

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2016 – Unaudited

	Note	Six months ended 30 June	
		2016 HK\$ Million	2015 HK\$ Million
Revenue	2	27,196	28,648
Direct costs and operating expenses		(14,788)	(14,662)
Selling and marketing expenses		(888)	(1,005)
Administrative and corporate expenses		(730)	(815)
Operating profit before depreciation, amortisation, interest and tax		10,790	12,166
Depreciation and amortisation	3	(731)	(789)
Operating profit	2 & 3	10,059	11,377
Increase in fair value of investment properties		495	4,190
Other net charge	4	(568)	(1,084)
		9,986	14,483
Finance costs	5	(331)	(831)
Share of results after tax of:			
Associates		536	454
Joint ventures		489	(201)
Profit before taxation		10,680	13,905
Income tax	6	(2,032)	(2,515)
Profit for the period		8,648	11,390
Profit attributable to:			
Equity shareholders		5,662	8,006
Non-controlling interests		2,986	3,384
		8,648	11,390
Earnings per share	7		
Basic		HK\$2.79	HK\$3.94
Diluted		HK\$2.79	HK\$3.94

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016 - Unaudited

	Six months ended 30 June	
	2016	2015
	HK\$ Million	HK\$ Million
Profit for the period	8,648	11,390
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange losses on translation of foreign operations	(1,113)	(306)
Net (losses)/gains on revaluation of investments:	(16)	642
Surplus on revaluation	–	676
Transfer to profit or loss on disposal	(16)	(34)
Share of other comprehensive income of associates/joint ventures	(293)	(88)
Others	2	8
Item that will not be reclassified to profit or loss:		
Fair value changes on equity investments	(1,501)	–
Other comprehensive income for the period	(2,921)	256
Total comprehensive income for the period	5,727	11,646
Total comprehensive income attributable to:		
Equity shareholders	4,126	8,138
Non-controlling interests	1,601	3,508
	5,727	11,646

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016 – Unaudited

	Note	30 June 2016 HK\$ Million	31 December 2015 HK\$ Million
Non-current assets			
Investment properties		328,663	325,044
Property, plant and equipment		22,744	22,804
Interest in associates		19,429	20,857
Interest in joint ventures		17,583	18,481
Equity and bond investments		10,542	–
Available-for-sale investments		–	12,475
Goodwill and other intangible assets		348	305
Deferred tax assets		711	732
Derivative financial assets		995	769
Other non-current assets		397	289
		401,412	401,756
Current assets			
Properties for sale		71,672	76,184
Inventories		37	46
Trade and other receivables	9	9,959	7,154
Derivative financial assets		739	352
Bank deposits and cash		26,664	27,266
		109,071	111,002
Total assets			
		510,483	512,758
Non-current liabilities			
Derivative financial liabilities		(1,894)	(2,102)
Deferred tax liabilities		(10,900)	(10,836)
Other deferred liabilities		(347)	(334)
Bank loans and other borrowings	11	(78,959)	(95,681)
		(92,100)	(108,953)
Current liabilities			
Trade and other payables	10	(23,442)	(26,493)
Deposits from sale of properties		(29,602)	(23,092)
Derivative financial liabilities		(527)	(620)
Taxation payable		(2,374)	(2,229)
Bank loans and other borrowings	11	(20,774)	(10,512)
		(76,719)	(62,946)
Total liabilities			
		(168,819)	(171,899)
NET ASSETS			
		341,664	340,859
Capital and reserves			
Share capital		2,949	2,949
Reserves		203,315	198,718
Shareholders' equity			
		206,264	201,667
Non-controlling interests			
		135,400	139,192
TOTAL EQUITY			
		341,664	340,859

