WHARF

Established 1886

THE WHARF (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)
Stock Code: 4

Interim Results Announcement for the half-year period ended 30 June 2014

IP Drives Value

HIGHLIGHTS

1. IP (Investment Properties) core profit increased by 18% to HK$3,751 million, representing 75% of Group underlying profit (2013: 56%).

2. Including net revaluation surplus of HK$6,892 million, total IP profit amounted to HK$10,643 million, representing 91% of Group profit (2013: 81%).

3. The book value of this IP portfolio increased to HK$270 billion as at 30 June 2014. 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).

4. Retail malls account for over 60% of total value.

5. The purchase of Crawford House in Central (at a valuation of HK$5.8 billion) adds to this IP portfolio.

6. First interim dividend of HK$0.55 per share represents an increase of 10% over 2013.

GROUP RESULTS

Underlying profit for the period declined by 12% to HK$5,019 million (2013: HK$5,683 million), partly due to non-operating items.

Including IP revaluation surplus as well as other accounting gains/losses, unaudited Group profit attributable to equity shareholders amounted to HK$11,701 million (2013: HK$17,240 million). Basic earnings per share were HK$3.86 (2013: HK$5.69)

INTERIM DIVIDEND

An interim dividend of HK$0.55 (2013: HK$0.50) per share will be paid on 30 September 2014 to Shareholders on record as at 19 September 2014. This will absorb a total amount of HK$1,667 million (2013: HK$1,515 million).

BUSINESS REVIEW

PROPERTY

INVESTMENT PROPERTY ("IP")

Core profit from core business IP increased by 18% from a year earlier to HK$3,751 million, representing 75% of Group underlying profit during the period (2013: 56%). Through years of value creation and new investment, the Group's IP book value as at 31 December 2013 totaled HK$261.1 billion, which ranked Top three globally as disclosed by property peers, and rose to HK$269.6 billion at 30 June 2014. Not included as IP are owned hotels in operation with a combined value of HK$9 billion and those under development carried at a combined cost of HK$5 billion. Additional value creation, as well as completion of the purchase of Crawford House in Hong Kong in September and development of the five International Finance Squares by 2017, will expand the Group's IP book value further.

Over 60% of the value is in retail. The Group's active retail management approach attracts the best-of-class retailers to its prime shopping malls, which are able to drive foot traffic and to boost tenants' retail sales. In a bid to enhance the attractiveness of its retail assets, the Group continuously upgrades the layout, enlivens every corner, refines the tenant mix, enhances premises and customers' shopping experience as well as attracting retailers that would draw more traffic to the malls, resulting in relentless growth creation.

The Group integrates value creation chain, combining investment and management, which enriches itself with market intelligence and proactivity. The Group's disciplined quality improvement approach has driven retail rental income and valuation. It generated a net rental income CAGR of 14.3% along with a retail valuation CAGR of 28.5% during the past four years 2010-2013.

As for the Group's office strategy in China, the Group aims at raising the benchmark for future offices. The Group, as a quality landlord, focuses on building top-grade office towers in provincial city centres with connections with or in close proximity to mass transit railway stations, such as Shanghai Wheelock Square, Chengdu International Finance Square (IFS) and Changsha IFS. The Group also participates in the development of new urban centres such as Suzhou IFS. Distinctive with their best-of-class specification, contemporary architecture and premium-quality management services, the office buildings set a new standard in the commercial property market in the regions involved and are expected to attract leading investment and financial services industry and multinational corporations and to become a marketplace in which seamless business interaction among the financial tenants could be conducted. For instance, Wheelock Square in the centre of Shanghai is a unique service-oriented office complex with outstanding property management. Over 90% of the office tenants there are from multinationals and major corporations, demonstrating Wheelock Square's stickiness to international tenants who demand for management quality and reliability comparable to that of the premium Grade A offices in Hong Kong core business districts.

HONG KONG

Revenue of Hong Kong IP increased by 15% to HK$5,560 million and operating profit by 16% to HK$4,897 million. Harbour City and Times Square have become renowned landmarks and dominate. With its leadership in retail management, the Group continued to maintain pole position in the local retail market. Market share of Harbour City and Times Square command an unmatched 9% of total Hong Kong retail sales, underscoring the Group's continued leadership in the marketplace.

Harbour City

Retail

Hong Kong retail market was overshadowed by a plunge in the sales of jewellery, watches and related products due to the Mainland's anti-extravagance campaign alongside a high base of comparison caused by the "gold rush' a year earlier. In an increasingly challenging retail landscape, Harbour City again notably outperformed the market despite its exceptionally high base built after more than a decade of consistent outperformance and the near-term disturbance from various value-accretive improvement programs underway. This reinforces the Group's leadership in retail management. Total sales increased by 5% to set a new first half-year record of HK$16.8 billion (or about HK$2,720 per square foot per month). Its premier location, expertly-managed trade mix and powerful retail marketing offered Harbour City a proposition that is unmatched in the region.

Harbour City, the largest and most comprehensive retail offer under one roof in Hong Kong, is among the world's leading shopping destinations (in terms of retail sales) with two million square feet of contiguous mall space. With this critical mass, Harbour City is the core and creator of the "Greater Harbour City" cluster covering approximately 6.0 million square feet of high-traffic shopping, entertainment, dining and lifestyle given its significant retail representation of the most productive and dynamic retail district in Tsim Sha Tsui. As a dominant player in the region, it strengthens the prominence and appeal of the district. Harbour City's 530-metre contiguous shop street frontage along Canton Road has become a finite resource for top brands, giving rise to a luxury line-up including Louis Vuitton, Chanel and Gucci. Currently, it is the most coveted premium location for international luxury brands and attracts the best-of-class retailers to juggle for advantageous position and shop front design. Emboldened by the attraction power of the renowned Canton Road street frontage, a global retail showcase, presence at Harbour City is a must-have for celebrated international retailers, in particular for those retailers who want to do business in the mainland.

A series of new additions and expansion on Canton Road is set to bring surprises and excitements to the premium customers. *Chanel* has expanded its presence since January 2014 and its previous temporary location of 9,000 square feet will be taken up by *Valentino* for its full men's and women's collection. *Bvlgari* will open its store with the newly created space on Canton Road after conversion.

Banking on its superior retail management, the Group is in fact a retail property leader excelling in retail, merchandising and marketing. Given its showcase effect for the retailers, it manages to achieve rental growth higher than that of retail sales in the first half of 2014, notwithstanding the relatively lacklustre retail market. Harbour City generated a 2003-2013 retail revenue CAGR of 16.9%.

The Group believes that large-scaled shopping malls with the most comprehensive trade mix and attractive services, are best-positioned to perform in a competitive retail landscape. During the period, new store openings continued to fine-tune its trade mix across a finely-calibrated price point matrix.

New brands included fine jeweller *Bvlgari*, *Chaumet, Van Cleef & Arpels and Wellendorff.* Various international restaurants debut in Hong Kong during the period which include renowned French fine dining restaurant *Dalloyau*, Michelin star chef's Italian restaurant *La Locanda* by Giancarlo Perbellini, Mr. Joël Robuchon's café concept *Le Cafe de Robuchon* (Target opening: August 2014), and the popular Finnish character themed café *Moomin Café* (Target opening: December 2014). *Uniqlo* has opened its largest, flagship store in Kowloon since mid-April, with a 17,000-square-foot space converted from office use at Harbour City. *Page One* is poised to open its store with 37,000-square-foot space converted from office use in October 2014. *Versace* has also opened a three-level full concept store of 8,000-square-foot space converted from basement boiler room area and *Givenchy* has expanded its store into a 4,000-square-foot duplex store. Various international brands including *Moncler* and *Celine* have committed to expand their stores to better present their respective brand identity. Other debut stores include *Roberto Cavalli Junior, Sabon, Scotch & Soda, Stylenanda/ 3 Concept Eyes* and *VDL*, adding further diversity to Harbour City's offering.

Ocean Terminal ("OT") renovation, a vital element of Harbour City's substantial value-accretive initiatives, opens up plenty of opportunities for trade mix refinement and premises enhancement. The strategic relocation of the atrium at Levels 2 and 3 towards the centre of the mall is progressing to plan. Installation of new pair of escalators at KidX and the opening of new atrium was completed. Next phase of renovation works would create three new shops in Golden Mile, seven new retail spaces and one food & beverage space on the third floor of OT by mid-2015. Best-of-class retailers are scouted for the transformation.

The extension building plan for OT, designed by internationally renowned architecture firm, Foster & Partners, is pending approval. The extension building will offer new culinary options with fabulous panoramic views of the Hong Kong Island sky line and the Peak.

The rejuvenation and conversion works, including the renovation and extension of OT, is poised to add further growth impetus.

Revenue from Harbour City's retail sector increased by 14% to HK$2,797 million.

Office

Demand for office space at Harbour City continued to be fuelled by business expansion, corporate upgrades and decentralization. Solid positive rental reversion lifted revenue by 13% to HK$1,027 million. Rental rates for new commitments remained stable while occupancy reached 96% at the end of June 2014. Lease renewal retention rate held up solidly at 69% during the period, with favourable rental increments.

