



**WHEELOCK**

*Founded 1857*

## **Wheelock and Company Limited**

*Interim Report 2013*



Stock Code: 20  
[www.wheelockcompany.com](http://www.wheelockcompany.com)



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# Core Business Taking Root

## Both Core EPS & DPS Increased by 40%

### HIGHLIGHTS

#### Wheelock & Company

1. Core business, Hong Kong Development Properties (“DP”) taking root under Wheelock Properties Limited (“WPL”).
  - DP revenue of HK\$1.9 billion or 11% of Group total (2012: 2%).
  - Core DP profit of HK\$0.6 billion or 13% of Group total (2012: 5%).
  - HK\$5.0 billion of sales (2012: HK\$4.4 billion), 50% of full year target of HK\$10 billion.
  - HK\$4.5 billion sale of One Bay East — West Tower the single largest transaction of the year in Hong Kong.
  - Net order book increased to HK\$6.1 billion (December 2012: HK\$3.1 billion).
  - Land bank under management 7.6 million square feet GFA as at June 2013 (December 2012: 6.7 million square feet).
  - Acquired 1.4 million square feet GFA for HK\$8.0 billion in the first half.
2. Wheelock’s own performance, before consolidation of listed subsidiaries Wharf and Wheelock Singapore, reported core profit of HK\$1.3 billion (2012: HK\$0.4 billion).
3. Strong dividend streams from Wharf and Wheelock Singapore (HK\$2.2 billion in the period).
4. HK\$10 billion of prime Investment Properties (“IP”) in Central at 99% occupancy provides strong recurrent cash flow.
5. Stable debt structure with managed maturity.
  - Wheelock’s own net debt excluding Wharf and Wheelock Singapore’s non-recourse debt was HK\$28.5 billion, leading to net debt to attributable net asset value ratio of 17.8% (December 2012: 13.4%).
  - Average gross debt maturity of 44 months.
  - 21% of gross debt or HK\$7.1 billion to maturity within 30 months.

## Wheelock Group

6. Group consolidated core profit increased by 40% to HK\$4.8 billion.
7. First interim dividend increased by 40% to 35 cents per share to reward Shareholders.
8. Wharf reported a core profit of HK\$5.7 billion. Core business IP continued to track or exceed its long term growth rate.
9. Wheelock Singapore's profit contribution increased by 93% to HK\$0.7 billion.
10. Consolidated profit attributable to equity shareholders decreased by 20% to HK\$10.8 billion, due to lower property revaluation surplus.
  - Wharf's IP valuation by independent professional valuer increased by 5.3%, compared to a 9.9% increase in 2012, to reflect their expectation on stabilising rental.

## GROUP RESULTS (UNAUDITED)

Excluding IP revaluation surplus and exceptional items, consolidated core profit increased by 40% to HK\$4,761 million (2012: HK\$3,391 million).

Including exceptional items but excluding IP revaluation surplus, Group profit increased by 22% to HK\$5,155 million (2012: HK\$4,222 million).

Group profit attributable to equity shareholders decreased by 20% to HK\$10,845 million (2012: HK\$13,572 million). Earnings per share were HK\$5.34 (2012: HK\$6.68).

## INTERIM DIVIDEND

An interim dividend of 35 cents (2012: 25 cents) per share will be paid on 30 September 2013 to Shareholders on record as at 25 September 2013, absorbing a total amount of HK\$711 million (2012: HK\$508 million).



## Anchoring the Group's Brand Presence in Asia's Key Financial Centres

With Unique and Unmatched Foothold in  
Hong Kong, Shanghai and Singapore

★ Shanghai

**Wheelock Square**

Nanjing Xi Road  
Shanghai



★ Hong Kong

**Wheelock House**

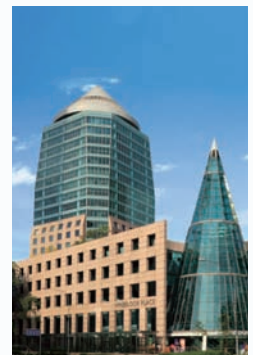
Pedder Street  
Hong Kong



★ Singapore

**Wheelock Place**

Orchard Road  
Singapore



## BUSINESS REVIEW

### Investment Properties (“IP”)

Wheelock’s two rare and valuable IP in Central have a combined market value of HK\$10 billion. Both properties’ office and retail occupancy rates stood at 99%, generating a stable recurring rental income.

Wheelock House is located at Hong Kong’s ground zero CBD at the corner of Pedder Street and Des Voeux Road Central, above the Central MTR Station. Together with Wheelock Square in Shanghai and Wheelock Place in Singapore, these three Wheelock branded landmarks anchor the Group’s branding presence in Asia’s key financial centres.

Crawford House’s seven-storey retail area of 83,000 square feet, with a 120-foot high street frontage laying by along the Queen’s Road Central makes it a scarce property most sought after by retailers. Its retail value is enhanced as core Central retail is spreading across to the west towards the mid-level escalators adjacent to Crawford House.

### Development Properties (“DP”)

#### Hong Kong Property Sales

Property sales are progressing in line with plan in the first half of 2013, including the HK\$4.5 billion en-bloc sale of One Bay East West Tower and additional units of Kadoorie Hill and Lexington Hill, contributed to HK\$5.0 billion (2012: HK\$4.4 billion).

The West Tower of One Bay East in Kowloon East was pre-sold to Manulife in March 2013, which represents the largest single transaction in value of the year in Hong Kong, and a strong endorsement of Wheelock Properties Limited’s (“WPL”) product quality and execution capability. The 21-storey Grade A office tower with a GFA of 512,000 square feet will serve as Manulife’s Hong Kong headquarter. WPL will continue to market the East Tower, with a GFA of 512,000 square feet.

Site C of Austin MTR Station, a prime residential project held by a 50%-owned joint venture with New World Development, is targeted for pre-sales in the last quarter of 2013. This large-scale residential development guards the entrance of West Kowloon Cultural District (“WKCD”) with a total GFA of 1,282,000 square feet. This development is uniquely linked to three rail stations and four rail lines: Austin MTR Station underneath, Airport Express at Kowloon Station, Tung Chung MTR line at Kowloon Station and Hong Kong’s only Express Rail Link terminus (construction is targeted to complete in 2015). The site is surrounded by a community environment and comprehensive facilities in the neighborhood including Harbour City, Elements and Canton Road. The prime city-centred and harbour-facing site with full transportation convenience, is truly unrivalled. It will become Hong Kong’s culture centre upon the completion of WKCD. Full completion is scheduled for 2015.

Kadoorie Hill, a residential building of 66 units, is located at Prince Edward Road West in Homantin. A total of 62 units were sold as at June 2013 at an average price of HK\$18,000 per square foot, generating sales proceeds of HK\$1.89 billion. The development was completed in the first half of 2013. Handover to buyers will start in September.





# Wheelock House



## Land Bank

WPL continues to capture selectively land banking opportunities. The total DP land bank under management in Hong Kong accumulated to 7.6 million square feet as at 30 June 2013 after acquisitions of four residential sites at HK\$8.0 billion with a total GFA of 1.4 million square feet during the first half of 2013.

The land sites acquired mainly through public tender, which include Homantin (0.4 million square feet GFA at HK\$3.8 billion), Tuen Mun So Kwun Wat (0.4 million square feet GFA at HK\$1.4 billion) and Tseung Kwan O Lot 112 (0.6 million square feet GFA at HK\$2.5 billion). The bid in Homantin, at slightly less than HK\$9,900 per square foot, is the lowest among other recent tenders in the district. The acquisition of 175–179 Shau Kei Wan Road is through private acquisition (total 95,000 square feet GFA together with an adjacent site acquired in 2012, at HK\$0.9 billion) early this year.

WPL maintains a well-balanced portfolio. In terms of locational diversity, it includes geographic areas, namely Kowloon South, Bay East Waterfront Cluster in CBD2, Tseung Kwan O South and the Peak. In terms of product diversity, residential premises represent 80% of the land bank and commercial premises for sales account for the remaining 20%.

“Kowloon South Portfolio” consists of five developments with a total 2.3 million square feet GFA and 30% of total land bank, mainly Austin MTR Station, Homantin Fat Kwong Street, One HarbourGate (formerly known as Hung Luen Road commercial development) and Kadoorie Hill. These developments are located in Kowloon’s city centre and conveniently linked to MTR Stations.

“Bay East Waterfront Cluster in CBD2” consists of One Bay East (100% interest), Wharf T&T Square and Kowloon Godown redevelopments (de facto 52% interest), amounting to 1.9 million square feet GFA and 25% of total land bank. The cluster, spanning over 500-metre of coastline, is situated in the heart of the new CBD2 and the Government’s initiative of ‘Re-energising Kowloon East’.

“Tseung Kwan O South Portfolio” signifies WPL’s position as one of the two dominant landowners in the region, each with one-third of the market. The four sites together total 2.3 million square feet GFA and 27% of total land bank for development into over 2,500 residential units.

The “Peak Portfolio”, held by The Wharf (Holdings) Limited, provides 0.5 million square feet GFA of rare luxury residential land parcels on the Peak. It is the most sought after collection in Hong Kong where supply is limited. Prestigious addresses of 1 Plantation Road, 11 Plantation Road and 77 Peak Road are under redevelopment. The Mount Nicholson site was acquired at HK\$10.4 billion by a 50:50 joint venture with Nan Fung group. It will be developed into deluxe residences of 324,000 square feet GFA with pre-sales scheduled in 2014.

Tuen Mun So Kwun Wat development, which has a vast site area close to 300,000 square feet, is adjacent to the new Harrow International School. This low-density development offers a tranquil living environment with apartment towers and villas. The site is served by a convenient transportation network to Tsim Sha Tsui and Central via Tuen Mun Road and Route 3. The Gold Coast Yacht and Country Club is within 10 minutes’ drive.

## A Timely Move to Develop Office Properties

The timely acquisitions of office sites in the last few years have proven to be attractive diversification, especially in the face of recent policy tightening in the residential sector. In the past three years, 1.5 million square feet of office properties were sold. On average, one project was launched for pre-sales every year. The successful sales of One Bay East, One Island South and One Midtown are all good examples.