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016 – Unaudited

	Shareholders' equity						
	Share capital	Investments revaluation and other reserves	Exchange reserves	Revenue reserves	Total shareholders' equity	Non-controlling interests	Total equity
At 1 January 2016	2,949	(1,187)	718	199,187	201,667	139,192	340,859
Changes in equity for the period:							
Profit	-	-	-	5,662	5,662	2,986	8,648
Other comprehensive income	-	(895)	(641)	-	(1,536)	(1,385)	(2,921)
Total comprehensive income	-	(895)	(641)	5,662	4,126	1,601	5,727
Acquisition of additional interest in a subsidiary	-	-	-	1,933	1,933	(3,290)	(1,357)
Equity settled share-based payments	-	11	-	-	11	4	15
Transfer to revenue reserves upon de-recognition of equity investments	-	141	-	(141)	-	-	-
Net capital contribution from non-controlling interests of subsidiaries	-	-	-	-	-	161	161
2015 second interim dividend paid (Note 8b)	-	-	-	(1,473)	(1,473)	-	(1,473)
Dividends paid to non-controlling interests	-	-	-	-	-	(2,268)	(2,268)
At 30 June 2016	2,949	(1,930)	77	205,168	206,264	135,400	341,664
At 1 January 2015	2,949	1,001	5,467	181,789	191,206	148,710	339,916
Changes in equity for the period:							
Profit	-	-	-	8,006	8,006	3,384	11,390
Other comprehensive income	-	479	(351)	4	132	124	256
Total comprehensive income	-	479	(351)	8,010	8,138	3,508	11,646
Shares issued by a subsidiary	-	(9)	-	-	(9)	59	50
Acquisition of additional interest in a subsidiary	-	-	-	3,127	3,127	(6,851)	(3,724)
Equity settled share-based payments	-	23	-	-	23	8	31
Share option lapsed in a subsidiary	-	(16)	-	16	-	-	-
2014 second interim dividend paid	-	-	-	(1,387)	(1,387)	-	(1,387)
Dividends paid to non-controlling interests	-	-	-	-	-	(1,846)	(1,846)
At 30 June 2015	2,949	1,478	5,116	191,555	201,098	143,588	344,686

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016 – Unaudited

	Six months ended 30 June	
	2016	2015
	HK\$ Million	HK\$ Million
Operating cash inflow	10,431	11,775
Changes in working capital/others	6,200	(241)
Tax paid	(1,648)	(1,359)
Net cash generated from operating activities	14,983	10,175
Investing activities		
Additions to investment properties and property, plant and equipment	(4,859)	(3,562)
Acquisition of additional interest in a subsidiary	(1,357)	(3,724)
Other cash used in investing activities	(1,785)	(2,262)
Net cash used in investing activities	(8,001)	(9,548)
Financing activities		
Dividends paid to equity shareholders	(1,473)	(1,387)
Dividends paid to non-controlling interests	(2,268)	(1,846)
Other cash (used in)/generated from financing activities	(7,383)	56
Net cash used in financing activities	(11,124)	(3,177)
Net decrease in cash and cash equivalents	(4,142)	(2,550)
Cash and cash equivalents at 1 January	27,165	21,179
Effect of exchange rate changes	(285)	(47)
Cash and cash equivalents at 30 June	22,738	18,582
Cash and cash equivalents		
Bank deposits and cash in the consolidated statement of financial position	26,664	18,582
Less: Bank deposits with maturity greater than three months	(3,926)	–
Cash and cash equivalents in the condensed consolidated statement of cash flows	22,738	18,582

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

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

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

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

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

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

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

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

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

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

- (i) Investments in equity securities (not held for trading) of HK\$9,682 million that were previously classified as available-for-sale investments and measured at fair value at each reporting date under HKAS 39 have been designated as equity investments measured at fair value through other comprehensive income. Group’s profit for the period has been increased by HK\$141 million, representing the loss on disposal of equity securities recognised through other comprehensive income instead of the income statement as previously accounted for (2015: profit of HK\$239 million).
- (ii) Impairment based on expected credit loss model on the Group’s rental, sales and trade receivables have no significant financial impact.

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

2. SEGMENT INFORMATION

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

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

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

Hotels segment includes hotel operations in the Asia Pacific region. Currently, The Wharf (Holdings) Limited (“Wharf”) operates 14 hotels in the Asia Pacific region, six of which are owned by Wharf.

