



WHARF

Established 1886

THE WHARF (HOLDINGS) LIMITED

Stock Code : 0004



Interim Report 2020

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Pandemic Left Economies Stranded

HIGHLIGHTS

- Port activities slowed with no recovery in sight yet.
- First quarter was a washout; recovery in the Mainland only started in second quarter.
- Mainland Development Properties (“DP”) sales and recognition were stalled.
- HK\$2.9 billion provision for Hong Kong DP put underlying net profit into loss.
- Mainland Investment Properties (“IP”) growth momentum was disrupted.
- Hotel occupancy plummeted as travellers stayed home.

GROUP RESULTS

The Group reported a loss attributable to shareholders of HK\$1,741 million (2019: profit of HK\$2,450 million) after DP impairment loss and IP revaluation deficit for the six months ended 30 June 2020. Excluding IP revaluation deficit, underlying net loss was HK\$1,132 million (2019: profit of HK\$2,236 million).

INTERIM DIVIDEND

A first interim dividend of HK\$0.20 (2019: HK\$0.25) per share will be paid on 3 September 2020 to Shareholders on record as at 6:00 p.m., 19 August 2020. This will absorb a total amount of HK\$610 million (2019: HK\$762 million).

BUSINESS REVIEW

HONG KONG PROPERTIES

The Peak Portfolio

Highly sought after by discerning residents, majority of the houses and apartments at Mount Nicholson have been sold and broke some records in the region. During the period, an apartment was contracted for sale for HK\$533 million or HK\$116,000 per square foot.

The re-development of 11 Plantation Road and 77 Peak Road is progressing well. The exclusive and ultra-luxury residences are set to provide seven and eight houses respectively. 1 Plantation Road is under re-development to provide 20 houses.

Kowloon Tong Residential Project

Lying adjacent to the traditional luxury residential cluster of Beacon Hill, the residential land site with a developable gross floor area (“GFA”) of 436,000 square feet commands an exclusive location and a spectacular view. Approval has been granted to build four blocks of 13-storey residential buildings. Foundation work is in progress.

Kowloon East

Kowloon East’s vibrant transformation continues to accelerate. Embracing the opportunities offered, the Group added a harbourfront site on the runway at the former Kai Tak airport. The 30%-owned site allows a total developable GFA of 1.2 million square feet.

The portfolio also includes Kowloon Godown and the large residential Yau Tong Bay joint-venture project. Kowloon Godown comprises a warehouse and an open yard. Different re-development options are under evaluation.

MAINLAND CHINA DEVELOPMENT PROPERTIES

Due to severe disruption caused by COVID-19, the timing of sales launch and project recognition had been distorted. Sales and construction activities mostly froze in the first quarter of 2020. Positive momentum gradually emerged in the second quarter but remained behind the planned schedule.

Inclusive of joint ventures and associates on an attributable basis, revenue recognised in the first half of 2020 decreased by 18% to HK\$4,275 million and operating profit by 36% to HK\$1,172 million. 182,600 square metres of GFA were completed and recognised during the period (2019: 105,200 square metres).

Attributable contracted sales increased by 24% to RMB8.1 billion for 1,815 units totalling 241,500 square metres. As at the end of June, the net order book had increased to RMB31.4 billion for 1.0 million square metres.

The Group did not make any land purchase during the period. Total land bank as at the end of June stood at 3.3 million square metres.

MAINLAND CHINA INVESTMENT PROPERTIES

Despite the robust domestic consumer sentiment at the start of 2020, IP performance was hurt due to the lockdown of various cities by the COVID-19 outbreak. Rental relief was granted to certain tenants in the first quarter to offer immediate support under the unprecedentedly difficult time.

Moreover, the Group responded proactively through investment in marketing and promotion, as well as curation of innovative programmes to tide over the tough time with tenants and capitalise on the pent-up spending power. Those efforts started to bear fruit in the second quarter with retail demand showing sequential month-on-month improvements and restoring on par with the pre-pandemic level since May.

Leasing activities in the office market slowed across the country and led to increased over supply in certain cities.

As a result, revenue decreased by 5% to HK\$1,851 million, yet operating profit increased by 2% to HK\$1,183 million.

Changsha International Finance Square (“IFS”)

As the new landmark in central China, Changsha IFS combines entertainment, dining, lifestyle, retail and culture into a one-stop destination in the heart of Hunan. In spite of the pandemic, revenue increased by 6% and operating profit by 51%.

The mega mall housed over 370 brands and reached full occupancy at the end of June. Effective sales-driven initiatives once lockdown was eased led to a sharp rebound in tenant sales. An impressive double-digit sales growth was achieved in May and June.

The 452-metre Tower 1, the tallest in Hunan province, is an office address highly favoured by financial institutions and major corporations. Tower 2 is scheduled for completion in phases from 2022.

Niccolo Changsha offers contemporary chic and spectacular hospitality at the top of Tower 1 to set a new benchmark for luxury and ultra-exclusive accommodation and dining experiences. A little more than one year after opening, it has already established itself as the city’s top hotel and runaway leader in Revenue Generation Index.

Chengdu IFS

Outstanding market position helped Chengdu IFS to soften the pandemic blow. Revenue decreased by 8% and operating profit increased by 4%.

Ranked among the top 10 highest sales-generating malls in mainland China, this retail destination boasts an impressive collection of over 600 top-tier international brands, including 30 new brands, to deliver trend-setting shopping experiences. Mall occupancy was maintained high at 98% with mild slowdown in sales during the pandemic, followed by double-digit growth in May and June.

Housing the tallest twin office towers in the city that form the new skyline and located at the epicenter of the city, the three premium Grade A office towers command among the highest rental rates in Chengdu with 83% occupancy.

The contemporary, urban, chic Niccolo Chengdu, inspired by luxury fashion and as the first of the internationally acclaimed collection of luxury Niccolo hotels, continued to command leading position. Business flow returned sharply in the second quarter.

Shanghai Wheelock Square

Commanding a prime location in Puxi with unparalleled accessibility, it remains among the most preferred office addresses in Shanghai for multinationals and major corporations, resulting in a consistently high occupancy rate at 91%.

WHARF HOTELS

Hospitality is one of the sectors hardest hit by the unprecedented pandemic. Travels were sharply curtailed around the world, particularly cross-border travels.

Currently, the Group manages 17 hotels in mainland China, Hong Kong and the Philippines, including 13 under the classic brand of Marco Polo and four contemporary chic hotels under the sophisticated Niccolo brand. These hotels comprise almost 6,000 rooms in total. Niccolo Suzhou is scheduled for opening in the first half of 2021.

During the period, the Group has focused on health and safety initiatives and best practice of Marco Polo Wuhan, which provided a comfortable temporary home for over 200 emergency medical professionals from Beijing for over two months. In addition, cost containment measures have been a key focus while concurrently preparing for the re-opening of borders and travel resumption.

LOGISTICS

With the pandemic causing severe disruptions to the global supply chain, together with escalating geopolitical tension and global economic slowdown, the logistics industry suffered during the first half of the year.

