



THE WHARF (HOLDINGS) LIMITED
INTERIM REPORT 2013

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Investment Properties Keep Growth Intact

HIGHLIGHTS

1. Core business Investment Properties (“IP”) including a portfolio of 3.6 million square feet of prime retail malls in Hong Kong remain the dominant contributor to Group core profit:
 - IP weighting increased to 56% (2012: 54%).
 - China Development Properties (“DP”) weighting increased to 25% (2012: 19%).
 - Hong Kong DP weighting declined to 1% (2012: 15%).
2. Steady growth in core profit following a bumper year for DP in 2012:
 - IP posted a 9% increase.
 - China DP increased by 39%.
 - Hong Kong DP contributed HK\$53 million (2012: HK\$836 million) in the absence of project completion.
 - Group core profit increased by 5% to HK\$5,683 million.
3. IP continued to track or exceed its long term growth rate. Revenue increased by 10% and operating profit by 12%. Operating margin stood high at 85%.
 - Harbour City’s revenue increased by 15% and operating profit by 17%.
 - Times Square’s revenue increased by 5% and operating profit by 6%, despite a 17% reduction in the mall’s capacity due to renovation.
 - Plaza Hollywood’s revenue increased by 12% and operating profit by 10%.
 - China revenue increased by 12% and operating profit by 12%, despite the closure of Shanghai Times Square’s retail mall for renovation.
4. IP represents 68% of total business assets.
 - Book value as at 30 June 2013 was HK\$245.7 billion.
 - Valuation of completed IP appreciated by 5.3% or HK\$11.3 billion. Retail properties in Hong Kong alone appreciated by 8.2% to account for 77% of the revaluation surplus.
 - The robust rate of increase in IP revenue and operating profit had already been partly reflected in IP valuations in prior periods.
5. China DP (including attributable shares in joint ventures but not Greentown) comprises a land bank of 125 million square feet.
 - Revenue increased by 8% to HK\$8.5 billion.
 - New sales increased by 45% to RMB10.9 billion, or 55% of the full year target of RMB20.0 billion.
 - Net order book (net of business tax) as at 30 June 2013 increased to RMB19.0 billion.
6. Total business assets as at 30 June 2013 had increased by HK\$16.0 billion in the period (and HK\$49.7 billion in 12 months).
 - IP totalled HK\$246.6 billion (with HK\$205.6 billion in Hong Kong and HK\$41.0 billion in China).
 - DP totalled HK\$86.8 billion.
 - Logistics and other business assets totalled HK\$26.5 billion.

7. Net debt fell by 4.2% during the period to HK\$53.3 billion (December 2012: HK\$55.6 billion). Net debt to total equity ratio was reduced to 19.6% (December 2012: 21.7%).
8. All five International Finance Squares (“IFSs”) in China are progressing as planned. Chengdu IFS, the Group’s next flagship commercial property, will be opened in a few months:
 - The shopping mall (two million square feet of GFA) in January 2014; 92% leased.
 - The first international Grade A office tower (GFA: 1.4 million square feet) in early 2014; pre-leasing has just commenced.
 - A 230-room five-star international hotel in mid-2014.

GROUP RESULTS

Core profit for the period increased by 5% to HK\$5,683 million (2012: HK\$5,425 million).

Excluding IP revaluation surplus but including other accounting gains/losses, Group net profit decreased by 9% to HK\$6,447 million (2012: HK\$7,072 million).

Including IP revaluation surplus as well as other accounting gains/losses, unaudited Group profit attributable to equity shareholders amounted to HK\$17,240 million (2012: HK\$23,646 million). Basic earnings per share were HK\$5.69 (2012: HK\$7.81).

INTERIM DIVIDEND

An interim dividend of HK\$0.50 (2012: HK\$0.45) per share will be paid on 30 September 2013 to Shareholders on record as at 19 September 2013, absorbing a total amount of HK\$1,515 million (2012: HK\$1,363 million).

BUSINESS REVIEW

PROPERTY

INVESTMENT PROPERTY (“IP”)

Core business IP accounted for 56% of Group core profit during the period. Powered by the Group’s leadership in retail management, IP in Hong Kong and China performed solidly.

HONG KONG

Revenue increased by 10% to HK\$4,821 million and operating profit by 12% to HK\$4,208 million.

Harbour City

Revenue (excluding hotels) increased by 15% to HK\$3,509 million and operating profit by 17% to HK\$3,088 million.

Retail

Harbour City remained one of the world’s top shopping malls (for total retail sales) with two million square feet of contiguous mall space reinforcing the Group’s leadership in retail management. Its premier location in Canton Road, expertly-managed trade mix and powerful retail marketing gives Harbour City a proposition that is unparalleled in the region. Total sales increased by 13.4% to set the first half-year record of HK\$16.0 billion or about HK\$2,640 per square foot per month.

New openings continued to demonstrate Harbour City’s finely calibrated price point matrix while enhancing its renowned “shoppertainment” experience. New brands included Chanel Watch & Jewellery, fine jewellery brand Boucheron, plus the debut of an internationally renowned Italian sneaker brand Superga. Donguri Republic, a favourite brand for youngsters, opened a debut store in Hong Kong in June and attracted long queues of shoppers to its Japanese animated film merchandise. The culinary selection has also been refined and widened with C’est la B Café, the French patisserie Pierre Herme Paris and renowned French fine-dining restaurant, Dalloyau.

Rejuvenation continues to bring surprises to the market, enhance the shopping experience and maximize retail value. Harbour City’s 530-metre retail shop street frontage along Canton Road is one of the most coveted premium locations for international luxury brands given its draw with the visiting mainland customers. It has become a showcase for retailing in the Mainland. The all-star cast of top notch brands is forever juggling for advantageous position and shop front design. Following the opening of Fendi’s and Giorgio Armani’s multi-level flagship stores in 2012, Paul & Shark opened its flagship in April 2013. Other high-end fashion brands including Berluti, Chanel and Tod’s are undergoing expansion to better present their brand personalities. Chanel will expand its presence by 10,000 square feet in 2014 to transform its Canton Road location into a true “maison” concept. Versace is poised to open a three-level full concept store. Uniqlo will open its largest store in Kowloon, at Harbour City, with an 18,000 square foot space in 2014.

The acclaimed Doraemon exhibition in 2012 was a big success. The Rubber Duck float from May to June 2013 was a giant hit. Harbour City collaborated with the conceptual Dutch artist Florentijn Hofman to create and exhibit the inflatable 16.5-metre giant Rubber Duck at Ocean Terminal (“OT”), marking the Duck’s debut in Greater China and Hong Kong’s first maritime exhibition. The giant Rubber Duck float on Hong Kong’s Victoria Harbour, together with installations of Rubber Duck displays in forecourt, attracted phenomenal foot traffic from locals and tourists alike and created an international media frenzy.

Renovation of OT is an important part of Harbour City’s substantial premises improvement initiatives for further value creation. It will strategically relocate the atrium towards the centre of the mall to substantially extend OT’s very valuable front portion to the rear of the mall. These initiatives are highly value accretive. A host of prestige watch brands including Rolex, Tag Heuer and Tudor will take up the new shops. Best-of-class retailers are scouted for the transformation.

An extension building at OT, designed by internationally renowned architect firm Foster, is pending building approval. It will also further enhance the value at the rear of OT with attractive culinary offerings in the middle of the harbour and with a fabulous panoramic view of the Hong Kong Island sky line and the Peak.

Harbour City will strive to enhance its unrivalled critical mass and as a must-visit shopping landmark in Hong Kong. The rejuvenation and conversion works, including the renovation and extension of OT, are also set to add further growth impetus.

Revenue from Harbour City’s retail sector increased by 18% in the period to HK\$2,446 million.

Office

Office demand continued to be fuelled by business expansion, corporate upgrades and decentralisation. Underpinned by positive rental reversion, revenue increased by 10% to HK\$911 million. Rental rates for new commitments remained stable while occupancy reached 97% by end of June 2013. Lease renewal retention rates held up solidly at 61% 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 87% at the end of June 2013. The substantial renovation underway will completely refresh the apartments on offer, effectively catering to customers’ sophisticated demands.

Times Square

Despite a substantial drop of 17% in retail space due to a major renovation project, revenue increased by 5% to HK\$979 million and operating profit by 6% to HK\$873 million.

Retail

Times Square, prominently located at the heart of the most dynamic retail district, Causeway Bay on Hong Kong Island, is among the most successful vertical malls in the world. Its success lies in its unique 17-level mall design, diverse trade-mix and direct thoroughfare to the Mass Transit Railway (“MTR”). The basement levels of Times Square which has direct link with the MTR is proving an ever more effective traffic feeder and immensely productive. In spite of the major renovation, retail revenue increased by 2% to HK\$679 million with occupancy maintained at 99% at the end of June 2013 (excluding the areas closed for renovation).

2013 marks the 20th anniversary of Times Square. Significant renovation is underway for a re-launch later in the year which will position the 'new Times Square' as a mall with the most extensive product range, entertainment and culinary choices at the heart of Causeway Bay. The new Times Square will not only complement the sky escalators in the atrium with a new and contemporary sky cinema, but also complete a line up of coveted luxury brands for an exhilarating shopping experience. The sky cinema alongside the outlet bazaar and refined culinary offerings on the upper floors will draw foot traffic and enhance the value of those floors of the mall. The new Times Square is set to create an estimated incremental rental value of nearly HK\$200 million per annum.

The formation of the new Times Square is beginning to take shape. Tiffany has opened at the street level and other renowned brands are set to open on the lower floors after this summer. The much anticipated sky cinema on 12th and 13th floors to be operated by UA Cinema will open before the end of the year. It will be the highest sky cinema on Hong Kong Island and can be easily accessed with various new express lifts. This iconic cinema is designed to offer a new movie experience with enhanced facilities including increased number of seats and five houses with a wider range of movie choice.

Tenant mix on the atrium floors was further enriched with the addition of international and trendy labels including a.testoni, De Beers, Dior Homme, Fendi, Loewe and Versace Jeans. Some existing tenants including Aquascutum, Longines, MaBelle, Saint Laurent Paris and Steve Madden were relocated with new images in an effort to uplift the shopping atmosphere and experience.

Also enhancing the value of the upper floors is a refined food and dining offer. The conversion works at Food Forum on the 12th and 13th floors are scheduled for completion by the third quarter of 2013 with the opening of Nha Trang, PizzaExpress, School Food and Zushi Ana, as well as Chung's Kitchen and Modern China Restaurant relocating from the 10th floor in mid-June. Culinary offering on the 10th floor was subsequently refined with Pak Loh Chiu Chow Restaurant and Yunyan Sichuan Restaurant. Toast Box opened on the basement floor, while Ladurée Café, the renowned French café famous for its macrons will open its debut café in Hong Kong by late 2013.

Office

Revenue of the office sector increased by 12% to HK\$300 million, underpinned by positive rental reversion. Occupancy was 97% at the end of June 2013. Lease renewal retention was maintained at 56%.

