Wheelock & COMPANY LIMITED

INTERIM REPORT 2008

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HIGHLIGHTS OF GROUP RESULTS

- The Company changed its financial year-end date from 31 March to 31 December in the second half of 2007.

- The Group's 2008 interim results cover the six months ended 30 June 2008 and consolidate Wharf's results for the same period. In 2007, the Group's interim results covered the six months ended 30 September 2007 and included Wharf's results for the nine months ended 30 September 2007.

- Group turnover was HK$12,273 million (2007: HK$13,856 million).

- The Group's investment properties were revalued with a surplus of HK$7,280 million (2007: HK$4,991 million).

- Profit attributable to shareholders was HK$4,540 million (2007: HK$4,030 million). Earnings per share were HK$2.23 (2007: HK$1.98).

- Excluding the investment property revaluation surplus (after deferred tax), certain exceptional impairment provisions and the three months of additional contributions from Wharf in 2007, profit attributable to shareholders increased by 12% to HK$1,734 million (2007: HK$1,545 million).

- An interim dividend of 2.5 cents per share (2007: 2.5 cents per share) was declared.

- Net asset value increased by 8% to HK$30.09 per share (31 December 2007: HK$27.88 per share).

- Consolidated net debt was HK$23,118 million (31 December 2007: HK$21,912 million). Excluding Wharf's net debt, which is non-recourse to the Company, the net debt was HK$1,518 million (31 December 2007: net cash of HK$1,653 million).

- Net debt to total equity was 18.0% (31 December 2007: 19.2%).

GROUP RESULTS

The Company changed its financial year end date from 31 March to 31 December to get in line with the financial year end date of its major listed subsidiary, namely, The Wharf (Holdings) Limited, in the last financial period. Accordingly, the Group's 2008 interim results for the six months ended 30 June 2008 are compared to the published interim results for the six months ended 30 September 2007 which consolidated Wharf's results for the nine-month period from 1 January to 30 September 2007. As a result, the comparative figures are not entirely comparable with those of the period under review.

The Group reported an unaudited profit attributable to equity shareholders for the six months ended 30 June 2008 of HK$4,540 million, compared to HK$4,030 million for the six months from 1 April 2007 to 30 September 2007. Earnings per share were HK$2.23 (2007: HK$1.98).

INTERIM DIVIDEND

The Board has declared an interim dividend of 2.5 cents (2007: 2.5 cents) 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.

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENT REVIEW

Property

Crawford House (wholly-owned)
The office and retail portion of Crawford House was 95% and 93% leased respectively at the end of June 2008 at satisfactory rental rates.

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

Including the net investment property revaluation surplus, group profit for the first half of 2008 grew by 36% to HK$655 million (2007: HK$483 million). Earnings per share were HK$0.32 (2007: HK$0.23). Excluding the revaluation surplus and the net impairment loss for SC Global shares as well as investment in a jointly controlled entity, group profit was up by 106% to HK$671 million (2007: HK$325 million). The increase in recurring profit was attributable to the recognition of development profit for The Sea View in Singapore upon its completion.

New Acquisition
During the period, the group has acquired 93% interest in the property situate at 46 Belcher's Street for approximately HK$305 million. The property is planned for re-development into residential properties for sale.

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 redeveloped into a high rise industrial building.

Both Wheelock House and Fitfort were 98% leased at satisfactory rental rates at the end of June 2008.

In line with its policy of disposing of non-core assets, the group has during the period sold off the remaining office units in Wing On Plaza.

By the end of June 2008, the group has acquired up to 94% interest in the residential units at 211-215C Prince Edward Road West. The project is planned for residential re-development.

On the Mainland property development front, the group acquired two pieces of residential land with the China Merchants Property ("CMP") group in Foshan of Guangdong Province at public auctions in 2007. The first piece of land, situate at Xincheng District (新城區), boasts a site area of 2.88 million square feet and offers a plot ratio GFA of 2.43 million square feet attributable to the group. Located at Chancheng (禪城), the second piece of land has a site area of 1.15 million square feet and offers a plot ratio GFA of 1.45 million square feet attributable to the group. The group has formed two 50:50 joint venture companies with the CMP group for the purpose of developing the two pieces of land. Completion of the first and second development is scheduled for 2012 and 2011 respectively.

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

Development Properties

The Sea View is a residential condominium development of six tower blocks with 546 apartments and the development has been completed during the period. All of the 546 units have been sold at satisfactory prices by June 2008.

The Cosmopolitan is a residential condominium development with 228 apartments on the former Times House site and the development is scheduled for completion in the third quarter of 2008. All of the 228 units have been pre-sold at satisfactory prices by June 2008.

Ardmore II is a prime residential condominium development with 118 apartments. Main construction works are in progress and the development is slated for completion by 2010. All of the 118 units have been pre-sold at satisfactory prices by June 2008.

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 construction works are in progress and completion is scheduled for 2009. It is expected to be launched for sale in 2009.

Scotts Square on Scotts Road is strategically located in the main shopping belt of Orchard Road. It is a prime residential condominium development with 338 international quality apartments, plus a retail annex. Retail podium is held for long term investment purposes. Pre-sales of apartments has met with favourable responses and has reached 70% by June 2008. Piling works for the project are in progress and completion is scheduled for 2011.

