temporary differences	170	240
	<u>523</u>	<u>228</u>
Total	<u>2,616</u>	<u>2,032</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% (2016: 16.5%).
- (b) Income tax on profits assessable outside Hong Kong is mainly China corporate income tax calculated at a rate of 25% (2016: 25%), China withholding income tax at a rate of up to 10% (2016: 10%) and Singapore income tax at a rate of 17% (2016: 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 2017 of HK\$447 million (2016: HK\$467 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	
	2017	2016
	HK\$ Million	HK\$ Million
Profit attributable to equity shareholders	6,243	5,662

(b) Weighted average number of ordinary shares

	30 June 2017	30 June 2016
	No. of shares	No. of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,037,088,514	2,031,849,287
Effect of dilutive potential shares - Share options	6,275,985	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,043,364,499	2,031,849,287

8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	Six months ended 30 June			
	2017	2017	2016	2016
	HK\$ per share	HK\$ Million	HK\$ per share	HK\$ Million
First interim dividend declared after the end of the reporting period	0.475	969	0.450	915

- (a) The first interim dividend based on 2,040,249,287 (2016: 2,033,349,287) 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\$1,733 million for 2016 was approved and paid in 2017.

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 2017, shown as follows:

	30 June 2017	31 December 2016
	HK\$ Million	HK\$ Million
Trade receivables		
0 - 30 days	678	500
31 - 60 days	177	132
61 - 90 days	34	31
Over 90 days	156	143
	1,045	806
Accrued sales receivables	2,274	252
Other receivables and prepayments	9,364	8,509
	12,683	9,567

Accrued sales receivables mainly represent consideration for property sales to be billed or received after the end of the reporting period. In accordance with the Group's accounting policy, upon receipt of the occupation permit or architect's completion certificate, the balance of the sales consideration to be billed is included as accrued sales receivables.

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 2017, shown as follows:

	30 June 2017	31 December 2016
	HK\$ Million	HK\$ Million
Trade payables		
0 - 30 days	317	413
31 - 60 days	194	280
61 - 90 days	37	39
Over 90 days	45	189
	593	921
Rental and customer deposits	4,427	4,235
Construction costs payable	9,260	11,087
Amounts due to associates	2,298	3,376
Amounts due to joint ventures	2,781	2,587
Other payables	5,547	6,675
	24,906	28,881

11. REVIEW OF UNAUDITED INTERIM FINANCIAL INFORMATION

The unaudited interim financial information for the six months ended 30 June 2017 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 18 September 2017 to Shareholders on record as at the close of business on 28 August 2017. In order to qualify for the abovementioned 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 Monday, 28 August 2017.

By Order of the Board
Wilson W S Chan
Company Secretary

Hong Kong, 14 August 2017

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.