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Interim Report 2016

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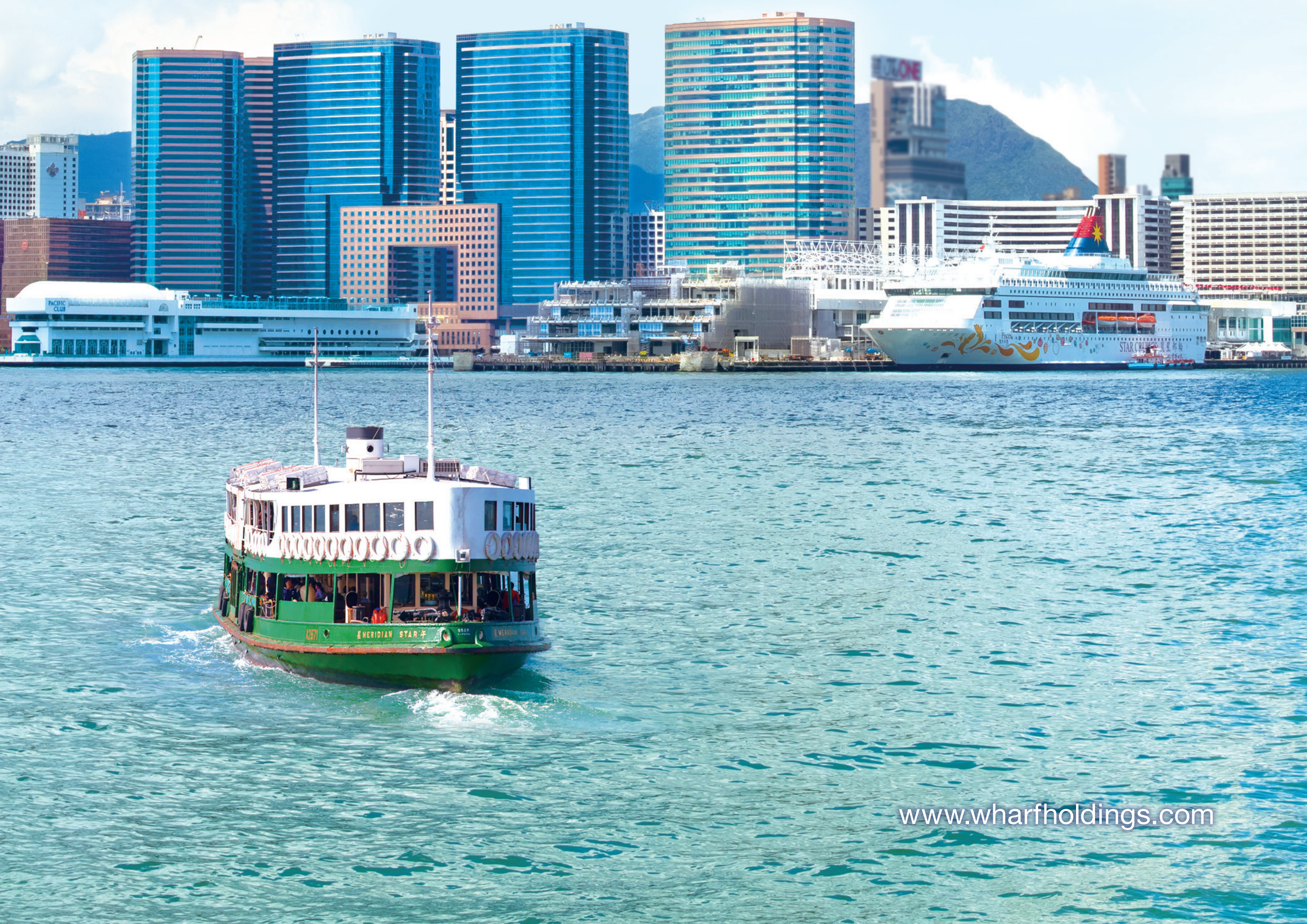

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Investment Properties Anchored 14% Growth in Group Core Profit

HIGHLIGHTS

1. Revenue exceeded HK$20 billion (on 12% growth).
2. Operating profit exceeded HK$8 billion (on 8% growth).
3. Core profit increased to HK$6 billion (on 14% growth).
4. Investment Properties ("IP") core profit increased by 11% to account for 78% of the total.
5. In particular, Hong Kong IP core profit increased by 10% to account for 70% of the total.
6. However, IP revaluation reflected slower growth in capital value and a softer RMB.
7. Net debt increased by 2% to HK$48 billion; gearing 15%.
8. Dividend increased by 5.5% to HK$0.58 per share.
9. CME strategic review process continues.

GROUP RESULTS

Group core profit for the half year ended 30 June 2016 increased year-on-year by 14% to HK$5,972 million (2015: HK$5,258 million).

Group profit attributable to equity shareholders, including IP revaluation surplus and other unrealised accounting gains/losses, decreased by 3% to HK$6,725 million (2015: HK$6,958 million). Basic earnings per share were HK$2.22 (2015: HK$2.30).

INTERIM DIVIDEND

An interim dividend of HK$0.58 (2015: HK$0.55) per share will be paid on 14 September 2016 to Shareholders on record as at 29 August 2016. This will absorb a total amount of HK$1,758 million (2015: HK$1,667 million).

BUSINESS REVIEW

HONG KONG INVESTMENT PROPERTIES ("HKIP")

Despite a challenging market, the Group's superior assets and proven management continued to drive IP performance through constant enhancement of the portfolio and value creation. Total revenue increased by 7% to HK$6,447 million and operating profit by 7% to HK$5,688 million.

Harbour City

Harbour City performed steadily despite soft market conditions. Excluding hotels, revenue increased by 4% to HK$4,472 million and operating profit by 5% to HK$3,952 million.

Retail

Retail revenue increased by 4% to HK$3,108 million, with occupancy rate maintained at virtually 100%. Tenants' sales dropped by 14.7% during the period to HK$13.3 billion but began to stabilise in the second quarter. Foot traffic was also sustained with mild growth.

Leveraging on its critical mass and comprehensive retail offering, Harbour City is uniquely positioned to withstand the current market weakness. To build on its position as the most compelling location and global showcase for the best-of-class retailers, Harbour City continues to freshen up its tenant mix with aspirational and young brands to embrace new trends, coupled with exclusive marketing events to boost traffic. The ongoing asset enhancement initiatives also play a pivotal role in providing new growth stimuli.

New additions including Aesop, Chair Inspiration by Osim, Cole Haan, Crumpler, Ferrari Store Junior, Fossil, IRO, Pearly Gates, Rado, Samantha Thavasa, Skin Ceuticals, S.T. Dupont and Weekend Max Mara beefed up the diverse tenant mix. Cha Ling, Ed Hardy, Philipp Plein Junior, Rouge Vif La cLe by Abahouse and Youk Shim Won launched their Hong Kong debuts while Diptyque and Isabel Marant launched their Kowloon debuts in Harbour City. Demand from international fashion brands for shop expansion at Harbour City remains firm.

Various new exciting features were introduced to Ocean Terminal through value-accretive renovation. Furthermore, a new extension building overlooking Victoria Harbour, targeted for opening by mid-2017, is set to attract phenomenal patronage with diverse culinary offerings.

At Gateway, China Tang made its Kowloon debut, and an Adidas flagship opened to capitalise on the emergence of "athleisure". Additional retail spaces (7,700 square feet) will be created to accommodate incremental concepts by 2017. Conversion of the former cinema is underway and The Cheesecake Factory (a new anchor) is scheduled to open in 2017.

Innovative marketing events were designed to boost patronage. Held for the seventh consecutive year, "Chocolate Trail" featured the first-ever "Chocolate Trail Café" alongside the "Artistic Creation • Chocolate Sculpture" Exhibition. Two art exhibitions of Japanese traditional sake cup "MASU" and "Sake x Manga" were held together with a Pop-up Sake Bar at the Sakura Festival. Heaps of family-friendly events were staged at the kids zone of Ocean Terminal, including the collaboration with "Ghibli Animation" featuring a live performance by the original soundtrack singer of "Totoro".

Office

While the office market is experiencing an increased supply, mainly in non-core districts, positive rental reversion lifted revenue by 6% to HK$1,208 million. A series of sizeable take-ups by insurance companies helped stabilise rents for new commitments and maintain occupancy rate at 98% at the end of June. Lease renewal retention rate was 71%.

Times Square

Incremental value from the renovation completed by end-2015 was gradually unlocked. Revenue increased by 9% to HK$1,435 million and operating profit by 11% to HK$1,303 million.

Retail

Proactive management approach continues to entice upscale retailers for openings or expansion at Times Square. Retail revenue increased by 10% to HK$1,087 million, with occupancy rate maintained at 99%. Tenants' sales dropped by 15.7% to HK$3.9 billion but also started to stabilise in the second quarter. Foot traffic was stable.

Tenant-mix enhancement initiatives were implemented to meet the evolving customer demands. The newly-established "Kids Square" on 13A floor as well as the conversion of the 9th floor and part of the 10th floor into a lifestyle hub, have proven to be a success. Other newly recruited tenants included Aldo, Caudalie, Celine, Cole Haan (debut on Island side), Dior, Germain, Jimmy Choo, Lancaster, Max Mara, Oysho by Inditex (debut on Island side), Porter International, Sandro, Tresor Rare and Trussardi Jeans.

New contemporary eateries from across the globe were introduced to spice up shoppers' dining experience. Joe & The Juice, originated from Denmark, was opened to target health-conscious young customers, while the debut of Selfie Café in Hong Kong provides a new technique concept for "selfie lovers". Mad For Garlic, the Korean chain's debut store in Hong Kong, serves delightful garlic-themed dishes offering a modern Italian wine bistro experience with a Korean twist.