Plaza Hollywood

Plaza Hollywood, the market-leading shopping mall in Kowloon East, has been gathering rapid momentum. Leveraging on brand repositioning and enhanced tenant mix, retail sales increased by 9% to HK\$1.3 billion during the period or HK\$591 per square foot per month. Revenue increased by 12% to HK\$232 million and operating profit by 10% to HK\$182 million. Occupancy was maintained at 99.9% at the end of June 2013.

Plaza Hollywood's location and efficient transport infrastructure naturally bring high volumes of foot traffic. It is located atop the Diamond Hill Station, interchange hub with the existing MTR network for the new Shatin-Central line, which will see traffic double. 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.

Plaza Hollywood is also in close proximity to various tourist attractions including the well-known Wong Tai Sin Temple and Tang Dynasty-styled Chi Lin Nunnery and Nan Lian Garden. Chi Lin has become a must-visit tourist destination and cultural landmark for its superb craftsmanship and elegant design at par with the best of Japanese shrines. It is also a leading urban religious landmark in Greater China attracting locals and tourists alike. Plaza Hollywood has been collaborating with Chi Lin to conduct a series of cultural destination promotions such as Veggie Food Festival and Gao Feng Ceramic Works Exhibition. These events have been well received and effectively captured shoppers' attention.

As a purpose-designed mall, Plaza Hollywood has a highly efficient layout, with lettable floor area representing 65% of gross floor area. Without towers above the mall, structural constraints are significantly reduced, which gives the mall maximum planning flexibility. It consists of over 250 retail outlets and includes a purpose-built stadium seating six-screen multiplex with 1,625 seats.

Prominently located in Kowloon East with a population catchment area of 1.5 million residents, Plaza Hollywood will be at the heart of the government's "Energizing Kowloon East" initiative, which aims at enhancing the attractiveness of the entire region.

CHINA

Despite the renovation of the Shanghai Times Square retail mall, higher contribution from Shanghai Wheelock Square and Chengdu Times Outlet increased revenue from China IP by 12% to HK\$536 million. Operating profit grew by 12% to HK\$353 million.

Wheelock Square is a premier office tower on Nanjing Xi Road overlooking the green landscape of Jingan Park in the heart of the Puxi CBD in Shanghai. As the tallest commercial building in Puxi at 270 metres, Wheelock Square is strategically located right opposite Jingan Temple Metro Station which has express trains to Pudong International Airport. It is also prominently located next to Yan'an elevated expressway, a major east-west thoroughfare through the centre of the city. Furthermore, it is literally at the centre of the region between the bund and Zongshan Xi Road with Hongqiao International Airport further to the west. With its distinctive design and world class management, Wheelock Square continued to be the preferred location for multinational firms and major corporations. At the end of June 2013, over 95% of the office space was leased, with average monthly spot rent at about RMB430 per square metre. While the property is still in its first lease cycle, the gross rental yield on cost soared to 16%. In recognition of its superb property management services and premium positioning, Shanghai Wheelock Square was awarded 「2013 商業地產創新獎」 and Best Property Management by 申江服務導報 as well as 「最佳服務標杆創新獎(寫字樓)」 by 《第一財經中國商業地產榮耀榜》 in 2013. In addition, it was also selected by Weibo as one of the 「最受金領青睞的上海八個辦公場所」.

Dalian Times Square, a premier luxury shopping landmark in the heart of Dalian, houses a myriad of luxury brands including Louis Vuitton at over 10,000 square feet, Dior, Gucci, Hermes and Prada. Occupancy stood at 100% at the end of June 2013. The tenant mix was further fine-tuned with the introduction of renowned international brands including MCM and Salvatore Ferragamo. Celine has also opened since late June. The gross rental yield on cost increased to 64%.

Chongqing Times Square, at “ground zero” Liberation Statue Square, the commercial and financial hub of Chongqing, re-opened in July 2011. This renewed shopping mall with world-class facilities and services has attracted Louis Vuitton to open its debut flagship (over 17,000 square feet) and the only store in Chongqing. Overall sales performance of the mall is outstanding. At the end of June 2013, 95% of the retail space was leased. Thematic upper floors and basement are being built, with more international fashion and shoes brands including ASH, DKNY and Nine West on Level three. The luxurious children wear cluster on Level five has new additions from Armani Junior and Ralph Lauren Children. A cosmetics cluster and a mini food court on the lower ground floors will open in the second half of 2013 attracting foot traffic from the metro. The gross rental yield on cost is about 24%.

Chengdu Times Outlets, located in close proximity to the Chengdu Shuangliu International Airport, has instantly become one of the most visited outlet destinations in Chengdu since its opening in late 2009. The gross rental yield on cost rose to 36%.

Shanghai Times Square is strategically located on Huaihai Road, which has undergone substantial change, developing from a high street retail to a high-end retail destination. Its mall has been closed for renovation since May 2012 and is scheduled to re-open in the third quarter of 2013 with a new tenant mix including 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. Another mega lifestyle specialty store City'Super will take up the entire basement, providing a true “one-stop-shopping” experience. The upper levels will feature food and beverage outlets with a cinema located on the top floor. The new Shanghai Times Square, together with the new cluster on Huaihai Road and the new Lane Crawford will seamlessly complement one another and create further value.

International Finance Square (“IFS”)

The Group is developing a series of five IFSs in China, with a scale comparable to or exceeding Harbour City and Times Square in Hong Kong. The recurrent rental income base in China will be significantly strengthened upon completion of these IFSs by 2016.

Chengdu IFS

Chengdu IFS, the Group’s next flagship development, is modelled on Harbour City in Hong Kong. It is strategically located at the intersection of three major commercial roads – Hongxing Road, Dacisi Road and Jiangnan Guan Road, the busiest pedestrian shopping area of the city. Sitting at the top location in the city’s main commercial district, Chengdu IFS will link to the adjacent Chunxi Road mass transit railway station where lines 2 and 3 intersect. This unrivalled location attracts a large concentration of mainstream consumers and thriving businesses and can be aptly dubbed a combination of Hong Kong’s Central CBD, Causeway Bay and Tsim Sha Tsui. The development comprises a mega mall designed by Benoy, two premium grade A office towers designed by Kohn Pederson Fox Associates, a luxurious residential tower and a five-star international hotel. Full completion is scheduled for 2014.

The first phase of Chengdu IFS, including a 210,000 square metre mega-sized mall and a Grade A office tower, is scheduled for completion in the second half of 2013. Retail pre-leasing continued to exceed plan, with 92% of the retail space committed at well above-budget rental rates. A host of celebrated retail tenants at Harbour City and Times Square in Hong Kong are attracted to take up the most sought-after spaces at Chengdu IFS. This strong demand underlines the desirable location and design of Chengdu IFS as well as retailers’ confidence in Wharf’s retail management expertise.

Hongxing Road, the equivalent of Hong Kong's Canton Road, will emerge as home to duplex flagship stores. Chengdu IFS has a retail shop street frontage of more than 530 metres on par with Harbour City's Canton Road frontage. For the first two levels, commitments have been obtained from the leading brands including Burberry, Chanel, Coach, Dior & Dior Homme, Ermenegildo Zegna and Louis Vuitton. Prestigious jewelry and watch labels including Bulgari, Chaumet, IWC and Tiffany have taken up space on Level Three, the second ground floor. Fashion concept stores including I.T. Group and Uniqlo will offer hip and street fashion on the upper levels, while UA Cineplex, a bowling lounge, ice rink and rooftop sculpture garden and an art gallery will offer comprehensive entertainment and cultural elements. Mirroring the success of Harbour City, Chengdu IFS is poised to become a landmark for one-stop shopping in the Province of Sichuan and Western China with the most diversified trade mix and entertainment anchors, offering an unmatched and all-in-one shopping experience. The mega retail mall is scheduled to open in January, 2014.

In recognition of its superior quality and positioning, Chengdu IFS was awarded "The Shopping Mall Potential Star in 2013" by the Association of Mall China in Beijing and "2013 The Most Anticipated Shopping Mall" by West China Media Group in Chengdu, both in January 2013.

Chengdu IFS will feature two top-grade towers, the first of which at 248 metres with a GFA of 130,000 square metres is scheduled for completion in November 2013 and set to open in early 2014. Capitalizing on its unrivaled location, top quality and world-class management, the premier twin office towers are destined to attract all leading financial institutions and a host of multinational corporations, Fortune 500 companies, Forbes Global 2000 and major corporations. Chengdu IFS is poised to become a marketplace in which seamless business interaction among the financial tenants could be conducted. The pre-leasing programme has commenced with the appointment of CBRE and Jones Lang LaSalle as the joint sole leasing agents. The five-star international hotel is scheduled to open in July 2014.

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 stations nearby. This 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 up-market retail, Grade A offices and a five-star sky hotel. The planned mall with three levels designed by Benoy is positioned as a boutique-sized Harbour City, showcasing a host of internationally renowned brands and a wide spectrum of fine dining and entertainment anchors including a cinema and ice rink. Retail pre-leasing activities have commenced and relevant leases are under close discussion with top-notch luxury brands. Full completion is scheduled for 2015.

Changsha IFS

Changsha IFS, similar to Chengdu IFS, is based on the Harbour City model. Ideally located in the prime area of Jiefang Road in Furong District with a total GFA of 725,000 square metres, Changsha IFS is positioned to be the landmark of the CBD. It commands direct underground linkage to a future interchange spot (Wuyi Plaza Station) for metro lines 1 and 2. The same underground passageway will connect with one of the busiest pedestrian streets in China – Huangxing Pedestrian Shopping Street. Sitting at the intersection of Cai E Zhong Road and Jiefang Xi Road, Changsha IFS is flanked by financial institutes including the People’s Bank of China, China Gold and China Foreign Exchange. This advantageous location with retail dynamics and business vibe, similar to Chengdu IFS, is also comparable with a combination of Hong Kong’s Central CBD, Causeway Bay and Tsim Sha Tsui. Changsha IFS occupies the city’s most coveted location. It features an iconic 452-metre tall tower and a 315-metre tall tower above a 230,000-square-metre mega-sized mall, offering upscale retail, Grade A offices and a five-star sky hotel. Changsha IFS has retail shop street frontage of more than 700 metres that is on par with Harbour City’s Canton Road frontage of 530 metres. The mall, among the largest in Changsha and Central China and designed by Benoy, will offer a premium all-in-one experience spanning entertainment, lifestyle, culture and culinary offerings under one roof. Construction is underway, with full completion scheduled for 2016.

As with Chengdu IFS, the premier office towers are destined to attract a slew of financial institutions based in Hunan Province.

Wuxi IFS

Wuxi IFS is located in Taihu Plaza, Wuxi’s new CBD. It is a 339-metre tall 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 adjacent large landscaped square, 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, with a total planned GFA of 570,000 square metres. Full completion of Wuxi IFS is scheduled for 2014.

