Wheelock and Company Limited
Interim Report 2014

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FULL YEAR SALES TARGET COMPLETED IN FIRST HALF

HONG KONG DEVELOPMENT PROPERTIES ("DP") HIGHLIGHTS

- Contracted sales at HK$10.1 billion, successfully meeting full year sales target in the first half.

- Net order book increased to HK$19.5 billion, locking in future revenue stream (December 2013: HK$11.1 billion).

- One Bay East – East Tower was presold to Citigroup for HK$5.4 billion in June 2014. The West Tower was presold to Manulife for HK$4.5 billion in March 2013, thus completing the HK$10 billion project which dovetailed precisely with the Government's CBD2 initiative for Kowloon East. The HK$10 billion project is the most valuable transacted office project in Hong Kong.

- At Austin Station, Grand Austin (Phase II) presold 685 units or 99% of total units up to August 2014, generating sales proceeds of HK$15.1 billion. In addition to the adjacent The Austin (Phase I), which was presold at HK$10.0 billion in November 2013, it satisfactorily completed the HK$25 billion presale of this MTRC joint development project.

- Kai Tak residential site with 413,000 square feet GFA was acquired by public tender in May 2014 at HK$2.5 billion.

- Development of four sites in Tseung Kwan O South region totalling 2.3 million square feet is all proceeding in accordance with plan.

WHEELOCK GROUP CONSOLIDATED HIGHLIGHTS

- Wheelock held 54.8% of Wharf as at 30 June 2014, an increase of 2.66% from 52.1% since 31 December 2013 at an average cost of HK$54 per share.

- Group revenue and operating profit increased by 6% to HK$18.5 billion and 13% to HK$8.2 billion respectively. Underlying profit was HK$3.5 billion.

- Wharf contributed HK$2.6 billion of underlying profit to the Group.

  - Investment Properties' profit increased by 18% and accounted for 91% of Wharf's profit including revaluation gain.

  - Chengdu IFS, with development area of 760,000 square metres, the size of another Harbour City, is a mega mixed use complex located in the core city centre. The retail mall was opened in January 2014 and now virtually fully leased.

- Crawford House sold to Wharf for HK$5.8 billion in August 2014, further consolidating the investment properties portfolio held by Wharf.

- Wheelock Properties (Singapore) contributed HK$120 million of underlying profit to the Group.

  – Through a 40%-owned associated company, Wheelock Properties (Singapore) participated in a successful general offer led by the Managing Director of Hotel Properties Limited ("HPL") to acquire a 56.5% ownership in HPL. Wheelock Properties (Singapore)'s attributable interest in HPL increased from a direct holding of 20.2% to an indirect holding of 22.6%. From being an available-for-sale investment, HPL has been reclassified as an associated company. HPL focuses on quality hotel and property assets in Singapore and overseas.

GROUP RESULTS (UNAUDITED)

Excluding investment property revaluation gain and exceptional items, the underlying profit was HK$3,547 million (2013: HK$4,761 million).

Group profit attributable to equity shareholders was HK$7,675 million (2013: HK$10,845 million). Earnings per share were HK$3.78 (2013: HK$5.34).

INTERIM DIVIDEND

An interim dividend of 38.5 cents (2013: 35.0 cents) per share will be paid on 30 September 2014 to Shareholders on record as at 24 September 2014, absorbing a total amount of HK$782 million (2013: HK$711 million).

BUSINESS REVIEW

Development Properties ("DP")

Hong Kong Property Sales

Contracted property sales totalling HK$10.1 billion was achieved up to 30 June 2014, successfully meeting in the first half the full year sales target of HK$10.0 billion. Net order book accumulated to HK$19.5 billion, locking in future revenue stream.

The main contributors were One Bay East – East Tower (with HK$5.4 billion) and Grand Austin (HK$4.1 billion attributable), representing a mix of commercial and residential developments.

Austin Station Property Development is a prime residential project held by a 50%-owned joint venture with New World Development atop Austin MTR Station. In October 2013, all 576 residential units of The Austin (Phase I) had been sold to generate proceeds of HK$10.0 billion. Following this successful sale, Grand Austin (Phase II) was launched in June 2014. 685 units or 99% of total units were quickly presold to generate proceeds of HK$15.1 billion. This satisfactorily completed the HK$25 billion MTRC joint development project, a prime city-centre and harbour-facing site with complete transportation convenience and an unrivalled living destination in Hong Kong. Superstructure works for both phases are in progress. Full completion is scheduled for 2015.

One Bay East is a 21-storey Grade A twin office tower development situated at the waterfront of Kowloon East, overlooking Victoria Harbour and the Kai Tak Cruise Terminal. In March 2013, the West Tower was presold to Manulife for its Hong Kong headquarters. In June 2014, the East Tower was presold to Citigroup in a landmark deal for HK$5.4 billion, thus completing the HK$10 billion project which dovetailed precisely with the Government's CBD2 initiative for Kowloon East. The twin tower development also ranks as Hong Kong's most valuable transacted office project. Superstructure works are now underway. Full completion is scheduled for 2015.

Commercial development has been a steady component in the Group since 2010 with one office tower launched each year, including One Island South in 2010, One Midtown in 2011, Delta House in 2012, One Bay East – West Tower in 2013 and One Bay East – East Tower in 2014. These successful commercial sales have strengthened the Company's position as one of the market leaders in this business segment. One HarbourGate, a Grade A twin office tower and retail development located along the Hunghom waterfront is planned for presales in 2015. The redevelopment of Wharf T&T Square will also commence in 2015.

Lexington Hill was completed and contributed HK$1.4 billion of revenue during the period. All 104 residential units had been presold in 2012. It is a residential development in Hong Kong Island's Western District with a prestigious school network and is only a block away from the future Kennedy Town MTR Station. Preparation of handover to buyers is planned in the third quarter of 2014.

Kensington Hill is a residential redevelopment on High Street, Western District of Hong Kong Island, with a GFA of 69,000 square feet, comprising 75 residential units. It is situated in a traditional luxury residential area surrounded by a prestigious school network and adjacent to The University of Hong Kong. In addition, it is in close proximity to the future Sai Ying Pun MTR Station (targeted construction completion in 2014). Foundation works are in progress. Presales is scheduled for the second half of 2014.

Land Bank

The Company continues to selectively capture land banking opportunities in Hong Kong.

Kai Tak site with a GFA of 413,000 square feet was acquired by public tender in May 2014 for HK$2.5 billion. It is a residential development in the heart of Kai Tak development area in Kowloon South which is adjacent to the future Kai Tak MTR Station (targeted construction completion in 2018) and the Kai Tak Cruise Terminal.

Land bank under management amounted to 7.4 million square feet as at 30 June 2014. This land bank includes certain non-core investment properties held for long term investment which may in the future be convertible into development properties for sale. The quality of the land bank is competitive. First, it is city-centre focused, with 95% located in urban area. Second, it is concentrated in Hong Kong's most sought-after locations, with 64% along Victoria Harbour. Besides, this portfolio is diversified with residential premises representing about 80% of the land bank while commercial premises about 20%. Average land bank cost is around HK$4,500 per square foot, if excluding The Peak Portfolio. This land bank size is adequate to fill development needs in coming several years.

In terms of locational diversity, the land bank focuses in four city-centre submarkets, namely, Tseung Kwan O South Portfolio, Kowloon South Portfolio, Kowloon East Waterfront Portfolio and The Peak Portfolio.

"The Tseung Kwan O South Portfolio", where the Company is one of the two major landholders in the region, with each represents one-third of the market. The four residential sites, of which three are waterfront sites, totalling 2.3 million square feet will provide over 2,500 residential units at average land cost of HK$4,200 per square foot. They are served by 2.2 million square feet of green area and over 10 kilometres of waterfront promenade and cycling paths, while the waterfront sites enjoy panoramic views of Victoria Harbour. The sites are well connected to the Tseung Kwan O MTR Station which is only three stops from Quarry Bay and a 20-minute commute from Central. All four projects are proceeding in accordance with plan. Presales of TKOTL119, the first site acquired in the region and closest to the MTR station, is tentatively scheduled for 2015.

"The Kowloon South Portfolio" consists of four developments with a total of 1.7 million square feet, namely, Austin Station, Ho Man Tin, Kai Tak and One HarbourGate. These developments are located in Kowloon's prime city centres and are in proximity to MTR stations. The residential site in Ho Man Tin is located in the traditional luxury residential neighbourhood of Kowloon and is adjacent to the future Ho Man Tin MTR Station (targeted construction completion in 2016). The Kai Tak site is a residential development located in the heart of Kai Tak development area and adjacent to the future Kai Tak MTR Station. One HarbourGate is in proximity to MTR East and West Rails, the future Shatin-to-Central MTR Line (targeted construction completion in four years' time) and the future Whampoa MTR Station (targeted construction completion in 2016).

"The Kowloon East Waterfront Portfolio" comprises of two key clusters along Victoria Harbour, the Bay East Waterfront Cluster and the Yau Tong Harbourfront Cluster. The Bay East Waterfront Cluster in CBD2 amounts to 1.4 million square feet and includes Wharf T&T Square and Kowloon Godown redevelopments. The Yau Tong Harbourfront Cluster with an attributable GFA of 860,000 square feet consists of two redevelopments, namely Yau Tong Bay and Yau Tong Godown.