Ardmore 3 is planned for re-development and sale. It will be an international standard luxury 36-storey development in the prestigious Ardmore Park, next to Ardmore II. Design and planning work for the project is in progress and the project is scheduled for completion in 2012.

Investment Property

Wheelock Place, a commercial development at Orchard Road, Singapore, was 99% committed at satisfactory rental rates at the end of June 2008.

The Wharf (Holdings) Limited (a 50.02%-owned listed subsidiary) ("Wharf")

Wharf's group turnover and operating profit for the first six months of 2008 was HK$7,999 million (2007: HK$8,609 million) and HK$4,141 million (2007: HK$4,371 million). The year-on-year decrease was mainly attributable to lower property sales recognised by the Property Development segment both in Hong Kong and China. Net profit attributable to equity shareholders excluding the net revaluation surplus and related deferred tax credit was HK$2,281 million (2007: HK$2,631 million). Including an unrealised surplus from the revaluation of investment properties and the related tax impact, net profit attributable to equity shareholders was HK$8,393 million (2007: HK$4,430 million).

Harbour City (wholly-owned by Wharf)

Harbour City, the Wharf 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.

Turnover of Harbour City's retail sector grew by 24% to HK$1,054 million. Average retail 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.

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. 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. 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 (wholly-owned by Wharf)

Times Square, another core investment property asset of the Wharf 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.

Turnover from Times Square's retail sector rose by 12% to HK$405 million. Average retail occupancy was maintained at virtually 100%, with favourable rental growth.

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.

Excluding the acquisitions covered under New Acquisitions below, other development projects owned by Wharf include three lots in Chengdu – No. 10 Gaoxin District (高新區), Shuangliu Development Zone (雙流發展區) and Hongxing Road (紅星路), two lots in Nanchang District (南長區) in Wuxi (including a hotel, a 339-metre super tower and residential development), two lots in Suzhou (one lot between Jinji Lake (金雞湖) and Dushu Lake (獨墅湖) and another lot next to Qing Jian Hu (青劍湖) and Wei Ting Sun Island Golf and Resorts (唯亭太陽島高爾夫俱樂部)), Xihu District (西湖區) in Hangzhou, Nanan District (南岸區) in Chongqing and Qixia/Xianlin New District (棲霞區/ 仙林新區) in Nanjing City (南京市) are progressing according to plan. The Wharf group through Harbour Centre Development Limited ("HCDL"), also acquired five excellent sites in the cities of Chongqing (Jiangbei City (江北城)), Suzhou (Xinghu Jie (星湖街) and Xiandai Da Dao (現代大道)), Hangzhou (Qianjiang New City (錢江新城) of Shangcheng District (上城區)) and Changzhou during 2007. Acquisition of the first four sites was made through partnering with strong local property developers while the remaining site in Changzhou was wholly-owned by HCDL.

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 so 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. However, 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.

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.

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.

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%.

i-CABLE

For the first six months 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.

For Pay TV, 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, 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

During the period, 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

The Company changed its financial year end date from 31 March to 31 December in the last financial period. Accordingly, the Group's 2008 interim results for the six months ended 30 June 2008 are compared to the published interim results for the six months ended 30 September 2007 which consolidated Wharf's results for the nine-month period from 1 January to 30 September 2007. As a result, the comparative figures are not entirely comparable with those of the period under review.

Turnover

The Group's turnover for the six months period was HK$12,273 million (2007: HK$13,856 million), mainly contributed by Wharf and WPL. Wharf's turnover for the six months period ended 30 June 2008 was HK$7,999 million (nine months to 30 September 2007: HK$12,573 million), a year-on-year decline of HK$610 million or 7%, mainly attributable to the lower property sales recognised by its Property Development segment both in Hong Kong and China. This intermittent unfavourable variance outweighed the double-digit increase in revenue attributable to its Property Investment segment. WPL reported a substantial increase in turnover to HK$3,973 million (2007: HK$642 million), reflecting higher property sales revenue recognised upon completion of The Sea View project in Singapore.

Operating profit

The Group's operating profit was HK$5,188 million (2007: HK$6,962 million), comprising mainly profit contribution from Wharf of HK$4,141 million (nine months to 30 September 2007: HK$6,413 million) and from WPL of HK$923 million (2007: HK$352 million).

Property Investment

Revenue and operating profit from Property Investment segment were HK$3,917 million (2007: HK$4,937 million) and HK$2,886 million (2007: HK$3,603 million) respectively. Benefited from the continuing rental reversion and high occupancy rate, Wharf's Property Investment segment revenue grew year-on-year by 18% to HK$3,674 million. Excluding hotel revenue, Wharf'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 its Hong Kong properties and of 28% to HK$257 million attributable to its China properties. The Group's other major investment properties, including Wheelock House and Crawford House in Hong Kong and Wheelock Place in Singapore, also achieved higher rental rates during the period under review.