Suzhou IFS

Suzhou IFS is a 450-metre tall skyscraper landmark commercial development located in Suzhou’s new CBD, Suzhou Industrial Park, and overlooking Jinji Lake. The development consists of international Grade A offices, luxury apartments plus a 96-room premium sky hotel with full scenery of Suzhou, boasting a GFA of 278,000 square metres. It will be directly connected to the future metro station. This project is adjacent to a mall of 170,000 square metres, known as Times Square but not owned or operated by our Group. On the other side, another high-end mall with a GFA of 35,000 square metres is being developed and is scheduled for completion in 2015/2016. Combined, they will form a multi-use complex of about 205,000 square metres of retail spaces in the vicinity. This underscores the Group’s investment logic for Suzhou IFS. Full completion is scheduled for 2016.

DEVELOPMENT PROPERTY (“DP”)

HONG KONG

The Peak Portfolio

Wharf’s Peak portfolio represents the most prestigious address in Hong Kong. Apart from the exclusive Mount Nicholson site acquired in 2010, the portfolio consists of a number of premier residences located on the Peak including 1 Plantation Road, 11 Plantation Road (formerly known as Mountain Court), 77 Peak Road, Chelsea Court and various units in Strawberry Hill. These exclusive addresses, with an attributable GFA of more than 397,000 square feet, is estimated to have a combined value of HK\$26.2 billion at an average accommodation value of about HK\$66,000 per square foot of GFA, which far exceeds that for the average land bank.

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

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

1 Plantation Road will feature 20 houses with a total GFA of 91,000 square feet while 11 Plantation Road will consist of 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.

Average occupancy for IP Chelsea Court was 86% during the first half of 2013.

Others

Riding on the development potential of Kowloon East, a vibrant zone to be transformed into an attractive, alternative CBD laid out in the Government’s 2011-12 Policy Address, the Group boasts a cluster of projects under development or re-development in the region. The “Kowloon East Waterfront Portfolio” includes Wharf T&T Square, Kowloon Godown and Wheelock’s One Bay East with a total GFA of 1.9 million square feet. These three properties are situated at the heart of the new CBD2 and span a 500-metre coastline with unobstructed views of Victoria Harbour. This cluster is comparable to Harbour City. The redevelopment of Kowloon Godown into a residential and commercial development with a GFA of 829,000 square feet has been approved. The premium offer for lease modification is expected to be available by the third quarter of 2013.

The plan to redevelop 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 has been settled whereas the first premium offer for permitting bonus GFA was accepted in February 2013. Relevant general building plan is in preparation.

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

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

CHINA

China DP remains a key growth driver for the Group. Core profit rose by 39% and contribution to the Group increased to 25% from 19% last year. 578,000 square metres were completed and recognised during the period (2012: 349,000 square metres). Profit recognised during the period primarily included contributions from Crystal Park and Le Palais in Chengdu, Suzhou Times City, Changzhou Times Palace, and Wuxi Times City.

Contracted sales continued to rise, as a result of the Group's trusted brand for development of quality and well-located residences. Various key regions witnessed solid growth underscoring the resilient local demand for quality housing and the Group's proven execution capabilities. A total of 33 projects (including three newly launched projects in Hangzhou and Changzhou) spanning across 12 cities were offered for sale or pre-sale. On an attributable basis, a total of 0.8 million square metres were sold during the period to generate proceeds of RMB10.9 billion, which was 45% better than last year and represents 55% of the full year target for 2013. The net order book (net of business tax) increased to RMB19.0 billion for 1.67 million square metres at the end of June.

In 2013, the Group acquired two property development sites in Shanghai and Ningbo with an attributable GFA of 201,500 square metres for RMB2,303 million. The current land bank was maintained at 11.9 million square metres, spanning 15 cities.

Eastern China

Sales

The Eastern China region registered a 91% growth rate in contracted sales against the previous year. There are 15 projects on sale across five cities.

Three new projects were put on the market during the period. In Hangzhou, the initial phases of Shi Ji Hua Fu and Palazzo Pitti were launched for pre-sales. A total of 48,200 square metres and 41,800 square metres were promptly pre-sold for proceeds of RMB508 million and RMB994 million respectively. In Changzhou, the first phase of Feng Huang Hu Shu was launched for pre-sale in April and has also met with a favourable response.

In Suzhou, Times City and Ambassador Villa sold a further 76,000 square metres and 29,300 square metres for proceeds of RMB1.0 billion and RMB750 million respectively. In Wuxi, Times City sold a further 67,700 square metres for proceeds of RMB614 million. Changzhou Times Palace launched additional phases and sold a further 71,700 square metres for proceeds of RMB554 million.

Other projects for sale included Glory of Time and Xiyuan in Wuxi, Kingsville in Suzhou, No. 1 Xin Hua Road and Xiyuan in Shanghai as well as Greentown Zhi Jiang Yi Hao (formerly known as Golf Landmark), Junting and Palazzo Pitti in Hangzhou.

Acquisitions

In March 2013, the Group acquired a residential project in Shanghai Pudong District with a GFA of 97,900 square metres for RMB1.3 billion. The development is surrounded by three rivers and in close proximity to MTR line-16 station to be completed in 2016.

In July 2013, the Group acquired a 51,822-square-metre residential site in Ningbo's Jiangbei District with established vicinity. The development envisages a GFA of 103,600 square metres and is scheduled for completion in 2016.

Development Progress

Initial or additional phases of the residential units of various projects were completed during the period, including Times City, Ambassador Villa and Kingsville in Suzhou, Xiyuan, Times City and Glory of Time in Wuxi and Changzhou Times Palace. The State Guest House, the five-star hotel and serviced apartments at Changzhou Times Palace will be completed in stages between the third quarter of 2013 and 2014. Construction progress of other developments in Eastern China is as planned.

Western China

Sales

Contracted sales in the Western China region witnessed a 16% growth rate from a year earlier, from nine projects on sale in Chengdu and Chongqing.

In Chengdu, Tian Fu Times Square sold a further 53,300 square metres for proceeds of RMB1.0 billion. Other projects on sale including ICC • Sirius, Crystal Park, The Orion, Le Palais and Times Town of Shuangliu Development Zone have met with good demand.

In Chongqing, International Community launched additional phases of retail and residential units and sold a further 58,300 square metres for proceeds of RMB470 million on an attributable basis. The U World sold a further 21,800 square metres for attributed proceeds of RMB425 million.

Development Progress

In Chengdu, the first phase of residential units at The Orion (Tower 1) and Le Palais (eight residential towers) as well as the additional phases of residential and office units at Crystal Park were completed. The last office tower, namely Times 1 at Tian Fu Times Square is scheduled for completion in the third quarter of 2013.

In Chongqing, additional phases of International Community, The U World and The Throne were completed. These projects are developed through various joint ventures with COLI, with the Group's shareholding ranging between 40% and 55%.

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

Southern China

Sales

Five projects are on sale in Foshan and Guangzhou.

In Foshan, additional phases of Evian Riviera, Evian Buena Vista, Evian Town and Evian Uptown were launched for presales during the period. On an attributable basis, Evian Riviera and Evian Buena Vista sold a further 26,500 square metres and 13,100 square metres for proceeds of RMB339 million and RMB129 million respectively. Evian Town and Evian Uptown sold 8,400 square metres and 16,200 square metres respectively during the period for attributed proceeds of RMB265 million and RMB183 million respectively. These four projects are developed through various 50:50 joint ventures with China Merchants Property (“CMP”).

In Guangzhou, Donghui City sold a further 13,500 square metres for proceeds of RMB211 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 Foshan, additional phases of residential units at Evian Uptown were completed during the period. Construction of the remaining phases for Evian Uptown, Evian Riviera and Evian Buena Vista is underway, with full completion scheduled for 2013-2016. In Guangzhou, Donghui City is scheduled for completion in 2016.

Central/Northern China

Sales

In Tianjin, Peaceland Cove sold a further 37,600 square metres for proceeds of RMB528 million on an attributable basis. The Magnificent has also met with a favorable response.

Development Progress

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

Greentown

The Group holds approximately 24.4% of the equity interest of Greentown and perpetual subordinated convertible securities for a total consideration of approximately HK\$5.3 billion. The investment in Greentown is for the long term, complementing the Group’s business strategy of continual expansion in China DP. The shares in Greentown were acquired at the price of HK\$5.2 per share. They closed at HK\$12.68 per share at the end of June 2013.

Greentown is a leading high-end real estate developer in China with strong brand recognition. In both 2011 and 2012, Greentown topped in “China Urban Residents’ Overall Satisfaction” and ranked first in six indices including Product Quality, Property & Sales Services and Customer Loyalty by the China Index Academy. At the end of June 2013, Greentown had a land bank of a total GFA of 41.4 million square metres (22.0 million square metres attributable). Contracted sales during the first half of 2013 totaled RMB32.5 billion (RMB15.3 billion attributable), up 48% from RMB22.0 billion a year earlier.

The Group envisages that with Greentown's strength in property development and the Group's strength in financial management and excellence in commercial properties management, many strategic alliance opportunities lie ahead. With such strategic alliance, while Greentown could leverage on Wharf's strength in financial discipline, Wharf could bank on Greentown's expertise and long-term commitment to excellent quality to strengthen its China team and product quality. It is a win-win situation. The acquisition of two residential sites in Shanghai and Dalian through joint ventures with Greentown in 2012 marked a new beginning for both parties. In 2013, Greentown also bought the other partner's stake in one of the Group's jointly-controlled development projects in Hangzhou. The Group will continue to study other opportunities with Greentown.

Sino-Ocean Land

The Group's investment in Sino-Ocean Land ("SOL") is strictly a strategic financial investment. It is underpinned by SOL's attractive dividend yield and sizeable land bank. SOL has excellent management and sourcing capability in Northern China, complementing the Group's own China portfolios.

INVESTMENTS

Marco Polo Hotels

The Group currently operates 13 owned or managed hotels in the Asia Pacific region, four of which owned by the Group. The three in Hong Kong are superbly located in Harbour City while that in Wuhan is on the bund and overlooks the Yangtze River.

The hotel group is poised for growth. A solid portfolio of the Group's 10 owned hotels (including six new hotels at an investment of exceeding HK\$10 billion) serves as a core platform of an expanding hotel network over the next five years. Among the six new owned hotels, five are premium hotels in the cities of Chengdu, Changsha, Chongqing, Suzhou and Wuxi; all but one are sky hotels.

The sky hotel in Suzhou is a luxury boutique-sized hotel with 96 rooms, whereas the others are premium hotels with more than 200 rooms each. Three out of these six new hotels are part of the Group's multi-use retail-office complexes (in Changsha, Chengdu and Chongqing).

The State Guest House and hotel in Changzhou are surrounded by a vast private garden for major events and weddings and are poised to become another showpiece for the Group's future development.

These hotels, destined to offer exquisite levels of design and impeccable quality of service, would take the hotel group to the next level of services and hospitality.