Serviced Apartments
Revenue for serviced apartments was HK$152 million, with occupancy (excluding 44 apartments closed for renovation) maintained at 82% at the end of June 2014. The substantial renovation underway will completely refresh the apartments and offer an unmatched experience that caters to customers' sophisticated and unique demands. The apartments are positioned to be a haven for the most discerning customers who can enjoy a unique, tranquil and more blissful lifestyle.

Times Square
Emboldened by the substantial completion of a value-accretive revamp at the mall in 2013, overall revenue increased by 26% to HK$1,233 million and operating profit by 27% to HK$1,113 million.

Retail
Times Square, leveraging on its unique 17-level retail mall design, diverse trade-mix and direct connection to the Mass Transit Railway, remains a must-visit shopping landmark in town and is among the most successful vertical malls in the world. Its success also lies in its prominent location at the heart of Causeway Bay, one of the most dynamic retail districts on Hong Kong Island. The basement levels of Times Square which are connected with the MTR have proven itself as an effective traffic feeder and have been immensely productive.

Times Square is the focal point of a major retail hub in Causeway Bay, one of the most dynamic retail districts in Hong Kong. Similar to Harbour City, it is the core of "Greater Times Square" cluster of high-traffic shopping, entertainment, dining and lifestyle and enhances the attractiveness of the retail hub in Causeway Bay. With its signature Open Piazza, being the only open town square in Causeway Bay whereby numerous events and exhibitions are held, Times Square is truly the place of happenings. The uniqueness sets Times Square apart from others in the vibrant district.

Innovative initiatives continued to drive performance and growth. The new Times Square with the most extensive product range, entertainment and culinary choices at the heart of Causeway Bay posted a remarkable 18% retail sales growth rate during the period to reach a record of HK$5.2 billion. Retail revenue increased by 34% to HK$909 million with occupancy maintained at virtually 100% at the end of June 2014.

A line-up of new coveted luxury brands including *Chanel, Louis Vuitton, Dior Homme, Fendi, Tiffany & Co.* and *De Beers* sustained retail momentum. A brand new and state-of-the-art 5-house cinema CINE TIMES (approximately 900 seats) across the 12th to 14th Floors with a wider range of movie choices and top-notch audio/visual facilities which complements the sky escalators in the atrium continued to drive footfall and to boost sales. A refined food and dining offer at the Food Forum including *Yunyan Sichuan Restaurant, Pak Loh Chiu Chow Restaurant* and *Enmaru*, the top-ranked Izakaya style Japanese restaurant which made its debut to HK in January 2014 has met with good responses. The transformation of Food Forum elevators into bigger and faster rides for customers from ground floor to the Food Forum and CINE TIMES levels also has spurred the success. The iconic sky cinema alongside the outlet bazaar and refined culinary offerings has created enormous value and attracted phenomenal foot traffic at the upper floors. For the first half of 2014, retail revenue totaled HK$909 million, HK$230 million higher than in the same period of 2013.

Culinary offerings across the 3rd and 4th Floors were enhanced with the addition of *Laduree* Tea Room, the renowned French café famous for its macaroons, and *LGB Rouge*, the Parisian café with oriental elements introduced to the menu and setting, both of which have been highly popular.

New openings or commitments at the atrium floors further strengthened the tenant mix, with the addition of *Jimmy Choo, Kenzo, Topshop, Diesel, Carat**, Ash, Lee, Durban* and *American Eagle Outfitters*. Some existing tenants including *Tommy Hilfiger, Juicy Couture* and *G-Star RAW* have committed to relocate with new images in an effort to uplift the shopping atmosphere. *Sulwhasoo* has committed to open its 10,000-square-foot first flagship beauty centre on Hong Kong Island.

With enhanced tenant-mix and shoppers' traffic distribution, the renewed Times Square caters to an even wider range of shoppers who demand ever-higher levels of service, sophistication and entertainment. The offer of a new era of "shoppertainment" and lifestyle experience effectively pushes the bar of Times Square to new heights.

Office

Revenue of the office sector increased by 8% to HK$324 million, underpinned by positive rental reversion. Occupancy increased to 97% at the end of June 2014. Lease renewal retention was maintained at 72%.

Plaza Hollywood

Plaza Hollywood, a leading shopping mall in Kowloon East, is poised for growth in the years to come. Product and brand repositioning and enhanced tenant mix continued to drive its performance. Revenue increased by 10% to HK$256 million and operating profit by 14% to HK$208 million. Occupancy was virtually 100% at the end of June 2014.

Thanks to its prominent location and efficient transport infrastructure, Plaza Hollywood is well-positioned to attract high volumes of foot traffic. It is located atop the Diamond Hill MTR Station, the future interchange hub for the new Shatin-Central link in 2017 with the existing MTR network and these two MTR lines facilitate the emergence of a good catchment area for Plaza Hollywood. 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.

The prime location along with various adjacent tourist attractions and cultural landmarks including the celebrated Wong Tai Sin Temple and Tang Dynasty-styled Chi Lin Nunnery and Nan Lian Garden differentiates Plaza Hollywood from other malls.

Plaza Hollywood is purposely-designed without towers above it, providing itself with maximum planning flexibility. The mall, with a highly efficient layout, has lettable floor area representing 65% of gross floor area. Its over 250 retail outlets, 20 restaurants, and a purposely-built stadium seating six-screen multiplex with 1,614 seats create valuable critical mass for both shoppers and retailers.

Plaza Hollywood, prominently located in Kowloon East with a population catchment area of 1.5 million residents, is poised to benefit from the government's "Energizing Kowloon East" initiative which is enhancing the attractiveness of the entire region.

CHINA PROPERTIES

Investment Properties

During the period, higher contribution from Shanghai Wheelock Square and Chengdu International Finance Square increased revenue from China IP by 57% to HK$839 million. Operating profit increased by 20% to HK$425 million.

Shanghai Wheelock Square, the tallest commercial building in Puxi at 270 metres, is a premier office tower in Nanjing Xi Road overlooking Jingan Park in the heart of the Puxi CBD in Shanghai. Strategically located right opposite Jingan Temple Metro Station from where frequent trains commute to Pudong International Airport, Wheelock Square sits between the Bund and Zhong Shan West Road with Hongqiao International Airport further to the west. It is also located next to the Yan An elevated expressway, a major east-west thoroughfare through the centre of the city. With its premier location, distinctive design, world-class management and impeccable quality of services, Wheelock Square continued to be the preferred location for multinational firms and major corporations.

Office occupancy rate as of 30 June 2014 was 96%, with average monthly spot rent for the period at nearly RMB390 per square metre. Lease renewal retention rate was 78% with solid rental reversion. The gross rental yield on cost was maintained at 17% during the period. In recognition of its brand positioning and superb management, Wheelock Square was awarded "Customer Relationship Excellence – The Best Customer Experience Management" by Asia Pacific Customer Service Consortium. It also acquired "Gold Certification – LEED for Existing Buildings: Operations and Maintenance" by U.S. Green Building Certification Institute.

Dalian Times Square, a premier luxury shopping landmark and jewel in the heart of the city, houses a slew of luxury brands including Louis Vuitton at over 10,000 square feet, Celine, Dior, Gucci, Hermes, Prada and Salvatore Ferragamo. Trade mix is further refined with an introduction of Moncler in the third quarter of 2014. Dior's expansion work is scheduled to commence in the third quarter while its temporary store on Level 2 has been in full operation since late May 2014. Dalian Times Square was 97% occupied at the end of June 2014. The gross rental yield on cost was maintained at 68% during the period.

Prominently located at "ground zero" Liberation Status Square, the commercial and financial hub of Chongqing, **Chongqing Times Square** is a renowned shopping mall with world-class facilities and services. It attracted Louis Vuitton to open its debut flagship of 17,000 square feet, which is the only store in the city. With an occupancy rate of 97% at the end of June 2014, Chongqing Times Square continued to deliver solid performance. Subsequent to the opening of lower ground level 2, a 40% year-on-year increment in total footfall and steady sales growth was recorded. During the period, various celebrated jewelry and watch and leather brands including Bvlgari and Hogan commenced business in the second quarter of 2014 on Level two. Other newly-opened brands included Club Monaco, Anna Star, Dr. Kong and Nicholas & Bears. A luxurious children-wear cluster was formed on Level Five. A mini food court on the lower ground floor with a host of culinary tenants opened during the period is well-positioned to attract phenomenal foot traffic from the metro. The gross rental yield on cost is 25%.

Chengdu Times Outlet, conveniently located in close proximity to the Chengdu Shuangliu International Airport, has instantly become one of the most-visited outlet destinations in Chengdu since opening in late 2009. Overall sales performance continued to be impressive, with a 21% growth in retail sales for the period. The gross rental yield on cost surged to 51%.