"The Peak Portfolio", held by The Wharf (Holdings) Limited ("Wharf"), includes Mount Nicholson and existing properties redevelopment, providing 0.5 million square feet GFA of rare land parcels in Hong Kong's most valuable luxury residential location. The limited land supply in the Peak and lower cashflow pressure (given that three out of four are historical land bank) firmly enhance the value of The Peak Portfolio. Mount Nicholson is a 50%-owned joint venture development with Nan Fung group which will be developed into a total GFA of 324,000 square feet of deluxe villas and apartments.

Investment Properties ("IP")

Wheelock House is an office development located in the historical heart of Hong Kong's core commercial district at the intersection of Pedder Street and Des Voeux Road Central, above the Central MTR Station. As at 30 June 2014, Wheelock House had an office occupancy rate of 99%. Together with Wheelock Square in Shanghai (which is owned by Wharf) and Wheelock Place in Singapore (which is owned by Wheelock Properties (Singapore) Limited ("WPSL")), the three Wheelock branded landmarks anchor the Group's brand presence in Asia's key financial centres.

Crawford House is a commercial development at No. 70 Queen's Road Central comprising 18 office floors and a seven-storey retail area of 83,000 square feet with a 120-foot high street frontage and a layby along Queen's Road Central. As at 30 June 2014, office occupancy rate stood at 98% while retail area was 97% occupied. Zara's new flagship store with 55,000 square feet of retail area opened in June 2014. In August 2014, agreement has been reached to sell this property to Wharf at an underlying valuation of HK$5.8 billion for further consolidation of the IP portfolio of Wharf and the DP focus for Wheelock.

Corporate Social Responsibility

Our CSR approach of doing well by doing good is based on the idea of "Business-in-Community", where businesses interact with and also contribute to our community. In March 2014, Wheelock Properties Limited ("WPL") was awarded the Social Responsibility Award of the Year 2014 by Royal Institution of Chartered Surveyors, recognising its outstanding contribution to the community.

Project *WeCan* is a youth development programme launched in 2011 aiming to support underprivileged students in secondary schools lacking resources through annual funding, staff volunteering and a wide range of opportunities. This programme is an open platform that welcomes business sponsors. It has been well supported by expertise from the Quality School Improvement Project of The Chinese University of Hong Kong. Specifically, Wheelock has been working closely with two partner schools, Fung Kai No. 1 Secondary School and Ng Yuk Secondary School. Active volunteers' participation is vital, activities such as company visits and mentorship programme were carried out during the first half to empower students with opportunities that would engage them, nurture their confidence and inspire them. Project *WeCan* 2 was also launched last year aiming to support up to 150 or one-third of Hong Kong secondary schools with a high percentage of underprivileged students. There will be 30 more secondary schools participating in Project *WeCan* 2 in September 2014, bringing the total to 44.

Sustainable development continues to be an important agenda for the Group. In 1994, the Woo Wheelock Green Fund ("WWGF") was established in collaboration with the Government's Environment and Conservation Fund ("ECF") to support environmental protection through supporting environmental research and technology projects. In the past six years, WWGF funded 14 projects. Further, WPL strives to increase its energy reduction efforts, and as a result, carbon emission intensity for construction sites decreased by 62% over the last two years; recycling rate was 42% last year given the strengthening of materials recovery initiatives during construction stages. In headquarters, energy intensity decreased by 3.7% with the recycling rate increased from 11.4% to 33.9% in two years. So far, its effort is well recognised by the Gold Label Award in the WWF Hong Kong's Low-carbon Office Operation Programme for two consecutive years. WPL has set a target to reduce its office carbon emission per employee by 15% by 2017. Also, three upcoming developments were provisionally rated BEAM Plus Gold in 2013, demonstrating our commitment to green building standards. Finally, WPL has committed to CSR reporting for three consecutive years. This year we, among a few companies in Hong Kong, will report in accordance with the internationally recognised Global Reporting Initiative (GRI) G4 sustainability reporting guidelines.

Community involvement further to Project *WeCan* is actively supported by the Company. During the first half of 2014, the Company supported numerous organisations and participated in community activities which included programmes of Hong Chi Association, Run for Paralympians 2014, Hike for Hospice 2014 and The Peak Photo Competition with a donation to Maltida International Hospital. To support art and culture, the Company has also participated in an art workshop at Jockey Club Hong Chi School. WPL was awarded Caring Company 2013/14 by the Hong Kong Council of Social Service. The Wheelock Group once again supports The Community Chest Wheelock Swim for a Million 2014 to be held in September, promoting a healthy lifestyle and sports.

Delivering quality products and services is a continual process and we are much encouraged by industrial recognition. Our recent residential products have ranked in the top percentile in an industrially recognised quality index by CABLE TV*. WPL was awarded BCI Asia Top 10 Developers Awards – Hong Kong for three consecutive years and also the best property management for two consecutive years which underlies our focus on quality.

54.8% Equity Investment in The Wharf (Holdings) Limited

Wheelock held 54.8% of Wharf as at 30 June 2014, an increase of 2.66% from 52.1% since 31 December 2013 at an average cost of HK$54 per share. Wharf's investment properties drive its value. IP core profit increased by 18% to HK$3,751 million, representing 75% of Wharf's underlying profit (2013: 56%). Including net revaluation gain of HK$6,892 million, total IP profit amounted to HK$10,643 million, representing 91% of Wharf's profit (2013: 81%). IP book value increased to HK$270 billion; retail malls account for over 60% of that. This does not include hotels in operation (combined value of HK$9 billion) or under development (carried at a combined cost of HK$5 billion).

Investment Properties

Harbour City is among the world's leading shopping destinations (for total retail sales) supported by two million square feet of contiguous mall space, premier location, expertly-managed trade mix and powerful retail marketing. Its 530-metre retail frontage along Canton Road has become a finite resource for top brands. Presence at Harbour City is a must-have for celebrated international retailers and a showcase for any retailer who wants to do business in the Mainland. In a bid to enhance its retail attractiveness, Harbour City continuously upgrades the layout, refines the tenant mix and enhances premises and shopping experience. These rejuvenation works, including the renovation and extension of Ocean Terminal, is poised to add further growth impetus. This explains why Harbour City outperformed the local retail market in the past decade. Retail revenue increased by 14% and occupancy stood firm at virtually 100%. Demand for office space at Harbour City continued to be fuelled by small-medium-sized business expansion, corporate upgrade and decentralisation.

Times Square is among the most successful vertical malls in the world and remains a must-visit shopping landmark in Hong Kong, thanks to its unique 17-level retail mall design, diverse trade-mix, extensive entertainment and culinary choices, and direct thoroughfare to the MTR. With enhanced tenant-mix and shoppers' traffic distribution, the renewed Times Square caters an even wider range of shoppers. The offer of a new era of "shoppertainment" and lifestyle experience effectively pushes the bar to new heights. Retail revenue increased by 34% and occupancy maintained at virtually 100%. On the back of positive rental reversion, the office occupancy was strong with a steady increase in revenue from office sector.

*CABLE TV is a subsidiary of Wheelock Group.

Plaza Hollywood is a leading shopping mall in Kowloon East. Product and brand repositioning and enhanced tenant mix continued to drive its performance. It is well-positioned to attract high volumes of foot traffic given it is prominently located atop the Diamond Hill MTR Station, which will be the future interchange hub for the new Shatin-Central Link in four years' time with the existing MTR network. It is also located at the entrance to Tate's Cairn Tunnel, a vehicular artery linking Kowloon East with the New Territories and beyond to Shenzhen, and directly linked to the Diamond Hill bus terminus. Revenue increased by 10% and occupancy was virtually 100%.

China investment properties continued to deliver solid performance. Shanghai Wheelock Square continued to be the preferred office location for multinational firms and major corporations for its prestigious location, distinctive design and premium-quality management services. Shanghai Times Square has completed its substantial renovation and has successfully transformed itself into a high-end retail destination. Dalian Times Square, a premier luxury shopping landmark and jewel in the heart of the city, houses a spate of luxury brands. Chongqing Times Square is a renewed shopping mall with world class facilities and services. Chengdu Times Outlets became one of the most visited outlet destinations in Chengdu.

International Finance Square ("IFS") is a new series of IP projects being developed in China, with a scale comparable to or surpassing that of Harbour City and Times Square in Hong Kong. Upon completion of these five IFSs by 2017, the recurrent income base in China will be significantly strengthened.

Chengdu IFS with development area of 760,000 square metres, size of another Harbour City, is a mega mixed use complex located in the core city centre. It comprises a flagship shopping centre, Grade A office buildings, a luxury hotel under the new brand Niccolo by Marco Polo and high-end hotel serviced residence. The mall was opened in January 2014 and now virtually fully leased and commenced operations. Full completion is scheduled for 2015. Office leasing is also in progress with leading and reputable financial institutions and professional firms already secured.

Chongqing IFS comprises a landmark tower and four other towers offering retail with diverse trade-mix, Grade A offices and a luxury Niccolo by Marco Polo sky hotel. Retail pre-leasing activities have commenced. Full completion of the complex is scheduled for 2016.

Development of other IFSs in Changsha, Wuxi and Suzhou are in progress.

