



WHEELOCK PROPERTIES

**WHEELOCK PROPERTIES LIMITED**

**會德豐地產有限公司**

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**INTERIM REPORT TO SHAREHOLDERS**

for the half-year period ended 30 September 2006

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**致股東中期報告書**

**截至二〇〇六年九月三十日止半年度**

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Stock Code 股份代號 : 49

## **GROUP RESULTS**

The Group reported an unaudited profit attributable to Shareholders for the six months ended 30 September 2006 of HK\$812 million, compared to HK\$1,037 million in the same period last year. Earnings per share were 39.2 cents (2005: 50.1 cents).

## **INTERIM DIVIDEND**

The Board has declared an interim dividend of 2.0 cents (2005: 2.0 cents) per share in respect of the half-year period ended 30 September 2006, payable on Friday, 29 December 2006 to Shareholders on record as at 22 December 2006.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### ***SEGMENT REVIEW***

The Group effectively owns 33.33% of Bellagio, 40% of Sorrento and 20% of Parc Palais.

Bellagio, in Sham Tseng overlooking the Tsing Ma Bridge, is a joint-venture development equally owned by Wheelock, Wheelock Properties and Wharf. Virtually all of the 1,704 units in Towers 6, 7, 8 and 9 have been sold. Towers 1, 2, 3 and 5 with a total of 1,641 units were completed in early 2006 and cumulative sales have reached 1,337 units (or 81%) by the end of September 2006.

Sorrento is a joint-venture project with MTRC above the Kowloon Station, owned by a consortium comprising Wheelock (20%), Wheelock Properties (40%), Wharf (20%) and Harbour Centre Development (20%). Virtually all of the units of the development have been sold by September 2006.

Parc Palais, a one-million-square-foot GFA residential development in Homantin, is owned by a five-member consortium comprising Wheelock Properties (20%), New World Development (30%), Sino Land (30%), Chinese Estates (10%) and Manhattan Garments (10%). 94% of the 700 units (661 units) have been sold by September 2006.

Wheelock House and Fitfort were 87% and 95% leased respectively at satisfactory rental rates.

**Wheelock Properties (Singapore) Limited (a 76%-owned Singapore listed subsidiary)**

Profit for Wheelock Properties (Singapore) Limited ("WPSL") amounted to S\$162.6 million for the period under review (2005: S\$47.9 million).

In August 2006, WPSL sold 100% of its equity interest in Hamptons Group Limited ("Hamptons") and realised a gain on disposal amounting to S\$115.7 million.

***Development Properties***

The Sea View is a residential condominium development of 6 tower blocks with 546 apartments. Construction is in progress and development completion is scheduled in the second half of 2007. Pre-sales have reached 93% by September 2006.

The Cosmopolitan is a residential condominium development with 228 apartments. Construction is in progress and development completion is scheduled in the second half of 2007. Pre-sales have reached 79% by September 2006.

Ardmore II is a prime residential condominium development with 118 apartments. Demolition of the previous development is in progress. Pre-sales was launched in September 2006 and met with enthusiastic responses. 64% of the total units have been pre-sold by September 2006.

Development of Orchard View (formerly known as Angullia View) is underway. It is scheduled to be completed by 2008.

The Scotts Shopping Centre and the Ascott Serviced Apartment were 99% and 86% leased respectively during the period under review at satisfactory rental rates. The property will be demolished and redeveloped into a residential and commercial complex in the first half of 2007.

***Investment Properties***

Wheelock Place, a commercial development at Orchard Road, Singapore, and Oakwood Residence Azabujuban, a serviced apartment development in Tokyo, were 93% and 95% leased respectively at satisfactory rental rates.

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**FINANCIAL REVIEW****(I) Results Review****Discontinued operation**

WPSL completed the disposal of its 100% interest in Hamptons at a consideration of £82 million (about HK\$1,182 million) and recorded a profit of HK\$585 million (HK\$444 million attributable to the Group). Because of the disposal, the results of Hamptons, which formed a significant business segment of the Group, were reported as a discontinued operation and presented separately on the profit and loss account in accordance with Hong Kong Financial Reporting Standard 5 "Non-current assets held for sale and discontinued operations".

**Continuing operations****Turnover**

The Group's turnover from continuing operations for the six months period decreased by HK\$150 million or 25% to HK\$453 million (2005: HK\$603 million), reflecting the lower sales revenue recognised by the Property Development segment. This was partly mitigated by increase in dividend and interest income.

**Operating profit**

The Group's operating profit from continuing operations decreased by HK\$263 million or 53% to HK\$236 million (2005: HK\$499 million) due mainly to the unfavorable operating results recorded by the Property Development as well as Investment and Others segments.