Various inspirational initiatives were rotated to enrich cultural context for the community. "Times Square Living Room Museum" has become the centre stage of exhibitions in town, with the kick off of "Dr. Leo K. K. Wong's World of Colours" exhibition. Times Square also presented the last handmade gigantic Flower Board Crafting from Li Yam Kee, "The Blessing of Dragon and Lion" exhibition and "Michael Lau Exhibition V: what? we: want!" exhibition featuring the renowned local Hong Kong artist. Furthermore, "Hong Kong Street Food" Exhibition was launched with a special collection of retro Hong Kong Food Culture items and all-time favourite local street food on display.

Office

Revenue increased by 6% to HK$348 million led by positive rental reversions. Occupancy rate was maintained at 97%. Lease renewal retention rate was 45%.

Plaza Hollywood

Revenue increased by 3% to HK$270 million and operating profit by 3% to HK$212 million. Occupancy rate was 95% at 30 June 2016. Constant tenant mix refinement and powerful marketing bolster future growth prospects.

As a leading shopping mall in Kowloon East, Plaza Hollywood is set to capture the exciting growth opportunities arising from the vibrant emergence of an alternative CBD. Its highly efficient layout (65% of GFA is lettable) hosting 259 retail outlets, 25 restaurants, and a purpose-built stadium housing six-screen cinema multiplex with 1,614 seats that tops the box office chart in Kowloon East, create a unique critical mass for both shoppers and retailers. Future planning flexibility is greatly enhanced by the exceptional design without towers overhead.

Wheelock House and Crawford House in Central

During the period, the Group acquired the entire office tower and a prime shop in Wheelock House at the intersection of Pedder Street and Des Voeux Road Central for HK$6.2 billion. This followed the acquisition of Crawford House in Queen's Road Central for HK$5.8 billion in 2014.

Prominently located in the core CBD of Central, both Wheelock House and Crawford House represented rare opportunities to build portfolio presence. Both properties performed steadily during the period. The offices were nearly fully occupied, with solid rental reversion, and the retail spaces (including Zara's largest flagship in Hong Kong) were fully let.

CHINA INVESTMENT PROPERTIES ("China IP")

China IP produced a solid performance although currency movements impacted the translation to Hong Kong dollars. Revenue (net of tax) increased by 7% to HK$1,197 million and operating profit by 17% to HK$689 million. In particular, Chengdu International Finance Square ("IFS") is firmly positioned to stand above the competition.

Chengdu IFS

Retail

Retail revenue increased by 9% to RMB312 million. Occupancy rate remained at virtually 100%. Tenants' sales increased by 13% to RMB1.8 billion while foot traffic reported a 14% growth.

Chengdu IFS has rapidly become a landmark destination in western China soon after its opening in 2014. Presenting an impressive selection of nearly 300 global premium brands (over 100 debuts in western China), the mega mall affirms its dominant position with its unique advantageous elements. The 15-metre-tall outdoor giant panda art installation and the 7,700-square-metre Sculpture Garden remain popular photographic hotspots, while the entertainment offerings including a UA (IMAX) movie theatre and an ice skating rink create a euphoric atmosphere for shoppers.

New additions including Eve by Eve's, Kiehl's, Love Moschino, Philipp Plein, So Sweet by Hair Corner and Vera Wang hold great appeal for customers. Various large-scale promotional campaigns were launched to attract traffic. These included "Impressionism Monet Exhibition", as well as character-themed "IFS x Kung Fu Panda 3" and "IFS x USAVICH Funny Run! Run! Run!".

Among its accolades received is "2016 VIVA Best-of-the-Best Design and Development Award" (VIVA for Vision, Innovation, Value, Achievement) presented by International Council of Shopping Centers in Las Vegas in late May 2016, signifying the first Hong Kong developer and China's first-ever commercial project winning this prestigious global title.

Office

The three top-notch Grade A office towers raise the bar for the 21st Century workplace in western China. Destined to attract multinationals, financial institutions and major corporations, they create an optimal marketplace for the tenants to conduct seamless business interaction. Demand from renowned tenants remains positive. Nearly 100,000 square metres (36% of total GFA) have been leased. Rental rates achieved (RMB130–170 per square metre per month) were among the highest in the city.

Chengdu Times Outlet

Capitalising on the rising middle class in China, Chengdu Times Outlet continued to perform solidly, with a 19% growth in unit sales during the period. The 63,000-square-metre mall currently offers over 250 international brands, and remains one of the most visited outlet destinations in all of China.

Shanghai Wheelock Square

At 270 metres, Shanghai Wheelock Square is not only the tallest skyscraper, but also the most preferred office address for multinationals and major corporations in Puxi. Its convenient location, right opposite to Jing'an Temple Metro Station from where frequent trains commute to Pudong International Airport and adjacent to the Yan'an elevated expressway, provides unparalleled accessibility. It also sits between the Bund and Zhongshan Xi Road with Hongqiao International Airport further to the west.

Occupancy rate was maintained at 95% and lease renewal retention rate at 64% at the end of June, with solid rental reversion. The commitment to provide tenants with world-class service and management has earned Shanghai Wheelock Square various awards, including "6S Management Innovation Award 2015" and "Golden Key China Luxury Collection Property Awards 2015" by Golden Key International Alliance, as well as "Excellent Property Management Building 2015 of Jing'an District, Shanghai" by Shanghai Property Management Industry Association.

Shanghai Times Square

This premium retail arcade is squarely located in the exclusive shopping, entertainment and business hub of Huaihai Road. It hosts the largest Lane Crawford store in Mainland China and a mega lifestyle specialty store CitySuper, and is virtually 100% occupied at the end of June. A line-up of family-friendly events including a three-week "junior master chef" programme were organised to entertain young shoppers and promote family engagement, which further uplifted sales. A floral garden showcasing a five-metre-tall giant lily and more than a thousand flowers made by Thai paper artists was also set up, captivating floral lovers.

The offices were 95% let. Lease renewal retention rate was 76%.

IP UNDER DEVELOPMENT

A pipeline of IFS and Times Outlet developments are progressing at full speed to become significant earnings and value drivers in the future. Modelled on the iconic Harbour City in Hong Kong and the equally successful IFS in Chengdu, Chongqing IFS and Changsha IFS are designed by renowned architects under the direction of the Group's management with expertise in developing and operating some of the most productive retail-cum-office developments. Located at the heart of their respective core CBDs, they are poised to outshine their model in scale and local positioning. The retail-led complexes will capitalise on the untapped potential of the experience-driven consumption markets in the western and central China metropolis.

Changsha Times Outlet

Mirroring the success of its "sister" in Chengdu, Changsha Times Outlet (GFA: 72,000 square metres) in the northwest area of the city is scheduled to open in September 2016 and to complete by year end. It enjoys excellent connectivity, with direct access to multiple major motorways (including metro and high-speed expressway) linking Changsha to various popular tourist attractions nationwide, including Zhangjiajie and Donting Lake. Pre-leasing is progressing very well, with 88% of total retail area (186 brands) under offer or in discussion with tenants.

Chongqing IFS

Chongqing IFS will become the largest mixed-use complex in Jiangbei District (Chongqing's new CBD), with a 114,000-square-metre retail podium surmounted by an iconic 300-metre landmark tower and four other towers. Positioned to be a medium-sized Harbour City, the 50%-owned project will comprise a sizeable mall, Grade A offices and the second luxurious Niccolo hotel. Currently, over 85% of the retail floor plates were under offer to tenants or in serious discussion with key anchors and various major players. 80% of office Tower Two and Three was sold. Full completion is scheduled for 2016. The mall is scheduled to open in April 2017 alongside Niccolo Chongqing in the IFS.

Changsha IFS

Changsha IFS is poised to become an unrivalled shopping, dining, lifestyle and leisure destination in Hunan province and home to a myriad of the world's most promising retailers. The enormous 254,000-square-metre mall will make it the ultimate multi-use development in the region. Retail leasing is in good progress, with over 80% of total retail area under offer to tenants or discussion, underlining retailers' trust and confidence in the Group's management execution capabilities and the tremendous potential of the city. The mall is scheduled to open before the end of 2017.

Shaping the ideal workspace for tomorrow, the premium office towers are set to be the focal point of financial institutions and major corporations based in the region. Handover to tenants is scheduled to start by the third quarter of 2017.

The opening of the third Niccolo hotel at Changsha IFS, scheduled for the first quarter of 2018, will further demonstrate excellence.

Full completion of the project is scheduled for 2019.

Suzhou IFS

The 80%-owned Suzhou IFS is strategically located in the new CBD overlooking Jinji Lake, adjacent to Xinghu Street MTR Station. The 450-metre landmark development (GFA: 293,000 square metres) will feature Grade A offices, sky residences, as well as a 133-room luxury Niccolo hotel. Full completion of the project is scheduled for 2018.

OTHER HONG KONG PROPERTIES

The Peak Portfolio

Wharf's Peak Portfolio is a superb representation of prestigious residences which stand out from the crowd. It redefines unique, exclusive and exquisite living on the Peak, the most powerful address in town.

Mount Nicholson, a 50:50 joint venture development with Nan Fung Group (attributable GFA: 162,000 square feet), sets a new benchmark for luxury living in Hong Kong. Its prominent collection of luxurious residences with a stunning unobstructed view towards Victoria Harbour make it the ultimate home for the most discerning residents. Since its launch on a targeted basis in February 2016, three villas have been sold for combined proceeds of HK$2,200 million or HK$82,400 per square foot on average.

Superstructure/Foundation works for the re-development of the Peak Portfolio including 1 Plantation Road (20 houses), 11 Plantation Road (7 houses) and 77 Peak Road (8 houses) are making good progress.

Kowloon East

Located at the heart of Kowloon East, a vibrant CBD2, the Group's exceptional "Kowloon East Waterfront Portfolio" of new developments spanning a 500-metre coastline and overlooking Victoria Harbour is well-positioned to unlock the immense potential in the region. This portfolio showcases an exciting collection of 8 Bay East (a 534,000-square-feet re-development of the former Wharf T&T Square), Kowloon Godown (pending re-development) and parent company Wheelock's One Bay East (with its two office towers combining for 1 million square feet already occupied by Manulife and Citigroup). Foundation works for 8 Bay East is underway.