Modern Terminals (“MTL”)

Throughput handled in Hong Kong fell by 5% to 2.4 million TEUs. In Shenzhen, throughput at DaChan Bay (MTL’s stake: 65%) fell by 11% to 0.6 million TEUs, while that at Shekou Container Terminals (MTL’s stake: 20%) declined by 12% to 2.5 million TEUs and Chiwan Container Terminal (MTL’s stake: 8%) recorded a throughput of 1.1 million TEUs.

Implementation of the joint operation of 23 berths in the Kwai Tsing Container Terminals under Hong Kong Seaport Alliance commenced on 1 April 2019, aiming to enhance operational efficiency and resources utilisation of Hong Kong’s port. Efficiency gains have been realised as planned and further improvements are expected to continue to compete with other ports in the region.

Hong Kong Air Cargo Terminals (“HACTL”)

As a leading air cargo terminal operator in Hong Kong, HACTL (21%-owned by the Group) benefitted from market opportunities peculiar to the COVID-19 environment and handled 0.7 million tonnes in the first half of 2020.

FINANCIAL REVIEW

(I) REVIEW OF 1H 2020 RESULTS

Amid the severe disruptions caused by COVID-19, the Group turned in a loss attributable to shareholders of HK\$1,741 million (2019: profit of HK\$2,450 million), after including Development Properties (“DP”) impairment provision of HK\$2,864 million and Investment Properties (“IP”) revaluation deficit of HK\$641 million. Excluding IP revaluation deficit, the Group’s underlying net loss was HK\$1,132 million (2019: profit of HK\$2,236 million).

Revenue and Operating Profit (“OP”)

Group revenue decreased by 31% to HK\$5,551 million (2019: HK\$8,064 million) with all segments declining, particularly Mainland DP reporting about 60% lower revenue recognition. OP decreased by 32% to HK\$2,517 million (2019: HK\$3,701 million).

IP revenue decreased by 5% to HK\$1,932 million (2019: HK\$2,040 million) mainly resulting from the rental concessions made to retail tenants and collapse in turnover rent due to the sharp decline in sales in the first quarter of the year. OP was maintained at HK\$1,227 million (2019: HK\$1,220 million) with lower running expenses.

DP owned by subsidiaries recorded decline in both revenue and OP by about 60% to HK\$1,176 million (2019: HK\$3,092 million) and HK\$486 million (2019: HK\$1,311 million), respectively. DP owned by joint ventures are equity-accounted with share of results included in Interests in associates/joint ventures.

Hotel revenue decreased by 54% to HK\$123 million (2019: HK\$267 million) resulting from low occupancy and depressed room rates, in turn mainly caused by travel restrictions. Operating loss was HK\$49 million (2019: profit of HK\$31 million). Hotel management fees also decreased under the extreme market conditions.

Logistics revenue decreased by 4% to HK\$1,202 million (2019: HK\$1,253 million) and OP by 13% to HK\$196 million (2019: HK\$224 million), mainly resulting from lower throughput handled by Modern Terminals Limited in Hong Kong.

Investment and other revenue decreased by 21% to HK\$1,118 million (2019: HK\$1,412 million) and OP by 28% to HK\$888 million (2019: HK\$1,226 million) for lower interest income. This was partly compensated by increase in dividends from the investment portfolio.

Fair Value Loss of Investment Properties

The Group's IP portfolio as at 30 June 2020 was HK\$73.2 billion (2019: HK\$74.8 billion), stated at fair value based on independent valuation with an attributable net revaluation loss of HK\$641 million (2019: gain of HK\$91 million), after related deferred tax and non-controlling interests, charged to the consolidated income statement.

Other Net Charge

Other net charge was HK\$2,940 million (2019: HK\$288 million), mainly included impairment provision of HK\$2,864 million made for a Hong Kong DP project.

Finance Costs

Finance costs increased by 39% to HK\$594 million (2019: HK\$427 million), which included an unrealised mark-to-market loss of HK\$75 million (2019: HK\$22 million) on cross currency and interest rate swaps in accordance with prevailing accounting standards.

The effective borrowing rate slightly increased to 3.4% (2019: 3.3%). Excluding the unrealised mark-to-market gain/loss, finance costs before capitalisation were HK\$762 million (2019: HK\$648 million), representing a 18% increase. Finance costs after capitalisation was HK\$519 million (2019: HK\$405 million).

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

Associates' attributable profit decreased by 20% to HK\$222 million (2019: HK\$277 million) for the period.

Joint ventures' attributable profit increased by 131% to HK\$372 million (2019: HK\$161 million) mainly due to higher profit recognised from Mount Nicholson and Mainland DP.

Income Tax

Taxation charge decreased by 75% to HK\$352 million (2019: HK\$1,429 million), which included a deferred taxation credit of HK\$339 million (2019: tax charge of HK\$388 million) on revaluation deficit of Mainland IP.

Excluding the above deferred taxation, tax charge was HK\$691 million (2019: HK\$1,041 million), decreasing by 34% for lower operating profits from both Mainland IP and DP.

Loss to Shareholders

The Group recorded an underlying net loss (a performance indicator of the Group's major business segments and arrived at after excluding the attributable net IP revaluation loss, mark-to-market and exchange gain/loss on certain financial instruments and exceptional items) of HK\$1,132 million (2019: profit of HK\$2,236 million) with IP decreasing by 5% to HK\$694 million (2019: HK\$733 million), DP turning to a loss of HK\$2,329 million (2019: profit of HK\$1,142 million) and Logistics decreasing by 8% to HK\$155 million (2019: HK\$169 million).

All included, Group loss attributable to equity shareholders amounted to HK\$1,741 million (2019: profit of HK\$2,450 million). Basic loss per share was HK\$0.57, based on weighted average of 3,049 million shares (2019: basic earnings per share of HK\$0.80 based on 3,047 million shares).

(II) DP SALES AND NET ORDER BOOK

Inclusive of joint venture projects on an attributable basis, total DP contracted sales reached HK\$9,120 million (2019: HK\$9,204 million).

Mainland contracted sales increased by 24% to RMB8,060 million (2019: RMB6,498 million) despite the severe disruptions caused by COVID-19. Revenue recognised (on attributable basis) declined by 18% to HK\$4,275 million (2019: HK\$5,232 million) and OP by 36% to HK\$1,172 million (2019: HK\$1,828 million). Net order book increased by 14% to RMB31.4 billion (2019: RMB27.4 billion).

In Hong Kong, one apartment of Mount Nicholson was sold for HK\$533 million with 50% attributable to the Group. Attributable sales recognition increased to HK\$631 million (2019: HK\$280 million), which contributed an OP of HK\$283 million (2019: HK\$178 million).

(III) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL COMMITMENTS

Shareholders' and Total Equity

As at 30 June 2020, shareholders' equity decreased by 2% to HK\$139.9 billion (2019: HK\$142.9 billion), equivalent to HK\$45.87 per share based on 3,049 million issued shares (2019: HK\$46.86 per share based on 3,049 million issued shares). The decrease was mainly due to the combined effect of the loss for the period and the exchange deficit of HK\$1.1 billion on translation of RMB net assets as at period end.

Total equity including non-controlling interests of HK\$3.4 billion (2019: HK\$3.4 billion) decreased by 2% to HK\$143.3 billion (2019: HK\$146.3 billion).