**Property Development**

The revenue of Property Development segment decreased by HK\$253 million or 88% to HK\$35 million (2005: HK\$288 million) while the operating profit dropped by HK\$73 million or 88% to HK\$10 million (2005: HK\$83 million). For the half year period under review, property sales revenue mainly came from sales of properties in Hong Kong, comprising units at Bailey Garden and My Loft and various carparking spaces. The sales in the corresponding period last financial year were mainly derived from sales of 11 Grange Residences units in Singapore by WPSL.

WPSL recognises profits on pre-sales of properties under development by stages using the percentage of completion method in accordance with generally accepted accounting principles adopted in Singapore. According to current Hong Kong Financial Reporting Standards, the Group is required to adopt "completion method" and does not recognise any revenue and profit on pre-sales of properties until the completion of the respective properties. Accordingly, the profits recognised by WPSL in respect of its pre-sale of The Sea View and The Cosmopolitan units were reversed and excluded in the Group's consolidated financial statements. The cumulative attributable profits so reversed amounted to approximately HK\$300 million at 30 September 2006.

#### Property Investment

The revenue from Property Investment segment was up by HK\$12 million or 6% to HK\$214 million (2005: HK\$202 million) whereas the operating profit was slightly down by HK\$1 million or 1% to HK\$125 million (2005: HK\$126 million). The improvement in revenue reflected the higher average rental rates achieved by the Group's investment properties. However, the higher operating expenses and administrative expenses incurred by WPSL for its investment properties adversely impacted the corresponding operating profit of the Property Investment segment.

#### Investment and Others

Investment revenue, which comprised mainly dividends from the Group's long-term investment portfolio and interest income, rose by HK\$91 million or 81% to HK\$204 million (2005: HK\$113 million). However, the operating profit decreased by HK\$186 million or 62% to HK\$112 million from HK\$298 million due to the inclusion in the same period last year a one-off profit of HK\$141 million on sale of long-term investments and HK\$52 million from the sale of some investment properties, namely, Great Western Plaza units.

#### ***Increase in fair value of investment properties***

Included in the interim results was a revaluation surplus of HK\$50 million (2005: HK\$433 million) on revaluation of the Group's investment properties in accordance with current accounting standards.

#### ***Borrowing costs***

Borrowing costs charged to the profit and loss account increased to HK\$46 million (2005: HK\$21 million), which was incurred by WPSL. Borrowing costs capitalised for properties under development for sale amounted to HK\$36 million (2005: HK\$18 million). For the period under review, the Group's effective borrowing interest rate was approximately 4.0% per annum (2005: 2.4% per annum).

#### ***Share of profits less losses of associates***

The share of profit of associates was HK\$120 million (2005: HK\$249 million). The share of associates' results for the current period and last corresponding period were mainly derived from profit on sales of Bellagio units and Parc Palais units undertaken by associates.

#### ***Income tax***

The taxation charge of HK\$32 million (2005: HK\$85 million) included the deferred tax of HK\$9 million (2005: HK\$76 million) provided against the net revaluation surplus of investment properties.

#### ***Minority interests***

Profit shared by minority interests was HK\$157 million (2005: HK\$45 million), which was mainly related to the profit of WPSL, including its profit on disposal of Hamptons.

***Profit attributable to Shareholders***

The Group's unaudited profit attributable to Shareholders was HK\$812 million for the six months period ended 30 September 2006, a decrease of HK\$225 million from HK\$1,037 million achieved in the same period last year. Earnings per share were 39.2 cents (2005: 50.1 cents).

Excluding the net investment property surplus of HK\$41 million (2005: HK\$357 million), represented by revaluation surplus of HK\$50 million (2005: HK\$433 million) less related deferred tax of HK\$9 million (2005: HK\$76 million), the Group's net profit attributable to Shareholders was HK\$771 million (2005: HK\$680 million), an increase of HK\$91 million or 13%. As highlighted above, this increase in profit was attributable to the profit on disposal of Hamptons, which was eroded by lower profit from property sales and from disposal of certain long-term investments.

**(II) Liquidity and Financial Resources**

***Equity***

As at 30 September 2006, the Shareholders' equity amounted to HK\$18,754 million or HK\$9.06 per share, against HK\$18,159 million or HK\$8.77 per share as at 31 March 2006. The Group's total equity, including minority interests, was HK\$20,647 million (31/3/2006: HK\$19,858 million).

***Net cash***

As at 30 September 2006, the Group's net cash amounted to HK\$2,305 million, which was made up of deposits and cash of HK\$5,751 million and total debts of HK\$3,446 million, compared to a net cash of HK\$589 million as at 31 March 2006.