Property Development

Revenue and operating profit from Property Development segment were HK$4,468 million (2007: HK$3,099 million) and HK$1,099 million (2007: HK$1,286 million) respectively. Wharf's property sales revenue for the period was HK$587 million, mainly derived from sales of Wellington Garden and Wuhan Times Square residential units in China (nine months to 30 September 2007: property sales HK$2,344 million generated from the sales of the same projects in China and three Gough Hill houses in Hong Kong). WPL's property sales revenue was HK$3,623 million (2007: HK$159 million), largely attributable to The Sea View project on its completion in the second quarter of 2008.

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 their completion. Accordingly, the Group recognised attributable net profit of HK$304 million upon completion of The Sea View during the period under review. On the same basis, profits recognised by WPSL in respect of its pre-sales of The Cosmopolitan and Ardmore II units were reversed and excluded from the Group's consolidated results. As at 30 June 2008, the cumulative reversed profits attributable to the Group amounted to HK$471 million.

As at 30 June 2008, WPSL sold all the units at The Sea View, The Cosmopolitan and Ardmore II, and 238 residential units (70% sold) at Scotts Square. No profit from pre-sale of Scotts Square was recognised by WPSL in accordance with its accounting policies as the project is still in its initial stage of construction.

CME

CME segment reported revenue and operating profit of HK$1,871 million and HK$191 million (nine months to 30 September 2007: HK$2,844 million and HK$257 million) respectively. Due to severe competition in its marketplace, Wharf's Pay TV business recorded a 16% year-on-year decrease in revenue to HK$699 million while that of Internet and Multimedia was largely unchanged at HK$295 million. This unfavourable variance was substantially mitigated by the increase in revenue from other CME businesses. For the financial period under review, operating profit of CME businesses comprised mainly Pay TV of HK$61 million, Internet and Multimedia of HK$93 million and contribution from Wharf T&T of HK$57 million.

Logistics

Logistics segment reported revenue and operating profit of HK$1,832 million and HK$808 million (nine months to 30 September 2007: HK$2,656 million and HK$1,383 million) respectively. Comparing to the six months results to 30 June 2007, Wharf's Logistics segments revenue increased by 8%, mainly reflecting increase in throughput handled by Modern Terminals. Whereas, operating profit slipped by 5%, 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.

Investment and Others

Investment revenue and operating profit were HK$393 million and HK$450 million (2007: HK$590 million and HK$662 million) respectively, comprising mainly dividend from the Group's long-term investment portfolio and interest income.

Increase in fair value of investment properties

The Group's investment properties were revalued by independent valuers producing a revaluation surplus of HK$7,280 million (2007: HK$4,991 million).

The attributable net surplus of HK$2,977 million (2007: HK$1,816 million), after the related deferred tax and minority interests in total of HK$4,303 million (2007: HK$3,175 million), was credited to the consolidated profit and loss account.

Net other charge

Included in the Group's profit were impairment provision of HK$482 million (HK$272 million attributable to the Group) made by WPSL for its 14% interest in SC Global Developments Limited ("SC Global") and provision for diminution of HK$479 million (HK$271 million attributable to the Group) made for certain China projects undertaken by the Group's jointly controlled entities, following an internal review.

Finance costs

Finance costs charged to the profit and loss account were HK$698 million (2007: HK$766 million). The charge was after capitalisation of HK$103 million (2007: HK$208 million) for the Group's related assets. The Group's average effective borrowing rate was approximately 3.0% per annum (2007: 4.8% per annum).

Share of results after tax of associates and jointly controlled entities

Share of profits of associates was HK$165 million (2007: HK$189 million), which covered the profit contribution from Modern Terminals' port investment in Mega SCT in Shekou and the sale of Parc Palais units undertaken by an associate of WPL. Contribution from jointly controlled entities of HK$10 million (2007: HK$22 million) was also mainly related to terminal business in China, which began to bear fruit.

Taxation

Taxation charge for the period was HK$1,483 million (2007: HK$2,750 million), which included deferred taxation of HK$1,241 million (2007: HK$1,280 million) on the revaluation surplus of investment properties and a downward adjustment of deferred tax provision of HK$738 million (2007: Nil), HK$372 million attributable to the Group, in respect of the Group's deferred tax liabilities previously provided 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$980 million (2007: HK$1,470 million), including provision of HK$183 million (2007: HK$236 million) made by Wharf for certain tax cases concerning interest deductibility under dispute with the Inland Revenue Department.

Minority interests

Profit shared by minority interests was HK$4,961 million (2007: HK$4,618 million), which was mainly attributable to the profit of Wharf and WPL.

Profit attributable to equity shareholders

Group profit attributable to equity shareholders was HK$4,540 million (2007: HK$4,030 million). Earnings per share were HK$2.23 (2007: HK$1.98).

Excluding the attributable investment property revaluation surplus after related tax credit adjustment and the exceptional impairment provisions for SC Global shares and for certain China projects undertaken by jointly controlled entities, the Group's net profit was HK$1,734 million, an increase of HK$189 million or 12% on a comparable basis over the last financial period (2007: HK$1,545 million, excluding Wharf's additional three-month attributable profit of HK$669 million for its accounting period from July to September 2007).