China Development Properties

On an attributable basis, a total of 641,000 square metres were sold to generate proceeds of RMB8.9 billion, representing 39% of the full year target. The net order book (net of business tax) increased to RMB21.7 billion for 1.73 million square metres at the end of June. Inclusive of China IP, the current land bank maintains at 11.1 million square metres spanning 15 cities.

Wharf holds approximately 24.3% of the equity interest in Greentown China Holdings Limited ("Greentown"), a leading high-end real estate developer in China with strong brand recognition. The investment in Greentown complements the Group's business strategy for China DP.

Non-Property

Marco Polo Hotels currently operates 13 Marco Polo hotels in the Asia Pacific region, four of which are owned by Wharf. A solid portfolio of 11 owned hotels will serve as a core platform of an expanding hotel network in five years' time. At least three of the new owned hotels are luxury hotels to be operated under a new brand Niccolo by Marco Polo. These hotels, destined to offer superior levels of design and impeccable quality of services, will take the hotel group to the next level of hospitality.

Murray Building is a prominent landmark building in Central with nearly 50 years of history. It guards the intersection of traffic arteries in Central that run east-west and north-south, commands open green view over Hong Kong Park and is well connected to MTR. Murray Building will be converted into a unique luxury hotel. Opening is targeted for 2017.

Modern Terminals' gain in market share boosted consolidated revenue which was driven by solid throughput growth. Global trade flows staged a muted recovery in 2014 amid signs of stabilising US and European economies.

i-CABLE's revenue compression continued. The industry will continue to come under considerable structural difficulties. Its affiliate Fantastic Television was granted in-principle approval to start a free TV service. The new free TV business will open up new horizons for i-CABLE and creative synergies with its existing businesses.

Wharf T&T reported a record-setting half year financial performance, capitalising on its extensive coverage of network infrastructure and service engine.

75.8% Equity Investment in Wheelock Properties (Singapore) Limited

In accordance with Hong Kong Financial Reporting Standard, WPSL's profit contribution to Wheelock for the six months ended 30 June 2014 was HK$828 million (2013: HK$732 million).

Investment Properties

Wheelock Place, a prime commercial development on Orchard Road comprising of retail podium and an office tower, was 100% leased at an average monthly rent of above S$13 per square foot as at 30 June 2014. The retail basements are linked to the Orchard MRT and adjacent retail site at the corner of Paterson Road and renowned Orchard Road shopping belt.

Scotts Square Retail is a prime residential development atop a retail complex located in the heart of the Orchard Road shopping belt. The occupancy rate stood at 93% at an average monthly rent of above S$22 per square foot as at 30 June 2014. The re-tenanting exercise to revitalise the mall with stronger international luxury labels and F&B concepts is in progress.

Development Properties

The Panorama is located in Singapore's traditional residential district of Ang Mo Kio and within walking distance to the future Mayflower MRT Station of Thomson Line linking to Orchard Road and Marina Bays (targeted construction completion in 2021), and adjacent to St. Nicholas Girls' School. As at 30 June 2014, 203 units or 83% of the 246 units launched was sold at an average price of S$1,287 per square foot.

Ardmore Three is a luxury residential development located along Ardmore Park with mere minutes away from the Orchard MRT Station and Orchard Road shopping belt. Presales is underway while the construction is in progress and completion is targeted for end of 2014.

Scotts Square, a 43-storey luxury residential development located on Orchard Road, was 79% sold at an average price of S$4,004 per square foot. 32 units were leased out with average monthly rent achieved close to S$5,300 per month.

雍景山 is a high-end residential development in Fuyang district, Zhenjiang Province in China. It is located 22 kilometres from the city centre of Hangzhou with nice mountain view. Construction of Phase 1 of the Fuyang residential project is in progress.

Investment in Hotel Properties Limited

Through a 40%-owned associated company, WPSL participated in a successful general offer led by the Managing Director of HPL to acquire a 56.5% ownership in HPL. WPSL's attributable interest in HPL increased from a direct holding of 20.2% to an indirect holding of 22.6%. From being an available-for-sale investment, HPL has been reclassified as an associated company. HPL focuses on quality hotel and property assets in Singapore and overseas.

FINANCIAL REVIEW

(I) Review of 2014 Interim Results

Wheelock & Company (before consolidation of listed subsidiaries WPSL and Wharf)

Wheelock's own net profit decreased by 38% to HK$873 million (2013: HK$1,408 million). Excluding the IP revaluation gain of HK$60 million (2013: HK$129 million) and the mark-to-market gain of HK$34 million (2013: HK$ Nil) on swaps, underlying profit decreased by 39% to HK$779 million (2013: HK$1,279 million) with operating profit HK$669 million recognised from Lexington Hill. The decrease in profit was mainly due to the absence of profit from sale of available-for-sale investments and lower profit contribution from associates as compared to 2013.

Wheelock Group

The Group continued to deliver solid operating results with revenue and operating profit increased in the first half of 2014. This was mainly attributable to continuous rental revenue growth. However, Group's underlying profit decreased by 25% to HK$3,547 million (2013: HK$4,761 million), mainly due to lower profit contribution from associates and absence of the exceptionally large investment disposal profit in 2013.

Group profit attributable to equity shareholders decreased by 29% to HK$7,675 million (2013: HK$10,845 million), due to a lower IP revaluation gain.

Revenue and Operating Profit

Group revenue increased by 6% to HK$18,474 million (2013: HK$17,398 million) attributable to the double-digit rental revenue increase.

Group operating profit increased by 13% to HK$8,241 million (2013: HK$7,292 million), of which HK$938 million (2013: HK$955 million) was contributed by Wheelock, HK$179 million (2013: HK$257 million) by WPSL and HK$7,124 million (2013: HK$6,080 million) by Wharf.

Investment Property ("IP")

Revenue and operating profit increased by 19% and 16% to HK$6,840 million (2013: HK$5,758 million) and HK$5,667 million (2013: HK$4,868 million) respectively, attributable to higher retail rental income through better sales performance achieved by retail tenants and the stable positive rental reversions for offices. Revenue from the Mainland increased by 57% to HK$839 million (2013: HK$536 million), mainly due to escalating revenue from the renovated Shanghai Times Square and the newly-opened Chengdu IFS.

Development Property ("DP")

Revenue and operating profit decreased by 1% and 3% to HK$6,883 million (2013: HK$6,926 million) and HK$1,613 million (2013: HK$1,658 million) respectively.

In Hong Kong, recognised property sales decreased by 15% to HK$1,668 million (2013: HK$1,960 million) with lower recognition from Lexington Hill as compared to Kadoorie Hill in 2013. Operating profit increased to HK$818 million (2013: HK$800 million) with higher margin.

In the Mainland, recognised property sales increased by 5% to HK$5,215 million (2013: HK$4,966 million) with higher recognition from projects, mainly from Chengdu Tian Fu Times Square, Chengdu Times Town, Wuxi Times City and Suzhou Times City. However, operating profit decreased by 3% to HK$839 million (2013: HK$864 million) with tighter margin.

Hotels

Revenue and operating profit increased by 8% and 3% to HK$760 million (2013: HK$703 million) and HK$189 million (2013: HK$183 million) respectively, due to Gateway Hotel which completed renovation in 2013.

Logistics

Revenue and operating profit increased by 7% and 9% to HK$1,673 million (2013: HK$1,560 million) and HK$517 million (2013: HK$476 million) respectively, mainly due to increase in throughput handled by Modern Terminals.

Communications, Media and Entertainment ("CME")

Revenue decreased by 7% to HK$1,790 million (2013: HK$1,929 million) but operating profit increased to HK$143 million (2013: HK$7 million). Wharf T&T's operating profit increased by 15% to HK$165 million (2013: HK$143 million) while i-CABLE's operating loss reduced by 84% to HK$19 million (2013: HK$116 million).

Investment and Others

Operating profit remained at HK$524 million (2013: HK$524 million), comprising largely dividend and interest income.

Fair Value Gain of IP

Book value of the Group's IP portfolio as at 30 June 2014 increased to HK$290.7 billion (2013: HK$282.0 billion), with HK$268.5 billion thereof stated at fair value based on independent valuation as at that date. That resulted in a revaluation gain of HK$7,441 million (2013: HK$11,393 million). The attributable net revaluation gain of HK$3,696 million (2013: HK$5,690 million), after deducting related deferred tax and non-controlling interests in total of HK$3,745 million (2013: HK$5,703 million), was credited to the consolidated income statement.

IP under development of HK$22.2 billion is carried at cost and will not be carried at fair value until the earlier of the fair values first become reliably measurable or the dates of their respective completion.

Other Net (Charge)/Income

Other net charge amounted to HK$150 million (2013: income of HK$1,662 million), comprising mainly exchange loss. Included in the first half of 2013 was profit on disposal of available-for-sale investments of HK$1,052 million and exchange gain of HK$312 million.

Finance Costs

Finance costs charged to the consolidated income statement were HK$1,149 million (2013: HK$238 million), which included an unrealised mark-to-market loss of HK$155 million (2013: gain of HK$840 million) on the cross currency/interest rate swaps. Net of non-controlling interests, the attributable loss was HK$77 million (2013: gain of HK$394 million).

