WHARF

Established 1886

The Wharf (Holdings) Limited

INTERIM REPORT 2008

Stock Code: 4

Building for Tomorrow

www.wharfholdings.com

HIGHLIGHTS OF GROUP RESULTS

- Property Investment reported an 18% increase in both turnover and operating profit to HK$3,674 million (2007: HK$3,115 million) and HK$2,710 million (2007: HK$2,288 million), respectively.
- However, lower sales recognised in the period resulted in a reduction in turnover from Property Development to HK$587 million (2007: HK$1,916 million) and operating profit to HK$330 million (2007: HK$903 million).
- Logistics turnover increased by 8% to HK$1,832 million (2007: HK$1,689 million). Modern Terminals' attributable profit increased by 12% to HK$722 million (2007: HK$647 million).
- Turnover from Communications, Media & Entertainment decreased by 2% to HK$1,871 million (2007: HK$1,903 million) but operating profit increased by 5% to HK$191 million (2007: HK$182 million).
- As a whole, Group turnover decreased by 7% to HK$7,999 million (2007: HK$8,609 million) while operating profit decreased by 5% to HK$4,141 million (2007: HK$4,371 million).
- The Group's investment properties were revalued with a surplus of HK$6,565 million (2007: HK$2,537 million).
- Including net investment property revaluation surplus, profit attributable to Shareholders increased by 89% to HK$8,393 million (2007: HK$4,430 million).
- Excluding this surplus (after deferred tax), profit attributable to Shareholders decreased by 13% to HK$2,281 million (2007: HK$2,631 million).
- Earnings per share were HK$3.05 based on 2,754 million shares after the Rights Issue completed in January 2008 (2007: HK$1.74 based on 2,543 million shares).
- An interim dividend of HK$0.36 per share (2007: HK$0.36 per share) was declared.
- Net asset value increased by 6.4% to HK$37.54 per share (31 December 2007: HK$35.28 per share).
- Consolidated net debt decreased to HK$21.6 billion (31 December 2007: HK$23.6 billion). Excluding partly-owned subsidiaries Modern Terminals Limited and Harbour Centre Development Limited, whose debts being non-recourse to the Group, net debt decreased to HK$9.2 billion (31 December 2007: HK$12.7 billion).
- Net debt to total equity was 19.6% (31 December 2007: 25.6%).

GROUP RESULTS

The unaudited Group profit attributable to Shareholders for the six months ended 30 June 2008 amounted to HK$8,393 million, an increase of 89%, compared to HK$4,430 million achieved for the corresponding period last year. Earnings per share were HK$3.05 based on 2,754 million shares after the Rights Issue (2007: HK$1.74 based on 2,543 million shares as restated for the Rights Issue).

INTERIM DIVIDEND

The Board has declared an interim dividend of HK$0.36 (2007: HK$0.36) per share in respect of the half-year period ended 30 June 2008, payable on Tuesday, 30 September 2008 to Shareholders on record as at 24 September 2008, absorbing a total amount of HK$991 million based on 2,754 million shares as enlarged by the Rights Issue completed in January 2008 (2007: HK$881 million based on 2,448 million shares).

MANAGING DIRECTOR'S REPORT

Business Review

HARBOUR CITY

Harbour City, the Group's core investment property asset, turned over HK$2,460 million during the period, for an increase of 20% over the same period of 2007. Its operating profit surged by 23% to HK$1,815 million.

Local buying sentiment buoyed by steady economic growth and soaring household income was sustained during the period. This, together with Government's favourable measures including tax rebates and healthy growth in tourist arrivals, bolstered the retail sales momentum. Turnover of Harbour City's retail sector grew by 24% to HK$1,054 million. Average retail committed occupancy at Harbour City was maintained at nearly 100% with favourable rental growth. Encouraging sales performance continued to be achieved by tenants at Harbour City during the period, with a 26% year-on-year growth in average sales. Hermès, a top-notched fashion brand, will join Harbour City in December 2008. This will further enhance Harbour City's status as a hub of international luxurious fashion brands.

Turnover for the office sector edged up by 19% to HK$759 million, underpinned by positive rental reversion. Office occupancy at Harbour City was committed at 96% at the end of June 2008. Over 50% of the new lettings during the period were in-house expansions, including Zurich Life Insurance and AIA. New lettings with very favourable rental have been achieved which included a recent record-breaking transaction involving over HK$55 per square foot at Tower 6 of Gateway II. Following the relocation of Mizuho Corporate Bank from the traditional core area to The Gateway in December 2007, the tenant mix at Harbour City was further strengthened with the recruitment of financial tenants including China Construction Bank. A Japanese airline, namely All Nippon Airways, also confirmed to relocate its office to The Gateway, forming cluster with Cathay Pacific Airways, United Airlines and Japan Airlines. Lease renewal retention rate was 78%, with favourable rental increment, during the period.

Turnover for the serviced apartments was up by 20% to HK$137 million, driven by higher rental rates during the period. Committed occupancy at Gateway Apartments grew to over 90% at the end of June 2008.

TIMES SQUARE

Times Square, another core investment property asset of the Group, turned over HK$618 million during the period, for an increase of 15% over the same period a year earlier. Operating profit grew by 15% to HK$534 million.

Owing to the sustained local buying sentiment, Times Square's retail sector posted an increase of 12% in turnover from a year ago to HK$405 million. Average retail occupancy was maintained at virtually 100%, with favourable rental growth. Tenant mix at Times Square was further strengthened with a series of trade-mix refinement, including the opening of Gucci and Burberry and the recruitment of Bottega Venetta and YSL.

Turnover for the office sector surged by 22% to HK$213 million, on the back of strong rental reversion. Committed office occupancy stood high at 98% at the end of June 2008. Lease renewal retention rate was maintained at 63% during the period, with renewals including Hitachi, Avaya and Shell.

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. Total revenue grew by 28% and operating profit by 10% during the period.

The Group successfully sold/pre-sold various properties in China during the first half of 2008, including Wellington Garden in Shanghai, Wuhan Times Square, Tian Fu Times Square in Chengdu and Dalian Times No. 8. In accordance with the Group's accounting policy, relevant profits for the Chengdu and Dalian projects will only be recognised at project completion. This leads to a decrease of the Group's property development profit for the period under review.

Wellington Garden in Shanghai is a high-end residential and office-apartment development. The two residential blocks were fully sold while sales of the office-apartment block was launched in December 2007, with 39% of the units sold to-date at excellent unit price. The four residential towers at Wuhan Times Square have been 98% sold and sales of the launched units in the office-apartment tower reached 26%.

At Tian Fu Times Square in Chengdu, over 98% of the first three residential towers were successfully pre-sold at record high unit price in the city.

Dalian Times Square launched its pre-sale of one residential tower in late June 2008 and successfully pre-sold 85% of its units at excellent unit price, achieving a record-breaking price of over RMB21,000 per square metre for a selected deluxe duplex unit.