Set out below is an analysis of the Group's profit attributable to the equity shareholders as contributed by each of Wharf, WPL and the Company and its other subsidiaries.

Profit attributable to	Six months ended **30/6/2008** **HK$ Million**	30/9/2007 HK$ Million
Wharf group (2007: attributable profit for 6 months ended 30 June 2007)	**1,257**	1,266
WPL group (excluded dividends from its 7% holding in Wharf)	**444**	193
The Company and its other subsidiaries	**33**	86
Profit before below exceptionals	**1,734**	1,545
Wharf's additional three-month profit for period from July to September 2007 resulting from change of year-end date	**–**	669
Profit before exceptional provisions and investment property surplus	**1,734**	2,214
Attributable impairment loss for SC Global shares	**(272)**	–
Attributable provisions for certain China projects	**(271)**	–
Profit before investment property surplus/related tax adjustment	**1,191**	2,214
Attributable investment property surplus (after deferred tax)	**2,977**	1,816
Attributable tax credit adjustment on reduction of tax rate	**372**	–
Profit atttributable to equity shareholders	**4,540**	4,030

Wharf's profit for its six months ended 30 June 2008 was HK$8,393 million (2007: HK$4,430 million). Excluding the attributable investment property surplus, the tax credit adjustment on reduction of tax rate and the provision for its China projects, Wharf's net profit was HK$2,607 million (2007: HK$2,631 million).

WPL's profit for its six months ended 30 June 2008 was HK$655 million (2007: HK$483 million). Excluding the attributable investment property surplus and impairment provisions for SC Global shares and a jointly controlled entity, WPL's net profit was HK$671 million (2007: HK$325 million). During the period, WPL received a dividend of HK$85 million (2007: HK$76 million) from Wharf.

(II) Liquidity and Financial Resources

Shareholders' equity

The Group's shareholders' equity increased by 8% to HK$61,133 million or HK$30.09 per share as at 30 June 2008, compared to HK$56,651 million or HK$27.88 per share as at 31 December 2007.

The Group's total equity, including minority interests, was HK$128,403 million as at 30 June 2008, an increase of 12% from HK$114,159 million as at 31 December 2007.

Net cash flows for the Group's operating and investing activities

For the period under review, the Group had a net cash outflow for operating activities of HK$2.4 billion, primarily due to Wharf's payment of land and construction cost for its trading properties in China. The major cash inflows attributed to proceeds received by WPSL from sales of properties in Singapore. For investing activities, the Group spent a net amount of HK$3.0 billion, which included HK$2.5 billion for the Group's investments in jointly controlled entities involving in property development projects in China.

Capital expenditure and commitments

The capital expenditure substantially incurred by Wharf'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	
	Capital Expenditure 1-6/2008 HK$ Million	Authorised and Contracted for HK$ Million	Authorised but not Contracted for HK$ Million
Wharf group			
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
WPL group (74.3%-owned)	53	–	–
Total	**1,950**	**2,999**	**2,842**
As at 31 December 2007		3,531	2,651

For Property Investment segment, the above capital expenditure incurred was mainly related to construction cost of Wharf's 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, Modern Terminals and WPL respectively 73.8%, 67.6% and 74.3% owned by the Group, funded their own capital expenditure programmes.

During the period under review, the Group also incurred HK$10.9 billion (HK$9.4 billion and HK$1.5 billion incurred by Wharf and WPL respectively) for its trading properties under development mainly in China, including HK$2.5 billion for projects undertaken through joint ventures.

As at 30 June 2008, apart from the above capital commitments, Wharf also committed to properties under development mainly in China, both by its 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 instalments mainly in 2008 and 2009. These developments will be executed by stages in the forthcoming years. WPL's commitments for its properties under development amounted to HK$4.6 billion as of 30 June 2008 (31 December 2007: HK$4.2 billion).

The above commitments will be funded by the respective groups' internal financial resources, bank and other borrowings as well as other available resources, including available-for-sale investments and proceeds from sales and pre-sales of properties.

Net debt and gearing

The Group's net debt was HK$23,118 million as at 30 June 2008 (31 December 2007: HK$21,912 million), which was made up of debts of HK$45,994 million and bank deposits and cash of HK$22,876 million. Excluding Wharf's net debt of HK$21,600 million, which is non-recourse to the Company, the net debt was HK$1,518 million (31 December 2007: net cash of HK$1,653 million). Analysis of the net debt by group is as below:

Net debt/(cash)	**30/6/2008 HK$ Million**	31/12/2007 HK$ Million
Wheelock Group (excludes Wharf)	**1,518**	(1,653)
Wheelock/wholly-owned subsidiaries	**4,470**	932
WPL	**(1,491)**	(2,291)
WPSL	**(1,461)**	(294)
Wharf group	**21,600**	23,565
Wharf (excludes below subsidiaries)	**9,676**	13,331
Modern Terminals	**10,348**	9,602
HCDL	**2,121**	1,274
i-CABLE	**(545)**	(642)
Group	**23,118**	21,912
Gearing of the Group:		
Net debt to shareholders' equity	**37.8%**	38.7%
Net debt to total equity	**18.0%**	19.2%

In January 2008, Wharf completed its rights issue and received a net proceeds of HK$9.1 billion, of which HK$4.0 billion and HK$0.6 billion were paid by Wheelock and WPL for their respective subscriptions.

