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Wheelock and Company Limited

Interim Report to Shareholders

for the half-year period ended 30 September 2007

Stock Code: 20

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HIGHLIGHTS OF GROUP RESULTS

- With Wharf becoming a subsidiary of the Company on 20 August 2007, these interim results consolidate Wharf's nine-month results to 30 September 2007 (2006: six months to 30 June).

- Group turnover from continuing operations rose by 67% to HK$13,856 million (2006: HK$8,302 million). Profit attributable to Shareholders rose by 8% to HK$4,030 million (2006: HK$3,735 million).

- Excluding exceptional items and the investment property revaluation surplus in both periods, profit attributable to Shareholders rose by 27% to HK$1,545 million (2006: HK$1,218 million).

- Consolidated net debt was HK$22,603 million, which included Wharf's net debt of HK$23,950 million as a standalone credit entity.

- To facilitate its business expansion in China Mainland as a long term undertaking, Wharf has secured financial support from its banks and also intends to seek additional capital participation from its shareholders. The Company intends to support this initiative.

GROUP RESULTS

The Group reported an unaudited profit attributable to Shareholders for the six months ended 30 September 2007 of HK$4,030 million, compared to HK$3,735 million for the same period last year. Earnings per share were HK$1.98 (2006: HK$1.84).

INTERIM DIVIDEND

The Board has declared an interim dividend of 2.5 cents (2006: 2.5 cents) per share in respect of the half-year period ended 30 September 2007, payable on Thursday, 10 January 2008 to Shareholders on record as at 4 January 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENT REVIEW

Property

Bellagio (effectively 74%-owned)

Bellagio is a residential development in Sham Tseng overlooking the Tsing Ma Bridge. Out of the total of 3,345 units in the development, cumulative sales have reached 3,240 units (or 97%) by the end of September 2007.

Crawford House (wholly-owned) (formerly known as Lane Crawford House)

The office and retail portion of Crawford House was 77% and 90% leased respectively at satisfactory rental rates. In May 2007, Natural Beauty Bio-Technology (HK) Ltd took up an area of over 4,500 square feet plus flat roof of over 2,300 square feet in the retail area.

Wheelock Properties Limited (a 74%-owned listed subsidiary)

Excluding the unrealised surplus from the revaluation of investment properties, Wheelock Properties Limited's ("WPL") profit for the period under review was HK$325 million (2006: HK$771 million, which included a one-off gain from the disposal of Hamptons Group Limited ("Hamptons")). Including the surplus from the revaluation of investment properties, WPL's profit for the six-month period ended 30 September 2007 was HK$483 million (2006: HK$812 million).

Parc Palais is a one-million-square-foot GFA residential development in Homantin. 98% (or 684 units) of the 700 units have been sold by September 2007.

Re-development of 6D-6E Babington Path, Mid-levels and 2 Heung Yip Road, Aberdeen, is underway. The former will comprise 47 deluxe apartments and the latter will be re-developed into a high rise industrial building. Foundation works of both projects are in progress and both projects are scheduled for completion in the fourth quarter of 2009.

By the end of September 2007, the WPL group has acquired up to 96% interest in the residential units at 211–215C Prince Edward Road West. Application for a compulsory order for outstanding units has been filed to Lands Tribunal. This project is planned for residential re-development.

Wheelock House and Fitfort performed well with average occupancy reaching 96% and 97% respectively during the period. Both properties were leased at satisfactory rental rates.

Following the 50:50 joint venture with the China Merchants Property group set up for the acquisition in February 2007 of a site in Xincheng District (新城區), Foshan of Guangdong Province, the WPL group, through another 50:50 joint venture with the same joint venture partner, successfully acquired in October 2007 at a public auction a land in Chancheng (禪城), Foshan, at RMB1,505 million. The Chancheng land has a total site area of more than 1.15 million square feet and offers plot ratio GFA of 1.5 million square feet attributable to WPL. Planning is underway to develop the site into a residential project.

During the period, WPL contributed a cash dividend of HK$123 million (2006: HK$108 million) to the Group.

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

Profit for Wheelock Properties (Singapore) Limited ("WPSL") amounted to S$55.9 million for the period under review (2006: S$162.6 million which included a one-off gain from the disposal of Hamptons).

In June 2007, WPSL completed the acquisition of 18.7 million shares in SC Global Developments Ltd ("SC Global"), which is listed in Singapore, for S$112.1 million. Upon subsequent acquisition of additional shares, WPSL owned a total of 20.6 million shares, representing 10% interest, in SC Global as at September 2007.

Development Properties

The Sea View is a residential condominium development of six tower blocks with 546 apartments. Construction is in progress and development completion is scheduled in the first half of 2008. All of the 546 units have been pre-sold at satisfactory prices.

The Cosmopolitan is a residential condominium development with 228 apartments on the former Times House site. Construction is in progress and the project is scheduled for completion in the first half of 2008. All of the 228 units have been pre-sold at satisfactory prices.

Ardmore II is a prime residential condominium development with 118 apartments. Main building works have commenced in June 2007 and development completion is scheduled in 2010. All of the 118 units have been pre-sold by September 2007.

Orchard View is a luxury 36-storey residential development, with 30 units of four-bedroom apartments, located in the tree-lined serene enclave of Angullia Park, just off Orchard Turn. Main building works for the project have commenced in December 2006 and the project is scheduled for completion by 2009.

Scotts Square is a prime residential condominium development with 338 apartments, plus a retail annex. Retail podium is held for long term investment purposes. Pre-sales of apartments was met with favourable response and has reached 54% by September 2007. Development completion is scheduled in 2010.

Ardmore 3 is planned for redevelopment and sale. Demolition work of the previous building, The Habitat One, has commenced and is expected to be completed by December 2007. The project is scheduled for completion by 2011.

Investment Properties

Wheelock Place, a commercial development at Orchard Road, Singapore was 100% committed at satisfactory rental rates at the end of September 2007.

The Wharf (Holdings) Limited (a 50%-owned listed subsidiary)

With Wharf having become a subsidiary of the Group during the period under review, Wharf's financial statements for the period from 1 January to 30 September 2007 were fully consolidated into the Group's.

Wharf's group turnover for the first nine months of 2007 grew by HK$2,700 million or 27% to HK$12,573 million (2006: HK$9,873 million) and operating profit increased by HK$1,671 million or 35% to HK$6,413 million (2006: HK$4,742 million). Net profit attributable to shareholders excluding the net revaluation surplus surged by 30% or HK$938 million to $4,020 million (2006: HK$3,082 million). Including the lower unrealised surplus from the revaluation of investment properties, net profit attributable to shareholders was HK$7,547 million (2006: HK$7,465 million).

Harbour City (wholly-owned by Wharf)

Harbour City, the Wharf group's core investment property asset, turned over HK$3,116 million during the first nine months of 2007, for an increase of 16% over the same period of 2006, while its operating profit grew by 21% to HK$2,242 million.