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

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

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

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

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

(a) Analysis of segment revenue and results

	Revenue HK\$ Million	Operating profit HK\$ Million	Investment properties fair value HK\$ Million	Other net charge HK\$ Million	Finance costs HK\$ Million	Associates HK\$ Million	Joint ventures HK\$ Million	Profit before taxation HK\$ Million
For the six months ended 30 June 2016								
Investment property	7,889	6,537	495	(68)	(612)	-	-	6,352
Hong Kong	6,516	5,742	132	-	(612)	-	-	5,262
Mainland China	1,197	689	363	(68)	-	-	-	984
Singapore	176	106	-	-	-	-	-	106
Development property	15,232	3,056	-	(496)	(121)	400	483	3,322
Hong Kong	5,858	1,617	-	-	(73)	1	283	1,828
Mainland China	8,409	1,307	-	(496)	(38)	399	200	1,372
Singapore	965	132	-	-	(10)	-	-	122
Hotels	740	104	-	-	(1)	-	-	103
Logistics	1,286	293	-	(70)	(60)	123	6	292
Terminals	1,234	290	-	(49)	(60)	95	6	282
Others	52	3	-	(21)	-	28	-	10
CME	1,715	78	-	-	(16)	-	-	62
i-CABLE	710	(133)	-	-	(2)	-	-	(135)
Telecommunications	1,005	214	-	-	(14)	-	-	200
Others	-	(3)	-	-	-	-	-	(3)
Inter-segment revenue	(219)	-	-	-	-	-	-	-
Segment total	26,643	10,068	495	(634)	(810)	523	489	10,131
Investment and others	553	321	-	66	479	13	-	879
Corporate expenses	-	(330)	-	-	-	-	-	(330)
Group total	27,196	10,059	495	(568)	(331)	536	489	10,680

	Revenue HK\$ Million	Operating profit HK\$ Million	Investment properties fair value HK\$ Million	Other net charge HK\$ Million	Finance costs HK\$ Million	Associates HK\$ Million	Joint ventures HK\$ Million	Profit before taxation HK\$ Million
For the six months ended 30 June 2015								
Investment property	7,472	6,111	4,190	53	(662)	-	-	9,692
Hong Kong	6,164	5,393	3,414	-	(657)	-	-	8,150
Mainland China	1,121	589	776	53	(5)	-	-	1,413
Singapore	187	129	-	-	-	-	-	129
Development property	16,866	4,703	-	(1,479)	(51)	298	(230)	3,241
Hong Kong	10,217	3,546	-	-	-	-	(49)	3,497
Mainland China	6,562	1,134	-	(1,479)	(42)	298	(181)	(270)
Singapore	87	23	-	-	(9)	-	-	14
Hotels	718	115	-	-	(3)	-	-	112
Logistics	1,434	333	-	(16)	(125)	148	29	369
Terminals	1,382	327	-	5	(125)	112	29	348
Others	52	6	-	(21)	-	36	-	21
CME	1,750	38	-	1	(18)	-	-	21
i-CABLE	760	(129)	-	1	(1)	-	-	(129)
Telecommunications	990	173	-	-	(17)	-	-	156
Others	-	(6)	-	-	-	-	-	(6)
Inter-segment revenue	(202)	-	-	-	-	-	-	-
Segment total	28,038	11,300	4,190	(1,441)	(859)	446	(201)	13,435
Investment and others	610	396	-	357	28	8	-	789
Corporate expenses	-	(319)	-	-	-	-	-	(319)
Group total	28,648	11,377	4,190	(1,084)	(831)	454	(201)	13,905

(b) Analysis of inter-segment revenue

	2016			2015		
	Total revenue	Inter-segment revenue	Group revenue	Total revenue	Inter-segment revenue	Group revenue
Six months ended 30 June	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Investment property	7,889	(124)	7,765	7,472	(96)	7,376
Development property	15,232	-	15,232	16,866	-	16,866
Hotels	740	-	740	718	-	718
Logistics	1,286	-	1,286	1,434	-	1,434
CME	1,715	(37)	1,678	1,750	(40)	1,710
Investment and others	553	(58)	495	610	(66)	544
	27,415	(219)	27,196	28,850	(202)	28,648

