WHEELOCK AND COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)
Stock Code: 20

Interim Results Announcement
for the half-year period ended 30 June 2019

Macro Headwind Persists

Macro Environment

- Uncertainties stemming from Sino-US trade tension, prospect of a hard Brexit as well as China and Hong Kong GDP growth slowdown continue.

Hong Kong Properties Highlights

- **Residential Contracted Sales** reached HK$16.2 billion with 1,282 units sold or presold.
  - **MONTARA** and **GRAND MONTARA** presold 1,120 units for a total of HK$9.8 billion.
  - **O'SOUTH VILLAS** portfolio, comprising exquisite residences at GRAND MONTEREY, SAVANNAH and CAPRI, sold 29 villas for HK$1.7 billion, contributing to a sell-through rate of 98%.
  - **MOUNT NICHOLSON** sold four houses and two apartments for HK$3.6 billion or HK$1.8 billion on an attributable basis.
- **Net Order Book** grew to HK$34.9 billion, providing revenue visibility over the forthcoming years.
- As of 30 June 2019, **Land Bank Under Management** was 6.3 million square feet, after successful acquisition of three Kai Tak sites (one more subsequent to first half this year) and presale of MONTARA and GRAND MONTARA.

Group Financials

- **Group Underlying Net Profit** increased by 35% to HK$7.0 billion, mainly contributed by satisfactory revenue growth by 24% to HK$21.7 billion. Group operating profit increased by 31% to HK$12.7 billion.

  (If there were no HKFRS 15*, Group revenue would have dropped by 17% instead of an increase by 24% for period under review. Group operating profit would have only increased by 6% instead of 31% as reported.)

- Wheelock-Own's **Net Gearing** was well-maintained at 15.8%.

- The attributable Underlying Net Profit from Wharf REIC increased by 5% to HK$3.3 billion.

  * HKFRS 15 – Starting from January 2018, revenue from sale of properties is recognised when the legal assignment is completed instead of issue of occupation permit. As such, the sales recognition could be deferred by over half a year. As an effect of the new accounting policy HKFRS 15, Wheelock Group revenue for the first half of 2018 would have been understated by HK$8.6 billion due to deferral of recognition.

GROUP RESULTS (unaudited)

Excluding investment property revaluation gain and exceptional items, underlying net profit was HK$6,977 million (2018: HK$5,160 million).

Group profit attributable to equity shareholders was HK$8,327 million (2018: HK$8,604 million). Earnings per share were HK$4.07 (2018: HK$4.21).

INTERIM DIVIDEND

An interim dividend of 52.5 cents (2018: 50.0 cents) per share will be paid on 17 September 2019 to Shareholders, absorbing a total amount of HK$1,075 million (2018: HK$1,024 million).

BUSINESS REVIEW

Hong Kong Properties

During the six months ended 30 June 2019, sales of development properties performed satisfactorily amidst a complex environment shaped by global economic uncertainties and continual trade tension.

Residential contracted sales amounted to HK$16.2 billion, with a total of 1,282 units sold or presold, albeit down from the record high comparison base of HK$23.4 billion in the first half of 2018, which was driven by the presale of MALIBU, a large scale project. The sell-through rate was 94% on launched units during the period under review. No commercial sales were conducted during the period under review.

MONTARA and **GRAND MONTARA**, the second development in the O'EAST portfolio and comprising of two high rise residential towers, were launched for presale in the second quarter. The presale received positive response and achieved 100% sell-through rate, reflecting our long-established reputation for superior quality. 1,120 units were presold for HK$9.8 billion within a total of three days, with an average selling price of HK$15,200 per square foot. The good result accounted for 60% of total contracted sales during first half. Embracing the convenience of cosmopolitan life, the development is atop the upcoming 480,000 square feet MTR mall "The Lohas", and is only five minutes' walk from LOHAS Park MTR station. Moreover, the exclusive, 40,000 square feet Club MONTARA features a 24-hour gymnasium and swimming pool surrounded by lush green gardens.

The inventory sales progressed satisfactorily and recorded contracted sales of HK$6.4 billion from previously launched developments, in particular successful selling of **CAPRI** and **GRAND NAPA** villas. The **O'SOUTH VILLAS** portfolio, comprising exquisite residences at **GRAND MONTEREY**, **SAVANNAH** and **CAPRI**, sold 29 villas for HK$1.7 billion, contributing to a sell-through rate of 98% on total number of units.

MOUNT NICHOLSON, the ultra-luxury residence on the Peak, sold four houses and two apartments for HK$3.6 billion during the period under review, of which HK$1.8 billion was attributable to the Group.

Net order book (i.e. presold but contracted sales not yet recognised) grew to HK$34.9 billion, from HK$26.7 billion at year-end 2018. The increase in net order book was mainly driven by successful launches of MONTARA and GRAND MONTARA.