Strategically located on Huaihai Road, **Shanghai Times Square** has completed its substantial renovation during the period and has transformed itself from high-street retail to a high-end retail destination. Its retail mall, upon closure since May 2012, was re-opened in October 2013 in phases, with the last phase completed in late 2013. The renewed mall, with 97% of the retail space committed by the end of June 2014, provides a truly "one-stop-shopping" experience. Anchor tenants include the largest Lane Crawford store in China occupying a total of four floors and offering the largest assortment of designer brands to the China market as well as a mega lifestyle specialty store CitySuper occupying the entire basement. A cinema on the top floor and all food and beverage outlets at the upper levels have opened, which are set to bring more dining and entertainment excitements to the customers. An "all-inclusive" whole floor kids zone with fashion, dining and playing elements has been in full swing since July 2014. The new Shanghai Times Square, alongside the new cluster on Huaihai Road and the new Lane Crawford seamlessly complements one another and creates tremendous value.

International Finance Square ("IFS")

The Group is developing a series of five IFSs in China, with a scale comparable to or surpassing that of Harbour City and Times Square in Hong Kong. Upon completion of these IFSs by 2017, the recurrent income base in China will be significantly strengthened.

The Group's Development Pipeline in China

Total GFA of the five IFSs amounted to 21.9 million square feet. Retail and office account for 24.3% and 59.4% respectively of the Group's committed pipeline.

For the first half of 2014, the Group has completed and delivered Phase 1 of Chengdu IFS: a) Shopping Mall: 2.3 million square feet and b) the first office tower: 1.4 million square feet.

For the second half of 2014 and early 2015, the Group is expected to deliver Phase 2 of Chengdu IFS: a) the remaining office tower: 1.7 million square feet, b) serviced apartments and hotel: 1.2 million square feet.

For 2015/2016, the Group is expected to deliver Chongqing IFS: 2.5 million square feet and Wuxi IFS: 2.05 million square feet.

For 2016/2017, the Group is expected to deliver Changsha IFS: 7.8 million square feet and Suzhou IFS: 3.0 million square feet.

Chengdu IFS

Chengdu IFS, modeled on Harbour City in Hong Kong, is strategically located at the intersection of three major commercial roads – Hongxing Road, Dacisi Road and Jiangnanguan Street, the busiest pedestrian shopping area of the city, and has direct connections with the adjacent mass transit railway station where lines 2 and 3 intersect. This unparalleled location attracts a large concentration of mainstream consumers to thriving businesses and can be aptly dubbed a combination of Hong Kong's Central CBD, Causeway Bay and Tsim Sha Tsui. With a total development area of 760,000 square metres, the development comprises a mega shopping mall designed by Benoy, two premium grade A office towers designed by Kohn Pedersen Fox Associates, a luxurious residential tower and a five-star international hotel. Total investment exceeds RMB16 billion. The first phase of Chengdu IFS, including a 210,000-square-metre retail mall and an office tower, was completed in late 2013 and early 2014 respectively. Full completion is scheduled for 2015.

Retail
The mega mall, officially opened on 14 January 2014, is a new city landmark in Western China which attracted wide attention from the public, local and international media. The launch featured the world's largest giant panda artpiece and marked the arrival of nearly 300 of the world's most coveted brands, including the debut of over 100 celebrated brands in Chengdu or even in Western China. Riding on its superb location, top quality and world-class design and management, Chengdu IFS is in an unrivalled position in this Western China metropolis. Hongxing Road, the equivalent of Hong Kong's Canton Road, is home to duplex flagship stores. Chengdu IFS has retail street frontage of more than 530 metres, on par with Harbour City's Canton Road frontage. Its attraction power and showcase effect is comparable to Harbour City in Hong Kong, underlining a must-have presence for international retailers.

A myriad of leading brands including Chanel, Dior & Dior Homme, Louis Vuitton, Dolce & Gabbana and Prada have taken up the most sought-after spaces on the first two levels while prestigious jewelry and watch labels including Bvlgari, Chaumet, Tag Heuer and Longines on Level Three, the second ground floor. There are fashion concept stores including I.T. Group and Uniqlo offering hip and street fashion on the upper floors. A host of entertainment, culture and lifestyle elements included UA IMAX movie theatre, a bowling lounge, ice rink, rooftop Sculpture Garden and Art Gallery, Great Supermarket, MUJI and Page One book store. All these, together with the opening of Lane Crawford, made Chengdu IFS a "city-within-a-city" for shoppers and a landmark for one-stop shopping in the Province of Sichuan and Western China with the most comprehensive trade mix and entertainment.

99% of the retail space was committed by the end of June 2014 at well above-budget rental rates, unveiling the ideal location of Chengdu IFS and retailers' confidence in Wharf's retail management expertise. As of July 2014, nearly 90% of the retail tenants have commenced operations, of which all major brands were very satisfied with their sales performance and very positive about future growth. Retail sales are going from strength to strength. The debut stores in South West China including Chanel, Moncler, Roger Vivier, Christian Louboutin and MCM have all been performing exceeding their expectations. Daily foot traffic on average reaches 40,000 on weekday and 60,000 on weekend. Dior has opened their largest flagship in Asia since late May whereas Louis Vuitton's largest flagship in Southwest China commenced operation since early July 2014 at Chengdu IFS. The mall is expected to generate retail revenue of approximately RMB400 million in 2014, which has yet to reflect a full-year contribution. In its full operation, the mall is anticipated to reap an annual retail revenue of around RMB600 million. The increasingly sophisticated rising middle class with diverse spending pattern continued to support the retail market in this Western China metropolis.

The Giant "I am Here" Panda has become a city landmark and a marriage hot spot, resulting in a strong request for an extension of its stay by the public. Given its popularity and distinguished positioning, Chengdu IFS collaborated with French Embassy to conduct the first "French May" in South West China. The fact that nearly 90% of retail shops are open for business within six months of mall opening or within one year of issue of occupation permit for a mega mall covering 2.3 million square feet is unprecedented in China.

Office, Hotel and Serviced Residence
Chengdu IFS will feature two top-grade office towers at 248-metres, the first of which with a GFA of 130,000 square metres was completed in early 2014. The premier twin towers, an ideal location for international businesses, are expected to attract leading financial institutions, Fortune 500, Forbes Global 2000 and multinational corporations. Chengdu IFS is poised to

become a marketplace where financial service providers congregate to offer banking facilities, transact business and network. Capitalizing on its contemporary architecture and premium-quality management services, the twin towers raise the bar for tomorrow's offices in Western China and are set to offer a brand-new experience and lifestyle for tenants and executives. The pre-leasing programme for the first tower commenced in the third quarter of 2013, with over one-third of the office space at low-mid levels committed and another one-third under final discussion. Committed tenants included Fortune 500 companies and a host of prestigious companies such as Australian and New Zealand Banking Group, Hang Seng Bank, Jones Lang LaSalle, King and Wood, Stryker, Goodman, Taiwan First Bank, Fullerton Investment, etc., and a spate of investment & financial companies as well as leading domestic corporations.

The 5-star international hotel, with a new luxury brand, Niccolo by Marco Polo will feature 228 rooms and suites, each designed to unite contemporary spirit with traditional style to encapsulate 'New Encounters – Timeless Pleasures'. The highly anticipated Niccolo Chengdu and the luxury serviced residences are due to open in early 2015.

Changsha IFS

Ideally located in the prime area of Jiefang Road in Furong District, Changsha IFS with a total GFA of 725,000 square metres is well positioned to be the landmark of the core CBD. Similar to Chengdu IFS, Changsha IFS is based on the Harbour City model. It commands an underground linkage to a future interchange hub (Wuyi Plaza Station) for metro lines 1 and 2. The same underground passageway will connect with one of the busiest pedestrian streets in China – Huang Xing Pedestrian Shopping Street. Sitting at the intersection of Cai E Zhong Road and Jiefang Xi Road, Changsha IFS is flanked by financial institutions including the People's Bank of China and State Administration of Foreign Exchange on one side and a traditional shopping cluster on the other. Such an unrivalled location that is filled with retail dynamics amid business vibe, is comparable to a combination of Hong Kong's Central CBD, Causeway Bay and Tsim Sha Tsui. While separating itself from the pack with the city's most coveted location, the development features an iconic 452-metre tower and 315-metre tower above a 230,000-square metre mega mall, offering upscale retail, Grade A offices and a five-star sky hotel with the new luxury brand, Niccolo by Marco Polo. Changsha IFS has retail street frontage of more than 700 metres which is even greater than that of Harbour City's Canton Road of 530 metres. The retail mall, among the largest in Changsha and Central China and designed by Benoy, will offer a premium experience spanning entertainment, lifestyle, culture and food and dining under one roof. The development will be completed in phases from 2016.

The premier office towers, as with Chengdu IFS, will be an ideal location for a host of financial institutions based in Hunan province.

