Wheelock & COMPANY LIMITED

Stock Code: 20 www.wheelockcompany.com

Interim Report 2009

HIGHLIGHTS OF GROUP RESULTS

- Group profit before investment property revaluation increased by 47%.
- Wharf contributed to 90% of attributable profit before investment property revaluation surplus and 93% after investment property revaluation surplus.
- Property Investment (excluding Hotels) reported an 11% increase in turnover and a 23% increase in profit before tax (and revaluation surplus).
- Property Development reported a 61% decrease in turnover and a 30% increase in profit before tax. China (with a 37% gross profit margin) and Hong Kong accounted for 78% and 22% of profit before tax respectively. A year ago, Singapore (with a 19% gross profit margin) had been the main contributor.
- Communications reported a 33% increase in profit before tax despite a 9% decline in turnover.
- Logistics alone under-performed as world trade contracted. With effective cost control, Modern Terminals reported a 9% decline in profit before tax to mitigate a 17% decline in turnover. The operating environment continued to improve after the period end.

GROUP RESULTS

The Group reported an unaudited profit attributable to shareholders for the six months ended 30 June 2009 of HK$1,754 million before investment property revaluation surplus, for an increase of 47% compared to that of last year, and HK$3,599 million after the revaluation surplus, for a decrease of 21% compared to that of last year. Earnings per share were HK$1.77 (2008: HK$2.23).

INTERIM DIVIDEND

The Board has declared an interim dividend of 2.5 cents (2008: 2.5 cents) per share, payable on 30 September 2009 to shareholders on record as at 23 September 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Wharf's turnover and profit before tax and investment property revaluation surplus grew by 8% to HK$8,611 million and 34% to HK$4,550 million respectively. Net profit attributable to shareholders increased by 44% to HK$3,292 million (2008: HK$2,281 million) before investment property revaluation surplus but decreased by 17% to HK$6,975 million (2008: HK$8,393 million) after the revaluation surplus. Earnings per share were HK$2.53 (2008: HK$3.05).

Harbour City

Backed by its critical mass, good tenant mix and high occupancy, Harbour City (excluding Hotels) achieved a turnover of HK$2,173 million for an increase of 11% over the same period of 2008. Operating profit rose by 13% to HK$1,881 million.

The global financial woes and human swine flu pandemic took their toll on the local retail market. Nevertheless, turnover from retail tenants grew by 12% to HK$1,197 million. Tenants continued to achieve robust sales performance, with a 7% year-on-year growth in retail sales to outperform the overall retail market by over 11 percentage points. Occupancy was maintained at nearly 100%, with leases renewed at base rent increments of 25% on average.

Although the Grade A office market was hard hit by dwindling demand, turnover from office tenants rose by 11% to HK$842 million. Occupancy was maintained at 94% at the end of the period and leases were renewed with rental increment. Given the increase of new supply in the marketplace, spot rent has been coming under pressure. To stay ahead, the premises will be improved and leasing will be flexible to market changes.

Times Square

Times Square turned over HK$686 million, for an increase of 11% over the same period of 2008. Operating profit grew by 12% to HK$596 million.

Turnover from retail tenants posted an increase of 12% to HK$455 million. Occupancy was maintained at virtually 100%, with favourable rental growth. To continuously stay ahead of the competition, a large-scale circulation improvement project is underway. The first phase of atrium express escalators was completed in July while the second phase is scheduled to be completed by October.

Turnover from the office tenants rose by 8% to HK$231 million, underpinned by positive rental reversion. Occupancy was maintained at 96% at the end of the period. Lease renewal retention rate stood high at 71%, with renewals including Hudson Global, JTI, Walt Disney, etc.

Investment properties, China

All four Times Squares in operation, i.e. in Beijing, Shanghai, Chongqing and Dalian, performed satisfactorily. With the launch of Dalian Times Square in late 2008, total revenue for investment properties rose by 11% and operating profit by 34%.

Superbly located in the Central Business District (CBD), Dalian Times Square is the most luxurious shopping mall in the city and the fashion hub of the Northeast. Tenants started to achieve robust sales shortly after opening and many are already paying turnover rent. This validates the group's ability to replicate the success stories of Harbour City and Times Square in the Mainland. It also serves as an excellent demonstration of the trust and recognition placed on the group's retail mall management capability by internationally renowned brands.

Wheelock Square at Nanjing Xi Road in Shanghai, with an attributable GFA of 1.2 million square feet of top quality Grade A offices, is scheduled for completion by April 2010.

Chengdu International Finance Centre is the group's next flagship development. Ideally located in Hongxing Road in the heart of the city's vibrant business centre, it is comparable in scale and significance to Harbour City in Hong Kong. From its top location in the city's main commercial district, this project will link to the adjacent mass transit railway station where two lines intersect. It will comprise a mega retail complex, Grade A offices, a five-star hotel and luxury residences. It aims to become the "Best of the West" as the new shopping hub for not only Chengdu but also the entire Western region. Site excavation work started in May 2009 and foundation work is scheduled to commence in the fourth quarter of 2009. Phase I comprising the mega retail complex and one office tower is targeting to complete by the first half of 2013.

Development properties, China

Turnover rose by HK$1,025 million to HK$1,612 million and profit before tax rose by HK$660 million to HK$626 million. Phased completion enabled pre-sales commitments for Dalian Times Square in Dalian and Tian Fu Times Square in Chengdu to be booked.

The Government's economic stimulus measures spurred a turnaround in the property market in the Mainland. With its successful branding and execution capability, the group launched various sales and pre-sales activities and received very good response. Most of the units launched were taken up within days and at prices close to the peak. In all, 2.2 million square feet of properties were sold or pre-sold, with a combined value of RMB1.8 billion, primarily in Chengdu, Dalian, Chongqing and Shanghai. This represented half of the group's target for full year 2009.

The group was particularly active in Chengdu. Over 95% of the first six residential towers (Times Residences) at Tian Fu Times Square, three of which launched in May to June, have been sold. Over 75% of the first eight residential towers at Crystal Park in Gaoxin District, four of which launched in April to June, have been pre-sold.

Dalian Times Square has successfully sold/pre-sold over 60% of its two residential towers (Dalian Times No.1 & 8). The former was launched in March.

The CBD International Community project located in Danzishi of Nanan District along the Yangtze River, superbly located in the future headquarters hub of Chongqing and developed by the group and China Overseas Land on a 40:60 basis, has pre-sold over 75% of its first twelve residential towers and 51% of its retail units launched. The development comprises 22.6 million square feet GFA of high-end comprehensive residences, apartments/retail development and is expected to be completed in phases by 2014.

At Wellington Garden in Shanghai, 87% of the units had been sold as at the end of June 2009. The four residential towers and the office-apartment towers at Wuhan Times Square have been 98% and 35% sold respectively.