WPL has 1.7 million square feet of waterfront office portfolio and is well-positioned to meet the increasing office demand. The remaining tower of One Bay East and One HarbourGate are ready for pre-sales in the second half of 2013 and 2014.

One HarbourGate comprises of twin Grade A office towers and a pair of low-rise retail villas with 180-degree sea view. It is located in Hung Hom's core commercial hub, in close proximity to MTR East and West Rails, through-train services to Guangzhou, the future Shatin-to-Central cross-harbour MTR service and the future Whampoa MTR Station.

## Successful and Sustainable Urban Redevelopments

Wheelock's capability in identification of aged buildings in good locations and their redevelopment into premium quality residences has been well proven. The Babington, Lexington Hill and Kadoorie Hill were all sold strongly with positive market feedback and attractive margins. High Street and 175-179 Shau Kei Wan Road are scheduled for pre-sales in 2014 and 2016.

Wheelock has an experienced, stable and transparent management team competent in acquisition, product development and sales.

WPL won BCI Asia's "Top 10 Developers" Award for two consecutive years. This achievement demonstrated the management team's diverse and versatile skills, execution capability and commitment to deliver quality products.

## Corporate Social Responsibility

Wheelock is committed to 'Business in Community'. Being a caring and responsible corporate citizen, it is actively involved in a variety of initiatives covering the environment, education, community care and art and culture.

In environment, the Woo Wheelock Green Fund ("WWGF") was established in 1994 in collaboration with the Environment and Conservation Fund, which Mr Peter K C Woo is the Founding Chairman of both, to support environmental research and technology projects. In the past six years, WWGF supported 13 projects. A project aimed at developing an automatic switch-off system for idling automobile engines to achieve fuel saving and reduce emission is now being prepared for commercialisation. WPL participated in World Wide Fund Hong Kong's Low-Carbon Office Operation Program and was awarded 2012 Gold Label Award.

In education, Wheelock is actively involved in Project *WeCan*, a pioneer 360-degree school improvement programme launched in 2011 benefiting more than 12,000 students. The programme's objective is to help students and schools of humble backgrounds and lift them to a new level. In addition to financial support, staff volunteering and participation is an important part of the programme. Wheelock currently supports two secondary schools: Fung Kai No. 1 Secondary School and Ng Yuk Secondary School.

In community care, more than 60% of WPL's staff engaged in community and volunteer activities. It continues to support and partner with Hong Chi Association, Walk for the Environment, Hike for Hospice and Wu Zhi Qiao (Bridge to China).

In art and culture, WPL keenly supports talented local artists through different means, such as the Hong Kong Art Prize 2013. Winning art works were exhibited at Wheelock Gallery for public viewing. It sponsored venue for Christie's 2013 Spring auction collection of Asian 20th Century and Contemporary Art.

## **76% Equity Investment in Wheelock Properties (Singapore) Limited ("WPSL")**

For the first half of 2013, WPSL contributed a profit of HK\$732 million (2012: HK\$380 million) to the Group in accordance with Hong Kong Financial Reporting Standards.

Wheelock Place and Scotts Square Retail continue to generate steady recurrent income while demand of prime retail and office spaces remain strong. Wheelock Place recorded 94% overall occupancy rate as at 30 June 2013, of which 99% was derived from the retail podium. The well-trafficked retail basements are linked to the MRT and the adjacent retail site at the corner of Paterson Road and Orchard Road. Scotts Square Retail's occupancy rate stood at 95% as at 30 June 2013. It is a boutique retail gem located next to the Grand Hyatt and Tangs Plaza. WPSL is actively putting the remaining vacant units in the market.

Ardmore Three, a 36-storey luxury residential development along Ardmore Park, was launched for pre-sales at an average price of S\$3,158 per square foot. 3.6% was sold as at 30 June 2013. Construction of the development is expected to complete by 2014.

WPSL successfully won a tender for a residential site of 198,940 square feet in Singapore's traditional residential district of Ang Mo Kio besides Nicholas Girls' School for S\$550 million in January 2013. This development is well-connected to the future Mayflower MRT station. With a GFA of 696,300 square feet, it can create approximately 700 residential units. Design planning is underway.

In China, a luxury residential site located at Hangzhou's Fuyang district with 303,530 square metres GFA is under construction. Phase I is targeted for pre-sales in the last quarter of 2013.



# Wheelock Place



## 52% Equity Investment in The Wharf (Holdings) Limited ("Wharf")

Wharf is a property company with unique IP and strategic focus on China DP. Wharf's IP, being close to 70% of total business assets, generating strong dividend streams to Wheelock.

### Core Business — Investment Properties

Harbour City, Times Square and Plaza Hollywood have a combined 3.5 million square feet of prime mall capacity, attracted 175 million foot traffic last year. In 2012, these three retail malls accounted for close to 10% share of Hong Kong's total retail sales and 2.3% of Hong Kong GDP.

Harbour City is Wharf's flagship IP in Hong Kong with eight million square feet GFA. It remains as one of the world's leading shopping destinations in terms of total sales. Ocean Terminal's renovation is an important part of Harbour City's efforts in premises improvement for value creation. Internationally renowned architecture firm Foster has been appointed to design the building extension. Office demand continued to be fuelled by business expansion and corporate upgrade.

Times Square is among the most successful vertical malls in the world. Its success lies in a unique 17-level design, diverse trade-mix and direct linkage to the MTR. 2013 marks the 20th anniversary of Times Square. A re-launch later of the year will position the 'new Times Square' as the mall with the most extensive product range, entertainment and culinary choices at the heart of Causeway Bay. The office towers' occupancy held up solidly with favourable rental increment.

Plaza Hollywood has been gathering rapid momentum. Prominently located atop Diamond Hill MTR Station, it will be served by the future interchange hub for the new Shatin-to-Central Link and the existing network. Doubling of foot traffic is expected.

Wheelock Square in Shanghai continued to be immensely favoured by multinationals and major corporations. Dalian Times Square is a successful luxury shopping landmark, which houses a myriad of top-notch brands. Chongqing Times Square, located in the city's ground zero CBD Liberation Statue Square, has re-opened with the additional retail brands since July 2011.

Five International Finance Squares (IFSs) are under development in China. Wharf is actually building two and a half Harbour City in Chengdu IFS, Changsha IFS and Chongqing IFS with retail malls and super high-rise towers.

Chengdu IFS, the Group's next flagship development, is strategically located at the busiest pedestrian shopping area of the city. This unrivalled location attracts a large concentration of mainstream consumers and thriving businesses and can be aptly dubbed a combination of Hong Kong's Central CBD, Causeway Bay and Tsim Sha Tsui. The development comprises of a mega shopping mall, two premium Grade A office towers, a luxurious residential tower and a five-star international hotel. The first phase, including a 210,000-square-metre mega-sized retail mall and a Grade A office tower, is scheduled for completion in the second half of 2013. Retail pre-leasing continued to exceed plan. Mirroring the success of Harbour City, it is poised to become the one-stop shopping landmark in western China, an unmatched all-in-one shopping experience. The mega retail mall is scheduled to open in January 2014.

## China Development Properties

With 125 million square feet of landbank under development, China DP remains a key growth driver for Wharf. Riding on its trusted brand in the development of quality and well-located residences, Wharf's DP projects in China drew upbeat responses. Various key regions witnessed solid contracted sales growth underscoring the resilient local demand for quality housing and its proven execution capability. There are a total of 33 projects currently on sales spanning across 12 cities.

Wharf holds approximately 24.4% of the equity interest of Greentown and together with the perpetual subordinated convertible securities for a total consideration of approximately HK\$5.3 billion. The investment in Greentown is for the long term, complementing its business strategy of continual expansion in China.

## Others

Marco Polo Hotel currently operates 13 owned or managed hotels in the Asia Pacific region. A solid portfolio of 10 hotels will serve as a core platform of an expanding hotel network over the next five years.

Modern Terminals' consolidated revenue increased modestly while global trade flows continue to be blighted by the ongoing weakness of the United States and European economies.

i-CABLE continued to maintain a healthy financial position. Wharf T&T recorded solid net profit growth.



# Wheelock Square





## FINANCIAL REVIEW

### (I) Review of 2013 interim results

#### Wheelock & Company

Wheelock and its other subsidiaries' profit for the first half of 2013 increased year-on-year by 4% to HK\$1,408 million (2012: HK\$1,352 million). Excluding the IP revaluation surplus of HK\$129 million (2012: HK\$987 million), core profit increased by 250% to HK\$1,279 million (2012: HK\$365 million), mainly attributable to the completion of and successful property sales from Kadoorie Hill, profit on sale of available-for-sale investments and higher profit contribution from associates.

#### Wheelock Group

The Group continued to deliver solid financial results in the first half of 2013 with its core profit increased year-on-year by 40% to HK\$4,761 million and profit before IP surplus by 22% to HK\$5,155 million. The favourable results were mainly attributable to Wharf's continuous rental revenue growth and a significant profit from sale of available-for-sale investments.

Group profit attributable to equity shareholders, however, decreased by 20% to HK\$10,845 million, due to lower property revaluation surplus and the absence of one-off accounting gain as compared to 2012.

#### Revenue and Operating Profit

Group revenue decreased by 12% to HK\$17,398 million (2012: HK\$19,716 million) due to lower property sales recognised, which was partly mitigated by the double-digit rental revenue increase.

Group operating profit decreased by 20% to HK\$7,292 million (2012: HK\$9,106 million), of which HK\$6,080 million (2012: HK\$8,241 million) was contributed by Wharf, HK\$257 million (2012: HK\$461 million) by WPSL, and HK\$955 million (2012: HK\$404 million) by Wheelock and its other subsidiaries.