Other Projects under Development

The 180,000-square-foot retail podium of Dalian Times Square is scheduled to open in late November 2008. The deluxe shopping mall has secured the commitment of a host of top-notch brands including Louis Vuitton (over 10,000 square feet), Zara (17,000 square feet), Dior, Fendi, Giorgio Armani, Gucci, Hermès, Prada, Versace, etc, and is destined to become a shopping landmark in Dalian. The entire development, which comprises a retail and residential complex with an attributable plot ratio GFA of 1.5 million square feet, is scheduled for completion by the end of 2008.

Shanghai Wheelock Square, with an attributable plot ratio GFA of 1.2 million square feet, comprises a top quality Grade A office tower plus a retail annex. Completion is scheduled for the third quarter of 2009. Two high-end residential projects in Shanghai, No. 1 Xin Hua Road (新華路) and Jingan Garden, are progressing according to plan.

No. 10 Gaoxin District (高新區) in Chengdu, with an attributable plot ratio GFA of 4.4 million square feet, is planned for residential and commercial developments. Construction works are in progress and the project is scheduled to be completed in phases between 2009 and 2011.

Superbly located in Shuangliu Development Zone (雙流發展區), the Group's third site in Chengdu will be developed into a mixed-use complex comprising an outlet mall, office and residential space with an attributable plot ratio GFA of 9.8 million square feet. Construction of the outlet mall commenced in December 2007 and is scheduled for completion by the first quarter of 2009.

The Group's sites in the Nanchang District (南長區), Wuxi, comprise two parcels of land planned for an upscale residential project and a high-rise commercial development project with an attributable plot ratio GFA of 8.9 million square feet and 3.0 million square feet respectively. Development of residential blocks on the first parcel is expected to be completed in phases between 2010-2014. The commercial development at Taihu Plaza includes a hotel and a 339-metre super tower which will be the tallest landmark of Wuxi. Its construction works are scheduled for completion by 2012.

The Group's fourth site in Chengdu is superbly located on Hongxing Road (紅星路) in the prime Jinjiang District (錦江區), right in the heart of Chengdu's vibrant business centre. The parcel has a total site area of more than 590,000 square feet, roughly the same size of Hong Kong's Harbour City, and offers an 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. Planning of the development is underway.

The Group's first site acquired in Suzhou is superbly located between Jinji Lake (金雞湖) and Dushu Lake (獨墅湖) in the eastern side of the city next to a 27-hole golf club. It will be developed into premier deluxe low density residences with an attributable plot ratio GFA of 2.2 million square feet. Construction works will commence in the second half of 2008. Completion is scheduled for 2010.

The Group's second lot in Suzhou is ideally located in the Suzhou Industrial Park (蘇州工業園區) next to Qing Jian Hu (青劍湖) and Wei Ting Sun Island Golf & Resorts (唯亭太陽島高爾夫俱樂部). The Group and the China Merchants Property group will jointly develop the site on a 50:50 ownership basis. The project will be a residential development with an attributable plot ratio GFA of 908,000 square feet and planning of which is well underway. Completion is scheduled for 2012.

The Group's first lot in Hangzhou is superbly situated in a prime area in the Xihu District (西湖區), Zhuantang Town (轉塘鎮), and is in the proximity of Songcheng (宋城) next to West Lake International Golf & Country Club (西湖國際高爾夫俱樂部). It comprises four land parcels. The Group and Jindu Group, a leading developer in Hangzhou, have each taken a 50% stake in the project. These connected sites have a total site area of more than 2.0 million square feet and offer an attributable plot ratio GFA of 2.0 million square feet. The project is slated for completion in phases by 2012.

The land parcel in Nanan District (南岸區), Chongqing will be developed by the Group and China Overseas group on a 40:60 ownership basis. Ideally located at Danzishi (彈子石) of Nanan District, next to Yangtze River (長江), the parcel boasts a total site area of about 6.1 million square feet and offers an attributable plot ratio GFA of 9.0 million square feet. It will be developed into a high-end residential and commercial project, completion of which is scheduled for 2014.

The land parcel in Qixia/Xianlin New District (棲霞區／仙林新區) of Nanjing which was acquired at a public auction in December 2007 through a joint-venture company in which the Group and the China Merchants Property group have each taken a 50% stake, boasts a site area of about 3.6 million square feet and offers a plot ratio GFA of 2.3 million square feet attributable to the Group.

The Group through Harbour Centre Development Limited ("HCDL"), also acquired five valuable sites in the cities of Chongqing, Suzhou, Hangzhou and Changzhou during 2007. Acquisition of the first four sites has been made through partnering with strong local property developers while the remaining site in Changzhou is wholly-owned by HCDL. Descriptions of these projects are as follows:

A land lot in Jiangbei City (江北城) of Jiangbei District (江北區), Chongqing, which was acquired at a land auction in September 2007, will be jointly developed by HCDL and the China Overseas Land and Investment Limited on a 55:45 ownership basis into a high end residential project. Superbly located in the eastern side of Jiangbei City, facing Yangtze River (長江) in the east and north and Jialing River (嘉陵江) in the south, the land lot has a total site area of about one million square feet and offers a plot ratio GFA of 2.5 million square feet attributable to the Group. Completion is scheduled for 2012.

HCDL acquired two land parcels on Xinghu Jie (星湖街) and Xiandai Da Dao (現代大道) in Suzhou Industrial Park (蘇州工業園區) in September 2007 in an 80:20 joint venture with Genway Housing Development Group Co. Ltd (蘇州工業園區建屋發展集團有限公司). The parcels command a total site area of about 5.65 million square feet and offer a plot ratio GFA of 13.5 million square feet attributable to the Group. A 420-metre skyscraper landmark, the tallest development in Suzhou, will be built at the site of Xinghu Jie while the site at Xiandai Da Dao will be for residential development. The project is slated for completion in phases by 2013.

HCDL entered into an agreement with Greentown China Holdings Limited for the joint development of a land parcel in Hangzhou in October 2007 with a respective interest of 40% and 60%. Superbly situated in the new Hangzhou Central Business District (錢江新城) and frontal to the Qiantang Jiang (錢塘江), the site boasts a total site area of about 907,000 square feet and offers a plot ratio GFA of 1.3 million square feet attributable to the Group. The development will comprise high end residential, serviced apartments and a hotel complex. Completion is scheduled for 2012.

HCDL also acquired a land parcel in Xinbei District (新北區) of Changzhou at a public auction in October 2007. The parcel commands a total site area of about 4.4 million square feet and offers a plot ratio GFA of 8.7 million square feet. Ideally located in the prime area of Xinbei District, the parcel is just five kilometres away from the city centre, in the vicinity of China Changzhou Dinosaur Land theme park (中華恐龍園) and Xin Qu Park (新區公園). It boasts superb air-sea-land transportation links to Changzhou Civil Aviation Airport and Huning Express Railway. Planning is underway to develop the site into a high-end residential and hotel project. Completion is scheduled for 2014.

New Acquisitions

In January 2008, the Group acquired through public auction three pieces of land parcels in Wuxi. These land parcels boast a site area of 4.8 million square feet and offer a plot ratio GFA of 7.0 million square feet attributable to the Group. The Group wholly owned two of these land parcels (site area: 2.7 million square feet; plot ratio GFA: 5.2 million square feet) which were acquired for RMB1,577 million. The Group and Shanghai Forte will jointly develop the remaining land parcel (site area: 2.1 million square feet; plot ratio GFA: 3.5 million square feet) on a 50:50 ownership basis. The joint venture company committed RMB832 million for the site. Superbly located in Nanchang District (南長區) of Wuxi alongside the 2,500-year-old ancient canal (京杭運河), the sites are planned for commercial and residential development. Completion is scheduled for 2013.