In March 2008, HCDL completed its rights issue and received a net proceeds of HK$2.0 billion, of which HK$1.56 billion was paid by Wharf for its subscription.

Finance and availability of facilities

The Group's available loan facilities and debt securities totalled HK$69.4 billion, of which HK$46.0 billion were drawn and outstanding as at 30 June 2008 with details below:

	Available Facility HK$ Billion	**Total Debts HK$ Billion**	**%**	**Undrawn Facility HK$ Billion**
Wheelock Group (excludes Wharf)	11.8	8.4	18%	3.4
Wheelock/wholly-owned subsidiaries	7.6	5.7	12%	1.9
WPL	0.2	–	0%	0.2
WPSL	4.0	2.7	6%	1.3
Wharf group	57.6	37.6	82%	20.0
Wharf (excludes below subsidiaries)	36.2	24.0	53%	12.2
Modern Terminals	16.5	10.7	23%	5.8
HCDL	4.3	2.9	6%	1.4
i-CABLE	0.6	–	0%	0.6
	69.4	**46.0**	**100%**	**23.4**

As at 30 June 2008, the Group's debts of HK$14.2 billion (31 December 2007: HK$6.3 billion) were secured by mortgage over certain properties under development, fixed assets, investments and bank deposits with total carrying value of HK$34.0 billion (31 December 2007: HK$16.4 billion).

The Group's debts were primarily denominated in Hong Kong dollar ("HKD"), US dollar ("USD"), Renminbi ("RMB") and Singapore dollar ("SGD"). RMB and SGD borrowings were used to fund the Group's property development and port-related equity investments in China, and the properties in 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 and foreign currency exposures.

The Group maintained a reasonable level of surplus cash, which was denominated principally in HKD, RMB and SGD, 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 as at 30 June 2008 of HK$5.0 billion (31 December 2007: HK$7.6 billion), which is immediately available for liquidation to meet the Group's future investment commitments. The accumulated attributable surplus of the investments as at 30 June 2008 amounted to HK$0.8 billion (31 December 2007: HK$1.5 billion) and is retained in reserves until the related investments are sold.

Contingent liabilities

There were no material contingent liabilities as at 30 June 2008 and 31 December 2007.

(III) Human Resources

The Group has 13,638 employees as at 30 June 2008 (31 December 2007: 13,384). 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$1,381 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, a substantial proportion thereof being independent Non-executive Directors.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2008

	Note	**Unaudited 30/6/2008 HK$ Million**	Unaudited 30/9/2007 HK$ Million
Turnover	2	**12,273**	13,856
Other net income	4	**142**	112
		12,415	13,968
Direct costs and operating expenses		**(5,644)**	(4,978)
Selling and marketing expenses		**(384)**	(556)
Administrative and corporate expenses		**(540)**	(537)
Operating profit before depreciation, amortisation, interest and tax		**5,847**	7,897
Depreciation and amortisation		**(659)**	(935)
Operating profit	3	**5,188**	6,962
Increase in fair value of investment properties		**7,280**	4,991
Net other charge	5	**(961)**	–
		11,507	11,953
Finance costs	6	**(698)**	(766)
Share of results after tax of:			
Associates		**165**	189
Jointly controlled entities		**10**	22
Profit before taxation		**10,984**	11,398
Taxation	7	**(1,483)**	(2,750)
Profit for the period		**9,501**	8,648
Profit attributable to:			
Equity shareholders		**4,540**	4,030
Minority interests		**4,961**	4,618
		9,501	8,648
Dividends attributable to equity shareholders			
Interim dividend declared	8	**51**	51
Earnings per share	9	**HK$2.23**	HK$1.98
Interim dividend per share	8	**2.5 cents**	2.5 cents

CONSOLIDATED BALANCE SHEET

At 30 June 2008

	Note	**Unaudited 30/6/2008 HK$ Million**	Audited 31/12/2007 HK$ Million
Non-current assets			
Fixed assets			
Investment properties		**113,786**	105,836
Leasehold land		**5,717**	3,775
Other property, plant and equipment		**15,185**	15,779
		134,688	125,390
Goodwill and other intangible assets		**307**	302
Interest in associates		**3,484**	3,632
Interest in jointly controlled entities		**8,253**	6,019
Available-for-sale investments		**5,026**	7,622
Long-term receivables		**428**	447
Programming library		**180**	184
Defined benefit pension scheme assets		**237**	239
Derivative financial assets		**20**	17
Deferred tax assets		**328**	360
		152,951	144,212
Current assets			
Properties for sale		**25,268**	19,805
Inventories		**105**	97
Trade and other receivables	10	**2,353**	1,878
Derivative financial assets		**48**	54
Bank deposits and cash		**22,876**	13,079
		50,650	34,913
Current liabilities			
Trade and other payables	11	**(5,774)**	(6,038)
Short-term loans and overdrafts		**(7,155)**	(7,120)
Deposits from sale of properties		**(4,031)**	(5,046)
Derivative financial liabilities		**–**	(131)
Taxation payable		**(1,862)**	(1,774)
Dividend payable		**–**	(51)
		(18,822)	(20,160)
Net current assets		**31,828**	14,753
Total assets less current liabilities		**184,779**	158,965
Non-current liabilities			
Long-term loans		**(38,839)**	(27,871)
Deferred taxation		**(17,023)**	(16,578)
Other deferred liabilities		**(265)**	(261)
Derivative financial liabilities		**(249)**	(96)
		(56,376)	(44,806)
NET ASSETS		**128,403**	114,159
Capital and reserves			
Share capital		**1,016**	1,016
Reserves		**60,117**	55,635
Shareholders' equity		**61,133**	56,651
Minority interests		**67,270**	57,508
TOTAL EQUITY	12	**128,403**	114,159

