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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 2016

IP Earnings Anchored 14% Growth in Group Core Profit

HIGHLIGHTS

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

GROUP RESULTS

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

Group profit attributable to equity shareholders, including IP revaluation surplus and other mark-to-market accounting gains/losses, for the period amounted to HK$6,725 million (2015: HK$6,958 million), representing a 3% decrease from 2015. Basic earnings per share were HK$2.22 (2015: HK$2.30).

INTERIM DIVIDEND

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

BUSINESS REVIEW

HONG KONG INVESTMENT PROPERTIES ("HKIP")

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

Harbour City

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

Retail

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

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

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

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

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

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

Office

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

Times Square

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

Retail

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

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

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

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

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

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

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

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

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

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

Chengdu IFS
Retail
Retail revenue (net of tax) increased by 9% to RMB312 million. Occupancy rate remained at virtually 100%. Tenants' sales increased by 13% to RMB1.8 billion while foot traffic reported a 14% growth during the period.

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

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

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

Office

The three top-notch Grade A office towers raise the bar for the 21st Century workplace in Western China. Destined to attract multinationals, financial institutions and major corporations, they create an optimal marketplace for the tenants to conduct seamless business interaction. Demand from renowned tenants remains positive. 98,600 square metres (36% of total GFA) have been leased. Rental rates achieved (RMB130 – 170 per square metre per month) were among the highest in the city.

Chengdu Times Outlet

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

Shanghai Wheelock Square

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

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

Shanghai Times Square

This premium retail arcade is squarely located in the exclusive shopping, entertainment and business hub of Huaihai Road. It contains the largest Lane Crawford store in Mainland China and a mega lifestyle specialty store *CitySuper*, and is virtually 100% occupied at the end of June. A line-up of family-friendly events including a 3-week "junior master chef" program were organized to entertain young shoppers and promote family engagement, which further uplift sales. A floral garden showcasing a five-metre tall giant lily and more than a thousand flowers made by Thai paper artists was also set up, captivating floral lovers.

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

IP UNDER DEVELOPMENT

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

Changsha Times Outlet

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

Chongqing IFS

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

Changsha IFS

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

Shaping the ideal workspace for tomorrow, the premium office towers are set to be the focal point of financial institutions and major corporations based in the region.

The opening of the third Niccolo hotel at Changsha IFS will further demonstrate excellence.

Full completion is scheduled for 2019.

Suzhou IFS
The 80%-owned Suzhou IFS is strategically located in the new CBD overlooking Jinji Lake, adjacent to Xinghu Street MTR Station (Line 1). The 450-metre landmark commercial development (GFA: 293,000 square metres) will feature Grade A offices, sky residence and luxurious apartments, as well as a 133-room luxury Niccolo hotel. Full completion is scheduled for 2018.

OTHER HONG KONG PROPERTIES

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

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

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

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

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

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

CHINA DEVELOPMENT PROPERTIES ("DP")

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

A flurry of government stimulus measures continued to revive the property sector amid a slowdown in the broader economy. The easing environment boosted housing demand and spurred a 58% increase in the Group's attributable interest in contracted sales to RMB16.3

billion, representing 68% of the full-year target and above budget. The net order book increased to RMB29 billion for 1.4 million square metres at the end of June.

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

During the period, the Group acquired two sites in Beijing and Hangzhou through joint ventures for RMB2.3 billion (GFA: 66,000 square metres) on an attributable basis. Currently, the DP land bank was maintained at 5 million square metres, spanning 14 cities.

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

WHARF HOTELS

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

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

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

Conversion of the iconic Murray Building in Murray Lane, Central into a contemporary urban chic hotel is underway. The hotel is targeted for opening in late 2017.

MODERN TERMINALS

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

Against that backdrop, Modern Terminals' contracted throughput in Hong Kong increased by 4% to 2.3 million TEUs, outpacing the market due to new business acquisition. Consolidated revenue slid to HK$1,234 million, impacted by substantial liner network redeployments and ongoing changes in business mix. Operating profit decreased to HK$290 million.

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

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

COMMUNICATIONS, MEDIA & ENTERTAINMENT

Wharf T&T

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

i-CABLE

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

Strategic Review

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

FINANCIAL REVIEW

(I) Review of Interim 2016 results

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

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

Revenue and Operating Profit

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

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

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

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

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

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

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

DP Sales

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

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

Fair Value Gain of Investment Properties

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

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

Finance Costs

Finance costs charged to the consolidated income statement amounted to HK$322 million (2015: HK$773 million), including an unrealised mark-to-market gain of HK$352 million (2015: loss of HK$44 million) on the cross currency / interest rate swaps in accordance with the prevailing accounting standards. Net of non-controlling interests, the mark-to-market gain is HK$352 million (2015: loss of HK$41 million).

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

Excluding the unrealised mark-to-market gain, finance costs after capitalisation of HK$314 million (2015: HK$350 million) in respect of the Group's related assets were HK$674 million (2015: HK$729 million), representing a decrease of HK$55 million.

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

The attributable profit from associates increased by 18% to HK$513 million (2015: HK$435 million) as supported by the increased profit contributions from Mainland DP projects.