Assets

Total assets, excluding bank deposits and cash, increased by 1% to HK\$217.4 billion (2019: HK\$214.9 billion). Properties, Logistics, Investments and other assets accounted for around 73%, 7%, 19% and 1% of the Group total, respectively.

Total business assets, excluding bank deposits and cash, financial and deferred tax assets, decreased by 4% to HK\$174.5 billion (2019: HK\$182.3 billion). Geographically, Mainland business assets, mainly comprising properties and terminals, amounted to HK\$125.2 billion (2019: HK\$130.5 billion), representing 72% (2019: 72%) of total business assets.

Investment properties

IP portfolio is stated at valuation of HK\$73.2 billion (2019: HK\$74.8 billion), representing 42% (2019: 41%) of total business assets. This portfolio comprised Mainland IP of HK\$52.2 billion (2019: HK\$54.0 billion) and Hong Kong IP of HK\$21.0 billion (2019: HK\$20.8 billion).

Properties for sale

DP assets amounted to HK\$40.7 billion (2019: HK\$44.1 billion), comprising Mainland DP of HK\$29.8 billion (2019: HK\$30.6 billion) and Hong Kong DP of HK\$10.9 billion (2019: HK\$13.5 billion).

Interests in associates and joint ventures

Interests in associates and joint ventures decreased to HK\$40.1 billion (2019: HK\$43.1 billion).

Long term investments

Long term investments amounted to HK\$46.0 billion (2019: HK\$36.5 billion), including mainly the Group's equity investment in Greentown China Holdings Limited ("Greentown") of HK\$4.3 billion and a portfolio of blue chips of HK\$41.7 billion held for long term growth and/or reasonable dividend yield. The portfolio performed overall in line with the relevant markets. None of the investments is individually material to the Group's total assets. Marking these investments to market produced a net surplus of HK\$0.1 billion (2019: surplus HK\$6.3 billion) as reflected in the Other Comprehensive Income Statement.

Deposits from sale of properties

Deposits from sale of properties amounted to HK\$13.1 billion (2019: HK\$11.3 billion) pending for recognition in the coming years.

Net Debt and Gearing

Net debt as at 30 June 2020 increased by 25% to HK\$23.9 billion (2019: HK\$19.0 billion), mainly resulting from net purchases of long-term investments partly offset by DP sales for the period. It comprised of HK\$18.3 billion in bank deposits and cash and HK\$42.2 billion in debts. It includes Modern Terminals' net debt of HK\$5.8 billion (2019: HK\$5.9 billion), which is non-recourse to the Company and its other subsidiaries. Excluding non-recourse debts, the Group's net debt was HK\$18.1 billion (2019: HK\$13.1 billion). At 30 June 2020, the ratio of net debt to total equity rose to 16.7% (2019: 13.0%).

Finance and Availability of Facilities

Total available loan facilities and issued debt securities as at 30 June 2020 amounting to HK\$75.5 billion, of which HK\$42.2 billion had been utilised, are analysed as below:

	Available Facility HK\$ Billion	Utilised Facility HK\$ Billion	Un-utilised Facility HK\$ Billion
Company/wholly-owned subsidiaries			
Committed and uncommitted bank facilities	51.6	24.2	27.4
Debt securities	11.8	11.8	–
	63.4	36.0	27.4
Non-wholly-owned subsidiaries			
Committed and uncommitted — Modern Terminals	12.1	6.2	5.9
Group total	75.5	42.2	33.3

Of the above debts, HK\$8.1 billion (2019: HK\$7.0 billion) was secured by mortgages over certain IP, DP and other properties, plant and equipment with total carrying value of HK\$26.7 billion (2019: HK\$29.4 billion).

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

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

The Group continued to maintain a strong financial position with ample surplus cash and undrawn committed facilities to facilitate business and investment activities. In addition, the Group also maintained a portfolio of liquid listed investments with an aggregate market value of HK\$42.9 billion (2019: HK\$34.2 billion), which is available for use if necessary.

Cash Flows for the Group's Operating and Investing Activities

For the period under review, the Group's net cash inflow of HK\$2.0 billion (2019: HK\$2.8 billion) together with increase in working capital resulting from increase in trade and other payables and deposits from sales of properties generated a total net inflow from operating activities of HK\$2.8 billion (2019: HK\$4.9 billion). For investing activities, the Group recorded a net outflow of HK\$4.8 billion (2019: HK\$2.8 billion) mainly for purchases of other long term investments.

Major Capital and Development Expenditures

Major expenditures incurred in 2020 are analysed as follows:

	Hong Kong HK\$ Million	Mainland China HK\$ Million	Total HK\$ Million
Properties			
IP	140	24	164
DP	143	3,177	3,320
	283	3,201	3,484
Others	59	15	74
Group total	342	3,216	3,558

- i. IP expenditure was mainly for construction costs of Peak Properties.
- ii. DP and IP expenditures included HK\$1.1 billion for property projects undertaken by associates and joint ventures.
- iii. Other expenditure was mainly related to Modern Terminals' terminal equipment.

Commitment

As at 30 June 2020, major expenditures to be incurred in the coming years was estimated at HK\$20.6 billion, of which HK\$12.7 billion was committed. They are analysed by segment as below:

	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million
IP			
Hong Kong	1,005	–	1,005
Mainland China	197	81	278
	1,202	81	1,283
DP			
Hong Kong	776	–	776
Mainland China	8,049	7,789	15,838
	8,825	7,789	16,614
Others	2,635	38	2,673
Group total	12,662	7,908	20,570

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

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

(IV) HUMAN RESOURCES

The Group had approximately 7,700 employees as at 30 June 2020, including about 1,900 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective group's achievement and results.

CONSOLIDATED INCOME STATEMENT

For The Six Months Ended 30 June 2020 — Unaudited

	Note	Six months ended 30 June	
		2020 HK\$ Million	2019 HK\$ Million
Revenue	2	5,551	8,064
Direct costs and operating expenses		(1,895)	(3,092)
Selling and marketing expenses		(239)	(269)
Administrative and corporate expenses		(549)	(638)
Operating profit before depreciation, amortisation, interest and tax		2,868	4,065
Depreciation and amortisation		(351)	(364)
Operating profit	2 & 3	2,517	3,701
(Decrease)/increase in fair value of investment properties		(946)	478
Other net charge	4	(2,940)	(288)
Finance costs	5	(1,369)	3,891
Share of results after tax of: Associates		(594)	(427)
Joint ventures		222	277
(Loss)/profit before taxation		372	161
Income tax	6	(1,369)	3,902
		(352)	(1,429)
(Loss)/profit for the period		(1,721)	2,473
(Loss)/profit attributable to:			
Equity shareholders		(1,741)	2,450
Non-controlling interests		20	23
		(1,721)	2,473
(Loss)/earnings per share	7		
Basic		(HK\$0.57)	HK\$0.80
Diluted		(HK\$0.57)	HK\$0.80

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Six Months Ended 30 June 2020 — Unaudited