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the six months ended 30 June 2008

	Unaudited 30/6/2008 HK$ Million	Unaudited 30/9/2007 HK$ Million
Net income not recognised in the consolidated profit and loss account	**464**	1,108
Profit for the period	**9,501**	8,648
Total recognised income for the period attributable to:		
Equity shareholders	**4,685**	4,430
Minority interests	**5,280**	5,326
	9,965	9,756

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	Note	Unaudited 30/6/2008 HK$ Million	Unaudited 30/9/2007 HK$ Million
Net cash (used in)/generated from operating activities	(a)	**(2,396)**	4,291
Net cash used in investing activities		**(2,960)**	(10,407)
Net cash generated from financing activities		**15,071**	3,983
Net increase/(decrease) in cash and cash equivalents		**9,715**	(2,133)
Cash and cash equivalents at 1 January/1 April		**12,372**	10,235
Effect of foreign exchange rate changes		**167**	77
Cash and cash equivalents at 30 June/30 September		**22,254**	8,179
Analysis of the balances of cash and cash equivalents			
Bank balances and deposits	(b)	**22,254**	8,179

Notes:

(a) Mainly comprised increase in properties under development for sale in China.

(b) Cash and cash equivalents

Bank deposits and cash in the consolidated balance sheet	**22,876**	8,179
Less: Pledged bank deposits	**(622)**	–
Cash and cash equivalents in the condensed consolidated cash flow statement	**22,254**	8,179

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF THE INTERIM FINANCIAL STATEMENTS

(a) 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 applicable discloseable provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 and methods of computation used in the preparation of the interim financial statements are consistent with those described in the financial statements for the period 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) – Int 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.

(b) The Company changed its financial year end date from 31 March to 31 December in the last financial period, details of which are set out in note 1 of the 2007 Annual Report of the Company. Accordingly, the Group's consolidated financial statements for the six months ended 30 June 2008 include Wharf's consolidated financial statements for the six months ended 30 June 2008. The comparative figures, which cover a period for the six months from 1 April 2007 to 30 September 2007, cover Wharf's financial statements for the nine months period from 1 January 2007 to 30 September 2007. As a result of the change in the year end date of the Company, the comparative figures for the consolidated profit and loss account, condensed consolidated cash flow statement, condensed consolidated statement of recognised income and expense and related notes are therefore not entirely comparable with those of the period under review.

2. SEGMENT INFORMATION

(a) Business segments

	Revenue		Results	
	30/6/2008	30/9/2007	**30/6/2008**	30/9/2007
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Property investment	**3,917**	4,937	**2,886**	3,603
Hong Kong	**3,048**	3,877	**2,529**	3,175
China	**257**	305	**110**	148
Singapore	**102**	84	**75**	59
Hotels	**510**	671	**172**	221
Property development	**4,468**	3,099	**1,099**	1,286
Hong Kong	**420**	1,467	**120**	598
China	**587**	1,632	**330**	688
Singapore	**3,461**	–	**649**	–
Communications, media and entertainment ("CME")	**1,871**	2,844	**191**	257
Pay television	**699**	1,212	**61**	132
Internet and multimedia	**295**	442	**93**	132
Telecommunications	**789**	1,075	**57**	14
Others	**88**	115	**(20)**	(21)
Logistics	**1,832**	2,656	**808**	1,383
Terminals	**1,627**	2,366	**737**	1,284
Others	**205**	290	**71**	99
Investment and others	**393**	590	**450**	662
	12,481	14,126	**5,434**	7,191
Inter-segment revenue (Note)	**(208)**	(270)	**–**	–
	12,273	13,856	**5,434**	7,191
Unallocated expenses			**(246)**	(229)

	Results	
	30/6/2008	30/9/2007
	HK$ Million	HK$ Million
Operating profit	**5,188**	6,962
Increase in fair value of investment properties	**7,280**	4,991
Net other charge	**(961)**	–
Property development	**(479)**	–
Investment and others	**(482)**	–
	11,507	11,953
Finance costs	**(698)**	(766)
Associates	**165**	189
Property development	**15**	17
Terminals	**150**	172
Jointly controlled entities	**10**	22
Property development	**(8)**	–
Terminals	**18**	22
Profit before taxation	**10,984**	11,398
Taxation	**(1,483)**	(2,750)
Profit for the period	**9,501**	8,648