Turnover of Harbour City's retail sector surged by 20% to HK$1,283 million. Average retail occupancy at Harbour City was maintained at 98% with favourable rental growth. Impressive sales performance continued to be achieved by tenants at Harbour City, who recorded a 23% growth in average sales per square foot during the period. Conversion of Level 4 of Ocean Centre into 37,000 square feet of lettable space (retail and restaurants) is underway and scheduled for completion in the fourth quarter of 2007. The restaurant spaces, with lease commitments of three stylish restaurants (*House of Jasmine, Kikuzen Yakiniku* and *Spasso*), will offer terrace dining with panoramic seaview. In addition to the food and beverage outlets, two brands on beauty facilities (*HH Hair & Nail* and *Mu-lan Spa*) have also been recruited in the vicinity.

On the back of strong rental reversion, turnover from the office sector grew by 21% to HK$983 million. Office occupancy at Harbour City was maintained at 94% at the end of September 2007.

Turnover for the serviced apartments grew by 19% to HK$179 million, mainly driven by a rise in occupancy and rental rates during the period. At the end of September 2007, occupancy at Gateway Apartments soared to 94%, a record high since its opening in 1999.

Times Square (wholly-owned by Wharf)

Times Square, another core investment property asset of the Wharf group, turned over HK$815 million during the first nine months of 2007, for an increase of 13% over the same period of 2006.

Turnover from Times Square's retail sector increased by 8% to HK$545 million. Average retail occupancy was maintained at 99%, with favourable rental growth. Leasing activities remained robust during the period. Gucci's commitment of over 3,500-square-foot retail space on the second floor will also boost excitement and traffic at the mall.

Turnover for the office sector edged up by 24% to HK$270 million, underpinned by strong rental reversion. Committed office occupancy stood high at 98% at the end of September 2007. Lease renewal retention rate was maintained at 81% during the period, with renewals including *NCR*, *Vision Century* and *Boston Consulting*.

China Properties

All three completed investment properties, namely, Beijing Capital Times Square, Shanghai Times Square and the retail podium of Chongqing Times Square, performed satisfactorily. Rental revenue was up by 29% and operating profit by 61% during the period.

Underpinned by encouraging results from the disposal of residential units, development profit from China properties jumped considerably to HK$688 million during the period. Wellington Garden, a high-end residential development in Shanghai, has sold 100% of its units launched by the end of September 2007. Sales launch of selected towers of Wuhan Times Square performed strongly, with 93% of the units launched being sold by the end of September 2007. All residential towers are scheduled for completion by the end of 2007. The rest of the project, comprising retail, apartments and a hotel, is scheduled for completion in 2008. Tian Fu Times Square (No.11 Dongda Jie (東大街)) in Chengdu launched its pre-sale of selected residential towers in September 2007 and such launch was met with overwhelming responses. The mixed-use development has pre-sold 95% of its units launched by the end of September 2007. Construction work of the rest of the project comprising retail, office, hotel and residential is underway and development completion is scheduled in 2009–2011.

All other projects under development, comprising Dalian Times Square, Shanghai Wheelock Square (Lot 1717, Nanjing Xi Lu 南京西路, Shanghai), No.1 Xinhua Lu (新華路) (Shanghai), Jingan Garden (Shanghai), No. 10 Gaoxin District (高新區) (Chengdu), Shuangliu Development Zone (雙流發展區) (Chengdu), two parcels of land in the Nanchang District (南長區), Wuxi and the Wharf group's first lot in Suzhou (between Jinji Lake 金雞湖 and Dushu Lake 獨墅湖), are progressing according to plan.

The Wharf group's second lot in Suzhou was acquired in July 2007, through a joint venture, which committed a price of RMB1,010 million at a public auction. The Group and the China Merchants Property group will jointly develop the site on a 50:50 ownership basis. The site was ideally located in the Qingjian Lake, Suzhou Industrial Park (蘇州工業園區青劍湖) next to SunIsland Golf & Resorts, Weiting District (唯亭區太陽島高爾夫度假村). The project will be a residential development with attributable plot ratio GFA of 0.9 million square feet. Planning is well underway.

In late August 2007, the Wharf group acquired four land parcels in Xihu District (西湖區) of Hangzhou through a joint-venture company at a public auction for RMB3,091 million. Wharf and Jindu group, a leading developer in Hangzhou, will each take a 50% stake in the joint-venture company. These connected sites have a total site area of more than 2.0 million square feet and offer attributable plot ratio GFA of 2.0 million square feet. The land parcels were superbly situated in a prime area in the Xihu District of Hangzhou and are in the proximity of Songcheng (宋城) next to Westlake International Golf & Country Club (西湖國際高爾夫鄉村俱樂部). The project will be developed into a first-class residential development.

In September 2007, the Wharf group acquired through public auction a land parcel in Chengdu for RMB7,242 million. Superbly situated in a prime area in the Jinjiang District (錦江區) of Chengdu, the site lies in the heart of Chengdu's vibrant business centre. Located on Hongxing Lu (紅星路), the parcel has a total site area of more than 590,000 square feet, and offers attributable plot ratio GFA of 4.7 million square feet. It will be developed into a mixed-use project comprising Grade A offices, a five-star hotel and a high-end retail complex, with the retail portion commanding about one-third of the total floor area.

In November 2007, the Wharf group acquired a land parcel in Nanan District (南岸區), Chongqing at a public auction through a joint-venture company for RMB7.5 billion. Wharf and China Overseas group will jointly develop the site on a 40:60 ownership basis. The parcel boasts a total site area of about 6.1 million square feet and offers attributable plot ratio GFA of 9.0 million square feet. It will be developed into a high-end residential and commercial project.

The Wharf group through its subsidiary Harbour Centre Development Limited ("HCDL"), also acquired four excellent sites in the cities of Chongqing, Suzhou and Hangzhou through joint ventures during the period under review. These acquisitions were made through partnering with strong local property companies. Brief descriptions of these three projects are as follows:

In September 2007, HCDL acquired, through public auction, a land lot in zone B of Jiangbei City (江北城) of Jiangbei District (江北區), Chongqing, through a joint-venture company for RMB2.54 billion. HCDL and the China Overseas group will jointly develop the land, on a 55:45 ownership basis. The land lot has a total site area of about one million square feet and offers plot ratio GFA of 2.5 million square feet attributable to HCDL. It will be developed into a high-end residential project.

Following the acquisition of the Chongqing site, HCDL acquired through public auction two land parcels on Xinghu Jie (星湖街) and Xiandai Da Dao (現代大道) in Suzhou Industrial Park (蘇州園區) respectively for a total of RMB3.073 billion in early October 2007 through a joint-venture company between HCDL and Zhong Xin Suzhou Industrial on a 80:20 ownership basis. The parcels command a total site area of about 5,650,000 square feet and offer plot ratio GFA of 10.8 million square feet attributable to HCDL. The sites are planned for commercial and residential developments. It is the current intention of the parties that approximately 86% of the area of the sites will be developed into residential properties for sales, with the remaining portion intended to be held for investment purposes. A skyscraper landmark which will be the tallest building in Suzhou will be built at the site of Xinghu Jie.

