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THE WHARF (HOLDINGS) LIMITED

Interim Report 2011

Stock Code: 4

WHARF

Established 1886

www.wharfholdings.com

Contents

Solid cash flow consistent with plan

HIGHLIGHTS

- Robust retail sales and tightening of prime office supply advanced Harbour City and Times Square to a record performance. Hotels also reported a solid performance.
- On an attributable basis, China property sales tracked the Group's plan and increased by 271% to RMB6.3 billion. Completions during the period totalled 160,000 square metres. Net order book increased to RMB14.9 billion for 945,000 square metres.
- Modern Terminals' throughput growth in South China slowed; margin declined due to one-off items and rising operating costs. Hong Kong Air Cargo Terminals' throughput slipped.
- All segments reported higher turnover and (except for Logistics) operating profit.
- Non-recurrent items accounted for HK$1.2 billion of net profit in 2010. Excluding non-recurrent items, underlying profit increased by 11% to HK$3.3 billion. Attributable profit increased by 31% to HK$14.3 billion.
- EPS (before investment property revaluation) declined by 26% to HK$1.11. DPS is maintained at 36 cents on the enlarged share capital to give a dividend cover at 3.1 times.
- New investments during the period exceeded HK$20 billion, primarily for China properties. China landbank increased to 12.4 million square metres.
- This was funded by HK$10 billion of new equity and HK$10 billion of additional debt.
- Book NAV increased by 14% to HK$187 billion (HK$61.59 per share).

GROUP RESULTS

Unaudited Group profit attributable to equity shareholders amounted to HK$14,302 million (2010: HK$10,892 million as restated). Basic earnings per share were HK$4.84 (2010: HK$3.85 as restated).

Excluding the net investment property revaluation surplus and one-off exceptional gains recorded in 2010, the Group's underlying profit attributable to equity shareholders increased by 11% to HK$3,283 million (2010: HK$2,958 million).

INTERIM DIVIDEND

An interim dividend of HK$0.36 (2010: HK$0.36) per share on the expanded share capital will be paid on 30 September 2011 to Shareholders on record as at 22 September 2011, absorbing a total amount of HK$1,091 million (2010: HK$991 million).

BUSINESS REVIEW

HONG KONG PROPERTY INVESTMENT

Harbour City and Times Square, representing 47% of the Group's business assets and 64% of operating profit, continued to perform strongly. Retail sales conducted within these two core assets during the period accounted for an unmatched 8.3% share of Hong Kong's total retail sales, up from 7.9% a year earlier.

Harbour City

Turnover (excluding hotels) increased by 13% to HK$2,655 million and operating profit by 13% to HK$2,313 million.

Retail

As the largest mall in town, Harbour City's retail sales performance continued to outpace the market. At a year-on-year growth of 33%, it represented nine percentage points more than the market average and commanded 6.2% share of Hong Kong's retail sales, a unique level and an envy of other shopping malls in Hong Kong.

Turnover from Harbour City's retail sector increased by 20% to HK$1,723 million.

Harbour City continues to provide a captivating "shoppertainment" experience to shoppers through a finely calibrated trade mix and innovative marketing campaigns. During the period, international labels including Chloe and Tom Ford opened their stores at Harbour City. The world-renowned chef, Michael White, opened his first Hong Kong restaurant at Ocean Terminal. LCX also underwent a tenant-mix revamp and recruited the first American Eagle Outfitters, a favourite brand for youngsters, in Asia.

Office

Turnover increased by 2% to HK$787 million. Reflecting the buoyant business activities, occupancy and rental rates for new commitments trended up strongly during the period.

Occupancy stood at 95% at the end of June, and lease renewal retention rate held up well at 73%, including renewal with anchor tenants such as Du Pont, Estée Lauder, Hasbro and Mattel, while Prudential expanded its leased space at The Gateway.

Serviced Apartments

Turnover increased by 10% to HK$145 million. Occupancy at Gateway Apartments rose to 94% at the end of June with favourable rental growth.

Times Square

Turnover increased by 10% to HK$815 million and operating profit by 11% to HK$727 million.

Retail

Times Square remains the most successful vertical shopping mall in Hong Kong. Retail revenue grew by 15% to HK$587 million with full occupancy during the period.

To uplift the shopping ambiance, tenant mix on the various atrium floors was further fine-tuned with new recruitments including Lacoste and Shanghai Tang, as well as relocation of some existing tenants to enhance the shopping experience. Elegant Watch & Jewellery has committed to expanding its watch and jewellery offering, while Manzo, a premium Italian steak house, opened during the period.

Office

Turnover increased marginally to HK$228 million, with occupancy climbing to 96% at the end of June and strong growth in spot rents.

Alibaba, an e-commerce operator, has leased 26,000 square feet of office space at Times Square for consolidation and relocation from Wanchai, and EQ Corporate, an asset management company, has leased 19,400 square feet for its relocation from Central. Lease renewal retention rate stood at 28% as some tenants moved to fringe locations, although any non-renewed space was rapidly absorbed by new tenants.

Other Hong Kong Properties

Leasing for the Peak's portfolio remained active with average occupancy maintained at over 90% and strong rental growth.

Plaza Hollywood posted a 7% growth in turnover to HK$186 million with favourable rental growth. Average occupancy stood at 99%.

Mount Nicholson is being developed through a 50:50 joint venture with Nan Fung. The development offers exclusively luxurious residences with ultimate privacy, with an attributable GFA of 162,000 square feet. The master layout plan and general building plan have been submitted for approval.

One Midtown (formerly identified as Cable TV Tower South Project) in Tsuen Wan is being developed into a high-rise industrial/loft building, with a total GFA of 644,000 square feet. The development is scheduled for completion in the second half of 2012.

Kowloon Godown in Kowloon Bay has been given approval for a residential and commercial development with a GFA of 829,000 square feet. The master layout plan has been approved and lease modification application is underway.

Yau Tong Godown was given approval for a residential and commercial development with a GFA of 256,000 square feet. Negotiation on lease modification premium is underway.

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

CHINA PROPERTIES

The Group is on course with its strategy to increase Mainland assets to 50% of the Group's business assets, with 39% of business assets in China at the end of June.

During the first half of 2011, the Group acquired 10 sites in the cities of Changsha, Foshan, Hangzhou and Suzhou for development of eight projects with an attributable GFA of 2.0 million square metres for RMB13 billion. The Group's landbank increased by 17% to 12.4 million square metres at the end of June, spanning across 13 cities, and is on track to the next milestone of 15 million square metres. The RMB required for all outstanding land payments has been fully covered.

Turnover from China property development increased by 31% to HK$1,343 million with operating profit at HK$568 million. Profits recognised during the period included contributions from Tian Fu Times Square and Crystal Park in Chengdu.

During the period, four new projects were launched for sales. Together with further sales from projects previously launched, a total of 437,000 square metres of properties were sold to generate attributable sales proceeds of RMB6.3 billion, 271% higher than 2010. Net order book increased to RMB14.9 billion at the end of June.