Excluding WPSL, the Company and its subsidiaries together had a net cash of HK\$2,480 million (31/3/2006: HK\$1,824 million). The major cash inflow for the period was mainly attributable to proceeds from the sale of Bellagio units distributed by the project companies among their shareholders. The Group's share of such distribution amounted to HK\$499 million.

WPSL's net debt was HK\$175 million as at 30 September 2006 compared to HK\$1,235 million as at 31 March 2006. The major cash inflows for the six months period resulted from the proceeds of the disposal of Hamptons.

***Committed and uncommitted facilities***

- (a) The Group's available loan facilities totalled HK\$4.4 billion, comprising committed and uncommitted loan facilities of HK\$4.1 billion and HK\$0.3 billion respectively.

The debt maturity profile of the Group as at 30 September 2006

	<b>30/9/2006</b>	31/3/2006
	<b>HK\$ Million</b>	HK\$ Million
Within 1 year	<b>1,933</b>	840
After 1 year, but within 2 years	<b>390</b>	1,538
After 2 years, but within 3 years	<b>824</b>	433
After 3 years, but within 4 years	<b>299</b>	1,098
	<b>3,446</b>	3,909
Undrawn facilities	<b>978</b>	2,801
Total loan facilities	<b>4,424</b>	6,710

- (b) The following assets of the Group have been pledged for securing bank loan facilities:

	<b>30/9/2006</b>	31/3/2006
	<b>HK\$ Million</b>	HK\$ Million
Investment properties	<b>488</b>	493
Properties under development for sale	<b>4,474</b>	4,014
	<b>4,962</b>	4,507

- (c) As at 30 September 2006, WPSL's borrowings for financing its properties in Singapore and Japan were primarily denominated in respective local currencies i.e., Singapore Dollar and Japanese Yen, respectively. Forward exchange contracts were entered into by WPSL mainly for hedging its net investment in a foreign subsidiary. The Group has no other significant exposure to foreign exchange fluctuation except for its net investments in Singapore subsidiaries and certain Pound Sterling bank deposits held by WPSL after its receiving the consideration on the sale of Hamptons.

***Available-for-sale investments***

As at 30 September 2006, the Group maintained a portfolio of available-for-sale investments with a market value of HK\$6,964 million (31/3/2006: HK\$7,079 million), which primarily comprised a 7% interest in Wharf, WPSL's 21% interest in Hotel Properties Limited and other blue chip securities.

In accordance with the Group's accounting policies, the long-term investments classified as available-for-sale investments are stated in the balance sheet at fair value. Changes in fair value are recognised in the investment revaluation reserves until the investment is sold. At 30 September 2006, such reserves had an attributable accumulated surplus of HK\$2,204 million compared to HK\$2,420 million at 31 March 2006. The performance of the portfolio was satisfactory.

***Contingent liabilities***

As at 30 September 2006 and 31 March 2006, there was no guarantee given by the Group in respect of banking facilities available to associates.

**(III) Acquisition of Property / Disposal of Subsidiary**

***The Habitat One, Singapore***

On 14 July 2006, WPSL was successful in its tender to acquire The Habitat One for S\$180 million (about HK\$882 million). The acquisition is scheduled to complete in 2007.

***Disposal of Hamptons***

WPSL completed on 24 August 2006 the disposal of its 100% interest in Hamptons for £82 million (about HK\$1,182 million) at a profit of HK\$585 million. The disposal profit attributable to the Group (net of minority interests) amounted to HK\$444 million.

**(IV) Human Resources**

The Group has 102 employees as at 30 September 2006 (31/3/2006: 1,046). The decrease of 944 employees is mainly due to the exclusion of Hamptons' employees after it was disposed of by WPSL in August 2006. Employees are remunerated according to the nature of their jobs and market trends, with a built-in merit component incorporated in the annual increment to reward and motivate individual performance. Total staff costs for the six months ended 30 September 2006 amounted to HK\$217 million.

**CODE ON CORPORATE GOVERNANCE PRACTICES**

During the financial period under review, all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") were met by the Company, except in respect of one code provision providing for the roles of chairman and chief executive officer to be performed by different individuals. The deviation 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 officer. 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.