In addition to the Group's six owned hotels, there will be four new managed hotels in the cities of Guiyang and Tianjin in the Mainland, as well as Manila in the Philippines and Bangkok in Thailand.

During the period, the hotel segment was affected by the room renovation underway at Gateway Hotel in Hong Kong, contracted business travellers' spending and the pre-opening expenses for the hotel in Changzhou. Total revenue increased by 6% to HK\$689 million and operating profit decreased by 11% to HK\$170 million. Consolidated occupancy of the three Marco Polo hotels in Hong Kong reached 81% with a 6% increase in average room rate. Marco Polo Wuhan is well positioned on the bund and continues to achieve excellent market position in the local market.

The presence of premier brands such as Louis Vuitton at the lobbies of the Marco Polo hotels in Wuhan and Xiamen underlines their unmatched positions in the respective markets.

Modern Terminals

Global trade flows continued to be blighted by the ongoing weakness of the United States and European economies. Modern Terminals' consolidated revenue increased to HK\$1,498 million but operating profit decreased by 20% to HK\$456 million. This was mainly due to one-off costs in Hong Kong brought about by the labour unrest in Kwai Tsing. Throughput in Hong Kong was 2.6 million TEUs during the period.

In the Mainland, throughput at Da Chan Bay Terminal One in Shenzhen increased by 113% to 461,000 TEUs and will attempt to reach one million TEUs for the full year. Taicang International Gateway in Suzhou handled 664,000 TEUs. Shekou Container Terminals in Shenzhen, in which Modern Terminals holds a 20% stake, handled 2.1 million TEUs. Chiwan Container Terminal, in which Modern Terminals holds an 8% attributable stake, handled 1.4 million TEUs.

i-CABLE

While competition remained intense as ever, the first half of 2013 did not see any harsh price wars in the telephony, broadband and TV sectors. Thanks to a host of programming, marketing and service enhancement initiatives, efforts to retain customers paid off with attrition rates kept well in check. CABLE TV's exclusive rights to sports properties and efforts to provide viewers with a diverse range of prestigious international sports events continued to bring excitement to sports fans. News programming has been further enhanced with an introduction of in-depth reports on the most topical news and current affairs on the Mainland. Broadband business continued to come under pressure from both wireline and wireless service providers.

Consolidated revenue decreased by 3% to HK\$1,009 million with net loss at HK\$112 million. A healthy financial position was maintained with net cash of HK\$56 million.

Wharf T&T

Despite a moderate increase in revenue of 2% to HK\$920 million during the period under review, Wharf T&T's net profit increased by 24% to HK\$123 million. Core fixed line revenue registered a solid 11% rise. Cash flow position recovered to pre 4EN network investment level with net inflow of HK\$114 million. In recognition of its prominent performance in technology development and excellence in business and operational execution, Wharf T&T won the 'Technology Company of the Year 2013' Grand award in the annual Computerworld Hong Kong Awards Ceremony.

The Star Ferry

The Star Ferry is a public-service ferry operator with a mission to serve the community by providing passengers with reliable transportation as well as one of the world's best value-for-money sightseeing trips. The Star Ferry operates two inner harbour ferry services, Tsim Sha Tsui – Central and Tsim Sha Tsui – Wanchai under a franchise, in addition to a circular harbour route covering the whole Victoria Harbour. Ferry receipts from the franchised services and the licensed harbour tour service recorded satisfactory growth. In an effort to enhance its non-fare box revenue, the Star Ferry is working on a development project to bring new excitement to the Central pier and the reclaimed waterfront in Central.

Hong Kong Air Cargo Terminals

Hong Kong is among the world's busiest airports in terms of international cargo handled. Hong Kong Air Cargo Terminals, a 20.8% associate of the Group, is the leading air cargo terminal operator in Hong Kong. It handled 1.3 million tonnes during the period, which exceeded budget by 12%.

FINANCIAL REVIEW

(I) REVIEW OF 2013 INTERIM RESULTS

Following 2012's exceptional positive results, the Group continued delivering a solid financial performance recording a core profit of HK\$5,683 million in the first half of 2013. Compared to the corresponding period in previous years, this represents a 5% increase from 2012 and a 56% from 2011 or 59% from the average for the past 5 years, despite the absence of the exceptionally large revenue and profit after tax recognised from the Shanghai Xiyuan project and Hong Kong One Midtown project in 2012.

The profit attributable to shareholders was HK\$17,240 million, a 27% decrease from the corresponding period in 2012, resulting mainly from lower investment property revaluation surplus and the absence of one-off accounting gain.

Revenue

Group revenue for the period decreased year-on-year by 18% to HK\$14,880 million (2012: HK\$18,250 million), principally due to lower recognition of property sales both in Hong Kong and the Mainland but partly compensated by the double-digit increase in investment property ("IP") revenue.

IP revenue from Hong Kong increased by 10% to HK\$4,821 million, supported by 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, rental revenue increased by 12% to HK\$536 million as benefitted from the escalating revenue generated by Shanghai Wheelock Square and Chengdu Times Outlet, though partly distorted by the temporary loss of revenue at Shanghai Times Square caused by renovation. In aggregate, the segment reported an increase in revenue of 10% to HK\$5,357 million (2012: HK\$4,862 million).

Development Property ("DP") continued to execute well both in sales and construction though recognised property sales (excluding joint ventures and associates) was 45% lower at HK\$5,036 million (2012: HK\$9,122 million), simply due to the exceptionally large contribution from Shanghai Xiyuan and Hong Kong One Midtown project in 2012. Revenue recognition during the current period mainly derived from Changzhou Times Palace, Suzhou Times City, Le Palais and Crystal Park in Chengdu in the Mainland totally HK\$4,966 million and from Hong Kong totally HK\$70 million.

During the period, inclusive of joint ventures and associates (other than Greentown) on an attributable basis, the Group recorded contracted property sales totaling RMB10,866 million (2012: RMB7,513 million) in more than ten cities in the Mainland, increasing its net order book to RMB19,035 million by end of June 2013 (December 2012: RMB15,687 million) pending for recognition in stages of completion.

Hotel revenue increased by 6% to HK\$689 million as sustained by the increase in room rates though this was adversely disturbed by the rooms renovation work for Gateway Hotel.

Logistics revenue rose by 3% to HK\$1,560 million (2012: HK\$1,515 million) mainly reflecting the increase in throughput handled in both Hong Kong and the Mainland by Modern Terminals.

CME revenue slipped by 1% to HK\$1,929 million (2012: HK\$1,942 million), with revenue of Wharf T&T increased by 2% against i-CABLE's drop by 3%.

Operating Profit

Impacted by the lower property sales recognised by the DP segment, Group operating profit decreased by 26% to HK\$6,080 million (2012: HK\$8,241 million).

IP remained the Group's largest profit contributor with the operating profit increased by 12% to HK\$4,561 million (2012: HK\$4,069 million). Contributions from Harbour City (excluding hotels) and Times Square increased by 17% and 6%, respectively. Operating profit from the Mainland grew by 12%, benefited from Shanghai Wheelock Square and Chengdu Times Outlet but partly impacted by the renovation of Shanghai Times Square.

DP's operating profit dropped by 73% to HK\$922 million (2012: HK\$3,428 million) with lower property sales recognised in both Hong Kong and the Mainland.

Hotels operating profit from the three Marco Polo hotels in Harbour City decreased by 8% to HK\$177 million as chiefly impacted by the renovation works for Gateway Hotel. Including the Mainland hotels, the operating profit decreased by 11% to HK\$170 million, as also adversely affected by the pre-operating expenses incurred for Changzhou Marco Polo Hotel.

Logistics' contribution dropped by 18% to HK\$476 million (2012: HK\$577 million), primarily due to higher operating costs recorded by Modern Terminals.

CME reported an operating profit of HK\$7 million (2012: HK\$17 million). Wharf T&T's operating profit increased by 20% to HK\$143 million against i-CABLE's operating loss of HK\$116 million.

Profit contribution from Investment and Others increased by 62% to HK\$333 million (2012: HK\$205 million), primarily due to increase in interest and dividend income.

Increase in Fair Value of IP

The book value of the Group's IP portfolio as at 30 June 2013 increased to HK\$245.7 billion (2012: HK\$231.5 billion), with HK\$222.1 billion thereof stated at fair value based on an independent valuation as at that date, which produced a revaluation surplus of HK\$11,264 million (2012: HK\$17,346 million), mainly reflecting the continuous strong rental growth of the Group's IP. The attributable net revaluation surplus of HK\$10,793 million (2012: HK\$16,574 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\$23.6 billion are 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 Income

Other net income for the period decreased by 51% to HK\$750 million (2012: HK\$1,544 million) in the absence of the non-recurrent book accounting gain of HK\$1,543 million, being the negative goodwill arose from the acquisition of the interests in Greentown as reported last year.

Finance Costs

Finance costs charged to the consolidated income statement amounted to HK\$73 million (2012: HK\$605 million). This has been reduced by an unrealised net mark-to-market gain of HK\$840 million (2012: HK\$92 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\$817 million (2012: HK\$104 million).

Excluding the unrealised mark-to-market gain, finance costs before capitalisation were HK\$1,292 million (2012: HK\$979 million), representing an increase of HK\$313 million mainly as a result of the increase in gross borrowings and rise in effective borrowing rates. The Group's effective borrowing rate for the period was 3.3% (2012: 2.6%).

Excluding the unrealised mark-to-market gain, finance cost after capitalisation of HK\$379 million (2012: HK\$282 million) in respect of the Group's related assets was HK\$913 million (2012: HK\$697 million), representing an increase of HK\$216 million.

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

The attributable profit from associates increased by 281% to HK\$1,066 million (2012: HK\$280 million) mainly due to the inclusion of Greentown's attributable profit of HK\$583 million (2012: nil) and an increase in profit contributions from the Mainland DP projects undertaken by other associates.

Joint ventures reported a profit of HK\$276 million (2012: HK\$4 million), an increase of HK\$272 million, reflecting their sustained profit contributions from DP projects in the Mainland.

Income Tax

Taxation charge for the period was HK\$1,660 million (2012: HK\$2,622 million), which included deferred taxation of HK\$408 million (2012: HK\$601 million) provided for the current period's revaluation gain attributable to IP in the Mainland.

Excluding the above deferred tax, the tax charge decreased by 38% to HK\$1,252 million (2012: HK\$2,021 million) mainly due to decrease in profit recognised by DP segment.

Non-controlling Interests

Group profit attributable to non-controlling interests decreased by HK\$79 million to 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 2013 amounted to HK\$17,240 million (2012: HK\$23,646 million), representing a decrease of 27%. Basic earnings per share were HK\$5.69, based on weighted average of 3,029 million shares (2012: HK\$7.81 based on 3,029 million shares).

Excluding the net IP revaluation surplus of HK\$10,793 million (2012: HK\$16,574 million), Group profit attributable to shareholders for the period was HK\$6,447 million (2012: HK\$7,072 million), representing a decrease of 9%.

