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The Wharf (Holdings) Limited

Interim Report 2010

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Contents

Full Steam Ahead for Properties in Hong Kong and China

HIGHLIGHTS

- 34% retail sales growth at Harbour City and 24% at Times Square, well exceeded the market and all expectations.
- Strong retail rental more than compensated for the weak rental from offices.
- Property sales in China were maintained despite the control measures but recognition in the period declined.
- Logistics and Hotels reported vibrant recovery.
- Communications, Media and Entertainment results were distorted by a major revenue and cost timing mismatch.
- Non-recurrent items inflated finance costs and other net income but deflated taxation.

GROUP RESULTS

The unaudited Group profit attributable to equity shareholders amounted to HK$9,888 million (2009: HK$6,975 million). Basic earnings per share were HK$3.59 (2009: HK$2.53).

Excluding the net attributable investment property revaluation surplus, the Group's net profit for the period attributable to equity shareholders would be HK$4,204 million (2009: HK$3,292 million), an increase of 28% over 2009.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK$0.36 (2009: HK$0.36) per share, payable on 30 September 2010 to Shareholders on record as at 22 September 2010, absorbing a total amount of HK$991 million (2009: HK$991 million).

BUSINESS REVIEW

Property Investment

Property Investment posted a 9% rise in operating profit to HK$3,258 million.

Harbour City and Times Square, representing 51% of the Group's total business assets and 63% of operating profit, exceeded budget with retail sales growth continued to substantially outperform the rest of Hong Kong. They now account for an exceptional 8% share of Hong Kong's total retail sales, reaffirming their leading position as the must-visit shopping meccas in Hong Kong.

Shanghai Wheelock Square, the Group's new landmark office tower in Puxi, was completed in May 2010. 65% of the leasing area launched has been committed at satisfactory rates.

Harbour City

Harbour City continued to attract remarkable retail sales, reflecting its premium location, diversified trade-mix, well-rounded ancillary services and innovative marketing campaigns. For the first six months of 2010, turnover increased by 10% to HK$2,831 million and operating profit by 12% to HK$2,190 million.

Retail
Harbour City is the single largest retail offering under one roof in Hong Kong, representing almost 75% of the total shopping area of Canton Road. It accounts for close to 6% of total Hong Kong retail sales.

Hong Kong retail market continued a marked recovery during the first half of 2010, supported by a rebound in tourism and global economic improvement. Total retail sales at Harbour City grew by 34% year on year, which was over 16 percentage points better than the rest of Hong Kong. Rental turnover rose by 20% to HK$1,437 million.

Office
Turnover registered a decrease of 8% to HK$774 million, reflecting the softness of the market since the second half of 2008, which has started to firm again. Occupancy was maintained at 92% at the end of June 2010. The trend of decentralisation continued with some new tenants relocating from Central. Lease renewal retention rate held up well at 67% in spite of an increase in new supply in the marketplace.

Serviced Apartments
Turnover softened marginally by 1% to HK$132 million. At the end of June 2010, occupancy at Gateway Apartments stood at 90% while rents grew favourably. Large two-bedroom and three-bedroom apartment units continued to enjoy full occupancy.

Times Square

Times Square is among the most successful vertical malls in town with its unique 16-level design, exciting and diverse trade-mix and direct link to the mass transit railway. It achieves HK$1 billion of retail rental turnover per annum.

Turnover increased by 8% to HK$738 million during the period, and operating profit by 10% to HK$655 million.

Retail

A strong 24% year-on-year growth in retail sales was registered during the period, outperforming the market by over six percentage points. Rental turnover increased by 13% to HK$512 million. The new sky escalators in the atrium of the mall operating since November 2009 have significantly improved vertical circulation. Tenant mix on various floors was further enriched for a more vibrant and exhilarating shopping experience.

Office

Turnover dropped by 2% to HK$226 million to reflect the earlier softness of the market. Occupancy was maintained at 93% at the end of the period. Lease renewal retention rate stood high at 72%, and renewals included AIG, H3G Technologies and Sisley, etc.

Others

Plaza Hollywood posted a 4% growth in turnover to HK$174 million, underpinned by favourable rental growth during the period. Average occupancy was maintained at over 99%.

Leasing for the Peak Portfolio remained active during the period, with average occupancy at over 90% and favourable rental growth.

China

All operating properties performed satisfactorily. Excluding Beijing Capital Times Square which was disposed in late 2009, turnover and operating profit grew by 11% and 18% during the period.

Dalian Times Square, a luxury shopping landmark in the very heart of the city, houses a spate of top international brands including Louis Vuitton, Gucci, Hermès, Dior, Prada, Emenegildo Zegna, Fendi and Giorgio Armani, etc. It continued to achieve excellent performance and provide further impetus to profit growth for the Group's China properties.

Shanghai Wheelock Square, the tallest building in Puxi commercial hub overlooking Jing'an Park and Jing'an Temple, is the new landmark investment property for the Group. The development was completed in May 2010. The low zones, representing 54% of the total GFA, have been launched for lease; and 65% of the launched area has been committed at satisfactory rents. Over 90% of the committed tenants are multinationals in various industries and they include Bristol-Myers Squibb, Coach, ICBC and Shiseido, etc.

Chengdu International Finance Centre, located in the heart of the city's business centre, is the Group's next flagship development and single largest commercial complex across China. 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" and the new urban landmark for the western China. Main construction commenced in June, and phase one of the project, comprising the mega retail complex and one office tower, is targeted for completion by the first half of 2013.

Chongqing International Finance Centre is a 50:50 joint development with China Overseas Land & Investment ("COLI") at the new Central Business District ("CBD") in Chongqing, a city recently branded "Chicago on the Yangtze". The development targets to become the new landmark of Chongqing, with an iconic 300-metre tower and four other towers atop a retail podium, comprising up-market retail space, Grade A offices, a five-star hotel and serviced apartments.

China Property Development

As at the end of June 2010, the total land bank attributable to the Group was 9.9 million square metres, spanning across 10 cities.

With fewer projects completed during the period, turnover dropped by 36% to HK$1,024 million and operating profit decreased by 5% to HK$560 million. During the period, profits recognised mainly included sales of No.1 Xin Hua Road in Shanghai and Dalian Times No.1 & 8.

Sales

The Group's property sales continued to meet with encouraging response in take-up rates and prices notwithstanding the cooling measures. This reflects the superb location and quality of the properties and the Group's reputable brand strength.

A total of 161,000 square metres of residential properties were sold or pre-sold in the first half of 2010, generating proceeds of over RMB1.7 billion (HK$2.0 billion). The first phase of two new projects, namely Changzhou Times Palace (formerly known as Changzhou Dinosaur Park Project) and Shanghai Xiyuan (formerly known as Xinjiangwancheng development), opened for pre-sales in 2010.