**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
for the six months ended 30 September 2006

	Note	Unaudited 30/9/2006 HK\$ Million	Unaudited 30/9/2005 HK\$ Million
<b>Continuing operations</b>			
Turnover	2 & 3	453	603
Other net (loss)/income	4	(38)	199
		<u>415</u>	<u>802</u>
Direct costs and operating expenses		(90)	(238)
Selling and marketing expenses		(4)	(13)
Administrative and corporate expenses		(85)	(52)
Operating profit	2 & 3	<u>236</u>	<u>499</u>
Increase in fair value of investment properties		<u>50</u>	<u>433</u>
		<u>286</u>	<u>932</u>
Borrowing costs	5	(46)	(21)
Share of profits less losses of associates	6	<u>120</u>	<u>249</u>
Profit before taxation		<u>360</u>	<u>1,160</u>
Income tax	7	(32)	(85)
Profit for the period from continuing operations		<u>328</u>	<u>1,075</u>
		.....	.....
<b>Discontinued operation</b>	8		
Profit for the period from a discontinued operation		56	7
Gain on disposal of subsidiaries		<u>585</u>	<u>—</u>
Total profit from a discontinued operation		<u>641</u>	<u>7</u>
		.....	.....
Profit for the period		<u>969</u>	<u>1,082</u>
		<u>969</u>	<u>1,082</u>
Profit attributable to:			
Shareholders		812	1,037
Minority interests		<u>157</u>	<u>45</u>
		<u>969</u>	<u>1,082</u>
Interim dividend declared after the balance sheet date	9	<u>41</u>	<u>41</u>
Earnings per share	10		
Continuing operations		15.8 cents	49.9 cents
Discontinued operation		<u>23.4 cents</u>	<u>0.2 cents</u>
		<u>39.2 cents</u>	<u>50.1 cents</u>
Interim dividend per share	9	<u>2.0 cents</u>	<u>2.0 cents</u>

**CONSOLIDATED BALANCE SHEET**  
at 30 September 2006

	Note	Unaudited 30/9/2006 HK\$ Million	Audited 31/3/2006 HK\$ Million
<b>Non-current assets</b>			
Fixed assets			
Investment properties		5,618	5,554
Other property, plant and equipment		13	101
		<u>5,631</u>	<u>5,655</u>
Goodwill and other intangible assets		—	306
Associates		535	957
Available-for-sale investments		6,964	7,079
Deferred debtors		26	36
		<u>13,156</u>	<u>14,033</u>
<b>Current assets</b>			
Properties under development for sale		7,275	6,627
Properties held for sale		413	433
Trade and other receivables	11	112	340
Bank balances and deposits		5,751	4,498
		<u>13,551</u>	<u>11,898</u>
<b>Current liabilities</b>			
Trade and other payables	12	(567)	(531)
Bank loans		(1,933)	(840)
Deposits from sale of properties		(1,516)	(1,041)
Amounts due to fellow subsidiaries		(16)	(36)
Current tax		(145)	(159)
		<u>(4,177)</u>	<u>(2,607)</u>
<b>Net current assets</b>		<u>9,374</u>	<u>9,291</u>
<b>Total assets less current liabilities</b>		<u>22,530</u>	<u>23,324</u>
<b>Non-current liabilities</b>			
Long-term loans		(1,513)	(3,069)
Deferred tax		(370)	(397)
		<u>(1,883)</u>	<u>(3,466)</u>
<b>NET ASSETS</b>		<u>20,647</u>	<u>19,858</u>
<b>Capital and reserves</b>			
Share capital		414	414
Reserves		18,340	17,745
<b>Shareholders' equity</b>		<u>18,754</u>	<u>18,159</u>
<b>Minority interests</b>		<u>1,893</u>	<u>1,699</u>
<b>TOTAL EQUITY</b>	13	<u>20,647</u>	<u>19,858</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**for the six months ended 30 September 2006**

	Unaudited 30/9/2006 HK\$ Million	Unaudited 30/9/2005 HK\$ Million
<b>Total equity at 1 April</b>		
Shareholders' equity	18,159	15,124
Minority interests	1,699	1,552
	<u>19,858</u>	<u>16,676</u>
(Deficit)/surplus on revaluation of available-for-sale investments	(196)	1,113
Exchange difference on translation of financial statements of foreign entities	184	(197)
Net (loss)/gain not recognised in the consolidated profit and loss account	(12)	916
Profit for the period	969	1,082
Reserves transferred to the consolidated profit and loss account on disposal of available-for-sale investments	(6)	(113)
Total recognised income for the period	<u>951</u>	<u>1,885</u>
Shareholders	740	1,889
Minority interests	211	(4)
Final dividend approved in respect of the previous year	(145)	(124)
Dividend paid to minority interests	(17)	(16)
<b>Total equity at 30 September</b>	<u>20,647</u>	<u>18,421</u>
Attributable to:		
Shareholders	18,754	16,889
Minority interests	1,893	1,532
	<u>20,647</u>	<u>18,421</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**for the six months ended 30 September 2006**

