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**WHEELOCK AND COMPANY LIMITED**  
*(Incorporated in Hong Kong with limited liability)*  
(Stock Code: 20)



**THE WHARF (HOLDINGS) LIMITED**  
*(Incorporated in Hong Kong with limited liability)*  
(Stock Code: 4)

## **JOINT ANNOUNCEMENT**

### **PROPOSED SPIN-OFF AND SEPARATE LISTING OF WHARF REAL ESTATE INVESTMENT COMPANY LIMITED ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

This announcement is made pursuant to the Inside Information Provisions under Part XIVA of the SFO and Rule 13.09(2)(a) and Practice Note 15 of the Listing Rules.

The boards of Wheelock and Wharf previously announced that a joint spin-off proposal submitted to the Stock Exchange pursuant to Practice Note 15 in relation to the Proposed Spin-off and separate listing of Wharf REIC, which would be implemented by way of the Distribution by Wharf of the Wharf REIC Shares to the Qualifying Wharf Shareholders, had been approved by the Stock Exchange.

The Wharf REIC Group will be principally engaged in investment in strategic and substantial retail, office and hotel properties in Hong Kong.

On 4 September 2017, Wharf REIC submitted a listing application form (Form A1) to the Stock Exchange to apply for the listing by way of introduction of, and permission to deal in, the Wharf REIC Shares on the Main Board of the Stock Exchange.

A redacted form of the Application Proof is expected to be available for viewing on and downloading from the Stock Exchange's website at <http://www.hkexnews.hk/APP/SEHKAPPMainIndex.htm> from 5 September 2017. The Application Proof contains, among other things, certain business and financial information relating to the Wharf REIC Group.

**Shareholders and potential investors of Wheelock and Wharf should note that the Application Proof is in draft form and the information contained in it is subject to change which could be material. Wheelock and Wharf do not have any obligation or liability whatsoever in relation to the Application Proof.**

The Proposed Spin-off will be implemented by way of the Distribution. The board of Wharf intends to declare a special interim dividend to be satisfied by way of the Distribution whereby new Wharf REIC Shares will be allotted and issued to the Qualifying Wharf Shareholders (including Wheelock) on the basis of one Wharf REIC Share for every one Wharf Share held as at the Record Date. Immediately following completion of the Proposed Spin-off, Qualifying Wharf Shareholders (including Wheelock) will hold the same proportionate interests in Wharf REIC as they hold in Wharf as at the Record Date.

The Distribution will be conditional on the Listing Committee granting Listing Approval and such approval not having been revoked prior to completion of the Proposed Spin-off. If this condition is not satisfied, the Distribution will not be made and the Proposed Spin-off will not take place.

Following the Proposed Spin-off, (a) Wharf will not retain any interest in the issued share capital of Wharf REIC; and (b) Wharf REIC will no longer be a subsidiary of Wharf, but will remain as a 62%-owned subsidiary of Wheelock.

The unaudited pro forma consolidated financial information of the Wharf Group and the unaudited pro forma combined financial information of the Wharf REIC Group are set out in the Appendix 1 to this announcement to illustrate the impact of the Proposed Spin-off on Wharf as if the Proposed Spin-off had taken place on 30 June 2017 and 1 January 2017 together with the Accountants' report on the Unaudited Pro Forma Financial Information set out in Appendix 2 to this announcement.

**The listing of the Wharf REIC Shares pursuant to the Proposed Spin-off is subject to, among other things, Listing Approval and the final decisions of the boards of Wharf and Wharf REIC. Accordingly, shareholders of and potential investors in Wheelock and Wharf should be aware that there is no assurance that the Proposed Spin-off will take place or as to when it may take place. If the Proposed Spin-off does not proceed for any reason, the Distribution will not be made. Accordingly, shareholders of and potential investors in Wheelock and Wharf should exercise caution when dealing in or investing in the securities of Wheelock and Wharf.**

Further announcement(s) will be made by Wheelock and/or Wharf in relation to the Proposed Spin-off as and when appropriate.

## INTRODUCTION

This announcement is made pursuant to the Inside Information Provisions under Part XIVA of the SFO and Rule 13.09(2)(a) and Practice Note 15 of the Listing Rules.

Reference is made to (a) the strategic review announced by Wharf in its 2016 final results announcement on 9 March 2017 and (b) the proposal to demerge Wharf REIC for a separate listing by way of introduction announced by Wharf in Wharf's 2017 interim results announcement on 9 August 2017.

## PROPOSED SPIN-OFF

The boards of Wheelock and Wharf previously announced that a joint spin-off proposal submitted to the Stock Exchange pursuant to Practice Note 15 in relation to the Proposed Spin-off and separate listing of Wharf REIC, which would be implemented by way of the Distribution by Wharf of the Wharf REIC Shares to the Qualifying Wharf Shareholders, had been approved by the Stock Exchange.

On 4 September 2017, Wharf REIC submitted a listing application form (Form A1) to the Stock Exchange to apply for the listing by way of introduction of, and permission to deal in, the Wharf REIC Shares on the Main Board of the Stock Exchange.