Excluding the unrealised mark-to-market change, finance costs were HK$1,899 million (2013: HK$1,752 million) before capitalisation of HK$905 million (2013: HK$674 million), and HK$994 million (2013: HK$1,078 million) after capitalisation. The increase in finance costs was mainly due to increase in borrowings. The Group's effective borrowing rate for the period reduced to 3.1% (2013: 3.2%) per annum.

Share of Results of Associates and Joint Ventures

Share of profits of associates was HK$1,145 million (2013: HK$1,401 million), mainly including the share of negative goodwill on Hotel Properties Limited ("HPL") of HK$671 million (attributable to Wheelock Group is HK$509 million), which became an associate of WPSL in May 2014, as detailed in note 6 to the financial statements. Excluding the negative goodwill, the share of profits of associates decreased by 66% to HK$474 million, mainly due to lower profit contribution from DP projects in the Mainland.

Share of profits of joint ventures decreased by 38% to HK$150 million (2013: HK$243 million) as impacted by the decrease in profit contribution from DP projects in the Mainland.

Income Tax

The taxation charge was HK$2,068 million (2013: HK$1,822 million), which included deferred taxation of HK$481 million (2013: HK$408 million) provided for the fair value gain of IP in the Mainland.

Excluding deferred tax, the tax charge increased to HK$1,587 million (2013: HK$1,414 million), mainly due to higher profit from IP segment.

Non-controlling Interests

Profit attributable to non-controlling interests decreased by 35% to HK$5,935 million (2013: HK$9,086 million), which was mainly attributable to the reduction in profits of WPSL and Wharf.

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders decreased by 29% to HK$7,675 million (2013: HK$10,845 million). Earnings per share were HK$3.78 (2013: HK$5.34).

Excluding the net IP revaluation gain of HK$3,696 million (2013: HK$5,690 million), Group profit attributable to equity shareholders decreased by 23% to HK$3,979 million (2013: HK$5,155 million).

Further stripping out the one-off attributable negative goodwill on HPL of HK$509 million (2013: HK$ Nil) and the attributable mark-to-market loss on swaps/others of HK$77 million (2013: gain of HK$394 million), underlying profit decreased by 25% to HK$3,547 million (2013: HK$4,761 million). Underlying earnings per share were HK$1.75 (2013: HK$2.34).

Set out below is an analysis of the Group profit attributable to the equity shareholders as contributed by each of Wheelock, WPSL and Wharf.

Profit attributable to	**2014** **HK$ Million**	2013 HK$ Million
Wheelock	**779**	1,279
WPSL group	**120**	555
Wharf group	**2,648**	2,927
Underlying profit	**3,547**	4,761
Attributable negative goodwill on HPL	**509**	–
Attributable mark-to-market (loss)/gain on swaps/others	**(77)**	394
Profit before IP revaluation gain	**3,979**	5,155
IP revaluation gain (after deferred tax)	**3,696**	5,690
Profit attributable to equity shareholders	**7,675**	10,845

WPSL's profit for the first half of 2014 was S$135.3 million (2013: S$119.5 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$828 million (2013: HK$732 million).

Wharf's profit for the first half of 2014 decreased by 32% to HK$11,701 million (2013: HK$17,240 million). Excluding the net IP revaluation gain, Wharf's net profit decreased by 25% to HK$4,809 million (2013: HK$6,447 million). Before IP revaluation gain and the exceptional mark-to-market change on swaps/others, Wharf's underlying profit decreased by 12% to HK$5,019 million (2013: HK$5,683 million).

(II) Liquidity, Financial Resources and Capital Commitments

Shareholders' and Total Equity

The Group's shareholders' equity increased by 6% to HK$176.2 billion (2013: HK$166.6 billion), or HK$86.71 per share (2013: HK$81.99 per share) as at 30 June 2014.

Including the non-controlling interests, the Group's total equity increased by 2% to HK$317.0 billion (2013: HK$311.6 billion).

Total Assets

The Group's total assets increased by 1% to HK$492.6 billion (2013: HK$486.8 billion). Total business assets, i.e. excluding bank deposits and cash, certain available-for-sale investments, deferred tax assets and other derivative financial assets, increased by 3% to HK$457.9 billion (2013: HK$444.8 billion).

The Group's IP portfolio was HK$290.7 billion, representing 63% of total business assets. Together, Harbour City (excluding the three hotels) and Times Square in Hong Kong were valued at HK$190.6 billion, representing 66% of the value of the portfolio. Wharf's IP in the Mainland amounted to HK$52.2 billion, including those under development of HK$19.5 billion.

Other major business assets included properties under development and held for sale of HK$87.4 billion, interests in associates and joint ventures (mainly for China DP and port projects) of HK$45.7 billion and other fixed assets of HK$24.1 billion.

Geographically, the Group's business assets in the Mainland, mainly properties and terminals, amounted to HK$155.3 billion (2013: HK$158.0 billion), representing 34% (2013: 36%) of the Group's total business assets.

Debt and Gearing

The Group's net debt increased by HK$8.7 billion to HK$103.0 billion (2013: HK$94.3 billion) as at 30 June 2014, comprising debt of HK$126.7 billion less bank deposits and cash of HK$23.7 billion. Excluding WPSL's net debt of HK$1.4 billion and Wharf's HK$59.8 billion, which are non-recourse to the Company and its wholly-owned subsidiaries, Wheelock's own net debt was HK$41.7 billion (2013: HK$35.1 billion). An analysis of the net debt by group is as below:

Net debt	**2014 HK$ Million**	2013 HK$ Million
Wheelock	**41,735**	35,153
WPSL group	**1,440**	1,070
Wharf group	**59,786**	58,072
Group	**102,961**	94,295

As at 30 June 2014, the ratio of net debt to total equity (on a consolidated basis) was 32.5% (2013: 30.3%). Excluding the net debt of WPSL and Wharf, Wheelock's own net debt to shareholders' equity (on an attributable net asset value basis) was 23.7% (2013: 21.1%).

Finance and Availability of Facilities

The Group's available loan facilities and issued debt securities amounting to HK$163.2 billion (2013: HK$157.4 billion), of which HK$126.7 billion were drawn, as at 30 June 2014 are analysed as below:

	Available Facilities HK$ Billion	**Total Debts HK$ Billion**	**Undrawn Facilities HK$ Billion**
Wheelock	55.5	42.6	12.9
WPSL group	6.6	4.0	2.6
Wharf group	101.1	80.1	21.0
Group	163.2	126.7	36.5

Of the above debts, HK$19.2 billion (2013: HK$24.3 billion) was secured by mortgage over certain DP, IP and fixed assets with total carrying value of HK$61.7 billion (2013: HK$57.9 billion).

The Group's debts were primarily denominated in United States dollars ("USD"), Hong Kong dollars ("HKD"), Renminbi ("RMB") and Singapore dollars ("SGD"). The borrowings were mainly used to fund the Group's IP, 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 RMB, HKD, USD and SGD and undrawn committed facilities to facilitate the Group's expanding business and investment activities. The Group also maintained a portfolio of available-for-sale investments, primarily in blue-chip securities, with an aggregate market value of HK$11.0 billion (2013: HK$13.2 billion) as at 30 June 2014, 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$8.5 billion (2013: HK$7.5 billion). The changes in working capital and others of HK$6.7 billion (2013: HK$8.1 billion) reduced the net cash inflow from operating activities to HK$1.8 billion (2013: outflow of HK$0.6 billion). For investing activities, the Group recorded a net cash outflow of HK$6.3 billion (2013: HK$4.0 billion), mainly for additions to IP, investment in associates and joint ventures and increase in interest in Wharf which was partly offset by the redemption proceeds of the convertible securities issued by Greentown to Wharf of HK$2.7 billion (2013: HK$ Nil).

Major Capital and Development Expenditure and Commitments

The Group's major capital and development expenditure incurred in the first half of 2014 is analysed as follows:

A. Major capital and development expenditure

	Hong Kong/ Singapore HK$ Million	Mainland China HK$ Million	Total HK$ Million
Wheelock			
IP	182	–	182
DP	3,281	49	3,330
	3,463	49	3,512
WPSL group			
IP	2	–	2
DP	156	25	181
	158	25	183
Wharf group			
IP	570	1,081	1,651
DP	87	7,150	7,237
Hotels/Others	508	158	666
	1,165	8,389	9,554
Analysis by segment:			
IP	754	1,081	1,835
DP	3,524	7,224	10,748
Hotels/Others	508	158	666
Group total	4,786	8,463	13,249

i. Wheelock's own expenditure for IP and DP amounted to HK$3.5 billion, mainly attributable to land cost payment for the Kai Tak project and construction cost payments for its Hong Kong DP projects.

ii. WPSL's expenditure of HK$0.2 billion is mainly for construction cost payments for its Singapore DP projects.

iii. Wharf's expenditure totalled HK$9.6 billion, comprising expenditure of HK$1.7 billion for IP (mainly renovation of Harbour City and construction costs for the IFS projects), HK$7.2 billion for DP (mainly related to China projects) and HK$0.7 billion for Hotels, Modern Terminals, Wharf T&T and i-CABLE.