	Six months ended 30 June	
	2020 HK\$ Million	2019 HK\$ Million
(Loss)/profit for the period	(1,721)	2,473
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Fair value changes on equity investments	79	6,341
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of Mainland operations	(983)	(426)
Share of other comprehensive income of associates/ joint ventures	(189)	(144)
Other comprehensive income for the period	(1,093)	5,771
Total comprehensive income for the period	(2,814)	8,244
Total comprehensive income attributable to:		
Equity shareholders	(2,782)	8,312
Non-controlling interests	(32)	(68)
	(2,814)	8,244

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 30 June 2020 — Unaudited

	Note	30 June 2020 HK\$ Million	31 December 2019 HK\$ Million
Non-current assets			
Investment properties		73,171	74,811
Property, plant and equipment		12,711	13,056
Interest in associates		16,786	18,718
Interest in joint ventures		23,362	24,367
Other long term investments		45,992	36,531
Goodwill and other intangible assets		298	298
Deferred tax assets		418	752
Derivative financial assets		337	240
Other non-current assets		22	21
		173,097	168,794
Current assets			
Properties for sale		40,692	44,083
Trade and other receivables	9	3,467	1,987
Derivative financial assets		185	62
Bank deposits and cash		18,339	27,292
		62,683	73,424
Total assets		235,780	242,218
Non-current liabilities			
Derivative financial liabilities		(638)	(397)
Deferred tax liabilities		(12,023)	(12,539)
Other non-current liabilities		(15)	(18)
Bank loans and other borrowings	11	(35,802)	(35,689)
		(48,478)	(48,643)
Current liabilities			
Trade and other payables	10	(23,189)	(22,517)
Deposits from sale of properties		(13,110)	(11,273)
Derivative financial liabilities		(76)	(165)
Taxation payable		(1,209)	(2,630)
Bank loans and other borrowings	11	(6,413)	(10,647)
		(43,997)	(47,232)
Total liabilities		(92,475)	(95,875)
NET ASSETS		143,305	146,343
Capital and reserves			
Share capital		30,226	30,221
Reserves		109,642	112,653
Shareholders' equity		139,868	142,874
Non-controlling interests		3,437	3,469
TOTAL EQUITY		143,305	146,343

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Six Months Ended 30 June 2020 — Unaudited

	Attributable to equity shareholders of the Company						Total equity HK\$ Million
	Share capital HK\$ Million	Investments revaluation and other reserves HK\$ Million	Exchange reserves HK\$ Million	Revenue reserves HK\$ Million	Total shareholders' equity HK\$ Million	Non-controlling interests HK\$ Million	
At 1 January 2020	30,221	2,569	(5,096)	115,180	142,874	3,469	146,343
Changes in equity for the period:							
(Loss)/profit for the period	-	-	-	(1,741)	(1,741)	20	(1,721)
Other comprehensive income	-	79	(1,120)	-	(1,041)	(52)	(1,093)
Total comprehensive income	-	79	(1,120)	(1,741)	(2,782)	(32)	(2,814)
Transfer to revenue reserves upon de-recognition of equity investments	-	(1,187)	-	1,187	-	-	-
Shares issued under the share option scheme	5	(1)	-	-	4	-	4
Equity settled share-based payments	-	1	-	-	1	-	1
Second interim dividends paid for 2019 (Note 8b)	-	-	-	(229)	(229)	-	(229)
At 30 June 2020	30,226	1,461	(6,216)	114,397	139,868	3,437	143,305
At 1 January 2019	30,173	(4,410)	(2,982)	112,643	135,424	3,336	138,760
Changes in equity for the period:							
Profit for the period	-	-	-	2,450	2,450	23	2,473
Other comprehensive income	-	6,341	(479)	-	5,862	(91)	5,771
Total comprehensive income	-	6,341	(479)	2,450	8,312	(68)	8,244
Capital contribution from non-controlling interest of a subsidiary	-	-	-	-	-	320	320
Equity settled share-based payments	-	5	-	-	5	-	5
Second interim dividends paid for 2018	-	-	-	(1,219)	(1,219)	-	(1,219)
Dividends paid to non-controlling interests	-	-	-	-	-	(46)	(46)
At 30 June 2019	30,173	1,936	(3,461)	113,874	142,522	3,542	146,064

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For The Six Months Ended 30 June 2020 — Unaudited

	Six months ended 30 June	
	2020 HK\$ Million	2019 HK\$ Million
Operating cash inflow	2,018	2,845
Changes in working capital/others	2,531	4,292
Tax paid	(1,764)	(2,240)
Net cash generated from operating activities	2,785	4,897
Investing activities		
Additions to investment properties and property, plant and equipment	(529)	(1,120)
Other cash used in investing activities	(4,284)	(1,640)
Net cash used in investing activities	(4,813)	(2,760)
Financing activities		
Dividends paid to equity shareholders	(229)	(1,219)
Other cash (used in)/generated from financing activities	(4,238)	648
Net cash used in financing activities	(4,467)	(571)
(Decrease)/increase in cash and cash equivalents	(6,495)	1,566
Cash and cash equivalents at 1 January	25,091	17,448
Effect of exchange rate changes	(257)	(51)
Cash and cash equivalents at 30 June (Note)	18,339	18,963

Note:

Cash and cash equivalents

	2020 HK\$ Million	2019 HK\$ Million
Bank deposits and cash in the consolidated statement of financial position	18,339	18,963

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

1. Principal Accounting Policies and Basis of Preparation

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

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

The unaudited interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2019. 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 2019 except for the changes mentioned below.

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial information for the current accounting period:

Amendments to HKFRS 3	Definition of a business
Amendments to HKAS 1 and HKAS 8	Definition of material

The Group has assessed the impact of the adoption of the above amendments and considered that there was no significant impact on the Group’s results and financial position or any substantial changes in the Group’s accounting policies for the current and prior periods have been prepared or presented.

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

The financial information relating to the financial year ended 31 December 2019 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:

1. Principal Accounting Policies and Basis of Preparation (continued)

The Company has delivered the financial statements for the year ended 31 December 2019 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 businesses according to the nature of services and products provided. Management has determined four reportable operating segments for measuring performance and allocating resources. The segments are investment property, development property, hotels and logistics. No operating segments have been aggregated to form the reportable segments.