A redacted form of the Application Proof is expected to be available for viewing on and downloading from the Stock Exchange's website at <http://www.hkexnews.hk/APP/SEHKAPPMainIndex.htm> from 5 September 2017. The Application Proof contains, among other things, certain business and financial information relating to the Wharf REIC Group.

**Shareholders and potential investors of Wheelock and Wharf should note that the Application Proof is in draft form and the information contained in it is subject to change which could be material. Wheelock and Wharf do not have any obligation or liability whatsoever in relation to the Application Proof.**

## INFORMATION ON THE DISTRIBUTION

The Proposed Spin-off will be implemented by way of the Distribution. The board of Wharf intends to declare a special interim dividend to be satisfied by way of the Distribution whereby new Wharf REIC Shares will be allotted and issued to the Qualifying Wharf Shareholders (including Wheelock) on the basis of one Wharf REIC Share for every one Wharf Share held as at the Record Date. Immediately following completion of the Proposed Spin-off, Qualifying Wharf Shareholders (including Wheelock) will hold the same proportionate interests in Wharf REIC as they hold in Wharf as at the Record Date.

Excluded Wharf Shareholders (if any) will be entitled to the Distribution but will not receive any Wharf REIC Shares. Instead, the Wharf REIC Shares which they would otherwise receive pursuant to the Distribution will be sold on their behalf as soon as reasonably practicable following the commencement of dealings in the Wharf REIC Shares on the Stock Exchange and they will receive the net proceeds of such sale, provided that if the amount that an Excluded Wharf Shareholder would be entitled to receive is less than HK\$100, such sum will be retained for the benefit of Wharf.

The Distribution will be conditional on the Listing Committee granting Listing Approval and such approval not having been revoked prior to completion of the Proposed Spin-off. If this condition is not satisfied, the Distribution will not be made and the Proposed Spin-off will not take place.

Following the Proposed Spin-off, (a) Wharf will not retain any interest in the issued share capital of Wharf REIC; and (b) Wharf REIC will no longer be a subsidiary of Wharf, but will remain as a 62%-owned subsidiary of Wheelock.

As the Proposed Spin-off will be implemented by way of the Distribution and there will be no dilution of the indirect attributable interest of the Qualifying Wharf Shareholders (including Wheelock) in Wharf REIC, the Proposed Spin-off will not constitute a transaction for Wharf or Wheelock under Chapter 14 of the Listing Rules. Accordingly, neither the approval of the Wheelock Shareholders or Wharf Shareholders will be required for the Proposed Spin-off.

### **INFORMATION REGARDING WHARF REIC, THE REMAINING WHARF GROUP AND THE EX-WHARF WHEELOCK GROUP**

Wharf REIC, together with its subsidiaries, will be principally engaged in investment in strategic and substantial retail, office and hotel properties in Hong Kong.

Following the Proposed Spin-off, the Ex-Wharf Wheelock Group will continue to be principally engaged in property development in Hong Kong and through Wheelock Properties (Singapore) Limited, a 76%-owned subsidiary of Wheelock, in property investment and development in Singapore. The Remaining Wharf Group will be principally engaged in property development and investment in the PRC, other Hong Kong properties as well as non-property businesses in Hong Kong and the PRC.

### **REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF**

The boards of Wheelock and Wharf consider the Proposed Spin-off to be in the interests of the Wheelock Shareholders, Wharf Shareholders and shareholders of Wharf REIC as a whole for the following reasons:

- (i) as there are clear strategic and operational differences between the business focuses of the Ex-Wharf Wheelock Group, the Remaining Wharf Group and the Wharf REIC Group, the Proposed Spin-off will provide investors with an enhanced choice as to which of the businesses they are interested in investing in;
- (ii) the Proposed Spin-off will increase the operational and financial transparency of each of the businesses of the Ex-Wharf Wheelock Group, the Remaining Wharf Group and the Wharf REIC Group, allowing equity investors to appraise and assess the performance and potential of the Ex-Wharf Wheelock Group, the Remaining Wharf Group and the Wharf REIC Group as separate entities and allowing lenders and bond investors to appraise their respective credit worthiness;
- (iii) the Proposed Spin-off will lead to a more direct alignment of the responsibilities and accountability of the management of the Ex-Wharf Wheelock Group, the Remaining

Wharf Group and the Wharf REIC Group with their respective operating and financial performances; and

- (iv) the Proposed Spin-off will enable Wharf REIC to access directly and independently both equity and debt capital markets and at pricing that reflects the risk and reward profile of its business.

On the basis of the commercial benefits set out above, the boards of Wheelock and Wharf are of the view that there should not be any adverse impact on the interests of the Wheelock Shareholders and Wharf Shareholders resulting from the Proposed Spin-off.