(c) Geographical information

	Revenue		Operating profit	
	2016	2015	2016	2015
Six months ended 30 June	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	15,859	19,929	8,006	9,523
Mainland China	10,144	8,408	1,783	1,674
Singapore	1,193	311	270	180
Group total	27,196	28,648	10,059	11,377

3. OPERATING PROFIT

	Six months ended 30 June	
	2016	2015
	HK\$ Million	HK\$ Million
Operating profit is arrived at after charging/(crediting):		
Depreciation and amortisation on		
– assets held for use under operating leases	75	87
– property, plant and equipment	574	603
– leasehold land	30	37
– programming library	52	62
Total depreciation and amortisation	731	789
Staff costs (Note a)	1,957	2,007
Cost of trading properties for recognised sales	10,945	11,583
Gross rental revenue from investment properties (Note b)	(7,889)	(7,472)
Direct operating expenses of investment properties	1,265	1,279
Interest income	(221)	(251)
Dividend income from investments	(131)	(173)
(Profit)/loss on disposal of property, plant and equipment	(20)	2

Notes:

(a) Staff costs included contributions to defined contribution pension schemes of HK\$161 million (2015: HK\$156 million) and equity settled share-based payment expenses of HK\$15 million (2015: HK\$31 million).

(b) Rental income included contingent rentals of HK\$583 million (2015: HK\$902 million).

4. OTHER NET CHARGE

Other net charge for the period amounted to HK\$568 million (2015: HK\$1,084 million) and mainly comprised:

(a) Net foreign exchange loss of HK\$74 million (2015: gain of HK\$162 million) which included the impact of forward foreign exchange contracts.

(b) Impairment provision of HK\$496 million made for certain development projects in Mainland China.

In 2015, net profit on disposal of available-for-sale investments of HK\$275 million was recognised and accounting loss of HK\$1,491 million arose from the deemed disposal of Wharf's entire interest in Greentown China Holdings Limited.

5. FINANCE COSTS

	Six months ended 30 June	
	2016 HK\$ Million	2015 HK\$ Million
Interest charged on:		
Bank loans and overdrafts	529	624
Other borrowings	801	791
Total interest charge	1,330	1,415
Other finance costs	203	198
Less: Amount capitalised	(753)	(812)
	780	801
Fair value (gain)/loss:		
Cross currency interest rate swaps	(478)	(5)
Interest rate swaps	29	35
	(449)	30
Total	331	831

- (a) The Group's average effective borrowing rate for the period was 2.9% (2015: 2.8%) per annum.
- (b) The above interest charge has taken into account the interest paid/received in respect of interest rate swaps and cross currency interest rate swaps.

6. INCOME TAX

Taxation charged to the consolidated income statement includes:

	Six months ended 30 June	
	2016	2015
	HK\$ Million	HK\$ Million
Current income tax		
Hong Kong		
– provision for the period	1,130	1,408
– overprovision in respect of prior years	(6)	(1)
Outside Hong Kong		
– provision for the period	497	506
– overprovision in respect of prior years	(5)	–
	1,616	1,913
Land appreciation tax (“LAT”) in Mainland China		
(Note 6c)	188	133
Deferred tax		
Change in fair value of investment properties	(12)	315
Origination and reversal of temporary differences	240	154
	228	469
Total	2,032	2,515

- (a) The provision for Hong Kong profits tax is based on the profit for the period as adjusted for tax purposes at the rate of 16.5% (2015: 16.5%).
- (b) Income tax on profits assessable outside Hong Kong is mainly China corporate income tax calculated at a rate of 25% (2015: 25%), China withholding income tax at a rate of up to 10% (2015: 10%) and Singapore income tax at a rate of 17% (2015: 17%).
- (c) Under the Provisional Regulations on LAT, all gains arising from transfer of real estate property in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds on sales of properties less deductible expenditure including cost of land use rights, borrowing costs and all development property expenditure.
- (d) Tax attributable to associates and joint ventures for the six months ended 30 June 2016 of HK\$467 million (2015: HK\$236 million) is included in the share of results after tax of associates and joint ventures.