Chongqing IFS

Chongqing IFS, a 50:50 joint venture development with China Overseas Land ("COLI"), is strategically located in Jiangbei District, Chongqing's new CBD, where the Yangtze River meets the Jialing River. It enjoys a breathtaking panoramic river view and convenient connectivity through three nearby bridges. Transportation links are excellent with light railway lines 6 and 9 set to pass this area with respective stations nearby. The project is adjacent to the Chongqing City Grand Theatre, the Chongqing Science Museum and the Central Park. It comprises an iconic 300-metre landmark tower and four other towers above a 102,000-square metre retail podium (slightly larger than Times Square in Hong Kong), offering retail with diverse trade mix across a finely-calibrated price point matrix, Grade A offices and a five-star Niccolo-brand sky hotel. The three-level mall designed by Benoy is positioned as a boutique-sized Harbour City, showcasing a spate of celebrated brands and a wide spectrum of fine dining and entertainment anchors including a cinema and ice rink. Retail pre-leasing activities have commenced and leases are under close discussion. The office towers are scheduled for completion in phases from 2014. Full completion of the complex is scheduled for 2016.

Wuxi IFS
Located in Taihu Plaza, Wuxi's new CBD, Wuxi IFS is a 339-metre landmark tower offering Grade A offices and a five-star sky hotel with a GFA of 190,000 square metres. As the tallest building in Wuxi, it will sit on a 29,000-square metre site overlooking the 670,000-square metre Taihu Plaza which includes the large adjacent landscaped square, the public museum and a public library, as well as the historic Grand Canal. It is also flanked by a multi-use development of Wuxi Maoye City of 570,000 square metres. Full completion of Wuxi IFS is scheduled for 2015.

Suzhou IFS
Suzhou IFS, a 450-metre landmark commercial development, is located in Suzhou's new CBD overlooking Jinji Lake. Envisaging a GFA of 278,000 square metres, the development comprises international Grade A offices, luxury apartments plus a 129-room premium sky hotel with full scenery of Suzhou. It will be directly connected to the future metro station. Adjacent to the development is a mall known as "Times Square" of 170,000 square metre not owned or operated by the Group. This mall alongside the development of another high-end mall of 35,000 square metres on the other side will form a multi-use complex of about 205,000 square metres of retail spaces in the vicinity.

CHINA PROPERTIES – DEVELOPMENT PROPERTIES
The private housing market in China continued to be overshadowed by a raft of cooling measures imposed by the Central government, resulting in a challenging market environment. The policy headwinds weighed on the Group's China DP business during the period. While DP consolidated revenue increased by 5% to HK$5,215 million, lower profit margin reduced net profit to HK$792 million, representing 15% of Group total (2013: 26%). 626,000 square metres were completed and recognized during the period (2013: 578,000 square metres). Profit recognized primarily included contributions from Suzhou Times City, Chengdu Tian Fu Times Square and Wuxi Times City.

Amidst various challenges in the market, contracted sales, powered by the Group's reputation for quality residences in prime locations and proven execution capabilities, were well on track to meet the full-year target. A total of 45 development projects (including 5 newly launched projects in Suzhou, Hangzhou, Chengdu, Wuhan and Shanghai) spanning 14 cities were launched for sale or pre-sale. On an attributable basis, a total of 641,000 square metres were sold during the period 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 2014.

Inclusive of China IP, the current landbank was maintained at 11.1 million square metres, spanning 15 cities.

DEVELOPMENT PROPERTIES – EASTERN CHINA
Sales
There are 24 projects on sale across six cities. Three new projects in three cities were launched during the period. In Hangzhou, the initial phases of Royal Seal were offered for pre-sale in Jan/March. A total of 7,400 square metres were pre-sold for proceeds of

RMB318 million. In Shanghai, the initial phases of Tangzhen project were launched for pre-sale in May, with 6,100 square metres pre-sold for proceeds of RMB288 million on an attributable basis. In Suzhou, the initial phases of 碧堤雅苑 were offered for pre-sale in May/June, with 15,300 square metres pre-sold for proceeds of RMB142 million.

In Suzhou, Times City and Ambassador Villa sold a further 52,900 square metres and 18,600 square metres for proceeds of RMB745 million and RMB460 million respectively. In Shanghai, Songjiang Xianhe Road Project offered additional phases and sold a further 13,800 square metres for proceeds of RMB407 million. In Changzhou, Times Palace and Feng Huang Hu Shu sold a further 47,100 square metres and 56,300 square metres for proceeds of RMB355 million and RMB323 million respectively.

Other projects for sale included Kingsville in Suzhou, No. 1 Xin Hua Road in Shanghai, Glory of Time in Wuxi, Greentown Zhejiang No. 1 and Junting in Hangzhou.

Development Progress

Initial or additional phases of the residential units of various projects were completed during the period, including Times City in Suzhou, Times City and Glory of Time in Wuxi, and Hangzhou Greentown Zhijiang No. 1. Construction progress of other developments in Eastern China is as planned.

DEVELOPMENT PROPERTIES – WESTERN CHINA

Sales

There are 11 projects on sale in Chengdu and Chongqing. In Chengdu, the first phase of Times City was launched for pre-sale in March and has met with good responses. Le Palais and Times Town of Shuangliu Development Zone sold a further 95,100 square metres and 38,000 square metres for proceeds of RMB857 million and RMB227 million respectively. Other projects for sale including ICC•Sirius, Crystal Park, The Orion and Tian Fu Times Square have met with favourable responses.

In Chongqing, International Community offered additional phases of retail and residential units and sold a further 27,600 square metres for proceeds of RMB212 million on an attributable basis. The U World, on an attributable basis, sold a further 7,100 square metres for proceeds of RMB144 million. Various office towers at Chongqing IFS were launched for pre-sale and have met with good demand. Office units of tower 2 were offered for pre-sale in April, with 20,200 square metres pre-sold for proceeds of RMB391 million on an attributable basis. The Throne has met with enthusiastic responses.

Development Progress

In Chengdu, the last office units at Crystal Park were completed during the period.

All other developments in the cities of Chengdu and Chongqing are progressing as planned.

DEVELOPMENT PROPERTIES – SOUTHERN CHINA

Sales

There are five projects for sale in Foshan and Guangzhou. In Foshan, Evian Rivera sold a further 14,500 square metres for proceeds of RMB211 million on an attributable basis. Evian Buena Vista, Evian Town and Evian Uptown also have met with good responses. These four projects are developed through 50:50 joint ventures with CMP.

In Guangzhou, Donghui City sold a further 8,600 square metres for proceeds of RMB185 million on an attributable basis. This is a joint venture development with China Vanke Co.

Limited and CMP, in which the Group has a 33% interest.

Development Progress
In Guangzhou, the first phase of residential units at Donghui City was completed. All developments in the cities of Foshan and Guangzhou are progressing as planned.

DEVELOPMENT PROPERTIES – CENTRAL / NORTHERN CHINA
Sales
There are five projects for sale in Beijing, Wuhan, Tianjin and Dalian. In Wuhan, the first phase of Moon Lake site B was launched for pre-sale in June, with 25,700 square metres pre-sold for proceeds of RMB262 million. In Beijing, Unique Garden offered additional phases, with 20,800 square metres promptly sold for proceeds of RMB938 million on an attributable basis.

Development Progress
All developments in the cities of Tianjin, Wuhan and Beijing are progressing as planned.

DEVELOPMENT PROPERTIES – GREENTOWN
The Group holds approximately 24.3% of the equity interest in Greentown China Holdings Limited ("Greentown"). The investment in Greentown complements the Group's business strategy for China DP.

Greentown is a leading high-end real estate developer in China with strong brand recognition. In the "2013 China Real Estate Customer Satisfaction Survey" published by the China Index Research Institute, Greentown was ranked first in Resident Overall Satisfaction and Resident Loyalty.

The Peak Portfolio and other Hong Kong Properties
Wharf's Peak Portfolio provides the most prestigious addresses in Hong Kong. The portfolio consists of a number of premier residences located on the Peak including 1 Plantation Road, 11 Plantation Road, 77 Peak Road, Chelsea Court and various units of Strawberry Hill in addition to the exclusive Mount Nicholson site acquired in July 2010. These exclusive addresses, with an attributable GFA of more than 397,000 square feet, are estimated to have a combined value of HK$27 billion at an average accommodation value of about HK$68,000 per square foot of GFA, which far exceeds that of the general land bank.

Mount Nicholson, a 50:50 joint venture development with Nan Fung with an attributable GFA of approximately 162,000 square feet, will be developed into exclusive luxury residences with a stunning panoramic view of Victoria Harbour. The master layout plan and general building plan have been approved. Construction is underway while the pre-sale consent application for the whole project has been submitted.

Redevelopment of the Peak Portfolio including 1 Plantation Road, 11 Plantation Road and 77 Peak Road is progressing as planned. The relevant redevelopment plan was approved.

1 Planation Road will comprise 20 houses with a total GFA of 91,000 square feet while 11 Plantation Road will feature seven houses with a total GFA of 46,000 square feet. 77 Peak Road will feature eight houses with a total GFA of 42,200 square feet. Foundation work for the various projects is underway.

Chelsea Court was 93% occupied at the end of June 2014.