### **UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THE WHARF GROUP AND UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION OF THE WHARF REIC GROUP**

The unaudited pro forma consolidated financial information of the Wharf Group and the unaudited pro forma combined financial information of the Wharf REIC Group are set out in the Appendix 1 to this announcement to illustrate the effect of the Proposed Spin-off on Wharf as if the Proposed Spin-off had taken place on 30 June 2017 and 1 January 2017, which should be read in conjunction with (i) the Application Proof; and (ii) the financial information of the Wharf Group made available on its website (<http://www.wharfholdings.com/>), together with the Accountants' report on the Unaudited Pro Forma Financial Information set out in Appendix 2 to this announcement. The unaudited pro forma consolidated financial information of the Wharf Group and the unaudited pro forma combined financial information of the Wharf REIC Group are each presented for illustrative purposes only and, because of their hypothetical nature, they may not provide a true picture of the financial position had the Proposed Spin-off been completed as at 30 June 2017 or at any future date.

### **GENERAL**

**The listing of the Wharf REIC Shares pursuant to the Proposed Spin-off is subject to, among other things, Listing Approval and the final decisions of the boards of Wharf and Wharf REIC. Accordingly, shareholders of and potential investors in Wheelock and Wharf should be aware that there is no assurance that the Proposed Spin-off will take place or as to when it may take place. If the Proposed Spin-off does not proceed for any reason, the Distribution will not be made. Accordingly, shareholders of and potential investors in Wheelock and Wharf should exercise caution when dealing in or investing in the securities of Wheelock and Wharf.**

Further announcement(s) will be made by Wheelock and/or Wharf in relation to the Proposed Spin-off as and when appropriate.

## DEFINITIONS

<b>“Application Proof”</b>	the application proof of Wharf REIC’s listing document submitted to the Stock Exchange on 4 September 2017
<b>“board(s)”</b>	the board(s) of directors of the relevant company
<b>“Distribution”</b>	the conditional special interim dividend to be declared by the board of Wharf to be satisfied by way of the proposed allotment and issue of new Wharf REIC Shares to the Qualifying Wharf Shareholders on the Record Date
<b>“Excluded Wharf Shareholder(s)”</b>	those Overseas Wharf Shareholder(s) and other person(s) who will not receive Wharf REIC Shares pursuant to the Distribution where the boards of Wharf and Wharf REIC, after making relevant enquiries and based on the legal advice provided by their legal advisers, consider it necessary or expedient to exclude them from receiving Wharf REIC Shares on account either of the legal restrictions under the laws of the relevant jurisdictions where they are located or resident and/or the requirements of the relevant regulatory bodies or stock exchanges in those jurisdictions
<b>“Ex-Wharf Wheelock Group”</b>	Wheelock together with its subsidiaries, which exclude the Remaining Wharf Group and the Wharf REIC Group
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Listing Approval”</b>	the approval by the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, Wharf REIC Shares on the Main Board of the Stock Exchange
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“Overseas Wharf Shareholder(s)”</b>	Wharf Shareholder(s) whose addresses, as shown on the register of members of Wharf on the Record Date, are in jurisdictions outside Hong Kong
<b>“Practice Note 15”</b>	Practice Note 15 of the Listing Rules
<b>“PRC”</b>	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
<b>“Proposed Spin-off”</b>	the proposed spin-off of Wharf REIC by way of the Distribution and separate listing of the Wharf REIC Shares on the Main Board of the Stock Exchange by way of introduction
<b>“Qualifying Wharf Shareholder(s)”</b>	Wharf Shareholder(s) whose name(s) appear on the register of members of Wharf on the Record Date, but excluding the Excluded Wharf Shareholder(s)

<b>“Record Date”</b>	the record date for ascertaining the entitlement of the Wharf Shareholders to the Distribution, to be determined and announced by the board of Wharf
<b>“Remaining Wharf Group”</b>	Wharf together with its subsidiaries, which excludes the Wharf REIC Group
<b>“Reorganisation”</b>	the reorganisation steps involved in the Proposed Spin-off which are described in the Application Proof
<b>“SFO”</b>	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Wharf”</b>	The Wharf (Holdings) Limited (Stock Code: 4), a company incorporated under the laws of Hong Kong and whose shares are listed on the Main Board of the Stock Exchange, a 62%-owned subsidiary of Wheelock
<b>“Wharf Group”</b>	Wharf together with its subsidiaries
<b>“Wharf REIC”</b>	Wharf Real Estate Investment Company Limited, a direct wholly-owned subsidiary of Wharf, incorporated in the Cayman Islands as an exempted company with limited liability
<b>“Wharf REIC Share(s)”</b>	ordinary share(s) in the share capital of Wharf REIC
<b>“Wharf REIC Group”</b>	Wharf REIC together with its subsidiaries
<b>“Wharf Share(s)”</b>	ordinary share(s) in the share capital of Wharf
<b>“Wharf Shareholder(s)”</b>	the shareholder(s) of Wharf
<b>“Wheelock”</b>	Wheelock and Company Limited (Stock Code: 20), a company incorporated under the laws of Hong Kong and whose shares are listed on the Main Board of the Stock Exchange
<b>“Wheelock Shareholder(s)”</b>	the shareholder(s) of Wheelock

By order of the board of  
**WHEELOCK AND COMPANY LIMITED**  
**Wilson W. S. Chan**  
*Company Secretary*