Peninsula East, a residential re-development project in close proximity to Yau Tong MTR station, is scheduled for completion in the second half of 2016. All 256 units have been pre-sold, generating proceeds of HK$2.0 billion.

The general building plan of the 15%-owned Yau Tong joint venture project has been submitted.

CHINA DEVELOPMENT PROPERTIES ("DP")

Inclusive of joint ventures and associates on an attributable basis, revenue increased by 33% to HK$13,049 million and operating profit by 54% to HK$2,328 million, with 872,000 square metres of GFA completed and recognised during the period (2015: 605,000 square metres).

A flurry of government stimulus measures continued to revive the property sector amid a slowdown in the broader economy. The easing environment boosted housing demand and spurred a 58% increase in the Group's attributable interest in contracted sales in the first half to RMB16.3 billion, representing 68% of the full-year target. The net order book increased to RMB29 billion for 1.4 million square metres at the end of June.

In China East, various projects in Shanghai, Suzhou, Hangzhou and Wuxi received overwhelming response. In Shanghai, Shanghai Pudong E18 and Zhoupu sold in aggregate 193 units for RMB3.2 billion. In Suzhou, Times City, Ambassador Villa and Bellagio sold in aggregate a further 545 units for RMB2.2 billion. In Hangzhou, Palazzo Pitti, The Exquisite Palace and Royal Seal sold in aggregate another 350 units for RMB1.5 billion. On an attributable basis, Greentown Wharf Qiantang Bright Moon and Greentown Zhijiang No. 1 sold a further 484 units for RMB1.3 billion. In Wuxi, River Pitti and Times City sold in aggregate a further 1,090 units for RMB1.3 billion. The projects on sale in other regions of China also met with good demand. In particular, The Scenery Bay in Tianjin sold another 309 units for RMB868 million.

During the period, the Group acquired two sites in Beijing and Hangzhou through joint ventures for RMB2.3 billion (GFA: 66,000 square metres) on an attributable basis. Currently, the DP land bank was maintained at five million square metres.

The Group will continue to take a measured approach to further land purchases by focusing on target cities.

WHARF HOTELS

The Group currently operates 14 hotels in Asia Pacific through Marco Polo Hotels, six of which owned by the Group. This portfolio is poised to expand over the coming years with a steady pipeline of new hotels surpassing benchmarks of excellence. These new hotels will unveil a seamless blend of understated luxury, immaculate design and exquisite service to meet the sophisticated demands of discerning global travellers.

The Group's new luxury brand, Niccolo, is a unique representation of sophisticated urban chic hotels. It has proven to be a resounding brand and business success in just a year. The first Niccolo opened at Chengdu IFS in April 2015 and has garnered a host of prestigious awards with the latest addition being "Best Business Hotel in Southwest China" at the 9th TTG China Travel Awards. Among its peers in the city, Niccolo Chengdu was the market leader in room yield for the first half of 2016, underlining the ultimate success story for this brand extension.

Adding to this new brand portfolio are another three Niccolo hotels to be opened in the IFS complexes in Chongqing, Changsha and Suzhou which are progressing to plan. At the same time, Marco Polo Changsha (alongside Niccolo Changsha), to be opened at Changsha IFS, will take the Marco Polo brand to the next level in its exciting evolution.

In Hong Kong, conversion of the iconic Murray Building on Murray Lane, Central into an urban chic hotel is underway. The hotel is targeted for opening in late 2017.

MODERN TERMINALS

Fragile economic performance in both Europe and the U.S. continued to curtail global trade flows. South China's container throughput declined by 4%, with Shenzhen's throughput remaining flat and Kwai Tsing's throughput decreasing by 9%. Market shares for Shenzhen and Kwai Tsing were 60% and 40% respectively.

Against that backdrop, Modern Terminals' contracted throughput in Hong Kong increased by 4% to 2.3 million TEUs, outpacing the market due to new business acquisition. In the Mainland, throughput at DaChan Bay Terminals in Shenzhen increased by 10% to 0.7 million TEUs, while Taicang International Gateway in Suzhou posted an 11% growth to 1.0 million TEUs, driven by strong new business acquisition. Throughput at Shekou Container Terminals in Shenzhen, in which Modern Terminals holds a 20% stake, dropped by 7% to 2.5 million TEUs. Chiwan Container Terminal in Shenzhen, in which Modern Terminals holds an 8% attributable stake, handled 1.2 million TEUs.

Consolidated revenue slid to HK$1,234 million, impacted by substantial liner network redeployment and ongoing changes in business mix. Operating profit decreased to HK$290 million.

Various initiatives adopted to enhance operational efficiency at Modern Terminals' facilities will put the company in a good position to cater for the eventual cargo upturn when global trade growth improves.

COMMUNICATIONS, MEDIA & ENTERTAINMENT

Wharf T&T

Undeterred by a stagnant market, Wharf T&T continued to make strides in its core business compared to a year ago, and reported its best half-year results ever, attributable to double-digit year-on-year growth in the local data and business broadband businesses. Backed by its proven credentials to be a trusted service provider to address mission critical needs, Wharf T&T continued to outperform the competition. Total turnover increased to HK$1,005 million, with core fixed line revenue posting a robust 9% growth to HK$724 million. EBITDA increased by 10% to HK$415 million, with margin improving to 41%. Operating profit increased by 24% to HK$214 million. Free cash flow increased by 7% to HK$237 million.

i-CABLE

Amid a further slowdown in the Hong Kong economy, the local advertising market was weak due to sluggish consumer business. Subscription ARPU continued its growth trend while subscription revenue stabilised despite contraction of customer base. New business initiatives are being launched to contain customer attrition. Fantastic TV was granted a free TV licence and is preparing for the launch of its integrated Cantonese channel latest by May 2017.

Strategic Review

The Group has initiated a strategic review to evaluate different options to enhance the CME business, which is in progress. No conclusion has been reached in relation to the review and no definite timetable of completion has been set. In the meantime, the Group will continue to execute its operations and business plan in the ordinary course of business.

FINANCIAL REVIEW

(I) REVIEW OF INTERIM 2016 RESULTS

The Group recorded solid financial performance in the first half of 2016 despite soft market conditions. Core profit rose by 14% year-on-year to HK$5,972 million (2015: HK$5,258 million). Investment Properties ("IP") achieved 11% core profit growth to HK$4,636 million and Development Properties ("DP") 127% to HK$885 million (2015: HK$390 million), representing 78% (2015: 80%) and 15% (2015: 7%) of Group core profit, respectively.

Profit attributable to shareholders decreased by 3% to HK$6,725 million (2015: HK$6,958 million) with lower IP revaluation surplus of HK$525 million (2015: HK$3,165 million).

Revenue and Operating Profit

IP revenue grew by 7% to HK$7,644 million (2015: HK$7,174 million). Hong Kong increased by 7% to HK$6,447 million and Mainland by 7% to HK$1,197 million. Operating profit grew by 8% to HK$6,377 million (2015: HK$5,894 million) with Hong Kong increasing by 7% to HK$5,688 million and Mainland by 17% to HK$689 million.

DP recognised 28% higher property sales to HK$8,409 million (2015: HK$6,562 million) and operating profit rose by 18% to HK$1,311 million (2015: HK$1,111 million) from projects in the Mainland.

Hotel revenue grew by 3% to HK$740 million (2015: HK$718 million) and operating profit declined by 10% to HK$104 million (2015: HK$115 million). Hong Kong was adversely impacted by the weak market while the newly opened hotels in Mainland China have started to contribute.

Logistics revenue decreased by 10% to HK$1,286 million (2015: HK$1,434 million) and operating profit by 12% to HK$293 million (2015: HK$333 million) resulting from lower profit from Modern Terminals.

CME revenue fell by 2% to HK$1,715 million (2015: HK$1,750 million). Wharf T&T's revenue increased by 2% against i-CABLE's 7% drop. On the other hand, operating profit increased by 105% to HK$78 million (2015: HK$38 million), with Wharf T&T's increasing by 24% to HK$214 million to offset i-CABLE's operating loss of HK$133 million.

Investment and others revenue dropped by 8% to HK$382 million (2015: HK$417 million) and operating profit by 22% to HK$208 million (2015: HK$267 million), primarily due to decrease in interest income and dividend income.

Consolidated revenue and operating profit rose by 12% and 8% to HK$20,021 million and HK$8,075 million, respectively.

DP Sales

Inclusive of joint ventures and associates on an attributable basis, contracted sales in the Mainland increased by 58% to RMB16,250 million (2015: RMB10,315 million), sales recognition by 33% to HK$13,049 million (2015: HK$9,831 million) and operating profit by 54% to HK$2,328 million (2015: HK$1,508 million). Net order book increased to RMB28,726 million (December 2015: RMB24,635 million).

In Hong Kong, attributable contracted sales (from the joint venture for the Mount Nicholson project) amounted to HK$785 million, all of which was recognised, and operating profit amounted to HK$349 million (2015: loss HK$39 million).

Fair Value Gain of Investment Properties

The book value of the Group's IP portfolio as at 30 June 2016 increased slightly to HK$318.6 billion (2015: HK$310.2 billion) with HK$302.9 billion thereof stated at fair value based on independent valuation, which produced a revaluation gain of HK$495 million (2015: HK$3,486 million). The attributable net revaluation gain of HK$525 million (2015: HK$3,165 million), after taking into account the related deferred tax and non-controlling interests, was credited to the consolidated income statement.

IP under development in the amount of HK$15.7 billion is carried at cost and will not be carried at fair value until the earlier of their fair values first becoming reliably measurable or the dates of completion.

Finance Costs

Finance costs charged to the consolidated income statement amounted to HK$322 million (2015: HK$773 million), including an unrealised mark-to-market gain of HK$352 million (2015: loss of HK$44 million) on the cross currency/interest rate swaps in accordance with prevailing accounting standards.