Land Bank

We replenish our land bank through multiple channels. As of 30 June 2019, the land bank under management was 6.3 million square feet, after preselling 0.8 million square feet from MONTARA and GRAND MONTARA. The O'EAST and Kai Tak portfolios account for a significant portion of our urban-focused land bank. This diverse land bank provides a wide variety of product offerings, ranging from MTR residences and waterfront living, to suburban houses and the Peak collection.

Taking into account the Kai Tak residential plot subsequently acquired in July 2019, the land bank increased to 6.7 million square feet. Covering seven sites, the land bank available for sales pipeline in Kai Tak encompassed 1.9 million square feet on an attributable basis, of which the four harbour-front sites along the former runway are jointly developed and managed with project partners. With a cluster of residential projects progressing, we will seek to maximise synergies across planning and development stages in the area, which is poised to benefit from extensive infrastructural developments including the future Kai Tak Sports Park and transport links.

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

Community well-being is prioritised as one of the key considerations in our business decision making. We support a wide range of CSR programmes and community initiatives spanning sustainability development, education, and art and culture.

Sustainable development

Wheelock Properties Limited has secured a HK$2.0 billion **Sustainability-Linked Loan Facility** ("Facility"), the first of its kind sustainability performance-linked loan in Hong Kong. The Facility, granted for general corporate funding requirements, illustrated our commitment to advancing our sustainability agenda in corporate practices.

Wheelock Properties Limited and the OASIS KAI TAK project were named "Corporate Social Responsibility Project of the Year" and "Residential Team of the Year" respectively by the Royal Institution of Chartered Surveyors Hong Kong, reflecting our commitment to the society and pursuit of excellence.

Demonstrating our commitment to green building standards, we aim to integrate **BEAM Plus Standard** and practices into all buildings. During the period under review, SAVANNAH and NAPA obtained BEAM Plus final certifications, whilst the Sin Fat Road project was given a BEAM Plus pre-certification.

Education

Project *WeCan* is our key BIC initiative, supporting secondary school students in widening their horizon and equipping them for future careers. With the support of 68 partners, the programme currently has 76 secondary schools participating, benefitting over 66,000 students in Hong Kong.

We attended a Project *WeCan* Partners Appreciation Reception at the Government House in May, with The Hon Mrs Carrie Lam Cheng Yuet-ngor, the Chief Executive of HKSAR, as Guest of Honour. The event was well attended by representatives from partners, volunteers, principals and students from Project *WeCan* schools.

In July 2019, through the Project *WeCan* Job Tasting Programme, we offered students internship opportunities to work in different departments according to their interests. This annual programme enables students to develop social skills in the workplace and enhance competitiveness through practical work experience.

Innovation

In March 2019, we announced an extension of our partnership with Hong Kong Science and Technology Parks Corporation (HKSTP) until 2020. Since its establishment in April 2018, HKSTP@Wheelock Gallery has provided a platform for technology innovators and start-ups to convey their innovative ideas to potential investors and business partners. The event featured a sharing session with the theme, "Disrupt or Be disrupted. A.I. x Traditional Industries".

Innovation also serves a major role when it comes to improving customer interaction. During the period under review, we launched a new *W-Living* app to streamline the handover process, helping to deliver a superior customer experience and achieve a paperless environment.

Lifestyle

As a move to enhance customers' leisure and social life, a Wheelock Lounge was launched at The Gateway, Harbour City, providing CLUB WHEELOCK members with an interactive lifestyle space to relax and mingle. The thoughtful craftsmanship and attentive service of the Lounge, which incorporates arts and culture, can realise 'The Spirit of Living' for CLUB WHEELOCK members.

An exhibition of the winning works from the National Geographic Wheelock Hong Kong Photo Contest 2018 was held in early 2019. With the theme "Hong Kong Story", the contest received more than 4,000 submissions from both photography enthusiasts and professional photographers from 19 countries and regions.

Wheelock and Company Limited is the majority shareholder of The Wharf (Holdings) Limited, Wharf Real Estate Investment Company Limited and Wheelock Properties (Singapore) Limited. Below is a report on their operations and achievements during the period under review.

The Wharf (Holdings) Limited ("WHL")

WHL, a major subsidiary of Wheelock, is mainly engaged in property-focused businesses, comprising Investment Properties ("IP") and Development Properties ("DP") in Hong Kong and Mainland China, as well as Hotel and Management.

WHL's revenue and underlying net profit were HK$8.1 billion and HK$2.2 billion respectively. Property businesses contributed to 67% of revenue and 84% of underlying net profit.

WHL's Peak Portfolio showcases a landmark collection of prestigious residences; while the "Kowloon East Waterfront Portfolio", comprising Kowloon Godown and the Yau Tong Bay joint venture projects, represents another valuable portfolio of WHL.

Regarding China DP, operating profit (inclusive of joint ventures and associates on an attributable basis) decreased slightly to HK$1.8 billion, with operating margin lifting 3 percentage points to 35%. WHL's attributable contracted sales decreased by 10% to RMB6.5 billion. As at 30 June 2019, the China DP land bank totalled 3.6 million square metres, spanning top-tier cities.