Others
The Group boasts a cluster of projects under development or re-development in Kowloon East, a vibrant zone to be transformed into an attractive, alternative CBD spelt out in the Government's 2011-12 Policy Address, in a bid to benefit from the development potential of the region. Wharf T&T Square, Kowloon Godown and Wheelock's One Bay East at the heart of the new CBD2 spanning a 500-metre coastline with an unobstructed view of Victoria Harbour form the "Kowloon East Waterfront Portfolio". The redevelopment of Kowloon Godown into a residential and commercial development with a GFA of 829,000 square feet has been approved.

The redevelopment of Wharf T&T Square into a high rise Grade A commercial building with a GFA of 596,200 square feet has been approved. The premium for lease modification was settled while the premium offer for permitting bonus GFA was accepted in February 2013. The relevant general building plan was submitted in March 2014.

The redevelopment of Yau Tong Godown into a residential and commercial property with a total GFA of 256,000 square feet has been approved. The premium for lease modification was settled. Construction work is underway.

The master layout plan for the Yau Tong joint venture project, in which the Group has approximately a 15% interest, was approved by the Town Planning Board in February 2013. The development features 12 blocks of residential and commercial buildings with a GFA of approximately four million square feet.

Marco Polo Hotels
The Group currently operates 13 hotels in the Asia Pacific region, four of which owned by the Group.

A solid portfolio of 11 owned hotels (including seven new hotels in the Mainland at a total investment of more than HK$10 billion) 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. Niccolo, a collection of contemporary urban chic hotels with the most desirable and highly prized addresses, will set a new benchmark of style and hospitality for the Group. The first Niccolo hotel will open in Chengdu IFS in early 2015, which is an integral part of the Group's growth strategy in light of the continued potential of business and leisure travel across the region.

In the meantime, the Marco Polo hotel in Changzhou, surrounded by a vast private garden for major events and weddings, is set to become another showpiece for the Group's future development. It is scheduled to be opened in the last quarter of 2014. These hotels, destined to offer superb levels of design and impeccable quality of service, will take the hotel group to the next level of service and hospitality.

The three hotels in Harbour City performed well, in particular for Gateway Hotel. The room renovation at the Gateway Hotel was completed and started to generate positive return. Total revenue increased by 8% to HK$760 million while operating profit by 3% to HK$189 million. Consolidated occupancy of the three Marco Polo hotels in Hong Kong reached 88% with a 2% increase in average room rate. The Marco Polo Wuhan was maintained at a leading market position in the city.

Murray Building
Murray Building, a 27-storey majestic building with towering arches, is a prominent landmark building 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 views over Hong Kong Park and is well connected to other buildings in the neighbourhood, as well as to the Mass Transit Railway. As part of an important conversation project in the heart of Hong Kong, the Group will convert this iconic building into a unique luxury hotel for a total investment of over HK$7 billion. Opening is targeted for 2017.

Modern Terminals
Global trade flows continued to stage a muted recovery in 2014 amid signs of stabilizing US and European economies. South China's container throughput witnessed an increase of 5% from a year earlier. Kwai Tsing's and Shenzhen's throughput increased by 8% and 3% respectively. Market share of Shenzhen and Kwai Tsing were 54% and 46% respectively.

During the period, throughput at Modern Terminals in Hong Kong increased by 11% to 2.9 million TEUs and boosted consolidated revenue to HK$1,618 million. Operating profit increased by 11% to HK$508 million notwithstanding the continuing trend of shifting of business mix to the less profitable trans-shipment.

In the Mainland, throughput at Da Chan Bay Terminal One in Shenzhen and Taicang International Gateway in Suzhou increased by 23% and 27% to 567,000 TEUs and 837,000 TEUs respectively. Shekou Container Terminals in Shenzhen, in which Modern Terminals holds a 20% stake, handled 2.25 million TEUs, 10% higher than in 2013. Chiwan Container Terminals, in which Modern Terminals holds an 8% attributable stake, handled 1.2 million TEUs.

Communications, Media & Entertainment and Other Investments
i-CABLE
Escalation in the cost of TV rights, driven by the proliferation of more intense competition, is rapidly extending from sports to other programmes. That is taking place against the backdrop of declining TV viewership. The TV industry will continue to come under considerable structural difficulties, especially when new operators are stocking up programming libraries ahead of new competition. Revenue compression continued while operating margin improved significantly year-on-year but declined from the second half. Considerable profit margin improvement is required to return the company to profitability but near-term trends are expected to be challenging. Internet & Telephony revenue, however, continued its upward trend since 2012, generating the biggest EBITDA since 2011. TV revenue erosion continued, albeit smaller in magnitude compared to the second half of 2013; EBITDA contracted as a result but nonetheless has been the highest first-half level since 2010. Free TV will pose both a new opportunity and a new risk.

Wharf T&T
Capitalizing on its extensive Fibre-To-The-Desk (FTTD) network infrastructure, a passionate service engine and a unique ICT solution portfolio built for the customers, Wharf T&T reported a record financial performance during the first half of 2014. Data business continued to steal the limelight, with data revenue rising by 11%, while business voice revenue stayed intact as the competitive landscape stabilized. Total turnover rose by 3% to HK$947 million. EBITDA increased by 6% to HK$365 million, with margin improving to 39%. Operating profit rose by 15% to HK$165 million. Benefiting from a higher EBIDTA achieved and a lighter CAPEX spend, free cash flow improved to HK$188 million.

Hong Kong Air Cargo Terminals
Hong Kong is among the world's busiest airports for international cargo. Hong Kong Air Cargo Terminals, a 20.8% associate of the Group, is the leading air cargo terminal operator in Hong Kong. It handled 868,900 tonnes during the period.

FINANCIAL REVIEW

(I) REVIEW OF INTERIM 2014 RESULTS

The Group's Investment Properties ("IP") continued performing strongly with its core profit increasing by 18% to HK$3,751 million in the first half of 2014. However, the net profit of Development Property ("DP") declined by 46% to HK$792 million, impacted by lower profit margin and decrease in contribution from joint ventures and associates. Consolidated underlying profit decreased by 12% to HK$5,019 million (2013: HK$5,683 million) as further impacted by the absence of non-operating and investment disposal gains.

The profit attributable to shareholders was HK$11,701 million, decreased by 32% from the corresponding period in 2013 partly due to lower investment property revaluation surplus and the absence of mark-to-market accounting gain on certain financial instruments.

Revenue

Group revenue increased by 10% to HK$16,315 million (2013: HK$14,880 million), mainly benefitting from the rental revenue growth in both Hong Kong and the Mainland.

IP has remained the largest profit contributor of the Group, increasing its total revenue by 19% to HK$6,399 million (2013: HK$5,357 million). In Hong Kong, IP revenue increased by 15% to HK$5,560 million, attributable to the robust retail sales achieved by the tenants and the stable positive rental reversions for office areas particularly in Harbour City and Times Square. In the Mainland, IP revenue increased by 57% to HK$839 million as benefitted from the escalating revenue generated by the renovated Shanghai Times Square and the newly-opened Chengdu IFS.

DP recognised 6% higher property sales to HK$5,328 million (2013: HK$5,036 million). DP sales in the Mainland increased by 5% to HK$5,215 million, mainly recognised from Chengdu Tian Fu Times Square, Chengdu Times Town, Wuxi Times City and Suzhou Times City. DP sales in Hong Kong increased by 61% to HK$113 million.

During the period, inclusive of associates and joint ventures (other than Greentown) on an attributable basis, the Group reported a 18% decrease in contracted property sales totalling RMB8,917 million (2013: RMB10,866 million) spreading over more than ten cities in the Mainland. The net order book increased by 5% to RMB21,705 million by end of June 2014 (December 2013: RMB20,604 million), which is pending for recognition by stages of completion.

Hotel revenue increased by 8% to HK$760 million (2013: HK$703 million) as benefitted from Gateway Hotel after its renovation completed in last year.

Logistics revenue increased by 7% to HK$1,673 million (2013: HK$1,560 million), reflecting mainly the increase in throughput handled in both Hong Kong and the Mainland by Modern Terminals.

CME revenue fell by 7% to HK$1,790 million (2013: HK$1,929 million). Wharf T&T's revenue increased by 3% against i-CABLE's decrease by 17%.

Operating Profit
Group operating profit increased by 17% to HK$7,124 million (2013: HK$6,080 million) with all segments reporting profit increase except for Mainland DP.

IP as the Group's largest profit contributor reported a 17% increase in operating profit to HK$5,322 million (2013: HK$4,561 million). Contributions from Harbour City (excluding hotels) and Times Square increased by 14% and 27%, respectively. Operating profit from the Mainland IP grew by 20%, benefitting mainly from Shanghai Times Square and Chengdu IFS.

DP's operating profit increased by 1% to HK$933 million (2013: HK$922 million). Mainland DP's contribution decreased by 3% to HK$839 million principally due to tighter operating margin, whereas Hong Kong DP's contribution increased by 62% to HK$94 million with increase in property sales.