In mid October 2007, HCDL entered into an agreement with Greentown China Holdings Limited for the joint development of a land parcel in Hangzhou. HCDL and Greentown China Holdings Limited will take respectively 40% and 60% stake in the joint-venture company. The site is superbly situated in the new Hangzhou Central Business District (錢江新城) of Shangcheng District (上城區), Hangzhou. The land parcel, at a total consideration of RMB3.49 billion, boasts a total site area of about 906,913 square feet and offers plot ratio GFA of 1.3 million square feet attributable to HCDL. It is planned for commercial and residential development.

Modern Terminals (a 68%-owned subsidiary of Wharf)

Modern Terminals' revenue and operating profit were both up by 4% during the first nine months of 2007.

In Hong Kong, throughput at Modern Terminals grew by 6% to 4.24 million TEUs during the period, driven by an increase in Intra-Asia services. Modern Terminals' market share in Kwai Chung was maintained at 32.8% at the end of September 2007. In South China, Chiwan Container Terminals, in which Modern Terminals effectively holds an 8% stake, handled 2.93 million TEUs during the period. Throughput at Mega Shekou Container Terminals, in which Modern Terminals effectively holds a 30% stake (to be eventually diluted to 20% with the completion of the remainder of the entire facilities) after the completion of Shekou Container Terminals rationalisation in February 2007, reached 2.28 million TEUs during the period.

At Taicang, where Modern Terminals holds 51% and 70% equity stake in its Phases I and II respectively, handled 587,000 TEUs during the period, 66% higher than the throughput volume of the same period in 2006.

Phase I of Da Chan Bay Terminal One in Western Shenzhen, 65%-owned by Modern Terminals, is progressing according to plan. Construction of the terminal area and associated buildings, as well as procurement of equipment is progressing as scheduled. The first two berths of Da Chan Bay will commence operation towards the end of 2007.

Other Businesses

Other Hong Kong Properties

Plaza Hollywood recorded a turnover growth of 9% to HK$226 million, thanks to favourable rental growth during the period. Average occupancy was maintained at nearly 99% throughout the first nine months of 2007.

Leasing activities for the Peak Portfolio during the period remained robust. Chelsea Court was fully let at the end of September 2007. Occupancy at Mountain Court and No. 1 Plantation Road was maintained at 91% and 93% respectively.

Following the satisfactory disposal of Wharf's remaining stock in Grandtech Centre, a godown building in Shatin, to a property fund in May 2007, the Wharf group continues to look for opportunities actively to dispose of its non-core properties.

Marco Polo Hotels

Marco Polo Hotels currently has a portfolio of nine operating hotels in the Asia Pacific Region. The three hotels in Harbour City performed solidly during the period. Total hotel and club revenue was HK$671 million, and a 7.5% growth in average room rate was achieved. Despite a steady growth in average room rates, consolidated occupancy during the period reached 88%, slightly below 90% achieved in the same period of 2006.

i-CABLE

In spite of a decrease of total revenue by 8% to HK$1,748 million, net profit grew by 6% to HK$155 million, mainly due to effective control of both capital and operating expenditures. Aided by package unbundling, CABLE TV withstood aggressive competitive marketing to report a 7% growth in subscriber base during the nine-month period, albeit partly at the expense of lower yield. In spite of subscriber growth, turnover and operating profit declined by 16% and 30% to HK$1,212 million and HK$132 million respectively. Broadband subscription and turnover decreased marginally as the market further consolidated during the period. Broadband subscribers decreased by 3% to 316,000 and turnover by 1% to HK$442 million. Operating profit, however, increased by 25% to HK$132 million, attributable to decrease of operating costs and growth of wholesales voice service.

Wharf T&T

Turnover from the Wharf T&T group grew by 4% to HK$1,075 million during the period. Operating profit improved to HK$14 million from a loss of HK$17 million. Positive cash flow of HK$35 million was generated during the period (2006: HK$17 million). The fixed line installed base grew by 36,000 to 598,000, representing an overall market share of 13%. Total outgoing IDD volume (including both wholesale and retail) surged by 13% to 527 million minutes (2006: 468 million minutes).

FINANCIAL REVIEW

(I) Results Review

Note of importance to the consolidation of Wharf's financial statements

Following the increase of the Group's controlling interest in Wharf to 50.00003% and as a result of the change in accounting policy on consolidation as explained in the Notes to the financial statements, the Group's financial statements under review have consolidated Wharf's financial statements for the nine-month period from 1 January 2007 to 30 September 2007 (2006: six-month period from 1 January 2006 to 30 June 2006) with the comparative figures reclassified to conform to the current period's presentation.

In the previous year, the Group equity accounted for its interest in Wharf and shared Wharf's results up to 31 December 2006 in the Group's financial statements for the year ended 31 March 2007.

Profit attributable to Shareholders

The Group's unaudited profit attributable to Shareholders was HK$4,030 million for the six months period ended 30 September 2007 (2006: HK$3,735 million). Earnings per share were HK$1.98 (2006: HK$1.84).

Excluding the net investment property revaluation surplus of HK$1,816 million, represented by revaluation surplus of HK$4,991 million less related deferred tax and minority interests of HK$3,175 million, the Group's net profit was HK$2,214 million (2006: HK$1,579 million), an increase of HK$635 million or 40% over 2006.

As explained in the above, this interim results included Wharf's nine-month profit to 30 September 2007 (2006: six-month profit to 30 June 2006), which contributed an additional three-month profit from Wharf of HK$669 million in respect of its accounting period from July to September 2007. Excluding this additional profit and the net revaluation surplus, the Group's net profit was HK$1,545 million, an increase of 27% as compared to that of HK$1,218 million, after excluding the one-off profit of HK$361 million from sale of Hamptons and net revaluation surplus, for the last corresponding period.

Turnover

Group turnover from continuing operations was HK$13,856 million (2006: HK$8,302 million), substantially contributed by Wharf. Wharf's turnover for its nine months ended 30 September 2007 was HK$12,573 million (six months to 30 June 2006: HK$6,449 million). Wharf reported a remarkable revenue growth of 27% in the first three quarters of 2007, which was mainly underpinned by the achievement of double-digit revenue increase by the Property Investment segment and higher property sales, both in Hong Kong and China, recognised by the Property Development segment.

Operating profit

Group operating profit from continuing operations was HK$6,962 million (2006: HK$3,579 million). Wharf's nine-month operating profit was HK$6,413 million (six months to 30 June 2006: HK$3,018 million).

Property Investment

Revenue and operating profit from Property Investment segment were HK$4,937 million (2006: HK$2,950 million) and HK$3,603 million (2006: HK$2,048 million) respectively. Wharf recorded rental and related income growth in all sectors, including its property investments in China which recorded double-digit revenue growth. Other investment properties of Wheelock Group, mainly office and retail podium, also achieved higher rental rates.