#### *Investment Property ("IP")*

Revenue and operating profit increased by 10% and 12% to HK\$5,758 million (2012: HK\$5,214 million) and HK\$4,868 million (2012: HK\$4,328 million) respectively, attributable to higher retail rental income through better sales performance achieved by retail tenants and the continuous positive rental reversions for office areas particularly in Harbour City and Times Square. Revenue from the Mainland increased by 12% to HK\$536 million (2012: HK\$479 million), mainly due to the escalating revenue generated by Shanghai Wheelock Square and Chengdu Times Outlet, though partly impacted by the renovation works of Shanghai Times Square.

### *Development Property (“DP”)*

Revenue and operating profit decreased by 31% and 58% to HK\$6,926 million (2012: HK\$10,073 million) and HK\$1,658 million (2012: HK\$3,927 million) respectively, mainly due to lower property sales recognised in the absence of large revenue and profit from Shanghai Xiyuan and Hong Kong One Midtown in 2012.

In Hong Kong, recognised property sales and operating profit amounted to HK\$1,960 million (2012: HK\$2,508 million) and HK\$800 million (2012: HK\$1,221 million) respectively. Kadoorie Hill was completed with 94% residential units sold enabling the recognition of revenue of HK\$1,887 million and operating profit of HK\$743 million.

In the Mainland, recognised property sales and operating profit decreased by 28% and 64% to HK\$4,966 million (2012: HK\$6,929 million) and HK\$864 million (2012: HK\$2,422 million) respectively. The income was mainly derived from Changzhou Times Palace, Suzhou Times City and Chengdu Le Palais and Crystal Park.

Despite low property sales recognised during the period, DP segment continued to execute well. Inclusive of joint ventures and associates (other than Greentown) on an attributable basis, the Group’s contracted property sales increased to HK\$18.7 billion (2012: HK\$14.3 billion), increasing its net order book to HK\$30.1 billion by end of June 2013 (December 2012: HK\$22.5 billion), of which about 79% is in the Mainland and the balance is in Hong Kong pending recognition on completion.

### *Hotels*

Revenue increased by 6% to HK\$689 million (2012: HK\$649 million) through improved rooms rates but operating profit decreased by 11% to HK\$170 million (2012: HK\$192 million), chiefly impacted by rooms renovation for the Gateway Hotel.

### *Logistics*

Revenue increased by 3% to HK\$1,560 million (2012: HK\$1,515 million) but operating profit decreased by 18% to HK\$476 million (2012: HK\$577 million), mainly due to higher operating costs.

### *Communications, Media and Entertainment (“CME”)*

Revenue and operating profit decreased by 1% and 59% to HK\$1,929 million (2012: HK\$1,942 million) and HK\$7 million (2012: HK\$17 million) respectively. Wharf T&T’s operating profit increased by 20% to HK\$143 million (2012: HK\$119 million) while i-CABLE’s operating loss widened to HK\$116 million (2012: loss of HK\$100 million).



### *Investment and Others*

Investment and other operating profit amounted to HK\$537 million (2012: HK\$342 million), comprising largely dividend and interest income.

### **Increase in Fair Value of IP**

The book value of the Group's IP portfolio as at 30 June 2013 increased to HK\$265.8 billion (2012: HK\$250.7 billion), with HK\$240.4 billion thereof stated at fair value based on an independent valuation as at that date. That resulted in a revaluation surplus of HK\$11,393 million (2012: HK\$18,333 million). The attributable net revaluation surplus of HK\$5,690 million (2012: HK\$9,350 million), after deducting related deferred tax and non-controlling interests in total of HK\$5,703 million (2012: HK\$8,983 million), was credited to the consolidated income statement.

IP in the amount of HK\$25.4 billion, which had not been revalued were all under development and will not be carried at fair value until the earlier of their fair values first becoming reliably measurable or the dates of their respective completion.

### **Other Net Income**

Other net income amounted to HK\$1,662 million (2012: HK\$1,509 million), comprising mainly profit on disposal of available-for-sale investments of HK\$1,052 million (2012: loss of HK\$25 million), which included WPSL's accounting gain on disposal of SC Global shares of HK\$577 million, and net exchange gain of HK\$312 million (2012: loss of HK\$60 million). In the first half of 2012, the non-recurrent book accounting gain of HK\$1,543 million arising from Wharf's acquisition of the equity interest in Greentown was recognised.

### **Finance Costs**

Finance costs charged to the consolidated income statement were HK\$238 million (2012: HK\$688 million), which included an unrealised mark-to-market gain of HK\$840 million (2012: HK\$92 million) on the cross currency/interest rate swaps as measured in compliance with the prevailing accounting standards. Net of non-controlling interests, the attributable gain is HK\$421 million (2012: HK\$52 million).

Excluding the unrealised mark-to-market gain, finance costs were HK\$1,752 million (2012: HK\$1,239 million) before capitalisation of HK\$674 million (2012: HK\$459 million), and HK\$1,078 million (2012: HK\$780 million) after capitalisation. The increase in finance costs was mainly due to increase in gross borrowings and rise in effective borrowing rates. The Group's effective borrowing rate for the period was 3.2% (2012: 2.6%) per annum.

## Share of Results of Associates and Joint Ventures

Share of profits of associates increased by HK\$1,004 million to HK\$1,401 million (2012: HK\$397 million), mainly due to the inclusion of an attributable profit of HK\$583 million (2012: Nil) from Greentown and increase in profit contributions from DP projects in the Mainland undertaking by associates.

Share of profits of joint ventures increased by HK\$239 million to HK\$243 million (2012: HK\$4 million), reflecting the increased profit contributions from DP projects in the Mainland.

## Income Tax

Taxation charge was HK\$1,822 million (2012: HK\$2,741 million), which included deferred taxation of HK\$408 million (2012: HK\$601 million) provided for the revaluation surplus of IP located in the Mainland.

Excluding the above deferred tax, the tax charge decreased to HK\$1,414 million (2012: HK\$2,140 million), mainly due to lower profit recognised by DP segment.

## Non-controlling Interests

Profit attributable to non-controlling interests decreased by HK\$3,262 million to HK\$9,086 million (2012: HK\$12,348 million), which was mainly attributable to profit of Wharf and WPSL.

## Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders decreased by 20% to HK\$10,845 million (2012: HK\$13,572 million). Earnings per share were HK\$5.34 (2012: HK\$6.68).

Excluding the net IP surplus of HK\$5,690 million (2012: HK\$9,350 million), Group profit attributable to equity shareholders increased by 22% to HK\$5,155 million (2012: HK\$4,222 million).

Further stripping out the attributable mark-to-market gain of HK\$394 million (2012: HK\$52 million) on swaps and other financial assets and the exceptional attributable book accounting gain arising from acquisition of equity interest in Greentown of HK\$779 million in the same period last year, core profit increased by 40% to HK\$4,761 million (2012: HK\$3,391 million). Core earnings per share were HK\$2.34 (2012: HK\$1.67).

Set out below is an analysis of the Group profit attributable to the equity shareholders as contributed by each of Wharf, WPSL and the Company together with its other subsidiaries.

	<b>2013</b>	2012
Profit attributable to	<b>HK\$ Million</b>	HK\$ Million
Wharf group	<b>2,927</b>	2,738
WPSL group	<b>555</b>	288
Wheelock and other subsidiaries	<b>1,279</b>	365
Core profit	<b>4,761</b>	3,391
Attributable mark-to-market gain on swaps and other financial assets	<b>394</b>	52
Attributable book accounting gain arising from acquisition of equity interest in Greentown	<b>–</b>	779
Profit before IP surplus	<b>5,155</b>	4,222
IP surplus (after deferred tax)	<b>5,690</b>	9,350
Profit attributable to equity shareholders	<b>10,845</b>	13,572

Wharf's profit for the first half of 2013 decreased by 27% to HK\$17,240 million (2012: HK\$23,646 million). Excluding the net IP surplus, Wharf's net profit decreased by 9% to HK\$6,447 million (2012: HK\$7,072 million). Before the IP surplus and the abovementioned exceptionals, Wharf's core profit increased by 5% to HK\$5,683 million (2012: HK\$5,425 million).

WPSL's reported profit for the first half of 2013 was S\$119.5 million (2012: S\$61.7 million) according to the accounting standards adopted in Singapore. In accordance with Hong Kong Financial Reporting Standards, WPSL's contributed profit to the Group was HK\$732 million (2012: HK\$380 million).

Wheelock and its other subsidiaries' profit for the first half of 2013 increased to HK\$1,408 million (2012: HK\$1,352 million). Excluding the IP surplus of HK\$129 million, core profit increased by 250% to HK\$1,279 million.



## **(II) Liquidity, Financial Resources and Capital Commitments**

### **Shareholders' and Total Equity**

The Group's Shareholders' equity increased by 5% to HK\$160.0 billion (2012: HK\$152.0 billion), or HK\$78.76 per share (2012: HK\$74.83 per share) as at 30 June 2013.

Including the non-controlling interests, the Group's total equity increased by 5% to HK\$299.4 billion (2012: HK\$285.9 billion).

### **Total Assets**

The Group's total assets increased by 7% to HK\$459.5 billion (2012: HK\$429.8 billion). Total business assets, i.e. excluding bank deposits and cash, certain financial investments, deferred tax assets and other derivative financial assets, increased by 7% to HK\$408.6 billion (2012: HK\$381.9 billion).

The Group's IP portfolio was HK\$265.8 billion, representing 65% of total business assets. Together, Harbour City (excluding the three hotels) and Times Square in Hong Kong were valued at HK\$178.8 billion, representing 67% of the value of the portfolio. Wharf's IP in the Mainland amounted to HK\$40.7 billion, including those under development which were stated at cost of HK\$23.4 billion.

Other major business assets included fixed assets of HK\$19.9 billion, interest in joint ventures and associates (mainly for the Mainland DP and port projects) of HK\$38.6 billion and properties under development and held for sale of HK\$73.4 billion.

Geographically, the Group's business assets in the Mainland, mainly properties and terminals, increased to HK\$140.2 billion (2012: HK\$134.6 billion), representing 34% of the Group's total business assets.