Hotels operating profit rose by 3% to HK$189 million (2013: HK$183 million) benefitting from the renovated Gateway Hotel though partly affected by the pre-operating expenses incurred for the Changzhou Marco Polo Hotel and the operating loss from the Marco Polo Wuhan Hotel.

Logistics' contribution rose by 9% to HK$517 million (2013: HK$476 million) mainly due to an increase in revenue of Modern Terminals.

CME's operating profit increased by HK$136 million to HK$143 million (2013: HK$7 million) as Wharf T&T's operating profit increased by 15% to HK$165 million while i-CABLE's operating loss reduced by 84% to HK$19 million.

Profit contribution from Investment and Others increased to HK$380 million (2013: HK$320 million) with an increase in interest and dividend income.

Fair Value Gain of Investment Properties
The book value of the Group's IP portfolio as at 30 June 2014 increased to HK$269.6 billion (2013: HK$261.1 billion), with HK$249.9 billion thereof stated at fair value based on an independent valuation as at that date, which produced a revaluation gain of HK$7,381 million (2013: HK$11,264 million), mainly reflecting the continuous rental growth of the IP portfolio. The attributable net revaluation gain of HK$6,892 million (2013: HK$10,793 million), after deducting related deferred tax and non-controlling interests, was credited to the consolidated income statement.

IP under development in the amount of HK$19.7 billion is carried at cost and will not be carried at fair value until the earlier of their fair values first becoming reliably measurable or the dates of completion.

Other Net (Charge)/Income
Other net charge of HK$148 million (2013: income of HK$750 million) was reported due to the inclusion of exchange loss of HK$152 million (2013: gain of HK$386 million) and the absence of investment disposal profit.

Finance Costs
Finance costs charged to the consolidated income statement amounted to HK$1,076 million (2013: HK$73 million), including an unrealised mark-to-market loss of

HK$189 million (2013: gain of HK$840 million) on the cross currency / interest rate swaps in accordance with the prevailing accounting standards. Net of non-controlling interests, the mark-to-market loss is HK$188 million (2013: gain of HK$817 million).

Excluding the unrealised mark-to-market loss, finance costs before capitalisation were HK$1,345 million (2013: HK$1,292 million), representing an increase of HK$53 million mainly as a result of the increase in average gross borrowings. The Group's effective borrowing rate for the period was 3.3% (2013: 3.3%).

Excluding the unrealised mark-to-market loss, finance costs after capitalisation of HK$458 million (2013: HK$379 million) in respect of the Group's related assets were HK$887 million (2013: HK$913 million), representing a decrease of HK$26 million.

Share of Results (after tax) of Associates and Joint Ventures
The attributable profit from associates decreased by 68% to HK$346 million (2013: profit of HK$1,066 million) as impacted by the decrease in profit contributions from the Mainland DP projects.

Joint ventures' profit after tax decreased by 39% to HK$168 million (2013: HK$276 million) with lower profit contributions recognised from the DP projects in the Mainland.

Income Tax
Taxation charge for the period was HK$1,886 million (2013: HK$1,660 million), which included deferred taxation of HK$481 million (2013: HK$408 million) provided for the current period's revaluation gain attributable to investment properties in the Mainland.

Excluding the above deferred tax, the tax charge increased by 12% to HK$1,405 million (2013: HK$1,252 million) mainly due to higher profit from IP segment.

Non-controlling Interests
Group profit attributable to non-controlling interests decreased by 55% to HK$208 million (2013: HK$463 million), reflecting the decrease in net profits of certain non-wholly-owned subsidiaries.

Profit Attributable to Equity Shareholders
Group profit attributable to equity shareholders for the period ended 30 June 2014 amounted to HK$11,701 million (2013: HK$17,240 million), representing a decrease of 32%. Basic earnings per share were HK$3.86, based on weighted average of 3,030 million shares (2013: HK$5.69 based on 3,029 million shares).

Excluding the net IP revaluation gain of HK$6,892 million (2013: HK$10,793 million), Group profit attributable to shareholders for the period was HK$4,809 million (2013: HK$6,447 million), representing a decrease of 25%.

Excluding the net IP revaluation gain and exceptional items, which included the attributable net mark-to-market loss and exchange loss on certain financial instruments totalling HK$210 million (2013: gain of HK$764 million), the Group's underlying profit dropped by 12% to HK$5,019 million (2013: HK$5,683 million). Underlying earnings per share were HK$1.66 (2013: HK$1.88).

(II) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL COMMITMENTS

Shareholders' and Total Equity

As at 30 June 2014, the Group's shareholders' equity increased by HK$6,462 million to HK$282,019 million (31 December 2013: HK$275,557 million), equivalent to HK$93.08 per share based on 3,030 million issued shares (31 December 2013: HK$90.94 per share based on 3,030 million issued shares).

The Group's total equity including the non-controlling interests increased by HK$6,265 million to HK$290,520 million (31 December 2013: HK$284,255 million).

Assets

The Group's total assets as at 30 June 2014 amounted to HK$415 billion (31 December 2013: HK$415.1 billion). Total business assets, excluding bank deposit and cash, certain available-for-sale investments, deferred tax assets and other derivative financial assets, increased by 1% to HK$391.7 billion (31 December 2013: HK$387.7 billion).

Including in the Group's total assets is the IP portfolio of HK$269.6 billion, representing 69% of the Group's total business assets. The core assets in this portfolio are Harbour City and Times Square in Hong Kong, which were valued at HK$143.0 billion (excluding the three Marco Polo hotels) and HK$47.6 billion, respectively as at 30 June 2014, together representing 71% of the IP portfolio. Mainland IP amounted to HK$52.2 billion, including those under development at a cost of HK$19.5 billion.

The Group's DP (mainly in the Mainland) decreased by 6% to HK$50.7 billion (31 December 2013: HK$53.8 billion). In addition, DP undertaken through associates and joint ventures amounted to HK$34.8 billion (31 December 2013: HK$33.5 billion). Other major business assets included other properties and fixed assets of HK$24.1 billion.

Geographically, the Group's business assets in the Mainland, mainly comprising properties and terminals, amounted to HK$152.7 billion (31 December 2013: HK$155.6 billion), representing 39% (2013: 40%) of the Group's total business assets.

Debts and Gearing

The Group's net debt as at 30 June 2014 increased by HK$1.7 billion to HK$59.8 billion (31 December 2013: HK$58.1 billion), which was made up of HK$80.1 billion in debts and HK$20.3 billion in bank deposits and cash. Included in the Group's net debt were HK$12.1 billion (31 December 2013: HK$11.4 billion) attributable to Modern Terminals, HCDL and other subsidiaries, which are without recourse to the Company and its other subsidiaries. Excluding these non-recourse debts, the Group's net debt was HK$47.7 billion (31 December 2013: HK$46.7 billion). An analysis of the net debt is as below:

Net debt/(cash)	**30 June 2014 HK$ Million**	31 December 2013 HK$ Million
Wharf (excluding below subsidiaries)	47,658	46,656
Modern Terminals	11,398	11,185
HCDL	832	413
i-CABLE	(102)	(182)
	59,786	58,072

As at 30 June 2014, the ratio of net debt to total equity was 20.6% (31 December 2013: 20.4%).

Finance and Availability of Facilities

The Group's total available loan facilities and issued debt securities as at 30 June 2014 amounting to HK$101.1 billion, of which HK$80.1 billion was utilised, are analysed as below:

	30 June 2014		
	Available Facility HK$ Billion	**Total Debts HK$ Billion**	**Undrawn Facility HK$ Billion**
Company/wholly-owned subsidiaries			
Committed bank facilities	45.8	31.0	14.8
Debt securities	30.7	30.7	-
	76.5	61.7	14.8
Non-wholly-owned subsidiaries			
Committed and uncommitted			
- Modern Terminals	15.0	11.8	3.2
- HCDL	9.4	6.6	2.8
- i-CABLE	0.2	-	0.2
	101.1	80.1	21.0

Of the above debts, HK$9.2 billion (31 December 2013: HK$18.2 billion) was secured by a mortgage over certain fixed assets, IP and DP with total carrying value of HK$39.7 billion (31 December 2013: HK$44.0 billion).

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

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

The Group continued to maintain a strong financial position with ample surplus cash denominated principally in RMB, HKD and USD and undrawn committed facilities to facilitate the Group's business and investment activities. In addition, the Group also maintained a portfolio of available-for-sale investments with an aggregate market value of HK$3.5 billion (31 December 2013: HK$3.7 billion), which is immediately available for liquidation for the Group's use.

Cash Flows for the Group's Operating and Investing Activities
For the period under review, the Group recorded net cash inflows before changes in working capital of HK$7.5 billion (2013: HK$6.4 billion). The changes in working capital reduced the net cash inflow from operating activities to HK$4.8 billion (2013: HK$7.9 billion). For investing activities, the Group recorded a cash outflow of HK$2 billion (2013: HK$0.9 billion), mainly for additions to investment properties and other fixed assets of property projects but are substantially offset by the proceeds received from redemption of the convertible securities issued by Greentown of HK$2.7 billion.