Changzhou Times Palace is located in the future CBD of Xinbei District (新北區). 97% of the 712 units (comprising 56 villas and 656 high-rise residential units) launched between March and June have been sold for over RMB610 million. This represents an average price of over RMB18,000 per square metre of GFA for the villas and over RMB8,000 per square metre overall. Construction is underway and the development will be fully completed by 2016. A five-star hotel and State Guest House are expected to open by 2012.

Shanghai Xiyuan is superbly located in Yangpu District (楊浦區). Pre-sales of the first seven high-end medium-rise residential towers (145 units) commenced in late July, with 74% of the units sold so far at an average price of RMB44,000 per square metre of GFA, generating total sales proceeds of over RMB900 million. Superstructure work is underway and the whole project is scheduled for completion by 2012.

Among other projects, Wuxi Times City launched 12 additional medium-to-high-rise residential towers between January and early August 2010. 64% of the units offered were sold at an average price of over RMB11,000 per square metre for total sales proceeds of over RMB460 million. Superstructure work is ongoing and the whole development is scheduled for completion in phases by 2017.

Chengdu Crystal Park launched its 9th to 11th residential towers between January and June, with 70% of the units sold at an average price of over RMB9,600 per square metre of GFA for total sales proceeds of over RMB300 million. The whole development is expected to be completed by 2013.

Chengdu Times Residences at Tian Fu Times Square launched its 10th residential tower in April and certain floors of its first office tower in late July, with 50% of the units sold at an average price of RMB17,000 per square metre for total sale proceeds of over RMB320 million. The whole development is scheduled for completion by 2012.

In Chongqing, the CBD International Community project in Danzishi (彈子石), developed by the Group and COLI on a 40:60 basis, launched its 14th residential tower in April with 70% of the units offered sold for RMB190 million. This represents an average price of over RMB9,000 per square metre. The development is scheduled for completion in phases by 2014.

New Acquisitions

The Group acquired four new prime sites in the cities of Chengdu, Tianjin, Hangzhou and Wuxi in 2010.

In Chengdu, the Group acquired a new site located at a mature residential area in east second Ring Road of Chenghua District (成華區) with established community facilities nearby. It offers a GFA of 321,000 square metres and will be developed into upscale residences. Planning and design are in progress.

In Tianjin, the Group acquired a site in He Bei Qu (河北區). The project, located just outside the mid-ring road atop the Tie Dong Lu (鐵東路) MTR station on the north eastern side of Tianjin, is being developed with COLI on a 50:50 basis. It is developable into an attributable GFA of 244,000 square metres of residential and commercial space.

In Hangzhou, the Group acquired its third project which is well-located in Xiacheng District (下城區), less than two kilometres away from Wulin Square (武林廣場) in the city centre, for residential development. The site is adjacent to Shangtang River (上塘河), with a breathtaking river view and conveniently located next to a future metro line station to be completed by 2011. The project is developable into 82,000 square metres of GFA.

The Group also acquired a new project in Wuxi of which the Group owns 40% through a joint venture with Shanghai Forte and Shanghai Greenland. The site is ideally located in the mature Nanchang District (南長區) with good river view and established vicinity. The development offers an attributable GFA of 98,000 square metres of high-end residences.

Projects under Development – Western China

In Chengdu, a site in Shuangliu Development Zone (雙流發展區) will be developed into a commercial and residential complex with an attributable GFA of 911,000 square metres. Its outlet mall, Times Outlets, opened in late 2009 and houses an array of reputable international and local brands. Phase two of the construction comprising residential and commercial development will be commenced by the fourth quarter of 2010. Other developments in Chengdu, including a joint venture with Sun Hung Kai Properties and Henderson Land, are progressing on schedule.

In Chongqing, the Group is developing two sites (formerly known as Jiangbei City Project, Zone A & C) in Jiangbei City (江北城) with COLI on a 50:50 basis. Apart from Chongqing International Finance Centre, the other high-end residential site offers an attributable GFA of 442,000 square metres. Construction is planned to commence in the third quarter of 2010, with the whole project scheduled to complete by 2018.

Another residential site in Jiangbei City, Chongqing, a joint venture with COLI in which the Group owns 55% through Harbour Centre Development Limited ("HCDL"), is scheduled for completion in phases by 2014.

Projects under Development – Eastern China

No. 1 Xin Hua Road in Shanghai was completed in June 2010. The first four residential blocks were launched in 2009, of which 86% have been sold for close to RMB600 million at an average price of RMB80,000 per square metre.

Jingan Garden, located in the prime residential area of Jing'an District (靜安區) in Shanghai, offers an attributable GFA of 71,000 square metres. Construction work is expected to commence in the fourth quarter of 2010, with scheduled completion by 2013.

In Suzhou, a site located between Jinji Lake (金雞湖) and Dushu Lake (獨墅湖) will be developed into low density deluxe residences. Construction work has commenced since the second quarter of 2010. Another residential site, located next to Qing Jian Hu (青劍湖), is being developed by the Group and China Merchants Property on a 50:50 basis.

Two other sites in Suzhou are held by HCDL in a 80:20 joint venture with Genway Housing Development. The first project is a 450-metre skyscraper landmark of office and apartment development, the tallest in Jiangsu Province. Ground breaking was held in March and construction is underway, with scheduled completion by 2016. The second is a high-end residential development to be fully completed by 2017.

In Hangzhou, a site located in Xihu District (西湖區) and Zhuantang Town (轉塘鎮) has commenced construction. It is jointly developed with Jindu group on a 50:50 basis. The second project is located in Gongshu District (拱墅區), construction work is expected to commence in the first quarter of 2011.

In Wuxi, in addition to Wuxi Times City, the Group owns a site at Renmin Plaza (人民廣場) in the new CBD in Nanchang District, which is for commercial development including a super high-rise tower, offices, a hotel and apartments. Piling works have commenced. The Group owns another three sites in Nanchang District alongside the ancient canal for residential developments, including a joint venture with Shanghai Forte on a 50:50 basis. Development progress is on schedule.

Hong Kong Property Development

In July 2010, the Group won an auction in a joint bid with Nan Fung group on a 50:50 basis for a unique development at 103 Mount Nicholson Road at a consideration of HK$10.4 billion. Mount Nicholson is itself a 'location brand name', of breathless panoramic view, with its private half-mile road access offering ultimate privacy. The land parcel has a site area of 251,000 square feet, with an attributable GFA of 162,000 square feet. It will be developed into very exclusive and super deluxe residences where exclusivity will be unmatched even by the Peak properties.

Cable TV Tower South is being redeveloped into a high-rise industrial/loft building, with a total GFA of 585,000 square feet. Relevant building plans were approved by the Building Authority and the Lands Department. Superstructure works are underway.

Kowloon Godown, with a site area of 166,000 square feet, is currently zoned as commercial use under the Outline Zoning Plan. Planning application allowing development for residential use has been submitted to the Town Planning Board for consideration.