For China property investment, turnover and operating profit increased as a result of contribution from Wheelock Square in Shanghai, notwithstanding the closure of Chongqing Times Square for renovation. Wheelock Square is leasing up well and its performance will further improve in the second half. The completed investment properties were valued at HK$13 billion at the end of June.

Property Development – Eastern China

Sales

Suzhou Times City (formerly identified as Suzhou Industrial Park Xiandai Da Dao Project) was launched in May, with 83% of the units offered sold by 30 June at an average price of RMB13,900 per square metre of GFA for proceeds of RMB410 million.

For projects previously launched, Shanghai Xiyuan sold more units during the period at an average selling price of over RMB52,000 per square metre of GFA to generate proceeds of RMB890 million. Changzhou Times Palace also sold more units to generate proceeds of RMB696 million.

In Suzhou, Ambassador Villa sold additional villas at an average selling price of RMB51,100 per square metre of GFA to generate proceeds of RMB337 million. Other projects including Times City and Glory of Time in Wuxi, Golf Landmark in Hangzhou and No. 1 Xin Hua Road in Shanghai also made further sales with favourable response.

In July, the Group launched another new project, Wuxi Xiyuan (formerly identified as Wuxi Old Canal No. 71 Project), with the villas sold at an average selling price of over RMB23,000 per square metre of GFA to generate proceeds of RMB113 million.

Acquisitions
In January and March, the Group acquired two residential sites in Hangzhou. The first site is located in Fuyang District with attractive river and mountain views and the second site is in Yuhang District in the new Qianjiang Development Area near the touristy Chaoshan Scenic District. The sites are developable into 129,000 square metres of GFA and 220,000 square metres of GFA respectively.

In Suzhou, the Group acquired two sites in January next to Yin Shan Lake in Wuzhong District, a focal development area according to the Suzhou government. This will be a high-end residential development with a GFA of 385,000 square metres with easy access to a future metro station nearby.

Development Progress
The first phase of residential units of Changzhou Times Palace is scheduled for completion in the second half of 2011. The State Guest House, a five-star hotel and the serviced apartments will be completed in 2012.

The first phases of Ambassador Villa in Suzhou and Glory of Time in Wuxi are scheduled for completion in late 2011.

Superstructure work of Shanghai Xiyuan is underway with scheduled completion in 2012. The Shanghai metro line 10 station adjacent to the development is already in operation to provide easy access to the city centre.

Other developments in Eastern China are progressing on schedule.

Property Development – Western China

Sales
The U World in Chongqing (formerly identified as Chongqing Jiangbei City Zone B Project) was launched in April, with nearly 90% of the units offered sold by 30 June at an average price of RMB22,100 per square metre of GFA. Another phase of high-rise residential units launched in late June has also met with strong demand. Cumulative attributable proceeds generated have reached RMB715 million.

International Community in Chongqing released more units to meet with the strong local demand to generate attributable proceeds of RMB494 million. The development set a record with sale of over 1,000 residential units in one single day.

In Chengdu, Tian Fu Times Square released its second tower of Times Riverside and additional office units at Times 8 to generate proceeds of RMB752 million. Crystal Park made more sales to generate proceeds of RMB352 million.

Development Progress
The final three residential towers of Tian Fu Times Square were completed in June, while the two office towers are scheduled for completion in 2012 and 2013. Crystal Park completed four additional residential towers in June; the remaining residential towers and one office tower will be completed in phases by 2013. Other developments in Chengdu are progressing as planned.

In Chongqing, another phase of International Community was completed during the period. Construction of The U World is underway with scheduled completion in phases by 2015. Excavation work of the Zone C residential site is in progress.

Property Development – Other Regions

Sales

Peaceland Cove in Tianjin was launched in February, with 81% of the units offered sold by 30 June at an average price of RMB13,100 per square metre of GFA for attributable proceeds of RMB494 million.

Magnificent in Tianjin (formerly identified as Tianjin Jinjiang Road Project) was launched in May, with 83% of the units offered sold by 30 June at an average price of RMB14,300 per square metre of GFA for attributable proceeds of RMB402 million.

Acquisitions

In June, the Group acquired the 50% shares in the joint ventures of four residential projects in Foshan, Guangdong from Wheelock and Company Limited for a consideration of HK$3,388 million, based on a property valuation of HK$5,138 million. These projects are developed through 50:50 joint ventures with China Merchants Property.

Evian Town is located in Xincheng District, overlooking Dong Ping River. The development comprises townhouses, low-rise and high-rise residences. The attributable uncompleted GFA acquired by the Group amounted to 186,000 square metres. The development will be completed in 2013.

Evian Uptown is located in Chancheng District, at the junction of Kuiqi Road and Guilan Road. The attributable uncompleted GFA acquired by the Group totalled 111,000 square metres. The development will be completed in phases by 2014.

Shishan Town Project is located in the centre of Shishan Town. This upscale residential development offers an attributable GFA of 155,000 square metres. Foundation work is underway with full completion scheduled in 2015.

The Nanhai Guicheng Project consists of two sites located at the western side of Nanhai District. The sites offer a combined attributable GFA of 112,200 square metres. Construction has commenced with full completion scheduled in 2015.

Property Investment

Leasing activities of Wheelock Square in Shanghai have continued to gain pace. Over 70% of the office area has already been committed with the latest monthly rental rates at over RMB400 per square metre. Higher floors will be released to fetch higher rates. This premier-grade development continues to attract multinationals and major corporations.

Chongqing Times Square completed its premises transformation into a modern and stylish shopping mall. A soft re-opening took place in early July with various international brands poised to open their stores during August and September.

Dalian Times Square continued to deliver remarkable performance with a 38% growth in retail sales per square metre and full occupancy. To fortify its leading position, reconfiguration work will commence in early 2012 to accommodate the opening of Chanel and other brand re-positioning exercises.

Shanghai Times Square continued to perform satisfactorily during the period with 93% retail and 96% office occupancy.

International Finance Centres ("IFCs")

In January, the Group acquired a prime site in the city centre of Changsha for the development of Changsha IFC. The project will comprise three towers (with two of them in excess of 300 metres in height) atop a 250,000 square metres retail podium, offering upscale retail, Grade A offices, a five-star hotel and luxury apartments with a total GFA of 700,000 square metres. Construction will start in late 2011 for full completion in 2016.

Chengdu IFC is the Group's next flagship investment property being rolled out in the busiest pedestrian shopping area of Chengdu. Construction of phase one, which includes a retail complex and an office tower, is underway with scheduled completion in 2013.

Construction of Chongqing IFC, a 50:50 joint venture development with China Overseas Land & Investment in Jiangbei City, the new CBD of Chongqing, is underway with full completion scheduled in 2015.

Development of Wuxi IFC and Suzhou IFC is progressing as planned.

MARCO POLO HOTELS

Powered by strong inbound tourism and vibrant business travel, revenue from the Marco Polo hotels and club grew by 11% to HK$593 million during the period.

