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WHEELOCK AND COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 20

Interim Results Announcement
for the half-year period ended 30 June 2015

HIGHLIGHTS OF GROUP RESULTS

HKDP growth driven by One Bay East

Hong Kong Development Properties Highlights

- Profit recognition from One Bay East directly drove profit growth. This HK\$10 billion project will be handed over to Manulife and Citigroup in September 2015.
- Contracted sales totalled HK\$2.8 billion:
 - Peninsula East presold all 256 units within two days. Total sales proceeds amounted to HK\$1.98 billion.
 - The Parkside presold an additional 34 units and carpark for HK\$0.56 billion. All 591 units were fully presold.
 - Kensington Hill presold an additional 17 units for HK\$0.30 billion. 64 of the total 75 units were presold as at 30 June 2015.
- Land bank under management amounted to 8.3 million square feet.

Wheelock Group Consolidated Highlights

- Group underlying profit increased by 78% to HK\$6.3 billion.
- Wheelock's own results before consolidation:
 - Underlying profit increased by 316% to HK\$3.2 billion as a result of One Bay East's profit recognition.
 - Net gearing fell to 17.1% (June 2014: 23.7%; December 2014: 18.8%).
- Wharf:
 - Attributable underlying profit increased by 12% to HK\$3.0 billion.
 - Wheelock's shareholding increased from 55.6% (as at 31 December 2014) to 57.8% (as at 30 June 2015).
- Wheelock Properties Singapore:
 - Attributable underlying profit increased by 6% to HK\$0.1 billion.
 - The Panorama, Scotts Square Residential and Ardmore Three sold 144 units during the period.

GROUP RESULTS (unaudited)

Excluding investment property revaluation gain and exceptional items, the underlying profit was HK\$6,329 million (2014: HK\$3,547 million).

Group profit attributable to equity shareholders was HK\$8,006 million (2014: HK\$7,675 million). Earnings per share were HK\$3.94 (2014: HK\$3.78).

INTERIM DIVIDEND

An interim dividend of 42.5 cents (2014: 38.5 cents) per share will be paid on 23 September 2015 to Shareholders on record as at 18 September 2015, absorbing a total amount of HK\$864 million (2014: HK\$782 million).

BUSINESS REVIEW

Core Business – Hong Kong Development Properties (“DP”)

Wheelock’s core business and operational focus is in Hong Kong DP.

The land bank under management amounted to 8.3 million square feet as at 30 June 2015. This land bank is competitive in terms of location and cost. Firstly, 95% is located in urban area and 77% is located along the Victoria Harbour. In addition, it is strategically focused on regions with high potential for development, namely, O’South, Kowloon East CBD2, Kowloon South and the Peak.

Wheelock focuses on fast asset turnover strategy.

In the first half, Peninsula East was launched for presale in April and all 256 units were presold within two days, total sales proceeds amounted to HK\$1.98 billion. The Parkside presold an additional 34 units and carparks for HK\$0.56 billion, and all 591 units have been presold. Kensington Hill presold an additional 17 units for HK\$0.30 billion, and 64 of the total 75 units were presold as at 30 June 2015. The total contracted sales amounted to HK\$2.8 billion.

In the second half, four projects are scheduled to obtain consents and launch for presale, including Mount Nicholson, Island Residence, O’South Lot 125 and One HarbourGate.

One Bay East obtained its occupation permit and contributed to the Group’s profit growth during the period. This HK\$10 billion Grade A office development in Kowloon East CBD2 will be handed over to Manulife and Citigroup in September 2015. The remaining net order book was HK\$7.7 billion as at 30 June 2015.

Corporate Social Responsibility

Business-in-community is a critical aspect of CSR. Project *WeCan* launched an “English *WeCan*” programme in May to motivate students’ self-learning interest in the language, and to provide them with continuous learning opportunity.

WPL has committed to Corporate Social Responsibility reporting for the fourth consecutive year. This is the second year reporting in accordance to Global Reporting Initiative (GRI G4) standard, and the first year in which the report was audited independently. Wheelock will also be publishing its first independent Environment, Social and Governance Report. A total of eight property developments have attained compliance with international standards aiming to minimise construction waste, pollution and energy inefficiency.

The Group’s quality products are awarded by industrial recognition:

- WPL was awarded the *BCI Asia* Top 10 Developers Award for the fourth consecutive year.
- The Parkside was awarded an Interior Architect of the Year by *Chivas 18* and *South China Morning Post*.
- Lexington Hill was granted the Asia Pacific Property Award by *International Property Award* and a “Certificate of Excellence” in the Sustainability Achievement of the Year by *RICS*.