Property Development

Revenue and operating profit from Property Development segment were HK$3,099 million (2006: HK$1,634 million) and HK$1,286 million (2006: HK$370 million) respectively, mainly attributable to the property sales recognised by Wharf for its residential units sold at Wellington Garden and Wuhan Times Square in China upon their completions and the sales of three luxury units at Gough Hill Residences, as well as the sale of Bellagio units by Wheelock.

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 in Singapore. The Group prepares its consolidated financial statements under Hong Kong Financial Reporting Standards which recognises revenue and profit on pre-sales of properties upon the completion. Accordingly, profits recognised by WPSL in respect of its pre-sales of The Sea View and The Cosmopolitan units were reversed and excluded in the Group's consolidated results. The cumulative attributable profits to the Group so reversed amounted to approximately HK$491 million as at 30 September 2007.

As at 30 September 2007, WPSL has sold all the units at The Sea View, The Cosmopolitan and Ardmore II. In addition, WPSL has also pre-sold 183 residential units (54% sold) at Scotts Square. No profit from pre-sale of Ardmore II and Scotts Square was recognised by WPSL as both projects are still in their initial stage of constructions, in accordance with its accounting policies.

Logistics

Logistics segment reported aggregate revenue and operating profit of HK$2,656 million and HK$1,383 million (six months to 30 June 2006: HK$1,609 million and HK$830 million) respectively. Modern Terminals recorded a 6% increase in throughput for its nine months financial period under review.

CME

CME segment reported revenue and operating profit of HK$2,844 million and HK$257 million (six months to 30 June 2006: HK$1,959 million and HK$141 million) respectively. Its Pay TV business recorded a decrease in revenue for the nine months period, resulting from severe competition in the marketplace and non-recurring revenue in 2006. This was partly mitigated by increase in revenue from other CME businesses. The operating profit of CME businesses comprised mainly, Internet and Multimedia of HK$132 million, telecommunication unit of HK$14 million and Pay TV business of HK$132 million.

Investment and Others

Investment revenue and operating profit were HK$590 million and HK$662 million (2006: HK$349 million and HK$336 million) respectively, comprising mainly dividends from the Group's long-term investment portfolio and interest income. In addition, included in the Investment and Others segment was profit on disposal of investments of HK$113 million (2006: HK$54 million).

Increase in fair value of investment properties

Included in the interim results was a revaluation surplus of HK$4,991 million (2006: HK$5,411 million) on revaluation of the Group's investment properties.

Borrowing costs

Borrowing costs charged to the profit and loss account was HK$766 million (2006: HK$525 million). Borrowing costs capitalised for the Group's related assets amounted to HK$208 million (2006: HK$54 million). The Group's effective borrowing interest rate was approximately 4.8% per annum (2006: 4.6% per annum).

Share of profits less losses of associates and jointly controlled entities

Share of profits of associates and jointly controlled entities was HK$211 million (2006: HK$68 million), which covered the profit contribution from Modern Terminal's associates (including its additional port investment in Mega SCT) and the sale of Parc Palais units undertaken by an associate of WPL.

Income tax

Taxation charge for the period was HK$2,750 million (2006: HK$1,497 million). Excluding the deferred tax of HK$1,280 million provided against the net revaluation surplus of investment properties, taxation charge was HK$1,470 million (2006: HK$541 million), mainly incurred by Wharf. Wharf's current taxation charge for the nine-month period was HK$1,388 million, which included income tax and land appreciation tax totalling HK$370 million provided against the profit from sale of properties in China and an additional provision of HK$236 million for certain tax cases concerning interest deductibility under dispute with the Inland Revenue Department.

Discontinued operation

Hamptons was disposed of by WPSL in August 2006. The results of Hamptons, which formed a significant business segment of the Group, were reported as a discontinued operation. The profit on the disposal recognised by WPSL was HK$585 million.

Minority interests

Profit shared by minority interests was HK$4,618 million (2006: HK$3,942 million), which was mainly related to the profit of Wharf and WPL.

(II) Liquidity and Financial Resources

Equity

The Shareholders' equity amounted to HK$53,043 million or HK$26.11 per share as at 30 September 2007, compared to HK$48,816 million or HK$24.02 per share as at 31 March 2007. The Group's total equity, including minority interests, was HK$107,847 million as at 30 September 2007 (31/3/2007: HK$99,096 million).

Supplemental information on net asset value

To better reflect its underlying net asset value ("NAV") attributable to its shareholders, Wharf had made certain adjustments on the book NAV that was based on HKFRSs and disclosed as supplemental information in the Financial Review section of its Financial Report for the third quarter ended 30 September 2007. On the same basis, the adjusted underlying NAV attributable to the Group's Shareholders is summarised below for additional information:

	Per share HK$
Book NAV (based on HKFRSs) as at 30 September 2007	26.11
Share of Wharf's adjustments:	5.56
Modern Terminals	
– based on the latest transaction price in 2005	1.75
i-CABLE	
– based on market value as at 30 September 2007 (@HK$1.62 p.s.)	0.17
Hotel properties	
– based on the valuation as at 30 September 2007 conducted by an independent valuer	0.95
Deferred tax on investment property revaluation surplus	*2.69
Wheelock's deferred tax on investment property revaluation surplus	*0.33
Adjusted underlying NAV as at 30 September 2007	32.00
Adjusted underlying NAV as at 31 March 2007	29.78

* As there is no capital gains tax on sales of investment properties in Hong Kong and Singapore, the deferred tax liability (attributable to the Group HK$6.1 billion or about HK$3.02 per share) as provided and included in the consolidated balance sheet of the Group would not be payable if the above-mentioned investment properties were to be sold at the revalued amounts under the respective current tax regime. Accordingly, such deferred tax as provided under HKAS 40 and HK(SIC)-INT 21 has been excluded for the above calculation in order to provide a better understanding of the NAV attributable to Shareholders.

Net cash generated from/used in the Group's operating and investing activities

Net cash generated from the Group's operating activities was HK$4,291 million, which included net cash inflows from sales of properties, mainly Wellington Garden and Wuhan Times Square in China, and three Gough Hill Residences luxury units and certain Bellagio units in Hong Kong. The major cash outflows attributed to the acquisition of various sites in China by Wharf and Prince Edward Road West properties by WPL. Net cash of HK$10,407 million used in investing activities mainly consisted of MTL's payment of HK$3.2 billion for rationalisation of its interest in Mega SCT and HK$5.0 billion for certain long-term listed investments.