Excluding the net IP revaluation surplus and exceptional items, which included the attributable mark-to-market gains totalling HK\$764 million (2012: HK\$104 million) on swaps and other financial assets and the book accounting gain arising from the acquisition of the interests in Greentown of HK\$1,543 million as reported in last period, the Group's core profit rose by 5% to HK\$5,683 million (2012: HK\$5,425 million). Core earnings per share were HK\$1.88 (2012: HK\$1.79).

(II) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL COMMITMENTS

Shareholders' and Total Equity

As at 30 June 2013, the Group's shareholders' equity increased by HK\$14,533 million or 6% to HK\$263,034 million, equivalent to HK\$86.81 per share based on 3,030 million issued shares (31 December 2012: HK\$82.04 per share based on 3,029 million issued shares).

Including the non-controlling interests, the Group's total equity increased by 6% to HK\$271,695 million (31 December 2012: HK\$256,906 million).

Total Assets

The Group's total assets increased by 6% to HK\$391.2 billion (31 December 2012: HK\$369.0 billion). Total business assets, excluding bank deposit and cash, certain available-for-sale investments, deferred tax assets and other derivative financial assets, increased by 5% to HK\$359.9 billion (31 December 2012: HK\$343.9 billion).

Included in the Group's total assets is the IP portfolio of HK\$245.7 billion, representing 68% of total business assets. The core assets in this portfolio are Harbour City and Times Square in Hong Kong, which are valued at HK\$133.9 billion (excluding the three Marco Polo hotels) and HK\$44.9 billion, respectively, as at 30 June 2013. Together, they represent 73% of the total value of the portfolio. IP in the Mainland amounted to HK\$40.7 billion, including those under development which were stated at cost of HK\$23.4 billion.

Other major business assets included other properties and fixed assets of HK\$19.9 billion, interests in joint ventures and associates (mainly for Mainland property and port projects) of HK\$37.1 billion and properties under development and held for sale (mainly in the Mainland) of HK\$48.2 billion.

Geographically, the Group's business assets in the Mainland, mainly properties and terminals, increased to HK\$138.1 billion (31 December 2012: HK\$133.0 billion), representing 38% of the Group's total business assets.

Debts and Gearing

The Group's net debt decreased by HK\$2.3 billion to HK\$53.3 billion as at 30 June 2013 (31 December 2012: HK\$55.6 billion), which was made up of HK\$81.6 billion in debts and HK\$28.3 billion in bank deposits and cash. Included in the Group's net debt were HK\$7.0 billion (31 December 2012: HK\$6.4 billion) attributable to Modern Terminals, Harbour Centre Development Limited ("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\$46.3 billion (31 December 2012: HK\$49.2 billion). Analysis of the net debt is as below:

Net debt/(cash)	30 June 2013	31 December 2012
	HK\$ Million	<i>HK\$ Million</i>
Wharf (excluding below subsidiaries)	46,275	49,201
Modern Terminals	11,241	11,193
HCDL	(4,157)	(4,581)
i-CABLE	(56)	(188)
	53,303	55,625

As at 30 June 2013, the ratio of net debt to total equity was 19.6% (31 December 2012: 21.7%).

Finance and Availability of Facilities

The Group's total available loan facilities and issued debt securities as at 30 June 2013 amounting to HK\$99.2 billion, of which HK\$81.6 billion were utilised, are analysed as below:

	30 June 2013		
	Available Facility	Total Debts	Undrawn Facility
	HK\$ Billion	HK\$ Billion	HK\$ Billion
Company/wholly-owned subsidiaries			
Committed bank facilities	49.9	35.2	14.7
Debt securities	30.8	30.8	–
	80.7	66.0	14.7
Non-wholly-owned subsidiaries			
Committed and uncommitted			
– Modern Terminals	13.6	11.7	1.9
– HCDL	4.5	3.8	0.7
– i-CABLE	0.4	0.1	0.3
	99.2	81.6	17.6

Of the above debts, HK\$18.6 billion (31 December 2012: HK\$17.6 billion) was secured by mortgage over certain properties under development, fixed assets and shares with total carrying value of HK\$34.3 billion (31 December 2012: HK\$28.2 billion).

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

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

The Group continued to maintain a strong financial position with ample surplus cash denominated principally in HKD, USD and RMB 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 2012: HK\$3.9 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 inflow before change in working capital of HK\$6.4 billion (2012: HK\$8.7 billion). The changes in working capital increased the net cash inflow from operating activities to HK\$7.9 billion (2012: HK\$4.5 billion). For investing activities, the Group's major cash outflow of about HK\$2.7 billion mainly for settlement of construction cost of IP in the Mainland.

Major Capital and Development Expenditure and Commitments

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

A. Major capital and development expenditure

	Hong Kong HK\$ Million	Mainland China HK\$ Million	Total HK\$ Million
Properties			
IP	433	1,679	2,112
DP	22	5,227	5,249
	455	6,906	7,361
Others			
Hotels	88	73	161
Modern Terminals	70	24	94
Wharf T&T	156	–	156
i-CABLE	78	–	78
Others	1	–	1
	393	97	490
Group total	848	7,003	7,851

- i. IP expenditure incurred during the period mainly included the construction costs for Chengdu IFS.
- ii. The Group also incurred HK\$5.2 billion for investment in DP mainly related to Mainland projects, including HK\$0.9 billion cash contribution to joint ventures and associates.
- iii. For Modern Terminals, the capital expenditures were mainly for the additions of other fixed assets and terminal equipment in the Mainland while those for Wharf T&T and i-CABLE were incurred substantially for procurement of production and broadcasting equipment, network rollout and internet service equipment. 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 expenditures

As at 30 June 2013, the Group's major commitments to capital and development expenditures that to be incurred in the forthcoming years was estimated at HK\$86.9 billion, of which HK\$25.1 billion was authorised and contracted for. By segment, the commitments are analysed as below:

	As at 30 June 2013		
	Authorised and contracted for HK\$ Million	Authorised but not contracted for HK\$ Million	Total HK\$ Million
IP			
Hong Kong	1,493	455	1,948
Mainland China	6,667	19,924	26,591
	8,160	20,379	28,539
DP			
Hong Kong	889	–	889
Mainland China	15,637	40,149	55,786
	16,526	40,149	56,675
Others			
Hotels	201	449	650
Modern Terminals	92	263	355
Wharf T&T	126	288	414
i-CABLE	16	226	242
	435	1,226	1,661
Group total	25,121	61,754	86,875

Properties commitments are mainly for land and construction cost, inclusive of attributable commitments to joint ventures and associates, to be incurred by stages in the forthcoming years. Attributable committed land cost of HK\$6.1 billion is payable by 2013.

The above commitments and planned expenditures will be funded by Group's internal financial resources including its surplus cash of HK\$28.3 billion, cash flow from operation, 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 15,200 employees as at 30 June 2013, including about 2,700 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay 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 2013 – Unaudited

	Note	Six months ended 30 June	
		2013 HK\$ Million	2012 HK\$ Million
Revenue	2	14,880	18,250
Direct costs and operating expenses		(6,783)	(8,164)
Selling and marketing expenses		(526)	(567)
Administrative and corporate expenses		(782)	(580)
Operating profit before depreciation, amortisation, interest and tax		6,789	8,939
Depreciation and amortisation		(709)	(698)
Operating profit	2 & 3	6,080	8,241
Increase in fair value of investment properties		11,264	17,346
Other net income	4	750	1,544
Finance costs	5	18,094	27,131
Share of results after tax of:		(73)	(605)
Associates		1,066	280
Joint ventures		276	4
Profit before taxation		19,363	26,810
Income tax	6	(1,660)	(2,622)
Profit for the period		17,703	24,188
Profit attributable to:			
Equity shareholders		17,240	23,646
Non-controlling interests		463	542
		17,703	24,188
Earnings per share	7		
Basic		HK\$5.69	HK\$7.81
Diluted		HK\$5.59	HK\$7.66

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Six Months Ended 30 June 2013 – Unaudited

	Six months ended 30 June	
	2013 HK\$ Million	2012 HK\$ Million
Profit for the period	17,703	24,188
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange gain/(loss) on translation of foreign operations	1,457	(406)
Net revaluation reserves of available-for-sale investments:	(827)	389
(Deficit)/surplus on revaluation	(715)	336
Transferred to consolidated income statement on disposal	(112)	53
Share of other comprehensive income of associates/joint ventures	323	(69)
Others	9	30
Other comprehensive income for the period	962	(56)
Total comprehensive income for the period	18,665	24,132
Total comprehensive income attributable to:		
Equity shareholders	18,117	23,521
Non-controlling interests	548	611
	18,665	24,132

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 30 June 2013 – Unaudited

	Note	30 June 2013 HK\$ Million	31 December 2012 HK\$ Million
Non-current assets			
Investment properties		245,674	231,522
Fixed assets		19,884	19,870
Interest in associates		17,382	16,673
Interest in joint ventures		19,706	19,530
Available-for-sale investments		3,469	3,868
Convertible securities		2,770	2,709
Goodwill and other intangible assets		297	297
Programming library		130	109
Deferred tax assets		713	739
Derivative financial assets		83	311
Other non-current assets		17	380
		310,125	296,008
Current assets			
Properties for sale		48,227	48,915
Inventories		42	45
Trade and other receivables	9	4,248	4,796
Derivative financial assets		257	439
Bank deposits and cash		28,269	18,795
		81,043	72,990
Current liabilities			
Trade and other payables	10	(12,652)	(14,801)
Deposits from sale of properties		(13,244)	(10,654)
Derivative financial liabilities		(204)	(215)
Taxation payable		(1,799)	(1,980)
Bank loans and other borrowings	11	(17,598)	(5,330)
		(45,497)	(32,980)
Net current assets		35,546	40,010
Total assets less current liabilities		345,671	336,018

	Note	30 June 2013 HK\$ Million	31 December 2012 HK\$ Million
Non-current liabilities			
Derivative financial liabilities		(1,278)	(1,912)
Deferred tax liabilities		(8,429)	(7,827)
Other deferred liabilities		(295)	(283)
Bank loans and other borrowings	11	(63,974)	(69,090)
		(73,976)	(79,112)
NET ASSETS			
		271,695	256,906
Capital and reserves			
Share capital	12	3,030	3,029
Reserves		260,004	245,472
Shareholders' equity			
		263,034	248,501
Non-controlling interests			
		8,661	8,405
TOTAL EQUITY			
		271,695	256,906

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Six Months Ended 30 June 2013 – Unaudited