Awards on the Group’s commitment to community service:

- WPL was granted the Corporate Social Responsibility Project Award of the Year by *RICS* for the second consecutive year.
- Caring Company 2015/16 by the *Hong Kong Council of Social Service*.

Wheelock and Company is the majority shareholder of The Wharf (Holdings) Limited and Wheelock Properties (Singapore) Limited. Below is a report on their operations and achievements during the six months ended 30 June 2015.

The Wharf (Holdings) Limited (“Wharf”) 57.8% Equity Investment

Revenue from Hong Kong Investment Properties (IPs) increased by 9% and operating profit by 8%. The three Hong Kong malls, namely, Harbour City, Times Square and Plaza Hollywood, demonstrated solid performance despite a challenging retail market.

A higher contribution from Chengdu IFS drove China IP’s revenue up by 34% and operating profit up by 39%. Chengdu IFS shopping mall’s occupancy rate was virtually 100%, while 30% GFA of three premier Grade A office towers have been leased, this pace is comparable to Shanghai Wheelock Square. *Niccolo Chengdu* by Marco Polo was also soft opened in April. Shanghai Wheelock Square’s premium address in Puxi and top-notch services make it the preferred office location with 95% occupancy as at 30 June 2015. Shanghai Times Square’s retail was fully let after retail tenant mix refinement.

Changsha IFS is the largest-scale multi-use development featuring a 230,000 square-metre mega mall. Over 60% of Chongqing IFS’s retail area was under offer and over 80% of office Tower Two and Three was sold. Development of other IFSs in Suzhou and Wuxi are in progress. Riding on the success of Chengdu Times Outlet, a new outlet mall at the northwest area of Changsha is being developed.

China’s Development Properties’ contracted sales increased by 16% to RMB10.3 billion, representing 47% of the full-year target. A total of 50 development projects spanning 14 cities were offered for sale or presale. Wharf acquired five new sites in Beijing, Hangzhou and Foshan, with a combined attributable GFA of 0.23 million square metres, for RMB3.9 billion.

Wheelock Properties (Singapore) Limited (“WPSL”) 75.8% Equity Investment

Wheelock Place continued to deliver stable performance with office and retail occupancy at 97%. Scotts Square Retail’s tenant mix revamp is underway to maximise retail value.

The presale of an additional 134 units at The Panorama in Ang Mo Kio generated S\$174 million of sales during the period, and a total of 451 out of 698 units were sold at an average price of S\$1,250 per square foot. Scotts Square Residential and Ardmore Three have launched short-term exhibitions in Hong Kong and sold an additional 10 units, generating S\$29 million of sales during the period. The presale of the residential development in Fuyang Shijiayuan is planned for the second half of 2015.

FINANCIAL REVIEW

(I) Review of 2015 Interim Results

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

Wheelock's own net profit increased by 353% to HK\$3,956 million (2014: HK\$873 million). Excluding the IP revaluation gain of HK\$704 million (2014: HK\$60 million) and the mark-to-market gain of HK\$14 million (2014: HK\$34 million) on swaps, underlying profit increased by 316% to HK\$3,238 million (2014: HK\$779 million). This was mainly attributable to the profit contribution from One Bay East on completion.

Wheelock Group

The Group's underlying profit increased by 78% to HK\$6,329 million (2014: HK\$3,547 million). This was mainly attributable to higher DP profit and robust rental revenue.

Group profit attributable to equity shareholders increased by 4% to HK\$8,006 million (2014: HK\$7,675 million).

Revenue and Operating Profit

Group revenue increased by 55% to HK\$28,648 million (2014: HK\$18,474 million), mainly attributable to higher property sales recognised and increase in rental revenue. Operating profit increased by 38% to HK\$11,377 million (2014: HK\$8,241 million), mainly attributable to higher operating profit from Hong Kong and China DP.

Investment Property

Revenue and operating profit increased by 9% and 8% to HK\$7,472 million (2014: HK\$6,840 million) and HK\$6,111 million (2014: HK\$5,667 million) respectively, attributable to firm retail base rent achieved from lease commitments and stable positive rental reversions for offices. Revenue from the Mainland increased by 34% to HK\$1,121 million (2014: HK\$839 million), benefitting from the escalating revenue generated by Chengdu IFS.