In July 2008, the Group entered into a joint venture agreement with Sun Hung Kai Properties and Henderson Land on a 30: 40: 30 ownership basis to jointly develop a prime commercial site of about 1.9 million square feet (172,719 square metres) in Dongdajie in Chengdu into an integrated commercial complex comprising an office tower of over 280 metres, a five-star hotel, high-end shopping centre with international retailers and residential apartments. The site is superbly located in Jinjiang District bounded by Shuanggui Road, Niusha Road, Erhuan Road and Shahe. There is an adjoining site of about 353,000 square feet (32,795 square metres) which will be sold to the joint venture at the same unit price at a later stage. This piece of land will be included in the overall planning of the development. Total plot ratio GFA for the overall development is expected to be over 13 million square feet.

MODERN TERMINALS

Throughput in Hong Kong grew by 8% to 2.94 million TEUs during the first six months of 2008, underpinned by continuous growth in intra-Asia services and South America services offset by a decline in Transpacific and Europe volume. Modern Terminals' market share in Kwai Chung slightly improved to 33.7% from 33.0% over the same period in 2007. In Shenzhen, Chiwan Container Terminal, in which Modern Terminals holds an 8% attributable stake, handled 2.0 million TEUs and Shekou Container Terminals ("SCT"), in which Modern Terminals holds 27% stake (diluted from 30% upon the Stage 2 rationalisation completion on 27 February 2008 and to be eventually diluted to 20% with the completion of all stages of rationalisation), handled 2.0 million TEUs, up by 46% year-on-year. This was mainly driven by the completion of one additional berth in July 2007 and the launch of new services at SCT.

Consolidated revenue grew by 9% to HK$1,627 million whereas operating profit was lower by 6% at HK$737 million. The lower operating profit was mainly due to initial loss and depreciation charge incurred by Da Chan Bay Terminal One which commenced operation in December 2007.

Modern Terminals has a 51% stake in Taicang Port (Phase I) and a 70% stake in Taicang International Gateway. The facilities expanded from two container berths to six with an ultimate capacity of 3.5 million TEUs. During the period under review, throughput grew by 31% to 492,000 TEUs versus the same period last year. With the introduction of new international services in the second half of 2008, it is expected that the throughput growth will continue to be strong in the rest of the year.

Da Chan Bay Terminal One Project in Shenzhen (65%-owned) completed construction of the first two berths at the end of December 2007. Construction of the remaining three berths is on schedule for commissioning by end of 2008. After diligent efforts with Central and Provincial government in the past few months, Customs for Da Chan Bay Terminal One ("DCB") is fully functioning since July this year. Throughput for the first half is only 13,000 TEUs but it is expected, with the full functioning of Customs in DCB, that new services will gradually be introduced in the second half of 2008.

By 2011, Modern Terminals expects its container throughput to be handled at existing investments in the Mainland will exceed that of Hong Kong.

In addition, strategic framework agreements signed with Dalian Port (PDA) Co., Ltd./the Dalian Municipal Government (Liaoning) and Zhoushan Port Authority (Zhejiang) as well as possible further expansion at the existing terminals in Taicang and Dachan Bay will reaffirm Modern Terminals' strong positioning in Greater China, which remains a trade growth engine for the world.

OTHER BUSINESSES

Other Hong Kong Properties

Plaza Hollywood, thanks to favourable rental growth during the period, registered a turnover growth of 5% to HK$155 million. Average occupancy was maintained at virtually 100% throughout the first half of 2008.

Bellagio is a residential development in Sham Tseng overlooking the Tsing Ma Bridge. Out of the total 3,345 units in the development, cumulative sales have reached 3,320 units (or 99%) by the end of June 2008.

Leasing activities for the Group's Peak property portfolio during the period remained strong. Committed occupancy at the end of June 2008 at Mountain Court, No. 1 Plantation Road and Chelsea Court was maintained at 93%, 96% and 99% respectively. All new lettings and renewals enjoyed favourable rental growth. Spurred by strong demand for luxurious residential units on the Peak, a record high unit rent of HK$70.5 per square foot was recorded at Mountain Court. Substantial rental increment for a penthouse unit of No. 1 Plantation Road was also registered in June 2008.

In line with the Group's policy, the Group continues to actively look for opportunities to dispose of its non-core assets.

Marco Polo Hotels
Marco Polo Hotels currently has a portfolio of eight 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$510 million, and a 15.8% growth in average room rate was achieved. Despite a steady increase in average room rates, consolidated occupancy during the period declined from 87.1% achieved in the prior year to 83.6%.

A new Marco Polo hotel in Wuhan (at Wuhan Times Square) is scheduled to open in September 2008. Currently, two additional Marco Polo hotels are planned for the Wuxi and Changzhou markets.

i-CABLE
Business adjustments in response to intensely competitive market conditions dented i-CABLE's performance in the first half of 2008. Turnover decreased by 10% to HK$1,069 million (2007: HK$1,185 million), while net profit after tax decreased to HK$26 million (2007: HK$116 million), partly due to non-recurring and non-operating items. However, the company's liquidity position remained sound, with net cash standing at a healthy HK$545 million as of 30 June 2008. In a war of attrition, it also benefits from a significantly lower cost base for both fixed assets and operating expenditures.

For Pay TV, i-CABLE continued to grow its subscription base with enhanced programming and marketing packages. Turnover and operating profit decreased to HK$699 million (2007: HK$827 million) and HK$61 million (2007: HK$100 million) respectively as the company sacrificed short-term gain to invest in sustained competitiveness. In addition to strengthening its established market position for news and entertainment, i-CABLE has also stocked up prized sports programming.

On Broadband, the business continued to consolidate in a mature market. Despite a marginal decline in the subscriber base, both revenue and profit were maintained. Turnover for the period was almost unchanged at HK$295 million and operating profit increased to HK$93 million (2007: HK$86 million). Bundled packages with Pay TV and Voice services served to hold the subscription base while maintaining yield from customers.

Wharf T&T
Against the backdrop of an emerging US recession, the global inflation crisis as well as the 'moderating growth' policy of the Mainland government, market sentiment gradually deteriorated. The pipeline for IT and telecom purchases stayed firm but downturn concerns have begun to weigh on purchase decisions. The fixed network business continued to recover. Market stabilisation eased the burden of customer acquisition and retention and facilitated the yield improvement process. The overall market, especially the business sector, continued to display minor growth despite the threat of fixed mobile substitution.

The fixed line installed base was virtually unchanged at 607,000 to maintain a market share of 13%, with business lines at 418,000 for an 18% share and residential lines at 189,000 for 9%. Total outgoing IDD volume shrank by 4% to 333 million minutes (2007: 346 million minutes).