For China IP, WHL continued to enjoy steady contributions from the International Finance Square ("IFS") series. With Changsha IFS added to the portfolio in 2018, the revenue and operating profit increased by 22% and 30% respectively, to HK$2.0 billion and HK$1.2 billion. As an iconic landmark in the heart of the city, the award-winning Changsha IFS has achieved impressive performance and houses over 370 brands with an occupancy rate of 98%. Another flagship shopping mall, Chengdu IFS, continued its growth momentum with revenue increased by 14% to HK$859 million, and operating profit by 28% to HK$463 million.

Currently, WHL currently manages 17 hotels in Mainland China, Hong Kong and the Philippines, under the Marco Polo Hotels and Niccolo Hotels brands.

Amid lingering trade tensions and geopolitical uncertainties, revenue from the logistics segment decreased slightly to HK$1,253 million. In the face of a competitive global port industry, Modern Terminals formed the "Hong Kong Seaport Alliance" with three other terminal operators to enhance efficiencies and resources utilisation.

Wharf Real Estate Investment Company Limited ("Wharf REIC")

Wharf REIC, another major subsidiary of Wheelock, is a premium Hong Kong IP company with a focus on retail properties. It currently owns and manages a portfolio of premium quality IPs in Hong Kong, including Harbour City, Times Square, Plaza Hollywood, Crawford House and Wheelock House.

Wharf REIC's underlying net profit achieved a moderate growth of 3% to HK$5.2 billion during the period under review.

Revenue from Hong Kong IP increased by 4% to HK$7.4 billion, and operating profit increased by 4% to HK$6.6 billion. Harbour City, the largest revenue contributor of Wharf REIC, reported total revenue (including hotels) of HK$6.2 billion, representing 5% growth. Revenue from Times Square and Plaza Hollywood remained resilient at HK$1.4 billion and HK$284 million respectively.

On the other hand, revenue from office premises increased by 6% to HK$1.4 billion on the back of positive rental reversions. Office demands for Wheelock House and Crawford House, part of Wharf REIC's Central Portfolio, remained firm despite the softening office market. Central Portfolio's revenue increased by 4% to HK$243 million and operating profit increased by 4% to HK$211 million.

Total revenue generated from the three hotels – Marco Polo Hongkong, Gateway and Prince – increased slightly to HK$617 million.

The Murray, Hong Kong, which commenced full operation in August 2018, received a host of industry awards during the period under review. However, start-up losses including full depreciation of land and building costs over a 50-year lease term, as well as interest cost, may weigh on profitability in the early years.

<u>Wheelock Properties (Singapore) Limited ("WPSL")</u>

WPSL delivered a stable performance. Wheelock Place and Scotts Square, a prime retail complex situated at the crossroads of the Orchard and Scotts shopping belt, maintained high occupancy.

FINANCIAL REVIEW

(I) REVIEW OF 2019 INTERIM RESULTS

<u>WHEELOCK-OWN</u> (before consolidation of WHL, Wharf REIC and WPSL)

Wheelock-Own's revenue for the period was HK$4,587 million, up by HK$3,702 million or 418% as compared with last corresponding period. Its underlying net profit was HK$1,908 million, increased significantly by 864% (2018: HK$198 million). The main reasons of increase were mainly attributable to the gain on disposal of the O'South malls and higher sales recognition of development property projects.

<u>WHEELOCK GROUP</u>

Group underlying net profit was HK$6,977 million or increased by 35% (2018: HK$5,160 million), mainly attributable to higher contribution from investment properties in both Hong Kong and Mainland China, the gain on disposal of the O'South malls and impact of HKFRS 15, partly offset by less profit contribution from associates and joint ventures.

Group operating profit was HK$12,679 million or increased by 31% (2018: HK$9,648 million).

If there were no HKFRS 15: Group operating profit for the period under review would have become HK$12,853 million or increased by 6%. HKFRS 15 is a new accounting policy focused on the timing of sales recognition and in effect since January 2018. It is a transition from recognising sales at Occupation Permit to legal assignment. This could mean a deferral of over half a year in recognition.

Group profit attributable to equity shareholders decreased by 3% to HK$8,327 million (2018: HK$8,604 million). Excluding the decrease in fair value gain of investment properties, Group attributable profit increased by 39% to HK$7,161 million (2018: HK$5,139 million), mainly contributed by the increase in Group underlying net profit in the period under review.

Revenue and Operating Profit
Group revenue and Group operating profit increased by 24% to HK$21,713 million (2018: HK$17,577 million) and by 31% to HK$12,679 million (2018: HK$9,648 million) respectively, primarily driven by the investment properties in Hong Kong and Mainland China, and HKFRS 15 impact as mentioned above.

Investment Property ("IP")
Investment property revenue and operating profit both increased by 7% to HK$9,681 million (2018: HK$9,021 million) and HK$7,950 million (2018: HK$7,408 million) respectively. In Hong Kong, revenue and operating profit both increased by 4%. Harbour City recorded both revenue and operating profit growth of 6%. In Mainland China, revenue and operating profit increased by 22% and 30% respectively, mainly driven by the maturing Chengdu International Finance Square ("IFS") and the newly-opened Changsha IFS.