Development Property

Revenue and operating profit increased by 145% and 192% to HK\$16,866 million (2014: HK\$6,883 million) and HK\$4,703 million (2014: HK\$1,613 million) respectively.

In Hong Kong, recognised property sales and operating profit increased by 513% and 333% to HK\$10,217 million (2014: HK\$1,668 million) and HK\$3,546 million (2014: HK\$818 million) respectively, mainly due to higher profit recognition on completion from One Bay East as compared to Lexington Hill in 2014. One Bay East was completed with all units sold, enabling the recognition of revenue of HK\$9,925 million.

In the Mainland, recognised property sales and operating profit increased by 26% and 35% to HK\$6,562 million (2014: HK\$5,215 million) and HK\$1,134 million (2014: HK\$839 million) respectively, mainly attributable to phase completions for Suzhou Times City, Wuxi Times City and Suzhou Ambassador Villa.

Hotels

Revenue and operating profit decreased by 6% and 39% to HK\$718 million (2014: HK\$760 million) and HK\$115 million (2014: HK\$189 million) respectively, partly affected by decline in Hong Kong revenue and partly by the operating losses of Marco Polo Changzhou and Niccolo Chengdu, which were building up their businesses.

Logistics

Revenue and operating profit decreased by 14% and 36% to HK\$1,434 million (2014: HK\$1,673 million) and HK\$333 million (2014: HK\$517 million) respectively, mainly due to the lower throughput handled by Modern Terminals.

Communications, Media and Entertainment (“CME”)

Revenue and operating profit decreased by 2% and 73% to HK\$1,750 million (2014: HK\$1,790 million) and HK\$38 million (2014: HK\$143 million) respectively. Wharf T&T’s operating profit increased by 5% to HK\$173 million (2014: HK\$165 million), while i-CABLE’s operating loss widened to HK\$129 million (2014: HK\$19 million).

Investment and Others

Operating profit amounted to HK\$396 million (2014: HK\$524 million), comprising largely dividend and interest income.

Fair Value Gain of IP

The book value of the Group’s IP portfolio as at 30 June 2015 increased to HK\$322.7 billion (2014: HK\$316.9 billion), with HK\$304.3 billion thereof stated at fair value based on independent valuation as at that date. That resulted in a revaluation gain of HK\$4,190 million (2014: HK\$7,441 million), which was credited to the consolidated income statement.

IP under development of HK\$18.4 billion is carried at cost and will not be carried at fair value until the earlier of when the fair values first become reliably measurable or the dates of their respective completion.

Other Net Charge

Other net charge amounted to HK\$1,084 million (2014: HK\$150 million), comprising mainly a non-recurrent estimated accounting loss of HK\$1,491 million (attributable to Wheelock Group is HK\$840 million) arising from the deemed disposal of Wharf’s entire 24.3% interest in Greentown China Holdings Limited (“Greentown”) upon reclassification of such interest as available-for-sale investments instead of as an associate at the prevailing market value when Wharf ceased to have significant influence over Greentown in June 2015. The Greentown interest was acquired in June 2012 at a cost of HK\$2,729 million, which was equity-accounted as an associate with an accounting gain representing negative goodwill of HK\$2,233 million.

It was partially offset by profit on disposal of available-for-sale investments of HK\$275 million (2014: HK\$9 million) and net exchange gain of HK\$162 million (2014: loss of HK\$186 million).

Finance Costs

Finance costs charged to the consolidated income statement were HK\$831 million (2014: HK\$1,149 million). Excluding the unrealised mark-to-market loss of HK\$30 million (2014: HK\$155 million) on swaps, finance costs decreased by 15% to HK\$1,613 million (2014: HK\$1,899 million) before capitalisation of HK\$812 million (2014: HK\$905 million), and HK\$801 million (2014: HK\$994 million) after capitalisation. The Group's effective borrowing rate for the period was reduced to 2.8% (2014: 3.1%) per annum.

Share of Results of Associates and Joint Ventures

Share of profits of associates decreased by 60% to HK\$454 million (2014: HK\$1,145 million), mainly due to the share of negative goodwill arising from the acquisition of Hotel Properties Limited ("HPL") of HK\$671 million in 2014.

Joint ventures reported loss of HK\$201 million (2014: profit of HK\$150 million), as adversely impacted by lower profit contribution from DP projects in the Mainland without major phase completion.

Income Tax

The taxation charge was HK\$2,515 million (2014: HK\$2,068 million), which included deferred taxation of HK\$315 million (2014: HK\$481 million) provided for the fair value gain of IP located in the Mainland.