	<b>Unaudited 30/9/2006 HK\$ Million</b>	Unaudited 30/9/2005 HK\$ Million
Net cash generated from/(used in) operating activities	403	(27)
Net cash generated from investing activities	1,518	517
Net cash used in financing activities	(729)	(13)
Net increase in cash and cash equivalents	<u>1,192</u>	<u>477</u>
<b>Cash and cash equivalents at 1 April</b>	<b>4,498</b>	3,485
Effect of foreign exchange rate changes	61	(71)
<b>Cash and cash equivalents at 30 September</b>	<b><u>5,751</u></b>	<u>3,891</u>
<b>Analysis of the balances of cash and cash equivalents at 30 September</b>		
Bank balances and deposits	<u>5,751</u>	<u>3,891</u>

## NOTES TO INTERIM FINANCIAL STATEMENTS

### **(1) Accounting policies and basis of preparation of the interim financial statements**

These unaudited consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants and applicable discloseable provisions of Appendix 16 of Listing Rules of the Stock Exchange.

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 described in the annual financial statements for the year ended 31 March 2006.

(2) Segment information  
(a) Business segments

	Segment Revenue		Segment Results	
	30/9/2006	30/9/2005	30/9/2006	30/9/2005
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
<b>Continuing operations</b>				
Property development	35	288	10	83
Property investment	214	202	125	126
Investment and others	204	113	112	298
	<u>453</u>	<u>603</u>	<u>247</u>	<u>507</u>
Unallocated expenses			(11)	(8)
Operating profit			<u>236</u>	<u>499</u>
Increase in fair value of investment properties			50	433
			<u>286</u>	<u>932</u>
Borrowing costs			(46)	(21)
Share of profit less losses of associates				
Property development			120	246
Investment and others			—	3
			<u>360</u>	<u>1,160</u>
Income tax			(32)	(85)
Profit for the period from continuing operations			<u>328</u>	<u>1,075</u>
<b>Discontinued operation</b> (note 8)				
Property agency	444	410	70	19
Borrowing costs			(1)	(1)
Share of profit less losses of associates				
Property agency			10	—
			<u>79</u>	<u>18</u>
Income tax			(23)	(11)
Profit for the period from a discontinued operation			<u>56</u>	<u>7</u>
Gain on disposal of subsidiaries			585	—
Total profit from a discontinued operation			<u>641</u>	<u>7</u>
Profit for the period			<u>969</u>	<u>1,082</u>

(b) Geographical segments

	Segment Revenue		Segment Results (Operating profit)	
	30/9/2006	30/9/2005	30/9/2006	30/9/2005
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
<b>Continuing operations</b>				
Hong Kong	233	232	144	167
Singapore	196	347	79	319
Others	24	24	13	13
	<u>453</u>	<u>603</u>	<u>236</u>	<u>499</u>
<b>Discontinued operation</b>				
United Kingdom	442	410	70	19
Others	2	—	—	—
	<u>444</u>	<u>410</u>	<u>70</u>	<u>19</u>
	<u>897</u>	<u>1,013</u>	<u>306</u>	<u>518</u>

(3) Turnover and operating profit

(a) Turnover

The principal activities of the Group are property development, property investment, treasury management and investment holding. An analysis of the Group's turnover is as follows:

	30/9/2006	30/9/2005
	HK\$ Million	HK\$ Million
<b>Continuing operations</b>		
Property development	35	288
Property investment	214	202
Investment and others	204	113
	<u>453</u>	<u>603</u>
<b>Discontinued operation</b>		
Property agency	444	410
	<u>897</u>	<u>1,013</u>

**(b) Operating profit**

	30/9/2006 HK\$ Million	30/9/2005 HK\$ Million
Operating profit is arrived at after charging/(crediting):		
<b>Continuing operations</b>		
Staff costs *	45	17
Cost of properties for sale sold	20	178
Depreciation	8	8
Dividend income from listed investments	(109)	(72)
<b>Discontinued operation</b>		
Staff costs	<u>155</u>	<u>167</u>

\* In addition to the above staff costs charged directly to the consolidated profit and loss account, staff costs of HK\$17 million (2005: HK\$12 million) were capitalised as part of the costs of properties under development for sale.

**(4) Other net (loss)/income**

	30/9/2006 HK\$ Million	30/9/2005 HK\$ Million
<b>Continuing operations</b>		
Net profit on disposal of available-for-sale investments	7	141
Profit on disposal of investment properties	—	52
Exchange (loss)/gain and others	(45)	6
	<u>(38)</u>	<u>199</u>

**(5) Borrowing costs**

	30/9/2006 HK\$ Million	30/9/2005 HK\$ Million
<b>Continuing operations</b>		
Interest on bank loans, bonds and overdrafts	78	37
Other borrowing costs	4	2
	<u>82</u>	<u>39</u>
Less: Amounts capitalised	(36)	(18)
	46	21
<b>Discontinued operation</b>		
Interest on bank loans and overdrafts	1	1
	<u>47</u>	<u>22</u>

The Group's effective borrowing interest rate for the six months period was approximately 4.0% (2005: 2.4%) per annum.