## Debt and Gearing

The Group's net debt increased by HK\$9.0 billion to HK\$82.2 billion (2012: HK\$73.2 billion) as at 30 June 2013, comprising debt of HK\$119.1 billion less bank deposits and cash of HK\$36.9 billion. The increase in net debt was mainly due to payment of land cost for DP projects. Excluding Wharf's net debt of HK\$53.3 billion and WPSL's net debt of HK\$0.4 billion, which are non-recourse to the Company and its other subsidiaries, Wheelock's net debt was HK\$28.5 billion (2012: HK\$20.4 billion). Analysis of the net debt by group is as below:

	<b>2013</b>	2012
Net debt/(cash)	<b>HK\$ Million</b>	HK\$ Million
Wharf (excludes below subsidiaries)	<b>46,275</b>	49,201
Modern Terminals	<b>11,241</b>	11,193
Harbour Centre Development Limited	<b>(4,157)</b>	(4,581)
i-CABLE	<b>(56)</b>	(188)
Wharf group	<b>53,303</b>	55,625
WPSL group	<b>434</b>	(2,801)
Wheelock and other subsidiaries	<b>28,486</b>	20,417
Group	<b>82,223</b>	73,241

As at 30 June 2013, the ratio of net debt to total equity (on consolidation basis) was 27.5% (2012: 25.6%). Or if excluding net debt of Wharf and WPSL, Wheelock's net debt to shareholders' equity (on attributable net asset value basis) was 17.8% (2012: 13.4%).

## Finance and Availability of Facilities

The Group's available loan facilities and issued debt securities amounting to HK\$144.9 billion (2012: HK\$127.9 billion), of which HK\$119.1 billion were drawn, as at 30 June 2013 are analysed as below:

	<b>Available Facility HK\$ Billion</b>	<b>Total Debts HK\$ Billion</b>	<b>Undrawn Facility HK\$ Billion</b>
Wharf (excludes below subsidiaries)	80.7	66.0	14.7
Modern Terminals	13.6	11.7	1.9
Harbour Centre Development Limited	4.5	3.8	0.7
i-CABLE	0.4	0.1	0.3
Wharf group	99.2	81.6	17.6
WPSL group	6.0	3.5	2.5
Wheelock and other subsidiaries	39.7	34.0	5.7
Group	144.9	119.1	25.8

Of the above debt, HK\$22.3 billion (2012: HK\$19.4 billion) was secured by mortgage over certain properties under development and fixed assets with total carrying value of HK\$42.0 billion (2012: HK\$31.7 billion).

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

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

The Group continued to maintain a strong financial position with ample surplus cash denominated principally in HKD, RMB and SGD and undrawn committed facilities to facilitate the Group's expanding business and investment activities. The Group also maintained a portfolio of financial investments, primarily in blue-chip securities, with an aggregate market value as at 30 June 2013 of HK\$14.2 billion (2012: HK\$14.8 billion), which is immediately available for liquidation for the Group's use.

### **Cash Flows for the Group's Operating and Investing Activities**

For the period under review, the Group's operating cash inflow before changes in working capital was HK\$7.5 billion (2012: HK\$9.5 billion). The changes in working capital and others resulted in a net outflow of HK\$8.1 billion (2012: HK\$7.1 billion) chiefly due to payment of land cost for DP projects. For investing activities, the Group reported a net cash outflow of HK\$4.0 billion (2012: HK\$13.2 billion), mainly for additions to IP in the Mainland.

## Major Capital and Development Expenditure and Commitments

The Group's major capital and development expenditure incurred in the first half of 2013 are analysed as follows:

### A. Major capital and development expenditure

	Hong Kong/ Singapore HK\$ Million	Mainland China HK\$ Million	Total HK\$ Million
<b>IP</b>			
Wharf group	433	1,679	2,112
WPSL group	1	–	1
Wheelock and other subsidiaries	1,109	–	1,109
	1,543	1,679	3,222
<b>DP</b>			
Wharf group	22	5,227	5,249
WPSL group	3,559	50	3,609
Wheelock and other subsidiaries	6,338	40	6,378
	9,919	5,317	15,236
<b>Properties total</b>	11,462	6,996	18,458
<b>Others</b>			
Wharf group			
Hotels	88	73	161
Modern Terminals	70	24	94
Wharf T&T	156	–	156
i-CABLE	78	–	78
Others	1	–	1
	393	97	490
<b>Group total</b>	11,855	7,093	18,948

- i. IP expenditure incurred during the period mainly included construction cost for Chengdu IFS and additions to IP in Hong Kong.
- ii. The Group also incurred HK\$15.2 billion for DP projects mainly comprising HK\$5.3 billion for Mainland properties, HK\$6.3 billion for Hong Kong properties and HK\$3.6 billion for Singapore properties.
- iii. For Modern Terminals, capital expenditure was mainly for additions to other fixed assets and terminal equipment in the Mainland while those for Wharf T&T and i-CABLE were incurred substantially for procurement of production and broadcasting equipment, network rollout and internet service equipment.



**B. Commitments to capital and development expenditure**

As at 30 June 2013, the Group's major commitments to capital and development expenditure that is expected to be incurred in the forthcoming years was estimated at HK\$109.7 billion, of which HK\$34.4 billion was authorised and contracted for. By segment, the commitments are analysed as below:

	<b>As at 30 June 2013</b>		
	<b>Authorised and contracted for HK\$ Million</b>	<b>Authorised but not contracted for HK\$ Million</b>	<b>Total HK\$ Million</b>
<b>IP</b>			
Hong Kong/Singapore			
Wharf group	1,493	455	1,948
WPSL group	6	–	6
Wheelock and other subsidiaries	1	–	1
	1,500	455	1,955
Mainland China			
Wharf group	6,667	19,924	26,591
	8,167	20,379	28,546
<b>DP</b>			
Hong Kong/Singapore			
Wharf group	889	–	889
WPSL group	332	1,560	1,892
Wheelock and other subsidiaries	8,413	9,544	17,957
	9,634	11,104	20,738
Mainland China			
Wharf group	15,637	40,149	55,786
WPSL group	429	2,159	2,588
Wheelock and other subsidiaries	93	280	373
	16,159	42,588	58,747
	25,793	53,692	79,485
<b>Others</b>			
Wharf group			
Hotels	201	449	650
Modern Terminals	92	263	355
Wharf T&T	126	288	414
i-CABLE	16	226	242
	435	1,226	1,661
<b>Group total</b>	<b>34,395</b>	<b>75,297</b>	<b>109,692</b>

Properties commitments are mainly for land and construction costs, inclusive of attributable commitments to joint ventures and associates, to be incurred in stages in the forthcoming years. Attributable committed land costs of HK\$9.9 billion are payable in 2013.

The above commitments and planned expenditures will be funded by the respective groups' own internal financial resources including surplus cash, cash flow 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 financial investments.

### **(III) Human Resources**

The Group had approximately 15,900 employees as at 30 June 2013, including about 2,700 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay trends with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective group's achievement and results.

## CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013 — Unaudited

		Six months ended 30 June	
		2013	2012
	Note	HK\$ Million	HK\$ Million
<b>Revenue</b>	2	<b>17,398</b>	19,716
Direct costs and operating expenses		<b>(7,962)</b>	(8,694)
Selling and marketing expenses		<b>(603)</b>	(592)
Administrative and corporate expenses		<b>(828)</b>	(622)
Operating profit before depreciation, amortisation, interest and tax		<b>8,005</b>	9,808
Depreciation and amortisation	3	<b>(713)</b>	(702)
<b>Operating profit</b>	2 & 3	<b>7,292</b>	9,106
Increase in fair value of investment properties		<b>11,393</b>	18,333
Other net income	4	<b>1,662</b>	1,509
		<b>20,347</b>	28,948
Finance costs	5	<b>(238)</b>	(688)
Share of results after tax of:			
Associates		<b>1,401</b>	397
Joint ventures		<b>243</b>	4
Profit before taxation		<b>21,753</b>	28,661
Income tax	6	<b>(1,822)</b>	(2,741)
<b>Profit for the period</b>		<b>19,931</b>	25,920
<b>Profit attributable to:</b>			
Equity shareholders		<b>10,845</b>	13,572
Non-controlling interests		<b>9,086</b>	12,348
		<b>19,931</b>	25,920
<b>Earnings per share</b>	7		
Basic		<b>HK\$5.34</b>	HK\$6.68
Diluted		<b>HK\$5.34</b>	HK\$6.68



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013 — Unaudited

	Six months ended 30 June	
	2013	2012
	HK\$ Million	HK\$ Million
<b>Profit for the period</b>	<b>19,931</b>	25,920
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange gain/(loss) on translation of foreign operations	903	(64)
Net revaluation of available-for-sale investments:	(2,615)	815
(Deficit)/surplus on revaluation	(1,619)	682
Transferred to consolidated income statement on disposal	(996)	133
Share of other comprehensive income of associates/joint ventures	323	(69)
Others	9	30
<b>Other comprehensive income for the period</b>	<b>(1,380)</b>	712
<b>Total comprehensive income for the period</b>	<b>18,551</b>	26,632
<b>Total comprehensive income attributable to:</b>		
Equity shareholders	9,362	14,161
Non-controlling interests	9,189	12,471
	<b>18,551</b>	26,632