Yau Tong Godown was given planning approval for a residential/commercial development with GFA of about 256,000 square feet. Negotiation on premium with the government is underway.

The master layout plan for the Yau Tong joint venture project, in which the Group owns 15% of interest, has been submitted to the Town Planning Board.

Other Businesses

Modern Terminals

The global economic recovery has stimulated a considerable rebound in global trade flows. Modern Terminals' consolidated revenue and operating profit grew by 13% to HK$1,533 million and 36% to HK$793 million respectively.

Modern Terminals' throughput in Hong Kong grew by 8% to 2.65 million TEUs, alongside a gradual revival in trade demand. Its growth pace was slightly impacted by the dredging work being carried out since April 2010 in one of the Modern Terminals' berths.

Container volume at Taicang International Gateway in Suzhou, comprising six berths, grew strongly by 57% to 630,000 TEUs during the period. Da Chan Bay Terminal One in Shenzhen has also made considerable progress with throughput increasing by over five folds to reach 288,000 TEUs. Strong throughput growth was also reported at Chiwan Container Terminal and Shekou Container Terminals, both in Shenzhen, in which Modern Terminals holds strategic ownership stakes.

Hong Kong Air Cargo Terminals

Hong Kong Air Cargo Terminals ("Hactl") became an associate of the Group in May 2010, following the increase of the Group's interest in Hactl from 12.5% to 20.83%.

During the first half of 2010, throughput volume was 1.4 million tonnes, a record for Hactl and 39% higher than 2009.

Marco Polo Hotels

Aided by a sharp rebound in tourism, total revenue for the Marco Polo hotels and club rose by 21% to HK$533 million. Consolidated occupancy in Hong Kong improved and reached 82%, and a 19% increase in average room rates was registered during the period. The other Marco Polo hotels also performed well.

i-CABLE

Turnover, stoked by 2010 FIFA World Cup, increased by 12% to HK$962 million. An operating loss of HK$107 million was however reported due to the recognition timing mismatch for Pay TV. In addition, a one-off investment loss of HK$39 million in a film fund was booked.

The World Cup was a major draw card to rebuild business momentum. Pay TV subscribers increased by 9% to 1,086,000, which represented the largest half-yearly net gain ever. However, the recognition of recurrent revenue from long term subscriber commitments very seriously lags the substantial non-recurrent programming costs booked in the period. Post-World Cup subscriber retention has also been very satisfactory.

Broadband competition heightened during the period, where subscribers decreased by 6% to 234,000.

Wharf T&T

During the period, the Information and Communications Technology ("ICT") business side-stepped the worst of the global financial crisis on the back of pent-up demand. The small and medium enterprises market continued to be resilient with increased ICT services adoption. Wharf T&T enhanced its competitive position in the business sector and is making additional investments to extend its network reach to 95% of the sector's footprint by 2012. Total turnover rose to HK$833 million and a net profit of HK$95 million was reported.

FINANCIAL REVIEW

(I) Review of 2010 Interim Results

Turnover

Group turnover of HK$8,622 million marginally surpassed that recorded in the first half of 2009. Rental revenue continued to grow. Revenue from hotels and terminals rebounded in an improving economy. However, lower property sales were recognised.

Property Investment revenue from Hong Kong increased by 7% to HK$3,449 million, reflecting strong underlying retail sales, whilst that from China decreased by 17% to HK$236 million following the disposal of Beijing Capital Times Square in late 2009. With increasing demand since the second half of 2009, Hotel revenue rose by 21% to HK$533 million. In aggregate, the Property Investment segment reported a net increase in turnover of 7% to HK$4,218 million.

Property Development revenue decreased by 36% to HK$1,025 million, mainly due to the timing in recognition of property sales. For the period under review, sales were recognised mainly in respect of No. 1 Xin Hua Road in Shanghai and Dalian Times No. 1 & 8.

Logistics revenue increased by 8% to HK$1,596 million. Modern Terminals' revenue improved by 13% to reflect a 24% increase in consolidated throughput due partly to a market recovery and partly to the business build up in its ports in China.

Communications, Media and Entertainment ("CME") revenue increased by 6% to HK$1,795 million, mainly due to a 12% increase from i-CABLE with its Pay TV subscriber base expanding by 9%.

Operating Profit

Group operating profit increased by 7% to HK$4,516 million, mainly driven by the growing rental revenue and Modern Terminals.

Property Investment remained the core contributor with a 9% increase to HK$3,258 million. Contributions from Harbour City (excluding Hotels) and Times Square increased by 9% and 10%, respectively, despite the pressure on office rental and occupancy since late 2008. Contribution from China dropped by 5% mainly due to the disposal of Beijing Capital Times Square in late 2009.

Hotel contribution increased by 80% to HK$144 million with overall occupancy and average room rates both much improved.

Property Development's operating profit decreased by 5% to HK$561 million as less property sales recognised for the period under review.

Logistics' contribution rose by 30% to HK$811 million primarily due to the recovery of Modern Terminals.

CME recorded an operating loss of HK$15 million (2009: profit of HK$129 million) as Wharf T&T's operating profit was extinguished by i-CABLE's loss, mainly due to the mismatch in timing of recognition between the substantial non-recurrent costs on 2010 FIFA World Cup and the recurrent revenue from the long term subscriber commitments.

Investment and Others segment reported an increase in operating profit to HK$90 million (2009: HK$25 million), mainly due to increase in interest income.

Increase in Fair Value of Investment Properties

The book value of the Group's investment property portfolio as at 30 June 2010 was HK$124.2 billion, with HK$119.8 billion thereof stated at fair value based on an independent valuation as at 30 June 2010, which produced a revaluation surplus of HK$7,447 million (2009: HK$4,476 million). The attributable net revaluation surplus of HK$5,684 million (2009: HK$3,683 million), after deducting related deferred tax and non-controlling interests, was credited to the consolidated income statement.

Investment properties in the amount of HK$4.4 billion not revalued were all under development and not carried at fair value until the earlier of when their fair values first become reliably measurable or the dates of their respective completion.

Other Net Income

Other net income for the period amounted to HK$522 million (2009: HK$163 million), which mainly included profits on disposal of available-for-sale investments and a one-off surplus from revaluation of the interests in Hong Kong Air Cargo Terminals Limited ("Hactl") on its becoming an associate in accordance with prevailing accounting standard.

Finance Costs

Finance costs charged to the consolidated income statement were HK$544 million for the period versus a credit of HK$11 million in 2009. That included an unrealised mark-to-market loss of HK$319 million (2009: gain of HK$196 million) on the cross currency/interest rate swaps in compliance with prevailing accounting standard.

Excluding the unrealised mark-to-market impact on the swaps, finance cost after capitalisation was HK$225 million (2009: HK$185 million), representing an increase of HK$40 million mainly as a result of the increase in gross borrowings.

Finance cost was stated after capitalisation of HK$145 million (2009: HK$86 million) in respect of the Group's related assets.