7. EARNINGS PER SHARE

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

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

	Six months ended 30 June	
	2016	2015
	HK\$ Million	HK\$ Million
Profit attributable to equity shareholders	5,662	8,006

(b) Weighted average number of ordinary shares

	30 June 2016	30 June 2015
	No. of shares	No. of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,031,849,287	2,031,849,287
Effect of dilutive potential shares – Share options	–	370,146
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,031,849,287	2,032,219,433

8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	Six months ended 30 June			
	2016	2016	2015	2015
	HK\$ per share	HK\$ Million	HK\$ per share	HK\$ Million
First interim dividend declared after the end of the reporting period	0.450	914	0.425	864

- (a) The first interim dividend declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.
- (b) The second interim dividend of HK\$1,473 million for 2015 was approved and paid in 2016.

9. TRADE AND OTHER RECEIVABLES

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

	30 June 2016 HK\$ Million	31 December 2015 HK\$ Million
Trade receivables		
0 – 30 days	719	750
31 – 60 days	583	171
61 – 90 days	131	77
Over 90 days	172	105
	1,605	1,103
Accrued sales receivables	533	647
Other receivables and prepayments	7,821	5,404
	9,959	7,154

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

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

10. TRADE AND OTHER PAYABLES

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

	30 June 2016 HK\$ Million	31 December 2015 HK\$ Million
Trade payables		
0 – 30 days	308	414
31 – 60 days	179	274
61 – 90 days	28	34
Over 90 days	136	130
	651	852
Rental and customer deposits	4,182	4,140
Construction costs payable	8,200	9,979
Amounts due to associates	2,939	3,052
Amounts due to joint ventures	2,636	3,422
Other payables	4,834	5,048
	23,442	26,493

11. BANK LOANS AND OTHER BORROWINGS

	30 June 2016 HK\$ Million	31 December 2015 HK\$ Million
Bonds and notes (unsecured)	49,933	49,363
Bank loans (secured)	13,259	15,114
Bank loans (unsecured)	36,541	41,716
Total bank loans and other borrowings	99,733	106,193
Analysis of maturities of the above borrowings:		
Current borrowings		
Due within 1 year	20,774	10,512
Non-current borrowings		
Due after 1 year but within 5 years	67,758	84,848
Due after 5 years	11,201	10,833
	78,959	95,681
Total bank loans and other borrowings	99,733	106,193

12. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities carried at fair value

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

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1 and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

Financial instruments carried at fair value

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

	Fair value measurements categorised into					
	30 June 2016			31 December 2015		
	Level 1	Level 2	Total	Level 1	Level 2	Total
HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	
Assets						
Equity and bond investments:						
– Listed investments	10,428	-	10,428	-	-	-
– Unlisted investments	-	33	33	-	-	-
Available-for-sale investments:						
– Listed investments	-	-	-	12,442	-	12,442
Derivative financial instruments:						
– Interest rate swaps	-	890	890	-	564	564
– Cross currency interest rate swaps	-	387	387	-	539	539
– Forward foreign exchange contracts	-	457	457	-	13	13
– Other derivatives	-	-	-	5	-	5
	10,428	1,767	12,195	12,447	1,116	13,563
Liabilities						
Derivative financial instruments:						
– Interest rate swaps	-	(569)	(569)	-	(496)	(496)
– Cross currency interest rate swaps	-	(1,831)	(1,831)	-	(2,042)	(2,042)
– Forward foreign exchange contracts	-	(21)	(21)	-	(184)	(184)
Bank loans and other borrowings:						
– Bonds and notes	-	(31,188)	(31,188)	-	(30,858)	(30,858)
– Bank loans	-	(2,361)	(2,361)	-	(2,331)	(2,331)
	-	(35,970)	(35,970)	-	(35,911)	(35,911)

During the six months ended 30 June 2016, there were no transfers of financial instruments between Level 1 and Level 2 or transfers into or out of Level 3.

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

Valuation techniques and inputs used in Level 2 fair value measurements

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

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

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

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

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 30 June 2016 and 31 December 2015.