	Shareholders' equity								
	Share capital HK\$ Million	Share premium HK\$ Million	Capital redemption reserves HK\$ Million	Investments revaluation and other reserves HK\$ Million	Exchange reserves HK\$ Million	Revenue reserves HK\$ Million	Total shareholders' equity HK\$ Million	Non-controlling interests HK\$ Million	Total equity HK\$ Million
At 1 January 2013	3,029	26,278	7	1,470	6,209	211,508	248,501	8,405	256,906
Changes in equity for the period:									
Profit	–	–	–	–	–	17,240	17,240	463	17,703
Other comprehensive income	–	–	–	(752)	1,629	–	877	85	962
Total comprehensive income	–	–	–	(752)	1,629	17,240	18,117	548	18,665
Shares issued under share option scheme	1	33	–	(8)	–	–	26	–	26
Equity settled share-based payment	–	–	–	25	–	–	25	–	25
Second interim dividends paid for 2012 (Note 8b)	–	–	–	–	–	(3,635)	(3,635)	–	(3,635)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(292)	(292)
At 30 June 2013	3,030	26,311	7	735	7,838	225,113	263,034	8,661	271,695
At 1 January 2012	3,029	26,278	7	21	6,194	167,728	203,257	7,617	210,874
Changes in equity for the period:									
Profit	–	–	–	–	–	23,646	23,646	542	24,188
Other comprehensive income	–	–	–	321	(446)	–	(125)	69	(56)
Total comprehensive income	–	–	–	321	(446)	23,646	23,521	611	24,132
Equity settled share-based payment	–	–	–	27	–	–	27	–	27
Second interim dividends paid for 2011 (Note 8b)	–	–	–	–	–	(2,120)	(2,120)	–	(2,120)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(340)	(340)
At 30 June 2012	3,029	26,278	7	369	5,748	189,254	224,685	7,888	232,573

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For The Six Months Ended 30 June 2013 – Unaudited

	Six months ended 30 June	
	2013 HK\$ Million	2012 HK\$ Million
Operating cash inflow	6,425	8,712
Changes in working capital/others	1,452	(4,172)
Net cash generated from operating activities	7,877	4,540
Net cash used in investing activities	(881)	(10,690)
Net cash generated from/(used in) financing activities	3,786	(6,441)
Increase/(decrease) in cash and cash equivalents	10,782	(12,591)
Cash and cash equivalents at 1 January	17,235	31,405
Effect of exchange rate changes	252	(103)
Cash and cash equivalents at 30 June (Note)	28,269	18,711
Note:		
Cash and cash equivalents		
Banks deposits and cash in the consolidated statement of financial position	28,269	19,034
Less: Bank deposits with maturity greater than three months	–	(323)
Cash and cash equivalents in the condensed consolidated statement of cash flows	28,269	18,711

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 and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2012 except for the changes mentioned below.

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

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

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

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

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

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

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

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

2. Segment Information

The Group manages its diversified businesses according to the nature of services and products provided. Management has determined five reportable operating segments for measuring performance and allocating resources. The segments are investment property (“IP”), development property (“DP”), 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’s owned or managed 13 Marco Polo Hotels.

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

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

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.

a. Analysis of segment revenue and results

Six months ended	Revenue HK\$ Million	Operating profit HK\$ Million	Increase in fair value of investment properties HK\$ Million	Other net income HK\$ Million	Finance costs HK\$ Million	Associates HK\$ Million	Joint ventures HK\$ Million	Profit before taxation HK\$ Million
30 June 2013								
Investment property	5,357	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	689	170	–	–	(9)	–	–	161
Logistics	1,560	476	–	69	(47)	174	22	694
Terminals	1,498	456	–	89	(47)	103	22	623
Others	62	20	–	(20)	–	71	–	71
CME	1,929	7	–	–	(21)	–	–	(14)
i-CABLE	1,009	(116)	–	–	(2)	–	–	(118)
Telecommunications	920	143	–	–	(19)	–	–	124
Others	–	(20)	–	–	–	–	–	(20)
Inter-segment revenue	(168)	–	–	–	–	–	–	–
Segment total	14,403	6,136	11,264	96	(747)	1,066	276	18,091
Investment and others	477	333	–	654	674	–	–	1,661
Corporate expenses	–	(389)	–	–	–	–	–	(389)
Group total	14,880	6,080	11,264	750	(73)	1,066	276	19,363
30 June 2012								
Investment property	4,862	4,069	17,346	73	(563)	–	–	20,925
Hong Kong	4,383	3,755	16,414	73	(482)	–	–	19,760
Mainland China	479	314	932	–	(81)	–	–	1,165
Development property	9,122	3,428	–	1,504	(54)	89	(20)	4,947
Hong Kong	2,193	1,006	–	–	–	63	–	1,069
Mainland China	6,929	2,422	–	1,504	(54)	26	(20)	3,878
Hotels	649	192	–	–	(5)	–	–	187
Logistics	1,515	577	–	(46)	(137)	191	24	609
Terminals	1,469	573	–	(25)	(137)	105	24	540
Others	46	4	–	(21)	–	86	–	69
CME	1,942	17	–	3	(20)	–	–	–
i-CABLE	1,038	(100)	–	3	(2)	–	–	(99)
Telecommunications	904	119	–	–	(18)	–	–	101
Others	–	(2)	–	–	–	–	–	(2)
Inter-segment revenue	(168)	–	–	–	–	–	–	–
Segment total	17,922	8,283	17,346	1,534	(779)	280	4	26,668
Investment and others	328	205	–	10	174	–	–	389
Corporate expenses	–	(247)	–	–	–	–	–	(247)
Group total	18,250	8,241	17,346	1,544	(605)	280	4	26,810

b. Analysis of inter-segment revenue

Six months ended 30 June	2013			2012		
	Total Revenue HK\$ Million	Inter-segment revenue HK\$ Million	Group Revenue HK\$ Million	Total Revenue HK\$ Million	Inter-segment revenue HK\$ Million	Group Revenue HK\$ Million
Investment property	5,357	(75)	5,282	4,862	(74)	4,788
Development property	5,036	–	5,036	9,122	–	9,122
Hotels	689	–	689	649	–	649
Logistics	1,560	–	1,560	1,515	–	1,515
CME	1,929	(64)	1,865	1,942	(54)	1,888
Investment and others	477	(29)	448	328	(40)	288
	15,048	(168)	14,880	18,418	(168)	18,250

c. Geographical information

Six months ended 30 June	Revenue		Operating profit	
	2013 HK\$ Million	2012 HK\$ Million	2013 HK\$ Million	2012 HK\$ Million
Hong Kong	8,675	10,443	4,899	5,837
Mainland China	6,185	7,788	1,161	2,385
Singapore	20	19	20	19
Group total	14,880	18,250	6,080	8,241

3. Operating Profit

Operating profit is arrived at:

	Six months ended 30 June	
	2013	2012
	HK\$ Million	HK\$ Million
After charging/(crediting):		
Depreciation and amortisation on		
– assets held for use under operating leases	72	70
– other fixed assets	548	537
– leasehold land	49	48
– programming library	40	43
Total depreciation and amortisation	709	698
Staff costs (Note i)	1,624	1,477
Cost of trading properties for recognised sales	3,926	5,371
Rental income less direct outgoings (Note ii)	(4,605)	(4,079)
Interest income	(290)	(192)
Dividend income from listed investments	(98)	(61)
Profit on disposal of fixed assets	–	(3)

Notes:

- (i) Staff costs included contributions to defined contribution pension schemes of HK\$112 million (2012: HK\$68 million) and equity-settled share-based payment expenses of HK\$25 million (2012: HK\$27 million).
- (ii) Rental income included contingent rentals of HK\$1,067 million (2012: HK\$995 million).

4. Other Net Income

Other net income for the period amounted to HK\$750 million (2012: HK\$1,544 million) mainly includes:

- a. Net foreign exchange gain of HK\$386 million (2012: loss of HK\$52 million) which included the impact of foreign exchange contracts.
- b. Net gain on disposal of available-for-sale investment of HK\$116 million (2012: HK\$2 million) which includes a revaluation surplus of HK\$112 million (2012: deficit of HK\$53 million) transferred from the investments revaluation reserves of the Group.
- c. For the period ended 30 June 2012, a book accounting gain representing negative goodwill of HK\$1,543 million was recognised in respect of the Group's acquisition of 18.4% equity interests in Greentown as an associate in June 2012.

5. Finance Costs

	Six months ended 30 June	
	2013 HK\$ Million	2012 HK\$ Million
Interest charged on:		
Bank loans and overdrafts		
– repayable within five years	398	378
– repayable after five years	93	95
Other borrowings		
– repayable within five years	417	76
– repayable after five years	236	330
Total interest charge	1,144	879
Other finance costs	148	100
Less: Amount capitalised	(379)	(282)
	913	697
Fair value (gain)/loss:		
Cross currency interest rate swaps	(210)	213
Interest rate swaps	(630)	(305)
	(840)	(92)
Total	73	605

- a. The Group's average effective borrowing rate for the period was 3.3% p.a. (2012: 2.6% p.a.).
- b. The above interest charge has taken into account the interest paid/received in respect of interest rate swaps and cross currency interest rate swaps.

6. Income Tax

Taxation charged to the consolidated income statement represents:

	Six months ended 30 June	
	2013 HK\$ Million	2012 HK\$ Million
Current income tax		
Hong Kong		
– provision for the period	683	850
– overprovision in respect of prior years	(58)	(7)
Outside Hong Kong		
– provision for the period	298	598
– underprovision in respect of prior years	–	2
	923	1,443
Land appreciation tax (“LAT”) in China	207	417
Deferred tax		
Change in fair value of investment properties	408	601
Origination and reversal of temporary differences	122	161
	530	762
Total	1,660	2,622

- a. The provision for Hong Kong profits tax is based on the profit for the period as adjusted for tax purposes at the rate of 16.5% (2012: 16.5%).
- b. Income tax on profits assessable outside Hong Kong is mainly China corporate income tax calculated at a rate of 25% 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 development property expenditures.
- d. Tax attributable to associates and joint ventures for the six months ended 30 June 2013 of HK\$780 million (2012: HK\$134 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\$17,240 million (30/06/2012: HK\$23,646 million) and the weighted average of 3,029 million ordinary shares in issue during the period (30/06/2012: 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\$17,313 million (30/06/2012: HK\$23,719 million) and the weighted average of 3,099 million ordinary shares in issue during the period (30/06/2012: 3,098 million ordinary shares), calculated as follows:

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

	Six months ended 30 June	
	2013	2012
	HK\$ Million	HK\$ Million
Profit attributable to ordinary equity shareholders	17,240	23,646
After tax effect of effective interest on the liability component of convertible bonds	73	73
	17,313	23,719

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

	30 June	30 June
	2013	2012
	No. of shares Million	No. of shares Million
Weighted average number of ordinary shares at 30 June	3,029	3,029
Effect of conversion of convertible bonds	69	69
Effect of share options	1	–
	3,099	3,098

8. Dividends

- 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	
	2013	2012
	HK\$ Million	HK\$ Million
First interim dividend of 50 cents (2012: 45 cents) per share proposed after the end of the reporting period	1,515	1,363

- b. Dividends recognised as distribution during the period:

	Six months ended 30 June	
	2013	2012
	HK\$ Million	HK\$ Million
2012 second interim dividend paid of 120 cents per share	3,635	–
2011 second interim dividend paid of 70 cents per share	–	2,120
	3,635	2,120