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

The share of profit of associates decreased by 28% to HK$100 million (2009: HK$138 million), mainly due to the decrease in contribution in relation to property development. Contribution from the jointly controlled entities decreased to HK$7 million (2009: HK$27 million).

Income Tax

Taxation charge for the period was HK$1,902 million (2009: HK$1,787 million), which included deferred taxation of HK$1,705 million (2009: HK$775 million) provided for the current year's investment properties revaluation surplus.

Excluding the above deferred tax, the tax charge decreased to HK$197 million (2009: HK$1,012 million) mainly resulting from a net tax write back of HK$809 million upon reaching settlement on various tax disagreements with the Inland Revenue Department.

Non-controlling Interests

Profit attributable to non-controlling interests decreased by HK$6 million to HK$258 million, reflecting the decrease in net profits of certain non-wholly-owned subsidiaries.

Profit Attributable to Equity Shareholders

The Group's profit attributable to equity shareholders increased by 42% to HK$9,888 million (2009: HK$6,975 million). Earnings per share were HK$3.59 (2009: HK$2.53), based on 2,754 million issued shares.

Excluding the net investment property revaluation surplus of HK$5,684 million (2009: HK$3,683 million), the Group's profit attributable to shareholders for the period was HK$4,204 million (2009: HK$3,292 million), representing an increase of 28% over the corresponding period in 2009.

(II) Liquidity, Financial Resources and Capital Commitments

Shareholders' and Total Equity

As at 30 June 2010, the Group's shareholders' equity increased by HK$8,430 million to HK$123,640 million, equivalent to an increase of 7% to HK$44.89 per share (31 December 2009: HK$41.83 per share).

Including the non-controlling interests, the Group's total equity increased by 7% to HK$130,644 million (31 December 2009: HK$122,164 million).

Total Assets

The Group's total assets increased by 6% to HK$202.3 billion (31 December 2009: HK$190.5 billion). Total business assets, excluding bank deposit and cash, held-to-maturity investment and available-for-sale investments, increased by 7% to HK$182.5 billion (31 December 2009: HK$170.0 billion).

Included in the Group's total assets is the Investment Property portfolio of HK$124.2 billion, representing 68% of total business assets. The core assets in this portfolio are Harbour City and Times Square in Hong Kong, which are valued at HK$66.8 billion (excluding the three hotels) and HK$24.9 billion, respectively. Together, they represent 74% of the value of the Investment Property portfolio.

Other major business assets included other properties and fixed assets of HK$18.3 billion, interest in jointly controlled entities and associates (mainly for China property and port projects) of HK$14.3 billion and properties under development and held for sale (mainly in China) of HK$21.9 billion.

Geographically, the Group's business assets in China, mainly properties and terminals, increased to HK$59.9 billion (31 December 2009: HK$53.4 billion) and represented 33% of the Group's business assets.

Debts and Gearing

The Group's net debt increased by HK$2.0 billion to HK$23.4 billion as at 30 June 2010 (31 December 2009: HK$21.4 billion), which was made up of HK$41.0 billion in debts and HK$17.6 billion in bank deposits and cash. Included in the Group's net debts were HK$11.5 billion (31 December 2009: HK$12.0 billion) attributable to Modern Terminals, Harbour Centre Development Limited ("HCDL") and other subsidiaries, which are without recourse to the Company and its other subsidiaries. Excluding these non-recourse debts, the Group's net debt increased by 27% to HK$11.9 billion (31 December 2009: HK$9.4 billion). Analysis of the net debt is as below:

Net debt/(cash)	**30 June 2010** ***HK$ Million***	31 December 2009 *HK$ Million*
Wharf (excluding below subsidiaries)	**11,887**	9,392
Modern Terminals	**10,570**	10,742
HCDL	**1,452**	1,829
i-CABLE	**(539)**	(531)
	23,370	21,432

As at 30 June 2010, the ratio of net debt to total equity was 17.9% (31 December 2009: 17.5%).

Finance and Availability of Facilities

The Group's total available loan facilities and debt securities as at 30 June 2010 amounting to HK$67.9 billion, of which HK$41.0 billion were drawn, are analysed as below:

	30 June 2010		
	Available Facility *HK$ Billion*	**Total Debts** *HK$ Billion*	**Undrawn Facility** *HK$ Billion*
Company/wholly-owned subsidiaries			
Committed facilities	42.9	25.3	17.6
Uncommitted facilities	0.5	–	0.5
	43.4	25.3	18.1
Non-wholly-owned subsidiaries			
Committed and uncommitted			
– Modern Terminals	16.1	11.2	4.9
– HCDL	4.6	3.1	1.5
– i-CABLE	0.3	–	0.3
– Others	3.5	1.4	2.1
	67.9	41.0	26.9

Of the above debts, HK$9,347 million (31 December 2009: HK$8,996 million) was secured by mortgage over certain properties under development and fixed assets with total carrying value of HK$23,827 million (31 December 2009: HK$22,474 million).

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

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 foreign currency exposures.

The Group maintained a very strong financial position with ample surplus cash denominated principally in HKD and RMB and undrawn committed facilities to facilitate the Group's expanding business and investment activities. As at 30 June 2010, the Group also maintained a portfolio of available-for-sale investments with an aggregate market value of HK$2.2 billion (31 December 2009: HK$1.3 billion), which is immediately available for liquidation for the Group's use.

Cash Flows for the Group's Operating and Investing Activities

For the period under review, the Group's net cash inflow for operating activities decreased to HK$0.5 billion (2009: HK$3.0 billion), primarily due to payment for land and construction cost for trading properties under development. For investing activities, the Group reported a net cash inflow of HK$2.3 billion (2009: HK$0.3 billion), mainly representing the balance of the proceeds from the disposal of Beijing Capital Times Square in 2009 and uplift of bank deposits with maturity greater than three months.

Major Expenditure and Commitments

The major expenditure incurred by the Group's core businesses during the period and related commitments at 30 June 2010 are analysed as follows:

		Commitments as at 30 June 2010	
Business Unit/Company	**Expenditure for 1-6/2010** *HK$ Million*	**Authorised and Contracted for** *HK$ Million*	**Authorised but not Contracted for** *HK$ Million*
a. Capital expenditure			
Property Investments	833	7,131	13,111
Wharf T&T	119	135	203
i-CABLE (73.8%-owned)	120	33	105
Modern Terminals (67.6%-owned)	79	636	1,275
	1,151	7,935	14,694
b. Programming and others	38	2,111	124
c. Trading properties under development			
Subsidiaries (China/Hong Kong)	4,352	7,941	25,180
Jointly controlled entities/associates (China)	1,736	4,646	13,153
	6,088	12,587	38,333

For the Property Investment segment, the capital expenditure incurred was mainly for the construction of Shanghai Wheelock Square, Chengdu International Finance Centre and certain refurbishment and renovation work 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 those for Modern Terminals were mainly for the construction of the Dachan Bay project. i-CABLE and Modern Terminals, respectively 73.8% and 67.6% owned by the Group, independently funded their own capital expenditure programmes.