Capital expenditure

The Group's total capital commitments as at 30 September 2007 amounted to HK$6,941 million, which were mainly incurred by Wharf for its core businesses and are analysed as follows:

		Capital Commitments as at 30 September 2007	
	Capital Expenditure for 1-9/2007 HK$ Million	**Authorised and Contracted for HK $ Million**	**Authorised but not Contracted for HK$ Million**
Property Investments/others			
China	103	892	114
Harbour City	156	124	9
Other properties/others	60	18	–
	319	1,034	123
Wharf T&T	156	89	112
	475	1,123	235
Modern Terminals (67.6%-owned)	1,991	3,491	1,982
i-CABLE (73.6%-owned)	131	21	89
	2,597	4,635	2,306

The above capital expenditure incurred by Wharf for its Property Investment segment was mainly related to certain refurbishment and renovation work for enhancing the quality and value of the Group's investment properties, in particular for Harbour City. For i-CABLE and Wharf T&T, the capital expenditures were incurred substantially for procurement of production and broadcasting equipment while that for Modern Terminals was mainly incurred for construction of the Dachan Bay Phase I and Taicang Phase II ports. i-CABLE and Modern Terminals, respectively 73.6% and 67.6% owned by Wharf, funded their own capital expenditure programmes.

In addition to the above, Wharf also incurred HK$3.2 billion for its trading properties under development in China, including those undertaken through joint ventures, during the first three quarters of 2007. In February 2007, Modern Terminals paid HK$3.2 billion in cash on completion of the rationalisation of the interests in Shekou container terminals under an agreement signed in December 2006 with China Merchants Holdings (International) Company Limited ("China Merchants"). Pursuant to this agreement, Modern Terminals and China Merchants injected their respective equity interests in Shekou containers terminals into a newly setup joint venture, Mega SCT, in which Modern Terminals holds 30% equity interests.

As at 30 September 2007, the Group had planned expenditure and other commitments of approximately HK$35.6 billion for Wharf's trading properties under development mainly in China (HK$33.1 billion) and for WPL's property projects in Hong Kong and Singapore (HK$2.5 billion), HK$0.8 billion mainly for i-CABLE's own programming expenditures and HK$0.2 billion mainly for CME's lease commitment of certain properties and telecommunication network facilities.

Net debt and gearing

The Group's net debt was HK$22,603 million as at 30 September 2007, which was made up of debts of HK$30,782 million and bank deposits and cash of HK$8,179 million. Included in the total debts were loans borrowed by Wharf and WPSL of HK$26,550 million and HK$2,731 million respectively, which are without recourse to the Company and its wholly-owned subsidiaries. Analysis of the net debt by group as below:

Net debt/(cash)	**30/9/2007 HK$ Million**	31/3/2007 HK$ Million
Wheelock/wholly-owned subsidiaries	**1,445**	1,966
WPL	**(2,758)**	(2,919)
WPSL	**(34)**	(377)
	(1,347)	(1,330)
Wharf	**23,950**	16,901
	22,603	15,571

As at 30 September 2007, the ratios of net debt to shareholders' equity and total equity were 42.6% and 21% respectively.

Finance and availability of facilities

The Group's available loan facilities and debt securities totalled HK$52.2 billion, comprising committed and uncommitted facilities of HK$47.2 billion and HK$5.0 billion respectively, of which HK$30.8 billion were outstanding at 30 September 2007 with details below:

	Available Facility HK$ Billion	**Total Debts HK$ Billion**	**%**	**Undrawn Facility HK$ Billion**
Wheelock/wholly-owned subsidiaries	3.6	1.5	5%	2.1
WPL group	0.2	–	0%	0.2
WPSL group	4.9	2.8	9%	2.1
	8.7	4.3	14%	4.4
Wharf group	43.5	26.5	86%	17.0
Wharf/wholly-owned subsidiaries	24.5	16.7	54%	7.8
Modern Terminals (67.6%-owned)	16.9	9.4	31%	7.5
i-CABLE (73.6%-owned)	0.6	–	0%	0.6
Others	1.5	0.4	1%	1.1
	52.2	30.8	100%	21.4

Subsequent to the period under review, additional committed banking facilities amounted to approximately HK$5 billion have been secured.

As at 30 September 2007, the Group's debts of HK$3,921 million were secured by mortgage over certain properties under development and fixed assets with a carrying value of HK$11,409 million.

The Group's debts were primarily denominated in Hong Kong dollar, US dollar, Renminbi and Singapore dollar. All US dollar loans have been effectively swapped into Hong Kong dollar loans by forward exchange contracts while the Renminbi and Singapore dollar loans were borrowed mainly for financing the properties in China and Singapore respectively.

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

The Group maintained a reasonable level of surplus cash, which was denominated principally in Hong Kong dollar, US dollar, Renminbi and Singapore dollar 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$12.4 billion, which is immediately available for liquidation to meet the Group's future investment commitments. The accumulated attributable surplus of the investments amounted to HK$2.2 billion (31 March 2007: HK$2.0 billion) and is retained in reserves until the related investment is sold. Performance of the portfolio was satisfactory.

Contingent liabilities

There were no material contingent liabilities as at 30 September 2007 and 31 March 2007.

(III) Human Resources

The Group has approximately 12,935 employees as at 30 September 2007. Employees are remunerated according to nature of the job and market trend, with a built-in merit component incorporated in the annual increment to reward and motivate individual performance. Total staff costs for the period under review amounted to HK$1,836 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 with a substantial proportion thereof being independent Non-executive Directors.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 September 2007

	Note	Unaudited 30/9/2007 HK$ Million	Unaudited 30/9/2006 HK$ Million (restated)
Continuing operations			
Turnover	2	**13,856**	8,302
Other net income	4	**112**	48
		13,968	8,350
Direct costs and operating expenses		**(4,978)**	(3,402)
Selling and marketing expenses		**(556)**	(426)
Administrative expenses		**(537)**	(344)
Operating profit before depreciation, amortisation, interest and tax		**7,897**	4,178
Depreciation and amortisation		**(935)**	(599)
Operating profit	3	**6,962**	3,579
Increase in fair value of investment properties		**4,991**	5,411
		11,953	8,990
Borrowing costs	5	**(766)**	(525)
Share of profits less losses of associates		**189**	69
Share of profits less losses of jointly controlled entities		**22**	(1)
Profit before taxation		**11,398**	8,533
Income tax	6(e)	**(2,750)**	(1,497)
Profit for the period from continuing operations		**8,648**	7,036
Discontinued operation	7		
Profit for the period from a discontinued operation		**–**	56
Profit on disposal of subsidiaries		**–**	585
Profit from a discontinued operation		**–**	641
Profit for the period		**8,648**	7,677
Attributable to:			
Equity shareholders of the Company		**4,030**	3,735
Minority interests		**4,618**	3,942
		8,648	7,677
Interim dividend declared after the balance sheet date	8	**51**	51
Earnings per share	9		
Continuing operations		**HK$1.98**	HK$1.66
Discontinued operation		**–**	HK$0.18
		HK$1.98	HK$1.84
Interim dividend per share	8	**2.5 cents**	2.5 cents