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 2013 as follows:

	30 June 2013	31 December 2012
	HK\$ Million	HK\$ Million
Trade receivables		
0 – 30 days	613	656
31 – 60 days	140	114
61 – 90 days	83	57
Over 90 days	94	78
	930	905
Accrued sales receivable	–	194
Other receivables and prepayments	3,318	3,697
	4,248	4,796

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

The Group has established credit policies for each of its core businesses. The general credit terms allowed range from 0 to 60 days, except for sale of properties the proceeds from which are receivable pursuant to the terms of the agreements. All the receivables are expected to be 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 2013 as follows:

	30 June 2013	31 December 2012
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Trade payables		
0–30 days	327	507
31–60 days	159	189
61–90 days	39	50
Over 90 days	122	95
	647	841
Rental and customer deposits	2,764	2,503
Construction costs payable	1,896	4,395
Amount due to associates	3,217	2,703
Amount due to joint ventures	559	549
Other payables	3,569	3,810
	12,652	14,801

11. Bank Loans and Other Borrowings

	30 June 2013 <i>HK\$ Million</i>	31 December 2012 <i>HK\$ Million</i>
Bonds and notes (unsecured)	24,620	24,223
Convertible bonds (unsecured)	6,188	6,240
Bank loans (secured)	18,595	17,576
Bank loans (unsecured)	32,169	26,381
Total bank loans and other borrowings	81,572	74,420
Analysis of maturities of the above borrowings:		
Current borrowings		
Due within 1 year	17,598	5,330
Non-current borrowings		
Due after more than 1 year but not exceeding 5 years	53,447	57,438
Due after more than 5 years	10,527	11,652
	63,974	69,090
Total bank loans and other borrowings	81,572	74,420

12. Share Capital

	30 June 2013 <i>No. of shares Million</i>	31 December 2012 <i>No. of shares Million</i>	30 June 2013 <i>HK\$ Million</i>	31 December 2012 <i>HK\$ Million</i>
Authorised				
Ordinary shares of HK\$1 each	10,000	10,000	10,000	10,000
Issued and fully paid				
Ordinary shares of HK\$1 each				
At 1 January	3,029	3,029	3,029	3,029
Share issued under share option scheme	1	–	1	–
At 30 June, 31 December	3,030	3,029	3,030	3,029

13. Fair Value Measurement of Financial Instruments

a. Fair value hierarchy

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

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

	At 30 June 2013			At 31 December 2012		
	Level 1 HK\$ Million	Level 2 HK\$ Million	Total HK\$ Million	Level 1 HK\$ Million	Level 2 HK\$ Million	Total HK\$ Million
Assets						
Available-for-sale investments:						
– Listed	3,443	–	3,443	3,842	–	3,842
– Convertible securities	–	2,770	2,770	–	2,709	2,709
Derivative financial instruments:						
– Interest rate swaps	–	144	144	–	439	439
– Cross currency interest rate swaps	–	144	144	–	136	136
– Forward foreign exchange contracts	–	52	52	–	175	175
	3,443	3,110	6,553	3,842	3,459	7,301
Liabilities						
Derivative financial instruments:						
– Interest rate swaps	–	408	408	–	981	981
– Cross currency interest rate swaps	–	1,056	1,056	–	1,146	1,146
– Forward foreign exchange contracts	–	18	18	–	–	–
	–	1,482	1,482	–	2,127	2,127

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

b. Valuation techniques and inputs used in Level 2 fair value measurements

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

14. Material Related Party Transaction

Transactions between the Company and its subsidiaries have been eliminated on consolidation. The Group and the Company have not been a party to any material related party transaction during the period ended 30 June 2013 except for the rental income totalling HK\$414 million (2012: HK\$364 million) from various tenants which are wholly-owned by, or are non wholly-owned subsidiaries of, companies which in turn are wholly-owned by the family interests of, or by a trust the settlor of which is, the Chairman of the Company. Such transactions are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules.

15. Contingent Liabilities

As at 30 June 2013, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to overdrafts, short term loans and credit facilities, bonds and notes of up to HK\$79,249 million (31/12/2012: HK\$72,032 million). There were also contingent liabilities in respect of guarantees given by the Company on behalf of joint ventures and associates of HK\$8,187 million (31/12/2012: HK\$4,935 million) of which HK\$5,728 million (31/12/2012: HK\$3,731 million) had been drawn. The Company has not recognised any deferred income for the guarantees given in respect of borrowings and other banking facilities for subsidiaries, joint ventures and associates as their fair value cannot be reliably measured and their transaction price was HK\$Nil.

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

16. Commitments

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

a. Planned expenditure

	30 June 2013			31 December 2012		
	Authorised and contracted for HK\$ Million	Authorised but not contracted for HK\$ Million	Total HK\$ Million	Authorised and contracted for HK\$ Million	Authorised but not contracted for HK\$ Million	Total HK\$ Million
(I) Properties						
Investment property						
Hong Kong	1,493	455	1,948	1,018	788	1,806
Mainland China	6,667	19,924	26,591	6,983	19,696	26,679
	8,160	20,379	28,539	8,001	20,484	28,485
Development property						
Hong Kong	889	–	889	164	638	802
Mainland China	15,637	40,149	55,786	15,383	41,133	56,516
	16,526	40,149	56,675	15,547	41,771	57,318
Properties total						
Hong Kong	2,382	455	2,837	1,182	1,426	2,608
Mainland China	22,304	60,073	82,377	22,366	60,829	83,195
	24,686	60,528	85,214	23,548	62,255	85,803
(II) Others						
Hotels	201	449	650	328	371	699
Modern Terminals	92	263	355	30	420	450
Wharf T&T	126	288	414	119	289	408
i-CABLE	16	226	242	23	128	151
	435	1,226	1,661	500	1,208	1,708
Group total	25,121	61,754	86,875	24,048	63,463	87,511

- (i) Properties commitments are mainly for construction costs to be incurred in the forthcoming years, including HK\$6.1 billion (2012: HK\$6.1 billion) attributable land cost payable by end of 2013.
 - (ii) The expenditure for development properties included attributable amounts for developments undertaken by joint ventures and associates of HK\$803 million (31/12/2012: HK\$705 million) in Hong Kong and of HK\$17,237 million (31/12/2012: HK\$19,884 million) in Mainland China.
- b.** In addition to the above, the CME segment is committed to programming and other expenditure totalling HK\$628 million (31/12/2012: HK\$934 million) with HK\$527 million (31/12/2012: HK\$834 million) being authorised and contracted for.
- c.** The Group leases a number of properties and telecommunication network facilities under operating leases. The leases typically run for an initial period of two to fifteen years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals. Total operating leases commitments are detailed as below:

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

17. Review of Unaudited Interim Financial Statements

The unaudited interim financial statements for the six months ended 30 June 2013 have been reviewed with no disagreement by the Audit Committee of the Company.

CORPORATE GOVERNANCE CODE

During the financial period under review, all the code provisions in the Corporate Governance Code (which is set out in Appendix 14 of the Rules (the “Listing 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 officer (or 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.

As regards the First Deviation, it is deemed appropriate as it is considered to be more efficient to have one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high-calibre individuals, with nearly half of them being Independent Non-executive Directors (“INED(s)”). As regards the Second Deviation, the Company Secretary of the Company has for some years directly reported to, and continues to report to, the Deputy Chairman of the Company, which is considered appropriate and reasonable given the size of the Group. In the view of the Directors, this reporting arrangement would in no way adversely affect the efficient discharge by the Company Secretary of his job duties.

MODEL CODE FOR DIRECTORS’ DEALING IN SECURITIES

The Company has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors and all the Directors have complied with the required standard set out in the Model Code and the code of conduct adopted by the Company regarding directors’ securities transactions during the period under review.

DIRECTORS' INTERESTS IN SECURITIES

(A) Interests in Shares

At 30 June 2013, Directors of the Company had the following beneficial interests, all being long positions, in the shares of the Company, Wheelock and Company Limited ("Wheelock") (which is the Company's parent company) and two subsidiaries of the Company, namely, i-CABLE Communications Limited ("i-CABLE") and Modern Terminals Limited ("Modern Terminals"), and an associated corporation of the Company, namely, Greentown China Holdings Limited ("Greentown") and the percentages which the relevant securities represented to the issued share capitals of the five companies respectively are also set out below:

	No. of Ordinary Shares (percentage of issued capital)	Nature of Interest
The Company		
Alexander S K Au	38,000 (0.0013%)	Personal Interest
Vincent K Fang	100,000 (0.0033%)	Personal Interest
Stephen T H Ng	804,445 (0.0266%)	Personal Interest
T Y Ng	220,294 (0.0073%)	Personal Interest
Wheelock		
Peter K C Woo	1,222,150,330 (60.1497%)	Personal Interest in 8,847,510 shares, Corporate Interest in 218,081,142 shares and Other Interest in 995,221,678 shares
Stephen T H Ng	300,000 (0.0148%)	Personal Interest
T Y Ng	70,000 (0.0034%)	Personal Interest
i-CABLE		
Stephen T H Ng	1,265,005 (0.0629%)	Personal Interest
T Y Ng	17,801 (0.0009%)	Personal Interest
Modern Terminals		
Hans Michael Jebsen	3,787 (5.40%)	Corporate Interest
Greentown		
Andrew O K Chow	540,000 (0.03%)	Personal Interest

Notes:

- (1) The interests in shares disclosed above do not include interests in share options of the Company and/or associated corporation(s) held by Directors of the Company as at 30 June 2013. Details of such interests in share options are separately set out below under the sub-sections headed "(B) Interests in Share Options of the Company" and "(C) Interests in Share Options of Wheelock".
- (2) The 995,221,678 shares of Wheelock stated above as "Other Interest" against the name of Mr Peter K C Woo represented an interest comprised in certain trust properties in which Mr Woo was taken, under certain provisions in Part XV of the Securities and Futures Ordinance (the "SFO") which are applicable to a director or chief executive of a listed company, to be interested.
- (3) The shareholdings classified as "Corporate Interest" in which the Directors concerned were taken to be interested as stated above were interests of corporations at respective general meetings of which the relevant Directors were respectively either entitled to exercise (or taken under Part XV of the SFO to be able to exercise) or control the exercise of one-third or more of the voting power in general meetings of such corporations.