Excluding the above deferred taxation, the taxation charge increased by 39% to HK\$2,200 million (2014: HK\$1,587 million), mainly due to higher profit recognised by the IP and DP segments.

Non-controlling Interests

Profit attributable to non-controlling interests decreased by 43% to HK\$3,384 million (2014: HK\$5,935 million), mainly due to Wharf's lower net profit.

Profit attributable to Equity Shareholders

Group profit attributable to equity shareholders increased by 4% to HK\$8,006 million (2014: HK\$7,675 million). Earnings per share were HK\$3.94 (2014: HK\$3.78).

Excluding the attributable IP revaluation gain (after deducting related deferred tax and non-controlling interests) of HK\$2,488 million (2014: HK\$3,696 million), Group profit attributable to equity shareholders increased by 39% to HK\$5,518 million (2014: HK\$3,979 million).

Further stripping out the exceptional items, underlying profit increased by 78% to HK\$6,329 million (2014: HK\$3,547 million). Underlying earnings per share were HK\$3.11 (2014: HK\$1.75).

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

	2015	2014
	HK\$ Million	HK\$ Million
Profit attributable to		
Wheelock	3,238	779
WPSL group	127	120
Wharf group	2,964	2,648
Underlying profit	6,329	3,547
Attributable loss arising from the deemed disposal of Greentown	(840)	—
Attributable mark-to-market gain/(loss) on certain financial instruments	29	(77)
Attributable negative goodwill on HPL	—	509
Profit before IP revaluation gain	5,518	3,979
IP revaluation gain (after deferred tax)	2,488	3,696
Profit attributable to equity shareholders	8,006	7,675

WPSL's profit for the first half of 2015 was S\$30.0 million (2014: S\$135.3 million), according to the accounting standards adopted in Singapore. In accordance with Hong Kong Financial Reporting Standards, WPSL's contributed profit to the Group was HK\$168 million (2014: HK\$828 million).

Wharf's profit for the first half of 2015 decreased by 41% to HK\$6,958 million (2014: HK\$11,701 million). Excluding the net IP revaluation gain and exceptional items, Wharf's underlying profit increased by 5% to HK\$5,258 million (2014: HK\$5,019 million).

(II) Liquidity, Financial Resources and Capital Commitments

Shareholders' and Total Equity

The Group's shareholders' equity increased by 5% to HK\$201.1 billion (2014: HK\$191.2 billion), or HK\$98.98 per share (2014: HK\$94.11 per share) as at 30 June 2015.

Including the non-controlling interests, the Group's total equity increased by 1% to HK\$344.7 billion (2014: HK\$339.9 billion).

Assets

The Group's total assets increased by 1% to HK\$523.2 billion (2014: HK\$517.6 billion). Total business assets, i.e. excluding bank deposits and cash, certain available-for-sale investments, deferred tax assets and other derivative financial assets, increased by 2% to HK\$493.0 billion (2014: HK\$484.7 billion).

The Group's IP portfolio was HK\$322.7 billion, representing 65% of total business assets. Harbour City (excluding the three hotels) and Times Square in Hong Kong were valued at HK\$214.4 billion, representing 66% of the value of the portfolio. Wharf's IP in the Mainland amounted to HK\$58.5 billion, including IP under development at cost of HK\$15.2 billion.

Other major business assets included properties under development and held for sale of HK\$81.1 billion, interests in associates and joint ventures (mainly for China DP and port projects) of HK\$41.6 billion and other fixed assets of HK\$25.4 billion.

Geographically, the Group's business assets in the Mainland, mainly properties and terminals, increased by 1% to HK\$158.1 billion (2014: HK\$156.9 billion), representing 32% (2014: 32%) of the Group's total business assets.

Debt and Gearing

The Group's net debt increased by HK\$2.5 billion to HK\$99.1 billion (2014: HK\$96.6 billion) as at 30 June 2015, comprising debt of HK\$117.7 billion less bank deposits and cash of HK\$18.6 billion. Excluding WPSL's net debt of HK\$2.4 billion and Wharf's net debt of HK\$62.3 billion, which are non-recourse to the Company and its wholly-owned subsidiaries, Wheelock's own net debt decreased by HK\$1.5 billion to HK\$34.4 billion (2014: HK\$35.9 billion). An analysis of the net debt by group is shown below:

	2015	2014
	HK\$ Million	HK\$ Million
Net debt		
Wheelock	34,449	35,870
WPSL group	2,376	1,470
Wharf group	62,309	59,259
Group	99,134	96,599

As at 30 June 2015, the ratio of net debt to total equity (on a consolidated basis) was 28.8% (2014: 28.4%). Excluding the net debt of WPSL and Wharf, Wheelock's own net debt to shareholders' equity (on an attributable net asset value basis) reduced to 17.1% (2014: 18.8%).