Development Property ("DP")
Development property revenue and operating profit increased by 50% and 104% to HK$7,838 million (2018: HK$5,234 million) and HK$3,173 million (2018: HK$1,552 million) respectively.

In Hong Kong, recognised property sales increased by 472% to HK$4,454 million (2018: HK$779 million) while operating profit increased by 790% to HK$1,763 million (2018: HK$198 million), mainly driven by the delivery of residential units in MONTEREY and ONE HOMANTIN.

In Mainland China, despite the decrease of 30% in recognised property sales to HK$3,116 million (2018: HK$4,455 million), operating profit decreased by a lesser magnitude of 5% to HK$1,291 million (2018: HK$1,361 million) due to improved profit margins of projects.

Hotels
Hotel revenue surged by 11% to HK$1,173 million (2018: HK$1,056 million) underpinned by the continuous start-up improvement in the performance of The Murray, Hong Kong in Central. Hotel operating profit surged by 36% to HK$170 million (2018: HK$125 million) mainly due to the increase in revenue and the reduced operating loss of The Murray. Operating profit for the three Marco Polo Hotels & club at Harbour City, however, retreated by 6% against the backdrop of soft market demand and rising operating costs.

Logistics
Logistic revenue decreased slightly by 0.2% to HK$1,253 million (2018: HK$1,256 million) while operating profit decreased by 9% to HK$224 million (2018: HK$247 million).

Investment and Others
Investment and others revenue and operating profit increased by 78% to HK$1,900 million (2018: HK$1,068 million) and 119% to HK$1,589 million (2018: HK$726 million) respectively due to the increase in dividend income and interest income from the Group's enlarged investment portfolio.

Fair Value Gain of Investment Properties
The carrying value of the Group's investment property portfolio as at 30 June 2019 increased to HK$344.0 billion (2018: HK$341.5 billion), with substantially all stated at fair value based on independent valuation as at that date. Revaluation gain of HK$2,249 million for the period (2018: HK$6,007 million) was credited to the consolidated income statement.

Other Net Income/(Charge)
Other net income amounted to HK$186 million (2018: charge of HK$74 million) primarily contributed from the gain on disposal of the O'South malls and net exchange gain, partly offset by provision for diminution for certain Mainland China development property projects.

Finance Costs
Finance costs amounted to HK$881 million (2018: HK$646 million). Excluding the unrealised mark-to-market gain of HK$101 million (2018: HK$155 million) on cross currency and interest rate swaps, finance costs increased by 25% to HK$1,717 million (2018: HK$1,378 million) before capitalisation of HK$735 million (2018: HK$577 million), and increased by 23% to HK$982 million (2018: HK$801 million) after capitalisation. The Group's effective borrowing rate for the period was 2.9% (2018: 2.3%) per annum.

Share of Results of Associates and Joint Ventures
Share of profits of associates decreased by 50% to HK$302 million (2018: HK$605 million), mainly due to absence of profit contribution from Hotel Properties Limited, a former associate of WPSL, since its reclassification to other long term investments in late 2018 and lower profit contribution from development property projects in Mainland China.

Share of profits of joint ventures decreased by 80% to HK$161 million (2018: HK$813 million), mainly due to lower profit contribution from MOUNT NICHOLSON in Hong Kong and increase in pre-operating loss for certain development property projects.

Income Tax
Taxation charge was HK$2,827 million (2018: HK$2,581 million), which included deferred taxation of HK$388 million (2018: HK$369 million) provided for the fair value gain of investment properties located in Mainland China.

Excluding the above deferred taxation, the taxation charge increased by 10% to HK$2,439 million (2018: HK$2,212 million), mainly due to increase in operating profit from development properties in Hong Kong and investment properties in Hong Kong and Mainland China, partly offset by the decrease in operating profits from development properties in Mainland China.

Non-controlling Interests ("NCI")
Profit attributable to NCI decreased by 31% to HK$3,542 million (2018: HK$5,168 million).

Excluding the NCI relating to revaluation gain of investment properties (after deducting related deferred tax) of HK$706 million (2018: HK$2,173 million), NCI decreased by 5% to HK$2,836 million (2018: HK$2,995 million).

Profit attributable to Equity Shareholders
Group profit attributable to equity shareholders decreased by 3% to HK$8,327 million (2018: HK$8,604 million). Earnings per share were HK$4.07 based on weighted average of 2,048 million issued ordinary shares (2018: HK$4.21 based on 2,045 million issued ordinary shares).

Excluding the attributable revaluation gain of investment properties (after deducting related deferred tax and NCI) of HK$1,166 million (2018: HK$3,465 million), Group profit attributable to equity shareholders increased by 39% to HK$7,161 million (2018: HK$5,139 million).

Set out below is an analysis of the Group profit attributable to equity shareholders as contributed by each sub-group of Wheelock and Company.