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 HK$ Million	**Mainland China HK$ Million**	**Total HK$ Million**
Properties			
IP	570	1,081	1,651
DP	87	7,150	7,237
	657	8,231	8,888
Others			
Hotels	101	137	238
Modern Terminals	140	21	161
Wharf T&T	186	-	186
i-CABLE	81	-	81
	508	158	666
Group total	1,165	8,389	9,554

i. IP expenditure incurred during the period was mainly for the renovation of Harbour City and construction of the IFS projects.

ii. The Group also incurred HK$7.2 billion for investment in DP mainly related to Mainland projects, including HK$2.6 billion cash contribution to associates and joint ventures.

iii. For Modern Terminals, the capital expenditure was mainly for the additions of fixed assets and terminal equipment while those for Wharf T&T and i-CABLE were incurred substantially for procurement of production and broadcasting equipment, network rollout and internet service equipment. Modern Terminals and i-CABLE, respectively 67.6% and 73.8% owned by the Group, independently funded their own capital expenditure programmes.

B. Commitments to capital and development expenditure

As at 30 June 2014, the Group's major commitments to capital and development expenditure that are to be incurred in the forthcoming years was estimated at HK$72.7 billion, of which HK$27.5 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**
IP			
Hong Kong	995	421	1,416
Mainland China	7,884	12,077	19,961
	8,879	12,498	21,377
DP			
Hong Kong	1,487	-	1,487
Mainland China	16,315	30,026	46,341
	17,802	30,026	47,828
Others			
Hotels	286	2,345	2,631
Modern Terminals	381	38	419
Wharf T&T	118	104	222
i-CABLE	29	182	211
	814	2,669	3,483
Group total	27,495	45,193	72,688

Properties commitments are mainly for land and construction cost, inclusive of attributable commitments to associates and joint ventures, to be incurred by stages in the forthcoming years. Attributable committed land cost of HK$1.5 billion is payable by 2014.

The above commitments and planned expenditure will be funded by Group's internal financial resources including its surplus cash of HK$20.3 billion, cash flows from operations, as well as bank and other financings with the construction costs self-financed mainly by pre-sale proceeds and project loans. Other available resources include available-for-sale investments.

(III) HUMAN RESOURCES

The Group had approximately 15,700 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 trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective group's achievement and results.

CONSOLIDATED INCOME STATEMENT

For The Six Months Ended 30 June 2014 – Unaudited

	Note	**Six months ended 30 June** **2014** **HK$ Million**	2013 HK$ Million
Revenue	2	**16,315**	14,880
Direct costs and operating expenses		**(7,114)**	(6,783)
Selling and marketing expenses		**(577)**	(526)
Administrative and corporate expenses		**(761)**	(782)
Operating profit before depreciation, amortisation, interest and tax		**7,863**	6,789
Depreciation and amortisation		**(739)**	(709)
Operating profit	2 & 3	**7,124**	6,080
Increase in fair value of investment properties		**7,381**	11,264
Other net (charge)/income	4	**(148)**	750
		14,357	18,094
Finance costs	5	**(1,076)**	(73)
Share of results after tax of:			
Associates		**346**	1,066
Joint ventures		**168**	276
Profit before taxation		**13,795**	19,363
Income tax	6	**(1,886)**	(1,660)
Profit for the period		**11,909**	17,703
Profit attributable to :			
Equity shareholders		**11,701**	17,240
Non-controlling interests		**208**	463
		11,909	17,703
Earnings per share	7		
Basic		**HK$3.86**	HK$5.69
Diluted		**HK$3.86**	HK$5.59

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	**11,909**	17,703
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss :		
Exchange (loss) / gain on translation of foreign operations	**(983)**	1,457
Net revaluation reserves of available-for-sale investments:	**(359)**	(827)
Deficit on revaluation	**(359)**	(715)
Transferred to consolidated income statement on disposal	**-**	(112)
Share of other comprehensive income of associates/joint ventures	**(364)**	323
Others	**3**	9
Other comprehensive income for the period	**(1,703)**	962
Total comprehensive income for the period	**10,206**	18,665
Total comprehensive income attributable to:		
Equity shareholders	**10,054**	18,117
Non-controlling interests	**152**	548
	10,206	18,665

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		**269,556**	261,097
Fixed assets		**24,076**	24,161
Interest in associates		**20,754**	19,205
Interest in joint ventures		**19,394**	19,585
Available-for-sale investments		**3,458**	3,744
Convertible securities		**-**	2,824
Goodwill and other intangible assets		**305**	297
Programming library		**168**	137
Deferred tax assets		**730**	721
Derivative financial assets		**148**	142
Other non-current assets		**38**	38
		338,627	331,951
Current assets			
Properties for sale		**50,684**	53,764
Inventories		**52**	47
Trade and other receivables	9	**5,066**	4,456
Derivative financial assets		**349**	319
Bank deposits and cash		**20,270**	24,515
		76,421	83,101
Current liabilities			
Trade and other payables	10	**(15,111)**	(20,089)
Deposits from sale of properties		**(15,975)**	(15,330)
Derivative financial liabilities		**(233)**	(209)
Taxation payable		**(1,653)**	(1,615)
Bank loans and other borrowings		**(4,029)**	(9,502)
		(37,001)	(46,745)
Net current assets		**39,420**	36,356
Total assets less current liabilities		**378,047**	368,307

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 30 June 2014 – Unaudited

	Note	**30 June 2014 HK$ Million**	31 December 2013 HK$ Million
Non-current liabilities			
Derivative financial liabilities		**(1,047)**	(1,034)
Deferred tax liabilities		**(10,149)**	(9,630)
Other deferred liabilities		**(304)**	(303)
Bank loans and other borrowings		**(76,027)**	(73,085)
		(87,527)	(84,052)
NET ASSETS		**290,520**	284,255
Capital and reserves			
Share capital: nominal value		**-**	3,030
Other statutory capital reserve		**-**	26,346
Share capital and other statutory capital reserves	11	**29,376**	29,376
Other reserves		**252,643**	246,181
Shareholders' equity		**282,019**	275,557
Non-controlling interests		**8,501**	8,698
TOTAL EQUITY		**290,520**	284,255

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

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

The accounting policies and methods of computation used in the preparation of the 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, 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 continuance 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 requirements 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, 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 and Mainland China.

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

Hotels segment includes hotel operations in the Asia Pacific region. Currently, the Group owns or 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.

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, financial investments, deferred tax assets and other derivative financial assets.

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

2. SEGMENT INFORMATION

a. Analysis of segment revenue and results

Six months ended	Revenue HK$ Million	Operating profit HK$ Million	Increase in fair value of investment properties HK$ Million	Other net (charge) /income HK$ Million	Finance costs HK$ Million	Associates HK$ Million	Joint ventures HK$ Million	Profit before taxation HK$ Million
30 June 2014								
Investment property	**6,399**	**5,322**	**7,381**	**18**	**(653)**	**-**	**-**	**12,068**
Hong Kong	**5,560**	**4,897**	**6,338**	**18**	**(625)**	**-**	**-**	**10,628**
Mainland China	**839**	**425**	**1,043**	**-**	**(28)**	**-**	**-**	**1,440**
Development property	**5,328**	**933**	**-**	**(24)**	**(51)**	**196**	**139**	**1,193**
Hong Kong	**113**	**94**	**-**	**-**	**-**	**4**	**(7)**	**91**
Mainland China	**5,215**	**839**	**-**	**(24)**	**(51)**	**192**	**146**	**1,102**
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	**(182)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Segment total	**15,768**	**7,104**	**7,381**	**(78)**	**(857)**	**346**	**168**	**14,064**
Investment and others	**547**	**380**	**-**	**(70)**	**(219)**	**-**	**-**	**91**
Corporate expenses	**-**	**(360)**	**-**	**-**	**-**	**-**	**-**	**(360)**
Group total	**16,315**	**7,124**	**7,381**	**(148)**	**(1,076)**	**346**	**168**	**13,795**
30 June 2013								
Investment property	5,357	4,561	11,264	-	(594)	-	-	15,231
Hong Kong	4,821	4,208	10,641	-	(542)	-	-	14,307
Mainland China	536	353	623	-	(52)	-	-	924
Development property	5,036	922	-	27	(76)	892	254	2,019
Hong Kong	70	58	-	-	-	6	(1)	63
Mainland China	4,966	864	-	27	(76)	886	255	1,956
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	(168)	-	-	-	-	-	-	-
Segment total	14,417	6,149	11,264	96	(747)	1,066	276	18,104
Investment and others	463	320	-	654	674	-	-	1,648
Corporate expenses	-	(389)	-	-	-	-	-	(389)
Group total	14,880	6,080	11,264	750	(73)	1,066	276	19,363