CONSOLIDATED BALANCE SHEET

At 30 September 2007

	Note	**Unaudited 30/9/2007 HK$ Million**	Unaudited 31/3/2007 HK$ Million (restated)
Non-current assets			
Fixed assets			
Investment properties		**99,708**	95,085
Leasehold land		**3,671**	3,662
Other property, plant and equipment		**14,240**	12,509
		117,619	111,256
Goodwill and other intangible assets		**303**	306
Interest in associates		**4,566**	531
Interest in jointly controlled entities		**824**	788
Available-for-sale investments		**12,445**	7,088
Long-term receivables		**465**	498
Programming library		**194**	186
Deferred tax assets		**395**	429
Defined benefit pension scheme assets		**296**	230
Derivative financial assets		**1**	17
		137,108	121,329
Current assets			
Inventories		**15,290**	14,890
Trade and other receivables	10	**4,643**	2,561
Derivative financial assets		**5**	12
Bank balances and deposits		**8,179**	10,235
		28,117	27,698
Current liabilities			
Trade and other payables	11	**(5,206)**	(5,855)
Bank loans and overdrafts		**(8,507)**	(5,682)
Derivative financial liabilities		**(1)**	(3)
Deposits from sale of properties		**(3,641)**	(2,713)
Current tax		**(1,568)**	(690)
		(18,923)	(14,943)
Net current assets		**9,194**	12,755
Total assets less current liabilities		**146,302**	134,084
Non-current liabilities			
Long-term loans		**(22,275)**	(20,124)
Deferred tax liabilities		**(15,466)**	(14,150)
Deferred items and other deferred liabilities		**(704)**	(714)
Derivative financial liabilities		**(10)**	–
		(38,455)	(34,988)
Net assets		**107,847**	99,096
Capital and reserves			
Share capital		**1,016**	1,016
Reserves		**52,027**	47,800
Equity attributable to Shareholders		**53,043**	48,816
Minority interests		**54,804**	50,280
Total equity	12	**107,847**	99,096

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the six months ended 30 September 2007

	Unaudited 30/9/2007 HK$ Million	Unaudited 30/9/2006 HK$ Million (restated)
Net gains not recognised in the consolidated profit and loss account	**1,108**	682
Profit for the period	**8,648**	7,677
Total recognised income and expense for the period		
Shareholders' equity	**4,430**	4,064
Minority interests	**5,326**	4,295
	9,756	8,359

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2007

	Unaudited 30/9/2007 HK$ Million	Unaudited 30/9/2006 HK$ Million (restated)
Net cash generated from operating activities	**4,291**	3,537
Net cash used in investing activities	**(10,407)**	(74)
Net cash generated from/(used in) financing activities	**3,983**	(1,415)
Net (decrease)/increase in cash and cash equivalents	**(2,133)**	2,048
Cash and cash equivalents at 1 April	**10,235**	6,870
Effect of foreign exchange rate changes	**77**	61
Cash and cash equivalents at 30 September	**8,179**	8,979
Analysis of the balances of cash and cash equivalents		
Bank balances and deposits	**8,179**	8,979

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF THE INTERIM FINANCIAL STATEMENTS

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

The preparation of the interim financial statements 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 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 2007 except for the change in accounting policy for the basis of consolidation as set out below.

Change in accounting policies

(a) Consolidation of Wharf's financial statements

In prior years, the financial results of subsidiaries were consolidated where the Group, directly or indirectly, held more than half of the issued share capital, or controlled more than half of the voting power or controlled the composition of the board of directors. As the Group held less than 50% equity interest in The Wharf (Holdings) Limited ("Wharf") prior to 1 April 2007, the Group had accounted for Wharf as an associate and equity-accounted for its results and net assets in prior years based on Wharf's published consolidated financial statements for the financial reporting periods ended on 31 December each year.

With effect from the accounting period beginning on 1 April 2007, the Group has changed its basis of consolidation such that companies that are less than 50% owned, but over which the Group exercises de facto control are now also consolidated. De facto control exists where the Company is able to exert effective control by holding a substantial minority interest in an entity of which the other shareholdings are widely dispersed and thus unable to coalesce to successfully vote against the wishes of the largest shareholder.

In August 2007, the Group increased its interest in Wharf from 49.93814% to 50.00003% but in management's view this made little difference in practice to their ability to make financial and operating policy decisions concerning Wharf compared to the de facto control that the Group was able to exert over Wharf. Accordingly, the Group considers that the revised accounting policy will provide more relevant information about the results and financial position of the enlarged Group than the previous accounting policy.

As consolidation based on de facto control constitutes a change in the Group's accounting policy in accordance with Hong Kong Accounting Standard 8 "Accounting policies, changes in accounting estimates and errors", prior year figures in the profit and loss account and balance sheet have been restated to take account of the fact that the Group exercised de facto control over Wharf in prior years. This change has no impact on the Group's results and the shareholders' equity.

On such basis, the interim consolidated financial statements under review have included Wharf's financial statements for the 9 months period from 1 January 2007 to 30 September 2007 (2006: 6 months period from 1 January 2006 to 30 June 2006). The comparative figures of the Group's financial statements have also been restated to conform to the current period's presentation.

(b) Other new standards, amendments and interpretations

In 2007, the Group adopted the new standards, amendments and interpretations below, which are relevant to its operations.

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HK (IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK (IFRIC) – Int 10	Interim Financial Reporting and Impairment
HKFRS 7	Financial Instruments: Disclosures

The Group has assessed the impact of the adoption of these new standards, amendments and interpretations and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies, whereas the adoption of HKAS 1 (Amendment) and HKFRS 7 requires additional disclosures to be made in the annual report.

2. SEGMENT INFORMATION

(a) Business segments

	Segment Revenue		Segment Results	
	30/9/2007	30/9/2006	**30/9/2007**	30/9/2006
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Continuing operations				
Property investment	**4,937**	2,950	**3,603**	2,048
Hong Kong	**3,877**	2,190	**3,175**	1,739
China	**305**	157	**148**	64
Singapore	**84**	152	**59**	88
Hotels	**671**	451	**221**	157
Property development	**3,099**	1,634	**1,286**	370
Hong Kong	**1,467**	1,633	**598**	378
China	**1,632**	1	**688**	(8)
Communications, media and entertainment ("CME")	**2,844**	1,959	**257**	141
Pay television	**1,212**	966	**132**	98
Internet and multimedia	**442**	296	**132**	68
Telecommunications	**1,075**	681	**14**	(4)
Others	**115**	16	**(21)**	(21)