	2019 HK$ Million	2018 HK$ Million
Underlying net profit attributable to:		
Wheelock-Own	**1,908**	198
WHL group	**1,457**	1,600
Wharf REIC group	**3,265**	3,100
Others	**347**	262
Underlying net profit	**6,977**	5,160
Attributable amount of exceptional items (e.g. mark-to-market and exchange gain/(loss) on certain financial instruments, etc.)	**184**	(21)
Profit before IP revaluation gain	**7,161**	5,139
IP valuation gain (net of deferred tax)	**1,166**	3,465
Profit attributable to equity shareholders	**8,327**	8,604

WHL's profit attributable to its equity shareholders for the period decreased to HK$2,450 million (2018: HK$2,860 million). Excluding the exceptional items and revaluation gain of investment properties, WHL's underlying net profit decreased by 12% to HK$2,236 million (2018: HK$2,527 million).

Wharf REIC's profit attributable to its equity shareholders for the period was HK$6,989 million (2018: HK$10,179 million).

(II) LIQUIDITY, FINANCIAL RESOURCES AND COMMITMENTS

Shareholders' and Total Equity

As of 30 June 2019, shareholders' equity increased by 5% to HK$264.3 billion (2018: HK$251.1 billion), or HK$129.03 per share based on 2,049 million issued shares (2018: HK$122.60 per share based on 2,048 million issued shares).

Including the NCI, the Group's total equity increased by 3% to HK$402.4 billion (2018: HK$389.5 billion).

Assets and Liabilities

The Group's total assets were HK$614.0 billion (2018: HK$592.6 billion). Total business assets, i.e. excluding bank deposits and cash, financial assets and deferred tax assets, increased to HK$535.2 billion (2018: HK$521.8 billion).

Geographically, the Group's business assets in Mainland China, mainly properties and terminals, decreased slightly to HK$143.4 billion (2018: HK$144.5 billion), representing 27% (2018: 28%) of the Group's total business assets.

Investment Properties
The Group's investment property portfolio, included in the Group's total assets, slightly increased by 1% to HK$344.0 billion (2018: HK$341.5 billion), representing 64% (2018: 65%) of total business assets. Harbour City (excluding the three hotels) and Times Square in Hong Kong were valued at HK$236.2 billion, representing 69% of the value of the portfolio.

Properties for Sale
Properties for sale amounted to HK$96.8 billion (2018: HK$91.4 billion), mainly comprised properties in Hong Kong of HK$60.2 billion, in Mainland China of HK$36.4 billion and in Singapore of HK$0.2 billion, which were under development or held for sale as at 30 June 2019.

Interests in Associates and Joint Ventures
Interests in associates and joint ventures amounted to HK$54.6 billion (2018: HK$50.6 billion), mainly represented by various development property projects undertaken in Mainland China and Hong Kong.

Deposits from Sale of Properties
Deposits from sale of properties amounted to HK$31.5 billion (2018: HK$24.8 billion) which represented deposits from contracted sales in Hong Kong, Mainland China and Singapore pending revenue recognition.

Other long term investments
Other long term investments amounted to HK$52.9 billion (2018: HK$42.6 billion), including mainly the Group's strategic investment in Greentown China Holdings Limited of HK$3.0 billion and a portfolio of blue chips and bonds of HK$49.9 billion held for long term growth with reasonable return. The portfolio performed overall in line with the market and each investment within which is individually not material to the Group's total assets. Revaluation on these investments during the period produced an attributable net surplus of HK$5.6 billion (2018: HK$0.4 billion) as reflected in the other comprehensive income, reversing attributable accumulated deficit balance of HK$3.2 billion at 2018 year end to surplus HK$2.4 billion at end June 2019.

Debt and Gearing
The Group's net debt increased by 8% or HK$7.7 billion to HK$100.7 billion (2018: HK$93.0 billion) as at 30 June 2019. The net debt comprised debt of HK$126.5 billion less bank deposits and cash of HK$25.8 billion. An analysis of the net debt by each sub-group is shown below:

	30 June 2019 HK$ Million	31 December 2018 HK$ Million
Net debt/(cash)		
Wheelock-Own	**41,658**	32,552
WHL group	**24,647**	25,638
Wharf REIC group	**36,423**	39,422
Others	**(1,989)**	(4,605)
Group total	**100,739**	93,007

Excluding the net debt of WHL group and Wharf REIC group and net cash of other groups, which were non-recourse to the Company and its wholly-owned subsidiaries, Wheelock-Own's net debt increased by HK$9.1 billion to HK$41.7 billion (2018: HK$32.6 billion).

As at 30 June 2019, the net debt to total equity (on a consolidated basis) was increased to 25.0% (2018: 23.9%). Excluding the net debt/cash of WHL group, Wharf REIC group and other groups, Wheelock-Own's net debt to shareholders' equity (on an attributable net asset value basis) increased to 15.8% (2018: 13.0%).