Total turnover for the first six months of 2008 grew by 11% to HK$789 million (2007: HK$708 million) while operating profit soared to HK$57 million (2007: HK$4 million). Positive cash flow increased to HK$107 million (2007: HK$18 million).

Financial Review

(I) REVIEW OF 2008 INTERIM RESULTS

Turnover

The Group's turnover for the first half of 2008 was HK$7,999 million, a decrease of HK$610 million or 7% against the last corresponding period, mainly attributable to the lower property sales recognised by the Property Development segment both in Hong Kong and China. This intermittent unfavourable variance outweighed the double-digit increase in revenue attributable to the Property Investment segment.

Year-on-year, Property Investment revenue grew by 18% to HK$3,674 million. Excluding hotel revenue, the Group's total rental billing increased by 19% to HK$3,164 million, made up by the increases in rental revenue of 18% to HK$2,907 million attributable to the Hong Kong properties and of 28% to HK$257 million attributable to the China properties.

Property Development segment's revenue decreased by 69% to HK$587 million (2007: HK$1,916 million). The revenue in the current period was mainly from the sales of Wellington Garden and Wuhan Times Square residential units in China. Higher development revenue was recorded in the first half of the corresponding period, mainly attributable to the higher sales recognised from the same projects in China upon their completions and the sale of three Gough Hill houses in Hong Kong.

The Logistics segment reported revenue of HK$1,832 million, increased by HK$143 million or 8% from the previous corresponding period, mainly reflecting increase in throughput handled by Modern Terminals.

CME's revenue was HK$1,871 million (2007: HK$1,903 million). Due to severe competition in its marketplace, revenue of Pay TV decreased by 16% to HK$699 million while that of Internet and Multimedia was largely unchanged at HK$295 million. The unfavourable variance was substantially mitigated by the increase in revenue of other CME businesses.

Operating Profit

Impacted by the lower property sales recognised by the Property Development segment both in Hong Kong and China, the Group's operating profit recorded a drop of HK$230 million or 5% to HK$4,141 million (2007: HK$4,371 million).

Property Investment segment remained strong, benefited from the continuing rental reversion and high occupancy rate, and continued to be an organic growth driver of the Group, recording a robust increase in operating profit by HK$422 million or 18% to HK$2,710 million.

Property Development segment's operating profit was HK$330 million (2007: HK$903 million), principally attributable to the recognition of revenue from Wellington Garden and Wuhan Times Square in China. Whereas contribution from the first half of 2007 was from the larger sales of Wellington Garden and Wuhan Times Square units in China and the three Gough Hill houses in Hong Kong.

Logistics segment's operating profit slipped by 5% to HK$808 million, primarily owing to the operating losses recorded by Modern Terminals' China subsidiaries during their initial stage of operations though its Hong Kong operation recorded profit growth.

CME segment reported a 5% increase in operating profit to HK$191 million, supported by the increase in profit contribution from Wharf T&T to HK$57 million (2007: HK$4 million) and from Internet and Multimedia segment to HK$93 million (2007: HK$86 million). Pay TV's operating profit dropped by 39% to HK$61 million (2007: HK$100 million), mainly due to decrease in revenue as adversely impacted by the lower yield subscriptions.

Investment segment recorded higher operating profit of HK$327 million (2007: HK$290 million) mainly due to higher interest income earned during the period under review.

Increase in Fair Value of Investment Properties

The Group's investment properties were revalued by an independent valuer producing a revaluation surplus of HK$6,565 million (2007: HK$2,537 million).

The attributable net surplus of HK$5,421 million (2007: HK$1,799 million), after the related deferred tax and minority interest in total of HK$1,144 million (2007: HK$738 million), was credited to the profit and loss account of the Group.

Net Other Charge

Net other charge represented provision for certain China projects held by the Group's jointly controlled entities amounted to HK$326 million (2007: Nil), following an internal review.

Finance Costs

Finance costs charged to the profit and loss account were HK$604 million for the period under review (2007: HK$480 million). The charge was after capitalisation of HK$84 million (2007: HK$65 million) for the Group's related assets. The Group's average effective borrowing rate was 3.1% p.a., compared to 4.6% p.a. for the first half of 2007.

Share of Results (after tax) of Associates and Jointly Controlled Entities

The share of results of associates increased by HK$35 million to HK$175 million (2007: HK$140 million), reflecting the inclusion of the profit contribution from Modern Terminals' port investment in Mega SCT in Shekou. Contribution from the jointly controlled entities of HK$12 million was mainly related to terminal business in China, which began to bear fruit.

Taxation

Taxation charge for the period was HK$1,240 million (2007: HK$1,779 million), which included deferred taxation of HK$1,114 million (2007: HK$733 million) on the revaluation surplus of investment properties and a downward adjustment of deferred tax provision of HK$768 million (2007: Nil) in respect of the Group's deferred tax liabilities previously provided mainly on the investment property revaluation surplus, resulting from the 1% reduction in Hong Kong profits tax rate. Excluding the above tax effects, the tax charge was HK$894 million, including provision of HK$183 million (2007: HK$236 million) made for certain tax cases concerning interest deductibility under dispute with the Inland Revenue Department.

Minority Interests

Minority interests decreased by HK$40 million to HK$330 million reflecting the decrease in net profits of certain non-wholly-owned subsidiaries, including i-CABLE.

Profit Attributable to Equity Shareholders

The Group's profit attributable to equity shareholders increased by HK$3,963 million or 89% to HK$8,393 million (2007: HK$4,430 million). Earnings per share were HK$3.05, based on 2,754 million shares after the Rights Issue (2007: HK$1.74 based on 2,543 million shares as restated for the Rights Issue).

Excluding the net investment property surplus of HK$5,421 million (2007: HK$1,799 million), and the related deferred tax credit of HK$691 million (2007: Nil) resulted from the 1% tax rate reduction, the Group's net profit attributable to equity shareholders would be HK$2,281 million (2007: HK$2,631 million), a decrease of HK$350 million or 13% over 2007.

(II) LIQUIDITY AND FINANCIAL RESOURCES

Rights Issue

In January 2008, the Company completed its Rights Issue for 306 million new ordinary shares at HK$30.00 each with net proceeds of HK$9.1 billion.

Shareholders' Equity

As at 30 June 2008, the Group's net asset value increased by 20% to HK$103,368 million or HK$37.54 per share (based on 2,754 million shares after Rights Issue), from HK$86,364 million or HK$35.28 per share (based on 2,448 million shares) respectively as at 31 December 2007.

The Group's total equity, including minority interests, was HK$110,014 million (2007: HK$92,002 million), increased by 20%.

Net Cash Flows for the Group's Operating and Investing Activities

For the period under review, the Group had net cash outflow for operating activities of HK$3.9 billion, primarily for the payments of land and construction cost of trading properties in China, compared with net cash inflow of HK$2.2 billion in the first half of 2007. For investing activities, the Group spent a net amount of HK$2.6 billion, mainly consisted of HK$2.0 billion for investments in jointly controlled entities involving in property development projects in China.