In addition to the capital expenditure, the Group also incurred HK$6.1 billion for development of its trading properties in China, either wholly-owned or undertaken through associates and jointly controlled entities.

As at 30 June 2010, the total outstanding commitments for the development of properties for investment or trading purposes was about HK$71.2 billion, including attributable land cost of HK$13.9 billion payable by installments mainly from 2010 to 2013. These developments will be executed by stages in the forthcoming years and funded by the Group's internal financial resources including its surplus cash of HK$17.6 billion, as well as bank and other financings. Other available resources include proceeds from sales and pre-sales of properties.

(III) Human Resources

The Group had approximately 13,000 employees as at 30 June 2010, including about 2,200 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 group's achievement and results.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010 – Unaudited

	Note	Six months ended 30 June 2010 HK$ Million	2009 HK$ Million
Turnover	2	**8,622**	8,611
Direct costs and operating expenses		**(2,622)**	(2,910)
Selling and marketing expenses		**(385)**	(346)
Administrative and corporate expenses		**(450)**	(500)
Operating profit before depreciation, amortisation, interest and tax		**5,165**	4,855
Depreciation and amortisation		**(649)**	(644)
Operating profit	2 & 3	**4,516**	4,211
Increase in fair value of investment properties		**7,447**	4,476
Other net income	4	**522**	163
		12,485	8,850
Finance (costs)/credits	5	**(544)**	11
Share of results after tax of:			
Associates		**100**	138
Jointly controlled entities		**7**	27
Profit before taxation		**12,048**	9,026
Income tax	6	**(1,902)**	(1,787)
Profit for the period		**10,146**	7,239
Profit attributable to :			
Equity shareholders		**9,888**	6,975
Non-controlling interests		**258**	264
		10,146	7,239
Earnings per share	7	**HK$3.59**	HK$2.53

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010 – Unaudited

	Six months ended 30 June	
	2010	2009
	HK$ Million	*HK$ Million*
Profit for the period	**10,146**	7,239
Other comprehensive income		
Exchange difference	**290**	(49)
Available-for-sale investments :		
Net movement in the investments revaluation reserves	**(28)**	260
Surplus on revaluation	**9**	268
Transferred to consolidated income statement on disposal	**(37)**	(8)
Share of other comprehensive income of associates/jointly controlled entities	**67**	(4)
Others	**(23)**	(5)
Other comprehensive income for the period	**306**	202
Total comprehensive income for the period	**10,452**	7,441
Total comprehensive income attributable to:		
Equity shareholders	**10,193**	7,134
Non-controlling interests	**259**	307
	10,452	7,441

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010 – Unaudited

	Note	30 June 2010 HK$ Million	31 December 2009 HK$ Million
Non-current assets			
Investment properties		124,198	115,492
Other properties, plant and equipment		14,593	14,722
Leasehold land		3,747	3,788
Total fixed assets		142,538	134,002
Goodwill and other intangible assets		297	297
Interest in associates		5,052	4,238
Interest in jointly controlled entities		9,201	7,551
Available-for-sale investments		2,170	1,331
Long term receivables		6	249
Programming library		108	113
Employee retirement benefit assets		138	139
Deferred tax assets		373	366
Derivative financial assets		147	318
		160,030	148,604
Current assets			
Properties for sale		21,852	17,797
Inventories		110	107
Held-to-maturity investments		–	794
Trade and other receivables	9	2,493	4,554
Derivative financial assets		198	193
Bank deposits and cash		17,613	18,412
		42,266	41,857
Current liabilities			
Trade and other payables	10	(5,274)	(5,632)
Deposits from sale of properties		(3,447)	(2,608)
Derivative financial liabilities		(150)	(100)
Taxation payable		(1,425)	(1,581)
Bank loans and other borrowings		(8,124)	(8,328)
		(18,420)	(18,249)
Net current assets		23,846	23,608
Total assets less current liabilities		183,876	172,212

	Note	30 June 2010 HK$ Million	31 December 2009 HK$ Million
Non-current liabilities			
Bank loans and other borrowings		**(32,859)**	(31,516)
Deferred tax liabilities		**(19,030)**	(17,215)
Other deferred liabilities		**(274)**	(262)
Derivative financial liabilities		**(1,069)**	(1,055)
		(53,232)	(50,048)
NET ASSETS		**130,644**	122,164
Capital and reserves			
Share capital	11	**2,754**	2,754
Reserves		**120,886**	112,456
Shareholders' equity		**123,640**	115,210
Non-controlling interests		**7,004**	6,954
TOTAL EQUITY		**130,644**	122,164

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010 – Unaudited

	Shareholders' equity								
	Share capital HK$ Million	Share premium HK$ Million	Capital redemption reserves HK$ Million	Investments revaluation reserves HK$ Million	Exchange and other reserves HK$ Million	Revenue reserves HK$ Million	Total shareholders' equity HK$ Million	Non-controlling interests HK$ Million	Total equity HK$ Million
At 1 January 2010	**2,754**	**16,566**	**7**	**496**	**1,542**	**93,845**	**115,210**	**6,954**	**122,164**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**9,888**	**9,888**	**258**	**10,146**
Other comprehensive income for the period	**–**	**–**	**–**	**(18)**	**323**	**–**	**305**	**1**	**306**
Total comprehensive income for the period	**–**	**–**	**–**	**(18)**	**323**	**9,888**	**10,193**	**259**	**10,452**
Shares issued by subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11**	**11**
Final dividends paid in respect of 2009 (Note 8b)	**–**	**–**	**–**	**–**	**–**	**(1,763)**	**(1,763)**	**–**	**(1,763)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(220)**	**(220)**
At 30 June 2010	**2,754**	**16,566**	**7**	**478**	**1,865**	**101,970**	**123,640**	**7,004**	**130,644**
At 1 January 2009	2,754	16,566	7	101	1,708	78,358	99,494	6,363	105,857
Profit for the period	–	–	–	–	–	6,975	6,975	264	7,239
Other comprehensive income for the period	–	–	–	184	(25)	–	159	43	202
Total comprehensive income for the period	–	–	–	184	(25)	6,975	7,134	307	7,441
Shares issued by subsidiaries	–	–	–	–	–	–	–	277	277
Final dividends paid in respect of 2008 (Note 8b)	–	–	–	–	–	(1,212)	(1,212)	–	(1,212)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(151)	(151)
At 30 June 2009	2,754	16,566	7	285	1,683	84,121	105,416	6,796	112,212

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010 – Unaudited

	Six months ended 30 June	
	2010	2009
	HK$ Million	*HK$ Million*
Net cash generated from operating activities	**476**	3,049
Net cash generated from investing activities	**2,349**	326
Net cash used in financing activities	**(980)**	(2,315)
Increase in cash and cash equivalents	**1,845**	1,060
Cash and cash equivalents at 1 January	**15,712**	15,281
Effect of exchange rate change	**56**	–
Cash and cash equivalents at 30 June	**17,613**	16,341
Analysis of the balance of cash and cash equivalents		
Bank deposits and cash	**17,613**	16,341

NOTES TO THE FINANCIAL STATEMENTS

1. Principal Accounting Policies and Basis of Preparation

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

The preparation of the interim financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, 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 used in the annual financial statements for the year ended 31 December 2009 except the changes mentioned below.