Other projects under development include two lots in Shanghai (one lot in Huai Hai Xi Road, Changning District and one lot in Jingan District), two lots in Chengdu (one lot in Shuangliu Development Zone and one lot in Jinjiang District), five parcels of land in Wuxi (two parcels located along Beijing-Hangzhou Grand Canal at Renmin Plaza and three parcels in Nanchang District), two lots in Suzhou (one lot between Jinji Lake and Dushu Lake and another lot next to Qing Jian Hu) and one lot in Xihu District in Hangzhou. Listed subsidiary Harbour Centre Development Limited ("HCDL") also acquired five prime development sites in the cities of Chongqing (Jiangbei City), Suzhou (Xinghu Jie and Xiandai Da Dao), Changzhou (Xinbei District) and Shanghai (Yangpu District). All of these developments are progressing according to plan.

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

In spite of a drop in consolidated revenue and operating profit by 17% to HK$1,353 million and 23% to HK$583 million respectively, the effective cost control initiatives that started early helped to minimise the decline in profit. Profit before tax decreased by 9% to HK$749 million.

Throughput in Hong Kong dropped by 16% to 2.46 million TEUs amid the devastating global economic contraction. Taicang International Gateway expanded from four to six container berths with a capacity of 3.6 million TEUs. Da Chan Bay in Shenzhen has been building up its business steadily.

Other Businesses

Marco Polo Hotels

The hotel industry around the world was significantly impacted by the severe global financial crisis and the human swine flu pandemic during the period. Total revenue for the three hotels and the club in Harbour City declined to HK$410 million (2008: HK$510 million). Consolidated occupancy dropped to 76% (2008: 84%) and average room rates fell by 20%.

i-CABLE

i-CABLE returned to profitability after non-recurring charges had turned the second half of 2008 into a net loss.

Consumer and advertiser sentiment was badly shaken by the general state of the economy to affect the entire sector. The operating environment also remained competitive. Consolidated operating profit fell by HK$39 million year-on-year but improved by HK$122 million half-on-half to return to the black. This turnaround was stoked by cost savings, declining depreciation charges and a lack of the non-recurring items which had turned the second half of 2008 into a net loss. The company's liquidity position remained sound, with net cash increasing to HK$621 million as at 30 June 2009 (30 June 2008: HK$545 million).

Wharf T&T
Wharf T&T outperformed in spite of unfavourable market conditions.

The operating landscape marginally improved in the second quarter of 2009, compared to the first quarter, as the worst was perceived to be over. Competition continued to be heated in the business voice market. Nevertheless, brand equity and network coverage helped the company to deepen its penetration of the business data market. Data centre demand from some sectors began to rebuild towards the end of the period.

Total turnover increased by 5% to HK$831 million while operating profit rose by 132% to HK$132 million. Positive cash flow increased to HK$179 million (2008: HK$107 million).

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

WPL's group profit attributable to its equity shareholders decreased by 60% to HK$265 million (2008: HK$655 million). The underlying business was steady with its net profit increasing by 27%, when excluding the net surplus arising on the revaluation of the investment properties. There are two factors that eclipsed the underlying recurring performance: (a) revenue from Property Development in Singapore was substantially lower; and (b) there was a substantial decrease in the impairment provisions made in respect of long term stock investments.

Hong Kong
Redevelopment of 6D-6E Babington Path, Mid-levels and 2 Heung Yip Road, Aberdeen, is underway. The Babington will comprise 47 deluxe apartments of superb quality. The latter will be redeveloped into a high rise commercial building.

The group acquired the entire interest in the property at 211-215C Prince Edward Road West for residential redevelopment, upon acquisition of the sole remaining unit in April 2009 with a compulsory sale order granted by the Lands Tribunal.

By the end of June 2009, the group had acquired 98.5% of the interest in the property at 46 Belcher's Street. The site is planned for residential redevelopment.

Wheelock House and Fitfort were 96% and 97% leased respectively at satisfactory rental rates at the end of June 2009.

China
The group's two 50:50 joint ventures with China Merchants in Foshan of Guangdong Province are underway. The first project is situated in an integrated and well-planned new town (Xincheng District) of the Foshan City facing the Dong Ping River. It boasts a site area of 2.88 million square feet and offers a GFA of 2.43 million square feet attributable to the group. Pre-sales of the first phase of the townhouses had been well-received, with all units launched sold out within a few weeks. Twelve low-rise residential towers commenced pre-sales in March 2009 and met with overwhelming response, with all units launched sold out by June 2009. Located at the junction of Kuiqi Road and Guilan Road in Chancheng District, the second piece of land has a site area of 1.15 million square feet and offers a GFA of 1.45 million square feet attributable to the group. These developments are scheduled for completion in phases by 2012 and 2013 respectively.

Singapore
Profit attributable to shareholders of Wheelock Properties (Singapore) Limited ("WPSL"), 76%-owned by WPL, amounted to S$38.7 million for the financial period under review (2008: S$32.1 million) as reported in accordance with the applicable accounting standards in Singapore.

Development Properties

Ardmore II is a prime residential development with 118 apartments. Main construction work is progressing in accordance with schedule and is expected to be completed by 2010. All of the 118 units have been pre-sold at satisfactory prices.

Orchard View, a luxury 36-storey residential development located in the serene enclave of Angullia Park and within walking distance to the MRT Orchard Station, comprises 30 units of four-bedroom apartments with private lift lobbies. Main construction work is in progress and is scheduled for completion by 2010.

Strategically located in the main shopping belt of Orchard Road, Scotts Square is a prime residential development with 338 international quality apartments, plus a retail annex. The retail podium will be held for long term investment purposes. By June 2009, pre-sales of the apartments have reached 77% (in net saleable area). Foundation works have been completed and main construction work is in progress. The project is expected to be completed by 2011.

Ardmore 3, another luxury project along Ardmore Park, is planned for redevelopment and sale. It will be an international-standard luxury residential development in the prestigious Ardmore Park, next to Ardmore II. The building plans are currently being reviewed and piling works for the development is scheduled to commence in 2010.

Investment Property

Wheelock Place, a commercial development at Orchard Road, Singapore, was virtually 100% committed at satisfactory rental rates as at the end of June 2009.

FINANCIAL REVIEW

(I) Review of 2009 Interim Results

Turnover and operating profit

The Group's business and financial performance remained solid in spite of the unprecedented financial turmoil that followed by the spread of human swine flu in the first half of 2009. Property sales recognised by WPL substantially declined simply due to the absence of major property completion, particularly in Singapore, resulted in its turnover decreased by 91% to HK$371 million (2008: HK$3,973 million). Wharf's turnover increased by 8% to HK$8,611 million (2008: HK$7,999 million), principally attributable to the continued double-digit growth in rental revenue and the enlarged volume of property sales in the Mainland. These major factors combined to make the Group's turnover fall by 26% to HK$9,082 million (2008: HK$12,273 million).