The Group's effective borrowing rate for the period was 2.9% (2015: 2.8%). Excluding the unrealised mark-to-market gain, finance costs before capitalisation were HK$988 million (2015: HK$1,079 million), representing a decrease of HK$91 million. Finance costs after capitalisation were HK$674 million (2015: HK$729 million), representing a decrease of HK$55 million.

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

Attributable profit from associates increased by 18% to HK$513 million (2015: HK$435 million) mainly due to increased profit contributions from China DP.

Joint ventures reported a profit of HK$485 million (2015: loss of HK$192 million), benefitting from Mount Nicholson in Hong Kong and various China DP projects.

Income Tax

Taxation charge for the period decreased to HK$1,705 million (2015: HK$1,880 million), which included a deferred taxation credit of HK$12 million (2015: charge of HK$315 million) for current period's revaluation attributable to investment properties in the Mainland.

Excluding the above deferred tax, the tax charge increased by 10% to HK$1,717 million (2015: HK$1,565 million) mainly due to higher profit from IP and China DP segments.

Non-controlling Interests

Group profit attributable to non-controlling interests decreased to HK$214 million (2015: HK$308 million), reflecting the decrease in net profits of certain non-wholly-owned subsidiaries.

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders for the period amounted to HK$6,725 million (2015: HK$6,958 million), representing a decrease of 3%. Basic earnings per share were HK$2.22, based on weighted average of 3,031 million shares (2015: HK$2.30 based on 3,031 million shares).

Excluding the net IP revaluation gain of HK$525 million (2015: HK$3,165 million), Group profit attributable to shareholders for the period was HK$6,200 million (2015: HK$3,793 million), representing an increase of 63%.

Group core profit rose by 14% to HK$5,972 million (2015: HK$5,258 million), of which 78% was attributable to IP and 15% to DP. Core earnings per share were HK$1.97 (2015: HK$1.73).

Core profit is a performance indicator of the Group's major business segments and arrived at after excluding net IP revaluation gain, attributable net mark-to-market gain and exchange loss of HK$228 million (2015: gain of HK$26 million) on certain financial instruments and the accounting loss of HK$1,491 million from the deemed disposal of Greentown as reported in the corresponding period last year.

Early adoption of HKFRS 9 "Financial Instruments"

The Group has early adopted the complete version of HKFRS 9 "Financial Instruments" in its consolidated financial statements with effect from 1 January 2016. As a result, the investments in equity securities of HK$6,592 million that were previously classified as available-for-sale investments under HKAS 39 have been re-designated as equity investments measured at fair value through other comprehensive income. Accordingly, HK$34 million of gain on disposal of equity securities in the period was recognised through other comprehensive income instead of the income statement as previously accounted for (2015: HK$78 million profit through the income statement).

(II) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL COMMITMENTS

Shareholders' and Total Equity

As at 30 June 2016, shareholders' equity stood at HK$307.0 billion (31 December 2015: HK$307.7 billion), equivalent to HK$101.29 per share based on 3,031 million issued shares (31 December 2015: HK$101.53 per share based on 3,031 million issued shares), which had been impacted by a net exchange deficit of HK$2.0 billion arising from translation of RMB net assets and an investment revaluation deficit of HK$1.4 billion for the current period.

The Group's total equity including non-controlling interests stood at HK$316.1 billion (31 December 2015: HK$317.2 billion).

Assets and Liabilities

The Group's total assets as at 30 June 2016 amounted to HK$439.8 billion (31 December 2015: HK$443.9 billion). Total business assets, excluding bank deposit and cash, certain equity investments, deferred tax assets and other derivative financial assets, increased to HK$415.4 billion (31 December 2015: HK$414.8 billion).

Geographically, the Mainland business assets, mainly comprising properties and terminals, amounted to HK$132.8 billion (31 December 2015: HK$139.8 billion), representing 32% (2015: 34%) of the Group's total business assets.

Investment properties

Included in the Group's total assets is the IP portfolio of HK$318.6 billion, representing 77% of total business assets. Core assets in this portfolio are Harbour City and Times Square in Hong Kong, which were valued at HK$163.1 billion (excluding the three hotels) and HK$54.5 billion, respectively, together representing 68% of the IP portfolio. Mainland IP amounted to HK$59.3 billion, mainly including Chengdu IFS and Shanghai Wheelock Square, as well as Changsha IFS and Suzhou IFS which were under development and stated at cost of HK$15.4 billion.

During the period, the Group acquired the entire office tower and a prime shop in Wheelock House, Central, Hong Kong, for HK$6.2 billion, to further expand the IP portfolio.

Properties for sale

DP assets dropped to HK$32.1 billion (31 December 2015: HK$37.8 billion), reflecting disposal of various China DP projects in the current period. Hong Kong DP includes Peninsula East at HK$1.4 billion, of which all units were pre-sold in 2015 and is scheduled for completion in the second half of 2016.

Interests in associates and joint ventures

Interests in associates and joint ventures amounted to HK$32.9 billion (31 December 2015: HK$35.4 billion), mainly representing various DP projects undertaken through associates and joint ventures in the Mainland and Hong Kong.

Deposits from sale of properties

Deposits from sale of properties rose by 20% to HK$22.7 billion (31 December 2015: HK$18.9 million), reflecting the increase in contracted sales in Mainland China pending revenue recognition.

Debts and Gearing

The Group's net debt as at 30 June 2016 increased by HK$1.0 billion or 2% to HK$48.2 billion (31 December 2015: HK$47.2 billion), which was made up of HK$66.7 billion in debts and HK$18.5 billion in bank deposits and cash. Included in the net debt were HK$7.8 billion (31 December 2015: HK$7.3 billion) attributable to Modern Terminals, HCDL and other subsidiaries, which are without recourse to the Company and its other subsidiaries. Excluding these non-recourse debts, the Group's net debt was HK$40.4 billion (31 December 2015: HK$39.9 billion). An analysis of the net debt is as below:

Net debt/(cash)	30 June 2016 *HK$ Million*	31 December 2015 *HK$ Million*
Wharf (excluding below subsidiaries)	40,384	39,863
Modern Terminals	8,910	8,763
HCDL	(1,537)	(1,647)
i-CABLE	393	218
	48,150	47,197

As at 30 June 2016, the ratio of net debt to total equity was 15.2% (31 December 2015: 14.9%).

Finance and Availability of Facilities

The Group's total available loan facilities and issued debt securities as at 30 June 2016 amounting to HK$87.1 billion, of which HK$66.7 billion was utilised, are analysed as below:

	30 June 2016 Available Facility *HK$ Billion*	Total Debts *HK$ Billion*	Undrawn Facility *HK$ Billion*
Company/wholly-owned subsidiaries			
Committed bank facilities	38.3	22.6	15.7
Debt securities	31.1	31.1	–
	69.4	53.7	15.7
Non-wholly-owned subsidiaries			
Committed and uncommitted			
— Modern Terminals	10.7	9.2	1.5
— HCDL	6.1	3.4	2.7
— i-CABLE	0.9	0.4	0.5
	87.1	66.7	20.4

Of the above debts, HK$5.7 billion (31 December 2015: HK$4.0 billion) was secured by a mortgage over certain IP, DP and property, plant and equipment with total carrying value of HK$18.1 billion (31 December 2015: HK$24.3 billion).

The Group diversified the debt portfolio across a bundle of currencies including primarily United States dollar ("USD"), Hong Kong dollar ("HKD") and Renminbi ("RMB"). The funding sourced from such debt portfolio was mainly used to finance the Group's IP, DP and port investments.

The use of derivative financial instruments is strictly monitored and controlled. The majority of the derivative financial instruments entered into by the Group are 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 and USD and undrawn committed facilities to facilitate the Group's business and investment activities. In addition, the Group also maintained a portfolio of equity investments with an aggregate market value of HK$6.6 billion (31 December 2015: HK$8.1 billion), which is immediately available for liquidation for the Group's use when in need.

Cash Flows for the Group's Operating and Investing Activities

For the period under review, the Group recorded net cash inflows before changes in working capital of HK$8.5 billion (2015: HK$8.0 billion). The changes in working capital increased the net cash inflow from operating activities to HK$12.3 billion (2015: HK$7.2 billion), supported by the favourable increase from China DP sales. For investing activities, the Group recorded a cash outflow of HK$7.8 billion (2015: HK$6.5 billion), mainly for acquisition of Wheelock House of HK$6.2 billion and construction costs of IP in Mainland China.

Major Capital and Development Expenditure and Commitments

The Group's major capital and development expenditure incurred in the first half of 2016 is analysed as follows:

A. Major capital and development expenditure

	Hong Kong *HK$ Million*	Mainland China *HK$ Million*	Total *HK$ Million*
Properties			
IP	7,009	2,031	9,040
DP	307	7,896	8,203
	7,316	9,927	17,243
Others			
Hotels	287	–	287
Modern Terminals	219	46	265
Wharf T&T	134	–	134
i-CABLE	110	–	110
	750	46	796
Group total	8,066	9,973	18,039

i. IP expenditure incurred during the period was mainly for the acquisition of Wheelock House and construction costs of the Mainland IFS projects.

ii. DP expenditure in the first half of 2016 included HK$4.9 billion attributable to DP projects undertaken by associates and joint ventures.

iii. Modern Terminals' capital expenditure was mainly for terminal equipment while those of Wharf T&T and i-CABLE were incurred substantially for facilities and equipment.