With effect from 1 January 2010, the Group has adopted the below relevant new and revised Hong Kong Financial Reporting Statements ("HKFRS") and amendments, which are relevant to the Group's financial statements:

HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 39 (Amendment)	Eligible hedged items
HKFRS 3 (Revised)	Business combination

The improvements to HKFRSs 2009 consist of further amendments to existing standards, including amendments to HKAS 17 Leases. The amendment to HKAS 17 requires the land element of long-term leases to be classified as a finance lease rather than an operating lease if it transfers substantially all the risks and rewards of ownership. It is not expected that these amendments will have a significant effect on the Group's results or net assets.

The revised HKAS 27 will affect the accounting for future transactions with non-controlling interests (previously known as "minority interests"). It requires changes in a parent company's interest in subsidiaries that do not result in changes of control to be accounted for within equity, with no gain or loss recognised and no remeasurement of goodwill. A gain or loss on disposal will be recognised in the income statement only if the disposal results in a loss of control.

The amendment to HKAS 39 provides additional guidance on when a financial item can be designated as a hedged item and on assessing hedge effectiveness. It is not expected that this amendment will have a significant effect on the Group's results or net assets.

The revised HKFRS 3 introduces a number of changes to the accounting for business combinations, including the requirement that where a business combination is achieved in stages, the existing interest in the acquiree should be re-measured at fair value at acquisition date and any resulting gain or loss recognised in the income statement. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition. The acquisition of additional interests in Hong Kong Air Cargo Terminals Limited ("Hactl") during the period (as set out in note 4) has been accounted for in accordance with the revised HKFRS 3 and the revised HKAS 27. This has resulted in the remeasurement of the previously held interest in Hactl to fair value and the recognition of a gain of HK$437 million in the consolidated income statement.

2. Segment Information

The Group manages 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, communications, media and entertainment ("CME"), logistics, and investment and others. No operating segments have been aggregated to form the following reportable segments.

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, is primarily located in Hong Kong and China.

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 and China.

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.

Logistics segment mainly includes the container terminal operations of Modern Terminals Limited ("Modern Terminals") and other public transport operations.

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.

a. Analysis of segment revenues and results

Six months ended	Turnover HK$ Million	Operating profits/ (losses) HK$ Million	Increase in fair value of investment properties HK$ Million	Other net income HK$ Million	Finance (costs)/ credits HK$ Million	Associates HK$ Million	Jointly controlled entities HK$ Million	Profit before taxation HK$ Million
30 June 2010								
Property investment	**4,218**	**3,258**	**7,447**	**–**	**(182)**	**–**	**–**	**10,523**
Hong Kong	**3,449**	**2,975**	**5,989**	**–**	**(144)**	**–**	**–**	**8,820**
China	**236**	**139**	**1,458**	**–**	**(35)**	**–**	**–**	**1,562**
Hotels	**533**	**144**	**–**	**–**	**(3)**	**–**	**–**	**141**
Property development	**1,025**	**561**	**–**	**20**	**(43)**	**9**	**(10)**	**537**
Hong Kong	**1**	**1**	**–**	**–**	**–**	**10**	**–**	**11**
China	**1,024**	**560**	**–**	**20**	**(43)**	**(1)**	**(10)**	**526**
CME	**1,795**	**(15)**	**–**	**–**	**–**	**(39)**	**–**	**(54)**
i-CABLE	**962**	**(107)**	**–**	**–**	**–**	**(39)**	**–**	**(146)**
Telecommunications	**833**	**95**	**–**	**–**	**–**	**–**	**–**	**95**
Others	**–**	**(3)**	**–**	**–**	**–**	**–**	**–**	**(3)**
Logistics	**1,596**	**811**	**–**	**438**	**(139)**	**130**	**17**	**1,257**
Terminals	**1,533**	**793**	**–**	**1**	**(139)**	**111**	**17**	**783**
Others	**63**	**18**	**–**	**437**	**–**	**19**	**–**	**474**
Investment and others	**138**	**90**	**–**	**64**	**(180)**	**–**	**–**	**(26)**
Inter-segment revenue	**(150)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Segment total	**8,622**	**4,705**	**7,447**	**522**	**(544)**	**100**	**7**	**12,237**
Corporate expenses	**–**	**(189)**	**–**	**–**	**–**	**–**	**–**	**(189)**
Group total	**8,622**	**4,516**	**7,447**	**522**	**(544)**	**100**	**7**	**12,048**
30 June 2009								
Property investment	3,953	2,988	4,476	10	(165)	–	–	7,309
Hong Kong	3,228	2,761	4,474	10	(142)	–	–	7,103
China	285	147	2	–	(17)	–	–	132
Hotels	440	80	–	–	(6)	–	–	74
Property development	1,612	589	–	–	(12)	41	8	626
Hong Kong	–	–	–	–	–	41	–	41
China	1,612	589	–	–	(12)	–	8	585
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	35	25	–	153	137	–	–	315
Inter-segment revenue	(165)	–	–	–	–	–	–	–
Segment total	8,611	4,357	4,476	163	11	138	27	9,172
Corporate expenses	–	(146)	–	–	–	–	–	(146)
Group total	8,611	4,211	4,476	163	11	138	27	9,026

b. Analysis of inter-segment revenue

Six months ended 30 June	2010 Total Revenue HK$ Million	2010 Inter-segment revenue HK$ Million	2010 Group Revenue HK$ Million	2009 Total Revenue HK$ Million	2009 Inter-segment revenue HK$ Million	2009 Group Revenue HK$ Million
Property investment	**4,218**	**(74)**	**4,144**	3,953	(81)	3,872
Property development	**1,025**	**–**	**1,025**	1,612	–	1,612
CME	**1,795**	**(76)**	**1,719**	1,693	(84)	1,609
Logistics	**1,596**	**–**	**1,596**	1,483	–	1,483
Investment and others	**138**	**–**	**138**	35	–	35
	8,772	**(150)**	**8,622**	8,776	(165)	8,611

c. Geographical information

Six months ended 30 June	Revenue 2010 HK$ Million	Revenue 2009 HK$ Million	Operating profit 2010 HK$ Million	Operating profit 2009 HK$ Million
Hong Kong	**7,061**	6,598	**3,964**	3,519
China	**1,540**	1,996	**531**	674
Singapore	**21**	17	**21**	18
Group total	**8,622**	8,611	**4,516**	4,211

3. Operating Profit

Operating profit is arrived at:

	Six months ended 30 June 2010 HK$ Million	2009 HK$ Million
After charging/(crediting) :		
Depreciation		
– assets held for use under operating leases	**57**	63
– other fixed assets	**503**	490
	560	553
Amortisation		
– programming library	**43**	47
– leasehold land	**46**	44
Total depreciation and amortisation	**649**	644
Staff cost (Note a)	**1,284**	1,214
Cost of trading properties sold during the period	**435**	922
Rental income less direct outgoings (Note b)	**(3,174)**	(2,953)
Interest income	**(76)**	(16)
Dividend income from listed investments	**(24)**	(17)
Dividend income from unlisted investments	**(16)**	(29)
Profit on disposal of fixed assets	**(7)**	(13)

Notes :

(a) Staff cost included retirement scheme costs HK$52 million (2009: HK$54 million).