The Group's operating profit however was less affected to slip by 7% to HK$4,814 million (2008: HK$5,188 million), which mainly contributed from Wharf of HK$4,374 million (2008: HK$4,141 million) and from WPL of HK$291 million (2008: HK$923 million).

Property Investment

The Group's revenue and operating profit rose by 7% and 11% to HK$4,226 million (2008: HK$3,933 million) and HK$3,197 million (2008: HK$2,886 million), respectively. Wharf's Property Investment segment reported revenue and operating profit growth of 7% and 10% to HK$3,953 million and HK$2,988 million, respectively, benefiting from the strong rental reversion and high occupancy for both retail and office areas despite its hotel performance was hit hard by the global unfavourable economic conditions. 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 revenue in the first half of 2009.

Property Development

Revenue and operating profit decreased by 61% and 32% to HK$1,750 million (2008: HK$4,468 million) and HK$751 million (2008: HK$1,099 million), respectively, primarily due to the absence of property completion for recognition by WPL. This was partly compensated by Wharf's property sales and profit, which rose remarkably by 175% and 78% to HK$1,612 million and HK$589 million, respectively, mainly attributable to the increase in sales recognised for the residential units at the Dalian Times Square and Chengdu Tian Fu Times Square in the Mainland.

WPSL recognises revenue and profit on pre-sales of properties under development by stages using the percentage of completion method in accordance with generally accepted accounting principles in Singapore. However, under Hong Kong Financial Reporting Standards, the Group recognises revenue and profit on pre-sales of properties upon their completion. Accordingly, revenue and profits recognised by WPSL for the period under review in respect of its pre-sales of Ardmore II units and Scotts Square units were reversed and excluded from the Group's consolidated results.

As at 30 June 2009, WPSL had pre-sold all the units at Ardmore II and 238 residential units (77% pre-sold) at Scotts Square. The accumulated reversed sales revenue and attributable profit not yet recognised by the Group amounted to HK$3,137 million and HK$662 million respectively.

Logistics

Revenue and operating profit of HK$1,483 million (2008: HK$1,832 million) and HK$626 million (2008: HK$833 million) were reported respectively. This chiefly reflected the decrease in total throughput volume handled by Modern Terminals.

CME

Revenue and operating profit of HK$1,693 million (2008: HK$1,858 million) and HK$129 million (2008: HK$98 million) were reported respectively. Wharf T&T reported a more than double increase in operating profit to HK$132 million (2008: HK$57 million) while i-CABLE reported an operating loss of HK$1 million (2008: profit of HK$44 million) as adversely impacted by the lower yield subscriptions of Pay TV businesses.

Investment and Others

Investment operating profit fell to HK$274 million (2008: HK$424 million), largely reflecting the reduction in profit on sales of investments, lower interest income in the prevailing environment and decrease in dividend income.

Increase in fair value of investment properties

The Group's investment property portfolio amounted to HK$120.2 billion with HK$113.8 billion (95%) stated at fair value, based on the valuation carried out by independent valuers as at 30 June 2009, which produced a revaluation surplus of HK$4,565 million (2008: HK$7,280 million). The attributable net revaluation surplus of HK$1,835 million (2008: HK$2,977 million), after deducting related deferred tax and minority interests in total of HK$2,730 million (2008: HK$4,303 million), was credited to the income statement.

The non-revalued investment properties in the amount of HK$6.4 billion are all being under development and not carried at fair value until at the earlier of when their fair values first become reliably measurable and the dates of their respective completion in accordance with the revised accounting standard HKAS 40, which expands the definition of an investment property to include an investment property under development.

Net other charge

The net other charge of HK$121 million represented the further impairment provision for investments in SC Global Developments Ltd ("SC Global") and Hotel Properties Limited made by WPSL in its first quarter results, based on market price as at 31 March 2009. The subsequent appreciation of such investments gave rise to an attributable surplus of HK$355 million in the second quarter of 2009, which has in accordance with the current accounting standards been dealt with in the statement of comprehensive income and will not be realised in the income statement until the disposal of the investments.

The net other charge of HK$961 million in the first half of 2008 comprised impairment provision of HK$482 million for SC Global and of HK$479 million for certain China projects.

Finance costs

Finance costs were distorted and reduced to HK$20 million (2008: HK$698 million) due to the inclusion of Wharf's mark-to-market gain of HK$196 million (2008: charge of HK$152 million) on the cross currency/interest rate swaps in accordance with the prevailing accounting standard.

Excluding the impact of the unrealised mark-to-market changes on the swaps, finance costs, after capitalisation of HK$97 million (2008: HK$103 million) for the Group's related assets, were HK$216 million (2008: HK$546 million), a reduction of HK$330 million due to the fall in prevailing interest rate.

Share of results after tax of associates and jointly controlled entities

Share of profits of associates decreased by 45% to HK$90 million, mainly due to the decrease in contributions from Modern Terminals' associates engaged in terminal operations in China. Profit contribution from the jointly controlled entities ("JCEs") was HK$27 million (2008: HK$10 million), comprising mainly property sales recognised by certain JCEs involved in properties development in China.

Taxation

Taxation charge for the period was HK$1,842 million (2008: HK$1,483 million), which included deferred taxation of HK$790 million (2008: HK$1,241 million) provided for the investment property revaluation surplus and a tax credit adjustment of HK$19 million in respect of a downward adjustment of the Group's deferred tax liabilities mainly on the investment property revaluation surplus, resulting from the 1% reduction in Singapore corporate income tax rate (2008: HK$812 million resulting from 1% reduction in Hong Kong profits tax rate).

Excluding the above deferred tax charge and credit adjustment, the tax charge was HK$1,071 million (2008: HK$1,054 million), including a tax provision of HK$194 million (2008: HK$183 million) made by Wharf for certain tax cases mainly concerning interest deductibility under discussion with the Inland Revenue Department.

Minority interests

Profit shared by minority interests was HK$3,914 million (2008: HK$4,961 million), which was mainly attributable to the profit of Wharf and WPL.

Profit attributable to equity shareholders

Group profit attributable to equity shareholders decreased by 21% to HK$3,599 million (2008: HK$4,540 million). Earnings per share were HK$1.77 (2008: HK$2.23).

Excluding the net attributable investment property revaluation surplus, the Group's net profit attributable to equity shareholders was HK$1,754 million (2008: HK$1,191 million), an increase of 47% over 2008.

Further outstripping the attributable impairment provisions for investments and China properties, the Group's net profit attributable to equity shareholders was HK$1,823 million (2008: HK$1,734 million), an increase of 5% over 2008.