B. Commitments to capital and development expenditure

As at 30 June 2014, the Group's major commitments to capital and development expenditure to be incurred in the forthcoming years was estimated at HK$93.4 billion, of which HK$36.3 billion was authorised and contracted for. By segment, the commitments are analysed as below:

	As at 30 June 2014		
	Authorised and contracted for HK$ Million	**Authorised but not contracted for HK$ Million**	**Total HK$ Million**
Wheelock			
IP	41	–	41
DP	7,201	9,710	16,911
	7,242	9,710	16,952
WPSL group			
IP	5	–	5
DP	1,605	2,139	3,744
	1,610	2,139	3,749
Wharf group			
IP	8,879	12,498	21,377
DP	17,802	30,026	47,828
Hotels/Others	814	2,669	3,483
	27,495	45,193	72,688
Analysis by segment:			
IP	8,925	12,498	21,423
DP	26,608	41,875	68,483
Hotels/Others	814	2,669	3,483
Group total	36,347	57,042	93,389
Analysis by geographical location:			
Hong Kong	9,633	9,891	19,524
Mainland China	24,576	44,239	68,815
Singapore	1,324	243	1,567
Properties total	35,533	54,373	89,906
Hotels/Others	814	2,669	3,483
Group total	36,347	57,042	93,389

i. Wheelock's own commitments of HK$17.0 billion are mainly related to construction costs for DP in Hong Kong.

ii. WPSL's commitments of HK$3.7 billion are mainly related to construction costs of HK$1.6 billion for DP in Singapore and of HK$2.1 billion in the Mainland.

iii. Wharf's commitments of HK$72.7 billion mainly comprised expenditure of HK$21.4 billion for IP, HK$47.8 billion for DP mainly land and construction costs (which included attributable land costs of HK$1.5 billion payable in 2014) and HK$3.5 billion for Hotels, Modern Terminals, Wharf T&T and i-CABLE.

iv. The above commitments and planned expenditure will be funded by the respective group's own internal financial resources including surplus cash, cash flow from operations as well as bank and other financings with 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 16,500 employees as at 30 June 2014, 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 2014 – Unaudited

	Note	Six months ended 30 June 2014 HK$ Million	2013 HK$ Million
Revenue	2	**18,474**	17,398
Direct costs and operating expenses		**(8,021)**	(7,962)
Selling and marketing expenses		**(656)**	(603)
Administrative and corporate expenses		**(815)**	(828)
Operating profit before depreciation, amortisation, interest and tax		**8,982**	8,005
Depreciation and amortisation	3	**(741)**	(713)
Operating profit	2 & 3	**8,241**	7,292
Increase in fair value of investment properties		**7,441**	11,393
Other net (charge)/income	4	**(150)**	1,662
		15,532	20,347
Finance costs	5	**(1,149)**	(238)
Share of results after tax of:			
Associates	6	**1,145**	1,401
Joint ventures		**150**	243
Profit before taxation		**15,678**	21,753
Income tax	7	**(2,068)**	(1,822)
Profit for the period		**13,610**	19,931
Profit attributable to:			
Equity shareholders		**7,675**	10,845
Non-controlling interests		**5,935**	9,086
		13,610	19,931
Earnings per share	8		
Basic		**HK$3.78**	HK$5.34
Diluted		**HK$3.78**	HK$5.34

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014 – Unaudited

	Six months ended 30 June	
	2014	2013
	HK$ Million	HK$ Million
Profit for the period	**13,610**	19,931
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange (loss)/gain on translation of foreign operations	**(787)**	903
Net revaluation of available-for-sale investments:	**677**	(2,615)
Surplus/(deficit) on revaluation	**664**	(1,619)
Transferred to consolidated income statement on disposal	**13**	(996)
Share of other comprehensive income of associates/joint ventures	**(366)**	323
Others	**3**	9
Other comprehensive income for the period	**(473)**	(1,380)
Total comprehensive income for the period	**13,137**	18,551
Total comprehensive income attributable to:		
Equity shareholders	**7,792**	9,362
Non-controlling interests	**5,345**	9,189
	13,137	18,551

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014 – Unaudited

	Note	30 June 2014 HK$ Million	31 December 2013 HK$ Million
Non-current assets			
Investment properties		**290,695**	282,015
Fixed assets		**24,094**	24,180
Interest in associates		**23,945**	19,003
Interest in joint ventures		**21,711**	21,603
Available-for-sale investments		**10,980**	13,246
Convertible securities		**–**	2,824
Goodwill and other intangible assets		**305**	297
Programming library		**168**	137
Deferred tax assets		**738**	730
Derivative financial assets		**277**	176
Other non-current assets		**41**	42
		372,954	364,253
Current assets			
Properties for sale		**87,420**	87,178
Inventories		**52**	47
Trade and other receivables	10	**8,076**	5,645
Derivative financial assets		**349**	346
Bank deposits and cash		**23,757**	29,345
		119,654	122,561
Current liabilities			
Trade and other payables	11	**(16,730)**	(21,721)
Deposits from sale of properties		**(18,141)**	(16,379)
Derivative financial liabilities		**(246)**	(283)
Taxation payable		**(1,970)**	(1,898)
Bank loans and other borrowings	12	**(6,465)**	(11,964)
		(43,552)	(52,245)
Net current assets		**76,102**	70,316
Total assets less current liabilities		**449,056**	434,569
Non-current liabilities			
Derivative financial liabilities		**(1,206)**	(1,292)
Deferred tax liabilities		**(10,251)**	(9,726)
Other deferred liabilities		**(304)**	(303)
Bank loans and other borrowings	12	**(120,253)**	(111,676)
		(132,014)	(122,997)
NET ASSETS		**317,042**	311,572
Capital and reserves			
Share capital: Nominal value		**–**	1,016
Other statutory capital reserves		**–**	1,933
Share capital and other statutory capital reserves	13	**2,949**	2,949
Other reserves		**173,232**	163,633
Shareholders' equity		**176,181**	166,582
Non-controlling interests		**140,861**	144,990
TOTAL EQUITY		**317,042**	311,572

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014 – Unaudited

	Shareholders' equity							
	Share capital HK$ Million	Share premium HK$ Million	Investments revaluation and other reserves HK$ Million	Exchange reserves HK$ Million	Revenue reserves HK$ Million	Total shareholders' equity HK$ Million	Non-controlling interests HK$ Million	Total equity HK$ Million
At 1 January 2014	**1,016**	**1,914**	**915**	**6,292**	**156,445**	**166,582**	**144,990**	**311,572**
Changes in equity for the period:								
Profit	**–**	**–**	**–**	**–**	**7,675**	**7,675**	**5,935**	**13,610**
Other comprehensive income	**–**	**–**	**577**	**(460)**	**–**	**117**	**(590)**	**(473)**
Transferred to revenue reserves on disposal (Note 6)	**–**	**–**	**(1,226)**	**(68)**	**1,294**	**–**	**–**	**–**
Total comprehensive income	**–**	**–**	**(649)**	**(528)**	**8,969**	**7,792**	**5,345**	**13,137**
Acquisition of additional interest in a subsidiary	**–**	**–**	**–**	**–**	**3,085**	**3,085**	**(7,346)**	**(4,261)**
Equity settled share-based payments	**–**	**–**	**43**	**–**	**–**	**43**	**20**	**63**
Redemption of convertible bonds issued by a subsidiary	**–**	**–**	**(55)**	**–**	**55**	**–**	**–**	**–**
2013 second interim dividend paid (Note 9b)	**–**	**–**	**–**	**–**	**(1,321)**	**(1,321)**	**–**	**(1,321)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(2,148)**	**(2,148)**
Transition to no-par value regime on 3 March 2014 (Note 13)	**1,933**	*** (1,914)**	*** (19)**	**–**	**–**	**–**	**–**	**–**
At 30 June 2014	**2,949**	**–**	**235**	**5,764**	**167,233**	**176,181**	**140,861**	**317,042**
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 payments	–	–	17	–	–	17	12	29
2012 second interim dividend paid (Note 9b)	–	–	–	–	(1,219)	(1,219)	–	(1,219)
2012 special dividend paid (Note 9b)	–	–	–	–	(508)	(508)	–	(508)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(2,160)	(2,160)
At 30 June 2013	1,016	1,914	654	5,487	150,951	160,022	139,381	299,403

* Share premium of HK$1,914 million and capital redemption reserve of HK$19 million under investments revaluation and other reserves were transferred to share capital on 3 March 2014 in accordance with the new Hong Kong Companies Ordinance (Cap. 622).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014 – Unaudited

	Six months ended 30 June	
	2014	2013
	HK$ Million	HK$ Million
Operating cash inflow	**8,481**	7,457
Changes in working capital/others	**(5,280)**	(6,666)
Tax paid	**(1,403)**	(1,396)
Net cash generated from/(used in) operating activities	**1,798**	(605)
Investing activities		
Additions to investment properties and fixed assets	**(3,472)**	(4,330)
Acquisition of additional interest in a subsidiary	**(4,261)**	(1,196)
Other cash generated from investing activities	**1,408**	1,533
Net cash used in investing activities	**(6,325)**	(3,993)
Financing activities		
Dividends paid to equity shareholders	**(1,321)**	(1,727)
Dividends paid to non-controlling interests	**(2,148)**	(2,160)
Other cash generated from financing activities	**2,590**	16,821
Net cash (used in)/generated from financing activities	**(879)**	12,934
Net (decrease)/increase in cash and cash equivalents	**(5,406)**	8,336
Cash and cash equivalents at 1 January	**29,315**	28,456
Effect of exchange rate changes	**(152)**	108
Cash and cash equivalents at 30 June	**23,757**	36,900
Cash and cash equivalents		
Bank deposits and cash in the consolidated statement of financial position	**23,757**	36,900

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 disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

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 2013 except for the changes mentioned below.