**(6) Share of profits less losses of associates**

	<b>30/9/2006</b>	30/9/2005
	<b>HK\$ Million</b>	HK\$ Million
<b>Continuing operations</b>	<b>120</b>	249
<b>Discontinued operation</b>	<b>10</b>	—
	<b><u>130</u></b>	<u>249</u>

Share of profits less losses of associates from continuing operations for the six months period ended 30 September 2006 comprised mainly attributable profits from sale of Bellagio units and Parc Palais units undertaken by associates.

**(7) Income tax**

- (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 17.5% (2005: 17.5%). Overseas taxation is calculated at rates of tax applicable in countries in which the Group is assessed for tax. The taxation charge is made up as follows:

	<b>30/9/2006</b>	30/9/2005
	<b>HK\$ Million</b>	HK\$ Million
<b>Continuing operations</b>		
<i>Current tax</i>		
Hong Kong profits tax for the period	<b>6</b>	5
Overseas taxation for the period	<b>18</b>	15
	<b><u>24</u></b>	<u>20</u>
<i>Deferred tax</i>		
Change in fair value of investment properties	<b>9</b>	76
Reversal on disposal of investment properties	<b>(4)</b>	(11)
Origination and reversal of temporary differences	<b>3</b>	—
	<b><u>8</u></b>	<u>65</u>
	<b><u>32</u></b>	<u>85</u>
<b>Discontinued operation</b>		
<i>Current tax</i>		
Overseas taxation for the period	<b>22</b>	11
Under provision in prior years	<b>3</b>	—
	<b><u>25</u></b>	<u>11</u>
<i>Deferred tax</i>		
Origination and reversal of temporary differences	<b>(2)</b>	—
	<b><u>23</u></b>	<u>11</u>
	<b><u>55</u></b>	<u>96</u>

- (b) Share of associates' tax for the six months ended 30 September 2006 of HK\$23 million (2005: HK\$22 million) is included in the share of profits less losses of associates.

**(8) Discontinued operation**

	<b>30/9/2006</b>	30/9/2005
	<b>HK\$ Million</b>	HK\$ Million
Profit for the period from a discontinued operation	<b>56</b>	7
Gain on disposal of subsidiaries	<b>585</b>	—
	<b><u>641</u></b>	<u>7</u>

On 31 July 2006, Wheelock Properties (Singapore) Limited entered into an agreement to sell its 100% interest in Hamptons Group Limited ("Hamptons") at a consideration of £82 million (about HK\$1,182 million) payable by cash. The disposal was completed on 24 August 2006. Hamptons' principal business is estate agency services in the residential property market in the United Kingdom. Details of the disposal were set out in the Company's announcement and circular dated 1 August 2006 and 11 September 2006 respectively.

The results of Hamptons are presented below:

	<b>30/9/2006</b>	30/9/2005
	<b>HK\$ Million</b>	HK\$ Million
Turnover	<b>444</b>	410
Direct costs and operating expenses	<b>(161)</b>	(196)
Selling and marketing expenses	<b>(136)</b>	(112)
Administrative expenses	<b>(77)</b>	(83)
Operating profit from a discontinued operation	<b><u>70</u></b>	<u>19</u>
Borrowing costs	<b>(1)</b>	(1)
Share of profit less losses of associates	<b>10</b>	—
Profit before taxation	<b><u>79</u></b>	<u>18</u>
Income tax	<b>(23)</b>	(11)
Profit for the period from a discontinued operation	<b><u>56</u></b>	<u>7</u>

**(9) Dividends****(a) Dividends attributable to the period**

	<b>30/9/2006</b>	30/9/2005
	<b>HK\$ Million</b>	HK\$ Million
Interim dividend proposed after the balance sheet date of 2.0 cents (2005: 2.0 cents) per share	<b><u>41</u></b>	<u>41</u>

The interim dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

**(b) Dividends attributable to the previous financial year, approved and paid during the period**

	<b>30/9/2006</b>	30/9/2005
	<b>HK\$ Million</b>	HK\$ Million
Final dividend in respect of the previous financial year, approved and paid during the period, of 7.0 cents (2005: 6.0 cents) per share	<u>145</u>	<u>124</u>

**(10) Earnings per share**

The calculation of basic earnings per share is based on profit attributable to Shareholders for the period of HK\$812 million (2005: HK\$1,037 million) and 2,070 million ordinary shares in issue throughout the financial period ended 30 September 2006 and the previous year's corresponding period. The profit for the period is analysed as follows:

	<b>30/9/2006</b>	30/9/2005
	<b>HK\$ Million</b>	HK\$ Million
Attributable to:		
Continuing operations	326	1,032
Discontinued operation	<u>486</u>	<u>5</u>
	<u>812</u>	<u>1,037</u>

**(11) Trade and other receivables**

Included in trade and other receivables (net of impairment losses for bad and doubtful debts) with an ageing analysis as at 30 September 2006 as follows:

	<b>30/9/2006</b>	31/3/2006
	<b>HK\$ Million</b>	HK\$ Million
Current	46	174
31 - 60 days	1	8
61 - 90 days	—	6
Over 90 days	<u>3</u>	<u>21</u>
	50	209
Other receivables	<u>62</u>	<u>131</u>
	<u>112</u>	<u>340</u>

The Group maintains and closely monitors defined credit policies for its businesses and trade receivables in order to control the credit risk associated with trade receivables.

**(12) Trade and other payables**

Included in trade and other payables are trade payables with an ageing analysis as at 30 September 2006 as follows:

	30/9/2006 HK\$ Million	31/3/2006 HK\$ Million
Amounts payable in the next:		
0 - 30 days	234	207
31 - 60 days	3	2
61 - 90 days	1	1
Over 90 days	6	4
	<u>244</u>	<u>214</u>
Other payables	323	317
	<u>567</u>	<u>531</u>

**(13) Total equity**

	Share capital HK\$Million	Capital redemption reserve HK\$Million	Investment revaluation reserves HK\$Million	Other capital reserves HK\$Million	Revenue reserves HK\$Million	Shareholders' equity HK\$Million	Minority interests HK\$Million	Total equity HK\$Million
<b>Company and subsidiaries</b>								
Balance at 1 April 2006	414	5	2,420	172	14,978	17,989	1,699	19,688
Final dividend approved in respect of the previous year (Note 9b)	—	—	—	—	(145)	(145)	—	(145)
Dividends paid to minority interests	—	—	—	—	—	—	(17)	(17)
Revaluation (deficit)/surplus	—	—	(210)	—	—	(210)	14	(196)
Realised on disposal	—	—	(6)	—	—	(6)	—	(6)
Exchange differences	—	—	—	144	—	144	40	184
Disposal of subsidiaries	—	—	—	(40)	40	—	—	—
Profit for the period retained	—	—	—	—	826	826	157	983
Balance at								
30 September 2006	414	5	2,204	276	15,699	18,598	1,893	20,491
<b>Associates</b>								
Balance at 1 April 2006	—	—	—	—	170	170	—	170
Disposal of subsidiaries	—	—	—	—	(8)	(8)	(2)	(10)
(Loss)/profit for the period (absorbed)/retained	—	—	—	—	(6)	(6)	2	(4)
Balance at								
30 September 2006	—	—	—	—	156	156	—	156
<b>Total equity at</b>								
<b>30 September 2006</b>	<u>414</u>	<u>5</u>	<u>2,204</u>	<u>276</u>	<u>15,855</u>	<u>18,754</u>	<u>1,893</u>	<u>20,647</u>
<b>Total equity at</b>								
<b>31 March 2006</b>	<u>414</u>	<u>5</u>	<u>2,420</u>	<u>172</u>	<u>15,148</u>	<u>18,159</u>	<u>1,699</u>	<u>19,858</u>

**(14) Contingent liabilities**

At 31 March 2006 and 30 September 2006, there was no guarantee given by the Group in respect of banking facilities available to associates.

**(15) Commitments**

	30/9/2006 HK\$ Million	31/3/2006 HK\$ Million
(a) Acquisition of and future development expenditure relating to properties: Contracted but not provided for	<u>1,531</u>	<u>766</u>
(b) At 30 September 2006, there was no the future minimum lease payments under non-cancellable operating leases (31/3/2006: HK\$213 million).		

**(16) Material related party transactions**

Except for the transactions noted below, the Group has not been a party to any material related party transaction during the period ended 30 September 2006.

**(a) Bellagio project**

Included in interest in associates is a loan of HK\$469 million (31/3/2006: HK\$882 million) made by the Group to an associate involved in the Bellagio project. The loan bears interest at rates as determined by shareholders of the associate with reference to prevailing market rates which were between 4.4% and 4.9% (2005: interest free) per annum for the current financial period. Interest income in respect of the loan to the associate for the six months period ended 30 September 2006 amounted to HK\$17 million (2005: HK\$ Nil). The loan is unsecured and has no fixed terms of repayment.

The above is considered to be a related party transaction and also constitutes a connected transaction as defined under the Listing Rules. A waiver from complying with the relevant connected transaction requirements was granted by the Stock Exchange in 1994.