(b) Rental income included contingent rentals of HK$550 million (2009: HK$338 million).

4. Other Net Income

Other net income includes (a) a one-off surplus of HK$437 million on revaluation of the interests in Hactl on its becoming the Group's associate, (b) net profit on disposal of available-for-sale investments of HK$115 million (2009: net loss of HK$5 million) which includes a revaluation surplus of HK$37 million (2009: HK$8 million) transferred from the investments revaluation reserves of the Group and (c) net foreign exchange loss of HK$30 million (2009: gain of HK$69 million).

5. Finance Costs/(Credits)

	Six months ended 30 June 2010 HK$ Million	2009 HK$ Million
Interest charged on:-		
Bank loans and overdrafts repayable within five years	**185**	159
Other borrowings repayable within five years	**–**	6
Bank loans repayable after five years	**64**	36
Other borrowings repayable after five years	**30**	55
Total interest charge	**279**	256
Other finance costs	**91**	15
Less: Amount capitalised	**(145)**	(86)
	225	185
Fair value cost/(gain):-		
Cross currency interest rate swaps	**29**	96
Interest rate swaps	**290**	(292)
	544	(11)

The Group's average effective borrowing rate for the period was 2.0% p.a. (2009: 1.5% p.a.).

6. Income Tax

Taxation charged to the consolidated income statement represents :

	Six months ended 30 June 2010 HK$ Million	2009 HK$ Million
Current income tax		
Hong Kong		
– provision for the period	**593**	521
– (over)/underprovision in respect of prior years	**(809)**	186
Outside Hong Kong		
– provision for the period	**140**	128
– underprovision in respect of prior years	**21**	–
	(55)	835
Land appreciation tax ("LAT") in China	**167**	140
Deferred tax		
Change in fair value of investment properties	**1,705**	775
Origination and reversal of temporary differences	**85**	37
	1,790	812
	1,902	1,787

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% (2009: 16.5%).

b. Income tax on profits assessable outside Hong Kong is mainly China corporate income tax calculated at rates of 25% and China withholding income tax at a rate of 10%.

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 cost of land use rights, borrowings costs and all property development expenditures.

d. Tax attributable to associates and jointly controlled entities for the six months ended 30 June 2010 of HK$39 million (2009: HK$28 million) is included in the share of results of associates and jointly controlled entities.

e. The Group reached a settlement with the Inland Revenue Department on various tax disagreements in respect of the deductibility of interest expenses and the concerned over-provisions made in previous years totalling HK$809 million was written back.

7. Earnings Per Share

The calculation of earnings per share is based on the earnings attributable to ordinary equity shareholders for the period of HK$9,888 million (30 June 2009: HK$6,975 million) and the weighted average of 2,754 million ordinary shares (30 June 2009: 2,754 million shares) in issue during the period.

There were no potential diluted ordinary shares in existence during the periods ended 30 June 2010 and 2009.

8. Dividends

a. The below interim dividends were proposed after the period end dates which have not been recognised as liabilities at the period end dates :

	Six months ended 30 June	
	2010	2009
	HK$ Million	*HK$ Million*
Interim dividend of 36 cents (2009 : 36 cents) proposed after the period end date per share	**991**	991

b. Dividends recognised as distribution during the period :

	Six months ended 30 June 2010 HK$ Million	2009 HK$ Million
2009 Final dividend paid of 64 cents per share	**1,763**	–
2008 Final dividend paid of 44 cents per share	**–**	1,212
	1,763	1,212

9. Trade and Other Receivables

Included in this item are trade receivables (net of allowance for bad and doubtful debts) with an ageing analysis based on invoice date as at 30 June 2010 as follows:

	30 June 2010 HK$ Million	31 December 2009 HK$ Million
Trade receivables		
0 – 30 days	**515**	417
31 – 60 days	**90**	170
61 – 90 days	**63**	43
Over 90 days	**93**	68
	761	698
Other receivables	**1,732**	3,856
	2,493	4,554

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.

10. Trade and Other Payables

Included in this item are trade payables with an ageing analysis as at 30 June 2010 as follows:

	30 June 2010 HK$ Million	31 December 2009 HK$ Million
Trade payables		
0 – 30 days	248	200
31 – 60 days	99	53
61 – 90 days	45	25
Over 90 days	53	72
	445	350
Rental deposits	1,598	1,638
Construction costs payable	942	1,123
Other payables	2,289	2,521
	5,274	5,632

11. Share Capital

	30 June 2010 No. of shares Million	31 December 2009 No. of shares Million	30 June 2010 HK$ Million	31 December 2009 HK$ Million
Authorised				
Ordinary shares of HK$1 each	3,600	3,600	3,600	3,600
Issued and fully paid				
Ordinary shares of HK$1 each				
At 30 June, 31 December	2,754	2,754	2,754	2,754

12. Material Related Party Transaction

The Group and the Company have not been a party to any material related party transaction during the period ended 30 June 2010 except for the rental income totalling HK$253 million (2009: HK$226 million) earned 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.

13. Contingent Liabilities

As at 30 June 2010, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to overdrafts, short term loans and credit facilities, bonds and notes of up to HK$48,896 million (31 December 2009: HK$38,828 million). The Company has not recognised any deferred income for the guarantees given in respect of borrowings and other banking facilities for subsidiaries as their fair value cannot be reliably measured and their transaction price was HK$Nil.