Finance and Availability of Facilities

As at 30 June 2019, the Group's available loan facilities and issued debt securities amounted to HK$191.1 billion (2018: HK$184.7 billion), of which HK$126.5 billion were utilised. An analysis is shown below:

	Available Facilities HK$ Billion	**Total Debt** HK$ Billion	**Undrawn Facilities** HK$ Billion
Wheelock-Own	69.8	43.1	26.7
WHL group	74.9	43.6	31.3
Wharf REIC group	46.4	39.8	6.6
Group total	191.1	126.5	64.6

Of the above debt, HK$16.1 billion (2018: HK$16.7 billion) was secured by mortgages over certain development and investment properties and property, plant and equipment with a total carrying value of HK$51.8 billion (2018: HK$50.6 billion).

The Group's debt was primarily denominated in United States dollars ("USD"), Hong Kong dollars ("HKD") and Renminbi ("RMB"). The borrowings were mainly used to fund the Group's properties and port investments.

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

The Group continued to maintain a strong financial position with ample surplus cash denominated principally in RMB, HKD, USD and Singapore dollars, and undrawn committed facilities to facilitate the Group's business and investment activities. The Group also maintained a portfolio of listed investments with an aggregate market value of HK$51.2 billion (2018: HK$41.3 billion) as at 30 June 2019, which is immediately available for the Group's use when in need.

Cash Flows from the Group's Operating and Investing Activities

For the period under review, the Group's operating cash inflows was HK$11.6 billion (2018: HK$9.4 billion). Together with the changes in working capital and others of HK$7.7 billion (2018: HK$26.1 billion), the net cash inflow from operating activities amounted to HK$3.9 billion (2018: outflow of HK$16.7 billion). For investing activities, the Group recorded a net cash outflow of HK$4.9 billion (2018: HK$18.3 billion), mainly for cash used in the additions of investment properties, other long term investments and interests in subsidiaries and joint ventures, net of the proceeds from disposal of investments properties.

Major Capital and Development Expenditures and Commitments

The Group's major capital and development expenditures incurred, inclusive of associates and joint ventures' attributable expenditures, in the first half of 2019 is analysed as follows:

A. Major Capital and Development Expenditure during 1H 2019

	Hong Kong / Singapore HK$ Million	**Mainland China** HK$ Million	**Total** HK$ Million
Wheelock-Own			
IP	97	–	97
DP	20,500	–	20,500
	20,597	–	20,597
WHL group			
IP	174	34	208
DP	82	4,082	4,164
Non-property and others	53	1	54
	309	4,117	4,426
Wharf REIC group			
IP	172	63	235
DP	–	568	568
Non-property and others	19	7	26
	191	638	829
Others			
IP	37	–	37
DP	–	495	495
	37	495	532
Analysis by segment:			
IP	480	97	577
DP	20,582	5,145	25,727
Non-property and others	72	8	80
Group total	21,134	5,250	26,384

i. Wheelock-Own's expenditures for property projects amounted to HK$20.6 billion, mainly comprising expenditures for land and construction costs of property projects in Hong Kong.

ii. WHL's expenditures totalled HK$4.4 billion, mainly comprising expenditures for land and construction costs of property projects in Hong Kong and Mainland China.

iii. Wharf REIC's expenditure amounted to HK$0.8 billion, mainly comprising expenditures for construction costs of property projects in Hong Kong and Mainland China.

B. <u>Commitments to Capital and Development Expenditure</u>

As at 30 June 2019, the Group's major commitments to capital and development expenditures to be incurred in the forthcoming years were estimated at HK$46.6 billion, of which HK$26.8 billion was committed. Commitments by segments, inclusive of associates and joint ventures' attributable commitments, are analysed as follows:

	As at 30 June 2019		
	Committed HK$ Million	**Uncommitted** HK$ Million	**Total** HK$ Million
Wheelock-Own			
DP	9,296	4,019	13,315
	9,296	4,019	13,315
WHL group			
IP	822	265	1,087
DP	10,970	9,783	20,753
Non-property and others	3,821	62	3,883
	15,613	10,110	25,723
Wharf REIC group			
IP	245	962	1,207
DP	1,243	3,572	4,815
Non-property and others	13	113	126
	1,501	4,647	6,148
Others			
IP	3	—	3
DP	410	1,029	1,439
	413	1,029	1,442
<u>Analysis by business segment:</u>			
IP	1,070	1,227	2,297
DP	21,919	18,403	40,322
Non-property and others	3,834	175	4,009
Group total	26,823	19,805	46,628
<u>Analysis by geographical segment:</u>			
Hong Kong IP	884	757	1,641
Hong Kong DP	9,923	4,019	13,942
China IP	183	470	653
China DP	11,996	14,384	26,380
Singapore	3	—	3
Properties total	22,989	19,630	42,619
Non-property and others	3,834	175	4,009
Group total	26,823	19,805	46,628

i. Wheelock-Own's commitments of HK$13.3 billion are mainly related to land and construction costs of development properties in Hong Kong.

ii. WHL's commitments of HK$25.7 billion are mainly comprised of land and construction costs of development and investment properties of HK$21.8 billion and HK$3.8 billion for financial investments.

iii. Wharf REIC's commitments of HK$6.1 billion are mainly comprised of HK$6.0 billion for construction costs of development and investment properties, and HK$0.1 billion for hotels.

iv. The commitments and planned expenditure will be funded by the respective group's own internal financial resources including surplus cash, cash flows from operations as well as bank and other borrowings and pre-sale proceeds. Other available resources include other long term investments.