By order of the board of  
**THE WHARF (HOLDINGS) LIMITED**  
**Kevin C. Y. Hui**  
*Company Secretary*

Hong Kong, 4 September 2017

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

*As at the date of this announcement, the board of Wharf comprises Mr. Stephen T. H. Ng, Mr. Andrew O. K. Chow, Ms. Doreen Y. F. Lee, Mr. Paul Y. C. Tsui, Ms. Y. T. Leng and Mr. K. P. Chan, together with seven independent non-executive Directors, namely Mr. Alexander S. K. Au, Professor Edward K. Y. Chen, Mr. Vincent K. Fang, Mr. Hans Michael Jebsen, Ms. Elizabeth Law, Mr. David Muir Turnbull and Professor E. K. Yeoh.*

## APPENDIX 1

### 1(A) – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THE WHARF GROUP

The following unaudited pro forma consolidated statement of financial position as at 30 June 2017 and the unaudited pro forma consolidated statement of profit or loss for the six months ended 30 June 2017 of the Wharf Group has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Proposed Spin-off as if the Proposed Spin-off had taken place on 30 June 2017 and 1 January 2017, respectively.

The unaudited pro forma consolidated statement of financial position as at 30 June 2017 and unaudited pro forma consolidated statement of profit or loss for the six months ended 30 June 2017 of the Wharf Group have been prepared for illustrative purposes only and, because of their hypothetical nature, they may not provide a true picture of the financial position and financial performance of the Wharf Group had the Proposed Spin-off been completed on 30 June 2017 or 1 January 2017 or at any future date.

	Unaudited consolidated statement of financial position of the Wharf Group as at 30 June 2017	Pro forma adjustments			Unaudited pro forma consolidated statement of financial position of the Remaining Wharf Group as at 30 June 2017
	HK\$ million (note 1)	HK\$ million (note 2)	HK\$ million (note 3)	HK\$ million (note 4)	HK\$ million (note 10)
<b>Non-current assets</b>					
Investment properties	324,390	-	(245,424)	-	78,966
Property, plant and equipment	21,455	-	(7,637)	-	13,818
Interest in associates	12,483	-	(1,463)	-	11,020
Interest in joint ventures	16,633	-	(1,780)	-	14,853
Equity investments	7,886	-	(2,943)	-	4,943
Goodwill and other intangible assets	298	-	-	-	298
Deferred tax assets	686	-	-	-	686
Derivative financial assets	196	-	-	-	196
Loan to Wharf REIC Group	-	-	25,002	(25,002)	-
Other non-current assets	244	1,000	(1,039)	-	205
	<u>384,271</u>	<u>1,000</u>	<u>(235,284)</u>	<u>(25,002)</u>	<u>124,985</u>
<b>Current assets</b>					
Properties for sale	19,838	-	(930)	-	18,908
Inventories	26	-	(11)	-	15
Trade and other receivables	4,374	-	(985)	-	3,389
Derivative financial assets	194	-	-	-	194
Amount due from Wharf REIC Group	-	-	12,388	(12,388)	-
Bank deposits and cash	29,781	(1,000)	(2,171)	36,716	63,326
	<u>54,213</u>	<u>(1,000)</u>	<u>8,291</u>	<u>24,328</u>	<u>85,832</u>
<b>Total assets</b>	<u>438,484</u>	<u>-</u>	<u>(226,993)</u>	<u>(674)</u>	<u>210,817</u>

**1(A) – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THE WHARF GROUP (CONTINUED)**

	Unaudited consolidated statement of financial position of the Wharf Group as at 30 June 2017	Pro forma adjustments			Unaudited pro forma consolidated statement of financial position of the Remaining Wharf Group as at 30 June 2017
	HK\$ million (note 1)	HK\$ million (note 2)	HK\$ million (note 3)	HK\$ million (note 4)	HK\$ million (note 10)
<b>Non-current liabilities</b>					
Derivative financial liabilities	(974)	-	-	-	(974)
Deferred tax liabilities	(11,437)	-	1,822	-	(9,615)
Other deferred liabilities	(312)	-	306	-	(6)
Bank loans and other borrowings	(41,341)	-	2,200	-	(39,141)
	<u>(54,064)</u>	<u>-</u>	<u>4,328</u>	<u>-</u>	<u>(49,736)</u>
<b>Current liabilities</b>					
Trade and other payables	(19,522)	-	7,179	-	(12,343)
Deposits from sale of properties	(19,648)	-	3,664	-	(15,984)
Derivative financial liabilities	(407)	-	-	-	(407)
Taxation payable	(1,850)	-	1,438	-	(412)
Bank loans and other borrowings	(9,866)	-	685	-	(9,181)
Amount due to Wharf REIC Group	-	-	(674)	674	-
	<u>(51,293)</u>	<u>-</u>	<u>12,292</u>	<u>674</u>	<u>(38,327)</u>
<b>Total liabilities</b>	<u>(105,357)</u>	<u>-</u>	<u>16,620</u>	<u>674</u>	<u>(88,063)</u>
<b>NET ASSETS</b>	<u>333,127</u>	<u>-</u>	<u>(210,373)</u>	<u>-</u>	<u>122,754</u>
<b>Capital and reserves</b>					
Share capital	29,589	-	-	-	29,589
Reserves	294,867	-	(205,200)	-	89,667
Shareholders' equity	324,456	-	(205,200)	-	119,256
Non-controlling interests	8,671	-	(5,173)	-	3,498
<b>TOTAL EQUITY</b>	<u>333,127</u>	<u>-</u>	<u>(210,373)</u>	<u>-</u>	<u>122,754</u>