Finance and Availability of Facilities

As at 30 June 2015, the Group's available loan facilities and issued debt securities amounted to HK\$153.9 billion (2014: HK\$160.2 billion), of which HK\$117.7 billion were drawn. An analysis is shown below:

	Available Facilities HK\$ Billion	Total Debt HK\$ Billion	Undrawn Facilities HK\$ Billion
Wheelock	51.4	34.8	16.6
WPSL group	5.6	3.9	1.7
Wharf group	96.9	79.0	17.9
Group	153.9	117.7	36.2

Of the above debt, HK\$17.1 billion (2014: HK\$19.2 billion) was secured by mortgages over certain DP, IP and fixed assets with a total carrying value of HK\$58.3 billion (2014: HK\$65.3 billion).

The Group's debt was primarily denominated in United States dollars ("USD"), Hong Kong dollars ("HKD"), Renminbi ("RMB") and Singapore dollars ("SGD"). The borrowings were mainly used to fund the Group's IP, DP and port investments in the Mainland, and DP projects in Singapore and Hong Kong.

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

The Group continued to maintain a strong financial position with ample surplus cash denominated principally in RMB, HKD, USD and SGD, and undrawn committed facilities to facilitate the Group's business and investment activities. The Group also maintained a portfolio of available-for-sale investments, primarily in blue-chip securities, with an aggregate market value of HK\$16.8 billion (2014: HK\$11.4 billion) as at 30 June 2015, which is immediately available for liquidation for the Group's use.

Cash Flows from the Group's Operating and Investing Activities

For the period under review, the Group's operating cash inflow before changes in working capital was HK\$11.8 billion (2014: HK\$8.5 billion). The changes in working capital and others of HK\$1.6 billion (2014: HK\$6.7 billion) reduced the net cash inflow from operating activities to HK\$10.2 billion (2014: HK\$1.8 billion). For investing activities, the Group recorded a net cash outflow of HK\$9.5 billion (2014: HK\$6.3 billion), mainly for construction cost for IP projects, investment in associates and increase in interest in Wharf.

Major Capital and Development Expenditure and Commitments

The Group's major capital and development expenditure incurred in the first half of 2015 is analysed as follows:

A. Major capital and development expenditure

	Hong Kong / Singapore HK\$ Million	Mainland China HK\$ Million	Total HK\$ Million
Wheelock			
IP	342	—	342
DP	2,594	—	2,594
	2,936	—	2,936
WPSL group			
IP	—	—	—
DP	118	69	187
	118	69	187
Wharf group			
IP	564	1,423	1,987
DP	381	9,170	9,551
Hotels / Others	485	17	502
	1,430	10,610	12,040
Analysis by segment:			
IP	906	1,423	2,329
DP	3,093	9,239	12,332
Hotels / Others	485	17	502
Group total	4,484	10,679	15,163

- i. Wheelock's own expenditure for IP and DP amounted to HK\$2.9 billion, mainly attributable to land cost payment (deposit) for the LOHAS Park Phase 7 project, and construction cost payments for its Hong Kong DP projects.
- ii. WPSL's expenditure of HK\$0.2 billion was mainly for construction cost payments for its China and Singapore DP projects.
- iii. Wharf's expenditure totalled HK\$12.0 billion, comprising expenditure of HK\$2.0 billion for IP (mainly renovation of Harbour City and construction of the IFS projects in the Mainland), HK\$9.5 billion for DP (mainly related to China projects) and HK\$0.5 billion for Hotels, Modern Terminals, Wharf T&T and i-CABLE.