Capital Expenditure and Commitments

The capital expenditure incurred by the Group's core businesses during the period and related capital commitments at 30 June 2008 are analysed as follows:

		Capital Commitments as at 30 June 2008	
Business Unit/Company	**Capital Expenditure for 1-6/2008** ***HK$ Million***	**Authorised and Contracted for** ***HK$ Million***	**Authorised but not Contracted for** ***HK$ Million***
Property Investments/Others	261	196	84
Wharf T&T	148	126	143
Modern Terminals (67.6%-owned)	1,359	1,756	2,507
i-CABLE (73.8%-owned)	129	921	108
	1,897	2,999	2,842
For the first half of 2007	1,681		
As at 31 December 2007		3,531	2,651

For the Property Investment segment, the capital expenditure incurred was mainly related to the construction cost of Shanghai Wheelock Square, which is under development. For i-CABLE and Wharf T&T, the capital expenditures were incurred substantially for procurement of production and broadcasting equipment and additions to programming library 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 73.8% and 67.6% owned by the Group, funded their own capital expenditure programmes.

Apart from the above capital expenditure, the Group also incurred HK$9.4 billion in respect of its trading properties under development in China, including HK$2.0 billion for projects undertaken through joint ventures.

As at 30 June 2008, apart from the above capital commitments, the Group also committed to properties under development mainly in China, both by the Group's subsidiaries and through associates and jointly controlled entities, of a total amount of HK$66.1 billion (31 December 2007: HK$61.5 billion), including land cost of about HK$14.6 billion payable by installments mainly in 2008 and 2009. These developments will be executed by stages in the forthcoming years and funded by the Group's internal financial resources including its surplus cash of HK$16.0 billion, as well as bank and other financings. Other available resources include the HK$1.7 billion available-for-sale investments and proceeds from sales and pre-sales of properties.

Debts and Gearing

The Group's net debt decreased by HK$2.0 billion to HK$21.6 billion as at 30 June 2008 (31 December 2007: HK$23.6 billion), which was made up of HK$37.6 billion in debts and HK$16.0 billion in bank deposits and cash. Included in the Group's net debts were HK$10.3 billion and HK$2.1 billion (31 December 2007: HK$9.6 billion and HK$1.3 billion respectively) attributable to its non-wholly-owned subsidiaries, Modern Terminals and Harbour Centre Development Limited respectively, which are without recourse to the Company and other subsidiaries of the Group. Excluding these non-recourse debts, net debt decreased to HK$9.2 billion (31 December 2007: HK$12.7 billion).

As at 30 June 2008, the ratio of net debt to shareholders' equity was 20.9% and to total equity was 19.6% (31 December 2007: 27.3% and 25.6% respectively).

Finance and Availability of Facilities

The Group's available loan facilities and debt securities totally amounting to HK$57.6 billion, of which HK$37.6 billion were drawn and outstanding at 30 June 2008, are analysed as below:

	30 June 2008			
	Available Facility ***HK$ Billion***	**Total Debts** ***HK$ Billion***		**Undrawn Facility** ***HK$ Billion***
Company/wholly-owned subsidiaries				
Committed facilities	32.3	22.3	59%	10.0
Uncommitted facilities	2.2	0.8	2%	1.4
	34.5	23.1	61%	11.4
Non-wholly-owned subsidiaries				
Committed and uncommitted				
– Modern Terminals Limited	16.5	10.7	29%	5.8
– Harbour Centre Development Limited	4.3	2.9	7%	1.4
– i-CABLE Communications Limited	0.6	–	0%	0.6
– Others	1.7	0.9	3%	0.8
	57.6	37.6	100%	20.0

As at 30 June 2008, HK$7,245 million (31 December 2007: HK$4,189 million) of debt and certain banking facilities of the Group was secured by mortgage over certain properties under development, fixed assets, available-for-sale investments and bank deposits with total carrying value of HK$15,322 million (31 December 2007: HK$11,253 million).

The Group's debts were primarily denominated in Hong Kong dollar ("HKD"), United States dollar ("USD") and Renminbi ("RMB"). RMB borrowings were used to fund the Group's property development and port-related equity investments in China.

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 and foreign currency exposures.

The Group maintained a reasonable level of surplus cash, which was denominated principally in HKD and RMB, to facilitate the Group's business and investment activities. As at 30 June 2008, the Group also maintained a portfolio of available-for-sale investments, primarily in blue-chip securities, with an aggregate market value of HK$1.7 billion (31 December 2007: HK$2.9 billion), which is immediately available for liquidation to meet the Group's future investment commitments. The accumulated attributable surplus of the investments at 30 June 2008 amounted to HK$0.4 billion (31 December 2007: HK$0.8 billion) and is retained in reserves until the related investment is sold.

(III) HUMAN RESOURCES

The Group has approximately 12,900 employees as at 30 June 2008 (31 December 2007: 12,600). 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 six months ended 30 June 2008 amounted to HK$1,251 million, compared to HK$1,125 million for the same period in 2007.

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, a substantial proportion thereof being independent Non-executive Directors.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2008

	Note	**Unaudited 30/06/2008 *HK$ Million***	Unaudited 30/06/2007 *HK$ Million*
Turnover	2	**7,999**	8,609
Other net income	4	**89**	84
Direct costs and operating expenses		**(2,441)**	(3,028)
Selling and marketing expenses		**(363)**	(347)
Administrative and corporate expenses		**(485)**	(321)
Operating profit before depreciation, amortisation, interest and tax		**4,799**	4,997
Depreciation and amortisation		**(658)**	(626)
Operating profit	2 & 3	**4,141**	4,371
Increase in fair value of investment properties		**6,565**	2,537
Net other charge	5	**(326)**	–
		10,380	6,908
Finance costs	6	**(604)**	(480)
Share of results after tax of:			
Associates		**175**	140
Jointly controlled entities		**12**	11
Profit before taxation		**9,963**	6,579
Taxation	7	**(1,240)**	(1,779)
Profit for the period		**8,723**	4,800
Profit attributable to:			
Equity shareholders		**8,393**	4,430
Minority interests		**330**	370
		8,723	4,800
Interim dividend declared after the balance sheet date	8	**991**	881
Earnings per share			
Basic	9	**HK$3.05**	HK$1.74
Diluted	9	**HK$3.05**	HK$1.74
Interim dividend per share	8	**36.0 cents**	36.0 cents

CONSOLIDATED BALANCE SHEET

As at 30 June 2008

	Note	**Unaudited 30/06/2008 *HK$ Million***	Audited 31/12/2007 *HK$ Million*
Non-current assets			
Fixed assets			
Investment properties		**102,808**	95,782
Leasehold land		**5,717**	3,775
Other property, plant and equipment		**14,477**	15,056
		123,002	114,613
Goodwill and other intangible assets		**307**	302
Interest in associates		**3,508**	3,661
Interest in jointly controlled entities		**6,921**	5,076
Available-for-sale investments		**1,695**	2,858
Long term receivables		**358**	362
Programming library		**180**	184
Defined benefit pension scheme assets		**237**	239
Deferred tax assets		**328**	360
Derivative financial assets		**20**	17
		136,556	127,672
Current assets			
Properties for sale		**16,690**	9,235
Inventories		**105**	97
Trade and other receivables	10	**1,517**	1,396
Derivative financial assets		**41**	54
Bank deposits and cash		**16,032**	7,717
		34,385	18,499
Current liabilities			
Trade and other payables	11	**(5,575)**	(5,678)
Short term loans and overdrafts		**(6,105)**	(6,720)
Derivative financial liabilities		**–**	(107)
Taxation payable		**(1,404)**	(1,420)
		(13,084)	(13,925)
Net current assets		**21,301**	4,574
Total assets less current liabilities		**157,857**	132,246