Note: Inter-segment revenue eliminated on consolidation includes:

	30/6/2008	30/9/2007
	HK$ Million	HK$ Million
Property investment	**60**	78
CME	**91**	160
Investment and others	**57**	32
	208	270

(b) Geographical segments

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

	Revenue		Operating profit	
	30/6/2008	30/9/2007	**30/6/2008**	30/9/2007
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Hong Kong	**7,660**	11,445	**3,996**	5,881
China	**958**	1,958	**311**	792
Singapore	**3,655**	453	**881**	289
Revenue/operating profit	**12,273**	13,856	**5,188**	6,962

(ii) 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	
	30/6/2008	31/12/2007	**30/6/2008**	30/9/2007	**30/6/2008**	30/9/2007
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million	**HK$ Million**	HK$ Million
Hong Kong	**136,137**	121,886	**405**	880	**–**	–
China	**48,304**	35,435	**1,496**	1,717	**2,514**	4,009
Singapore	**19,160**	21,804	**49**	–	**–**	–
	203,601	179,125	**1,950**	2,597	**2,514**	4,009

3. OPERATING PROFIT

	30/6/2008 HK$ Million	30/9/2007 HK$ Million
Operating profit is arrived at after charging/(crediting):		
Depreciation		
– assets held for use under operating leases	**41**	68
– other fixed assets	**509**	743
	550	811
Amortisation		
– programming library	**64**	91
– leasehold land	**43**	30
– other intangible assets	**2**	3
Total depreciation and amortisation	**659**	935
Staff costs including retirement scheme costs HK$55 million (2007: HK$70 million)	**1,381**	1,836
Cost of trading properties sold	**3,340**	1,670
Net foreign exchange gain, including impact of forward foreign exchange contracts (Note)	**(69)**	(115)
Rental income less direct outgoings	**(2,784)**	(3,448)
– including contingent rentals	**(302)**	(299)
Interest income	**(171)**	(187)
Dividend income from listed investments	**(93)**	(298)
Dividend income from unlisted investments	**(52)**	(81)
Profit on disposal of fixed assets	**–**	(17)

Note: During the period, total exchange gain arising from the translation of the net investments in WPSL and certain China subsidiaries, associates and jointly controlled entities amounted to HK$1,890 million (2007: HK$557 million) for the Group, which has been dealt with as an equity movement.

4. OTHER NET INCOME

	30/6/2008 HK$ Million	30/9/2007 HK$ Million
Net profit on disposal of available-for-sale investments	**86**	113
Profit on disposal of properties	**18**	–
Others	**38**	(1)
	142	112

5. NET OTHER CHARGE

Included in the Group's profit were impairment provisions of HK$482 million made by WPSL for its 14% interest in SC Global Developments Limited and provision for diminution of HK$479 million made for certain China projects held by the Group's jointly controlled entities, following an internal review.

6. FINANCE COSTS

	30/6/2008 HK$ Million	30/9/2007 HK$ Million
Interest on:		
Bank loans and overdrafts repayable within five years	**460**	780
Other loans repayable within five years	**32**	132
Loans repayable over five years	**115**	32
Fair value cost on currency swaps	**152**	–
Other finance costs	**42**	30
	801	974
Less: Amount capitalised	**(103)**	(208)
	698	766

The Group's effective borrowing interest rate for the six months period was approximately 3.0% (2007: 4.8%) per annum.

7. TAXATION

Taxation charged to the consolidated profit and loss account represents:

	30/6/2008 HK$ Million	30/9/2007 HK$ Million
Current income tax		
Hong Kong profits tax	**526**	729
Underprovision in respect of prior years	**163**	252
Overseas taxation	**223**	222
	912	1,203
Land appreciation tax in the PRC	**60**	188
Deferred tax		
Change in fair value of investment properties	**1,241**	1,280
Origination and reversal of temporary differences	**84**	79
Effect on reduction in tax rate on deferred tax balances	**(812)**	–
Benefit of previously unrecognised tax losses now recognised	**(2)**	–
	511	1,359
	1,483	2,750

(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 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) Tax attributable to associates and jointly controlled entities for the six months ended 30 June 2008 of HK$21 million (2007: HK$14 million) is included in the share of results after tax of associates and jointly controlled entities.

8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	30/6/2008	30/9/2007
	HK$ Million	HK$ Million
Interim dividend of 2.5 cents proposed after the balance sheet date (2007: 2.5 cents) per share	**51**	51

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

(b) The final dividend of HK$203 million (2007: HK$203 million) for the period ended 31 December 2007 was approved and paid in the financial period under review.

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on profit attributable to equity shareholders for the period of HK$4,540 million (2007: HK$4,030 million) and 2,032 million ordinary shares in issue throughout the six months ended 30 June 2008 and 30 September 2007.