Consolidated occupancy of the three Marco Polo hotels in Hong Kong was 81%, with a 21% increase in average room rates. Other Marco Polo hotels performed robustly in their respective locations, with Marco Polo Wuhan, the Group's flagship on the Wuhan Bund overlooking the Yangtze River, posting a 16% growth in average room rates.

The Marco Polo Lingnan Tiandi in Foshan managed by the Group will open in 2011. From 2012 onwards, a host of new Marco Polo hotels in Changsha, Changzhou, Chengdu, Chongqing, Guiyang, Manila, Suzhou and Wuxi will come on stream.

MODERN TERMINALS

Following the sharp rebound in 2010, global trade growth slowed down during the first half of 2011. Container throughput in South China posted a growth rate of under 3%.

Modern Terminals' consolidated revenue increased by 6% to HK$1,620 million during the period. However, operating profit decreased by 15% to HK$675 million partly due to one-off items but also as a result of rising operating costs. Throughput in Hong Kong grew modestly to 2.7 million TEUs.

In China, throughput at Taicang International Gateway in Suzhou grew by 9% to 685,000 TEUs, while Da Chan Bay Terminal One in Shenzhen handled 343,000 TEUs during the period, 19% higher than last year. Throughput growth was also reported at Shekou Container Terminals and Chiwan Container Terminal, both in Shenzhen, in which Modern Terminals holds strategic stakes.

OTHER BUSINESSES

i-CABLE

i-CABLE's efforts to rebuild revenue and profitability have started to pay off. Turnover increased by 9% to HK$1,051 million while the net loss of HK$55 million represented a 62% improvement. Its financial position remains solid with a net cash of HK$369 million.

i-CABLE continues to invest in premier content that attracts higher viewership to reinforce and expand market share under its well-tested strategy. Broadband service and network upgrades continued notwithstanding the challenging and competitive environment.

Wharf T&T

The ICT industry benefited from the rally of IT and telecom spending to cope with business demand during the period. Data business stood to gain from the invigorating bandwidth consumption. New projects and infrastructure investment in the enterprise sector boosted chain demand on server, storage and router/switching equipment, fibre connectivity, security and system integration savoir-faire. Wharf T&T's revenue rose by 6% to HK$879 million and net profit by 8% to HK$103 million with stable net cash inflow.

Hong Kong Air Cargo Terminals

Hong Kong Air Cargo Terminals, a 20.8% associate of the Group, reported a throughput drop of 4.6% during the period. The supply chain disruption arising from the earthquake and tsunami in Japan, labour shortage in Pearl River Delta and the inward migration of manufacturers in China, have affected air cargo volume in Hong Kong.

WHARF'S BUSINESS-IN-COMMUNITY

2011 marks the 125th anniversary for The Wharf (Holdings) Limited in Hong Kong. A distinguished track record culminated not just in financial performance but also corporate citizenship. With its long-established mission of "Building for Tomorrow", the Group strives to fulfill its corporate social responsibility surrounding the four key areas namely Social, Environment, Workplace Practices and Corporate Governance. Under the "Business-in-Community" (BIC) banner, the Group works closely with different constituencies and stakeholders with clear objectives of balancing the corporate, social and economic responsibilities, instigating fundamental dignity and value of all citizens, and building a better Hong Kong.

In the first half of 2011, the Group has been actively supporting a number of charitable organisations ranging from The Community Chest, Children Cancer Foundation, Hong Kong Christian Services, Hong Kong Red Cross, MTR Hong Kong Race Walking, The Hong Kong Philharmonic Orchestra, The Society for the Promotion of Hospice Care, UNICEF, to Business Environment Council, Friends of the Earth, The Conservancy Association and WWF. The Group injected new funds and spearheaded a host of BIC initiatives with strong support from senior management, associates from across various businesses of property development, logistics, hotels, communications, media and entertainment to public transportation.

The Group launched Project *WeCan*, a pioneer 360^{o} school improvement programme in May where 10 secondary schools have been selected to receive support, benefiting more than 10,000 students in Hong Kong who may be with fewer opportunities yet great potential.

Besides financial support, staff volunteering is an important part of the programme. Wharf's 10 participating business units and fellow businesses will each connect with one school for the entire six-year period whereby respective business units will provide support for the schools as needed, assist in a wide spectrum of activities ranging from teaching, academic learning, extra-curricular development, conduct and behaviour, life-goal planning, to learning environment and support, care and counseling as well as parent-teacher collaboration. With the framework established and the Project up and running, Wharf welcomes other members of the society who are passionate about young people and education to join force by sponsoring more schools and enable more students to benefit.

Apart from Project *WeCan*, the Group has supported a wide range of education related projects in the past six months making available more opportunities for people of different backgrounds and ages. Through the Marco Polo Hotel arm, internship spaces were offered to students of CCC Kung Lee College for real life experience working in hospitality field; Harbour City and Pacific Club supported the Child Welfare Scheme for their Project Share by providing internship opportunities for students from less privileged families.

In 2011, an Architectural Design Internship Programme has been established through The Wharf ArchDesign Resource Trust. The programme aims at fostering excellence in architecture and grooming future star architects by providing students with placement opportunities in international design practices that are at the innovative edge of architectural design. Selected graduates will take on an overseas internship for a period of 12 months in an internationally-renowned architecture firm. Such a placement opportunity will certainly broaden participating students' horizon and exposure to working alongside distinguished designers in an atelier setting, and allow them a hands-on understanding of architectural practice and urban design in foreign countries. In June, two architecture students from The Chinese University of Hong Kong have been awarded for the 2011 programme and they will soon take on an internship with their dream architecture firms.

"Through our "Business-in-Community" initiative, Wharf is committed to making a difference by promoting staff volunteerism, building a better Hong Kong and fostering sustainability of the community."

Hong Kong Management Association (HKMA) has been in the forefront providing well-organised life-long learning opportunities for people. In 2011, the Group has pledged support for HKMA's 2011 scholarship scheme for their professional diplomas/bachelor degrees, encouraging working adults to pursue further studies.

In May, the Group sponsored the Future Stars Beijing Study Tour organised by Wen Wei Po and Communications University of China whereby 100 university students from the discipline of Communications in Hong Kong attended an eight-day tour. It provided students with an overview of China's culture and history, social and political scenes and challenges ahead. Students demonstrated their great interest and were most proactive in exchanging views with various agencies and government officials visited.

The Group sponsored Wu Zhi Qiao (Bridge to China) Charitable Foundation for building a centenary bridge in San Chuen Zheng in Lijiang, Yunnan. Students from The University of Hong Kong and Tsinghua University in Beijing spearheaded the design and planning. Not only did the project enable interaction and cultural exchange among students but it fostered greater understanding of our motherland among students in Hong Kong. In addition to provision of Wharf's financial sponsorship, a number of colleagues from Wharf China participated as volunteers to help build the bridge. It is of particular significance as 2011 also marks Wharf's 125th anniversary and the 100th anniversary of The University of Hong Kong and Tsinghua University.