	Note	**Unaudited 30/06/2008** ***HK$ Million***	Audited 31/12/2007 *HK$ Million*
Non-current liabilities			
Long term loans		**(31,527)**	(24,562)
Deferred taxation		**(15,802)**	(15,325)
Other deferred liabilities		**(265)**	(261)
Derivative financial liabilities		**(249)**	(96)
		(47,843)	(40,244)
NET ASSETS		**110,014**	92,002
Capital and reserves			
Share capital	12	**2,754**	2,448
Reserves	13	**100,614**	83,916
Shareholders' equity		**103,368**	86,364
Minority interests	13	**6,646**	5,638
TOTAL EQUITY		**110,014**	92,002

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the six months ended 30 June 2008

	Unaudited 30/06/2008 *HK$ Million*	Unaudited 30/06/2007 *HK$ Million*
Net gains not recognised in the consolidated profit and loss account	**676**	432
Profit for the period	**8,723**	4,800
Total recognised income for the period		
Attributable to equity shareholders	**9,095**	4,758
Attributable to minority interests	**304**	474
Total	**9,399**	5,232

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	Unaudited 30/06/2008 *HK$ Million*	Unaudited 30/06/2007 *HK$ Million*
Net cash (used in)/generated from operating activities (Note b)	**(3,922)**	2,213
Net cash used in investing activities	**(2,632)**	(6,205)
Net cash generated from financing activities	**14,954**	3,434
Increase/(decrease) in cash and cash equivalents	**8,400**	(558)
Cash and cash equivalents at 1 January	**7,031**	3,769
Cash and cash equivalents at 30 June	**15,431**	3,211
Analysis of the balance of cash and cash equivalents		
Bank deposits and cash (Note a)	**15,431**	3,211

Notes:

a. Cash and cash equivalents

	30/06/2008 *HK$ Million*	30/06/2007 *HK$ Million*
Bank deposits and cash in the consolidated balance sheet	**16,032**	3,211
Less: Pledged bank deposits	**(601)**	–
Cash and cash equivalents in the consolidated cash flow statement	**15,431**	3,211

b. Included HK$7,313 million attributable to increase in properties under development for sale

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of Preparation of the Financial Statements

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

The preparation of 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, 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 December 2007.

In 2008, the Group adopted the new interpretation of Hong Kong Financial Reporting Standards below, which is relevant to its operations.

HK (IFRIC) – 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

The Group has assessed the impact of the adoption of this new interpretation 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 and presentation of the financial statements will be resulted.

2. Segment Information

a. Business segments

Revenue and results	Revenue 30/06/2008 HK$ Million	Revenue 30/06/2007 HK$ Million	Results 30/06/2008 HK$ Million	Results 30/06/2007 HK$ Million
Property investment	**3,674**	3,115	**2,710**	2,288
Hong Kong	**2,907**	2,464	**2,428**	2,036
China	**257**	201	**110**	100
Hotels	**510**	450	**172**	152
Communications, media and entertainment ("CME")	**1,871**	1,903	**191**	182
Pay television	**699**	827	**61**	100
Internet and multimedia	**295**	295	**93**	86
Telecommunications	**789**	708	**57**	4
Others	**88**	73	**(20)**	(8)
Logistics	**1,832**	1,689	**808**	854
Terminals	**1,627**	1,495	**737**	787
Others	**205**	194	**71**	67
Property development	**587**	1,916	**330**	903
Hong Kong	**–**	554	**–**	336
China	**587**	1,362	**330**	567
	7,964	8,623	**4,039**	4,227
Investment and others	**179**	142	**327**	290
Inter-segment revenue (Note)	**(144)**	(156)	**–**	–
	7,999	8,609	**4,366**	4,517
Unallocated items			**(225)**	(146)
Operating profit			**4,141**	4,371
Increase in fair value of investment properties			**6,565**	2,537
Net other charge				
Property development			**(326)**	–
			10,380	6,908
Finance costs			**(604)**	(480)
Associates			**175**	140
Property development			**25**	45
Terminals			**150**	95
Jointly controlled entities			**12**	11
Property development			**(6)**	–
Terminals			**18**	11
Profit before taxation			**9,963**	6,579

2. Segment Information *(Continued)*

a. Business segments *(Continued)*

Note: Inter-segment revenue eliminated on consolidation includes:

	30/06/2008	30/06/2007
	HK$ Million	*HK$ Million*
Property investment	**53**	52
CME	**91**	104
	144	156

b. Geographical segments

Total segment revenue and operating profit for the period analysed by geographical segments are as follows:

	Revenue		**Operating Profit**	
	30/06/2008	30/06/2007	**30/06/2008**	30/06/2007
Revenue and results	***HK$ Million***	*HK$ Million*	***HK$ Million***	*HK$ Million*
Hong Kong	**7,017**	6,994	**3,763**	3,741
China	**958**	1,615	**311**	630
Singapore	**24**	–	**67**	–
	7,999	8,609	**4,141**	4,371

Total segment assets at the balance sheet date and capital expenditure and increase in interests in associates and jointly controlled entities incurred during the period analysed by geographical segments are as follows:

	Assets		**Capital expenditure**		**Increase in interests in associates and jointly controlled entities**	
	30/06/2008	31/12/2007	**30/06/2008**	30/06/2007	**30/06/2008**	30/06/2007
	HK$ Million	*HK$ Million*	***HK$ Million***	*HK$ Million*	***HK$ Million***	*HK$ Million*
Hong Kong	**122,970**	110,495	**401**	511	**–**	–
China	**46,972**	34,348	**1,496**	1,212	**2,040**	2,956
Singapore	**999**	1,328	**–**	–	**–**	–
	170,941	146,171	**1,897**	1,723	**2,040**	2,956

3. Operating Profit

Operating profit is arrived at:

	30/06/2008 **HK$ Million**	30/06/2007 HK$ Million
After charging/(crediting):		
Depreciation		
– assets held for use under operating leases	**41**	45
– other fixed assets	**508**	500
	549	545
Amortisation		
– programming library	**64**	59
– leasehold land	**43**	20
– other intangible assets	**2**	2
Total depreciation and amortisation	**658**	626
Staff costs including retirement scheme costs HK$50 million (2007: HK$43 million)	**1,251**	1,125
Cost of trading properties sold during the period	**261**	943
Net foreign exchange gain, including impact of forward foreign exchange contracts (Note a)	**(81)**	(96)
Rental income less direct outgoings	**(2,603)**	(2,174)
including :		
– Contingent rentals	**(301)**	(192)
Interest income	**(145)**	(74)
Dividend income from listed investments	**(30)**	(68)
Dividend income from unlisted investments	**(52)**	(54)
Profit on disposal of fixed assets	**–**	(16)

Note:

a. During the period, total exchange gain arising mainly from the translation of the net investments in certain China subsidiaries, associates and jointly controlled entities amounted to HK$1,229 million (2007: HK$254 million) for the Group, which has been dealt with as an equity movement.