B. Commitments to capital and development expenditure

As at 30 June 2015, the Group's major commitments to capital and development expenditure to be incurred in the forthcoming years were estimated at HK\$91.2 billion, of which HK\$37.4 billion was committed. By segment, the commitments are analysed below:

	As at 30 June 2015		Total HK\$ Million
	Committed HK\$ Million	Uncommitted HK\$ Million	
Wheelock			
IP	26	—	26
DP	6,951	18,648	25,599
	6,977	18,648	25,625
WPSL group			
IP	5	—	5
DP	1,100	2,092	3,192
	1,105	2,092	3,197
Wharf group			
IP	12,658	7,330	19,988
DP	13,993	25,222	39,215
Hotels / Others	2,638	514	3,152
	29,289	33,066	62,355
Analysis by segment:			
IP	12,689	7,330	20,019
DP	22,044	45,962	68,006
Hotels / Others	2,638	514	3,152
Group total	37,371	53,806	91,177
Analysis by geographical location:			
Hong Kong	10,094	18,957	29,051
Mainland China	23,684	34,119	57,803
Singapore	955	216	1,171
Properties total	34,733	53,292	88,025
Hotels / Others	2,638	514	3,152
Group total	37,371	53,806	91,177

- i. Wheelock's own commitments of HK\$25.6 billion are mainly related to land and construction costs for DP in Hong Kong.

- ii. WPSL's commitments of HK\$3.2 billion are mainly related to construction costs of HK\$1.2 billion for DP in Singapore and HK\$2.0 billion for DP in the Mainland.
- iii. Wharf's commitments of HK\$62.4 billion mainly comprised expenditure of HK\$20.0 billion for IP, HK\$39.2 billion land and construction costs for DP and HK\$3.2 billion for Hotels, Modern Terminals, Wharf T&T and i-CABLE.
- iv. The above commitments and planned expenditure will be funded by the respective group's own internal financial resources including surplus cash, cash flow from operations as well as bank and other financing with 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 16,100 employees as at 30 June 2015, including about 2,400 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay trends, with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective group's achievement and results.

CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2015 - Unaudited

	Note	Six months ended 30 June	
		2015	2014
		HK\$ Million	HK\$ Million
Revenue	2	28,648	18,474
Direct costs and operating expenses		(14,662)	(8,021)
Selling and marketing expenses		(1,005)	(656)
Administrative and corporate expenses		(815)	(815)
Operating profit before depreciation, amortisation, interest and tax		12,166	8,982
Depreciation and amortisation	3	(789)	(741)
Operating profit	2 & 3	11,377	8,241
Increase in fair value of investment properties		4,190	7,441
Other net charge	4	(1,084)	(150)
		14,483	15,532
Finance costs	5	(831)	(1,149)
Share of results after tax of :			
Associates	6	454	1,145
Joint ventures		(201)	150
Profit before taxation		13,905	15,678
Income tax	7	(2,515)	(2,068)
Profit for the period		11,390	13,610
Profit attributable to:			
Equity shareholders		8,006	7,675
Non-controlling interests		3,384	5,935
		11,390	13,610
Earnings per share	8		
Basic		HK\$3.94	HK\$3.78
Diluted		HK\$3.94	HK\$3.78

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2015 - Unaudited

	Six months ended 30 June	
	2015	2014
	HK\$ Million	HK\$ Million
Profit for the period	11,390	13,610
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(306)	(787)
Net revaluation of available-for-sale investments:	642	677
Surplus on revaluation	676	664
Transferred to profit or loss on disposal	(34)	13
Share of other comprehensive income of associates/joint ventures	(88)	(366)
Others	8	3
Other comprehensive income for the period	256	(473)
Total comprehensive income for the period	11,646	13,137
Total comprehensive income attributable to:		
Equity shareholders	8,138	7,792
Non-controlling interests	3,508	5,345
	11,646	13,137

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015 – Unaudited

	Note	30 June 2015 HK\$ Million	31 December 2014 HK\$ Million
Non-current assets			
Investment properties		322,737	316,860
Fixed assets		25,382	25,052
Interest in associates		21,197	25,648
Interest in joint ventures		20,448	19,911
Available-for-sale investments		16,810	11,390
Goodwill and other intangible assets		305	305
Programming library		170	168
Deferred tax assets		738	673
Derivative financial assets		1,096	1,041
Other non-current assets		101	44
		<u>408,984</u>	<u>401,092</u>
Current assets			
Properties for sale		81,071	88,148
Inventories		47	48
Trade and other receivables	10	14,198	6,713
Derivative financial assets		303	287
Bank deposits and cash		18,582	21,279
		<u>114,201</u>	<u>116,475</u>
Total assets		<u>523,185</u>	<u>517,567</u>
Non-current liabilities			
Derivative financial liabilities		(1,570)	(1,408)
Deferred tax liabilities		(11,065)	(10,529)
Other deferred liabilities		(324)	(315)
Bank loans and other borrowings		(96,571)	(107,134)
		<u>(109,530)</u>	<u>(119,386)</u>
Current liabilities			
Trade and other payables	11	(23,383)	(26,231)
Deposits from sale of properties		(21,400)	(18,508)
Derivative financial liabilities		(698)	(1,124)
Taxation payable		(2,343)	(1,658)
Bank loans and other borrowings		(21,145)	(10,744)
		<u>(68,969)</u>	<u>(58,265)</u>
Total liabilities		<u>(178,499)</u>	<u>(177,651)</u>
NET ASSETS		<u>344,686</u>	<u>339,916</u>
Capital and reserves			
Share capital		2,949	2,949
Reserves		198,149	188,257
Shareholders' equity		<u>201,098</u>	<u>191,206</u>
Non-controlling interests		<u>143,588</u>	<u>148,710</u>
TOTAL EQUITY		<u>344,686</u>	<u>339,916</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