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:

	Six months ended	
	30 June 2009	30 June 2008
Profit attributable to:	**HK$ Million**	HK$ Million
Wharf group	**1,587**	1,257
WPL group (excluded dividends from Wharf)	**149**	444
The Company and its other subsidiaries	**87**	33
Profit before exceptional provisions and net investment property surplus	**1,823**	1,734
Attributable impairment on investments	**(69)**	(272)
Attributable impairment on China projects	**–**	(271)
Profit before net investment property surplus	**1,754**	1,191
Attributable investment property surplus (after deferred tax)	**1,835**	2,977
Attributable tax credit adjustment on reduction of tax rate	**10**	372
Profit attributable to equity shareholders	**3,599**	4,540

Wharf's profit for the first half of 2009 was HK$6,975 million (2008: HK$8,393 million). Excluding the net investment property surplus and related deferred tax impacts, Wharf's net profit was HK$3,292 million (2008: HK$2,281 million), an increase of 44% over 2008.

WPL's profit for the first half of 2009 was HK$265 million (2008: HK$655 million). Excluding the net investment property surplus and related deferred tax impacts, WPL's net profit was HK$193 million (2008: HK$152 million), an increase of 27% over 2008. During the period, WPL received a dividend of HK$85 million (2008: HK$85 million) from Wharf.

(II) Liquidity, Financial Resources and Capital Commitments

Shareholders' and Total Equity

The Group's shareholders' equity increased by 6.9% to HK$62.8 billion or HK$30.90 per share as at 30 June 2009, compared to HK$58.7 billion or HK$28.91 per share as at 31 December 2008.

Including the minority interests, the Group's total equity was HK$131.0 billion (2008: HK$123.2 billion).

Total assets

The Group's total assets increased by 3% to HK$204.8 billion (2008: HK$198.2 billion), mainly comprising investment properties of HK$120.2 billion, other properties and fixed assets of HK$18.4 billion, development properties for sale of HK$22.9 billion and interest in JCEs and associates (mainly for China properties and port projects) of HK$11.8 billion. Other major assets included available-for-sale investments of HK$3.5 billion and bank deposits and cash of HK$24.0 billion.

The Group's investment property portfolio, representing 59% of the total assets, included Wharf's Harbour City and Times Square in Hong Kong together valued at HK$81.2 billion, representing 68% of the portfolio.

In previous years, an investment property being under development was not classified as investment property and was stated at cost. As a result of the change in the relevant accounting standard, such property has been classified as investment property and carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property.

Debts and Gearing

The Group's net debt decreased by HK$2.8 billion to HK$19.9 billion as at 30 June 2009 (2008: HK$22.7 billion), which was made up of HK$43.9 billion in debts and HK$24.0 billion in bank deposits and cash. Excluding Wharf's net debt of HK$20.4 billion, which is non-recourse to the Company and its wholly-owned subsidiaries, and WPL group's net cash of HK$4.1 billion, Wheelock's own net debt was only HK$3.6 billion. Analysis of the net debt by group is as below:

Net debt/(cash)	**30 June 2009 HK$ Million**	31 December 2008 HK$ Million
Wheelock Group (excludes Wharf)	**(560)**	573
Wheelock/wholly-owned subsidiaries	**3,556**	4,052
WPL	**(1,565)**	(1,514)
WPSL	**(2,551)**	(1,965)
Wharf group	**20,439**	22,123
Wharf (excludes below subsidiaries)	**9,407**	10,418
Modern Terminals	**10,862**	10,556
HCDL	**791**	1,807
i-CABLE	**(621)**	(658)
Group	**19,879**	22,696

The ratio of net debt to total equity was 15.2% (2008: 18.4%) as at 30 June 2009.

Finance and availability of facilities

The Group's available loan facilities and debt securities amounting to HK$63.7 billion (2008: HK$66.8 billion), of which HK$43.9 billion were drawn, as at 30 June 2009 are analysed as below:

	Available Facility HK$ Billion	Total Debts HK$ Billion	Undrawn Facility HK$ Billion
Wheelock Group (excludes Wharf)	9.0	7.1	1.9
Wheelock/wholly-owned subsidiaries	6.4	5.5	0.9
WPSL	2.6	1.6	1.0
Wharf group	54.7	36.8	17.9
Wharf (excludes below subsidiaries)	33.3	22.9	10.4
Modern Terminals	16.8	11.1	5.7
HCDL	4.0	2.8	1.2
i-CABLE	0.6	–	0.6
	63.7	**43.9**	**19.8**

Of the above debts, HK$15.7 billion (2008: HK$15.3 billion) was secured by mortgage over certain properties under development, fixed assets and investments with total carrying value of HK$53.4 billion (2008: HK$41.1 billion).

The Group's debts were primarily denominated in Hong Kong dollar ("HKD"), United States 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 monitored and controlled. The majority of the derivative financial instruments entered into by the Group were primarily used for management of the Group's interest rate and currency exposures.

The Group maintained ample surplus cash, which was denominated principally in HKD, RMB and SGD, and undrawn committed facilities to facilitate the Group's business and investment activities. The Group also maintained a portfolio of available-for-sale investments, primarily in blue-chip securities, with an aggregate market value as at 30 June 2009 of HK$3.5 billion (2008: HK$2.3 billion), which is available for immediate liquidation for the Group's use.

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

For the period under review, the Group generated a recurring net inflow from operating activities of HK$4.0 billion (2008: cash outflow of HK$2.5 billion). The increase in operating cash flow was primarily due to Wharf's decrease in payments for the land cost of its development properties in China. For investing activities, the Group generated a net cash inflow of HK$261 million (2008: cash outflow of HK$3.0 billion, mainly for Wharf's investments in JCEs involved in property development projects in China).

Major expenditure and commitments

The major expenditure, substantially incurred by Wharf's core businesses, during the period under review and related commitments as at 30 June 2009 are analysed as follows:

	Expenditure for 1-6/2009	Commitments as at 30 June 2009	
		Authorised and Contracted for	Authorised but not Contracted for
Business Unit/Company	**HK$ Million**	**HK$ Million**	**HK$ Million**
(a) Capital expenditure			
Wharf group			
Property Investments	333	6,661	12,291
Wharf T&T	119	91	141
i-CABLE (73.8%-owned)	125	90	51
Modern Terminals (67.6%-owned)	440	1,001	1,633
	1,017	7,843	14,116
WPL group and others	31	197	–
Total	**1,048**	**8,040**	**14,116**
(b) Programming and others	**54**	**816**	**70**
(c) Properties under development			
Wharf group	624	8,122	26,811
Subsidiaries (China/Hong Kong)	582	4,613	20,108
JCEs and associates (China)	42	3,509	6,703
WPL group/others	345	1,599	1,502
Subsidiaries (Singapore/Hong Kong)	345	1,294	249
Associates (China)	–	305	1,253
Total	**969**	**9,721**	**28,313**

The above capital expenditure for Wharf's Property Investment segment was mainly related to construction cost of its Shanghai Wheelock Square and certain refurbishment and renovation work of investment properties, in particular for Harbour City. For i-CABLE and Wharf T&T, the capital expenditures were incurred substantially for procurement of production and broadcasting equipment, network rollout and internet service equipment while that for Modern Terminals was mainly incurred for construction of the Da Chan 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, independently funded their own capital expenditure programmes.