4. Other Net Income

Other net income mainly represents net profit on disposal of available-for-sale investments of HK$89 million (2007: HK$84 million) which included a revaluation surplus of HK$126 million (2007: HK$84 million) transferred from the investments revaluation reserves.

5. Net Other Charge

Net other charge represents provision for certain China projects held by the Group's jointly controlled entities amounted to HK$326 million (2007: Nil).

6. Finance Costs

	30/06/2008 **_HK$ Million_**	30/06/2007 _HK$ Million_
Interest on:		
Bank loans and overdrafts repayable within five years	**363**	409
Other loans repayable within five years	**32**	99
Loans repayable over five years	**115**	30
Fair value cost on currency swaps	**152**	–
Other finance costs	**26**	7
	688	545
Less: Amount capitalised	**(84)**	(65)
	604	480

The Group's average effective borrowing rate for the period was 3.1% per annum (2007: 4.6% per annum).

7. Taxation

Taxation charged to consolidated profit and loss account represents:

	30/06/2008 **_HK$ Million_**	30/06/2007 _HK$ Million_
Current income tax		
Hong Kong profits tax	**492**	469
Underprovision in respect of prior years	**163**	252
Overseas taxation	**97**	147
	752	868
Land appreciation tax ("LAT") in the PRC	**60**	131
Deferred tax		
Change in fair value of investment properties	**1,114**	733
Origination and reversal of temporary differences	**84**	47
Effect on decrease in tax rate on deferred tax balances	**(768)**	–
Benefit of previously unrecognized tax losses now recognised	**(2)**	–
	428	780
	1,240	1,779

a. The provision for Hong Kong profits tax is based on the profit for the period as adjusted for tax purposes at the rate of 16.5% (2007: 17.5%).

In February 2008, the Hong Kong SAR Government enacted a reduction in the profits tax rate from 17.5% to 16.5% for the fiscal year 2008/09.

b. 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 LAT implemented upon the issuance of the Provisional Regulations of the 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 borrowings costs and all property development expenditures.

7. Taxation *(Continued)*

d. Tax attributable to associates and jointly controlled entities for the six months ended 30 June 2008 of HK$24 million (2007: HK$16 million) is included in the share of results of associates and jointly controlled entities.

8. Dividends

	30/06/2008 ***HK$ Million***	30/06/2007 *HK$ Million*
Interim dividend of 36 cents (2007 : 36 cents) proposed after the balance sheet date per share	**991**	881

a. The amount of the proposed interim dividend in respect of 2008 is based on 2,754 million shares (2007: 2,448 million shares) as enlarged by the rights issue completed in January 2008. The proposed interim dividends have not been recognised as liabilities at the balance sheet dates.

b. The final dividend of HK$1,212 million for 2007 was approved and paid in 2008.

9. Earnings Per Share

The calculation of earnings per share is based on the earnings attributable to ordinary equity shareholders for the period of HK$8,393 million (30/06/2007: HK$4,430 million) and the weighted average of 2,754 million ordinary shares in issue during the period (30/06/2007: 2,543 million ordinary shares after adjusting for the rights issue which was completed in January 2008).

Weighted average number of ordinary shares

	30/06/2008 ***HK$ Million***	30/06/2007 *HK$ Million*
Issued ordinary shares at 1 January	**2,448**	2,448
Effect of rights issue	**306**	95
Weighted average number of ordinary shares at 30 June	**2,754**	2,543

For the period under review and the preceding comparative period, there is no difference between the basic and diluted earnings per share.

10. Trade and Other Receivables

Included in this item are trade receivables (net of allowance for bad and doubtful debts) with an ageing analysis as at 30 June 2008 as follows:

	30/06/2008 ***HK$ Million***	31/12/2007 *HK$ Million*
Trade receivables		
0 – 30 days	**476**	505
31 – 60 days	**210**	222
61 – 90 days	**73**	35
Over 90 days	**27**	59
	786	821
Other receivables	**731**	575
	1,517	1,396

10. Trade and Other Receivables *(Continued)*

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

11. Trade and Other Payables

Included in this item are trade payables with an ageing analysis as at 30 June 2008 as follows:

	30/06/2008	31/12/2007
	HK$ Million	*HK$ Million*
Trade payables		
0 – 30 days	**145**	194
31 – 60 days	**81**	76
61 – 90 days	**25**	13
Over 90 days	**58**	52
	309	335
Rental and customer deposits	**1,598**	1,476
Other payables	**3,668**	3,867
	5,575	5,678

12. Share Capital

	30/06/2008	31/12/2007		
	No. of shares	No. of shares	**30/06/2008**	31/12/2007
	Million	*Million*	***HK$ Million***	*HK$ Million*
Authorised				
Ordinary shares of HK$1 each	**3,600**	3,600	**3,600**	3,600
Issued and fully paid				
Ordinary shares of HK$1 each				
At 1 January	**2,448**	2,448	**2,448**	2,448
Rights issue	**306**	–	**306**	–
At 30 June/31 December	**2,754**	2,448	**2,754**	2,448

On 16 January 2008, the Company completed its Rights Issue for 306 million new ordinary shares at HK$30.00 each.

13. Capital and Reserves

	Shareholders' equity								
	Share capital HK$ Million	Share premium HK$ Million	Capital redemption reserves HK$ Million	Investments revaluation reserves HK$ Million	Exchange and other reserves HK$ Million	Revenue reserves HK$ Million	Total shareholders' equity HK$ Million	Minority interests HK$ Million	Total equity HK$ Million
The Group									
Balance at 1 January 2008	2,448	7,751	7	763	791	74,604	86,364	5,638	92,002
Surplus on revaluation of available-for-sale investments	–	–	–	(271)	–	–	(271)	(114)	(385)
Transfer to the consolidated profit and loss account on disposal of available-for-sale investments	–	–	–	(87)	–	–	(87)	(39)	(126)
Exchange difference	–	–	–	–	947	–	947	124	1,071
Share of reserves of associates / jointly controlled entities	–	–	–	–	136	–	136	22	158
Others	–	–	–	–	(17)	(6)	(23)	(19)	(42)
Net income / (expenses) recognised directly in equity	–	–	–	(358)	1,066	(6)	702	(26)	676
Profit for the period	–	–	–	–	–	8,393	8,393	330	8,723
Total recognised income and expenses	–	–	–	(358)	1,066	8,387	9,095	304	9,399
Rights issue	306	8,815	–	–	–	–	9,121	–	9,121
Shares issued by subsidiaries	–	–	–	–	–	–	–	953	953
Dividends approved in respect of the previous year (Note 8b)	–	–	–	–	–	(1,212)	(1,212)	–	(1,212)
Advances to minority interests	–	–	–	–	–	–	–	(47)	(47)
Dividends paid to minority interests	–	–	–	–	–	–	–	(202)	(202)
Balance at 30 June 2008	**2,754**	**16,566**	**7**	**405**	**1,857**	**81,779**	**103,368**	**6,646**	**110,014**

14. Material Related Party Transactions

Except for the transactions noted below, the Group and the Company have not been a party to any material related party transactions during the period ended 30 June 2008 :

a. Loans totalling HK$88 million (31/12/2007: HK$120 million) advanced by the Group to an associate involved in the Bellagio property development project are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules. Waivers were granted by the Stock Exchange in 1997 and 1994 from complying with the relevant connected transaction requirements. The net interest earned by the Group from these loans during the period is not material in the context of these financial statements.

b. In respect of the period ended 30 June 2008, the Group earned rental income totalling HK$219 million (2007: HK$173 million) from various tenants which are wholly-owned by, or are non-wholly-owned subsidiaries of, companies which in turn are wholly-owned by the family interests of, or by a trust the settlor of which is, the Chairman of the Company. Such transactions are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules.