(B) Interests in Share Options of the Company

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

Name of Director	Date of grant (Day/Month/Year)	No. of Shares under Option				Total as at 30 June 2013 (percentage of issued share capital)	Subscription Price per Share (HK\$)	Exercise Period (Day/Month/Year)
		As at 1 January 2013	Granted during the period	Exercised during the period	As at 30 June 2013			
Peter K C Woo	04/07/2011	1,500,000	–	–	1,500,000	3,500,000 (0.12%)	55.15	05/07/2011–04/07/2016 ⁽⁴⁾
	05/06/2013	–	2,000,000 ⁽¹⁾	–	2,000,000		70.20	06/06/2013–05/06/2018 ⁽⁵⁾
Stephen T H Ng	04/07/2011	1,500,000	–	–	1,500,000	3,500,000 (0.12%)	55.15	05/07/2011–04/07/2016 ⁽⁴⁾
	05/06/2013	–	2,000,000 ⁽¹⁾	–	2,000,000		70.20	06/06/2013–05/06/2018 ⁽⁵⁾
Andrew O K Chow	04/07/2011	1,500,000	–	–	1,500,000	3,500,000 (0.12%)	55.15	05/07/2011–04/07/2016 ⁽⁴⁾
	05/06/2013	–	2,000,000 ⁽¹⁾	–	2,000,000		70.20	06/06/2013–05/06/2018 ⁽⁵⁾
Doreen Y F Lee	04/07/2011	1,500,000	–	180,000 ⁽²⁾	1,320,000	3,320,000 (0.11%)	55.15	05/07/2011–04/07/2016 ⁽⁴⁾
	05/06/2013	–	2,000,000 ⁽¹⁾	–	2,000,000		70.20	06/06/2013–05/06/2018 ⁽⁵⁾
T Y Ng	04/07/2011	1,500,000	–	–	1,500,000	3,500,000 (0.12%)	55.15	05/07/2011–04/07/2016 ⁽⁴⁾
	05/06/2013	–	2,000,000 ⁽¹⁾	–	2,000,000		70.20	06/06/2013–05/06/2018 ⁽⁵⁾
Paul Y C Tsui	04/07/2011	1,500,000	–	300,000 ⁽³⁾	1,200,000	2,200,000 (0.07%)	55.15	05/07/2011–04/07/2016 ⁽⁴⁾
	05/06/2013	–	1,000,000 ⁽¹⁾	–	1,000,000		70.20	06/06/2013–05/06/2018 ⁽⁵⁾
Y T Leng	04/07/2011	500,000	–	–	500,000	1,250,000 (0.04%)	55.15	05/07/2011–04/07/2016 ⁽⁴⁾
	05/06/2013	–	750,000 ⁽¹⁾	–	750,000		70.20	06/06/2013–05/06/2018 ⁽⁵⁾

Notes:

- (1) The closing price of the Shares on the last trading day immediately before the share options grant on 5 June 2013 was HK\$71.00 per share.
- (2) The closing price of the Shares of the Company immediately before the date(s) of exercise(s) of the options (all exercised on the same day) by Ms Doreen Y F Lee during the period was HK\$75.00 per share.
- (3) The closing price of the Shares of the Company immediately before the date(s) of exercise(s) of the options (all exercised on the same day) by Mr Paul Y C Tsui during the period was HK\$75.50 per share.
- (4) The options granted by the Company on 4 July 2011, being outstanding as at both 1 January 2013 and 30 June 2013, were/will be vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant options, i.e. exercisable to the extent of one-fifth of the relevant total number of Shares and with the 1st, 2nd, 3rd, 4th and 5th tranche becoming exercisable from 5th of July in the years 2011, 2012, 2013, 2014 and 2015 respectively, with the exception that:
 - (i) the relevant options held by Mr. Paul Y C Tsui as at 30 June 2013 were/will be vested in four tranches, with each tranche covering options for 300,000 Shares becoming exercisable from 5th of July in the years 2012, 2013, 2014 and 2015 respectively; and
 - (ii) the relevant options held by Ms. Doreen Y F Lee as at 30 June 2013 were/will be vested in five tranches, with the 1st tranche covering options for 120,000 Shares becoming exercisable from 5 July 2011, and the remaining four tranches each covering options for 300,000 Shares becoming exercisable from 5th July in the years 2012, 2013, 2014 and 2015 respectively.
- (5) The options granted by the Company on 5 June 2013, being outstanding as at both the date of grant and 30 June 2013, were/will be vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant options, i.e. exercisable to the extent of one-fifth of the relevant total number of shares and with the 1st, 2nd, 3rd, 4th and 5th tranche becoming exercisable from 6th of June in the years 2013, 2014, 2015, 2016 and 2017 respectively.
- (6) Except as disclosed above, no option of the Company held by Directors lapsed or was exercised or cancelled during the financial period, and no option of the Company was granted to any Director during the financial period.

(C) Interests in Share Options of Wheelock

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

Name of Director	Date of grant (Day/Month/Year)	As at date of grant	No. of Wheelock shares under option		Subscription price per share (HK\$)	Exercise Period (Day/Month/Year)
			As at 30 June 2013 (percentage of issued capital)			
Peter K C Woo	14/06/2013	2,000,000	2,000,000 (0.098%)		39.98	15/06/2013–14/06/2018
Paul Y C Tsui	14/06/2013	1,500,000	1,500,000 (0.074%)		39.98	15/06/2013–14/06/2018

Notes:

- (a) *There was no outstanding share option of Wheelock held by any Director of the Company during the period from 1 January to 13 June 2013.*
- (b) *The share options of Wheelock outstanding as at both the date of grant and 30 June 2013 were/will be vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant options, i.e. exercisable to the extent of one-fifth of the relevant total number of Wheelock's shares and with the 1st, 2nd, 3rd, 4th and 5th tranche becoming exercisable from 15th of June in the years 2013, 2014, 2015, 2016 and 2017 respectively.*
- (c) *Except as disclosed above, no share option of Wheelock held by Directors of the Company lapsed or was exercised or cancelled during the financial period and no share option of Wheelock was granted to any Director of the Company during the financial period.*

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the SFO in respect of information required to be notified to the Company and the Stock Exchange by the Directors and/or Chief Executive of the Company pursuant to the SFO or to the Model Code for Securities Transactions by Directors of Listed Issuers, there were no interests, both long and short positions, held as at 30 June 2013 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), nor had there been any rights to subscribe for any shares, underlying shares or debentures of the Company and its associated corporations held by any of them at any time during the financial period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company as at 30 June 2013, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register") and the percentages which the shares represented to the issued share capital of the Company:

Names	No. of Ordinary Shares (percentage of issued capital)	
(i) Wheelock and Company Limited	1,575,511,608	(52.00%)
(ii) HSBC Trustee (Guernsey) Limited	1,575,511,608	(52.00%)
(iii) JPMorgan Chase & Co.	178,944,798	(5.91%)

Notes:

- (1) *For the avoidance of doubt and double counting, it should be noted that the shareholdings stated against parties (i) and (ii) represented the same block of shares.*
- (2) *Wheelock and Company Limited's deemed shareholding interests stated above included interests held through its wholly-owned subsidiaries, namely, Lynchpin Limited ("LL"), WF Investment Partners Limited ("WIPL") and Wheelock Investments Limited ("WIL"), with 213,267,072 shares (7.04%) being the deemed interests held by LL, 1,302,017,536 shares (42.98%) being the deemed interests held by WIPL and 1,515,284,608 shares (50.02%) being the deemed interests held by WIL.*

All the interests stated above represented long positions. As at 30 June 2013, JPMorgan Chase & Co. had a short position in 12,176,443 shares (0.40%) and a lending pool of 114,318,538 shares (3.77%) with regard to the issued share capital of the Company according to the record in the Register.

SHARE OPTION SCHEME

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

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

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

Notes:

- (1) The closing price of the shares on the last trading day immediately before the share options grant on 5 June 2013 was HK\$71.00 per share.
- (2) The weighted average closing price of the Shares of the Company immediately before the date(s) of exercise(s) of share options during the financial period was HK\$75.31 per share.
- (3) Except as disclosed above, no share option of the Company lapsed or was granted, exercised or cancelled during the financial period.

CHANGES OF INFORMATION OF DIRECTORS

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

Director(s)	#Salary and various allowances HK\$'000	##Discretionary annual bonus in cash HK\$'000
Peter K C Woo	13,218 (2012: 11,911)	26,000 (2012: 11,000)
Stephen T H Ng	6,033 (2012: 5,011)	20,000 (2012: 10,000)
Andrew O K Chow	5,063 (2012: 5,069)	20,000 (2012: 5,000)
Doreen Y F Lee	4,584 (2012: 4,092)	10,500 (2012: 6,500)
T Y Ng	4,403 (2012: 3,953)	10,000 (2012: 5,000)
Paul Y C Tsui	2,898 (2012: 2,587)	5,900 (2012: 3,600)

Not including the Chairman's fee of HK\$200,000 per annum (2012: HK\$100,000) to Mr Peter K C Woo and the Director's fee of HK\$100,000 per annum (2012: HK\$70,000) to each of all other Directors of the Company payable by the Company.

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

Fee payable to each member of the Company's Audit Committee was increased to HK\$50,000 per annum (2012: HK\$30,000).

- (II) Given below is the latest information regarding the directorship(s) held at present and/or former directorship(s) (if any) held within the past three years in other listed public companies in respect of all the present Director(s) of the Company for whom there have been changes in the relevant information since the publication of the last annual report of the Company (or, where applicable as regards Director(s) appointed subsequent thereto, since the date of appointment as Director(s) of the Company):

Director(s)	Present/(Former) directorship(s) in other listed public company(ies)
Edward K Y Chen	First Pacific Company Limited; <i>(Former Directorships: Asia Satellite Telecommunications Holdings Limited – resigned in June 2013)</i>
Raymond K F Ch'ien	China Resources Power Holdings Company Limited; Convenience Retail Asia Limited; Hang Seng Bank Limited; MTR Corporation Limited; UGL Limited; Swiss Re Limited; <i>(Former Directorships: CDC Corporation; Swiss Reinsurance Company Limited; China.com Inc. – resigned in March 2013)</i>

PURCHASE, SALE OR REDEMPTION OF SHARES

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

BOOK CLOSURE

The Register of Members will be closed from Tuesday, 17 September 2013 to Thursday, 19 September 2013, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to qualify for the abovementioned interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 16 September 2013.

By Order of the Board

Kevin C. Y. Hui

Company Secretary

Hong Kong, 27 August 2013

As at the date of this interim report, the Board of Directors of the Company comprises Mr. Peter K. C. Woo, Mr. Stephen T. H. Ng, Mr. 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 six Independent Non-executive Directors, 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 and Mr. James E. Thompson.

Notwithstanding any choice of language or means for the receipt of corporate communications (viz. annual report, interim report, etc.) previously made by Shareholder(s) and communicated to the Company, Shareholder(s) is/are given the option (which may be exercised at any time by giving reasonable prior notice to the Company) of changing his/her/their choice of printed language version(s) to English only, Chinese only or both English and Chinese for receiving future corporate communications, or changing the choice of receiving future corporate communications to using electronic means instead of in printed version (or vice versa). Such notice of change of choice should contain the full name(s) in English, address and contact telephone number of the relevant Shareholder(s), together with the relevant words regarding the request for the change of choice, and should be sent to the Company, c/o the Company's Registrars, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by post or by hand delivery, or via email to wharfholdings-ecom@hk.tricorglobal.com.