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

Income Tax

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

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

Non-controlling Interests

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

Profit Attributable to Equity Shareholders

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

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

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

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

Early adoption of HKFRS 9 "Financial Instruments"

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

(II) Liquidity, Financial Resources and Capital Commitments

Shareholders' and Total Equity

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

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

Assets and Liabilities

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

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

Investment properties

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

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

Properties for sale

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

Interests in associates and joint ventures

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

Deposits from sale of properties

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

Debts and Gearing

The Group's net debt as at 30 June 2016 increased by HK$1.0 billion or 2% to HK$48.2 billion (31 December 2015: HK$47.2 billion), which was made up of HK$66.7 billion in debts and HK$18.5 billion in bank deposits and cash. Included in the net debt were

HK$7.8 billion (31 December 2015: HK$7.3 billion) attributable to Modern Terminals, HCDL and other subsidiaries, which are without recourse to the Company and its other subsidiaries. Excluding these non-recourse debts, the Group's net debt was HK$40.4 billion (31 December 2015: HK$39.9 billion). An analysis of the net debt is as below:

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

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

Finance and Availability of Facilities

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

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

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

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

The use of derivative financial instruments is strictly monitored and controlled. The majority of the derivative financial instruments entered into by the Group are primarily used for management of the Group's interest rate and 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 equity investments with an aggregate market value of HK$6.6 billion (31 December 2015: HK$8.1 billion), which is immediately available for liquidation for the Group's use when in need.

Cash Flows for the Group's Operating and Investing Activities

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

Major Capital and Development Expenditure and Commitments

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

A. Major capital and development expenditure

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

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

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

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

B. Commitments to capital and development expenditure

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

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

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

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

(III) Human Resources

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

CONSOLIDATED INCOME STATEMENT
For The Six Months Ended 30 June 2016 – Unaudited

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Six Months Ended 30 June 2016 – Unaudited

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As At 30 June 2016 – Unaudited

	Note	**30 June 2016 HK$ Million**	31 December 2015 HK$ Million
Non-current assets			
Investment properties		**318,599**	310,177
Property, plant and equipment		**22,720**	22,779
Interest in associates		**16,207**	17,785
Interest in joint ventures		**16,707**	17,612
Available-for-sale investments		**-**	8,102
Equity investments		**6,592**	-
Goodwill and other intangible assets		**348**	305
Deferred tax assets		**695**	700
Derivative financial assets		**743**	585
Other non-current assets		**231**	237
		382,842	378,282
Current assets			
Properties for sale		**32,107**	37,768
Inventories		**37**	46
Trade and other receivables	9	**5,619**	3,974
Derivative financial assets		**688**	336
Bank deposits and cash		**18,536**	23,510
		56,987	65,634
Total assets		**439,829**	443,916
Non-current liabilities			
Derivative financial liabilities		**(1,631)**	(1,558)
Deferred tax liabilities		**(10,823)**	(10,748)
Other deferred liabilities		**(347)**	(334)
Bank loans and other borrowings		**(52,720)**	(62,244)
		(65,521)	(74,884)
Current liabilities			
Trade and other payables	10	**(19,817)**	(22,681)
Deposits from sale of properties		**(22,662)**	(18,854)
Derivative financial liabilities		**(507)**	(612)
Taxation payable		**(1,227)**	(1,242)
Bank loans and other borrowings		**(13,966)**	(8,463)
		(58,179)	(51,852)
Total liabilities		**(123,700)**	(126,736)
NET ASSETS		**316,129**	317,180
Capital and reserves			
Share capital		**29,441**	29,441
Reserves		**277,571**	278,287
Shareholders' equity		**307,012**	307,728
Non-controlling interests		**9,117**	9,452
TOTAL EQUITY		**316,129**	317,180

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

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

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

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

The unaudited interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2015. The unaudited interim financial information and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 31 December 2015 that is included in the unaudited interim financial information as comparative information does not constitute the Company's statutory annual financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

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

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

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

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

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

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

2. SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

2. SEGMENT INFORMATION

a. Analysis of segment revenue and results

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

2. SEGMENT INFORMATION

b. Analysis of inter-segment revenue

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

c. Geographical information

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

3. OPERATING PROFIT

Operating profit is arrived at:

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

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

4. OTHER NET CHARGE

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

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

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

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

5. FINANCE COSTS

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

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

6. INCOME TAX

Taxation charged to the consolidated income statement represents:

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

a. The provision for Hong Kong profits tax is based on the profit for the period as adjusted for tax purposes at the rate of 16.5% (2015: 16.5%).

b. Income tax on profits assessable outside Hong Kong is mainly China corporate income tax calculated at a rate of 25% 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 on sales of properties less deductible expenditures including cost of land use rights, borrowings costs and all development property expenditures.

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

7. EARNINGS PER SHARE

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

8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

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

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

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

9. TRADE AND OTHER RECEIVABLES

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

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

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

10. TRADE AND OTHER PAYABLES

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

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

11. REVIEW OF UNAUDITED INTERIM FINANCIAL INFORMATION

The unaudited interim financial information for the six months ended 30 June 2016 has been reviewed with no disagreement by the Audit Committee of the Company.

CORPORATE GOVERNANCE CODE

During the financial period under review, all the code provisions set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited were met by the Company, with the exception of Code Provision A.2.1 providing for the roles of the chairman and chief executive to be performed by different individuals.

It is deemed appropriate as it is considered to be more efficient to have one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals, with half of them being Independent Non-executive Directors.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

BOOK CLOSURE

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

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

Hong Kong, 10 August 2016

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