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

The preparation of the unaudited interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting 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 2014 except for the changes mentioned below.

The HKICPA has issued certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) which are first effective for the current accounting period of the Group. The amendments do not have a significant impact on the Group’s results and financial position for the current or prior periods have been prepared or presented.

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

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 2014. 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 HKFRSs.

The financial information relating to the financial year ended 31 December 2014 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 2014 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 (or under their equivalent requirements found in section 141 of the predecessor Companies Ordinance (Cap. 32)).

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 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 Marco Polo 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, 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, certain available-for-sale investments, deferred tax assets and derivative financial assets.

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

(a) Analysis of segment revenue and results

	Revenue HK\$ Million	Operating profit HK\$ Million	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

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

(b) Analysis of inter-segment revenue

	2015			2014		
	Total revenue	Inter-segment revenue	Group revenue	Total revenue	Inter-segment revenue	Group revenue
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Six months ended 30 June	Million	Million	Million	Million	Million	Million
Investment property	7,472	(96)	7,376	6,840	(90)	6,750
Development property	16,866	-	16,866	6,883	-	6,883
Hotels	718	-	718	760	-	760
Logistics	1,434	-	1,434	1,673	-	1,673
CME	1,750	(40)	1,710	1,790	(48)	1,742
Investment and others	610	(66)	544	755	(89)	666
	28,850	(202)	28,648	18,701	(227)	18,474

(c) Geographical information

Six months ended 30 June	Revenue		Operating profit	
	2015	2014	2015	2014
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	19,929	11,385	9,523	6,831
Mainland China	8,408	6,837	1,674	1,281
Singapore	311	252	180	129
Group total	28,648	18,474	11,377	8,241

3. OPERATING PROFIT

	Six months ended 30 June	
	2015	2014
	HK\$ Million	HK\$ Million
Operating profit is arrived at after charging/(crediting):		
Depreciation and amortisation on		
- assets held for use under operating leases	87	84
- other fixed assets	603	570
- leasehold land	37	37
- programming library	62	50
Total depreciation and amortisation	789	741
Staff costs	2,007	1,956
Cost of trading properties for recognised sales	11,583	5,046
Gross rental revenue from investment properties (Note)	(7,472)	(6,840)
Direct operating expenses of investment properties	1,279	1,102
Interest income	(251)	(394)
Dividend income from listed investments	(173)	(177)
Loss on disposal of fixed assets	2	7

Note: Rental income included contingent rentals of HK\$902 million (2014: HK\$1,116 million).

4. OTHER NET CHARGE

Other net charge for the period amounted to HK\$1,084 million (2014: HK\$150 million) and mainly comprises:

- (a) A non-recurrent estimated accounting loss of HK\$1,491 million arising from the deemed disposal of Wharf's entire 24.3% equity interest in Greentown China Holdings Limited ("Greentown"), upon reclassification of such interest as available-for-sale investments at the prevailing market value when Wharf ceased to have significant influence over Greentown in June 2015.

The Greentown equity interest was acquired by Wharf in June 2012 at a cost of HK\$2,729 million, with an accounting gain representing negative goodwill of HK\$2,233 million when it was equity-accounted as an associate.

- (b) Net profit on disposal of available-for-sale investments of HK\$275 million (2014: HK\$9 million).
- (c) Net foreign exchange gain of HK\$162 million (2014: loss of HK\$186 million) which included the impact of forward foreign exchange contracts.