**1(A) – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THE WHARF GROUP (CONTINUED)**

	Unaudited consolidated statement of profit or loss of the Wharf Group for the six months ended 30 June 2017	Pro forma adjustment	Unaudited pro forma consolidated statement of profit or loss of the Remaining Wharf Group for the six months ended 30 June 2017
	HK\$ million (note 5)	HK\$ million (note 6)	HK\$ million (note 10)
<b>Revenue</b>	17,063	(9,546)	7,517
Direct costs and operating expenses	(6,745)	2,049	(4,696)
Selling and marketing expenses	(455)	132	(323)
Administrative and corporate expenses	(789)	242	(547)
Operating profit before depreciation, amortisation, interest and tax	9,074	(7,123)	1,951
Depreciation and amortisation	(521)	73	(448)
<b>Operating profit</b>	8,553	(7,050)	1,503
Increase in fair value of investment properties	1,529	(478)	1,051
Other net income/ (charge)	359	259	618
Finance costs	10,441	(7,269)	3,172
Share of results after tax of:	(589)	526	(63)
Associates	361	(4)	357
Joint ventures	986	40	1,026
Profit before taxation	11,199	(6,707)	4,492
Income tax	(2,434)	1,553	(881)
<b>Profit for the period</b>	<b>8,765</b>	<b>(5,154)</b>	<b>3,611</b>
<b>Profit attributable to:</b>			
Equity shareholders	8,441	(4,900)	3,541
Non-controlling interests	324	(254)	70
	<b>8,765</b>	<b>(5,154)</b>	<b>3,611</b>

## 1(B) – UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION OF THE WHARF REIC GROUP

The following unaudited pro forma combined statement of financial position as at 30 June 2017 and the unaudited pro forma combined statement of profit or loss for the six months ended 30 June 2017 of the Wharf REIC Group has been prepared on the basis of the notes set out in below for the purpose of illustrating the effect of Proposed Spin-off as if the Proposed Spin-off had taken place on 30 June 2017 and 1 January 2017, respectively.

The unaudited pro forma combined statement of financial position as at 30 June 2017 and unaudited pro forma combined statement of profit or loss for the six months ended 30 June 2017 of the Wharf REIC Group have been prepared for illustrative purposes only and, because of their hypothetical nature, they may not provide a true picture of the financial position and financial performance of the Wharf REIC Group had the Proposed Spin-off been completed on 30 June 2017 or 1 January 2017 or at any future date.

	Unaudited combined statement of financial position of the Wharf REIC Group as at 30 June 2017	Pro forma adjustments			Unaudited pro forma combined statement of financial position of the Wharf REIC Group as at 30 June 2017
	HK\$ million (note 7)	HK\$ million (note 2)	HK\$ million (note 4)	HK\$ million (note 9)	HK\$ million (note 10)
<b>Non-current assets</b>					
Investment properties	245,424	-	-	-	245,424
Hotel and club properties, plant and equipment	7,637	-	-	-	7,637
Interest in an associate	1,463	-	-	-	1,463
Interest in joint ventures	1,780	-	-	-	1,780
Equity investments	2,943	-	-	-	2,943
Other non-current assets	39	-	-	-	39
	<u>259,286</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>259,286</u>
<b>Current assets</b>					
Properties for sale	930	-	-	-	930
Inventories	11	-	-	-	11
Trade and other receivables	985	-	-	-	985
Amount due from Wharf	674	-	(674)	-	-
Bank deposits and cash	2,171	1,000	(48)	(66)	3,057
	<u>4,771</u>	<u>1,000</u>	<u>(722)</u>	<u>(66)</u>	<u>4,983</u>
<b>Total assets</b>	<u>264,057</u>	<u>1,000</u>	<u>(722)</u>	<u>(66)</u>	<u>264,269</u>