13. MATERIAL RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Material transactions between the Group and other related parties during the period ended 30 June 2016 are as follows:

- (a) In respect of the period ended 30 June 2016, the Group earned rental income totalling HK\$549 million (2015: HK\$608 million) from various tenants which are wholly or partly owned by companies which in turn are wholly-owned by the family interests of close family members of, or by a trust the settlor of which is a close family member of, the Chairman of the Company. These transactions are considered to be related party transactions, of which HK\$479 million (2015: HK\$525 million) constitute connected transactions as disclosed under the Listing Rules.
- (b) On 14 March 2016, the Group entered into an agreement with a company, effectively owned by the close family members of the Chairman of the Company, to acquire the entire share capital of a company which indirectly holds the property located at Shop C, Ground Floor, Wheelock House, Central in Hong Kong for a consideration of HK\$1,141 million. This transaction is considered to be a related party transaction and also constitutes a connected transaction as defined under the Listing Rules.

14. CONTINGENT LIABILITIES

- (a) As at 30 June 2016, there were contingent liabilities in respect of guarantees given by the Group on behalf of certain associates and joint ventures of HK\$10,324 million (31/12/2015: HK\$9,401 million), of which HK\$9,671 million (31/12/2015: HK\$8,494 million) had been drawn.
- (b) As at 30 June 2016, there were guarantees of HK\$7,139 million (31/12/2015: HK\$8,883 million) provided by Wharf group to the banks in favour of their customers in respect of the mortgage loans provided by the banks to those customers for the purchase of Wharf group's development properties. There were also mortgage loan guarantees of HK\$2,283 million (31/12/2015: HK\$1,428 million) provided by associates and joint ventures of Wharf group to the banks in favour of their customers.

15. COMMITMENTS

The Group's outstanding commitments as at 30 June 2016 are detailed below:

(a) Planned expenditure

	30 June 2016			31 December 2015		Total HK\$ Million
	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million	Committed HK\$ Million	Uncommitted HK\$ Million	
(I) Properties						
Investment property						
Hong Kong	1,632	458	2,090	2,027	477	2,504
Mainland China	7,658	4,208	11,866	8,714	5,144	13,858
Singapore	5	-	5	1	-	1
	9,295	4,666	13,961	10,742	5,621	16,363
Development property						
Hong Kong	8,954	16,944	25,898	13,224	12,833	26,057
Mainland China	10,066	16,743	26,809	11,939	17,891	29,830
Singapore	444	218	662	702	208	910
	19,464	33,905	53,369	25,865	30,932	56,797
Properties total						
Hong Kong	10,586	17,402	27,988	15,251	13,310	28,561
Mainland China	17,724	20,951	38,675	20,653	23,035	43,688
Singapore	449	218	667	703	208	911
	28,759	38,571	67,330	36,607	36,553	73,160
(II) Non property and others						
Hotels	1,800	243	2,043	1,999	235	2,234
Modern Terminals	390	40	430	150	24	174
Wharf T&T	148	1	149	119	50	169
i-CABLE	19	270	289	25	245	270
	2,357	554	2,911	2,293	554	2,847
Total	31,116	39,125	70,241	38,900	37,107	76,007

- (i) Properties commitments are mainly for land and construction costs to be incurred in the forthcoming years, including attributable land costs of HK\$0.7 billion (31/12/2015: HK\$4.0 billion).
- (ii) The expenditure for development properties includes attributable amounts for developments undertaken by associates and joint ventures of HK\$10.5 billion in Mainland China (31/12/2015: HK\$11.4 billion in Mainland China and HK\$0.1 billion in Hong Kong).

- (b) In addition to the above, the CME segment is committed to programming and other expenditure totalling HK\$600 million (31/12/2015: HK\$734 million) with HK\$553 million (31/12/2015: HK\$670 million) being committed.
- (c) The Group leases a number of properties and telecommunication network facilities under operating leases. The leases typically run for an initial period of two to fifteen years, with an option to renew each lease upon expiry when all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals. Total operating leases commitments are detailed below:

	30 June 2016 HK\$ Million	31 December 2015 HK\$ Million
Expenditure for operating leases		
Within one year	54	50
After one year but within five years	79	97
Over five years	19	24
	152	171

16. REVIEW OF UNAUDITED INTERIM FINANCIAL INFORMATION

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