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

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

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

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

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

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

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

2. Segment Information (continued)

a. Analysis of segment revenue and results

For the six months ended	Revenue HK\$ Million	Operating profit/ (loss) HK\$ Million	(Decrease)/ increase in fair value of investment properties HK\$ Million	Other net charge HK\$ Million	Finance costs HK\$ Million	Share of results after tax of associates HK\$ Million	Share of results after tax of joint ventures HK\$ Million	(Loss)/ profit before taxation HK\$ Million
30 June 2020								
Investment property	1,932	1,227	(946)	19	(148)	-	(8)	144
Hong Kong	81	44	(17)	22	(17)	-	-	32
Mainland China	1,851	1,183	(929)	(3)	(131)	-	(8)	112
Development property	1,176	486	-	(3,084)	(45)	122	386	(2,135)
Hong Kong	-	(3)	-	(2,864)	(44)	(1)	242	(2,670)
Mainland China	1,176	489	-	(220)	(1)	123	144	535
Hotels	123	(49)	-	-	-	-	(4)	(53)
Logistics	1,202	196	-	(22)	(89)	100	(2)	183
Terminals	1,196	190	-	(1)	(89)	59	(2)	157
Others	6	6	-	(21)	-	41	-	26
Segment total	4,433	1,860	(946)	(3,087)	(282)	222	372	(1,861)
Investment and others	1,118	888	-	147	(312)	-	-	723
Corporate expenses	-	(231)	-	-	-	-	-	(231)
Group total	5,551	2,517	(946)	(2,940)	(594)	222	372	(1,369)
30 June 2019								
Investment property	2,040	1,220	478	2	(118)	-	30	1,612
Hong Kong	82	58	82	-	(16)	-	-	124
Mainland China	1,958	1,162	396	2	(102)	-	30	1,488
Development property	3,092	1,311	-	(371)	(67)	162	129	1,164
Hong Kong	-	(2)	-	-	(40)	1	149	108
Mainland China	3,092	1,313	-	(371)	(27)	161	(20)	1,056
Hotels	267	31	-	2	-	-	1	34
Logistics	1,253	224	-	(27)	(101)	115	1	212
Terminals	1,247	218	-	(6)	(101)	79	1	191
Others	6	6	-	(21)	-	36	-	21
Segment total	6,652	2,786	478	(394)	(286)	277	161	3,022
Investment and others	1,412	1,226	-	106	(141)	-	-	1,191
Corporate expenses	-	(311)	-	-	-	-	-	(311)
Group total	8,064	3,701	478	(288)	(427)	277	161	3,902

2. Segment Information (continued)

b. Analysis of inter-segment revenue

Six months ended 30 June	Total Revenue	2020 Inter-segment revenue	Group Revenue	Total Revenue	2019 Inter-segment revenue	Group Revenue
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Investment property	1,932	–	1,932	2,040	–	2,040
Development property	1,176	–	1,176	3,092	–	3,092
Hotels	123	–	123	267	–	267
Logistics	1,202	–	1,202	1,253	–	1,253
Investment and others	1,118	–	1,118	1,412	–	1,412
Group total	5,551	–	5,551	8,064	–	8,064

c. Disaggregation of revenue

Six months ended 30 June	2020 HK\$ Million	2019 HK\$ Million
Revenue recognised under HKFRS 15		
Sale of development properties	1,176	3,092
Management and services income	222	228
Hotels	123	267
Logistics	1,202	1,253
	2,723	4,840
Revenue recognised under other accounting standards		
Rental income under investment properties segment		
Fixed	1,262	1,346
Variable	448	466
Investment and others	1,118	1,412
	2,828	3,224
Group total	5,551	8,064

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

d. Geographical information

Six months ended 30 June	Revenue		Operating profit	
	2020 HK\$ Million	2019 HK\$ Million	2020 HK\$ Million	2019 HK\$ Million
Hong Kong	1,571	1,627	890	767
Mainland China	3,934	6,420	1,586	2,919
Others	46	17	41	15
Group total	5,551	8,064	2,517	3,701

3. Operating Profit

Operating profit is arrived at:

	Six months ended 30 June	
	2020	2019
	HK\$ Million	HK\$ Million
After charging:		
Depreciation and amortisation on		
— Hotel and other property, plant and equipment	297	314
— leasehold land	35	31
— right-of-use assets	19	19
Total depreciation and amortisation	351	364
Staff cost (Note)	824	975
Cost of trading properties for recognised sales	591	1,684
Direct operating expenses of investment properties	630	835
After crediting:		
Gross rental revenue from investment properties	1,932	2,040
Interest income	303	877
Dividend income from other long term investments	548	348

Note:

Staff costs included contributions to defined contribution pension schemes of HK\$64 million (2019: HK\$99 million) and equity-settled share-based payment expenses of HK\$1 million (2019: HK\$5 million).

4. Other Net Charge

Other net charge for the period amounted to HK\$2,940 million (2019: HK\$288 million) mainly comprises:

- a. An impairment provision of HK\$2,864 million made for a development property in Hong Kong (2019: HK\$357 million for certain development properties in Mainland China).
- b. Net exchange loss of HK\$200 million (2019: gain of HK\$128 million), including impacts of foreign exchange contracts.
- c. Net fair value gain of HK\$132 million (2019: loss of HK\$38 million) on other long term investments which are classified as financial assets at fair value through profit or loss.

5. Finance Costs

	Six months ended 30 June	
	2020	2019
	HK\$ Million	HK\$ Million
Interest charged on:		
Bank loans and overdrafts	493	306
Other borrowings	241	315
Total interest charge	734	621
Other finance costs	28	27
Less: Amount capitalised	(243)	(243)
	519	405
Fair value loss/(gain):		
Cross currency interest rate swaps	50	32
Interest rate swaps	25	(10)
	75	22
Group total	594	427

- a. The Group's average effective borrowing rate for the period was 3.4% p.a. (2019: 3.3% p.a.).
- b. The above interest charge has taken into account the interest paid/received in respect of interest rate swaps and cross currency interest rate swaps.

6. Income Tax

Taxation charged/(credited) to the consolidated income statement represents:

	Six months ended 30 June	
	2020	2019
	HK\$ Million	HK\$ Million
Current income tax		
Hong Kong		
— provision for the period	59	86
— overprovision in respect of prior years	(6)	(8)
Outside Hong Kong		
— provision for the period	275	723
— (over)/under-provision in respect of prior years	(65)	47
	263	848
Land appreciation tax ("LAT") in Mainland China	121	38
Deferred tax		
Change in fair value of investment properties	(339)	388
Origination and reversal of temporary differences	307	189
Benefit of previously unrecognised tax losses now recognised	—	(34)
	(32)	543
Group total	352	1,429

6. Income Tax (continued)

- a. The provision for Hong Kong profits tax is based on the profit for the period as adjusted for tax purposes at the rate of 16.5% (2019: 16.5%).
- b. Income tax on profits assessable outside Hong Kong is mainly corporate income tax and withholding tax in Mainland China, calculated at a rate of 25% (2019: 25%) and up to 10%, respectively.
- c. Under the Provisional Regulations on LAT, all gains arising from transfer of real estate property in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights, borrowings costs and all property development expenditures.
- d. Tax attributable to associates and joint ventures for the six months ended 30 June 2020 of HK\$219 million (2019: HK\$192 million) is included in the share of results of associates and joint ventures.

7. (Loss)/Earnings Per Share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders for the period of HK\$1,741 million (2019: profit of HK\$2,450 million) and the weighted average of 3,049 million ordinary shares in issue during the period (2019: 3,047 million ordinary shares).

The calculation of diluted (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders for the period of HK\$1,741 million (2019: profit of HK\$2,450 million) and the weighted average of 3,050 million ordinary shares (2019: 3,050 million ordinary shares) which is the weighted average number of ordinary shares in issue during the period after adjusting for the effect of deemed issue of shares under the Company's share option scheme. For the current period, the effect of all share options was excluded from the calculation of diluted loss per share as the conversion of potential ordinary shares in relation to the outstanding share options would have an anti-dilutive effect.

8. Dividends Attributable to Equity Shareholders

	Six months ended 30 June			
	2020	2020	2019	2019
	HK\$ per share	HK\$ Million	HK\$ per share	HK\$ Million
First interim dividend declared after the end of the reporting period	0.20	610	0.25	762

- a. The first interim dividend based on 3,049 million issued ordinary shares (2019: 3,047 million shares) declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.
- b. The second interim dividend of HK\$229 million for 2019 was approved and paid in 2020.