	Segment Revenue		Segment Results	
	30/9/2007	30/9/2006	**30/9/2007**	30/9/2006
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Logistics	**2,656**	1,609	**1,383**	830
Terminals	**2,366**	1,407	**1,284**	749
Others	**290**	202	**99**	81
Investment and others	**590**	349	**662**	336
	14,126	8,501	**7,191**	3,725
Inter-segment revenue (Note)	**(270)**	(199)	**–**	–
	13,856	8,302	**7,191**	3,725
Unallocated expenses			**(229)**	(146)
Operating profit			**6,962**	3,579
Increase in fair value of investment properties			**4,991**	5,411
			11,953	8,990
Borrowing costs			**(766)**	(525)
Associates			**189**	69
Property development			**17**	26
Terminals			**172**	43
Jointly controlled entities				
Terminals			**22**	(1)
Profit before taxation			**11,398**	8,533
Income tax			**(2,750)**	(1,497)
Profit for the period from continuing operations			**8,648**	7,036
Discontinued operation (Note 7)				
Property agency	**–**	444	**–**	70
Borrowing costs			**–**	(1)
Share of profits less losses of associates				
Property agency			**–**	10
Profit before taxation			**–**	79
Income tax			**–**	(23)
Profit for the period from a discontinued operation			**–**	56
Profit on disposal of subsidiaries			**–**	585
Profit from a discontinued operation			**–**	641
Profit for the period			**8,648**	7,677

Note: Inter-segment revenue eliminated on consolidation includes:

	30/9/2007 HK$ Million	30/9/2006 HK$ Million
Continuing operations		
Property investment	**78**	44
CME	**160**	119
Investment and others	**32**	36
	270	199

(b) Geographical segments

	Segment Revenue		**Segment Results (Operating profit)**	
	30/9/2007 HK$ Million	30/9/2006 HK$ Million	**30/9/2007 HK$ Million**	30/9/2006 HK$ Million
Continuing operations				
Hong Kong	**11,445**	7,904	**5,881**	3,432
Singapore	**453**	196	**289**	79
China	**1,958**	202	**792**	68
	13,856	8,302	**6,962**	3,579
Discontinued operation				
United Kingdom	**–**	442	**–**	70
Others	**–**	2	**–**	–
	–	444	**–**	70
	13,856	8,746	**6,962**	3,649

3. OPERATING PROFIT

	30/9/2007 HK$ Million	30/9/2006 HK$ Million
Operating profit is arrived at after charging/(crediting):		
Continuing operations		
Depreciation		
– assets held for use under operating leases	**68**	43
– other fixed assets	**743**	499
	811	542
Amortisation		
– programming library	**91**	45
– leasehold land	**30**	12
– other intangible assets	**3**	–
Total depreciation and amortisation	**935**	599
Staff costs	**1,836**	1,297
Cost of properties for sale sold	**1,670**	1,145
Dividend income from listed investments	**(298)**	(81)
Dividend income from unlisted investments	**(81)**	(60)
Discontinued operation		
Staff costs	**–**	155

4. OTHER NET INCOME

	30/9/2007 HK$ Million	30/9/2006 HK$ Million
Continuing operations		
Net profit on disposal of investments	**113**	54
Profit on disposal of investment properties	**–**	37
Others	**(1)**	(43)
	112	48

5. BORROWING COSTS

	30/9/2007 HK$ Million	30/9/2006 HK$ Million
Continuing operations		
Interest on		
Bank loans, bonds and overdrafts	**780**	370
Other loans repayable within 5 years	**132**	163
Other loans repayable over five years	**32**	31
Other borrowing costs	**30**	15
	974	579
Less: Amount capitalised	**(208)**	(54)
	766	525
Discontinued operation		
Interest on bank loans and overdrafts	**–**	1
	766	526

The Group's effective borrowing interest rate for the six-month period was approximately 4.8% (2006: 4.6%) per annum.

6. 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% (2006: 17.5%).

(b) Other overseas taxation is calculated at rates of tax applicable in countries in which the Group is assessed for tax.

(c) Under the Provisional Regulations on land appreciation tax ("LAT") implemented upon the issuance of the Provisional Regulations of the People's Republic of China ("PRC") on 27 January 1995, all gains arising from transfer of real estate property in the PRC effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including borrowing costs and all property development expenditures.

(d) On 16 March 2007, the Standing Committee of the Tenth National People's Congress of PRC approved the income tax law, which will change the tax rate from 33% to 25% for certain subsidiaries operating in the PRC from 1 January 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

(e) Taxation in the consolidated profit and loss account represents:

	30/9/2007 HK$ Million	30/9/2006 HK$ Million
Continuing operations		
Current tax		
Hong Kong profits tax for the period	**729**	434
Under provision in respect of prior years	**252**	54
Overseas taxation for the period	**222**	19
	1,203	507
Land appreciation tax in PRC	**188**	–
Deferred tax		
Change in fair value of investment properties	**1,280**	956
Reversal on disposal of investment properties	**–**	(4)
Origination and reversal of temporary differences	**79**	53
Benefit of previously unrecognised tax losses now recognised	**–**	(15)
	1,359	990
	2,750	1,497
Discontinued operation		
Current tax		
Overseas taxation for the period	**–**	22
Under provision in prior years	**–**	3
	–	25
Deferred tax		
Origination and reversal of temporary differences	**–**	(2)
	–	23
	2,750	1,520

(f) Share of associates' and jointly controlled entities' tax for the six months ended 30 September 2007 of HK$14 million (2006: HK$8 million) is included in the share of profits less losses of associates and jointly controlled entities.

7. DISCONTINUED OPERATION

	30/9/2006 HK$ Million
Profit for the period from a discontinued operation	56
Profit on disposal of subsidiaries	585
	641

On 24 August 2006, Wheelock Properties (Singapore) Limited completed the disposal of its 100% interest in Hamptons Group Limited ("Hamptons") at a cash consideration of £82 million (about HK$1,182 million) and realised a profit of HK$585 million (HK$330 million attributable to the Group). Hamptons' principal business is estate agency services in the residential property market in the United Kingdom.

The results of Hamptons are presented below:

	30/9/2006 HK$ Million
Turnover	444
Direct costs and operating expenses	(161)
Selling and marketing expenses	(136)
Administrative expenses	(77)
Operating profit	70
Borrowing costs	(1)
Share of profits less losses of associates	10
Profit before taxation	79
Income tax	(23)
Profit for the period	56

8. DIVIDENDS

(a) Dividends attributable to the period

	30/9/2007 HK$ Million	30/9/2006 HK$ Million
Interim dividend proposed after the balance sheet date of 2.5 cents (2006: 2.5 cents) per share	**51**	51

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

	30/9/2007 HK$ Million	30/9/2006 HK$ Million
Final dividend in respect of the previous financial year, approved and paid during the period, of 10.0 cents (2006: 10.0 cents) per share	**203**	203

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on profit attributable to ordinary equity shareholders of the Company for the period of HK$4,030 million (2006: HK$3,735 million) and 2,032 million ordinary shares in issue throughout the financial period ended 30 September 2007 and the previous year's corresponding period. The profit for the period is analysed as follows:

	30/9/2007 HK$ Million	30/9/2006 HK$ Million
Attributable to:		
Continuing operations	**4,030**	3,374
Discontinued operation	**–**	361
	4,030	3,735

10. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables (net of impairment losses for bad and doubtful debts) with an ageing analysis as at 30 September 2007 as follows:

	30/9/2007 HK$ Million	31/3/2007 HK$ Million
Current	**816**	468
31 – 60 days	**218**	231
61 – 90 days	**48**	71
Over 90 days	**32**	73
	1,114	843
Other receivables	**3,529**	1,718
	4,643	2,561

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.