(III) HUMAN RESOURCES

The Group had approximately 12,500 employees as at 30 June 2019, 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 2019 - Unaudited

	Note	Six months ended 30 June **2019** **HK$ Million**	2018 HK$ Million
Revenue	2	**21,713**	17,577
Direct costs and operating expenses		**(7,024)**	(6,048)
Selling and marketing expenses		**(649)**	(504)
Administrative and corporate expenses		**(868)**	(899)
Operating profit before depreciation, amortisation, interest and tax		**13,172**	10,126
Depreciation and amortisation	3	**(493)**	(478)
Operating profit	2 & 3	**12,679**	9,648
Increase in fair value of investment properties		**2,249**	6,007
Other net income/(charge)	4	**186**	(74)
		15,114	15,581
Finance costs	5	**(881)**	(646)
Share of results after tax of:			
Associates		**302**	605
Joint ventures		**161**	813
Profit before taxation		**14,696**	16,353
Income tax	6	**(2,827)**	(2,581)
Profit for the period		**11,869**	13,772
Profit attributable to:			
Equity shareholders		**8,327**	8,604
Non-controlling interests		**3,542**	5,168
		11,869	13,772
Earnings per share	7		
Basic		**HK$4.07**	HK$4.21
Diluted		**HK$4.06**	HK$4.20

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2019 - Unaudited

	Six months ended 30 June	
	2019	2018
	HK$ Million	HK$ Million
Profit for the period	**11,869**	13,772
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange losses on translation of foreign operations	**(347)**	(1,106)
Share of other comprehensive income of associates and joint ventures	**(145)**	(253)
Net surplus/(deficit) on bond investments:	**35**	(10)
Fair value changes	**32**	(16)
Transfer from investments revaluation reserve to profit or loss on disposal	**3**	6
Others	**–**	3
Items that will not be reclassified to profit or loss:		
Fair value changes on listed equity investments	**7,892**	955
Other comprehensive income for the period	**7,435**	(411)
Total comprehensive income for the period	**19,304**	13,361
Total comprehensive income attributable to:		
Equity shareholders	**13,702**	8,228
Non-controlling interests	**5,602**	5,133
	19,304	13,361

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2019 – Unaudited

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

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 2018. The unaudited interim financial information and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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

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

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

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

HKFRS 16, Leases

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

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

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

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

The financial information relating to the financial year ended 31 December 2018 that is included in the unaudited interim financial information as comparative information does not constitute the Company's statutory annual financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

2. SEGMENT INFORMATION

The Group manages its diversified businesses according to the nature of services and products provided. Management has determined four reportable operating segments for measuring performance and allocating resources. The segments are investment property, development property, hotels and logistics. No operating segments have been aggregated to form the reportable segments.

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

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

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

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

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

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

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

(a) Analysis of segment revenue and results

	Revenue HK$ Million	Operating profit HK$ Million	Increase in fair value of investment properties HK$ Million	Other net income/ (charge) HK$ Million	Finance costs HK$ Million	Share of results after tax of associates HK$ Million	Share of results after tax of joint ventures HK$ Million	Profit before taxation HK$ Million
For the six months ended 30 June 2019								
Investment property	**9,681**	**7,950**	**2,249**	**561**	**(564)**	**-**	**31**	**10,227**
Hong Kong	**7,560**	**6,677**	**1,854**	**559**	**(462)**	**-**	**-**	**8,628**
Mainland China	**1,958**	**1,162**	**395**	**2**	**(102)**	**-**	**31**	**1,488**
Singapore	**163**	**111**	**-**	**-**	**-**	**-**	**-**	**111**
Development property	**7,838**	**3,173**	**-**	**(371)**	**(168)**	**187**	**129**	**2,950**
Hong Kong	**4,454**	**1,763**	**-**	**-**	**(141)**	**1**	**149**	**1,772**
Mainland China	**3,116**	**1,291**	**-**	**(371)**	**(27)**	**186**	**(20)**	**1,059**
Singapore	**268**	**119**	**-**	**-**	**-**	**-**	**-**	**119**
Hotels	**1,173**	**170**	**-**	**2**	**(19)**	**-**	**-**	**153**
Logistics	**1,253**	**224**	**-**	**(27)**	**(101)**	**115**	**1**	**212**
Terminals	**1,247**	**218**	**-**	**(6)**	**(101)**	**79**	**1**	**191**
Others	**6**	**6**	**-**	**(21)**	**-**	**36**	**-**	**21**
Inter-segment revenue	**(132)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Segment total	**19,813**	**11,517**	**2,249**	**165**	**(852)**	**302**	**161**	**13,542**
Investment and others	**1,900**	**1,589**	**-**	**21**	**(29)**	**-**	**-**	**1,581**
Corporate expenses	**-**	**(427)**	**-**	**-**	**-**	**-**	**-**	**(427)**
Group total	**21,713**	**12,679**	**2,249**	**186**	**(881)**	**302**	**161**	**14,696**
For the six months ended 30 June 2018								
Investment property	9,021	7,408	6,007	25	(411)	-	-	13,029
Hong Kong	7,240	6,395	5,603	-	(319)	-	-	11,679
Mainland China	1,606	897	404	25	(92)	-	-	1,234
Singapore	175	116	-	-	-	-	-	116
Development property	5,234	1,552	-	95	(209)	316	807	2,561
Hong Kong	779	198	-	-	(120)	-	776	854
Mainland China	4,455	1,361	-	95	(89)	316	31	1,714
Singapore	-	(7)	-	-	-	-	-	(7)
Hotels	1,056	125	-	-	(15)	-	-	110
Logistics	1,256	247	-	(15)	(88)	141	6	291
Terminals	1,251	242	-	6	(88)	95	6	261
Others	5	5	-	(21)	-	46	-	30
Inter-segment revenue	(58)	-	-	-	-	-	-	-
Segment total	16,509	9,332	6,007	105	(723)	457	813	15,991
Investment and others	1,068	726	-	(179)	77	148	-	772
Corporate expenses	-	(410)	-	-	-	-	-	(410)
Group total	17,577	9,648	6,007	(74)	(646)	605	813	16,353