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 the invoice date as at 30 June 2020 as follows:

	30 June 2020 <i>HK\$ Million</i>	31 December 2019 <i>HK\$ Million</i>
Trade receivables		
0–30 days	69	143
31–60 days	27	24
61–90 days	22	20
Over 90 days	234	112
	352	299
Other receivables and prepayments	3,115	1,688
Group total	3,467	1,987

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

10. Trade and Other Payables

Included in this item are trade payables with an ageing analysis based on the invoice date as at 30 June 2020 as follows:

	30 June 2020 <i>HK\$ Million</i>	31 December 2019 <i>HK\$ Million</i>
Trade payables		
0–30 days	471	486
31–60 days	79	274
61–90 days	37	32
Over 90 days	124	72
	711	864
Rental and customer deposits	1,165	1,150
Construction costs payable	5,744	7,898
Amounts due to associates	5,418	4,869
Amounts due to joint ventures	6,470	4,602
Other payables	3,681	3,134
Group total	23,189	22,517

11. Bank Loans and Other Borrowings

	30 June 2020 <i>HK\$ Million</i>	31 December 2019 <i>HK\$ Million</i>
Bonds and notes (unsecured)	11,816	14,465
Bank loans (secured)	8,119	6,976
Bank loans (unsecured)	22,280	24,895
Total bank loans and other borrowings	42,215	46,336
Analysis of maturities of the above borrowings:		
Current borrowings		
Due within 1 year	6,413	10,647
Non-current borrowings		
Due after more than 1 year but not exceeding 5 years	30,511	33,336
Due after more than 5 years	5,291	2,353
	35,802	35,689
Total bank loans and other borrowings	42,215	46,336

12. Fair Value Measurement of Financial Instruments

a. Assets and liabilities carried at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement ("HKFRS13"). The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique. The levels are defined as follows:

- Level 1 valuations: Fair value measured using only level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using level 2 inputs i.e. observable inputs which fail to meet level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

12. Fair Value Measurement of Financial Instruments (continued)

a. Assets and liabilities carried at fair value (continued)

Financial instruments carried at fair value

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

	At 30 June 2020				At 31 December 2019			
	Level 1 HK\$ Million	Level 2 HK\$ Million	Level 3 HK\$ Million	Total HK\$ Million	Level 1 HK\$ Million	Level 2 HK\$ Million	Level 3 HK\$ Million	Total HK\$ Million
Assets								
Other long term investments								
— Equity investments	42,877	-	-	42,877	34,170	-	-	34,170
— Unlisted investments	-	-	3,115	3,115	-	-	2,361	2,361
Derivative financial instruments:								
— Forward foreign exchange contracts	-	81	-	81	-	97	-	97
— Interest rate swaps	-	382	-	382	-	176	-	176
— Cross currency interest rate swaps	-	59	-	59	-	29	-	29
	42,877	522	3,115	46,514	34,170	302	2,361	36,833
Liabilities								
Derivative financial instruments:								
— Forward foreign exchange contracts	-	85	-	85	-	44	-	44
— Interest rate swaps	-	188	-	188	-	93	-	93
— Cross currency interest rate swaps	-	441	-	441	-	425	-	425
Bank loans and other borrowings:								
— Bonds and notes	-	5,285	-	5,285	-	7,844	-	7,844
— Bank loans	-	506	-	506	-	509	-	509
	-	6,505	-	6,505	-	8,915	-	8,915

During the six months ended 30 June 2020 and 2019, there were no transfers of instruments between Level 1 and Level 2, or transfers into or out of Level 3.

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

12. Fair Value Measurement of Financial Instruments (continued)

a. Assets and liabilities carried at fair value (continued)

Valuation techniques and inputs used in Level 2 fair value measurements:

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

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

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

Valuation techniques and inputs used in Level 3 fair value measurements:

The Group's unlisted investments measured at categorised in Level 3 comprise private equity funds. These private equity funds were managed by unrelated asset managers who applied various investment strategies to accomplish their respective investment objectives. The fair value of these funds is recorded based on valuations supplied by the fund managers. These valuations are measured by the percentage of ownership of the private equity's net asset value, which is an unobservable input. The fund managers estimated the fair value of underlying investments based on direct market quote for Level 1 financial instruments. For other investments, the fund managers apply appropriate valuation techniques such as latest transaction price, discounted cash flow, or a forward price/earnings multiple arrived at by comparison with publicly-traded comparable companies and after applying a liquidity discount. The models are calibrated regularly and tested for validity using prices from any observable current market transactions in the same instruments or based on any available observable market data.

The movement during the period in the balance of these Level 3 fair value measurements are as follows:

	2020 HK\$ Million
At 1 January	2,361
Payment for purchases	622
Net unrealised gains recognised in consolidated income statement during the period	132
At 30 June	3,115

Any gain or loss arising from the remeasurement of the Group's unlisted investments are recognised in the other net charge (Note 4) in the consolidated income statement.

12. Fair Value Measurement of Financial Instruments (continued)

b. Assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 30 June 2020 and 31 December 2019.

13. Material Related Party Transactions

Material transactions between the Group and other related parties during the period ended 30 June 2020 are as follows:

- a. There was rental income totalling HK\$47 million (2019: HK\$81 million) from various tenants which are wholly or partly owned by companies which in turn are wholly-owned by the family interests of close family members of, or by a trust the settlor of which is a close family member of, the chairman of the Company's ultimate holding company.
- b. There were in existence agreement with subsidiaries of Wharf Real Estate Investment Company Limited ("Wharf REIC") for the management, marketing, project management and technical services on Wharf REIC's hotel operations. Total fees receivable under this arrangement during the current period amounted to HK\$4 million (2019: HK\$48 million). Such transaction also constitutes a connected transaction as defined under Listing Rules.

14. Contingent Liabilities

As at 30 June 2020, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to overdrafts, short term loans and credit facilities, bonds and notes of up to HK\$62,535 million (31/12/2019: HK\$63,776 million). There were also contingent liabilities in respect of guarantees given by the Company on behalf of joint ventures and associates of HK\$3,658 million (31/12/2019: HK\$2,378 million) of which HK\$1,542 million had been drawn (31/12/2019: HK\$1,090 million).

As at 30 June 2020, there were guarantees of HK\$2,781 million (31/12/2019: HK\$2,718 million) provided by the Group to the financial institutions in favour of their customers in respect of the mortgage loans provided by the financial institutions to those customers for the purchase of the Group's development properties. There were also mortgage loan guarantees of HK\$3,259 million (31/12/2019: HK\$1,407 million) provided by joint ventures and associates of the Group to the financial institutions in favour of their customers.