The Group spares no effort in supporting the vulnerable. To enable an all-round development for our next generation, Plaza Hollywood sponsored the Changing Young Lives Foundation for the set-up of computer training facilities as well as acquiring musical instruments such that related classes can be provided for children of less privilege.

The Star Ferry and the Pacific Club hosted service users of Fu Hong Society, Hong Chi Society and Hong Kong Society for the Deaf at their facilities in the past few months.

To foster a harmonious society and promote a helping spirit, Times Square is sponsoring the production of a community care and education series namely Making-a-Difference to be broadcasted on CABLE TV's news channel. The segment is aimed at featuring meaningful causes and stories undertaken by the average people in the society yet making a big difference to the people in need.

Apart from financial support, staff volunteering is an important part in realising BIC. Employees from all levels as well as their family members and friends are encouraged to support organisations and initiatives that cultivate meaningful opportunities for civic engagement. Majority of the business units under Wharf have formed a volunteer team and are all set to give a helping hand.

Among all, Modern Terminals has taken a step further and partnered with the Chinese YMCA of Hong Kong to provide training to their volunteers to enhance their service skills. Wharf T&T launched its first Volunteer Recognition Programme to honour staff who has made continuous contributions to volunteer service, four colleagues were recognised as the Outstanding Volunteer of the Year as a result.

九龍倉
WHARF
BUSINESS-in-COMMUNITY
社·企 共勉

We Care We Can

Let's Do It

FINANCIAL REVIEW

(I) REVIEW OF 2011 INTERIM RESULTS

The Group continued to deliver robust performance, with consolidated turnover and operating profit both achieving double-digit growth. Inclusive of the surplus arising on the revaluation of investment properties, Group profit increased by 31% to HK$14,302 million (2010: HK$10,892 million). Exclusive of the revaluation surplus, and the exceptional gains in 2010 comprising a one-off tax write back and a surplus from revaluation of the interest in an associate totalling HK$1,246 million, underlying profit increased by 11% to HK$3,283 million (2010: HK$2,958 million).

Turnover

Group turnover increased by 13% to HK$9,745 million (2010: HK$8,622 million), with all business segments reporting an increase.

Property Investment revenue from Hong Kong increased by 12% to HK$3,856 million, underpinned by the outstanding sales achieved by the retail tenants and recovery of office rents. Revenue from the Mainland increased by 34% to HK$317 million due to the newly completed Shanghai Wheelock Square and favourable rental reversion for other properties. Hotel revenue increased by 11% to HK$593 million. In aggregate, the segment reported an increase in revenue of 13% to HK$4,766 million.

Property Development reported a 31% increase in turnover to HK$1,343 million, with completions at Chengdu Crystal Park and Chengdu Tian Fu Times Square. Inclusive of joint ventures on an attributable basis, new sales and presales of HK$7,610 million were contracted (2010: HK$1,957 million) to increase cumulative presales pending recognition to HK$17,960 million.

Logistics revenue reported an increase of 5% to HK$1,673 million. Modern Terminals' revenue improved by 6% mainly due to higher throughput handled in both Hong Kong and the Mainland.

CME revenue increased by 8% to HK$1,930 million, resulting from a 9% increase reported by i-CABLE and a 6% increase reported by Wharf T&T.

Operating Profit

Group operating profit increased by 10% to HK$4,980 million with all segments reporting an increase except for Logistics.

Property Investment remained the largest contributor with a 14% increase to HK$3,712 million. Contributions from Harbour City (excluding hotels) and Times Square increased by 13% and 11%, respectively. Operating profit from the Mainland increased by 39%, mainly due to Shanghai Wheelock Square.

Hotels contribution increased by 30% to HK$187 million due to improved room rates.

Property Development's operating profit increased by only 1% to HK$568 million, as a result of the project completion schedule.

Logistics' contribution dropped by 16% to HK$682 million, mainly due to higher operating expenses that exceeded the increased revenue of Modern Terminals.

CME turned around from an operating loss to a profit of HK$50 million. Wharf T&T's operating profit increased by 8% to HK$103 million, while i-CABLE's operating loss reduced by half to HK$53 million.

Contribution from Investment and Others increased by 90% to HK$171 million, mainly due to increase in interest income and dividend income.

Increase in Fair Value of Investment Properties

The book value of the Group's investment property portfolio as at 30 June 2011 totalled HK$169.1 billion, with HK$154.8 billion thereof stated at fair value based on an independent valuation as at that date. That resulted in a revaluation surplus of HK$11,614 million (2010: HK$7,447 million), reflecting the continuous strong performance of the Group's investment properties. The attributable net revaluation surplus of HK$11,019 million (2010: HK$6,688 million as restated), after deducting related deferred tax and non-controlling interests, was credited to the consolidated income statement.

Investment properties in the amount of HK$14.3 billion which had not been revalued were all under development and will not be carried at fair value until the earlier of their fair values first becoming reliably measurable or the dates of completion.

Other Net Income

Other net income decreased by 77% to HK$122 million mainly due to the absence of a one-off surplus from revaluation of the interests in Hong Kong Air Cargo Terminals Limited ("Hactl") in 2010 on its became an associate.

Finance Costs

Finance costs charged to the consolidated income statement were HK$775 million (2010: HK$544 million). That included an unrealised mark-to-market loss of HK$369 million (2010: HK$319 million) on the cross currency/interest rate swaps in accordance with prevailing accounting standard.

Excluding the said unrealised mark-to-market loss, finance cost after capitalisation was HK$406 million (2010: HK$225 million), representing an increase of HK$181 million mainly as a result of the increase in gross borrowings.

Finance cost was stated after capitalisation of HK$175 million (2010: HK$145 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 increased by 88% to HK$188 million, mainly due to contribution from Hactl, which became an associate in May 2010. Share of results of jointly controlled entities reported a net loss of HK$9 million (2010: profit of HK$7 million) in the absence of any major property completion in the Mainland.

Income Tax

Taxation charge for the period was HK$1,511 million (2010: HK$889 million as restated), which included deferred taxation of HK$518 million (2010: HK$692 million as restated) provided for the current period's revaluation gain attributable to investment properties in the Mainland.

Excluding the above deferred tax, the tax charge was HK$993 million (2010: HK$197 million). The tax charge in 2010 was exceptionally lower mainly due to the inclusion of a tax write back of HK$809 million upon reaching a settlement on various prolonged tax disagreements with the Inland Revenue Department.

Non-controlling Interests

Profit attributable to non-controlling interests increased by HK$40 million to HK$307 million.

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders for the period ended 30 June 2011 amounted to HK$14,302 million (2010: HK$10,892 million as restated), representing an increase of 31%. Basic earnings per share were HK$4.84, based on weighted average of 2,952 million shares after taking the effect of the Rights Issue (2010: HK$3.85 based on 2,829 million shares as restated for the Rights Issue).