**1(B) – UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION OF THE WHARF REIC GROUP (CONTINUED)**

	Unaudited combined statement of financial position of the Wharf REIC Group as at 30 June 2017	Pro forma adjustments			Unaudited pro forma combined statement of financial position of the Wharf REIC Group as at 30 June 2017
	HK\$ million (note 7)	HK\$ million (note 2)	HK\$ million (note 4)	HK\$ million (note 9)	HK\$ million (note 10)
<b>Non-current liabilities</b>					
Deferred tax liabilities	(1,822)	-	-	-	(1,822)
Other deferred liabilities	(306)	-	-	-	(306)
Bank loans	(2,200)	-	(36,668)	-	(38,868)
Loans from fellow subsidiaries	(25,002)	-	25,002	-	-
	<u>(29,330)</u>	<u>-</u>	<u>(11,666)</u>	<u>-</u>	<u>(40,996)</u>
<b>Current liabilities</b>					
Trade and other payables	(7,179)	-	-	-	(7,179)
Deposits from sale of properties	(3,664)	-	-	-	(3,664)
Taxation payable	(1,438)	-	-	-	(1,438)
Bank loans	(685)	-	-	-	(685)
Amount due to Wharf	(12,350)	-	12,350	-	-
Amounts due to fellow subsidiaries	(38)	-	38	-	-
	<u>(25,354)</u>	<u>-</u>	<u>12,388</u>	<u>-</u>	<u>(12,966)</u>
<b>Total liabilities</b>	<u>(54,684)</u>	<u>-</u>	<u>722</u>	<u>-</u>	<u>(53,962)</u>
<b>NET ASSETS</b>	<u>209,373</u>	<u>1,000</u>	<u>-</u>	<u>(66)</u>	<u>210,307</u>
<b>Capital and reserves</b>					
Share capital	-	1,000	-	-	1,000
Reserves	204,200	-	-	(66)	204,134
Shareholders' equity	204,200	1,000	-	(66)	205,134
Non-controlling interests	5,173	-	-	-	5,173
<b>TOTAL EQUITY</b>	<u>209,373</u>	<u>1,000</u>	<u>-</u>	<u>(66)</u>	<u>210,307</u>

**1(B) – UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION OF THE WHARF REIC GROUP (CONTINUED)**

	Unaudited combined statement of profit or loss of the Wharf REIC Group for the six months ended 30 June 2017	Pro forma adjustment	Unaudited pro forma combined statement of profit or loss of the Wharf REIC Group for the six months ended 30 June 2017
	HK\$ million (note 8)	HK\$ million (note 9)	HK\$ million (note 10)
<b>Revenue</b>	9,546	-	9,546
Direct costs and operating expenses	(2,049)	-	(2,049)
Selling and marketing expenses	(132)	-	(132)
Administrative and corporate expenses	(242)	(66)	(308)
Operating profit before depreciation, amortisation, interest and tax	7,123	(66)	7,057
Depreciation and amortisation	(73)	-	(73)
<b>Operating profit</b>	7,050	(66)	6,984
Increase in fair value of investment properties	478	-	478
Other net charge	(259)	-	(259)
	7,269	(66)	7,203
Finance costs	(526)	-	(526)
Share of results after tax of:			
An associate	4	-	4
Joint ventures	(40)	-	(40)
Profit before taxation	6,707	(66)	6,641
Income tax	(1,553)	-	(1,553)
<b>Profit for the period</b>	<u>5,154</u>	<u>(66)</u>	<u>5,088</u>
<b>Profit attributable to:</b>			
Shareholders of the company	4,900	(66)	4,834
Non-controlling interests	254	-	254
	<u>5,154</u>	<u>(66)</u>	<u>5,088</u>

Notes:

1. The unaudited consolidated statement of financial position of the Wharf Group as at 30 June 2017 has been extracted from the unaudited interim results announcement of the Wharf Group for the six months ended 30 June 2017.
2. The adjustment reflects the subscription of the shares of Wharf REIC by Wharf which will form part of the Distribution.
3. The adjustment reflects the de-consolidation of the assets and liabilities of the Wharf REIC Group from the Wharf Group, assuming that the Distribution had taken place on 30 June 2017.
4. The adjustment reflects the settlement of inter-group balances by way of the issue of a promissory note, the settlement of which will be through the payment of cash drawn under banking facilities.
5. The unaudited consolidated statement of profit or loss of the Wharf Group for the six months ended 30 June 2017 has been extracted from the unaudited interim results announcement of the Wharf Group for the six months ended 30 June 2017.
6. The adjustment reflects the de-consolidation of the results attributable to the Wharf REIC Group, assuming that the Distribution had taken place on 1 January 2017. The amount of adjustment excluded transactions between the Wharf REIC Group and the Remaining Wharf Group.
7. The unaudited combined statement of financial position of the Wharf REIC Group as at 30 June 2017 has been extracted from the unaudited financial information of Wharf REIC Group for the six months ended 30 June 2017 included in Appendix 3 to this announcement.
8. The unaudited combined statement of profit or loss of the Wharf REIC Group for the six months ended 30 June 2017 has been extracted from the unaudited financial information of Wharf REIC Group for the six months ended 30 June 2017 included in Appendix 3 to this announcement.
9. The adjustment reflects the estimated listing expenses in connection with the Proposed Spin-off, which are expected to be incurred by the Wharf REIC Group.
10. No other adjustment has been made to reflect any trading results or other transactions of the Wharf Group or the Wharf REIC Group entered into subsequent to 30 June 2017.
11. The net debt/net cash stated below are calculated based on the historical capital structure of (i) Wharf REIC Group and (ii) Remaining Wharf Group as at 30 June 2017. It does not take into account the pro forma adjustment in connection with the settlement of inter-group balances as discussed in note 4.