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

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

15. Commitments

The Group's outstanding commitments as at 30 June 2020 are detailed as below:

a. Planned expenditure

	30 June 2020			31 December 2019		
	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million
(i) Properties						
Investment properties						
Hong Kong	1,005	–	1,005	674	–	674
Mainland China	197	81	278	159	148	307
	1,202	81	1,283	833	148	981
Development properties						
Hong Kong	776	–	776	473	–	473
Mainland China	8,049	7,789	15,838	8,787	8,841	17,628
	8,825	7,789	16,614	9,260	8,841	18,101
Properties total						
Hong Kong	1,781	–	1,781	1,147	–	1,147
Mainland China	8,246	7,870	16,116	8,946	8,989	17,935
	10,027	7,870	17,897	10,093	8,989	19,082
(ii) Others	2,635	38	2,673	3,140	57	3,197
	2,635	38	2,673	3,140	57	3,197
Group total	12,662	7,908	20,570	13,233	9,046	22,279

- (i) Properties commitments are mainly for construction costs to be incurred in the forthcoming period including HK\$0.1 billion (2019: HK\$0.1 billion) attributable land costs.
- (ii) The expenditure for properties included attributable amounts for developments undertaken by joint ventures and associates of HK\$5,348 million (31/12/2019: HK\$6,534 million) in Mainland China.

16. Review of Unaudited Interim Financial Information

The unaudited interim financial information for the six months ended 30 June 2020 has been reviewed with no disagreement by the Audit Committee of the Company.

CORPORATE GOVERNANCE CODE

During the financial period under review, all the code provisions set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) were met by the Company, with one exception as regards Code Provision A.2.1 providing for the roles of the chairman and chief executive to be performed by different individuals.

Such deviation is deemed appropriate as it is considered to be more efficient to have one single person to be Chairman of the Company as well as to discharge the executive functions of a chief executive thereby enabling more effective planning and better execution of long-term strategies. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations and governance of the Board which comprises experienced and high calibre individuals, with half of them being Independent Non-executive Directors (“INEDs”).

CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

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

DIRECTORS' INTERESTS IN SECURITIES

(A) INTERESTS IN SHARES AND DEBENTURES

At 30 June 2020, Directors of the Company had the following beneficial interests, all being long positions, in the shares and/or debentures of the Company, Wheelock and Company Limited ("Wheelock") (the Company's parent company), Wharf Real Estate Investment Company Limited ("Wharf REIC") (the Company's fellow subsidiary as at 30 June 2020), Modern Terminals Limited ("Modern Terminals") (the Company's subsidiary) and Greentown China Holdings Limited ("Greentown") (the Company's associated corporation of which the Company is interested in more than 20% of its issued shares). The percentages (where applicable) which the relevant shares represented to the total number of shares in issue of the five companies respectively are also set out below:

	Quantity/Amount held (percentage, where applicable)	Nature of Interest
The Company — Ordinary Shares		
Stephen T H Ng	2,009,445 (0.0659%)	Personal Interest
Andrew O K Chow	400,000 (0.0131%)	Personal Interest
Doreen Y F Lee	360,000 (0.0118%)	Personal Interest
Kevin K P Chan	800,000 (0.0262%)	Personal Interest
Vincent K Fang	100,000 (0.0033%)	Personal Interest
Wheelock — Ordinary Shares		
Stephen T H Ng	176,000 (0.0086%)	Personal Interest
Paul Y C Tsui	300,000 (0.0146%)	Personal Interest
Wharf REIC — Ordinary Shares		
Stephen T H Ng	1,259,445 (0.0415%)	Personal Interest
Kevin K P Chan	100,000 (0.0033%)	Personal Interest
Vincent K Fang	100,000 (0.0033%)	Personal Interest
Modern Terminals — Ordinary Shares		
Hans Michael Jebsen	3,787 (5.40%)	Corporate Interest
Greentown — Ordinary Shares		
Andrew O K Chow	500,000 (0.02%)	Personal Interest
Greentown — USD Senior Notes due 2020		
Stephen T H Ng	US\$2,210,000	Personal Interest

Notes:

- (1) The interests in shares disclosed above do not include interests in share options of the Company and/or associated corporation(s) held by Directors as at 30 June 2020. Details of such interests in share options are separately set out below under the sub-sections headed “(B) Interests in Share Options of the Company” and “(C) Interests in Share Options of Wheelock”.
- (2) The shareholdings classified as “Corporate Interest” in which the Director concerned was taken to be interested as stated above were interests of corporation(s) at general meetings of which the relevant Director was either entitled to exercise (or taken under Part XV of the Securities and Futures Ordinance (the “SFO”) to be able to exercise) or control the exercise of one-third or more of the voting power in general meetings of such corporation(s).

(B) INTERESTS IN SHARE OPTIONS OF THE COMPANY

Set out below are particulars of all interests (all being personal interests) in share options held during the six months ended 30 June 2020 by Directors of the Company to subscribe for ordinary shares of the Company granted/exercisable under the share option scheme of the Company:

Name of Director	Date of grant (Day/Month/Year)	No. of shares under option			Subscription price per share (HK\$)	Vesting/Exercise Period (Day/Month/Year)
		As at 1 January 2020	Exercised during the period	As at 30 June 2020 (percentage based on total no. of shares in issue)		
Stephen T H Ng	07/07/2016	1,000,000	–	1,000,000	15.92	08/07/2018–07/07/2021
		1,000,000	–	1,000,000		
		1,000,000	–	1,000,000		
		Total	3,000,000	–		
Andrew O K Chow	07/07/2016	100,000	(100,000) ⁽¹⁾	–	15.92	08/07/2017–07/07/2021
		600,000	(100,000) ⁽¹⁾	500,000		
		600,000	–	600,000		
		600,000	–	600,000		
		Total	1,900,000	(200,000)⁽¹⁾		
Doreen Y F Lee	07/07/2016	600,000	–	600,000	15.92	08/07/2020–07/07/2021
		Total	600,000	–		
Paul Y C Tsui	07/07/2016	300,000	–	300,000	15.92	08/07/2020–07/07/2021
		Total	300,000	–		
Kevin K P Chan	07/07/2016	200,000	–	200,000	15.92	08/07/2019–07/07/2021
		200,000	–	200,000		
		Total	400,000	–		
Grand Total		6,200,000	(200,000)	6,000,000		

Notes:

- (1) The closing price of the Company's shares immediately before the date of exercise of share options (all exercised on the same day) by Mr Andrew O K Chow during the period was HK\$20.90 per share.
- (2) Except as disclosed above, no share option of the Company held by Directors and/or their associate(s) lapsed or was exercised or cancelled during the financial period, and no share option of the Company was granted to any Director and/or their associate(s) during the financial period.

(C) INTERESTS IN SHARE OPTIONS OF WHEELLOCK

Set out below are particulars of all interests (all being personal interests) in share options held during the six months ended 30 June 2020 by Directors of the Company to subscribe for ordinary shares of Wheelock granted/exercisable under the share option scheme of Wheelock:

Name of Director	Date of grant (Day/Month/Year)	No. of Wheelock's shares under option			Subscription price per share (HK\$)	Vesting/Exercise period (Day/Month/Year)
		As at 1 January 2020	Exercised during the period	As at 30 June 2020 (percentage based on total no. of shares in issue)		
Paul Y C Tsui	07/07/2016	300,000	–	300,000	36.60	08/07/2019–07/07/2021
		300,000	–	300,000		08/07/2020–07/07/2021
	Total	600,000	–	600,000	(0.03%)	

Notes:

- (1) According to the scheme document jointly published by Wheelock and the offeror, namely, Admiral Power Holdings Limited, on 21 May 2020, the share options of Wheelock lapsed automatically on the effective date of the scheme, i.e. 23 July 2020, and would no longer be exercisable as from such date. The relevant details are set out in the scheme document.
- (2) Except as disclosed above, no share option of Wheelock held by Directors of the Company and/or their associate(s) lapsed or was exercised or cancelled during the financial period and no share option of Wheelock was granted to any Director of the Company and/or their associate(s) during the financial period.