In addition to the capital expenditure, the Group also incurred HK$969 million (HK$624 million by Wharf and HK$345 million by WPL) for its properties under development.

As at 30 June 2009, Wharf's commitments related to properties under development for investment and trading purposes by its subsidiaries, associates and JCEs were HK$53.9 billion, including attributable land cost of about HK$11.4 billion payable by instalments mainly from 2009 to 2013. These developments will be executed by stages in the forthcoming years. WPL's commitments to properties under development of HK$3.0 billion were mainly related to property development projects in Singapore, Hong Kong and China.

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

Rights issue by a subsidiary

In May 2009, HCDL completed its rights issue and received net proceeds of about HK$936 million, of which HK$659 million was paid by Wharf for its subscription.

(III) Human Resources

The Group had approximately 13,100 employees as at 30 June 2009, including about 1,800 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective groups' achievement and results.

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 INCOME STATEMENT

For the six months ended 30 June 2009

	Note	**Unaudited 30 June 2009 HK$ Million**	Unaudited 30 June 2008 HK$ Million
Turnover	2	**9,082**	12,273
Other net income	4	**103**	142
		9,185	12,415
Direct costs and operating expenses		**(2,829)**	(5,644)
Selling and marketing expenses		**(363)**	(384)
Administrative and corporate expenses		**(533)**	(540)
Operating profit before depreciation, amortisation, interest and tax		**5,460**	5,847
Depreciation and amortisation		**(646)**	(659)
Operating profit	2 & 3	**4,814**	5,188
Increase in fair value of investment properties		**4,565**	7,280
Net other charge	5	**(121)**	(961)
		9,258	11,507
Finance costs	6	**(20)**	(698)
Share of results after tax of:			
Associates		**90**	165
Jointly controlled entities		**27**	10
Profit before taxation		**9,355**	10,984
Taxation	7	**(1,842)**	(1,483)
Profit for the period		**7,513**	9,501
Profit attributable to:			
Equity shareholders		**3,599**	4,540
Minority interests		**3,914**	4,961
		7,513	9,501
Earnings per share	8	**HK$1.77**	HK$2.23

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	Unaudited 30 June 2009 HK$ Million	Unaudited 30 June 2008 HK$ Million
Profit for the period	**7,513**	9,501
Other comprehensive income, net of tax, for the period		
Exchange differences on translation of financial statements of foreign entities	**(141)**	1,662
Net movement in available-for-sale investment revaluation reserves:	**1,252**	(1,385)
Changes in fair value recognised during the period	**1,140**	(1,794)
Reclassification adjustments transferred to income statement:		
Impairment losses	**121**	482
Disposal	**(9)**	(214)
Deferred tax	**–**	141
Share of reserves of associates/jointly controlled entities	**(4)**	228
Others	**(6)**	(41)
	1,101	464
Total comprehensive income for the period	**8,614**	9,965
Total comprehensive income attributable to:		
Equity shareholders	**4,256**	4,685
Minority interests	**4,358**	5,280
	8,614	9,965

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

	Note	**Unaudited 30 June 2009 HK$ Million**	Audited 31 December 2008 HK$ Million
Non-current assets			
Investment properties		**120,214**	108,830
Leasehold land		**3,698**	4,203
Other property, plant and equipment		**14,703**	17,663
Total fixed assets		**138,615**	130,696
Goodwill and other intangible assets		**297**	297
Interest in associates		**5,427**	5,438
Interest in jointly controlled entities		**6,434**	7,989
Available-for-sale investments		**3,465**	2,279
Long term receivables		**404**	411
Programming library		**139**	132
Deferred tax assets		**487**	484
Derivative financial assets		**242**	83
		155,510	147,809
Current assets			
Properties for sale		**22,931**	24,660
Inventories		**113**	112
Trade and other receivables	10	**2,027**	2,686
Derivative financial assets		**192**	12
Short term investments		**45**	–
Bank deposits and cash		**23,989**	22,927
		49,297	50,397
Current liabilities			
Trade and other payables	11	**(5,723)**	(6,603)
Bank loans and other borrowings		**(3,060)**	(4,955)
Deposits from sale of properties		**(3,870)**	(3,537)
Derivative financial liabilities		**(93)**	(206)
Taxation payable		**(1,865)**	(1,582)
		(14,611)	(16,883)
Net current assets		**34,686**	33,514
Total assets less current liabilities		**190,196**	181,323
Non-current liabilities			
Bank loans and other borrowings		**(40,808)**	(40,668)
Deferred tax liabilities		**(17,119)**	(16,258)
Other deferred liabilities		**(265)**	(262)
Derivative financial liabilities		**(827)**	(738)
Employee retirement benefit liabilities		**(140)**	(154)
		(59,159)	(58,080)
NET ASSETS		**131,037**	123,243
Capital and reserves			
Share capital		**1,016**	1,016
Reserves		**61,770**	57,717
Shareholders' equity		**62,786**	58,733
Minority interests		**68,251**	64,510
TOTAL EQUITY		**131,037**	123,243

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	Shareholders' equity – unaudited							
	Share capital HK$ Million	Share premium HK$ Million	Investment revaluation reserves HK$ Million	Exchange and other reserves* HK$ Million	Revenue reserves HK$ Million	Total HK$ Million	Unaudited Minority interests HK$ Million	Unaudited Total equity HK$ Million
At 1 January 2009	**1,016**	**1,914**	**159**	**1,738**	**53,906**	**58,733**	**64,510**	**123,243**
Total comprehensive income for the period	**–**	**–**	**721**	**(64)**	**3,599**	**4,256**	**4,358**	**8,614**
Shares issued by subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**277**	**277**
Final dividend paid in respect of 2008 (Note 9b)	**–**	**–**	**–**	**–**	**(203)**	**(203)**	**–**	**(203)**
Dividends paid to minority interests	**–**	**–**	**–**	**–**	**–**	**–**	**(894)**	**(894)**
At 30 June 2009	**1,016**	**1,914**	**880**	**1,674**	**57,302**	**62,786**	**68,251**	**131,037**
At 1 January 2008	1,016	1,914	1,539	1,302	50,880	56,651	57,508	114,159
Total comprehensive income for the period	–	–	(748)	896	4,537	4,685	5,280	9,965
Shares issued by subsidiaries	–	–	–	–	–	–	5,490	5,490
Advance to minority interests	–	–	–	–	–	–	(47)	(47)
Final dividend paid in respect of 2007 (Note 9b)	–	–	–	–	(203)	(203)	–	(203)
Dividends paid to minority interests	–	–	–	–	–	–	(961)	(961)
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 (2008: HK$19 million).*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2009