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

14. Commitments

The Group's outstanding commitments on expenditures as at 30 June 2010 included below:-

	30 June 2010			31 December 2009		
	Hong Kong HK$ Million	China HK$ Million	Total HK$ Million	Hong Kong HK$ Million	China HK$ Million	Total HK$ Million
a. Capital expenditure (including investment properties)						
Authorised and contracted for	1,051	6,884	7,935	330	6,624	6,954
Authorised but not contracted for	671	14,023	14,694	1,148	11,711	12,859
	1,722	20,907	22,629	1,478	18,335	19,813
b. Programming and others						
Authorised and contracted for	2,111	–	2,111	2,226	–	2,226
Authorised but not contracted for	124	–	124	139	–	139
	2,235	–	2,235	2,365	–	2,365
c. Properties under development (other than investment properties)						
Authorised and contracted for	7	7,934	7,941	7	8,020	8,027
Authorised but not contracted for	–	25,180	25,180	–	20,428	20,428
	7	33,114	33,121	7	28,448	28,455
d. Properties under development undertaken by jointly controlled entities and associates attributable to the Group						
Authorised and contracted for	–	4,646	4,646	–	4,335	4,335
Authorised but not contracted for	–	13,153	13,153	–	10,459	10,459
	–	17,799	17,799	–	14,794	14,794
e. Expenditure for operating leases						
Within one year	27	–	27	29	–	29
After one year but within five years	35	–	35	41	–	41
Over five years	53	–	53	58	–	58
	115	–	115	128	–	128

(i) Commitments for capital expenditure in China are mainly related to land and construction cost for investment property under development and Modern Terminal's port expenditure for the Dachan Bay and Taicang projects.

(ii) Commitments for properties under development by the Group's subsidiaries or through jointly controlled entities included outstanding land cost attributable to the Group of HK$13.9 billion payable by instalments from 2010 to 2013. Other commitments under the categories are mainly construction cost for the forthcoming years.

(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.

15. Events After the Reporting Period

On 28 July 2010, the Group together with Nan Fung group succeeded in bidding a land at Mount Nicholson Road, the Peak at a consideration of HK$10.4 billion, and will jointly develop the land into residential properties on a 50:50 ownership basis.

16. Comparative Figures

Certain comparative figures have been reclassified to conform to the current period's presentation.

17. Review of Unaudited Interim Financial Statements

The unaudited interim financial statements for the six months ended 30 June 2010 have been reviewed with no disagreement by the Audit Committee of the Company.

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.

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 2010, Directors of the Company had the following beneficial interests, all being long positions, in the share capitals of the Company, Wheelock and Company Limited ("Wheelock") (which is the Company's parent company) and two subsidiaries of the Company, namely, i-CABLE Communications Limited ("i-CABLE") and Modern Terminals Limited ("Modern Terminals"), 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		
Stephen T H Ng	731,314 (0.0266%)	Personal Interest
T Y Ng	200,268 (0.0073%)	Personal Interest
Wheelock		
Peter K C Woo	1,204,934,330 (59.3023%)	Personal Interest in 8,847,510 shares, Corporate Interest in 200,865,142 shares and Other Interest in 995,221,678 shares
Stephen T H Ng	300,000 (0.0148%)	Personal Interest
T Y Ng	70,000 (0.0034%)	Personal Interest
i-CABLE		
Stephen T H Ng	1,265,005 (0.0629%)	Personal Interest
T Y Ng	17,801 (0.0009%)	Personal Interest
Modern Terminals		
Hans Michael Jebsen	3,787 (5.40%)	Corporate Interest

Notes: (1) The 995,221,678 shares of Wheelock stated above as "Other Interest" against the name of Mr Peter K C Woo represented an interest comprised in certain trust properties in which Mr Woo was taken, under certain provisions in Part XV of the Securities and Futures Ordinance (the "SFO") which are applicable to a director or chief executive of a listed company, to be interested.

(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.

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 as at 30 June 2010 by any 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 rights to subscribe for any shares, underlying shares or debentures of the Company held by any of them at any time during the financial period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company as at 30 June 2010, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register") and the percentages which the shares represented to the issued share capital of the Company:

	Names	**No. of Ordinary Shares (percentage of issued capital)**	
(i)	Lynchpin Limited	193,879,157	(7.04%)
(ii)	Star Attraction Limited	193,879,157	(7.04%)
(iii)	Wheelock Properties Limited	193,879,157	(7.04%)
(iv)	Myers Investments Limited	193,879,157	(7.04%)
(v)	Wheelock Corporate Services Limited	193,879,157	(7.04%)
(vi)	WF Investment Partners Limited	1,183,652,306	(42.98%)
(vii)	Wheelock and Company Limited	1,377,531,463	(50.02%)
(viii)	HSBC Trustee (Guernsey) Limited	1,377,531,463	(50.02%)
(ix)	JPMorgan Chase & Co.	157,336,506	(5.71%)

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

All the interests stated above represented long positions and as at 30 June 2010, there were no short positions 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), exclusive of any and all amounts which would be borne by Wheelock and/or its wholly-owned subsidiary(ies) and calculated on annualised basis for the year 2010, of all those Directors of the Company for whom there have been changes of amounts of emoluments since the publication of the last annual report of the Company:

Directors	#Salary and various allowances (calculated on annualised basis) *HK$'000*		##Discretionary annual bonus in cash *HK$'000*	
Mr Peter K C Woo	11,069	*(2009: 10,487)*	10,000	*(2009: 6,750)*
Mr Stephen T H Ng	4,646	*(2009: 4,461)*	9,000	*(2009: 6,750)*
Ms Doreen Y F Lee	3,746	*(2009: 3,573)*	5,000	*(2009: 3,800)*
Mr T Y Ng	2,909	*(2009: 2,851)*	3,200	*(2009: 1,557)*
Mr Paul Y C Tsui	2,226	*(2009: 1,952)*	2,625	*(2009: 818)*

\# *Not including the Chairman's fee of HK$100,000 per annum to Mr Peter 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 2010, 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 directorships (if any) held within the past three years in other listed public companies in respect of all those Directors of the Company for whom there have been changes in the relevant information since the publication of the last annual report of the Company:

Directors	**Present/*(Former)* directorships in other listed public companies**
Ms Doreen Y F Lee	Harbour Centre Development Limited *(appointed in July 2010)*; Joyce Boutique Holdings Limited
Hon Paul M P Chan	China Communications Services Corporation Limited; Hong Kong Economic Times Holdings Limited; Kingmaker Footwear Holdings Limited; *(China Resources Land Limited (resigned in January 2009)); (See note (a) below)*
Dr Raymond K F Ch'ien	CDC Corporation; China.com Inc.; China Resources Power Holdings Company Limited (*appointed in April 2010*); Convenience Retail Asia Limited; Hang Seng Bank Limited; MTR Corporation Limited; Swiss Reinsurance Company Limited; *(VTech Holdings Limited (resigned in September 2008)); (Inchcape Inc. (resigned in May 2009)); (See note (b) below)*

Notes: (a) *Hon Paul M P Chan, being a former director of publicly-listed I. T Limited, ceased to be its director in July 2007.*

(b) *Dr Raymond K F Ch'ien, being a former director of publicly-listed HSBC Holdings plc, ceased to be its director in May 2007.*

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, 20 September 2010 to Wednesday, 22 September 2010, 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, 17 September 2010.

By Order of the Board
Wilson W S Chan
Company Secretary

Hong Kong, 30 August 2010

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