15. Contingent Liabilities

As at 30 June 2008, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to overdrafts, short term loans and credit facilities, bonds and notes of up to HK$40,034 million (31/12/2007: HK$33,616 million). The Company has not recognised any deferred income for the guarantees given in respect of borrowings and other banking facilities for subsidiaries as their fair value cannot be reliably measured and their transaction price was HK$Nil.

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

16. Commitments

The Group's outstanding commitments on expenditure as at 30 June 2008 included below:

	30/06/2008			31/12/2007		
	Hong Kong *HK$ Million*	**China** *HK$ Million*	**Total** *HK$ Million*	Hong Kong *HK$ Million*	China *HK$ Million*	Total *HK$ Million*
a. Capital expenditure						
Authorised and contracted for	**486**	**1,644**	**2,130**	243	2,544	2,787
Authorised but not contracted for	**667**	**2,089**	**2,756**	704	1,870	2,574
	1,153	**3,733**	**4,886**	947	4,414	5,361
b. Programming and others						
Authorised and contracted for	**869**	**–**	**869**	744	–	744
Authorised but not contracted for	**86**	**–**	**86**	77	–	77
	955	**–**	**955**	821	–	821
c. Properties under development						
Authorised and contracted for	**8**	**11,788**	**11,796**	–	15,272	15,272
Authorised but not contracted for	**–**	**38,923**	**38,923**	–	32,155	32,155
	8	**50,711**	**50,719**	–	47,427	47,427
d. Properties under development undertaken by associates and jointly controlled entities attributable to the Group						
Authorised and contracted for	**–**	**6,293**	**6,293**	–	5,759	5,759
Authorised but not contracted for	**–**	**9,085**	**9,085**	–	8,290	8,290
	–	**15,378**	**15,378**	–	14,049	14,049
e. Expenditure for operating leases						
Within one year	**67**	**–**	**67**	72	–	72
After one year but within five years	**39**	**–**	**39**	56	–	56
Over five years	**69**	**–**	**69**	68	–	68
	175	**–**	**175**	196	–	196

(i) Commitments for properties under development by the Group's subsidiaries or through associates and jointly controlled entities included outstanding land cost attributable to the Group of HK$14,568 million payable by instalments in 2008 and 2009. Other commitments under the categories are mainly construction cost for the forthcoming years.

(ii) Commitments for capital expenditure in China are mainly related to Modern Terminals' port expenditure for the Dachan Bay and Taicang projects.

(iii) The Group leases a number of properties and telecommunications network facilities under operating leases. The leases typically run for an initial period of two to fifteen years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

17. Review of Unaudited Interim Financial Statements

The unaudited interim financial statements for the six months ended 30 June 2008 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 June 2008, 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 and a fellow subsidiary, namely, Wheelock and Company Limited ("Wheelock") and Wheelock Properties Limited ("WPL"), and two subsidiaries of the Company, namely, i-CABLE Communications Limited ("i-CABLE") and Modern Terminals Limited ("Modern Terminals"), and the percentages which the shares represented to the issued share capitals of the five companies respectively are also set out below:

	No. of Ordinary Shares (Percentage of Issued Capital)	**Nature of Interest**
The Company		
Mr Gonzaga W J Li	772,367 (0.0280%)	Personal Interest
Mr Stephen T H Ng	731,314 (0.0266%)	Personal Interest
Mr T Y Ng	200,268 (0.0073%)	Personal Interest
Wheelock		
Mr Peter 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
Mr Gonzaga W J Li	1,486,491 (0.0732%)	Personal Interest
Mr Stephen T H Ng	300,000 (0.0148%)	Personal Interest
Mr T Y Ng	70,000 (0.0034%)	Personal Interest
WPL		
Mr Gonzaga W J Li	2,900 (0.0001%)	Personal Interest
i-CABLE		
Mr Gonzaga W J Li	68,655 (0.0034%)	Personal Interest
Mr Stephen T H Ng	1,065,005 (0.0529%)	Personal Interest
Mr T Y Ng	17,801 (0.0009%)	Personal Interest
Modern Terminals		
Mr Hans Michael Jebsen	3,787 (5.40%)	Corporate Interest

Notes: *(i)* *The 995,221,678 shares of Wheelock stated above as "Other Interest" against the name of Mr Peter K C Woo represented an interest comprised in certain trust properties in which Mr Woo was taken, under certain provisions in Part XV of the Securities and Futures Ordinance (the "SFO") which are applicable to a director or chief executive of a listed company, to be interested.*

(ii) *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.*

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 which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company as at 30 June 2008, 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)	Lynchpin Limited	193,879,157	(7.04%)
(ii)	Star Attraction Limited	193,879,157	(7.04%)
(iii)	Wheelock Properties Limited	193,879,157	(7.04%)
(iv)	Myers Investments Limited	193,879,157	(7.04%)
(v)	Wheelock Corporate Services Limited	193,879,157	(7.04%)
(vi)	WF Investment Partners Limited	1,183,652,306	(42.98%)
(vii)	Wheelock and Company Limited	1,377,531,463	(50.02%)
(viii)	HSBC Trustee (Guernsey) Limited	1,377,531,463	(50.02%)

Note: For the avoidance of doubt and double counting, it should be noted that duplication occurs in respect of the shareholdings stated against parties (i) to (viii) above to the extent that the shareholding stated against party (i) above was entirely duplicated with or included in that against party (ii) above, with the same duplication of the shareholdings in respect of (ii) and (iii), (iii) and (iv), (iv) and (v), (v) and (vi), (vi) and (vii) and (vii) and (viii).

All the interests stated above represented long positions and as at 30 June 2008, there were no short positions 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, 22 September 2008 to Wednesday, 24 September 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 Friday, 19 September 2008.

By Order of the Board
Wilson W. S. Chan
Company Secretary

Hong Kong, 27 August 2008

As at the date of this interim report, the Board of Directors of the Company comprises Mr Peter K C Woo, Mr Gonzaga W J Li, Mr Stephen T H Ng, Ms Doreen Y F Lee, Mr Paul Y C Tsui and Mr T Y Ng, together with six independent Non-executive Directors, namely, Mr Paul M P Chan, Professor Edward K Y Chen, Dr Raymond K F Ch'ien, Hon Vincent K Fang, Mr Hans Michael Jebsen and Mr James E Thompson.