With effect from 1 January 2014, the Group has adopted the below amendments to HKAS, which are relevant to the Group's financial statements:

Amendments to HKAS 32	Financial instruments: Presentation – Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amounts disclosure for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting

Amendments to HKAS 32 clarified some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. The amendments do not have a significant impact on the Group's financial statements.

Amendments to HKAS 36 modified certain disclosure requirement for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash generating units whose recoverable amount is based on fair value less costs of disposal. The amendments do not have a significant impact on the Group's financial statements.

Amendments to HKAS 39 provided relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have a significant impact on the Group's 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 Wharf (Holdings) Limited ("Wharf") owns and manages 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 on an arm's length basis.

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

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

(a) Analysis of segment revenue and results

	Revenue HK$ Million	Operating profit HK$ Million	Increase in fair value of investment properties HK$ Million	Other net (charge)/ income HK$ Million	Finance costs HK$ Million	Associates HK$ Million	Joint ventures HK$ Million	Profit before taxation HK$ Million
For the six months ended 30 June 2014								
Investment property	6,840	5,667	7,441	18	(691)	–	–	12,435
Hong Kong	5,782	5,085	6,398	18	(663)	–	–	10,838
Mainland China	839	425	1,043	–	(28)	–	–	1,440
Singapore	219	157	–	–	–	–	–	157
Development property	6,883	1,613	–	(24)	(51)	322	121	1,981
Hong Kong	1,668	818	–	–	–	1	(25)	794
Mainland China	5,215	839	–	(24)	(51)	321	146	1,231
Singapore	–	(44)	–	–	–	–	–	(44)
Hotels	760	189	–	–	(7)	–	–	182
Logistics	1,673	517	–	(73)	(127)	150	29	496
Terminals	1,618	508	–	(52)	(127)	111	29	469
Others	55	9	–	(21)	–	39	–	27
CME	1,790	143	–	1	(19)	–	–	125
i-CABLE	843	(19)	–	1	–	–	–	(18)
Telecommunications	947	165	–	–	(19)	–	–	146
Others	–	(3)	–	–	–	–	–	(3)
Inter-segment revenue	(227)	–	–	–	–	–	–	–
Segment total	17,719	8,129	7,441	(78)	(895)	472	150	15,219
Investment and others	755	524	–	(72)	(254)	673	–	871
Corporate expenses	–	(412)	–	–	–	–	–	(412)
Group total	18,474	8,241	7,441	(150)	(1,149)	1,145	150	15,678

	Revenue HK$ Million	Operating profit HK$ Million	Increase in fair value of investment properties HK$ Million	Other net (charge)/ income HK$ Million	Finance costs HK$ Million	Associates HK$ Million	Joint ventures HK$ Million	Profit before taxation HK$ Million
For the six months ended 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	703	183	–	–	(9)	–	–	174
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	16,660	7,192	11,393	96	(806)	1,401	243	19,519
Investment and others	738	524	–	1,566	568	–	–	2,658
Corporate expenses	–	(424)	–	–	–	–	–	(424)
Group total	17,398	7,292	11,393	1,662	(238)	1,401	243	21,753

(b) Analysis of inter-segment revenue

	2014			2013		
Six months ended 30 June	**Total revenue HK$ Million**	**Inter-segment revenue HK$ Million**	**Group revenue HK$ Million**	Total revenue HK$ Million	Inter-segment revenue HK$ Million	Group revenue HK$ Million
Investment property	**6,840**	**(90)**	**6,750**	5,758	(91)	5,667
Development property	**6,883**	**–**	**6,883**	6,926	–	6,926
Hotels	**760**	**–**	**760**	703	–	703
Logistics	**1,673**	**–**	**1,673**	1,560	–	1,560
CME	**1,790**	**(48)**	**1,742**	1,929	(64)	1,865
Investment and others	**755**	**(89)**	**666**	738	(61)	677
	18,701	**(227)**	**18,474**	17,614	(216)	17,398

(c) Geographical information

	Revenue		Operating profit	
Six months ended 30 June	**2014 HK$ Million**	2013 HK$ Million	**2014 HK$ Million**	2013 HK$ Million
Hong Kong	**11,385**	10,916	**6,831**	5,916
Mainland China	**6,837**	6,185	**1,281**	1,161
Singapore	**252**	297	**129**	215
Group total	**18,474**	17,398	**8,241**	7,292

3. Operating Profit

	Six months ended 30 June	
	2014	2013
	HK$ Million	HK$ Million
Operating profit is arrived at after charging/(crediting):		
Depreciation and amortisation on		
– assets held for use under operating leases	**84**	72
– other fixed assets	**570**	552
– leasehold land	**37**	49
– programming library	**50**	40
Total depreciation and amortisation	**741**	713
Staff costs (Note a)	**1,956**	1,793
Cost of trading properties for recognised sales	**5,046**	5,008
Rental income less direct outgoings (Note b)	**(5,724)**	(4,921)
Interest income	**(394)**	(367)
Dividend income from listed investments	**(177)**	(217)
Loss on disposal of fixed assets	**7**	–

Notes:

(a) Staff costs included contributions to defined contribution pension schemes of HK$145 million (2013: HK$121 million) and equity settled share-based payment expenses of HK$63 million (2013: HK$29 million).

(b) Rental income included contingent rentals of HK$1,116 million (2013: HK$1,068 million).

4. Other Net (Charge)/Income

Other net charge for the period amounted to HK$150 million (2013: income of HK$1,662 million), mainly comprised net foreign exchange loss of HK$186 million (2013: gain of HK$312 million) which included the impact of forward foreign exchange contracts and net profit on disposal of available-for-sale investments of HK$9 million (2013: HK$1,052 million).

5. Finance Costs

	Six months ended 30 June	
	2014	2013
	HK$ Million	HK$ Million
Interest charged on:		
Bank loans and overdrafts		
– repayable within five years	**751**	513
– repayable after five years	**68**	93
Other borrowings		
– repayable within five years	**598**	618
– repayable after five years	**258**	309
Total interest charge	**1,675**	1,533
Other finance costs	**224**	219
Less: Amount capitalised	**(905)**	(674)
	994	1,078
Fair value loss/(gain):		
Cross currency interest rate swaps	**57**	(210)
Interest rate swaps	**98**	(630)
	155	(840)
Total	**1,149**	238

(a) The Group's average effective borrowing rate for the period was approximately 3.1% (2013: 3.2%) 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. Share of Results After Tax of Associates

Wheelock Properties (Singapore) Limited ("WPSL") formed an associated company (40% held by WPSL) to undertake a mandatory general offer for all the interests in Hotel Properties Limited ("HPL"). On 30 May 2014, the offer became unconditional. The mandatory general offer was closed on 26 June 2014 and HPL became a 56.5% subsidiary of the associated company.

As a result, WPSL's shareholdings in HPL which were previously recorded as available-for-sale investments were now recorded as an interest in an associate. Accordingly, WPSL transferred HK$1,976 million of fair value reserve to revenue reserves. The amount attributable to Wheelock Group is HK$1,294 million.

In addition, WPSL's share of negative goodwill of HK$671 million arising from consolidation of HPL by the associated company has been included in the share of results after tax of associates.

The allocation of the purchase price to the identifiable assets and liabilities of HPL is currently being determined and has not been completed. Hence, the Group's share of the net assets in the associate is based on the estimated fair value of HPL.

7. Income Tax

Taxation charged to the consolidated income statement includes:

	Six months ended 30 June	
	2014	2013
	HK$ Million	HK$ Million
Current income tax		
Hong Kong		
– provision for the period	**908**	809
– overprovision in respect of prior years	**(40)**	(58)
Outside Hong Kong		
– provision for the period	**465**	485
– overprovision in respect of prior years	**–**	(1)
	1,333	1,235
Land appreciation tax ("LAT") in Mainland China (Note 7c)	**149**	207
Deferred tax		
Change in fair value of investment properties	**481**	408
Origination and reversal of temporary differences	**105**	(28)
	586	380
Total	**2,068**	1,822

(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% (2013: 16.5%).

(b) Income tax on profits assessable outside Hong Kong is mainly China corporate income tax calculated at a rate of 25% (2013: 25%), China withholding income tax at a rate of up to 10% (2013: 10%) and Singapore income tax at a rate of 17% (2013: 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 property development expenditure.

(d) Tax attributable to associates and joint ventures for the six months ended 30 June 2014 of HK$706 million (2013: HK$1,010 million) is included in the share of results after tax of associates and joint ventures.