Excluding the net investment property revaluation surplus of HK$11,019 million (2010: HK$6,688 million as restated), Group underlying profit attributable to shareholders for the period was HK$3,283 million (2010: HK$4,204 million), representing a decrease of 22%, as a result of the exceptional income in 2010 amounting to HK$1,246 million on tax write back and surplus from revaluation of Hactl. Before the exceptionals, the underlying profit rose by 11%. Underlying earnings per share were HK$1.11.

(II) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL COMMITMENTS

Shareholders' and Total Equity

As at 30 June 2011, the Group's shareholders' equity increased by 14% or HK$23,465 million to HK$186,554 million, equivalent to HK$61.59 per share based on 3,029 million issued shares after the rights issue completed in March 2011 (31 December 2010: HK$59.22 per share based on 2,754 million issued shares).

Including the non-controlling interests, the Group's total equity increased by 14% to HK$193,961 million (31 December 2010: HK$170,649 million).

Rights Issue

In March 2011, the Company strengthened its equity base by completion of an issue of 275 million new ordinary shares at HK$36.5 each by way of rights with net proceeds of HK$10.0 billion received.

Total Assets

The Group's total assets increased by 16% to HK$281.8 billion (31 December 2010: HK$242.2 billion). Total business assets, excluding bank deposit and cash, available-for-sale investments, deferred tax assets and other derivative financial assets, increased by 17% to HK$257.1 billion (31 December 2010: HK$220.2 billion).

Included in the Group's total assets is the investment property portfolio of HK$169.1 billion, representing 66% of total business assets. The core assets in this portfolio are Harbour City and Times Square in Hong Kong, which are valued at HK$87.1 billion (excluding the 3 hotels) and HK$32.0 billion, respectively. Together, they represent 70% of the total value of the portfolio.

Other major business assets included other properties and fixed assets of HK$18.5 billion, interests in jointly controlled entities and associates (mainly for Mainland property and port projects) of HK$25.9 billion and properties under development and held for sale (mainly in the Mainland) of HK$40.3 billion.

Geographically, the Group's business assets in the Mainland, mainly properties and terminals, increased to HK$100.1 billion (31 December 2010: HK$74.8 billion), representing 39% of the Group's total business assets.

Debts and Gearing

Principally due to the increase in investments in China properties, the Group's net debt increased by HK$9.8 billion to HK$42.5 billion as at 30 June 2011 (31 December 2010: HK$32.7 billion), which was made up of HK$62.4 billion in debts and HK$19.9 billion in bank deposits and cash. Included in the Group's net debt were HK$9.0 billion (31 December 2010: HK$9.3 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 was HK$33.5 billion (31 December 2010: HK$23.4 billion). Analysis of the net debt is as below:

Net debt/(cash)	**30 June 2011** *HK$ Million*	31 December 2010 *HK$ Million*
Wharf (excluding below subsidiaries)	**33,503**	23,376
Modern Terminals	**11,054**	9,932
HCDL	**(1,694)**	(172)
i-CABLE	**(369)**	(447)
	42,494	32,689

As at 30 June 2011, the ratio of net debt to total equity was 21.9% (31 December 2010: 19.2%).

Finance and Availability of Facilities

The Group's total available loan facilities and debt securities as at 30 June 2011 amounting to HK$85.3 billion, of which HK$62.4 billion were drawn, are analysed as below:

	30 June 2011		
	Available Facility ***HK$ Billion***	**Total Debts** ***HK$ Billion***	**Undrawn Facility** ***HK$ Billion***
Company/wholly-owned subsidiaries			
Committed facilities	62.2	44.4	17.8
Uncommitted facilities	0.4	–	0.4
	62.6	44.4	18.2
Non-wholly-owned subsidiaries			
Committed and uncommitted			
– Modern Terminals	14.4	11.6	2.8
– HCDL	4.6	3.0	1.6
– i-CABLE	0.3	–	0.3
– Others	3.4	3.4	–
	85.3	62.4	22.9

Of the above debts, HK$19,324 million (31 December 2010: HK$18,137 million) was secured by mortgage over certain properties under development, fixed assets and shares with total carrying value of HK$19,918 million (31 December 2010: HK$18,360 million).

In June 2011, the Group issued guaranteed convertible bonds with a term of 3 years for an aggregate principal amount of HK$6,220 million. The initial conversion price of the bonds is HK$90 per share and full conversion of the bonds will increase the Group's issued capital by 69.11 million shares or 2.28%.

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 the Mainland.

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 continued to maintain a 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 2011, the Group also maintained a portfolio of available-for-sale investments with an aggregate market value of HK$3.2 billion (31 December 2010: HK$3.4 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 recorded net cash inflow before change in working capital of HK$5.4 billion (2010: HK$5.0 billion). The changes in working capital resulted in net cash outflow of HK$3.2 billion (2010: inflow of HK$0.5 billion), chiefly due to the payments for land and construction cost for trading properties under development which was partly compensated by the increase in deposits received from sale of properties in the Mainland. For investing activities, the Group recorded a net cash outflow of HK$14.3 billion (2010: inflow of HK$2.3 billion), mainly for additions to investment properties and investments in associates and jointly controlled entities involved in property development projects in the Mainland.

Major Expenditure and Commitments

The major expenditure incurred by the Group's core businesses during the period and related commitments at 30 June 2011 are analysed as follows:

		Commitments as at 30 June 2011	
Business Unit/Company	**Expenditure for 1-6/2011** ***HK$ Million***	**Authorised and Contracted for** ***HK$ Million***	**Authorised but not Contracted for** ***HK$ Million***
a. Capital expenditure			
Property Investments	8,918	10,444	23,415
Wharf T&T	226	222	158
i-CABLE (73.8%-owned)	88	36	132
Modern Terminals (67.6%-owned)	92	598	1,172
	9,324	11,300	24,877
b. Trading properties under development			
Subsidiaries	10,518	8,122	40,428
Jointly controlled entities/associates	5,606	3,571	17,845
	16,124	11,693	58,273
c. Programming and others	35	1,448	109

For the Property Investment segment, the capital expenditure incurred during the period under review was mainly for the land cost of Changsha IFC and construction cost of Chengdu IFC. 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 in the Mainland and addition of other fixed assets. 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$16.1 billion of expenditures for the development of its trading properties in the Mainland, either wholly-owned or undertaken through associates or jointly controlled entities. This included the amount of HK$3,388 million paid for the 50% interests in the four Foshan property joint ventures acquired from Wheelock.

As at 30 June 2011, the Group's authorised and contracted commitments were mainly for development properties for investment of HK$11.3 billion and for trading of HK$11.7 billion, respectively, among these including attributable land cost of HK$8.5 billion payable by installment from 2011 to 2013. Apart from that, the Group intends to invest HK$24.9 billion for investment properties and HK$58.3 billion for trading properties, mainly on construction cost to complete the Group's China and Hong Kong development projects, which will be carried out by stages in the forthcoming years.