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013 — Unaudited

	Note	30 June 2013 HK\$ Million	31 December 2012 HK\$ Million
<b>Non-current assets</b>			
Investment properties		265,770	250,729
Fixed assets		19,901	19,888
Interest in associates		17,079	16,046
Interest in joint ventures		21,563	21,219
Financial investments		14,174	14,843
Convertible securities		2,770	2,709
Goodwill and other intangible assets		297	297
Programming library		130	109
Deferred tax assets		713	798
Derivative financial assets		84	487
Other non-current assets		22	391
		<b>342,503</b>	327,516
<b>Current assets</b>			
Properties for sale		73,398	65,007
Inventories		42	45
Trade and other receivables	9	6,393	6,693
Derivative financial assets		257	489
Bank deposits and cash		36,900	30,016
		<b>116,990</b>	102,250
<b>Current liabilities</b>			
Trade and other payables	10	(14,005)	(16,086)
Deposits from sale of properties		(14,259)	(11,968)
Derivative financial liabilities		(250)	(215)
Taxation payable		(2,097)	(2,093)
Bank loans and other borrowings	11	(17,798)	(6,930)
		<b>(48,409)</b>	(37,292)
<b>Net current assets</b>		<b>68,581</b>	64,958
<b>Total assets less current liabilities</b>		<b>411,084</b>	392,474
<b>Non-current liabilities</b>			
Derivative financial liabilities		(1,543)	(1,913)
Deferred tax liabilities		(8,518)	(8,071)
Other deferred liabilities		(295)	(283)
Bank loans and other borrowings	11	(101,325)	(96,327)
		<b>(111,681)</b>	(106,594)
<b>NET ASSETS</b>		<b>299,403</b>	285,880
<b>Capital and reserves</b>			
Share capital	12	1,016	1,016
Reserves		159,006	151,025
<b>Shareholders' equity</b>		<b>160,022</b>	152,041
<b>Non-controlling interests</b>		<b>139,381</b>	133,839
<b>TOTAL EQUITY</b>		<b>299,403</b>	285,880

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013 — Unaudited

	Shareholders' equity							
	Share capital	Share premium	Investments revaluation and other reserves*	Exchange reserves	Revenue reserves	Total Shareholders' equity	Non-controlling interests	Total equity
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
At 1 January 2013	1,016	1,914	2,547	5,064	141,500	152,041	133,839	285,880
Changes in equity for the period:								
Profit	-	-	-	-	10,845	10,845	9,086	19,931
Other comprehensive income	-	-	(1,906)	423	-	(1,483)	103	(1,380)
Total comprehensive income	-	-	(1,906)	423	10,845	9,362	9,189	18,551
Acquisition of additional interest in a subsidiary	-	-	-	-	333	333	(1,529)	(1,196)
Share issued by a subsidiary	-	-	(4)	-	-	(4)	30	26
Equity settled share-based payment	-	-	17	-	-	17	12	29
2012 second interim dividend paid	-	-	-	-	(1,219)	(1,219)	-	(1,219)
2012 special dividend paid	-	-	-	-	(508)	(508)	-	(508)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(2,160)	(2,160)
<b>At 30 June 2013</b>	<b>1,016</b>	<b>1,914</b>	<b>654</b>	<b>5,487</b>	<b>150,951</b>	<b>160,022</b>	<b>139,381</b>	<b>299,403</b>
At 1 January 2012	1,016	1,914	187	4,347	115,098	122,562	112,632	235,194
Changes in equity for the period:								
Profit	-	-	-	-	13,572	13,572	12,348	25,920
Other comprehensive income	-	-	559	30	-	589	123	712
Total comprehensive income	-	-	559	30	13,572	14,161	12,471	26,632
Acquisition of additional interest in a subsidiary	-	-	-	-	585	585	(1,454)	(869)
Equity settled share-based payment	-	-	14	-	-	14	13	27
2011 second interim dividend paid	-	-	-	-	(427)	(427)	-	(427)
2011 special dividend paid	-	-	-	-	(508)	(508)	-	(508)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(1,498)	(1,498)
<b>At 30 June 2012</b>	<b>1,016</b>	<b>1,914</b>	<b>760</b>	<b>4,377</b>	<b>128,320</b>	<b>136,387</b>	<b>122,164</b>	<b>258,551</b>

\* Included in investments revaluation and other reserves is capital redemption reserve of HK\$19 million (2012: HK\$19 million).



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013 — Unaudited

	Six months ended 30 June	
	2013	2012
	HK\$ Million	HK\$ Million
Operating cash inflow	7,457	9,451
Changes in working capital/others	(8,062)	(7,148)
Net cash (used in)/generated from operating activities	(605)	2,303
Net cash used in investing activities	(3,993)	(13,189)
Net cash generated from/(used in) financing activities	12,934	(4,899)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>8,336</b>	<b>(15,785)</b>
Cash and cash equivalents at 1 January	28,456	41,519
Effect of exchange rate changes	108	37
<b>Cash and cash equivalents at 30 June</b>	<b>36,900</b>	<b>25,771</b>
<b>Analysis of the balances of cash and cash equivalents</b>		
Bank deposits and cash in the consolidated statement of financial position	36,900	26,121
Less: Bank deposits with maturity greater than three months	—	(323)
Pledged bank deposits	—	(27)
Cash and cash equivalents in the condensed consolidated statement of cash flows	36,900	25,771

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Principal Accounting Policies and Basis of Preparation

These unaudited interim consolidated financial statements have 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 and applicable discloseable provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The preparation of the interim financial statements in conformity with HKAS 34 requires management to make judgements, 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 interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2012 except the changes mentioned below.

With effect from 1 January 2013, the Group has adopted the below new and revised standards and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), which are relevant to the Group’s financial statements:

Amendments to HKAS 1	Presentation of financial statements — Presentation of items of other comprehensive income
Amendments to HKFRS 7	Financial instruments: Disclosures — Offsetting financial assets and financial liabilities
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009 — 2011 Cycle
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (Revised)	Employee benefits

The amendments to HKAS 1 require companies to classify items within other comprehensive income under two categories: (i) items which may be reclassified to profit or loss in the future if certain conditions are met and (ii) items which would never be reclassified to profit or loss. The Group’s presentation of other comprehensive income in these financial statements has been modified accordingly.

Amendments to HKFRS 7 requires new disclosures for all recognised financial instruments that are set off in accordance with HKAS 32, Financial instruments: Presentation. The adoption of the amendments does not have an impact on the Group’s interim financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7.

HKFRS 10 introduces a single control model to determine whether an investee should be consolidated, based on the concept of power over the investee, exposure or rights to variability of returns and the ability to use power to affect the amount of returns. This replaces the previous approach which emphasised legal control under HKAS 27 (Revised) (for companies) or exposure to risks and rewards under HK(SIC)-INT 12 (for special purpose entities). The adoption of HKFRS 10 does not have any financial impact on the Group as all subsidiaries within the Group satisfy the requirements for control under HKFRS 10 as at 1 January 2013.

HKFRS 11 provides guidance on what constitutes a joint arrangement by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and are required to be accounted for using the equity method in the Group's consolidated financial statements. HKFRS 11 replaces HKAS 31 Interests in joint ventures and SIC-13 Jointly-controlled entities — Non-monetary contributions by ventures. Unlike HKAS 31, proportional consolidation of joint ventures is no longer allowed. It is not expected that this new standard will have a significant impact on the results and financial position of the Group.

HKFRS 13 establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions. HKFRS 13 contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of these disclosures are specifically required in interim financial statements for financial instruments and accordingly, the Group provides these disclosures in note 13 to the interim financial statements.

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



## 2. Segment Information

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

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

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

Hotels segment includes hotel operations in the Asia Pacific region. Currently, the Group’s owned or managed 13 Marco Polo Hotels.

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

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 (“Wharf T&T”).

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 at 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, 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

Six months ended	Revenue HK\$ Million	Operating profit HK\$ Million	Increase in fair value of investment properties HK\$ Million	Other net income HK\$ Million	Finance costs HK\$ Million	Associates HK\$ Million	Joint ventures HK\$ Million	Profit before taxation HK\$ Million
30 June 2013								
Investment property	5,758	4,868	11,393	–	(638)	–	–	15,623
Hong Kong	5,002	4,354	10,770	–	(586)	–	–	14,538
Mainland China	536	353	623	–	(52)	–	–	924
Singapore	220	161	–	–	–	–	–	161
Development property	6,926	1,658	–	27	(91)	1,227	221	3,042
Hong Kong	1,960	800	–	–	(15)	1	(34)	752
Mainland China	4,966	864	–	27	(76)	1,226	255	2,296
Singapore	–	(6)	–	–	–	–	–	(6)
Hotels	689	170	–	–	(9)	–	–	161
Logistics	1,560	476	–	69	(47)	174	22	694
Terminals	1,498	456	–	89	(47)	103	22	623
Others	62	20	–	(20)	–	71	–	71
CME	1,929	7	–	–	(21)	–	–	(14)
i-CABLE	1,009	(116)	–	–	(2)	–	–	(118)
Telecommunications	920	143	–	–	(19)	–	–	124
Others	–	(20)	–	–	–	–	–	(20)
Inter-segment revenue	(216)	–	–	–	–	–	–	–
Segment total	16,646	7,179	11,393	96	(806)	1,401	243	19,506
Investment and others	752	537	–	1,566	568	–	–	2,671
Corporate expenses	–	(424)	–	–	–	–	–	(424)
Group total	17,398	7,292	11,393	1,662	(238)	1,401	243	21,753
30 June 2012								
Investment property	5,214	4,328	18,333	73	(586)	–	–	22,148
Hong Kong	4,542	3,879	17,401	73	(505)	–	–	20,848
Mainland China	479	314	932	–	(81)	–	–	1,165
Singapore	193	135	–	–	–	–	–	135
Development property	10,073	3,927	–	1,504	(50)	206	(20)	5,567
Hong Kong	2,508	1,221	–	–	4	–	–	1,225
Mainland China	6,929	2,422	–	1,504	(54)	206	(20)	4,058
Singapore	636	284	–	–	–	–	–	284
Hotels	649	192	–	–	(5)	–	–	187
Logistics	1,515	577	–	(46)	(137)	191	24	609
Terminals	1,469	573	–	(25)	(137)	105	24	540
Others	46	4	–	(21)	–	86	–	69
CME	1,942	17	–	3	(20)	–	–	–
i-CABLE	1,038	(100)	–	3	(2)	–	–	(99)
Telecommunications	904	119	–	–	(18)	–	–	101
Others	–	(2)	–	–	–	–	–	(2)
Inter-segment revenue	(206)	–	–	–	–	–	–	–
Segment total	19,187	9,041	18,333	1,534	(798)	397	4	28,511
Investment and others	529	342	–	(25)	110	–	–	427
Corporate expenses	–	(277)	–	–	–	–	–	(277)
Group total	19,716	9,106	18,333	1,509	(688)	397	4	28,661