8. Earnings Per Share

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

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

	Six months ended 30 June	
	2014	2013
	HK$ Million	HK$ Million
Profit attributable to equity shareholders	**7,675**	10,845

(b) Weighted average number of ordinary shares

	30 June 2014	30 June 2013
	No. of shares	No. of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,031,849,287**	2,031,849,287
Effect of dilutive potential shares – Share options	**–**	53,863
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,031,849,287**	2,031,903,150

9. 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:

	Six months ended 30 June 2014 HK$ Million	2013 HK$ Million
First interim dividend of 38.5 cents (2013: 35.0 cents) per share proposed after the end of the reporting period	**782**	711

(b) Dividends recognised as distribution during the period:

	Six months ended 30 June 2014 HK$ Million	2013 HK$ Million
2013 second interim dividend paid of 65.0 cents per share	**1,321**	–
2012 second interim dividend paid of 60.0 cents per share	**–**	1,219
2012 special dividend paid of 25.0 cents per share	**–**	508
	1,321	1,727

10. 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 2014 as follows:

	30 June 2014 HK$ Million	31 December 2013 HK$ Million
Trade receivables		
0 – 30 days	**742**	872
31 – 60 days	**161**	168
61 – 90 days	**74**	141
Over 90 days	**133**	85
	1,110	1,266
Accrued sales receivables	**874**	3
Other receivables and prepayments	**6,092**	4,376
	8,076	5,645

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.

11. Trade and Other Payables

Included in this item are trade payables with an ageing analysis as at 30 June 2014 as follows:

	30 June 2014 HK$ Million	31 December 2013 HK$ Million
Trade payables		
0 – 30 days	**349**	366
31 – 60 days	**246**	216
61 – 90 days	**58**	51
Over 90 days	**135**	209
	788	842
Rental and customer deposits	**3,480**	3,267
Construction costs payable	**3,771**	8,483
Amounts due to associates	**2,619**	3,241
Amounts due to joint ventures	**1,509**	1,030
Other payables	**4,563**	4,858
	16,730	21,721

12. Bank Loans and Other Borrowings

	30 June 2014 HK$ Million	31 December 2013 HK$ Million
Bonds and notes (unsecured)	**46,743**	40,586
Convertible bonds (unsecured)	**–**	6,214
Bank loans (secured)	**19,205**	24,258
Bank loans (unsecured)	**60,770**	52,582
Total bank loans and other borrowings	**126,718**	123,640
Analysis of maturities of the above borrowings:		
Current borrowings		
Due within 1 year	**6,465**	11,964
Non-current borrowings		
Due after 1 year but within 5 years	**106,413**	99,237
Due after 5 years	**13,840**	12,439
	120,253	111,676
Total bank loans and other borrowings	**126,718**	123,640

13. Share Capital and Other Statutory Capital Reserves

(a) Share capital

	30 June 2014 HK$ Million	31 December 2013 HK$ Million
2,031,849,287 (2013: 2,031,849,287) issued and fully paid ordinary shares	**1,016**	1,016
Transition to no-par value regime on 3 March 2014	**1,933**	–
	2,949	1,016

As at 31 December 2013, 2,800 million ordinary shares, with par value of HK$0.5 each, were authorised for issue. Under the new Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concepts of "authorised share capital" and "par value" no longer exist. As part of the transition to the no-par value regime, the amount of the Company's issued and fully paid capital of HK$1,016 million, and the amount of HK$1,933 million standing to the credit of the share premium account and the capital redemption reserve on 3 March 2014 have become part of the Company's share capital, under the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622). These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the members.

(b) *Share premium and capital redemption reserve*

Prior to 3 March 2014, the application of the share premium account and the capital redemption reserve were governed by section 48B and section 49H of the predecessor Hong Kong Companies Ordinance (Cap. 32) respectively. In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014 any amount standing to the credit of the share premium account and the capital redemption reserve have become part of the Company's share capital (see note 13a). The use of share capital as from 3 March 2014 is governed by the new Hong Kong Companies Ordinance (Cap. 622).

14. Fair Value Measurement of Financial Instruments

(a) *Financial assets and liabilities carried at fair value*

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

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

Financial instruments carried at fair value

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

	Fair value measurements categorised into					
	30 June 2014			31 December 2013		
	Level 1 HK$ Million	Level 2 HK$ Million	Total HK$ Million	Level 1 HK$ Million	Level 2 HK$ Million	Total HK$ Million
Assets						
Available-for-sale investments:						
– Listed investments	10,947	–	10,947	13,213	–	13,213
Convertible securities	–	–	–	–	2,824	2,824
Derivative financial instruments:						
– Interest rate swaps	–	375	375	–	262	262
– Cross currency interest rate swaps	–	225	225	–	181	181
– Forward foreign exchange contracts	–	–	–	–	79	79
– Warrants	26	–	26	–	–	–
	10,973	600	11,573	13,213	3,346	16,559
Liabilities						
Derivative financial instruments:						
– Interest rate swaps	–	(419)	(419)	–	(446)	(446)
– Cross currency interest rate swaps	–	(956)	(956)	–	(1,004)	(1,004)
– Forward foreign exchange contracts	–	(77)	(77)	–	(125)	(125)
Bank loans and other borrowings:						
– Bonds and notes	–	(27,456)	(27,456)	–	(18,120)	(18,120)
– Convertible bonds	–	–	–	–	(6,214)	(6,214)
– Bank loans	–	(1,320)	(1,320)	–	(1,574)	(1,574)
	–	(30,228)	(30,228)	–	(27,483)	(27,483)

During the six months ended 30 June 2014, there were no transfers of financial instruments between Level 1 and Level 2, or transfers into or out of Level 3.

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

Valuation techniques and inputs used in Level 2 fair value measurements

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

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

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

The fair value of the liability component of the convertible bond is calculated using a market interest rate for a bond with the same tenure but with no conversion features.

The fair value of convertible securities is calculated by using the Binomial Tree Pricing Model taking into account the terms and conditions of the convertible securities held by Wharf.

(b) Financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 30 June 2014 and 31 December 2013.

15. Material Related Party Transactions

The Group has not been a party to any material related party transactions during the period ended 30 June 2014 except for the rental income totalling HK$495 million (2013: HK$416 million) earned from various tenants which are companies whose controlling shareholder is a trust, the settlor of which is the Senior Director of the Company. These transactions are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules.

16. Contingent Liabilities

(a) As at 30 June 2014, there were contingent liabilities in respect of guarantees given by the Group on behalf of certain associates and joint ventures of HK$12,064 million (31/12/2013: HK$12,980 million), of which HK$11,037 million (31/12/2013: HK$10,745 million) had been drawn.

(b) As at 30 June 2014, there were guarantees of HK$7,081 million (31/12/2013: HK$5,979 million) provided by Wharf group to the banks in favour of their customers in respect of the mortgage loan provided by the banks to those customers for the purchase of Wharf group's development properties. There were also mortgage loan guarantees of HK$1,141 million (31/12/2013: HK$946 million) provided by associates and joint ventures of Wharf group to the banks in favour of their customers.

(c) 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 ventures, under or arising out of or in connection with an agreement dated 23 March 2010 for the development of the Austin Station Development Property project.

17. Commitments

The Group's outstanding commitments as at 30 June 2014 are detailed as below:

(a) Planned expenditure

	30 June 2014 Authorised and contracted for HK$ Million	30 June 2014 Authorised but not contracted for HK$ Million	30 June 2014 Total HK$ Million	31 December 2013 Authorised and contracted for HK$ Million	31 December 2013 Authorised but not contracted for HK$ Million	31 December 2013 Total HK$ Million
(I) Properties						
Investment property						
Hong Kong	**1,036**	**421**	**1,457**	1,138	475	1,613
Mainland China	**7,884**	**12,077**	**19,961**	8,581	11,318	19,899
Singapore	**5**	**–**	**5**	7	–	7
	8,925	**12,498**	**21,423**	9,726	11,793	21,519
Development property						
Hong Kong	**8,597**	**9,470**	**18,067**	6,996	11,392	18,388
Mainland China	**16,692**	**32,162**	**48,854**	17,776	37,120	54,896
Singapore	**1,319**	**243**	**1,562**	104	1,531	1,635
	26,608	**41,875**	**68,483**	24,876	50,043	74,919
Properties total						
Hong Kong	**9,633**	**9,891**	**19,524**	8,134	11,867	20,001
Mainland China	**24,576**	**44,239**	**68,815**	26,357	48,438	74,795
Singapore	**1,324**	**243**	**1,567**	111	1,531	1,642
	35,533	**54,373**	**89,906**	34,602	61,836	96,438
(II) Others						
Hotels	**286**	**2,345**	**2,631**	290	2,587	2,877
Modern Terminals	**381**	**38**	**419**	366	69	435
Wharf T&T	**118**	**104**	**222**	111	273	384
i-CABLE	**29**	**182**	**211**	10	196	206
	814	**2,669**	**3,483**	777	3,125	3,902
Group total	**36,347**	**57,042**	**93,389**	35,379	64,961	100,340

(i) Properties commitments are mainly for construction costs to be incurred in stages in the forthcoming years, including attributable land costs of HK$1.5 billion (31/12/2013: HK$5.2 billion) payable in 2014.

(ii) The expenditure for development properties includes attributable amounts for developments undertaken by associates and joint ventures of HK$1.7 billion (31/12/2013: HK$2.2 billion) in Hong Kong and of HK$17.3 billion (31/12/2013: HK$19.9 billion) in Mainland China.