The above commitments will be funded by Group's internal financial resources including its surplus cash of HK$19.9 billion, cash flow from operation, as well as bank and other financings with the construction costs self-financed mainly by pre-sale proceeds and project loans. Other available resources include available-for-sale investments.

(III) HUMAN RESOURCES

The Group had approximately 13,300 employees as at 30 June 2011, 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 2011 – Unaudited

	Note	Six months ended 30 June 2011 HK$ Million	2010 HK$ Million (restated)
Turnover	2	**9,745**	8,622
Direct costs and operating expenses		**(3,162)**	(2,622)
Selling and marketing expenses		**(404)**	(385)
Administrative and corporate expenses		**(537)**	(450)
Operating profit before depreciation, amortisation, interest and tax		**5,642**	5,165
Depreciation and amortisation		**(662)**	(649)
Operating profit	2 & 3	**4,980**	4,516
Increase in fair value of investment properties		**11,614**	7,447
Other net income	4	**122**	522
		16,716	12,485
Finance costs	5	**(775)**	(544)
Share of results after tax of:			
Associates		**188**	100
Jointly controlled entities		**(9)**	7
Profit before taxation		**16,120**	12,048
Income tax	6	**(1,511)**	(889)
Profit for the period		**14,609**	11,159
Profit attributable to:			
Equity shareholders		**14,302**	10,892
Non-controlling interests		**307**	267
		14,609	11,159
Earnings per share			
Basic	7	**HK$4.84**	HK$3.85
Diluted	7	**HK$4.83**	HK$3.85

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011 – Unaudited

	Six months ended 30 June 2011 HK$ Million	2010 HK$ Million (restated)
Profit for the period	**14,609**	11,159
Other comprehensive income		
Exchange gain on translation of foreign operations	**1,194**	290
Net revaluation reserves of available-for-sale investments:	**(315)**	(28)
(Deficit)/Surplus on revaluation	**(316)**	9
Transferred to consolidated income statement on disposal	**1**	(37)
Share of other comprehensive income of associates/ jointly controlled entities	**245**	67
Others	**1**	(23)
Other comprehensive income for the period	**1,125**	306
Total comprehensive income for the period	**15,734**	11,465
Total comprehensive income attributable to:		
Equity shareholders	**15,318**	11,197
Non-controlling interests	**416**	268
	15,734	11,465

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011 – Unaudited

	Note	**30 June 2011 *HK$ Million***	31 December 2010 *HK$ Million*
Non-current assets			
Investment properties		**169,115**	148,241
Other property, plant and equipment		**14,722**	14,679
Leasehold land		**3,731**	3,718
Total fixed assets		**187,568**	166,638
Goodwill and other intangible assets		**297**	297
Interest in associates		**8,106**	4,967
Interest in jointly controlled entities		**17,777**	15,350
Available-for-sale investments		**3,162**	3,362
Long term receivables		**4**	4
Programming library		**110**	113
Employee retirement benefit assets		**17**	17
Deferred tax assets		**425**	463
Derivative financial assets		**284**	587
		217,750	191,798
Current assets			
Properties for sale		**40,347**	29,732
Inventories		**119**	113
Trade and other receivables	9	**3,520**	3,518
Derivative financial assets		**209**	164
Bank deposits and cash		**19,890**	16,900
		64,085	50,427
Current liabilities			
Trade and other payables	10	**(5,765)**	(6,539)
Deposits from sale of properties		**(10,414)**	(6,855)
Derivative financial liabilities		**(214)**	(244)
Taxation payable		**(1,347)**	(1,242)
Bank loans and other borrowings	11	**(6,908)**	(7,829)
		(24,648)	(22,709)
Net current assets		**39,437**	27,718
Total assets less current liabilities		**257,187**	219,516

	Note	30 June 2011 HK$ Million	31 December 2010 HK$ Million
Non-current liabilities			
Bank loans and other borrowings	11	**(55,476)**	(41,760)
Deferred tax liabilities		**(5,887)**	(5,237)
Other deferred liabilities		**(279)**	(283)
Derivative financial liabilities		**(1,584)**	(1,587)
		(63,226)	(48,867)
NET ASSETS		**193,961**	170,649
Capital and reserves			
Share capital	12	**3,029**	2,754
Reserves		**183,525**	160,335
Shareholders' equity		**186,554**	163,089
Non-controlling interests		**7,407**	7,560
TOTAL EQUITY		**193,961**	170,649

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011 – 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 2011	**2,754**	**16,566**	**7**	**677**	**2,887**	**140,198**	**163,089**	**7,560**	**170,649**
Changes in equity for the period:									
Profit	**–**	**–**	**–**	**–**	**–**	**14,302**	**14,302**	**307**	**14,609**
Other comprehensive income	**–**	**–**	**–**	**(305)**	**1,321**	**–**	**1,016**	**109**	**1,125**
Total comprehensive income	**–**	**–**	**–**	**(305)**	**1,321**	**14,302**	**15,318**	**416**	**15,734**
Rights Issue	**275**	**9,712**	**–**	**–**	**–**	**–**	**9,987**	**–**	**9,987**
Shares issued by subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**12**	**12**
Issuance of convertible bonds	**–**	**–**	**–**	**–**	**99**	**–**	**99**	**–**	**99**
Final dividends paid for 2010 (Note 8b)	**–**	**–**	**–**	**–**	**–**	**(1,939)**	**(1,939)**	**–**	**(1,939)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(581)**	**(581)**
At 30 June 2011	**3,029**	**26,278**	**7**	**372**	**4,307**	**152,561**	**186,554**	**7,407**	**193,961**
At 1 January 2010	2,754	16,566	7	496	1,542	107,181	128,546	7,042	135,588
Changes in equity for the period:									
Profit (restated)	–	–	–	–	–	10,892	10,892	267	11,159
Other comprehensive income	–	–	–	(18)	323	–	305	1	306
Total comprehensive income	–	–	–	(18)	323	10,892	11,197	268	11,465
Shares issued by subsidiaries	–	–	–	–	–	–	–	11	11
Final dividends paid for 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	116,310	137,980	7,101	145,081

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011 – Unaudited

	Six months ended 30 June	
	2011	2010
	HK$ Million	*HK$ Million*
Net cash (used in)/generated from operating activities	**(3,196)**	476
Net cash (used in)/generated from investing activities	**(14,284)**	2,349
Net cash generated from/(used in) financing activities	**20,180**	(980)
Increase in cash and cash equivalents	**2,700**	1,845
Cash and cash equivalents at 1 January	**16,900**	15,712
Effect of exchange rate changes	**290**	56
Cash and cash equivalents at 30 June	**19,890**	17,613
Analysis of the balance of cash and cash equivalents		
Bank deposits and cash	**19,890**	17,613

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.