<b>As at 30 June 2017</b>	
<b>Wharf REIC Group</b>	<b>Remaining Wharf Group</b>
<b>HK\$ million</b>	<b>HK\$ million</b>
<b>(unaudited)</b>	<b>(unaudited)</b>
Bank loans and other borrowings	48,322
Loans from / (to) fellow subsidiaries	(25,002)
Less: bank deposits and cash	(27,610)
Net debt / (cash)	(4,290)
<b>For the six months ended 30 June 2017</b>	
<b>Wharf REIC Group</b>	<b>Remaining Wharf Group</b>
<b>HK\$ million</b>	<b>HK\$ million</b>
<b>(unaudited)</b>	<b>(unaudited)</b>
Finance costs	63
	526

The net debt or net cash position and consequently the finance costs of Wharf REIC Group and Remaining Wharf Group may be affected in the future subject to the changes to the capital structure after the Proposed Spin-off.

12. On 30 July 2017, Wharf Estates Limited, a subsidiary of Wharf, declared a dividend of HK\$10,205 million to Wharf. The dividend payable will be settled as discussed in Note 4 above, by way of the issue of a promissory note, the settlement of which will be through the payment of cash drawn under banking facilities.

The unaudited pro forma consolidated statement of financial position of the Remaining Wharf Group and the unaudited pro forma combined statement of financial position of the Wharf REIC Group as at 30 June 2017, taking into account the declaration of dividend of HK\$10,205 million are set out in Appendix 1(C).

**1(C) – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING WHARF GROUP AND THE WHARF REIC GROUP**

	<b>Unaudited pro forma consolidated statement of financial position of the Remaining Wharf Group</b>	<b>Unaudited pro forma combined statement of financial position of the Wharf REIC Group</b>
	<b>HK\$ million</b>	<b>HK\$ million</b>
<b>Non-current assets</b>		
Investment properties	78,966	245,424
Property, plant and equipment		
- Hotel and club properties	1,335	7,275
- Other properties, plant and equipment	12,483	362
Interest in associates	11,020	1,463
Interest in joint ventures	14,853	1,780
Equity investments	4,943	2,943
Goodwill and other intangible assets	298	-
Deferred tax assets	686	-
Derivative financial assets	196	-
Other non-current assets	205	39
	<u>124,985</u>	<u>259,286</u>
<b>Current assets</b>		
Properties for sale	18,908	930
Inventories	15	11
Trade and other receivables	3,389	985
Derivative financial assets	194	-
Bank deposits and cash	73,531	3,057
	<u>96,037</u>	<u>4,983</u>
<b>Total assets</b>	<u><u>221,022</u></u>	<u><u>264,269</u></u>

**1(C) – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING WHARF GROUP AND THE WHARF REIC GROUP (CONTINUED)**

	Unaudited pro forma consolidated statement of financial position of the Remaining Wharf Group as at 30 June 2017 <u>HK\$ million</u>	Unaudited pro forma combined statement of financial position of the Wharf REIC Group as at 30 June 2017 <u>HK\$ million</u>
<b>Non-current liabilities</b>		
Derivative financial liabilities	(974)	-
Deferred tax liabilities	(9,615)	(1,822)
Other deferred liabilities	(6)	(306)
Bank loans and other borrowings	(39,141)	(49,073)
	<u>(49,736)</u>	<u>(51,201)</u>
<b>Current liabilities</b>		
Trade and other payables	(12,343)	(7,179)
Deposits from sale of properties	(15,984)	(3,664)
Derivative financial liabilities	(407)	-
Taxation payable	(412)	(1,438)
Bank loans and other borrowings	(9,181)	(685)
	<u>(38,327)</u>	<u>(12,966)</u>
<b>Total liabilities</b>	<u>(88,063)</u>	<u>(64,167)</u>
<b>NET ASSETS</b>	<u>132,959</u>	<u>200,102</u>
<b>Capital and reserves</b>		
Share capital	29,589	1,000
Reserves	99,872	193,929
Shareholders' equity	129,461	194,929
Non-controlling interests	3,498	5,173
<b>TOTAL EQUITY</b>	<u>132,959</u>	<u>200,102</u>

## **APPENDIX 2 – REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report dated 4 September 2017, received from Wharf’s reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this announcement.*