**(b)** Analysis of inter-segment revenue

	2013			2012		
	Total	Inter-	Group	Total	Inter-	Group
	Revenue	segment	Revenue	Revenue	segment	Revenue
Six months ended 30 June	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Investment property	5,758	(91)	5,667	5,214	(84)	5,130
Development property	6,926	–	6,926	10,073	–	10,073
Hotels	689	–	689	649	–	649
Logistics	1,560	–	1,560	1,515	–	1,515
CME	1,929	(64)	1,865	1,942	(54)	1,888
Investment and others	752	(61)	691	529	(68)	461
	17,614	(216)	17,398	19,922	(206)	19,716

**(c)** Geographical information

	Revenue		Operating Profit	
	2013	2012	2013	2012
Six months ended 30 June	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	10,916	11,004	5,916	6,228
Mainland China	6,185	7,788	1,161	2,385
Singapore	297	924	215	493
Group total	17,398	19,716	7,292	9,106

### 3. Operating Profit

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$ Million</b>	HK\$ Million
Operating profit is arrived at after charging/(crediting):		
Depreciation and amortisation on		
— assets held for use under operating leases	<b>72</b>	70
— other fixed assets	<b>552</b>	541
— leasehold land	<b>49</b>	48
— programming library	<b>40</b>	43
Total depreciation and amortisation	<b>713</b>	702
Staff costs (Note a)	<b>1,793</b>	1,634
Cost of trading properties for recognised sales	<b>5,008</b>	5,784
Rental income less direct outgoings (Note b)	<b>(4,921)</b>	(4,351)
Interest income	<b>(367)</b>	(238)
Dividend income from listed investments	<b>(217)</b>	(143)
Profit on disposal of fixed assets	<b>—</b>	(3)

Notes:

- (a) Staff costs included contributions to defined contribution pension schemes of HK\$121 million (2012: HK\$75 million) and equity settled share-based payment expenses of HK\$29 million (2012: HK\$27 million).
- (b) Rental income included contingent rentals of HK\$1,068 million (2012: HK\$996 million).

### 4. Other Net Income

Other net income amounted to HK\$1,662 million (2012: HK\$1,509 million), and principally comprised:

- (a) Net profit on disposal of available-for-sale investments of HK\$1,052 million (2012: loss of HK\$25 million), which included WPSL's profit on disposal of SC Global Developments Ltd shares of HK\$577 million.
- (b) Net foreign exchange gain of HK\$312 million (2012: loss of HK\$60 million) which included the impact of foreign exchange contracts.
- (c) For the six months ended 30 June 2012, a book accounting gain representing the negative goodwill of HK\$1,543 million was recognised in respect of Wharf's acquisition of an 18.4% equity interest in Greentown China Holdings Limited, an associate, in June 2012.



## 5. Finance Costs

	Six months ended 30 June	
	2013	2012
	HK\$ Million	HK\$ Million
Interest charged on:		
Bank loans and overdrafts		
— repayable within five years	513	446
— repayable after five years	93	95
Other borrowings		
— repayable within five years	618	177
— repayable after five years	309	391
Total interest charge	1,533	1,109
Other finance costs	219	130
Less: Amount capitalised	(674)	(459)
	1,078	780
Fair value (gain)/loss:		
Cross currency interest rate swaps	(210)	213
Interest rate swaps	(630)	(305)
	(840)	(92)
Total	238	688

- (a) The Group's average effective borrowing rate for the period was approximately 3.2% (2012: 2.6%) per annum.
- (b) The above interest charge has taken into account the interest paid/received in respect of interest rate swaps and cross currency interest rate swaps.

## 6. Income Tax

Taxation charged to the consolidated income statement represents:

	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$ Million</b>	<b>HK\$ Million</b>
<b>Current income tax</b>		
Hong Kong		
— provision for the period	<b>809</b>	899
— overprovision in respect of prior years	<b>(58)</b>	(7)
Outside Hong Kong		
— provision for the period	<b>485</b>	668
— (over)/underprovision in respect of prior years	<b>(1)</b>	2
	<b>1,235</b>	1,562
<b>Land appreciation tax (“LAT”) in China</b> (Note 6c)	<b>207</b>	417
<b>Deferred tax</b>		
Change in fair value of investment properties	<b>408</b>	601
Origination and reversal of temporary differences	<b>(28)</b>	161
	<b>380</b>	762
<b>Total</b>	<b>1,822</b>	2,741

- (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% (2012: 16.5%).
- (b) Income tax on profits assessable outside Hong Kong is mainly China corporate income tax calculated at a rate of 25% (2012: 25%), China withholding income tax at a rate of up to 10% (2012: 10%) and Singapore income tax at a rate of 17% (2012: 17%).
- (c) Under the Provisional Regulations on LAT, all gains arising from transfer of real estate property in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights, borrowing costs and all development property expenditure.
- (d) Tax attributable to associates and joint ventures for the six months ended 30 June 2013 of HK\$1,010 million (2012: HK\$236 million) is included in the share of results after tax of associates and joint ventures.

## 7. Earnings per Share

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

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

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$ Million</b>	HK\$ Million
Profit attributable to equity shareholders	<b>10,845</b>	13,572

- (b) Weighted average number of ordinary shares

	<b>30 June 2013</b>	30 June 2012
	<b>No. of shares</b>	No. of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>2,031,849,287</b>	2,031,849,287
Effect of dilutive potential shares — Share options	<b>53,863</b>	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>2,031,903,150</b>	2,031,849,287

## 8. Dividends attributable to Equity Shareholders

- (a) The below interim dividends were proposed after the end of the reporting period, which have not been recognised as liabilities at the end of the reporting period:

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$ Million</b>	HK\$ Million
First interim dividend of 35.0 cents (2012: 25.0 cents) per share proposed after the end of the reporting period	<b>711</b>	508

- (b) Dividends recognised as distribution during the period:

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$ Million</b>	HK\$ Million
2012 second interim dividend paid of 60.0 cents per share	<b>1,219</b>	—
2012 special dividend paid of 25.0 cents per share	<b>508</b>	—
2011 second interim dividend paid of 21.0 cents per share	—	427
2011 special dividend paid of 25.0 cents per share	—	508
	<b>1,727</b>	935

## 9. Trade and Other Receivables

Included in this item are trade receivables (net of allowance for bad and doubtful debts) with an ageing analysis based on invoice dates as at 30 June 2013 as follows:

	<b>30 June 2013</b>	31 December 2012
	<b>HK\$ Million</b>	HK\$ Million
Trade receivables		
0 – 30 days	<b>622</b>	678
31 – 60 days	<b>140</b>	116
61 – 90 days	<b>83</b>	57
Over 90 days	<b>100</b>	78
	<b>945</b>	929
Accrued sales receivables	<b>922</b>	1,139
Other receivables and prepayments	<b>4,526</b>	4,625
	<b>6,393</b>	6,693

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

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



## 10. Trade and Other Payables

Included in this item are trade payables with an ageing analysis as at 30 June 2013 as follows:

	30 June 2013 HK\$ Million	31 December 2012 HK\$ Million
Trade payables		
0 – 30 days	338	535
31 – 60 days	166	192
61 – 90 days	39	50
Over 90 days	173	138
	716	915
Rental and customer deposits	3,013	2,751
Construction costs payable	2,423	4,949
Amounts due to associates	3,194	2,694
Amounts due to joint ventures	559	549
Other payables	4,100	4,228
	14,005	16,086

## 11. Bank Loans and Other Borrowings

	30 June 2013 HK\$ Million	31 December 2012 HK\$ Million
Bonds and notes (unsecured)	39,670	35,528
Convertible bonds (unsecured)	6,188	6,240
Bank loans (secured)	22,289	19,354
Bank loans (unsecured)	50,976	42,135
<b>Total bank loans and other borrowings</b>	<b>119,123</b>	<b>103,257</b>

### Analysis of maturities of the above borrowings:

#### Current borrowings

Due within 1 year	17,798	6,930
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#### Non-current borrowings

Due after 1 year but within 5 years	87,729	81,302
Due after 5 years	13,596	15,025
	101,325	96,327
<b>Total bank loans and other borrowings</b>	<b>119,123</b>	<b>103,257</b>

## 12. Share Capital

	30 June 2013 No. of shares	31 December 2012 No. of shares	30 June 2013 HK\$ Million	31 December 2012 HK\$ Million
<b>Authorised</b>				
Ordinary shares of HK\$0.50 each	2,800,000,000	2,800,000,000	1,400	1,400
<b>Issued and fully paid</b>				
Ordinary shares of HK\$0.50 each	2,031,849,287	2,031,849,287	1,016	1,016

## 13. Fair Value Measurement of Financial Instruments

### (a) Fair value hierarchy

The following table presents the carrying value of financial instruments measured at fair value according to the levels of the fair value hierarchy defined in HKFRS 13 Fair value measurement, with the fair value of each financial instrument categorised based on the lowest level of inputs that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): Fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: Fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.
- Level 3 (lowest level): Fair values measured using valuation techniques in which any significant input is not based on observable market data.

	30 June 2013			31 December 2012		
	Level 1	Level 2	Total	Level 1	Level 2	Total
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
<b>Assets</b>						
Available-for-sale investments:						
— Listed	13,751	—	13,751	14,420	—	14,420
Convertible securities	—	2,770	2,770	—	2,709	2,709
Derivative financial instruments:						
— Interest rate swaps	—	144	144	—	496	496
— Cross currency interest rate swaps	—	145	145	—	255	255
— Forward foreign exchange contracts	—	52	52	—	225	225
	13,751	3,111	16,862	14,420	3,685	18,105
<b>Liabilities</b>						
Derivative financial instruments:						
— Interest rate swaps	—	(472)	(472)	—	(982)	(982)
— Cross currency interest rate swaps	—	(1,257)	(1,257)	—	(1,146)	(1,146)
— Forward foreign exchange contracts	—	(64)	(64)	—	—	—
	—	(1,793)	(1,793)	—	(2,128)	(2,128)

During the six months ended 30 June 2013, there were no significant transfers between instruments in Level 1 and Level 2.