	Unaudited 30 June 2009 HK$ Million	Unaudited 30 June 2008 HK$ Million
Net cash generated from/(used in) operating activities	**3,998**	(2,495)
Net cash generated from/(used in) investing activities	**261**	(2,960)
Net cash (used in)/generated from financing activities	**(2,554)**	15,071
Net increase in cash and cash equivalents	**1,705**	9,616
Cash and cash equivalents at 1 January	**22,242**	12,372
Effect of foreign exchange rate changes	**(37)**	266
Cash and cash equivalents at 30 June	**23,910**	22,254
Analysis of the balances of cash and cash equivalents		
Bank deposits and cash (Note a)	**23,910**	22,254

Note (a):

Cash and cash equivalents		
Bank deposits and cash in the consolidated statement of financial position	**23,989**	22,876
Less: Pledged bank deposits	**(79)**	(622)
Cash and cash equivalents in the condensed consolidated statement of cash flows	**23,910**	22,254

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF THE INTERIM FINANCIAL STATEMENTS

These unaudited interim consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("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 "Listing Rules").

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 annual financial statements for the year ended 31 December 2008 except the changes mentioned below.

With effect from 1 January 2009, the Group has adopted the below relevant new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), amendments and interpretations, which are relevant to the Group's financial statements:

HKAS 1 (Revised)	Presentation of financial statements
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
Improvements to HKFRSs (2008)	Amendments to HKAS 40 investment property
HK(IFRIC) – Int 13	Customer loyalty programmes

Except as described below, the adoption of the above new or revised standards, amendments and interpretations had no significant impact on the interim financial information of the Group.

(a) HKAS 1 (Revised) – Presentation of financial statements

As a result of the adoption of HKAS 1 (Revised), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

(b) HKFRS 8 – Operating segments

HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's top management, and has resulted in amended disclosure being presented. Corresponding amounts have been restated on a basis consistent with the revised segment information.

(c) Improvements to HKFRSs (2008) – Amendments to HKAS 40 investment property

As a result of the amendment to HKAS 40, investment property which is under construction will be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any gain or loss will be recognised in profit or loss. Previously such property was carried at cost until the construction was completed, at which time it was fair valued with any gain or loss being recognised in profit or loss. This amendment is applied prospectively. As a result of this amendment, the Group's certain properties under development have been reclassified as investment properties as at 1 January 2009.

2. SEGMENT INFORMATION

The Group managed its diversified businesses according to the nature of services and products provided. Management has determined five reportable operating segments for measuring performance and allocating resources. The segments are property investment, property development, logistics, communications, media and entertainment ("CME") and investment and others.

Property investment segment primarily includes property leasing and hotel operations. Currently, the Group's properties portfolio, which consists of retail, office, service apartment and hotels, are primarily located in Hong Kong, China and Singapore.

Property development segment encompasses activities relating to the acquisition, development, design, construction, sale and marketing of the Group's trading properties primarily in Hong Kong, China and Singapore.

Logistics segment mainly includes the container terminal operations of Modern Terminals and other public transport operation.

CME segment comprises pay television, internet and multimedia and other businesses operated by the Group's non-wholly owned subsidiary, i-CABLE Communications Limited ("i-CABLE"). It also includes the telecommunication businesses operated by Wharf T&T Limited.

Investment and others segment includes activities for managing the Group's corporate assets and liabilities, available-for-sale investments, financial instruments and other treasury operations.

Management evaluates performance primarily based on operating profit as well as the equity share of results of associates and jointly controlled entities of each segment. Inter-segment pricing is generally determined at arm's length basis.

Segment assets principally comprise all tangible assets, intangible assets and current assets directly attributable to each segment with the exception of income tax assets. Segment liabilities include all liabilities and borrowings directly attributable to and managed by each segment with the exception of income tax liabilities.

(a) Analysis of segment results

Six months ended	Turnover HK$ Million	Operating profit HK$ Million	Increase in fair value of investment properties HK$ Million	Net other charge HK$ Million	Finance costs HK$ Million	Associates HK$ Million	Jointly controlled entities HK$ Million	Profit before taxation HK$ Million
30 June 2009								
Property investment	4,226	3,197	4,565	-	(171)	-	-	7,591
Hong Kong	3,387	2,882	4,563	-	(145)	-	-	7,300
China	285	147	2	-	(17)	-	-	132
Singapore	114	88	-	-	(3)	-	-	85
Hotels	440	80	-	-	(6)	-	-	74
Property development	1,750	751	-	-	(12)	(7)	8	740
Hong Kong	138	162	-	-	-	(2)	-	160
China	1,612	589	-	-	(12)	(5)	8	580
CME	1,693	129	-	-	-	1	-	130
i-CABLE	862	(1)	-	-	-	1	-	-
Telecommunications	831	132	-	-	-	-	-	132
Others	-	(2)	-	-	-	-	-	(2)
Logistics	1,483	626	-	-	51	96	19	792
Terminals	1,353	583	-	-	51	96	19	749
Others	130	43	-	-	-	-	-	43
Investment and others	169	274	-	(121)	112	-	-	265
Inter-segment revenue	(239)	-	-	-	-	-	-	-
Segment total	9,082	4,977	4,565	(121)	(20)	90	27	9,518
Corporate expenses	-	(163)	-	-	-	-	-	(163)
Group total	9,082	4,814	4,565	(121)	(20)	90	27	9,355