2. SEGMENT INFORMATION

b. Analysis of inter-segment revenue

Six months ended 30 June	**2014 Total Revenue HK$ Million**	**2014 Inter-segment revenue HK$ Million**	**2014 Group Revenue HK$ Million**	2013 Total Revenue HK$ Million	2013 Inter-segment revenue HK$ Million	2013 Group Revenue HK$ Million
Investment property	**6,399**	**(70)**	**6,329**	5,357	(75)	5,282
Development property	**5,328**	**-**	**5,328**	5,036	-	5,036
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	**547**	**(64)**	**483**	463	(29)	434
	16,497	**(182)**	**16,315**	15,048	(168)	14,880

c. Geographical information

Six months ended 30 June	**Revenue 2014 HK$ Million**	Revenue 2013 HK$ Million	**Operating profit 2014 HK$ Million**	Operating profit 2013 HK$ Million
Hong Kong	**9,456**	8,675	**5,821**	4,899
Mainland China	**6,837**	6,185	**1,281**	1,161
Singapore	**22**	20	**22**	20
Group total	**16,315**	14,880	**7,124**	6,080

3. OPERATING PROFIT

Operating profit is arrived at :

	Six months ended 30 June	
	2014	2013
	HK$ Million	HK$ Million
After charging / (crediting) :-		
Depreciation and amortisation on		
– assets held for use under operating leases	**84**	72
– other fixed assets	**568**	548
– leasehold land	**37**	49
– programming library	**50**	40
Total depreciation and amortisation	**739**	709
Staff costs	**1,743**	1,624
Cost of trading properties for recognised sales	**4,246**	3,926
Rental income less direct outgoings (Note)	**(5,357)**	(4,605)
Interest income	**(341)**	(290)
Dividend income from listed investments	**(98)**	(98)
Loss on disposal of fixed assets	**7**	-

Note: Rental income included contingent rentals of HK$1,115 million (2013: HK$1,067 million).

4. OTHER NET (CHARGE)/INCOME

Other net charge for the period amounted to HK$148 million (2013: net income of HK$750 million) mainly includes net foreign exchange loss of HK$152 million (2013: gain of HK$386 million) which included the impact of foreign exchange contracts. In 2013, a net gain of HK$116 million was recognised on disposal of available-for-sale investment.

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	**596**	398
– repayable after five years	**68**	93
Other borrowings		
– repayable within five years	**369**	417
– repayable after five years	**182**	236
Total interest charge	**1,215**	1,144
Other finance costs	**130**	148
Less : Amount capitalised	**(458)**	(379)
	887	913
Fair value loss/(gain) :		
Cross currency interest rate swaps	**91**	(210)
Interest rate swaps	**98**	(630)
	189	(840)
Total	**1,076**	73

The Group's average effective borrowing rate for the period was 3.3% p.a. (2013: 3.3% p.a.).

6. INCOME TAX

Taxation charged to the consolidated income statement represents :

	Six months ended 30 June	
	2014	2013
	HK$ Million	HK$ Million
Current income tax		
Hong Kong		
- provision for the period	**763**	683
- overprovision in respect of prior years	**(40)**	(58)
Outside Hong Kong		
- provision for the period	**433**	298
	1,156	923
Land appreciation tax ("LAT") in China	**149**	207
Deferred tax		
Change in fair value of investment properties	**481**	408
Origination and reversal of temporary differences	**100**	122
	581	530
Total	**1,886**	1,660

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% and China withholding income tax at a rate of up to 10%.

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

d. Tax attributable to associates and joint ventures for the six months ended 30 June 2014 of HK$650 million (2013: HK$780 million) is included in the share of results of associates and joint ventures.

7. EARNINGS PER SHARE

a. Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders for the period of HK$11,701 million (30/06/2013: HK$17,240 million) and the weighted average of 3,030 million ordinary shares in issue during the period (30/06/2013: 3,029 million ordinary shares).

b. Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders for the period of HK$11,701 million (30/06/2013: HK$17,313 million) and the weighted average of 3,030 million ordinary shares in issue during the period (30/06/2013: 3,099 million ordinary shares), calculated as follows:

(i) Profit attributable to ordinary equity shareholders (diluted)

	Six months ended 30 June	
	2014	2013
	HK$ Million	HK$ Million
Profit attributable to ordinary equity shareholders	**11,701**	17,240
After tax effect of effective interest on the liability component of convertible bonds	**-**	73
	11,701	17,313

(ii) Weighted average number of ordinary shares (diluted)

	30 June 2014	30 June 2013
	No. of shares Million	No. of shares Million
Weighted average number of ordinary shares at 30 June	**3,030**	3,029
Effect of conversion of convertible bonds	**-**	69
Effect of share options	**-**	1
	3,030	3,099

8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

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

	Six months ended 30 June	
	2014	2013
	HK$ Million	HK$ Million
First interim dividend of 55 cents (2013 : 50 cents) proposed after the end of the reporting period	**1,667**	1,515

b. Dividends recognised as distribution during the period :

	Six months ended 30 June	
	2014	2013
	HK$ Million	HK$ Million
2013 second interim dividend paid of 120 cents per share	**3,636**	-
2012 second interim dividend paid of 120 cents per share	**-**	3,635
	3,636	3,635

9. TRADE AND OTHER RECEIVABLES

Included in this item are trade receivables (net of allowance for bad and doubtful debts) with an ageing analysis based on invoice date as at 30 June 2014 as follows:

	30 June	31 December
	2014	2013
	HK$ Million	HK$ Million
Trade receivables		
0 - 30 days	**654**	860
31 – 60 days	**158**	164
61 – 90 days	**52**	48
Over 90 days	**59**	83
	923	1,155
Other receivables and prepayments	**4,143**	3,301
	5,066	4,456

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

10. TRADE AND OTHER PAYABLES

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

	30 June 2014 HK$ Million	31 December 2013 HK$ Million
Trade payables		
0 - 30 days	**334**	352
31 - 60 days	**239**	209
61 - 90 days	**58**	49
Over 90 days	**96**	184
	727	794
Rental and customer deposits	**3,238**	3,019
Construction costs payable	**3,051**	7,656
Amount due to associates	**2,637**	3,263
Amount due to joint ventures	**1,509**	1,030
Other payables	**3,949**	4,327
	15,111	20,089

11. SHARE CAPITAL AND OTHER STATUTORY CAPITAL RESERVES

a. Share capital

	30 June 2014 No. of shares Million	31 December 2013 No. of shares Million	**30 June 2014 HK$ Million**	31 December 2013 HK$ Million
Issued and fully paid				
Ordinary shares				
At 1 January	**3,030**	3,029	**3,030**	3,029
Transfer to no-par value Regime on 3 March 2014	**-**	-	**26,346**	-
Shares issued under the share option scheme	**-**	1	**-**	1
At 30 June / 31 December	**3,030**	3,030	**29,376**	3,030

As at 31 December 2013, 10,000 million ordinary shares, with par value of HK$1 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$3,030 million, and the amount of HK$26,346 million standing to the credit of the share premium account and the capital redemption reserves 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 reserves

Prior to 3 March 2014, the application of the share premium account and the capital redemption reserve was governed by section 48B and 49H respectively of the predecessor Hong Kong Companies Ordinance (Cap. 32). 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 has become part of the company's share capital (see note (11)). The use of share capital as from 3 March 2014 is governed by the new Hong Kong Companies Ordinance (Cap. 622).

12. EVENTS AFTER THE REPORTING PERIOD

On 11 August 2014, the Group entered into an agreement with a subsidiary of its ultimate holding company, Wheelock and Company Limited, for acquiring the entire share capital of a company 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 company 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. Such transaction constitutes connected transactions as defined under the Listing Rules.

13. COMPARATIVE FIGURES

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

14. 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 in the Corporate Governance Code (which is set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) were met by the Company, with the exception of two deviations, namely, (i) code provision A.2.1 (the "First Deviation") providing for the roles of 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 more than half of them being Independent Non-executive Directors ("INEDs"). 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.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

On 7 June 2014, Wharf Finance (2014) Limited, a wholly-owned subsidiary of the Company, fully redeemed its 3-year convertible bonds on maturity, which were issued in 2011 and listed on the Singapore Exchange Securities Trading Limited.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities during the financial period under review.

BOOK CLOSURE

The Register of Members will be closed from Wednesday, 17 September 2014 to Friday, 19 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, Hong Kong, not later than 4:30 p.m. on Tuesday, 16 September 2014.

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

Hong Kong, 11 August 2014

As at the date of this announcement, the Board of Directors of the Company comprises Hon. Peter K. C. Woo, Mr. Stephen T. H. Ng, Mr. Andrew O. K. Chow, Ms. Doreen Y. F. Lee, Mr. T. Y. Ng, Mr. Paul Y. C. Tsui and Ms. Y. T. Leng, together with eight INEDs, namely, Mr. Alexander S. K. Au, Professor Edward K. Y. Chen, Dr. Raymond K. F. Ch'ien, Hon. Vincent K. Fang, Mr. Hans Michael Jebsen, Mr. Wyman Li, Mr. David Muir Turnbull and Professor E. K. Yeoh.