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the SFO in respect of information required to be notified to the Company and the Stock Exchange by the Directors and/or Chief Executive of the Company pursuant to the SFO or the Model Code (or any other applicable code), there were no interests, whether long or short positions, held or deemed to be interested as at 30 June 2020 by any Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), nor had there been any rights to subscribe for any shares, underlying shares or debentures of the Company and its associated corporations held or deemed to be interested by any of them as at 30 June 2020.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties, other than person(s) who is/are Director(s), who/which were, directly or indirectly, interested in 5% or more of any class of voting shares of the Company as at 30 June 2020, and the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register"):

Names	No. of ordinary shares (percentage based on total number of shares in issue)
(i) Wheelock and Company Limited	2,225,691,608 (72.99%)
(ii) HSBC Trustee (C.I.) Limited ("HSBC Trustee")	2,225,691,608 (72.99%)

Notes:

- (1) For the avoidance of doubt and double counting, it should be noted that the shareholdings stated against parties (i) and (ii) represented the same block of shares.
- (2) The deemed shareholding interests of Wheelock and HSBC Trustee of 2,225,691,608 shares (72.99%) as at 30 June 2020 stated above included Wheelock's beneficial interests of 667,432,957 shares (21.89%) and interests held through Wheelock's wholly-owned subsidiaries as below:

Names	No. of ordinary shares (percentage based on total number of shares in issue)
(i) Lynchpin Limited ("LL")	265,576,072 (8.71%)
(ii) WF Investment Partners Limited ("WIPL")	*737,614,579 (24.19%)
(iii) High Fame Investments Limited ("HFIL")	387,022,000 (12.69%)
(iv) Locus Investments Pte. Ltd. ("LIPL")	98,436,000 (3.23%)
(v) Max Bloom International Development Limited ("MBIDL")	680,000 (0.02%)
(vi) Crystal Pond Limited ("CPL")	68,930,000 (2.26%)
(vii) Wheelock Investments Limited ("WIL")	1,558,258,651 (51.10%)
* WIPL's interests included 26,390,000 shares (0.87%) deemed shareholding interests held through Horizon Vibrant Limited ("HVL"), a wholly-owned subsidiary of Harbour Centre Development Limited, being a publicly listed subsidiary of Wharf REIC which in turn is a publicly listed subsidiary of Wheelock as at 30 June 2020.	

- (3) As at 23 July 2020, according to the respective disclosure of interests forms filed by Wheelock and HSBC Trustee under the SFO, the deemed shareholding interests of Wheelock and HSBC Trustee in the Company were 1,675,532,651 shares (54.95%), which included interests held through Wheelock's wholly-owned subsidiaries as below:

Names	No. of ordinary shares <i>(percentage based on total number of shares in issue)</i>
(i) LL	265,576,072 (8.71%)
(ii) WIPL	*737,614,579 (24.19%)
(iii) HFIL	387,022,000 (12.69%)
(iv) LIPL	98,436,000 (3.23%)
(v) MBIDL	680,000 (0.02%)
(vi) CPL	68,930,000 (2.26%)
(vii) ACE Orchard Limited	86,916,000 (2.85%)
(viii) Alpha Pioneer Investments Limited	16,894,000 (0.55%)
(ix) Captain Concord Limited	13,464,000 (0.44%)
(x) WIL	1,675,532,651 (54.95%)

* WIPL's interests included 26,390,000 shares (0.87%) deemed shareholding interests held through HVL, a wholly-owned subsidiary of Harbour Centre Development Limited, being a publicly listed subsidiary of Wharf REIC which in turn is 48.91%-owned by Wheelock as at 23 July 2020.

All the interests stated above represented long positions. As at 30 June 2020, there were no short position interests recorded in the Register.

SHARE OPTION SCHEME

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

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

Date of grant (Day/Month/Year)	No. of shares under option			Vesting/Exercise Period (Day/Month/Year)	Subscription price per share (HK\$)
	As at 1 January 2020	Exercised during the period	As at 30 June 2020		
07/07/2016	100,000	(100,000)	–	08/07/2017–07/07/2021	15.92
	1,800,000	(100,000)	1,700,000	08/07/2018–07/07/2021	
	2,000,000	–	2,000,000	08/07/2019–07/07/2021	
	2,900,000	–	2,900,000	08/07/2020–07/07/2021	
Total:	6,800,000	(200,000)	6,600,000		

Notes:

- (1) The closing price of the shares of the Company immediately before the date of exercise of the share option (all exercised on the same day) during the period was HK\$20.90 per share.
- (2) Except as disclosed above, no share option of the Company lapsed or was granted, exercised or cancelled during the financial period.

CHANGES IN INFORMATION OF DIRECTORS

- (I) Given below is the latest information regarding annual emoluments calculated on an annualised basis for the year 2020 (and the year 2019), exclusive of any and all amounts which would be borne by Wheelock, Wharf REIC and/or their respective wholly-owned subsidiary(ies) of all those Directors for whom there have been changes of amounts of emoluments during the course of their respective terms of office since the publication of the last annual report of the Company:

Director(s)	⁽¹⁾ Salary and various allowances HK\$'000		⁽²⁾ Discretionary annual bonus in cash HK\$'000	
Stephen T H Ng	5,351	(2019: 5,195)	9,500	(2019: 13,956)
Andrew O K Chow	5,679	(2019: 5,679)	15,308	(2019: 9,000)
Doreen Y F Lee	1,708	(2019: 1,659)	3,450	(2019: 6,775)
Paul Y C Tsui	2,325	(2019: 2,257)	4,100	(2019: 7,222)
Kevin K P Chan	3,898	(2019: 3,747)	5,000	(2019: 8,044)

Notes:

(1) Not including the Chairman's fee of HK\$300,000 (2019: HK\$300,000) per annum and the Remuneration Committee Members' fee of HK\$50,000 (2019: HK\$50,000) per annum payable to Chairman and the Director's fee of HK\$250,000 (2019: HK\$250,000) per annum payable to each of the other Directors of the Company.

(2) The amounts of such discretionary annual bonuses fixed/decided unilaterally by the employers.

- (II) Given below are changes in other information of the Director(s) of the Company required to be disclosed pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) under the Listing Rules since the publication of the last annual report of the Company:

	Effective Date
Stephen T H Ng	
<ul style="list-style-type: none"> Joyce Boutique Group Limited (listed on the Stock Exchange until 27 April 2020) — resigned as non-executive chairman 	27 April 2020

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the financial period under review.

By Order of the Board of
The Wharf (Holdings) Limited
Kevin C Y Hui
Company Secretary

Hong Kong, 3 August 2020

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

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