B. *Commitments to capital and development expenditure*

As at 30 June 2016, the Group's major commitments to capital and development expenditure that are to be incurred in the forthcoming years was estimated at HK$42.2 billion, of which HK$21.6 billion was committed. By segment, the commitments are analysed as below:

	As at 30 June 2016		
	Committed *HK$ Million*	Uncommitted *HK$ Million*	Total *HK$ Million*
IP			
Hong Kong	1,632	458	2,090
Mainland China	7,658	4,208	11,866
	9,290	4,666	13,956
DP			
Hong Kong	139	–	139
Mainland China	9,858	15,319	25,177
	9,997	15,319	25,316
Others			
Hotels	1,800	243	2,043
Modern Terminals	390	40	430
Wharf T&T	148	1	149
i-CABLE	19	270	289
	2,357	554	2,911
Group total	21,644	20,539	42,183

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

The above commitments and planned expenditure will be funded by Group's internal financial resources including its surplus cash, cash flows from operations, as well as bank and other financings with the construction costs self-financed mainly by pre-sale proceeds and project loans. Other available resources include equity investments.

(III) HUMAN RESOURCES

The Group had approximately 15,100 employees as at 30 June 2016, including about 2,300 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective group's achievement and results.

CONSOLIDATED INCOME STATEMENT

For The Six Months Ended 30 June 2016 — Unaudited

	Note	Six months ended 30 June 2016 HK$ Million	2015 HK$ Million
Revenue	2	20,021	17,906
Direct costs and operating expenses		(9,877)	(8,235)
Selling and marketing expenses		(652)	(646)
Administrative and corporate expenses		(689)	(764)
Operating profit before depreciation, amortisation, interest and tax		8,803	8,261
Depreciation and amortisation		(728)	(786)
Operating profit	2 & 3	8,075	7,475
Increase in fair value of investment properties		495	3,486
Other net charge	4	(602)	(1,285)
		7,968	9,676
Finance costs	5	(322)	(773)
Share of results after tax of:			
Associates		513	435
Joint ventures		485	(192)
Profit before taxation		8,644	9,146
Income tax	6	(1,705)	(1,880)
Profit for the period		6,939	7,266
Profit attributable to:			
Equity shareholders		6,725	6,958
Non-controlling interests		214	308
		6,939	7,266
Earnings per share	7		
Basic		HK$2.22	HK$2.30
Diluted		HK$2.22	HK$2.30

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Six Months Ended 30 June 2016 — Unaudited

	Six months ended 30 June 2016 HK$ Million	2015 HK$ Million
Profit for the period	6,939	7,266
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Fair value changes on equity investments	(1,456)	–
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of foreign operation	(1,775)	35
Net surplus on available-for-sale investments:	–	286
Surplus on revaluation	–	307
Transferred to profit or loss on disposal	–	(21)
Share of other comprehensive income of associates/joint ventures	(322)	(57)
Others	2	8
Other comprehensive income for the period	(3,551)	272
Total comprehensive income for the period	3,388	7,538
Total comprehensive income attributable to:		
Equity shareholders	3,367	7,148
Non-controlling interests	21	390
	3,388	7,538

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 30 June 2016 — Unaudited

	Note	30 June 2016 *HK$ Million*	31 December 2015 *HK$ Million*
Non-current assets			
Investment properties		318,599	310,177
Property, plant and equipment		22,720	22,779
Interest in associates		16,207	17,785
Interest in joint ventures		16,707	17,612
Available-for-sale investments		–	8,102
Equity investments		6,592	–
Goodwill and other intangible assets		348	305
Deferred tax assets		695	700
Derivative financial assets		743	585
Other non-current assets		231	237
		382,842	378,282
Current assets			
Properties for sale		32,107	37,768
Inventories		37	46
Trade and other receivables	9	5,619	3,974
Derivative financial assets		688	336
Bank deposits and cash		18,536	23,510
		56,987	65,634
Total assets		439,829	443,916

	Note	30 June 2016 HK$ Million	31 December 2015 HK$ Million
Non-current liabilities			
Derivative financial liabilities		**(1,631)**	(1,558)
Deferred tax liabilities		**(10,823)**	(10,748)
Other deferred liabilities		**(347)**	(334)
Bank loans and other borrowings	11	**(52,720)**	(62,244)
		(65,521)	(74,884)
Current liabilities			
Trade and other payables	10	**(19,817)**	(22,681)
Deposits from sale of properties		**(22,662)**	(18,854)
Derivative financial liabilities		**(507)**	(612)
Taxation payable		**(1,227)**	(1,242)
Bank loans and other borrowings	11	**(13,966)**	(8,463)
		(58,179)	(51,852)
Total liabilities		**(123,700)**	(126,736)
NET ASSETS		**316,129**	317,180
Capital and reserves			
Share capital	12	**29,441**	29,441
Reserves		**277,571**	278,287
Shareholders' equity		**307,012**	307,728
Non-controlling interests		**9,117**	9,452
TOTAL EQUITY		**316,129**	317,180

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For The Six Months Ended 30 June 2016 — Unaudited

	Shareholders' equity						
	Share capital *HK$ Million*	Investments revaluation and other reserves *HK$ Million*	Exchange reserves *HK$ Million*	Revenue reserves *HK$ Million*	Total shareholders' equity *HK$ Million*	Non–controlling interests *HK$ Million*	Total equity *HK$ Million*
At 1 January 2016	29,441	(1,118)	2,322	277,083	307,728	9,452	317,180
Changes in equity for the period:							
Profit	–	–	–	6,725	6,725	214	6,939
Other comprehensive income	–	(1,392)	(1,966)	–	(3,358)	(193)	(3,551)
Total comprehensive income	–	(1,392)	(1,966)	6,725	3,367	21	3,388
Equity settled share-based payments	–	9	–	–	9	–	9
Tranfer to revenue reserves upon de-recognition of equity investments	–	(34)	–	34	–	–	–
Net capital contribution from non-controlling interests of subsidiaries	–	–	–	–	–	161	161
Second interim dividends paid for 2015 (Note 8b)	–	–	–	(4,092)	(4,092)	–	(4,092)
Dividends paid to non-controlling interests	–	–	–	–	–	(517)	(517)
At 30 June 2016	29,441	(2,535)	356	279,750	307,012	9,117	316,129
At 1 January 2015	29,376	740	8,868	266,511	305,495	8,616	314,111
Changes in equity for the period:							
Profit	–	–	–	6,958	6,958	308	7,266
Other comprehensive income	–	311	(129)	8	190	82	272
Total comprehensive income	–	311	(129)	6,966	7,148	390	7,538
Share issued under the share option scheme	65	(15)	–	–	50	–	50
Equity settled share-based payments	–	20	–	–	20	–	20
Share option lapsed	–	(28)	–	28	–	–	–
Second interim dividends paid for 2014	–	–	–	(3,819)	(3,819)	–	(3,819)
Dividends paid to non-controlling interests	–	–	–	–	–	(94)	(94)
At 30 June 2015	29,441	1,028	8,739	269,686	308,894	8,912	317,806

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For The Six Months Ended 30 June 2016 — Unaudited

	Six months ended 30 June 2016 HK$ Million	2015 HK$ Million
Operating cash inflow	8,549	7,978
Changes in working capital/others	5,238	573
Tax paid	(1,497)	(1,303)
Net cash generated from operating activities	12,290	7,248
Investing activities		
Additions to investment properties and property, plant and equipment	(9,645)	(3,217)
Other cash generated from/(used in) investing activities	1,821	(3,233)
Net cash used in investing activities	(7,824)	(6,450)
Financial activities		
Dividends paid to equity shareholders	(4,092)	(3,819)
Other cash (used in)/generated from financing activities	(4,897)	1,119
Net cash used in financing activities	(8,989)	(2,700)
Decrease in cash and cash equivalents	(4,523)	(1,902)
Cash and cash equivalents at 1 January	23,409	18,625
Effect of exchange rate changes	(450)	6
Cash and cash equivalents at 30 June (Note)	18,436	16,729

Note:

Cash and cash equivalents

	2016 HK$ Million	2015 HK$ Million
Bank deposits and cash in the consolidated statement of financial position	18,536	16,729
Less: Bank deposits with maturity greater than three months	(100)	–
Cash and cash equivalents in the consolidated statement of cash flows	18,436	16,729

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

1. Principal Accounting Policies and Basis of Preparation

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

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

The accounting policies and methods of computation used in the preparation of the unaudited interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2015 except for the changes mentioned below.

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 2015. 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 financial information relating to the financial year ended 31 December 2015 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 2015 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.

The Group has early adopted the complete version of HKFRS 9, "Financial Instruments" in the consolidated financial statements for the year ending 31 December 2016. Except for the foregoing, the Group has not adopted any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 9 introduces new classification and measurement requirements for financial assets on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, a new expected credit loss model that replaces the incurred loss impairment model used in HKAS 39, "Financial Instruments: Recognition and Measurement" with the result that a loss event will no longer need to occur before an impairment allowance is recognised, and a new hedge accounting model where the hedged ratio is required to be the same as the one used by an entity's management for risk management purposes.

As at 1 January 2016, the Directors of the Group have reviewed and reassessed the Group's financial assets on that date and the results for the period. The initial application of HKFRS 9 has had impacts on the following financial assets and results of the Group:

(i) investments in equity securities (not held for trading) of HK$6,592 million that were previously classified as available-for-sale investments and measured at fair value at each reporting date under HKAS 39 have been designated as equity investments measured at fair value through other comprehensive income ("FVTOCI"). Group profit for the period has been reduced by HK$34 million, representing the gain on disposal of equity securities recognised through other comprehensive income instead of the income statement as previously accounted for (2015: HK$78 million profit).

(ii) impairment based on expected credit loss model on the Group's rental, sales and trade receivables have no significant financial impacts.

The HKICPA has issued certain amendments to HKFRSs which are first effective for the current accounting period of the Group. The amendments do not have significant impact on the Group's results and financial position for the current or prior periods have been prepared or presented.

2. Segment Information

The Group manages its diversified businesses according to the nature of services and products provided. Management has determined five reportable operating segments for measuring performance and allocating resources. The segments are investment property ("IP"), development property ("DP"), hotels, logistics and communications and media and entertainment ("CME"). No operating segments have been aggregated to form the reportable segments.