**(b)** Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of forward foreign exchange contracts is determined by using the forward exchange rates at the end of the reporting period and comparing them to the contractual rates. The fair value of interest rate swaps and cross currency interest rate swaps is determined based on the amount that the Group would receive or pay to terminate the swap at the end of the reporting period taking into account current interest rates and current creditworthiness of the swap counter-parties. The fair value of the convertible securities was calculated using the Binomial Tree Pricing Model with significant inputs are based on observable data.

## 14. Material Related Party Transactions

The Group has not been a party to any material related party transactions during the period ended 30 June 2013 except for the rental income totalling HK\$416 million (2012: HK\$365 million) earned from various tenants which are companies whose controlling shareholder is a trust, the settlor of which is the Chairman of the Company. These transactions are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules.

## 15. Contingent Liabilities

- (a) As at 30 June 2013, there were contingent liabilities in respect of guarantees given by the Group on behalf of certain joint ventures and associates of HK\$12,687 million (2012: HK\$9,435 million), of which HK\$8,728 million (2012: HK\$6,730 million) had been drawn.
- (b) Wheelock Properties Limited, a wholly-owned subsidiary, and New World Development Company Limited as guarantors (on a several basis) have provided a guarantee in favour of MTR Corporation Limited to guarantee the performance and fulfilment of all obligations of Fast New Limited, a 50%-owned joint venture, under or arising out of or in connection with an agreement dated 23 March 2010 for the development of Site C and Site D of the Austin Station Development Property project.

## 16. Commitments

The Group's outstanding commitments as at 30 June 2013 are detailed as below:

**(a) Planned expenditure**

	30 June 2013			31 December 2012		
	Authorised and contracted for HK\$ Million	Authorised but not contracted for HK\$ Million	Total HK\$ Million	Authorised and contracted for HK\$ Million	Authorised but not contracted for HK\$ Million	Total HK\$ Million
<b>(I) Properties</b>						
<b>Investment property</b>						
Hong Kong	1,494	455	1,949	1,020	788	1,808
Mainland China	6,667	19,924	26,591	6,983	19,696	26,679
Singapore	6	–	6	11	–	11
	<b>8,167</b>	<b>20,379</b>	<b>28,546</b>	<b>8,014</b>	<b>20,484</b>	<b>28,498</b>
<b>Development property</b>						
Hong Kong	9,302	9,544	18,846	5,640	6,554	12,194
Mainland China	16,159	42,588	58,747	15,512	43,965	59,477
Singapore	332	1,560	1,892	396	–	396
	<b>25,793</b>	<b>53,692</b>	<b>79,485</b>	<b>21,548</b>	<b>50,519</b>	<b>72,067</b>
<b>Properties total</b>						
Hong Kong	10,796	9,999	20,795	6,660	7,342	14,002
Mainland China	22,826	62,512	85,338	22,495	63,661	86,156
Singapore	338	1,560	1,898	407	–	407
	<b>33,960</b>	<b>74,071</b>	<b>108,031</b>	<b>29,562</b>	<b>71,003</b>	<b>100,565</b>
<b>(II) Others</b>						
Hotels	201	449	650	328	371	699
Modern Terminals	92	263	355	30	420	450
Wharf T&T	126	288	414	119	289	408
i-CABLE	16	226	242	23	128	151
	<b>435</b>	<b>1,226</b>	<b>1,661</b>	<b>500</b>	<b>1,208</b>	<b>1,708</b>
<b>Group total</b>	<b>34,395</b>	<b>75,297</b>	<b>109,692</b>	<b>30,062</b>	<b>72,211</b>	<b>102,273</b>

- (i) Properties commitments are mainly for construction costs to be incurred in stages in the forthcoming years, including attributable land costs of HK\$9.9 billion (31/12/2012: HK\$8.5 billion) payable in 2013.



- (ii) The expenditure for development properties included attributable amounts for developments undertaken by joint ventures and associates of HK\$2.6 billion (31/12/2012: HK\$2.6 billion) in Hong Kong and of HK\$17.2 billion (31/12/2012: HK\$19.9 billion) in Mainland China.
  - (iii) The above commitments, apart from HK\$18.3 billion and HK\$4.5 billion which mainly relates to properties under development undertaken by Wheelock and its other subsidiaries or through its joint venture and the WPSL group respectively, are substantially attributable to the Wharf group.
- (b) In addition to the above, the CME segment committed to programming and other expenditure totalling HK\$628 million (31/12/2012: HK\$934 million) with HK\$527 million (31/12/2012: HK\$834 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 each lease upon expiry 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:

	<b>30 June 2013</b>	31 December 2012
	<b>HK\$ Million</b>	HK\$ Million
<b>Expenditure for operating leases</b>		
Within one year	<b>34</b>	34
After one year but within five years	<b>69</b>	76
Over five years	<b>42</b>	46
	<b>145</b>	156

## 17. Review of Unaudited Interim Financial Statements

The unaudited interim financial statements for the six months ended 30 June 2013 have 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 two deviations, namely, (i) Code Provision A.2.1 (the “First Deviation”) providing for the roles of the chairman and chief executive to be performed by different individuals; and (ii) Code Provision F.1.3 (the “Second Deviation”) providing for the company secretary to report to the board chairman or the chief executive.

Regarding the First Deviation, 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 nearly half of them being Independent Non-executive Directors. As regards the Second Deviation, the Company Secretary of the Company has for some years directly reported to, and continues to report to, the Deputy Chairman of the Company, which is considered appropriate and reasonable given the size of the Group. In the view of the Directors, this reporting arrangement would in no way adversely affect the efficient discharge by the Company Secretary of his job duties.

## MODEL CODE FOR DIRECTORS’ DEALING IN SECURITIES

The Company has adopted a code of conduct regarding directors’ securities transactions on terms 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 and all the Directors have complied with the required standard set out in the Model Code and the code of conduct adopted by the Company regarding directors’ securities transactions during the period under review.

## DIRECTORS' INTERESTS IN SECURITIES

### (A) Interests in shares & debt securities

At 30 June 2013, Directors of the Company had the following beneficial interests, all being long positions, in the shares and/or debt securities of the Company, and of three subsidiaries of the Company, namely, The Wharf (Holdings) Limited ("Wharf"), i-CABLE Communications Limited ("i-CABLE") and Wheelock Finance Limited, and the percentages (where applicable) which the relevant securities represented to the issued share capitals of the four relevant companies respectively are also set out below:

	Quantity held (percentage of issued capital, where applicable)	Nature of Interest
<b>The Company — Ordinary Shares</b>		
Peter K C Woo	1,222,150,330 (60.1497%)	Personal Interest in 8,847,510 shares, Corporate Interest in 218,081,142 shares and Other Interest in 995,221,678 shares
Stephen T H Ng	300,000 (0.0148%)	Personal Interest
<b>Wharf — Ordinary Shares</b>		
Stephen T H Ng	804,445 (0.0266%)	Personal Interest
Kenneth W S Ting	15,360 (0.0005%)	Personal Interest
<b>i-CABLE — Ordinary Shares</b>		
Stephen T H Ng	1,265,005 (0.0629%)	Personal Interest
<b>Wheelock Finance Limited</b>		
— HKD Guaranteed Notes due 2017		
Ricky K Y Wong	HK\$5,000,000	Personal Interest
— USD Guaranteed Notes due 2018		
Ricky K Y Wong	US\$600,000	Personal Interest

Notes:

- (1) The interests in shares disclosed above do not include interests in share options of the Company and/or its subsidiary(ies) held by Directors of the Company as at 30 June 2013. 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 Wharf".
- (2) The 995,221,678 shares of the Company stated above as "Other Interest" against the name of Mr Peter K C Woo represented an interest comprised in certain trust properties in which Mr Woo was taken, under certain provisions in Part XV of the Securities and Futures Ordinance (the "SFO") which are applicable to a director or chief executive of a listed company, to be interested.

- (3) *The shareholdings classified as "Corporate Interest" in which the Director concerned was taken to be interested as stated above were interests of corporations at respective general meetings of which the Director was either entitled to exercise (or taken under Part XV of 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 corporations.*
- (4) *The shareholding interests stated above as "Personal Interest" and "Corporate Interest" against the name of Mr Peter K C Woo totalling 226,928,652 shares of the Company included those shares disclosed as the shareholding interest of Mrs Bessie P Y Woo stated under the section headed "Substantial Shareholders' Interests" below.*
- (5) *The 995,221,678 shares of the Company as referred to under Note (2) above are entirely duplicated or included in the shareholding interest of HSBC Trustee (Guernsey) Limited stated under the section headed "Substantial Shareholders' Interests" below.*

## (B) Interests in share options of the Company

Set out below are particulars of all interests (all being personal interests) in options held during the six months ended 30 June 2013 by the present Directors of the Company to subscribe for ordinary shares of the Company granted/exercisable under the share option scheme of the Company:

Name of Director	Date of grant (Day/Month/Year)	No. of Wheelock shares under option (percentage of issued capital)		Subscription price per share (HK\$)
		As at date of grant	As at 30 June 2013	
Peter K C Woo	14/06/2013	2,000,000	2,000,000 (0.098%)	39.98
Stewart C K Leung	14/06/2013	3,000,000	3,000,000 (0.148%)	39.98
Douglas C K Woo (See Note d below)	14/06/2013	3,000,000	3,000,000 (0.148%)	39.98
Paul Y C Tsui	14/06/2013	1,500,000	1,500,000 (0.074%)	39.98
Ricky K Y Wong	14/06/2013	3,000,000	3,000,000 (0.148%)	39.98

Notes:

- (a) *There was no outstanding share option of the Company held by any Director of the Company during the period from 1 January to 13 June 2013.*
- (b) *The share options of the Company outstanding as at both the date of grant and 30 June 2013 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 becoming exercisable from 15th of June in the years 2013, 2014, 2015, 2016 and 2017 respectively.*
- (c) *Except as disclosed above, no share option of the Company held by Directors of the Company lapsed or was exercised or cancelled during the financial period and no share option of the Company was granted to any Director of the Company during the financial period.*
- (d) *Mr Douglas C K Woo's appointment as a Director and as Managing Director of the Company became effective on 1 July 2013.*

## (C) Interests in share options of Wharf

There was in existence during the financial period a share option scheme of Wharf (the "Wharf's Scheme"). Set out below are particulars of all interests (all being personal interests) in options held during the six months ended 30 June 2013 by the present Directors of the Company to subscribe for ordinary shares of Wharf granted/exercisable under the Wharf's Scheme:

Name of Director	Total No. of Wharf shares under option held as at 30 June 2013 (percentage of issued capital)	Date of grant (Day/Month/Year)	No. of Wharf shares under option				Subscription price per share (HK\$)
			As at 1 January 2013	Granted during the period	Exercised during the period	As at 30 June 2013	
Peter K C Woo	3,500,000 (0.116%)	04/07/2011	1,500,000	Nil	–	1,500,000	55.15
		05/06/2013	N/A	2,000,000	–	2,000,000	70.20
Stephen T H Ng	3,500,000 (0.116%)	04/07/2011	1,500,000	Nil	–	1,500,000	55.15
		05/06/2013	N/A	2,000,000	–	2,000,000	70.20
Douglas C K Woo (See Note d above)	800,000 (0.026%)	04/07/2011	800,000	Nil	–	800,000	55.15
Paul Y C Tsui	2,200,000 (0.073%)	04/07/2011	1,500,000	Nil	(300,000)	1,200,000	55.15
		05/06/2013	N/A	1,000,000	–	1,000,000	70.20
Ricky K Y Wong	800,000 (0.026%)	04/07/2011	800,000	Nil	–	800,000	55.15



Notes:

- (i) *The Wharf options granted on 4 July 2011 outstanding as at both 1 January 2013 and 30 June 2013 were/will be vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant Wharf options, i.e. exercisable to the extent of one-fifth of the relevant total number of Wharf's shares and with the 1st, 2nd, 3rd, 4th and 5th tranche becoming exercisable from 5th of July in the years 2011, 2012, 2013, 2014 and 2015 respectively, with one exception. Such an exception is in respect of the relevant options outstanding as at 30 June 2013 held by Mr Paul Y C Tsui, which were/will be vested in four tranches within a period of 4 years, with each tranche covering one-fourth of the relevant Wharf options, i.e. exercisable to the extent of one-fourth of the relevant total number of Wharf's shares and with the 1st, 2nd, 3rd and 4th tranche becoming exercisable from the 5th of July in the years 2012, 2013, 2014 and 2015 respectively.*
- (ii) *The Wharf options granted on 5 June 2013 outstanding as at both the date of grant and 30 June 2013 were/will be vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant Wharf options, i.e. exercisable to the extent of one-fifth of the relevant total number of Wharf's shares and with the 1st, 2nd, 3rd, 4th and 5th tranche becoming exercisable from 6th of June in the years 2013, 2014, 2015, 2016 and 2017 respectively.*
- (iii) *The closing price of Wharf's shares immediately before the date(s) of exercise(s) (all exercised on the same day) of Wharf options by Mr Paul Y C Tsui during the period as abovementioned was HK\$75.50 per share.*
- (iv) *Except as disclosed above, no Wharf option held by Directors of the Company lapsed or was exercised or cancelled during the financial period and no Wharf option was granted to any Director of the Company 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, there were no interests, both long and short positions, held as at 30 June 2013 by any of the 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 by any of them at any time during the financial period.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties, other than person(s) who is/are Director(s) of the Company, who/which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company as at 30 June 2013, 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") and the percentages which the shares represented to the issued share capital of the Company:

Names	No. of Ordinary Shares (percentage of issued capital)
(i) Mrs Bessie P Y Woo	223,540,652 (11.002%)
(ii) HSBC Trustee (Guernsey) Limited	1,095,300,362 (53.907%)

*Note: Duplication occurred in respect of the shareholding interests under (i) and (ii) above, as set out in Notes (4) and (5) under the sub-section headed “(A) Interests in shares & debt securities” above.*

All the interests stated above represented long positions and as at 30 June 2013, there were no short position interests recorded in the Register.

## SHARE OPTION SCHEMES

Details of share options of the Company and of Wharf granted to Directors of the Company and the relevant movement(s), if any, during the financial period are set out in the sub-sections headed “(B) Interests in share options of the Company” and “(C) Interests in share options of Wharf” above.

### (A) Details of share options of the Company granted

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

No. of Wheelock shares under option				Price per share to be paid on exercise of options (HK\$)
As at 1 January 2013	Granted on 14 June 2013	As at 30 June 2013	Vesting/Exercise Period (Day/Month/Year)	
N/A	2,500,000	2,500,000	15/06/2013–14/06/2018	39.98
N/A	2,500,000	2,500,000	15/06/2014–14/06/2018	39.98
N/A	2,500,000	2,500,000	15/06/2015–14/06/2018	39.98
N/A	2,500,000	2,500,000	15/06/2016–14/06/2018	39.98
N/A	2,500,000	2,500,000	15/06/2017–14/06/2018	39.98
<b>Total:</b>	<b>N/A</b>	<b>12,500,000</b>	<b>12,500,000</b>	

*Notes:*

- (a) *The closing price of shares of the Company on the last trading day immediately before the abovementioned date of grant was HK\$38.90 per share.*
- (b) *Except as disclosed above, no share option of the Company lapsed or was granted, exercised or cancelled during the financial period.*

## (B) Details of share options of Wharf granted

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

Date of grant (Day/Month/Year)	No. of Wharf shares under option				Vesting/Exercise Period <sup>4</sup> (Day/Month/Year)	Price per share to be paid on exercise of options (HK\$)
	As at 1 January 2013	Exercised during the period	Granted during the period	As at 30 June 2013		
(i) 04/07/2011:						
	2,420,000	(480,000)	–	1,940,000	05/07/2011–04/07/2016	55.15
	2,420,000	–	–	2,420,000	05/07/2012–04/07/2016	55.15
	2,420,000	–	–	2,420,000	05/07/2013–04/07/2016	55.15
	2,420,000	–	–	2,420,000	05/07/2014–04/07/2016	55.15
	2,420,000	–	–	2,420,000	05/07/2015–04/07/2016	55.15
	12,100,000	(480,000)	–	11,620,000		
(ii) 05/06/2013:						
	N/A	–	2,650,000	2,650,000	06/06/2013–05/06/2018	70.20
	N/A	–	2,650,000	2,650,000	06/06/2014–05/06/2018	70.20
	N/A	–	2,650,000	2,650,000	06/06/2015–05/06/2018	70.20
	N/A	–	2,650,000	2,650,000	06/06/2016–05/06/2018	70.20
	N/A	–	2,650,000	2,650,000	06/06/2017–05/06/2018	70.20
	N/A	–	13,250,000	13,250,000		
<b>Total:</b>	<b>12,100,000</b>	<b>(480,000)</b>	<b>13,250,000</b>	<b>24,870,000</b>		

Notes:

- (1) The closing price of Wharf's shares on the last trading day immediately before the share options grant on 5 June 2013 was HK\$71.00 per share.
- (2) The weighted average closing price of Wharf's shares immediately before the date(s) of exercise(s) of the Wharf options during the period as abovementioned was HK\$75.31 per share.
- (3) Except as disclosed above, no share option of Wharf lapsed or was granted, exercised or cancelled during the financial period.
- (4) The Vesting/Exercise Periods stated above are respectively applicable to the relevant outstanding options as at the beginning of the period or, in the case of options granted during the period, the date of grant, and also at the end of the period.

## CHANGES OF INFORMATION OF DIRECTORS

Given below is the latest information regarding annual emoluments, calculated on an annualised basis for the year 2013, of all those Directors of the Company for whom there have been changes of amounts of emoluments since the publication of the last annual report of the Company:

<b>Directors</b>	<b>#Salary and various allowances HK\$'000</b>	<b>##Discretionary annual bonus in cash HK\$'000</b>
Peter K C Woo	19,259 (2012: 17,154)	36,000 (2012: 18,000)
Stephen T H Ng	6,033 (2012: 5,011)	20,000 (2012: 10,000)
Stewart C K Leung	5,445 (2012: 5,443)	8,000 (2012: Nil)
Paul Y C Tsui	3,623 (2012: 3,234)	8,500 (2012: 4,500)
Ricky K Y Wong	3,632 (2012: 2,927)	7,000 (2012: 4,000)

# Not including the Chairman's fee of HK\$150,000 (2012: HK\$80,000) per annum to Mr Peter K C Woo and the Director's fee of HK\$100,000 (2012: HK\$70,000) per annum to each of the other Directors of the Company payable by the Company.

## Paid during the six-month period ended 30 June 2013, with the amounts of such discretionary annual bonuses fixed/decided unilaterally by the employers.

## PURCHASE, SALE OR REDEMPTION OF SHARES

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

## BOOK CLOSURE

The Register of Members will be closed from Monday, 23 September 2013 to Wednesday, 25 September 2013, 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Thursday, 19 September 2013.

By Order of the Board

**Wilson W S Chan**

*Company Secretary*

Hong Kong, 29 August 2013

*As at the date of this interim report, the Board of Directors of the Company comprises Mr Peter K C Woo, Mr Stephen T H Ng, Mr Stewart C K Leung, Mr Douglas C K Woo and Mr Paul Y C Tsui, together with two Non-executive Directors, namely, Mrs Mignonne Cheng and Mr Ricky K Y Wong, and five Independent Non-executive Directors, namely, Mr Tak Hay Chau, Mr Alan H Smith, Mr Richard Y S Tang, Mr Kenneth W S Ting and Mr Glenn S Yee.*

*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 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, by post or by hand delivery, or via email to [wheelockcompany-ecom@hk.tricorglobal.com](mailto:wheelockcompany-ecom@hk.tricorglobal.com).*