During the year ended 31 December 2010, the Group early adopted the amendments to HKAS 12 "Income Taxes", in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40 "Investment Property". The Group applied HKAS 12 retrospectively and the comparative amounts were restated, where appropriate. As a result, the Group's profit and profit attributable to equity shareholders for the six months ended 30 June 2010 was increased by HK$1,013 million and HK$1,004 million respectively, whereas the profit attributable to non-controlling interests for the six months ended 30 June 2010 was increased by HK$9 million.

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 2010 except the changes mentioned below.

With effect from 1 January 2011, the Group has adopted the below revised and amendment to HKFRSs, which are relevant to the Group's financial statements:

Revised HKAS 24	Related party disclosures
Improvements to HKFRSs 2010	

The improvements to HKFRSs 2010 consists of amendments to existing standards, including an amendment to HKAS 34, Interim financial reporting. HKAS 34 (amendment) provides for further disclosures in interim financial report. It has had no financial impact on the Group's interim financial report.

The other developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of this interim financial report.

2. Segment Information

The Group manages its diversified businesses according to the nature of services and products provided. Management has determined four reportable operating segments for measuring performance and allocating resources. The segments are property investment, property development, logistics, and communications, media and entertainment ("CME"). 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 apartments and hotels, is primarily located in Hong Kong and Mainland 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 Mainland China.

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

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.

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 business assets principally comprise all tangible assets, intangible assets and current assets directly attributable to each segment with the exception of bank deposits and cash, financial investments, deferred tax assets and other derivative financial assets.

Revenue and expenses are allocated with reference to sales generated by those segments and expenses incurred by those segments or which arise from the depreciation of assets attributable to those segments.

a. Analysis of segment revenue and results

Six months ended	Turnover HK$ Million	Operating profit HK$ Million	Increase in fair value of investment properties HK$ Million	Other net income HK$ Million	Finance costs HK$ Million	Associates HK$ Million	Jointly controlled entities HK$ Million	Profit before taxation HK$ Million
30 June 2011								
Property investment	**4,766**	**3,712**	**11,614**	**–**	**(288)**	**–**	**–**	**15,038**
Hong Kong	**3,856**	**3,332**	**10,685**	**–**	**(196)**	**–**	**–**	**13,821**
Mainland China	**317**	**193**	**929**	**–**	**(88)**	**–**	**–**	**1,034**
Hotels	**593**	**187**	**–**	**–**	**(4)**	**–**	**–**	**183**
Property development	**1,343**	**568**	**–**	**36**	**(35)**	**(1)**	**(30)**	**538**
Hong Kong	**–**	**–**	**–**	**–**	**–**	**5**	**–**	**5**
Mainland China	**1,343**	**568**	**–**	**36**	**(35)**	**(6)**	**(30)**	**533**
Logistics	**1,673**	**682**	**–**	**97**	**(124)**	**189**	**21**	**865**
Terminals	**1,620**	**675**	**–**	**108**	**(124)**	**97**	**21**	**777**
Others	**53**	**7**	**–**	**(11)**	**–**	**92**	**–**	**88**
CME	**1,930**	**50**	**–**	**2**	**–**	**–**	**–**	**52**
i-CABLE	**1,051**	**(53)**	**–**	**2**	**–**	**–**	**–**	**(51)**
Telecommunications	**879**	**103**	**–**	**–**	**–**	**–**	**–**	**103**
Others	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Inter-segment revenue	**(174)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Segment total	**9,538**	**5,012**	**11,614**	**135**	**(447)**	**188**	**(9)**	**16,493**
Investment and others	**207**	**171**	**–**	**(13)**	**(328)**	**–**	**–**	**(170)**
Corporate expenses	**–**	**(203)**	**–**	**–**	**–**	**–**	**–**	**(203)**
Group total	**9,745**	**4,980**	**11,614**	**122**	**(775)**	**188**	**(9)**	**16,120**
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
Mainland 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
Mainland China	1,024	560	–	20	(43)	(1)	(10)	526
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
CME	1,795	(15)	–	–	–	(39)	–	(54)
i-CABLE	962	(107)	–	–	–	(39)	–	(146)
Telecommunications	833	95	–	–	–	–	–	95
Others	–	(3)	–	–	–	–	–	(3)
Inter-segment revenue	(150)	–	–	–	–	–	–	–
Segment total	8,484	4,615	7,447	458	(364)	100	7	12,263
Investment and others	138	90	–	64	(180)	–	–	(26)
Corporate expenses	–	(189)	–	–	–	–	–	(189)
Group total	8,622	4,516	7,447	522	(544)	100	7	12,048

b. Analysis of inter-segment revenue

Six months ended 30 June	2011 Total Revenue HK$ Million	2011 Inter-segment revenue HK$ Million	2011 Group Revenue HK$ Million	2010 Total Revenue HK$ Million	2010 Inter-segment revenue HK$ Million	2010 Group Revenue HK$ Million
Property investment	4,766	(72)	4,694	4,218	(74)	4,144
Property development	1,343	–	1,343	1,025	–	1,025
Logistics	1,673	–	1,673	1,596	–	1,596
CME	1,930	(95)	1,835	1,795	(76)	1,719
Investment and others	207	(7)	200	138	–	138
	9,919	(174)	9,745	8,772	(150)	8,622

c. Geographical information

Six months ended 30 June	Revenue 2011 HK$ Million	Revenue 2010 HK$ Million	Operating profit 2011 HK$ Million	Operating profit 2010 HK$ Million
Hong Kong	7,700	7,061	4,348	3,964
Mainland China	2,024	1,540	612	531
Singapore	21	21	20	21
Group total	9,745	8,622	4,980	4,516

3. Operating Profit

Operating profit is arrived at:

	Six months ended 30 June	
	2011	2010
	HK$ Million	*HK$ Million*
After charging/(crediting):		
Depreciation and amortisation on		
– assets held for use under operating leases	**65**	57
– other fixed assets	**512**	503
– leasehold land	**46**	46
– programming library	**39**	43
Total depreciation and amortisation	**662**	649
Staff costs (Note a)	**1,333**	1,284
Cost of trading properties sold during the period	**680**	435
Rental income less direct outgoings (Note b)	**(3,527)**	(3,174)
Interest income	**(112)**	(76)
Dividend income from listed investments	**(45)**	(24)
Dividend income from unlisted investments	**(3)**	(16)
Loss/(profit) on disposal of fixed assets	**3**	(7)

Notes:

(a) Staff costs included retirement scheme costs HK$65 million (2010: HK$52 million).

(b) Rental income included contingent rentals of HK$777 million (2010: HK$550 million).

4. Other Net Income

Other net income for the period amounted to HK$122 million (2010: HK$522 million) mainly includes net foreign exchange gain of HK$133 million (2010: loss of HK$30 million) which included the impact of forward foreign exchange contracts. A one-off surplus of HK$437 million on revaluation of the interests in Hactl on its becoming the Group's associate was included in the period ended 30 June 2010.