Six months ended	Turnover HK$ Million	Operating profit HK$ Million	Increase in fair value of investment properties HK$ Million	Net other charge HK$ Million	Finance costs HK$ Million	Associates HK$ Million	Jointly controlled entities HK$ Million	Profit before taxation HK$ Million
30 June 2008								
Property investment	3,933	2,886	7,280	–	(352)	–	–	9,814
Hong Kong	3,064	2,545	6,739	–	(271)	–	–	9,013
China	257	110	29	–	(53)	–	–	86
Singapore	102	75	512	–	(6)	–	–	581
Hotels	510	156	–	–	(22)	–	–	134
Property development	4,468	1,099	–	(479)	(57)	15	(8)	570
Hong Kong	420	120	–	–	–	15	–	135
China	587	330	–	(479)	(57)	–	(8)	(214)
Singapore	3,461	649	–	–	–	–	–	649
CME	1,858	98	–	–	–	–	–	98
i-CABLE	1,069	44	–	–	–	–	–	44
Telecommunications	789	57	–	–	–	–	–	57
Others	–	(3)	–	–	–	–	–	(3)
Logistics	1,832	833	–	–	(111)	150	18	890
Terminals	1,627	762	–	–	(111)	150	18	819
Others	205	71	–	–	–	–	–	71
Investment and others	393	424	–	(482)	(178)	–	–	(236)
Inter-segment revenue	(211)	–	–	–	–	–	–	–
Segment total	12,273	5,340	7,280	(961)	(698)	165	10	11,136
Corporate expenses	–	(152)	–	–	–	–	–	(152)
Group total	12,273	5,188	7,280	(961)	(698)	165	10	10,984

(b) Analysis of inter-segment revenue

	30 June 2009 Total revenue HK$ Million	30 June 2009 Inter-segment revenue HK$ Million	30 June 2009 Group revenue HK$ Million	30 June 2008 Total revenue HK$ Million	30 June 2008 Inter-segment revenue HK$ Million	30 June 2008 Group revenue HK$ Million
Property investment	**4,226**	**(95)**	**4,131**	3,933	(76)	3,857
Property development	**1,750**	**–**	**1,750**	4,468	–	4,468
CME	**1,693**	**(84)**	**1,609**	1,858	(78)	1,780
Logistics	**1,483**	**–**	**1,483**	1,832	–	1,832
Investment and others	**169**	**(60)**	**109**	393	(57)	336
	9,321	**(239)**	**9,082**	12,484	(211)	12,273

(c) Geographical information

	Revenue 30 June 2009 HK$ Million	Revenue 30 June 2008 HK$ Million	Operating profit 30 June 2009 HK$ Million	Operating profit 30 June 2008 HK$ Million	Assets 30 June 2009 HK$ Million	Assets 31 December 2008 HK$ Million
Hong Kong	**6,922**	7,660	**4,014**	3,996	**135,396**	129,229
China	**1,996**	958	**679**	311	**51,699**	52,084
Singapore	**164**	3,655	**121**	881	**17,712**	16,893
Group total	**9,082**	12,273	**4,814**	5,188	**204,807**	198,206

3. OPERATING PROFIT

	30 June 2009 HK$ Million	30 June 2008 HK$ Million
Operating profit is arrived at after charging/(crediting):		
Depreciation:		
Assets held for use under operating leases	**63**	41
Other fixed assets	**492**	509
	555	550
Amortisation:		
Programming library	**47**	64
Leasehold land	**44**	43
Other intangible assets	**–**	2
Total depreciation and amortisation	**646**	659
Staff costs (Note a)	**1,333**	1,381
Cost of trading properties sold	**984**	3,340
Rental income less direct outgoings (Note b)	**(3,165)**	(2,784)
Interest income	**(25)**	(171)
Dividend income from listed investments	**(46)**	(93)
Dividend income from unlisted investments	**(29)**	(52)
Net foreign exchange gain (Note c)	**(107)**	(69)
Profit on disposal of fixed assets	**(13)**	–

Notes:

(a) Staff costs included retirement scheme costs of HK$59 million (2008: HK$55 million).

(b) Rental income included contingent rentals of HK$339 million (2008: HK$302 million).

(c) Net foreign exchange gain included impact of forward foreign exchange contracts.

4. OTHER NET INCOME

	30 June 2009 HK$ Million	30 June 2008 HK$ Million
Net (loss)/profit on disposal of available-for-sale investments	**(4)**	86
Profit on disposal of properties	**14**	18
Net profit on disposal of subsidiaries and jointly controlled entities	**89**	–
Others	**4**	38
	103	142

5. NET OTHER CHARGE

The net other charge of HK$121 million represented the further impairment provisions for investments in SC Global Developments Ltd ("SC Global") and Hotel Properties Limited made by Wheelock Properties (Singapore) Limited ("WPSL") in its first quarter results, based on the market prices as at 31 March 2009.

The net other charge of HK$961 million in the first half of 2008 comprised impairment provisions of HK$482 million for the SC Global and of HK$479 million for certain China projects.

6. FINANCE COSTS

	30 June 2009 HK$ Million	30 June 2008 HK$ Million
Interest charged on:		
Bank loans and overdrafts repayable within five years	**189**	460
Other borrowings repayable within five years	**6**	32
Bank loans repayable after five years	**36**	55
Other borrowings repayable after five years	**55**	60
Total interest charge	**286**	607
Other finance costs	**27**	42
Less: Amount capitalised	**(97)**	(103)
	216	546
Fair value cost/(gain):		
Cross currency interest rate swaps	**96**	152
Interest rate swaps	**(292)**	–
	20	698

The Group's average effective borrowing rate for the six months period was approximately 1.4% (2008: 3.0%) per annum.

7. TAXATION

Taxation charged to the consolidated income statement represents:

	30 June 2009 HK$ Million	30 June 2008 HK$ Million
Current income tax		
Hong Kong		
Provision for the period	**559**	526
Underprovision in respect of prior years	**186**	163
Outside Hong Kong		
Provision for the period	**142**	223
	887	912
Land appreciation tax ("LAT") in China	**140**	60
Deferred tax		
Change in fair value of investment properties	**790**	1,241
Origination and reversal of temporary differences	**44**	84
Effect on reduction in tax rate on deferred tax balances	**(19)**	(812)
Benefit of tax losses recognition	**–**	(2)
	815	511
	1,842	1,483

(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% (2008: 16.5%).

(b) Income tax on profits assessable outside Hong Kong is calculated at rates of tax applicable in jurisdictions in which the Group is assessed for tax.

(c) Under the Provisional Regulations on LAT, all gains arising from transfer of real estate property in China 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.

(d) Tax attributable to associates and jointly controlled entities for the six months ended 30 June 2009 of HK$19 million (2008: HK$21 million) is included in the share of results after tax of associates and jointly controlled entities.

8. 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$3,599 million (2008: HK$4,540 million) and 2,032 million ordinary shares in issue throughout the six months ended 30 June 2009 and 2008.

9. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

(a) The below interim dividends were proposed after the reporting dates, which have not been recognised as liabilities at the reporting dates:

	30 June 2009 HK$ Million	30 June 2008 HK$ Million
Interim dividend of 2.5 cents (2008: 2.5 cents) per share proposed after the reporting date	**51**	51

(b) Dividends recognised as distribution during the period:

	30 June 2009 HK$ Million	30 June 2008 HK$ Million
2008 Final dividend paid of 10.0 cents per share	**203**	–
2007 Final dividend paid of 10.0 cents per share	**–**	203
	203	203

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 2009 as follows:

	30 June 2009 HK$ Million	31 December 2008 HK$ Million
Trade receivables		
Current (not past due)	**667**	1,323
Past due:		
0 – 30 days	**137**	177
31 – 60 days	**76**	60
Over 60 days	**142**	67
	1,022	1,627
Other receivables	**1,005**	1,059
	2,027	2,686

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 2009 as follows:

	30 June 2009 HK$ Million	31 December 2008 HK$ Million
Amounts payable in the next:		
0 – 30 days	**249**	339
31 – 60 days	**151**	180
61 – 90 days	**106**	127
Over 90 days	**282**	393
	788	1,039
Rental and customer deposits	**1,758**	1,761
Other payables	**3,177**	3,803
	5,723	6,603

12. CONTINGENT LIABILITIES

There were no material contingent liabilities as at 30 June 2009 and 31 December 2008.

13. COMMITMENTS

The Group's outstanding commitments on expenditures as at 30 June 2009 are as follows:

	30 June 2009				31 December 2008			
	Hong Kong HK$ Million	**China HK$ Million**	**Singapore HK$ Million**	**Total HK$ Million**	Hong Kong HK$ Million	China HK$ Million	Singapore HK$ Million	Total HK$ Million
(a) Capital expenditure								
Authorised and contracted for	**405**	**7,444**	**191**	**8,040**	375	1,903	3	2,281
Authorised but not contracted for	**1,134**	**12,982**	**–**	**14,116**	1,144	1,304	–	2,448
	1,539	**20,426**	**191**	**22,156**	1,519	3,207	3	4,729
(b) Properties under development (other than investment properties)								
Authorised and contracted for	**428**	**4,644**	**835**	**5,907**	513	10,634	1,241	12,388
Authorised but not contracted for	**–**	**20,357**	**–**	**20,357**	–	35,341	–	35,341
	428	**25,001**	**835**	**26,264**	513	45,975	1,241	47,729
(c) Properties under development undertaken by jointly controlled entities and associates								
Authorised and contracted for	**–**	**3,814**	**–**	**3,814**	–	3,662	–	3,662
Authorised but not contracted for	**–**	**7,956**	**–**	**7,956**	–	9,666	–	9,666
	–	**11,770**	**–**	**11,770**	–	13,328	–	13,328
(d) Programming and others								
Authorised and contracted for	**816**	**–**	**–**	**816**	783	–	–	783
Authorised but not contracted for	**70**	**–**	**–**	**70**	71	–	–	71
	886	**–**	**–**	**886**	854	–	–	854
(e) Expenditure for operating leases								
Within one year	**28**	**–**	**–**	**28**	50	–	–	50
After one year but within five years	**44**	**–**	**–**	**44**	51	–	–	51
Over five years	**61**	**–**	**–**	**61**	65	–	–	65
	133	**–**	**–**	**133**	166	–	–	166

(i) Commitments for capital expenditure in China are mainly related to land and construction cost for investment property under development and Modern Terminals' port expenditure for the Da Chan Bay and Taicang projects. In prior years, commitments for investment property under development were classified under commitments for property under development. As a result of the adoption of the amendments to HKAS 40 which expands the definition of investment property, these commitments were reclassified to commitments for capital expenditure as at 1 January 2009.

(ii) Commitments for properties under development for investment or sale by the Group's subsidiaries or through jointly controlled entities and associates included outstanding land cost attributable to the Group of HK$11,355 million payable by instalments mainly from 2009 to 2013.

(iii) Commitments for operating leases are mainly related to leases of properties and telecommunication network facilities. These leases typically run for an initial period of two to fifteen years, with an option to renew the leases 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$3.0 billion in respect of properties under development undertaken by WPL group or through its associates, are substantially attributable to Wharf group.

14. 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 2009:

In respect of the period ended 30 June 2009, the Group earned rental income totalling HK$228 million (2008: HK$221 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. COMPARATIVE FIGURES

As a result of the application of HKAS 1 (Revised), Presentation of financial statements and HKFRS 8, Operating Segments, certain comparative figures have been reclassified to conform to current period's presentation. Further details of these developments are disclosed in note 1.

16. REVIEW OF UNAUDITED INTERIM FINANCIAL STATEMENTS

The unaudited interim financial statements for the six months ended 30 June 2009 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 2009, 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	194,000 (0.0070%)	Personal Interest
i-CABLE		
G W J Li	68,655 (0.0034%)	Personal Interest
S T H Ng	1,265,005 (0.0629%)	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 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 2009, 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	142,416,000 (7.01%)
(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 2009, there were no short position interests recorded in the Register.

CHANGES OF INFORMATION OF DIRECTORS

(I) Given below is the latest information regarding annual emoluments (all covered by service contracts) for the year 2009 of all those Directors of the Company for whom there have been changes of amounts of emoluments since the end of December 2008:

Directors	#Salary and various allowances (calculated on annualised basis) HK$'000	##Discretionary annual bonus in cash HK$'000
P K C Woo	15,056 *(2008: 15,056)*	10,500 *(2008: 14,000)*
G W J Li	4,999 *(2008: 4,925)*	5,250 *(2008: 7,000)*
S T H Ng	4,489 *(2008: 4,482)*	6,750 *(2008: 9,000)*
P Y C Tsui	2,600 *(2008: 2,596)*	2,000 *(2008: 2,400)*

\# *Not including the Chairman's fee of HK$75,000 per annum to Mr P K C Woo and the Director's fee of HK$60,000 per annum to each of the other Directors of the Company which are payable by the Company.*

\## *Paid during the six-month period ended 30 June 2009, with the amounts of such discretionary annual bonuses fixed/decided unilaterally by the employers.*

(II) Given below is the latest information regarding the directorships held at present and/or former directorship(s) (if any) held within the past three years in other listed public companies in respect of all the Directors of the Company for whom there have been changes in the relevant information since the end of December 2008:

Directors	Present/*(Former)* directorships in other listed public companies
G W J Li	Wharf; WPL; *(Harbour Centre Development Limited ("HCDL") (resigned in April 2009)); (see note below)*
S T H Ng	Wharf; i-CABLE; HCDL (appointed in April 2009); Joyce Boutique Holdings Limited ("Joyce")
P Y C Tsui	Wharf; WPL; i-CABLE (appointed in June 2009); HCDL (appointed in April 2009); Joyce

Note: Mr G W J Li, being a former director of publicly-listed Wheelock Properties (Singapore) Limited, ceased to be its director in May 2006 (being three years and three months before the date of this report).

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, 21 September 2009 to Wednesday, 23 September 2009, 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, 18 September 2009.

By Order of the Board
Wilson W S Chan
Company Secretary

Hong Kong, 26 August 2009

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 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.

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