### **INDEPENDENT REPORTING ACCOUNTANTS’ ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

#### **TO THE DIRECTORS OF THE WHARF (HOLDINGS) LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of The Wharf (Holdings) Limited (the “Company”) and its subsidiaries (collectively the “Wharf Group”) and of Wharf Real Estate Investment Company Limited and its subsidiaries (collectively “Wharf REIC Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of (i) the unaudited pro forma consolidated statement of financial position as at 30 June 2017 and the unaudited pro forma consolidated statement of profit or loss for the six months ended 30 June 2017 of Wharf Group; and (ii) the unaudited pro forma combined statement of financial position as at 30 June 2017 and the unaudited pro forma combined statement of profit or loss for the six months ended 30 June 2017 of Wharf REIC Group; and related notes as set out in the announcement dated 4 September 2017 (the “Announcement”) of the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in the Announcement.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed spin-off and separate listing by way of distribution of the shares of Wharf Real Estate Investment Company Limited by the Company (the “Proposed Spin-off”) on (i) the financial position of Wharf Group and Wharf REIC Group as at 30 June 2017 and (ii) the financial performance for the six months ended 30 June 2017 of Wharf Group and Wharf REIC Group, as if the Proposed Spin-off had taken place on 30 June 2017 and 1 January 2017, respectively. As part of this process, information about Wharf Group’s financial position as at 30 June 2017 and its financial performance for the six months ended 30 June 2017 has been extracted by the Directors from Wharf Group’s interim results announcement for the six months ended 30 June 2017 dated 9 August 2017, on which no audit or review report has been published. Information about Wharf REIC Group’s financial position as at 30 June 2017 and its financial performance for the six months ended 30 June 2017 has been extracted by the Directors from the unaudited financial information of Wharf REIC Group included in Appendix 3 to the Announcement, on which no audit or review report has been published.

### *Directors' Responsibilities for the Pro Forma Financial Information*

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

### *Our Independence and Quality Control*

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### *Reporting Accountants' Responsibilities*

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of Wharf Group and Wharf REIC Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions at 30 June 2017 or 1 January 2017 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of Wharf Group and Wharf REIC Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Opinion*

In our opinion:

- a) the pro forma financial information has been properly compiled on the basis stated;
- b) such basis is consistent with the respective accounting policies of Wharf Group and Wharf REIC Group, and
- c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

## **KPMG**

*Certified Public Accountants*

8<sup>th</sup> Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

4 September 2017

**APPENDIX 3 – EXTRACT OF UNAUDITED FINANCIAL INFORMATION OF THE WHARF REIC GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2017**

	Extract of unaudited combined statement of profit or loss of the Wharf REIC Group for the six months ended 30 June 2017 <u>HK\$ million</u>
<b>Revenue</b>	9,546
Direct costs and operating expenses	(2,049)
Selling and marketing expenses	(132)
Administrative and corporate expenses	<u>(242)</u>
Operating profit before depreciation, amortisation, interest and tax	7,123
Depreciation and amortisation	<u>(73)</u>
<b>Operating profit</b>	7,050
Increase in fair value of investment properties	478
Other net charge	<u>(259)</u>
	7,269
Finance costs	(526)
Share of results after tax of:	
An associate	4
Joint ventures	<u>(40)</u>
Profit before taxation	6,707
Income tax	<u>(1,553)</u>
Profit for the period	<u><u>5,154</u></u>
<b>Profit attributable to:</b>	
Shareholders of the company	4,900
Non-controlling interests	<u>254</u>
	<u><u>5,154</u></u>

**APPENDIX 3 – EXTRACT OF UNAUDITED FINANCIAL INFORMATION OF THE WHARF REIC GROUP AS AT 30 JUNE 2017**

	<b>Extract of unaudited combined statement of financial position of the Wharf REIC Group as at 30 June 2017</b>
	<b>HK\$ million</b>
<b>Non-current assets</b>	
Investment properties	245,424
Hotel and club properties, plant and equipment	7,637
Interest in an associate	1,463
Interest in joint ventures	1,780
Equity investments	2,943
Other non-current assets	39
	<hr/> 259,286 <hr/>
<b>Current assets</b>	
Properties for sale	930
Inventories	11
Trade and other receivables	985
Amount due from Wharf	674
Bank deposits and cash	2,171
	<hr/> 4,771 <hr/>
<b>Total assets</b>	<hr/> 264,057 <hr/>

**APPENDIX 3 – EXTRACT OF UNAUDITED FINANCIAL INFORMATION OF THE WHARF REIC GROUP AS AT 30 JUNE 2017 (CONTINUED)**

	Extract of unaudited combined statement of financial position of the Wharf REIC Group as at 30 June 2017 <u>HK\$ million</u>
<b>Non-current liabilities</b>	
Deferred tax liabilities	(1,822)
Other deferred liabilities	(306)
Bank loans	(2,200)
Loans from fellow subsidiaries	(25,002)
	<u>(29,330)</u>
<b>Current liabilities</b>	
Trade and other payables	(7,179)
Deposits from sale of properties	(3,664)
Taxation payable	(1,438)
Bank loans	(685)
Amount due to Wharf	(12,350)
Amounts due to fellow subsidiaries	(38)
	<u>(25,354)</u>
<b>Total liabilities</b>	<u>(54,684)</u>
<b>NET ASSETS</b>	<u>209,373</u>
<b>Capital and reserves</b>	
Share capital	-
Reserves	204,200
	<u>204,200</u>
Shareholders' equity	204,200
Non-controlling interests	5,173
	<u>209,373</u>
<b>TOTAL EQUITY</b>	<u>209,373</u>

*Note:*

The unaudited financial information of Wharf REIC Group for the six months ended 30 June 2017 has been prepared using the merger basis of accounting as if the companies now comprising Wharf REIC Group had been combined at the beginning of 1 January 2014. The assets and liabilities of the combining companies are recognised and measured using the historical carrying amounts from the perspective of Wharf.