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

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

Hotels segment includes hotel operations in the Asia Pacific region. Currently, the Group operates 14 hotels in the Asia Pacific region, six of which owned by the Group.

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

CME segment comprises pay television, internet and multimedia and other businesses operated by i-CABLE Communications Limited ("i-CABLE") and the telecommunication businesses operated by Wharf T&T Limited.

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

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

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

a. Analysis of segment revenue and results

For the six months ended	Revenue HK$ Million	Operating profit HK$ Million	Investment properties fair value HK$ Million	Other net charge HK$ Million	Finance costs HK$ Million	Associates HK$ Million	Joint ventures HK$ Million	Profit before taxation HK$ Million
30 June 2016								
Investment property	7,644	6,377	495	(68)	(603)	–	–	6,201
Hong Kong	6,447	5,688	132	–	(603)	–	–	5,217
Mainland China	1,197	689	363	(68)	–	–	–	984
Development property	8,409	1,311	–	(496)	(38)	390	479	1,646
Hong Kong	–	(1)	–	–	–	2	279	280
Mainland China	8,409	1,312	–	(496)	(38)	388	200	1,366
Hotels	740	104	–	–	(1)	–	–	103
Logistics	1,286	293	–	(70)	(60)	123	6	292
Terminals	1,234	290	–	(49)	(60)	95	6	282
Others	52	3	–	(21)	–	28	–	10
CME	1,715	78	–	–	(16)	–	–	62
i-CABLE	710	(133)	–	–	(2)	–	–	(135)
Telecommunications	1,005	214	–	–	(14)	–	–	200
Others	–	(3)	–	–	–	–	–	(3)
Inter-segment revenue	(155)	–	–	–	–	–	–	–
Segment total	19,639	8,163	495	(634)	(718)	513	485	8,304
Investment and others	382	208	–	32	396	–	–	636
Corporate expenses	–	(296)	–	–	–	–	–	(296)
Group total	20,021	8,075	495	(602)	(322)	513	485	8,644
30 June 2015								
Investment property	7,174	5,894	3,486	53	(644)	–	–	8,789
Hong Kong	6,053	5,305	2,710	–	(639)	–	–	7,376
Mainland China	1,121	589	776	53	(5)	–	–	1,413
Development property	6,562	1,111	–	(1,479)	(42)	287	(221)	(344)
Hong Kong	–	(23)	–	–	–	5	(40)	(58)
Mainland China	6,562	1,134	–	(1,479)	(42)	282	(181)	(286)
Hotels	718	115	–	–	(3)	–	–	112
Logistics	1,434	333	–	(16)	(125)	148	29	369
Terminals	1,382	327	–	5	(125)	112	29	348
Others	52	6	–	(21)	–	36	–	21
CME	1,750	38	–	1	(18)	–	–	21
i-CABLE	760	(129)	–	1	(1)	–	–	(129)
Telecommunications	990	173	–	–	(17)	–	–	156
Others	–	(6)	–	–	–	–	–	(6)
Inter-segment revenue	(149)	–	–	–	–	–	–	–
Segment total	17,489	7,491	3,486	(1,441)	(832)	435	(192)	8,947
Investment and others	417	267	–	156	59	–	–	482
Corporate expenses	–	(283)	–	–	–	–	–	(283)
Group total	17,906	7,475	3,486	(1,285)	(773)	435	(192)	9,146

b. Analysis of inter-segment revenue

Six months ended 30 June	2016 Total Revenue HK$ Million	2016 Inter-segment revenue HK$ Million	2016 Group Revenue HK$ Million	2015 Total Revenue HK$ Million	2015 Inter-segment revenue HK$ Million	2015 Group Revenue HK$ Million
Investment property	7,644	(84)	7,560	7,174	(74)	7,100
Development property	8,409	–	8,409	6,562	–	6,562
Hotels	740	–	740	718	–	718
Logistics	1,286	–	1,286	1,434	–	1,434
CME	1,715	(37)	1,678	1,750	(40)	1,710
Investment and others	382	(34)	348	417	(35)	382
	20,176	(155)	20,021	18,055	(149)	17,906

c. Geographical information

Six months ended 30 June	Revenue 2016 HK$ Million	Revenue 2015 HK$ Million	Operating profit 2016 HK$ Million	Operating profit 2015 HK$ Million
Hong Kong	9,841	9,474	6,250	5,771
Mainland China	10,144	8,408	1,788	1,674
Singapore	36	24	37	30
Group total	20,021	17,906	8,075	7,475

3. Operating Profit

Operating profit is arrived at:

	Six months ended 30 June 2016 HK$ Million	2015 HK$ Million
After charging/(crediting):		
Depreciation and amortisation on		
— assets held for use under operating leases	75	87
— property, plant and equipment	571	600
— leasehold land	30	37
— programming library	52	62
Total depreciation and amortisation	728	786
Staff cost (Note i)	1,716	1,783
Cost of trading properties for recognised sales	6,924	5,236
Gross rental revenue from investment properties (Note ii)	(7,644)	(7,174)
Direct operating expenses of investment properties	1,206	1,219
Interest income	(173)	(207)
Dividend income from investments	(69)	(98)
(Gain)/loss on disposal of property, plant and equipment	(20)	2

Notes:

(i) Staff costs included contributions to defined contribution pension schemes of HK$149 million (2015: HK$146 million) and equity-settled share-based payment expenses of HK$9 million (2015: HK$20 million).

(ii) Rental income included contingent rentals of HK$582 million (2015: HK$900 million).

4. Other Net Charge

Other net charge for the period amounted to HK$602 million (2015: HK$1,285 million) mainly comprises:

a. Net foreign exchange loss of HK$84 million (2015: gain of HK$144 million) which included the impact of foreign exchange contracts.

b. Impairment provision of HK$496 million made for certain development projects in the Mainland.

c. Included in other net charge for 2015 was a non-recurrent accounting loss of HK$1,491 million which arose from the deemed disposal of the Group's entire 24.3% equity interest in Greentown China Holdings Limited.

5. Finance Costs

	Six months ended 30 June	
	2016	2015
	HK$ Million	*HK$ Million*
Interest charged on:		
Bank loans and overdrafts	**402**	465
Other borrowings	**499**	520
Total interest charge	**901**	985
Other finance costs	**87**	94
Less: Amount capitalised	**(314)**	(350)
	674	729
Fair value (gain)/loss:		
Cross currency interest rate swaps	**(381)**	9
Interest rate swaps	**29**	35
	(352)	44
Total	**322**	773

a. The Group's average effective borrowing rate for the period was 2.9% p.a. (2015: 2.8% p.a.)

b. The above interest charge has taken into account the interest paid/receipts in respect of interest rate swaps and cross currency interest rate swaps.

6. Income Tax

Taxation charged to the consolidated income statement represents:

	Six months ended 30 June 2016 HK$ Million	2015 HK$ Million
Current income tax		
Hong Kong		
— provision for the period	864	808
— overprovision in respect of prior years	(6)	(1)
Outside Hong Kong		
— provision for the period	448	470
— overprovision in respect of prior years	(4)	–
	1,302	1,277
Land appreciation tax ("LAT") in China	188	133
Deferred tax		
Change in fair value of investment properties	(12)	315
Origination and reversal of temporary differences	227	155
	215	470
Total	1,705	1,880

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% (2015: 16.5%).

b. Income tax on profits assessable outside Hong Kong is mainly China corporate income tax calculated at a rate of 25% (2015: 25%) and China withholding income tax at a rate of up to 10%.

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

d. Tax attributable to associates and joint ventures for the six months ended 30 June 2016 of HK$460 million (2015: HK$234 million) is included in the share of results of associates and joint ventures.

7. Earnings per Share

The calculation of basic and diluted earnings per share is based on the profit attributable to ordinary equity shareholders for the period of HK$6,725 million (2015: HK$6,958 million) and the weighted average of 3,031 million ordinary shares in issue during the period (2015: 3,031 million ordinary shares).

8. Dividends Attributable to Equity Shareholders

	Six months ended 30 June			
	2016 *HK$ per share*	2016 *HK$ Million*	2015 *HK$ per share*	2015 *HK$ Million*
First interim dividend declared after the end of the reporting period	0.58	1,758	0.55	1,667

a. The first interim dividend based on 3,031 million issued ordinary shares (2015: 3,031 million shares) declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

b. The second interim dividend of HK$4,092 million for 2015 was approved and paid in 2016.

9. Trade and Other Receivables

Included in this item are trade receivables (net of allowance for bad and doubtful debts) with an ageing analysis based on invoice date as at 30 June 2016 as follows:

	30 June 2016 *HK$ Million*	31 December 2015 *HK$ Million*
Trade receivables		
0–30 days	538	625
31–60 days	141	167
61–90 days	72	74
Over 90 days	172	105
	923	971
Other receivables and prepayments	4,696	3,003
	5,619	3,974

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

10. Trade and Other Payables

Included in this item are trade payables with an ageing analysis as at 30 June 2016 as follows:

	30 June 2016 *HK$ Million*	31 December 2015 *HK$ Million*
Trade payables		
0–30 days	299	390
31–60 days	175	258
61–90 days	28	32
Over 90 days	136	128
	638	808
Rental and customer deposits	4,064	3,982
Construction costs payable	6,468	7,980
Amount due to associates	2,955	3,083
Amount due to joint ventures	1,733	2,524
Other payables	3,959	4,304
	19,817	22,681

11. Bank Loans and Other Borrowings

	30 June 2016 *HK$ Million*	31 December 2015 *HK$ Million*
Bonds and notes (unsecured)	31,149	30,865
Bank loans (secured)	5,681	3,968
Bank loans (unsecured)	29,856	35,874
Total bank loans and other borrowings	66,686	70,707
Analysis of maturities of the above borrowings:		
Current borrowings		
Due within 1 year	13,966	8,463
Non-current borrowings		
Due after more than 1 year but not exceeding 5 years	44,733	54,492
Due after more than 5 years	7,987	7,752
	52,720	62,244
Total bank loans and other borrowings	66,686	70,707