- (b)** The Group paid to a related party General Managers' Commission of HK\$16 million (2005: HK\$20 million) for the provision of management services to the Group during the period under review. The payment of such an amount to the General Managers was in accordance with an agreement dated 31 March 1992.

The above is considered to be a related party transaction and also constitutes a continuing connected transaction as defined under the Listing Rules.

- (c)** The Group paid to certain related parties property managing and agency fees totalling HK\$4 million (2005: HK\$3 million) for the provision of property management and property leasing and related services to the Group during the period under review. The payments of such property managing and agency fees were in accordance with various agreements previously entered into between the Group and certain related companies.

The above are considered to be related party transactions and also constitute continuing connected transactions as defined under the Listing Rules.

- (d) The Group received dividend income in the amount of HK\$76 million (2005: HK\$62 million) during the six months period ended 30 September 2006 in respect of its 7% interest in The Wharf (Holdings) Limited.

**(17) Comparative figures**

As a result of the disposal of Hamptons, which was reported as a discontinued operation in the financial statements in accordance with Hong Kong Financial Reporting Standard 5 "Non-current assets held for sale and discontinued operations", certain comparative figures have been adjusted or reclassified to conform with the current period's presentation.

**(18) Review of unaudited interim financial statements**

The unaudited interim financial statements for the six months ended 30 September 2006 have been reviewed with no disagreement by the Audit Committee of the Company.

## 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 its code of conduct regarding Directors' securities transactions.

## DIRECTORS' INTERESTS IN SHARES

At 30 September 2006, Directors of the Company had the following beneficial interests, all being long positions, in the share capitals of the Company, the Company's parent company, namely, Wheelock and Company Limited ("Wheelock"), and an associate of Wheelock, namely, The Wharf (Holdings) Limited ("Wharf"), and the percentages which the relevant shares represented to the issued share capitals of the three companies respectively are also set out below:

	No. of Ordinary Shares (percentage of issued capital)	Nature of Interest
<b>The Company</b>		
G W J Li	2,900 (0.0001%)	Personal Interest
<b>Wheelock</b>		
P K C Woo	1,204,934,330 (59.3023%)	Personal Interest in 8,847,510 shares, Corporate Interest in 200,865,142 shares and Other Interest in 995,221,678 shares
G W J Li	1,486,491 (0.0732%)	Personal Interest
T Y Ng	70,000 (0.0034%)	Personal Interest
<b>Wharf</b>		
G W J Li	686,549 (0.0280%)	Personal Interest
T Y Ng	178,016 (0.0073%)	Personal Interest

Notes:

- (a) The 995,221,678 shares of Wheelock stated above as "Other Interest" against the name of Mr P 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 ("SFO") which are applicable to a director or chief executive of a listed company, to be interested.

- (b) *The shareholdings classified as "Corporate Interest" in which the Director concerned was taken to be interested as stated above were interests of corporations at respective general meetings of which the Director was 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.*

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 pursuant to the SFO or to the Model Code:

- (i) there were no interests, both long and short positions, held as at 30 September 2006 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); and
- (ii) there existed during the financial period no rights to subscribe for any shares, underlying shares or debentures of the Company which were held by any of the Directors or Chief Executive of the Company or any of their spouses or children under 18 years of age nor had there been any exercises during the financial period of any such rights by any of them.

### **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 September 2006, 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:

<b>Names</b>	<b>No. of Ordinary Shares (percentage of issued capital)</b>
(i) Myers Investments Limited	1,536,058,277 (74.22%)
(ii) Wheelock Corporate Services Limited	1,536,058,277 (74.22%)
(iii) Wheelock and Company Limited	1,536,058,277 (74.22%)
(iv) HSBC Trustee (Guernsey) Limited	1,536,058,277 (74.22%)

*Note: For the avoidance of doubt and double counting, it should be noted that duplication occurs in respect of all of the above-stated shareholdings to the extent that the shareholdings stated against parties (i) to (iv) above represent the same block of shares.*

All the interests stated above represented long positions and as at 30 September 2006, there were no short position interests recorded in the Register.



## **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 Monday, 18 December 2006 to Friday, 22 December 2006, 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, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 15 December 2006.

By Order of the Board

**Wilson W S Chan**

*Secretary*

Hong Kong, 16 November 2006

*As at the date of this interim report, the Board of Directors of the Company comprises Mr Peter K C Woo, Dr Joseph M K Chow, Mr Gonzaga W J Li, Mr T Y Ng, Mr Paul Y C Tsui and Mr Ricky K Y Wong, together with three independent Non-executive Directors, namely, Mr Herald L F Lau, Mr David T C Lie-A-Cheong and Mr Glenn S Yee.*