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with an ageing analysis as at 30 September 2007 as follows:

	30/9/2007 HK$ Million	31/3/2007 HK$ Million
Amounts payable in the next:		
0 – 30 days	**383**	598
31 – 60 days	**124**	149
61 – 90 days	**106**	115
Over 90 days	**254**	375
	867	1,237
Rental and customer deposits	**1,528**	1,349
Other payables	**2,811**	3,269
	5,206	5,855

12. TOTAL EQUITY

	Shareholders' equity								
	Share capital HK$ Million	Share premium 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
Balance at 1 April 2007	1,016	1,914	19	2,047	740	43,080	48,816	50,280	99,096
Revaluation surplus	–	–	–	148	–	–	148	429	577
Transferred to the profit and loss account on disposal of available-for-sale investments	–	–	–	(45)	–	–	(45)	(62)	(107)
Actuarial gains on defined benefit pension schemes	–	–	–	–	–	20	20	41	61
Exchange differences	–	–	–	–	272	–	272	285	557
Others	–	–	–	–	5	–	5	15	20
Net income recognised directly in equity	–	–	–	103	277	20	400	708	1,108
Profit for the period	–	–	–	–	–	4,030	4,030	4,618	8,648
Total recognised income and expenses	–	–	–	103	277	4,050	4,430	5,326	9,756
Final dividend approved in respect of the previous year (Note 8b)	–	–	–	–	–	(203)	(203)	–	(203)
Dividends paid to minority interests	–	–	–	–	–	–	–	(905)	(905)
Advance from minority interests	–	–	–	–	–	–	–	152	152
Increase in interest in a subsidiary	–	–	–	–	–	–	–	(49)	(49)
Balance at 30 September 2007	**1,016**	**1,914**	**19**	**2,150**	**1,017**	**46,927**	**53,043**	**54,804**	**107,847**

13. CONTINGENT LIABILITIES

There was no material contingent liabilities as at 30 September 2007 and 31 March 2007.

14. COMMITMENTS

	30/9/2007 HK$ Million	31/3/2007 HK$ Million
(a) Expenditure commitments for trading properties under development		
Authorised and contracted for	**15,267**	5,432
Authorised but not contracted for	**20,330**	13,386
	35,597	18,818
(b) Capital expenditure commitments		
Authorised and contracted for	**4,635**	4,967
Authorised but not contracted for	**2,306**	3,695
	6,941	8,662
(c) Programming and other commitments		
Authorised and contracted for	**717**	538
Authorised but not contracted for	**81**	57
	798	595
(d) Expenditure commitments for operating leases		
Within one year	**71**	78
After one year but within five years	**63**	104
Over five years	**69**	78
	203	260

The above commitments, apart from HK$2.5 billion in respect of property under development undertaken by WPL group, are attributable to Wharf group. As at 30 September 2007, the Group has available-for-sale investments of HK$12.4 billion and undrawn banking facilities of HK$21.4 billion available for funding the above commitments. In addition, additional committed banking facilities amounted to approximately HK$5 billion have been secured subsequent to the period under review. Other funding opportunities are under study for future investment opportunities and requirements.

15. MATERIAL RELATED PARTY TRANSACTIONS

Except for the transaction noted below, the Group has not been a party to any material related party transactions during the six-month period ended 30 September 2007:

In respect of the period ended 30 September 2007, the Group earned rental income totalling HK$265 million (2006: HK$137 million) from various tenants which are wholly-owned by, or are non-wholly-owned subsidiaries of, companies which in turn are wholly-owned by the family interests of, or by a trust the settlor of which is, the Chairman of the Company. Such transactions are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules.

16. COMPARATIVE FIGURES

As a result of the change in the Group's accounting policy on consolidation, as explained in Note 1 to the Financial Statements, comparative figures have been adjusted or reclassified to conform to the current period's presentation.

17. REVIEW OF UNAUDITED INTERIM FINANCIAL STATEMENTS

The unaudited interim financial statements for the six months ended 30 September 2007 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 2007, Directors of the Company had the following beneficial interests, all being long positions, in the share capitals of the Company, of two subsidiaries of the Company, namely, Wharf and WPL, 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**
The Company		
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
S T H Ng	300,000 (0.0148%)	Personal Interest
B M Chang	8,629,575 (0.4247%)	Corporate Interest
Wharf		
G W J Li	686,549 (0.0280%)	Personal Interest
S T H Ng	650,057 (0.0266%)	Personal Interest
WPL		
G W J Li	2,900 (0.0001%)	Personal Interest

Notes:

(1) The 995,221,678 shares of the Company 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 (the "SFO") which are applicable to a director or chief executive of a listed company, to be interested.

(2) The shareholdings classified as "Corporate Interest" in which the Directors concerned were taken to be interested as stated above were interests of corporations at respective general meetings of which the relevant Directors were respectively either entitled to exercise (or taken under Part XV of the SFO to be able to exercise) or control the exercise of one-third or more of the voting power in general meetings of such corporations.

(3) The shareholding interests stated above as "Personal Interest" and "Corporate Interest" against the name of Mr P K C Woo totalling 209,712,652 shares of the Company represented the same block of shares as that of the shareholding interest of Mrs Bessie P Y Woo stated below under the section headed "Substantial Shareholders' Interests".

(4) The 995,221,678 shares of the Company as referred to under Note (1) above are entirely duplicated or included in the shareholding interest of HSBC Trustee (Guernsey) Limited stated below under the section headed "Substantial Shareholders' Interests".

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties, other than person(s) who is/are Director(s) of the Company, who/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 2007, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register"), and the percentages which the shares represented to the issued share capital of the Company:

	Names	**No. of Ordinary Shares** (percentage of issued capital)
(i)	Third Avenue Management LLC	123,151,000 (6.06%)
(ii)	Mrs Bessie P Y Woo	209,712,652 (10.32%)
(iii)	HSBC Trustee (Guernsey) Limited	1,095,300,362 (53.91%)

Note: Duplication occurred in respect of the shareholding interests under (ii) and (iii) above, as set out above in Notes (3) and (4) under the section headed "Directors' Interests in Shares".

All the interests stated above represented long positions and as at 30 September 2007, there were no short positions 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 Wednesday, 2 January 2008 to Friday, 4 January 2008, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to qualify for the abovementioned interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 31 December 2007.

By Order of the Board
Wilson W S Chan
Secretary

Hong Kong, 28 November 2007

As at the date of this interim report, the Board of Directors of the Company comprises of Mr Peter K C Woo, Mr Gonzaga W J Li, Mr Stephen T H Ng and Mr Paul Y C Tsui, together with three independent Non-executive Directors, namely, Mr Alexander S K Au, Mr B M Chang and Mr Kenneth W S Ting.