12. Share Capital

	30 June 2016 No. of shares *Million*	31 December 2015 No. of shares *Million*	30 June 2016 *HK$ Million*	31 December 2015 *HK$ Million*
Issued and fully paid ordinary shares				
At 1 January	3,031	3,030	29,441	29,376
Shares issued under the share option scheme	–	1	–	65
At 30 June/31 December	3,031	3,031	29,441	29,441

13. Fair Values Measurement of Financial Instruments

a. Assets and liabilities carried at fair value

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

- Level 1 valuations: Fair value measured using only level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using level 2 inputs i.e. observable inputs which fail to meet level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

Financial instruments carried at fair value

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

	At 30 June 2016			At 31 December 2015		
	Level 1 HK$ Million	Level 2 HK$ Million	Total HK$ Million	Level 1 HK$ Million	Level 2 HK$ Million	Total HK$ Million
Assets						
Equity investments / Available-for-sale investments:						
— Listed investments	6,566	–	6,566	8,076	–	8,076
— Unlisted investments	–	26	26	–	–	–
Derivative financial instruments:						
— Forward foreign exchange contracts	–	439	439	–	–	–
— Interest rate swaps	–	638	638	–	394	394
— Cross currency interest rate swaps	–	354	354	–	527	527
	6,566	1,457	8,023	8,076	921	8,997
Liabilities						
Derivative financial instruments:						
— Forward foreign exchange contracts	–	–	–	–	127	127
— Interest rate swaps	–	568	568	–	487	487
— Cross currency interest rate swaps	–	1,570	1,570	–	1,556	1,556
Bank loans and other borrowings:						
— Bonds and notes	–	14,270	14,270	–	14,217	14,217
— Bank loans	–	931	931	–	928	928
	–	17,339	17,339	–	17,315	17,315

During the six months ended 30 June 2016, there were no transfers of instruments between Level 1 and Level 2, or transfers into or out of Level 3.

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

Valuation techniques and inputs used in Level 2 fair value measurements

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

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

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

b. Assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 30 June 2016 and 31 December 2015.

14. Material Related Party Transaction

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Material transactions between the Group and other related parties during the period ended 30 June 2016 are as follows:

a. In respect of the period ended 30 June 2016, The Group earned rental income totalling HK$579 million (2015: HK$606 million) from various tenants which are wholly or partly owned by companies which in turn are wholly-owned by the family interests of close family members of, or by a trust the settlor of which is a close family member of, the chairman of the Company's ultimate holding company. Such transactions are considered to be related party transactions, of which HK$390 million (2015: HK$523 million) also constitute connected transactions as defined under the Listing Rules.

b. During the period, the Group entered into an agreement with a subsidiary of its ultimate holding company, Wheelock and Company Limited, to acquire the entire share capital of a company which indirectly holds the investment property of Wheelock House at 3rd to 24th Floors in Hong Kong for a consideration of HK$5,020 million. Such transaction is considered to be a related party transaction and also constitute a connected transaction as defined under the Listing Rules.

c. During the period, the Group entered into an agreement with a company effectively owned by the close family members of the chairman of the Company's ultimate holding company, to acquire the entire share capital of a company which indirectly holds the investment property of Wheelock House at shop C Ground Floor in Hong Kong for a consideration of HK$1,141 million. Such transaction is considered to be a related party transaction and also constitute a connected transaction as defined under the Listing Rules.

15. Contingent Liabilities

As at 30 June 2016, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to overdrafts, short term loans and credit facilities, bonds and notes of up to HK$72,727 million (31/12/2015: HK$75,027 million). There were also contingent liabilities in respect of guarantees given by the Company on behalf of joint ventures and associates of HK$10,324 million (31/12/2015: HK$9,401 million) of which HK$9,671 million had been drawn (31/12/2015: HK$8,494 million).

As at 30 June 2016, there were guarantees of HK$7,139 million (31/12/2015: HK$8,883 million) provided by the Group to the banks in favour of their customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's development properties. There were also mortgage loan guarantees of HK$2,283 million (31/12/2015: HK$1,428 million) provided by joint ventures and associates of the Group to the banks in favour of their customers.

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

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

16. Commitments

The Group's outstanding commitments as at 30 June 2016 are detailed as below:

a. Planned expenditure

		30 June 2016			31 December 2015		
		Committed *HK$ Million*	Uncommitted *HK$ Million*	Total *HK$ Million*	Committed *HK$ Million*	Uncommitted *HK$ Million*	Total *HK$ Million*
(I)	**Properties**						
	Investment properties						
	Hong Kong	1,632	458	2,090	2,027	477	2,504
	Mainland China	7,658	4,208	11,866	8,714	5,144	13,858
		9,290	4,666	13,956	10,741	5,621	16,362
	Development properties						
	Hong Kong	139	–	139	459	–	459
	Mainland China	9,858	15,319	25,177	11,800	16,289	28,089
		9,997	15,319	25,316	12,259	16,289	28,548
	Properties total						
	Hong Kong	1,771	458	2,229	2,486	477	2,963
	Mainland China	17,516	19,527	37,043	20,514	21,433	41,947
		19,287	19,985	39,272	23,000	21,910	44,910
(II)	**Non-properties**						
	Hotels	1,800	243	2,043	1,999	235	2,234
	Modern Terminals	390	40	430	150	24	174
	Wharf T&T	148	1	149	119	50	169
	i-CABLE	19	270	289	25	245	270
		2,357	554	2,911	2,293	554	2,847
	Group total	21,644	20,539	42,183	25,293	22,464	47,757

(i) Properties commitments are mainly for construction costs to be incurred in the forthcoming years including HK$0.7 billion (2015: HK$1.2 billion) attributable land cost.

(ii) The expenditure for development properties included attributable amounts for developments undertaken by joint ventures and associates of HK$10.5 billion (31/12/2015: HK$11.4 billion) in Mainland China.

b. In addition to the above, the CME segment is committed to programming and other expenditure totalling HK$600 million (31/12/2015: HK$734 million) with HK$553 million (31/12/2015: HK$670 million) being authorised and contracted for.

c. The Group leases a number of properties and telecommunication network facilities under operating leases. The leases typically run for an initial period of two to fifteen years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals. Total operating leases commitments are detailed as below:

	30 June 2016 *HK$ Million*	31 December 2015 *HK$ Million*
Expenditure for operating leases		
Within one year	**54**	50
After one year but within five years	**79**	97
Over five years	**19**	24
	152	171

17. Review of Unaudited Interim Financial Information

The unaudited interim financial information for the six months ended 30 June 2016 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 (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") were met by the Company, with the exception of Code Provision A.2.1 providing for the roles of the chairman and chief executive to be performed by different individuals.

It is deemed appropriate as it is considered to be more efficient to have 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 half of them being Independent Non-executive Directors ("INEDs").

CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

DIRECTORS' INTERESTS IN SECURITIES

(A) Interests in Shares and Debentures

At 30 June 2016, Directors of the Company had the following beneficial interests, all being long positions, in the share and/or debentures of the Company, Wheelock and Company Limited ("Wheelock") (which is the Company's parent company) and two subsidiaries of the Company, namely, i-CABLE Communications Limited ("i-CABLE") and Modern Terminals Limited ("Modern Terminals"), and another associated corporation of the Company (of which the Company is interested in more than 20% of its issued shares), namely, Greentown China Holdings Limited ("Greentown China"). The percentages (where applicable) which the relevant shares represented to the number of shares in issue of the five companies respectively are also set out below:

	Quantity held (percentage, where applicable)	Nature of Interest
The Company		
Stephen T H Ng	804,445 (0.0265%)	Personal Interest
Alexander S K Au	100,000 (0.0033%)	Personal Interest
Vincent K Fang	100,000 (0.0033%)	Personal Interest
E K Yeoh	15,000 (0.0005%)	Personal Interest
Wheelock		
Stephen T H Ng	300,000 (0.0148%)	Personal Interest
i-CABLE		
Stephen T H Ng	1,265,005 (0.0629%)	Personal Interest
Modern Terminals		
Hans Michael Jebsen	3,787 (5.40%)	Corporate Interest
Greentown China		
Andrew O K Chow	330,000 (0.02%)	Personal Interest

Notes:

(1) *The interests in shares disclosed above do not include interests in share options of the Company and/or associated corporation(s) held by Directors as at 30 June 2016. Details of such interests in share options are separately set out below under the sub-sections headed "(B) Interests in Share Options of the Company" and "(C) Interests in Share Options of Wheelock".*

(2) *The shareholdings classified as "Corporate Interest" in which the Directors concerned were taken to be interested as stated above were interests of corporation at general meetings of which the relevant Director was either entitled to exercise (or taken under Part XV of the Securities and Futures Ordinance (the "SFO") to be able to exercise) or control the exercise of one-third or more of the voting power in general meetings of such corporation.*

(B) Interests in Share Options of the Company

Set out below are particulars of interests (all being personal interests) in options held during the six months ended 30 June 2016 by Directors (and/or their respective associate(s)) of the Company to subscribe for ordinary shares of the Company granted/exercisable under the share option scheme of the Company:

Name of Director	Total no. as at 30 June 2016 *(percentage based on no. of shares in issue)*	Date of grant *(Day/Month/Year)*	No. of Shares under Option As at 1 January 2016	As at 30 June 2016	Subscription Price per Share *(HK$)*	Vesting/Exercise Period *(Day/Month/Year)*
Stephen T H Ng	3,500,000 (0.12%)	04/07/2011	1,500,000	1,500,000	55.15	05/07/2011–04/07/2016[(1)]
		05/06/2013	2,000,000	2,000,000	70.20	06/06/2013–05/06/2018[(2)]
Andrew O K Chow	3,500,000 (0.12%)	04/07/2011	1,500,000	1,500,000	55.15	05/07/2011–04/07/2016[(1)]
		05/06/2013	2,000,000	2,000,000	70.20	06/06/2013–05/06/2018[(2)]
Doreen Y F Lee	3,320,000 (0.11%)	04/07/2011	1,320,000	1,320,000	55.15	05/07/2011–04/07/2016[(1)]
		05/06/2013	2,000,000	2,000,000	70.20	06/06/2013–05/06/2018[(2)]
Paul Y C Tsui	2,200,000 (0.07%)	04/07/2011	1,200,000	1,200,000	55.15	05/07/2012–04/07/2016[(1)]
		05/06/2013	1,000,000	1,000,000	70.20	06/06/2013–05/06/2018[(2)]
Y T Leng	1,250,000 (0.04%)	04/07/2011	500,000	500,000	55.15	05/07/2011–04/07/2016[(1)]
		05/06/2013	750,000	750,000	70.20	06/06/2013–05/06/2018[(2)]
K P Chan	1,250,000 (0.04%)	04/07/2011	500,000	500,000	55.15	05/07/2011–04/07/2016[(1)]
		05/06/2013	750,000	750,000	70.20	06/06/2013–05/06/2018[(2)]

Notes:

(1) *The options granted by the Company on 4 July 2011, being outstanding as at both 1 January 2016 and 30 June 2016, were/are vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant options, i.e. exercisable to the extent of one-fifth of the relevant total number of shares and with the 1st, 2nd, 3rd, 4th and 5th tranche being exercisable from 5 July in the years 2011, 2012, 2013, 2014 and 2015 respectively, with the exception that:*

(i) *the relevant options held by Mr Paul Y C Tsui as at 30 June 2016 were/are vested in four tranches, with each tranche covering options for 300,000 Shares being exercisable from 5 July in the years 2012, 2013, 2014 and 2015 respectively; and*

(ii) *the relevant options held by Ms Doreen Y F Lee as at 30 June 2016 were/are vested in five tranches, with the 1st tranche covering options for 120,000 Shares being exercisable from 5 July 2011, and the remaining four tranches each covering options for 300,000 Shares being exercisable from 5 July in the years 2012, 2013, 2014 and 2015 respectively.*

(2) *The options granted by the Company on 5 June 2013, being outstanding as at both 1 January 2016 and 30 June 2016, were/will be vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant options, i.e. exercisable to the extent of one-fifth of the relevant total number of shares and with the 1st, 2nd, 3rd, 4th and 5th tranche being exercisable from 6 June in the years 2013, 2014, 2015, 2016 and 2017 respectively.*

(3) *Except as disclosed above, no option of the Company held by Directors (and/or their associate(s)) lapsed or was exercised or cancelled during the financial period, and no option of the Company was granted to any Director and/or their associate(s) during the financial period.*

(C) Interests in Share Options of Wheelock

Set out below are particulars of all interests (all being personal interests) in options held during the six months ended 30 June 2016 by Directors of the Company to subscribe for ordinary shares of Wheelock granted/exercisable under the share option scheme of Wheelock:

		No. of Wheelock's shares under option			
Name of Director	Date of grant *(Day/Month/Year)*	As at 1 January 2016	As at 30 June 2016 *(percentage based on No. of shares in issue)*	Subscription price per Share *(HK$)*	Vesting/Exercise period *(Day/Month/Year)*
Paul Y C Tsui	14/06/2013	1,500,000	1,500,000 (0.074%)	39.98	15/06/2013–14/06/2018

Notes:

(1) *The share options of Wheelock outstanding as at both 1 January 2016 and 30 June 2016 were/will be vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant options, i.e. exercisable to the extent of one-fifth of the relevant total number of Wheelock's shares, and with the 1st, 2nd, 3rd, 4th and 5th tranche being exercisable from 15 June in the years 2013, 2014, 2015, 2016 and 2017 respectively.*

(2) *No share option of Wheelock held by Directors of the Company (and/or their respective associate(s)) lapsed or was exercised or cancelled during the financial period and no share option of Wheelock was granted to any Director of the Company (and/or their respective associate(s)) during the financial period.*

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the SFO in respect of information required to be notified to the Company and the Stock Exchange by the Directors and/or Chief Executive of the Company pursuant to the SFO or to the Model Code (or any other applicable code) for Securities Transactions by Directors of Listed Issuers, there were no interests, whether long and short positions, held or deemed to be interested as at 30 June 2016 by any of Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), nor had there been any rights to subscribe for any shares, underlying shares or debentures of the Company and its associated corporations held or deemed to be interested by any of them as at 30 June 2016.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties, other than person(s) who is/are Director(s), who/which were, directly or indirectly, interested in 5% or more of any class of voting shares of the Company as at 30 June 2016, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register"):

	Names	No. of Ordinary Shares (percentage based on total number of shares in issue)
(i)	Wheelock and Company Limited	1,819,016,608 (60.01%)
(ii)	HSBC Trustee (C.I.) Limited	1,819,016,608 (60.01%)

Notes:

(1) For the avoidance of doubt and double counting, it should be noted that the shareholdings stated against parties (i) and (ii) represented the same block of shares.

(2) Wheelock's deemed shareholding interests stated above included interests held through its wholly-owned subsidiaries, namely, Lynchpin Limited ("LL"), WF Investment Partners Limited ("WIPL") and Wheelock Investments Limited ("WIL"), with 250,113,072 shares (8.25%) being the deemed interests held by LL, 1,355,755,536 shares (44.73%) being the deemed interests held by WIPL, 213,148,000 (7.03%) being the deemed interests held by High Fame Investments Limited and 1,819,016,608 (60.01%) being the deemed interests held by WIL.

All the interests stated above represented long positions. As at 30 June 2016, there were no short position interests recorded in the Register.

SHARE OPTION SCHEME

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

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

Date of grant *(Day/Month/Year)*	No. of shares under option As at 1 January 2016	 As at 30 June 2016	Vesting/Exercise Period *(Day/Month/Year)*	Price per shares to be paid on exercise of options *(HK$)*
04/07/2011	1,540,000	1,540,000	05/07/2011–04/07/2016	55.15
	2,020,000	2,020,000	05/07/2012–04/07/2016	
	2,020,000	2,020,000	05/07/2013–04/07/2016	
	2,020,000	2,020,000	05/07/2014–04/07/2016	
	2,020,000	2,020,000	05/07/2015–04/07/2016	
	9,620,000	9,620,000		
05/06/2013	2,100,000	2,100,000	06/06/2013–05/06/2018	70.20
	2,100,000	2,100,000	06/06/2014–05/06/2018	
	2,100,000	2,100,000	06/06/2015–05/06/2018	
	2,100,000	2,100,000	06/06/2016–05/06/2018	
	2,100,000	2,100,000	06/06/2017–05/06/2018	
	10,500,000	10,500,000		
Total:	**20,120,000**	**20,120,000**		

Note:

No share option of the Company lapsed or was granted, exercised or cancelled during the financial period.

CHANGES IN INFORMATION OF DIRECTORS

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

Director(s)	#Salary and various allowances HK$'000		##Discretionary annual bonus in cash HK$'000	
Stephen T H Ng	7,823	*(2015: 7,243)*	11,500	*(2015:15,500)*
Andrew O K Chow	5,663	*(2015: 5,440)*	8,000	*(2015: 10,000)*
Doreen Y F Lee	5,963	*(2015: 5,605)*	7,500	*(2015: 9,500)*
Paul Y C Tsui	4,074	*(2015: 3,830)*	5,200	*(2015: 6,800)*
Y T Leng	3,882	*(2015: 3,695)*	4,000	*(2015: 4,000)*
K P Chan	3,383	*(2015: 3,212)*	4,000	*(2015: 4,000)*

\# *Not including the Chairman's fee HK$225,000 per annum (2015: HK$225,000) and the Director's fee HK$150,000 per annum (2015: HK$150,000) payable by the Company to the Chairman and all other Directors of the Company.*

\## *Paid during the six-month period ended 30 June 2016, with the amounts of such discretionary annual bonuses fixed/decided unilaterally by the employers.*

(II) Given below are other changes in information of the Director(s) of the Company since the publication of the last annual report of the Company:

	Effective Date
Stephen T H Ng	
• Hong Kong General Chamber of Commerce	
— re-designated as chairman (previously deputy chairman)	10 May 2016
• Hong Kong Trade Development Council	
— appointed as council member	10 May 2016
Paul Y C Tsui	
• Employers' Federation of Hong Kong	
— appointed as general committee member and chairman of functional group of "Property & Construction"	27 May 2016
Alexander S K Au	
• The Institute of Chartered Accountants in England and Wales	
— re-designated as a Fellow of the Institute	1 August 2016
Vincent K Fang	
• The Government of the Hong Kong Special Administrative Region	
— awarded the Honour of Gold Bauhinia Star	1 July 2016

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

BOOK CLOSURE

The Register of Members of the Company will be closed from Monday, 29 August 2016 to Wednesday, 31 August 2016, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to qualify for the abovementioned interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 26 August 2016.

By Order of the Board
Kevin C. Y. Hui
Company Secretary

Hong Kong, 10 August 2016

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

Notwithstanding any choice of language or means for the receipt of corporate communications (viz. annual report, interim report, etc.) previously made by Shareholder(s) and communicated to the Company, Shareholder(s) is/are given the option (which may be exercised at any time by giving reasonable prior notice to the Company) of changing his/her/their choice of printed language version(s) to English only, Chinese only or both English and Chinese for receiving future corporate communications, or changing the choice of receiving future corporate communications to using electronic means instead of in printed version (or vice versa). Such notice of change of choice should contain the full name(s) in English, address and contact telephone number of the relevant Shareholder(s), together with the relevant words regarding the request for the change of choice, and should be sent to the Company, c/o the Company's Registrars, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by post or by hand delivery, or via email to wharfholdings-ecom@hk.tricorglobal.com.