(b) In addition to the above, the CME segment is committed to programming and other expenditure totalling HK$1,001 million (31/12/2013: HK$558 million) with HK$939 million (31/12/2013: HK$486 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:

	30 June 2014 HK$ Million	31 December 2013 HK$ Million
Expenditure for operating leases		
Within one year	**52**	46
After one year but within five years	**133**	121
Over five years	**45**	51
	230	218

18. Event After the Reporting Period

On 11 August 2014, Wheelock entered into an agreement with Wharf for disposing of the entire share capital of a wholly-owned subsidiary which indirectly holds Crawford House for a consideration of HK$2,754 million. The consideration is determined by reference to the net asset value of the subsidiary after taking into account of the current valuation of Crawford House at HK$5,790 million revalued by an independent valuer and a bank loan of HK$3,000 million.

19. Comparative Figures

Certain comparative figures have been reclassified to conform to the current period's presentation.

20. Review of Unaudited Interim Financial Statements

The unaudited interim financial statements for the six months ended 30 June 2014 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 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 2014, 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 four subsidiaries of the Company, namely, The Wharf (Holdings) Limited ("Wharf"), i-CABLE Communications Limited ("i-CABLE"), Wheelock Finance Limited and Wharf Finance Limited. The percentages (where applicable) which the relevant securities represented to the respective total numbers of shares in issue of the five companies respectively are also set out below:

	Quantity (percentage, where applicable) **held**	**Nature of Interest**
The Company – Ordinary Shares		
Peter K C Woo	1,229,427,330 (60.5078%)	Personal Interest in 8,847,510 shares, Corporate Interest in 225,358,142 shares and Other Interest in 995,221,678 shares
Stephen T H Ng	300,000 (0.0148%)	Personal Interest
Wharf – Ordinary Shares		
Stephen T H Ng	804,445 (0.0266%)	Personal Interest
Kenneth W S Ting	506,248 (0.0249%)	Personal Interest
i-CABLE – Ordinary Shares		
Stephen T H Ng	1,265,005 (0.0629%)	Personal Interest
Wheelock Finance Limited		
– 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$1,300,000	Personal Interest
– HKD Guaranteed Notes due 2022		
Ricky K Y Wong	HK$5,000,000	Personal Interest
Wharf Finance Limited		
– HKD Guaranteed Notes due 2022		
Nancy S L Tse	HK$1,000,000	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 2014. Details of such interests in share options are separately set out below under 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 234,205,652 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 2014 by Directors of the Company to subscribe for ordinary shares of the Company granted/exercisable under the share option scheme of the Company:

Name of Director	Date granted (Day/Month/Year)	No. of Wheelock's shares under option (percentage based on all issued shares) As at 1 January 2014	As at 30 June 2014	Subscription price per share (HK$)
Douglas C K Woo	14/06/2013	3,000,000	3,000,000 (0.148%)	39.98
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
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) *The share options of the Company outstanding as at both 1 January 2014 and 30 June 2014 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.*

(b) *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.*

(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 2014 by 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's shares under option held as at 30 June 2014 (percentage based on all issued shares)	Date of grant (Day/Month/Year)	No. of Wharf's shares under option: As at 1 January 2014	No. of Wharf's shares under option: As at 30 June 2014	Subscription price per share (HK$)
Douglas C K Woo	800,000 (0.026%)	04/07/2011	800,000	800,000	55.15
Peter K C Woo	3,500,000 (0.116%)	04/07/2011	1,500,000	1,500,000	55.15
		05/06/2013	2,000,000	2,000,000	70.20
Stephen T H Ng	3,500,000 (0.116%)	04/07/2011	1,500,000	1,500,000	55.15
		05/06/2013	2,000,000	2,000,000	70.20
Paul Y C Tsui	2,200,000 (0.073%)	04/07/2011	1,200,000	1,200,000	55.15
		05/06/2013	1,000,000	1,000,000	70.20
Ricky K Y Wong	800,000 (0.026%)	04/07/2011	800,000	800,000	55.15

Notes:

(i) *The Wharf's share options granted on 4 July 2011 outstanding as at both 1 January 2014 and 30 June 2014 were/will be vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant Wharf's share 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 that regarding the relevant options outstanding as at 30 June 2014 held by Mr Paul Y C Tsui, the options were/will be vested in four tranches within a period of 4 years, with each tranche covering one-fourth of the relevant Wharf's share 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's share options granted on 5 June 2013 outstanding as at both 1 January 2014 and 30 June 2014 were/will be vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant Wharf's share 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) *No Wharf's share option held by Directors of the Company lapsed or was exercised or cancelled during the financial period and no Wharf's share 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 2014 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 any class of voting shares of the Company as at 30 June 2014, 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 total number of shares in issue of the Company:

	Names	**No. of Ordinary Shares** (percentage of all shares in issue)
(i)	Mrs Bessie P Y Woo	223,540,652 (11.002%)
(ii)	HSBC Trustee (Guernsey) Limited	995,221,678 (48.981%)

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

All the interests stated above represented long positions and as at 30 June 2014, there were no short position interests recorded in the Register.

SHARE OPTION SCHEMES

Details of outstanding share options of the Company and of Wharf granted to Directors of the Company 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 respectively.

(A) Details of outstanding options for shares of the Company

Set out below are particulars and movement(s), if any, during the financial period of all of 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:

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

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

(B) Details of outstanding options for shares of Wharf

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:

	No. of Wharf's shares under option				Price per share to be paid on
Date of grant (Date/Month/Year)	**As at 1 January 2014**	**Lapsed during the period**	**As at 30 June 2014**	**Vesting/Exercise Period** (Day/Month/Year)	**exercise of options** (HK$)
(i) 04/07/2011:	1,540,000	–	1,540,000	05/07/2011–04/07/2016	55.15
	2,420,000	(100,000)	2,320,000	05/07/2012–04/07/2016	55.15
	2,420,000	(100,000)	2,320,000	05/07/2013–04/07/2016	55.15
	2,420,000	(100,000)	2,320,000	05/07/2014–04/07/2016	55.15
	2,420,000	(100,000)	2,320,000	05/07/2015–04/07/2016	55.15
	11,220,000	(400,000)	10,820,000		
(ii) 05/06/2013:	2,650,000	(150,000)	2,500,000	06/06/2013–05/06/2018	70.20
	2,650,000	(150,000)	2,500,000	06/06/2014–05/06/2018	70.20
	2,650,000	(150,000)	2,500,000	06/06/2015–05/06/2018	70.20
	2,650,000	(150,000)	2,500,000	06/06/2016–05/06/2018	70.20
	2,650,000	(150,000)	2,500,000	06/06/2017–05/06/2018	70.20
	13,250,000	(750,000)	12,500,000		
Total:	**24,470,000**	**(1,150,000)**	**23,320,000**		

Note: Except as disclosed above, no share option of Wharf lapsed or was granted, exercised or cancelled during the financial period.

CHANGES OF INFORMATION OF DIRECTORS

(A) Given below is the latest information regarding annual emoluments, calculated on an annualised basis for the year 2014 (and 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:

Directors	#Salary and various allowances HK$'000	##Discretionary annual bonus in cash HK$'000
Douglas C K Woo	5,421 *(2013: 3,640)*	7,000 *(2013: 7,000)*
Peter K C Woo	16,932 *(2013: 19,287)*	28,500 *(2013: 36,000)*
Stephen T H Ng	6,334 *(2013: 6,033)*	15,000 *(2013: 20,000)*
Stewart C K Leung	5,444 *(2013: 5,460)*	8,000 *(2013: 8,000)*
Paul Y C Tsui	4,223 *(2013: 3,622)*	7,500 *(2013: 8,500)*
Ricky K Y Wong	3,993 *(2013: 3,632)*	7,000 *(2013: 7,000)*

\# *Not including the Chairman's fee of HK$150,000 per annum payable to Mr Douglas C K Woo (2013: paid to Mr Peter K C Woo, who stepped down as Chairman of the Company, effective 1 January 2014) and the Director's fee of HK$100,000 per annum to each of the other Directors of the Company payable by the Company.*

\## *Paid during the six-month period ended 30 June 2014, with the amounts of such discretionary annual bonuses fixed/decided unilaterally by the employers.*

(B) Given below is the latest information regarding the directorships held at present and/or former directorship(s) (if any) held within the past three years in other listed public company(ies) in respect of any and all those Director(s) of the Company for whom there has/have been change(s) in the relevant information since the publication of the last annual report of the Company:

Director(s)	**Present/*(Former)* directorship(s) in other listed public company(ies)**
Stephen T H Ng	Wharf; Harbour Centre Development Limited; i-CABLE; Wheelock Properties (Singapore) Limited (publicly listed in Singapore); Joyce Boutique Holdings Limited; Greentown China Holdings Limited; Hotel Properties Limited (publicly listed in Singapore) (appointed in July 2014)
Alan H Smith	Genting Hong Kong Limited, Guangdong Land Holdings Limited; Noble Group Limited; *(VXL Capital Limited (resigned in May 2014)); (Frasers Property (China) Limited); (United International Securities Limited); (Castle Asia Alternative PCC Limited); (Global Investment House (K.S.C.C.)); (IP All Seasons Asian Credit Fund)*
Nancy S L Tse	The Link Management Limited (as manager of The Link Real Estate Investment Trust) (appointed in July 2014)

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, 22 September 2014 to Wednesday, 24 September 2014, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to qualify for the abovementioned interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 19 September 2014.

By Order of the Board
Wilson W S Chan
Company Secretary

Hong Kong, 12 August 2014

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

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