(b) Analysis of inter-segment revenue

Six months ended 30 June	**2019** Total revenue HK$ Million	**2019** Inter-segment revenue HK$ Million	**2019** Group revenue HK$ Million	2018 Total revenue HK$ Million	2018 Inter-segment revenue HK$ Million	2018 Group revenue HK$ Million
Investment property	**9,681**	**(68)**	**9,613**	9,021	(44)	8,977
Development property	**7,838**	—	**7,838**	5,234	—	5,234
Hotels	**1,173**	**(47)**	**1,126**	1,056	—	1,056
Logistics	**1,253**	—	**1,253**	1,256	—	1,256
Investment and others	**1,900**	**(17)**	**1,883**	1,068	(14)	1,054
	21,845	**(132)**	**21,713**	17,635	(58)	17,577

(c) Disaggregation of revenue

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

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

(d) Geographical information

Six months ended 30 June	**Revenue 2019 HK$ Million**	Revenue 2018 HK$ Million	**Operating profit 2019 HK$ Million**	Operating profit 2018 HK$ Million
Hong Kong	**14,537**	10,658	**9,316**	7,216
Mainland China	**6,482**	6,602	**2,893**	2,206
Singapore	**694**	317	**470**	226
Group total	**21,713**	17,577	**12,679**	9,648

3. OPERATING PROFIT

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

Notes:

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

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

4. OTHER NET INCOME/(CHARGE)

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

(a) Gain on disposal of investment properties of HK$559 million (2018: Nil).

(b) Net foreign exchange gain of HK$57 million (2018: loss of HK$45 million) which included the impact of foreign exchange contracts.

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

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

5. FINANCE COSTS

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

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

6. INCOME TAX

Taxation charged to the consolidated income statement includes:

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

(a) The provision for Hong Kong profits tax is based on the profit for the period as adjusted for tax purposes at the rate of 16.5% (2018: 16.5%).

(b) Income tax on assessable profits outside Hong Kong is mainly China corporate income tax calculated at a rate of 25% (2018: 25%), China withholding income tax at a rate of up to 10% and Singapore income tax at a rate of 17% (2018: 17%).

(c) Under the Provisional Regulations on LAT, all gains arising from transfer of real estate property in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds on sales of properties less deductible expenditures including cost of land use rights, borrowings costs and all property development expenditures.

(d) Tax attributable to associates and joint ventures for the six months ended 30 June 2019 of HK$200 million (2018: HK$396 million) is included in the share of results after tax of associates and joint ventures.

7. EARNINGS PER SHARE

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

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

	Six months ended 30 June	
	2019	2018
	HK$ Million	HK$ Million
Profit attributable to equity shareholders	**8,327**	8,604

(b) Weighted average number of ordinary shares

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

8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

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

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

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

9. TRADE AND OTHER RECEIVABLES

Included in this item are trade receivables (net of allowance for bad and doubtful debts) with an ageing analysis based on the invoice dates as at 30 June 2019 as follows:

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

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

10. TRADE AND OTHER PAYABLES

Included in this item are trade payables with an ageing analysis based on the invoice dates as at 30 June 2019 as follows:

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

11. REVIEW OF UNAUDITED INTERIM FINANCIAL INFORMATION

The unaudited interim financial information for the six months ended 30 June 2019 has been reviewed with no disagreement by the Audit Committee of the Company.

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 Tuesday, 17 September 2019 to Shareholders on record as at the close of business on Wednesday, 28 August 2019. In order to qualify for the Interim Dividend, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 28 August, 2019.

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

Hong Kong, 12 August 2019

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 Dr. Glenn S. Yee.