5. FINANCE COSTS

	Six months ended 30 June	
	2015 HK\$ Million	2014 HK\$ Million
Interest charged on:		
Bank loans and overdrafts	624	819
Other borrowings	791	856
Total interest charge	1,415	1,675
Other finance costs	198	224
Less: Amount capitalised	(812)	(905)
	801	994
Fair value (gain)/loss:		
Cross currency interest rate swaps	(5)	57
Interest rate swaps	35	98
	30	155
Total	831	1,149

The Group's average effective borrowing rate for the period was approximately 2.8% (2014: 3.1%) per annum.

6. SHARE OF RESULTS AFTER TAX OF ASSOCIATES

In 2014, share of results after tax of associates included Wheelock Properties (Singapore) Limited's share of negative goodwill of HK\$671 million arising from the acquisition of Hotel Properties Limited.

7. INCOME TAX

Taxation charged to the consolidated income statement includes:

	Six months ended 30 June	
	2015	2014
	HK\$ Million	HK\$ Million
Current income tax		
Hong Kong		
- provision for the period	1,408	908
- overprovision in respect of prior years	(1)	(40)
Outside Hong Kong		
- provision for the period	506	465
	1,913	1,333
Land appreciation tax (“LAT”) in Mainland China (Note 7(c))	133	149
Deferred tax		
Change in fair value of investment properties	315	481
Origination and reversal of temporary differences	154	105
	469	586
Total	2,515	2,068

- (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% (2014: 16.5%).
- (b) Income tax on profits assessable outside Hong Kong is mainly China corporate income tax calculated at a rate of 25% (2014: 25%), China withholding income tax at a rate of up to 10% (2014: 10%) and Singapore income tax at a rate of 17% (2014: 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 2015 of HK\$236 million (2014: HK\$706 million) is included in the share of results after tax of associates and joint ventures.

8. EARNINGS PER SHARE

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

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

	Six months ended 30 June	
	2015	2014
	HK\$ Million	HK\$ Million
Profit attributable to equity shareholders	<u>8,006</u>	<u>7,675</u>

(b) Weighted average number of ordinary shares

	30 June 2015	30 June 2014
	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	<u>370,146</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,032,219,433</u>	<u>2,031,849,287</u>

9. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	Six months ended 30 June			
	2015	2015	2014	2014
	HK\$ per share	HK\$ Million	HK\$ per share	HK\$ Million
First interim dividend declared after the end of the reporting period	<u>0.425</u>	<u>864</u>	<u>0.385</u>	<u>782</u>

(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\$1,387 million for 2014 was approved and paid in 2015.

10. TRADE AND OTHER RECEIVABLES

Included in this item are trade receivables (net of allowance for bad and doubtful debts) with an ageing analysis based on invoice dates as at 30 June 2015, shown as follows:

	30 June 2015	31 December 2014
	HK\$ Million	HK\$ Million
Trade receivables		
0 - 30 days	718	783
31 - 60 days	150	169
61 - 90 days	73	74
Over 90 days	101	81
	1,042	1,107
Accrued sales receivables	6,082	16
Other receivables and prepayments	7,074	5,590
	14,198	6,713

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

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

11. TRADE AND OTHER PAYABLES

Included in this item are trade payables with an ageing analysis as at 30 June 2015, shown as follows:

	30 June 2015	31 December 2014
	HK\$ Million	HK\$ Million
Trade payables		
0 - 30 days	319	425
31 - 60 days	256	244
61 - 90 days	149	48
Over 90 days	113	127
	837	844
Rental and customer deposits	4,040	3,721
Construction costs payable	7,636	11,085
Amounts due to associates	2,699	2,781
Amounts due to joint ventures	3,068	2,299
Other payables	5,103	5,501
	23,383	26,231

12. REVIEW OF UNAUDITED INTERIM FINANCIAL INFORMATION

The unaudited interim financial information for the six months ended 30 June 2015 has been reviewed with no disagreement by the Audit Committee of the Company.

CORPORATE GOVERNANCE CODE

During the financial period under review, all the code provisions set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited were met by the Company, with the exception of two deviations, namely, (i) Code Provision A.2.1 (the “First Deviation”) providing for the roles of the chairman and chief executive to be performed by different individuals; and (ii) Code Provision F.1.3 (the “Second Deviation”) providing for the company secretary to report to the board chairman or the chief executive.

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

PURCHASE, SALE OR REDEMPTION OF 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 Wednesday, 16 September 2015 to Friday, 18 September 2015, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to qualify for the abovementioned interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company’s Registrars, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 15 September 2015.

By Order of the Board
Wilson W S Chan
Company Secretary

Hong Kong, 20 August 2015

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