10. TRADE AND OTHER RECEIVABLES

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

	30/6/2008	31/12/2007
	HK$ Million	HK$ Million
Trade debtors		
Current	**1,116**	768
31 – 60 days	**212**	229
61 – 90 days	**73**	35
Over 90 days	**27**	60
	1,428	1,092
Other receivables	**925**	786
	2,353	1,878

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 proceeds of the sold properties that 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:

	30/6/2008	31/12/2007
	HK$ Million	HK$ Million
Amounts payable in the next:		
0 – 30 days	**430**	439
31 – 60 days	**128**	132
61 – 90 days	**109**	110
Over 90 days	**260**	250
	927	931
Rental and customer deposits	**1,729**	1,591
Other payables	**3,118**	3,516
	5,774	6,038

12. TOTAL EQUITY

	Shareholders' equity							
	Share capital	Share premium	Investment revaluation reserves	Exchange and other reserves*	Revenue reserves	Total	Minority interests	Total equity
	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million
At 1 January 2008	1,016	1,914	1,539	1,302	50,880	56,651	57,508	114,159
Revaluation deficit	–	–	(912)	–	–	(912)	(741)	(1,653)
Transferred to the profit and loss account on:								
Disposal of available-for-sale investments	–	–	(108)	–	–	(108)	(106)	(214)
Impairment of available-for-sale investments	–	–	272	–	–	272	210	482
Exchange differences	–	–	–	785	–	785	877	1,662
Others	–	–	–	(7)	(3)	(10)	(31)	(41)
Share of reserves of associates/ jointly controlled entities	–	–	–	118	–	118	110	228
Net income recognised directly in equity	–	–	(748)	896	(3)	145	319	464
Profit for the period	–	–	–	–	4,540	4,540	4,961	9,501
Total recognised income and expenses	–	–	(748)	896	4,537	4,685	5,280	9,965
Shares issued by subsidiaries	–	–	–	–	–	–	5,490	5,490
Advance to minority interests	–	–	–	–	–	–	(47)	(47)
Dividends paid to minority interests	–	–	–	–	–	–	(961)	(961)
Final dividend approved in respect of the previous year (Note 8b)	–	–	–	–	(203)	(203)	–	(203)
At 30 June 2008	**1,016**	**1,914**	**791**	**2,198**	**55,214**	**61,133**	**67,270**	**128,403**

* Included in exchange and other reserves is capital redemption reserve of HK$19 million (31 December 2007: HK$19 million).

13. CONTINGENT LIABILITIES

There were no material contingent liabilities as at 30 June 2008 and 31 December 2007.

14. COMMITMENTS

The Group's outstanding commitments on expenditures as at 30 June 2008 included belows:

	30/6/2008				31/12/2007			
	Hong Kong	**China**	**Singapore**	**Total**	Hong Kong	China	Singapore	Total
	HK$ Million	**HK$ Million**	**HK$ Million**	**HK$ Million**	HK$ Million	HK$ Million	HK$ Million	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	**857**	**11,788**	**1,470**	**14,115**	266	15,272	1,609	17,147
Authorised but not contracted for	**173**	**39,201**	**–**	**39,374**	580	32,155	–	32,735
	1,030	**50,989**	**1,470**	**53,489**	846	47,427	1,609	49,882
(d) Properties under development undertaken by jointly controlled entities (attributable to the Group)								
Authorised and contracted for	**–**	**6,293**	**–**	**6,293**	–	6,081	–	6,081
Authorised but not contracted for	**–**	**11,197**	**–**	**11,197**	–	9,710	–	9,710
	–	**17,490**	**–**	**17,490**	–	15,791	–	15,791
(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) Commitment 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 telecommunication 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.

(iv) The above commitments, apart from HK$4.6 billion in respect of properties under development undertaken by WPL group or through its jointly controlled entities, are substantially attributable to Wharf group. As at 30 June 2008, the Group has available-for-sale investments of HK$5.0 billion and undrawn banking facilities of HK$23.4 billion available for funding the above commitments.

15. MATERIAL RELATED PARTY TRANSACTIONS

Except for the transactions noted below, the Group has not been a party to any material related party transactions during the six-month period ended 30 June 2008:

In respect of the period ended 30 June 2008, the Group earned rental income totalling HK$221 million (2007: HK$265 million, which included Wharf's rental income from the related parties for nine months ended 30 September 2007) 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. 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, and of three subsidiaries of the Company, namely, The Wharf (Holdings) Limited ("Wharf"), i-CABLE Communications Limited ("i-CABLE") and Wheelock Properties Limited ("WPL"), and the percentages which the relevant shares represented to the issued share capitals of the four 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	772,367 (0.0280%)	Personal Interest
S T H Ng	731,314 (0.0266%)	Personal Interest
K W S Ting	248,000 (0.0090%)	Personal Interest
i-CABLE		
G W J Li	68,655 (0.0034%)	Personal Interest
S T H Ng	1,065,005 (0.0529%)	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 under the section headed "Substantial Shareholders' Interests" below.

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

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 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)	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 in Notes (3) and (4) under the section headed "Directors' Interests in Shares" above.

All the interests stated above represented long positions and as at 30 June 2008, there were no short position interests recorded in the Register.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the financial period under review.

BOOK CLOSURE

The Register of Members will be closed from Monday, 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 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.