5. Finance Costs

	Six months ended 30 June	
	2011	2010
	HK$ Million	*HK$ Million*
Interest charged on:		
Bank loans and overdrafts		
– repayable within five years	**290**	185
– repayable after five years	**153**	64
Other borrowings		
– repayable within five years	**7**	–
– repayable after five years	**70**	30
Total interest charge	**520**	279
Other finance costs	**61**	91
Less: Amount capitalised	**(175)**	(145)
	406	225
Fair value (gain)/cost:		
Cross currency interest rate swaps	**(41)**	29
Interest rate swaps	**410**	290
	775	544

a. The Group's average effective borrowing rate for the period was 2.1% p.a. (2010: 2.0% p.a.).

b. The above interest charge has taken into account the interest paid/receipts in respect of interest rate swaps and cross currency interest rate swaps.

6. Income Tax

Taxation charged to the consolidated income statement represents:

	Six months ended 30 June 2011 HK$ Million	2010 HK$ Million (restated)
Current income tax		
Hong Kong		
– provision for the period	**631**	593
– overprovision in respect of prior years	**(6)**	(809)
Outside Hong Kong		
– provision for the period	**97**	140
– underprovision in respect of prior years	**–**	21
	722	(55)
Land appreciation tax ("LAT") in China	**175**	167
Deferred tax		
Change in fair value of investment properties	**518**	692
Origination and reversal of temporary differences	**96**	85
	614	777
	1,511	889

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% (2010: 16.5%).

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

c. Under the Provisional Regulations on LAT, all gains arising from transfer of real estate property in Mainland 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 2011 of HK$43 million (2010: HK$39 million) is included in the share of results of associates and jointly controlled entities.

7. Earnings per Share

a. Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders for the period of HK$14,302 million (30/06/2010: HK$10,892 million as restated) and the weighted average of 2,952 million ordinary shares in issue during the period (30/06/2010: 2,829 million ordinary shares after adjusting for the rights issue completed in March 2011), calculated as follows:

Weighted average number of ordinary shares

	30 June 2011 *No. of shares Million*	30 June 2010 *No. of shares Million*
Issued ordinary shares 1 January	2,754	2,754
Effect of rights issue	198	75
Weighted average number of ordinary shares	2,952	2,829

b. Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders for the period of HK$14,312 million (30/06/2010: HK$10,892 million as restated) and the weighted average of 2,963 million ordinary shares in issue during the period (30/06/2010: 2,829 million ordinary shares after adjusting for the rights issue completed in March 2011), calculated as follows:

(i) Profit attributable to ordinary equity shareholders (diluted)

	Six months ended 30 June	
	2011 *HK$ Million*	2010 *HK$ Million* (restated)
Profit attributable to ordinary equity shareholders	14,302	10,892
After tax effect of effective interest on the liability component of convertible bonds	10	–
	14,312	10,892

(ii) Weighted average number of ordinary shares (diluted)

	30 June 2011 No. of shares Million	30 June 2010 No. of shares Million
Weighted average number of ordinary shares at 30 June	2,952	2,829
Effect of conversion of convertible bonds	11	–
	2,963	2,829

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 2011 HK$ Million	2010 HK$ Million
Interim dividend of 36 cents (2010: 36 cents) proposed after the period end date per share	1,091	991

b. Dividends recognised as distribution during the period:

	Six months ended 30 June 2011 HK$ Million	2010 HK$ Million
2010 Final dividend paid of 64 cents per share	1,939	–
2009 Final dividend paid of 64 cents per share	–	1,763
	1,939	1,763

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 2011 as follows:

	30 June 2011 HK$ Million	31 December 2010 HK$ Million
Trade receivables		
0 – 30 days	**617**	583
31 – 60 days	**78**	108
61 – 90 days	**84**	52
Over 90 days	**85**	50
	864	793
Other receivables	**2,656**	2,725
	3,520	3,518

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 2011 as follows:

	30 June 2011 HK$ Million	31 December 2010 HK$ Million
Trade payables		
0 – 30 days	**196**	242
31 – 60 days	**169**	133
61 – 90 days	**35**	44
Over 90 days	**89**	146
	489	565
Rental and customer deposits	**1,926**	1,790
Construction costs payable	**1,092**	1,746
Other payables	**2,258**	2,438
	5,765	6,539

11. Bank Loans and Other Borrowings

	30 June 2011 HK$ Million	31 December 2010 HK$ Million
Bonds and notes (unsecured)	6,063	6,170
Convertible bonds (unsecured)	6,159	–
Bank loans (secured)	19,324	18,137
Bank loans (unsecured)	30,838	25,282
Total bank loans and other borrowings	62,384	49,589
Analysis of maturities of the above borrowings:		
Current borrowings		
Due within 1 year	6,908	7,829
Non-current borrowings		
Due after more than 1 year but not exceeding 5 years	45,705	31,537
Due after more than 5 years	9,771	10,223
	55,476	41,760
Total bank loans and other borrowings	62,384	49,589

The convertible bonds are due on 7 June 2014 and guaranteed by the Company as to repayments, and are convertible into ordinary shares of HK$1 per share in the Company at an initial conversion price of HK$90 per share.

12. Share Capital

	30 June 2011 No. of shares Million	31 December 2010 No. of shares Million	30 June 2011 HK$ Million	31 December 2010 HK$ Million
Authorised				
Ordinary shares of HK$1 each	10,000	3,600	10,000	3,600
Issued and fully paid				
Ordinary shares of HK$1 each				
At 1 January	2,754	2,754	2,754	2,754
Rights issue	275	–	275	–
At 30 June, 31 December	3,029	2,754	3,029	2,754

a. In March 2011, the Company completed its Rights Issue for 275 million new ordinary shares at HK$36.5 each.

b. By an ordinary resolution passed at the annual general meeting held on 7 June 2011, the Company's authorised ordinary share capital was increased to HK$10,000 million by the creation of an additional 6,400 million ordinary shares of HK$1 each, ranking pari passu with the existing ordinary shares of the Company in all respects.

13. 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 2011 except the followings:

a. In respect of the period ended 30 June 2011, the Group earned rental income totalling HK$287 million (2010: HK$253 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.

b. During the period, the Group acquired the 50% interests in the four Foshan property joint ventures from a subsidiary of the ultimate holding company for a consideration of HK$3,388 million. Such transactions are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules.

14. Contingent Liabilities

As at 30 June 2011, 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$66,580 million (31/12/2010: HK$50,705 million). There were also contingent liabilities in respect of guarantees given by the Company on behalf of jointly controlled entities of HK$4,538 million (31/12/2010: HK$3,600 million) of which HK$3,258 million (31/12/2010: HK$2,607 million) had been drawn. The Company has not recognised any deferred income for the guarantees given in respect of borrowings and other banking facilities for subsidiaries and jointly controlled entities as their fair value cannot be reliably measured and inter alia without transaction price for the guarantees.

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.

15. Commitments

The Group's outstanding commitments on expenditures as at 30 June 2011 included below:

	30 June 2011			31 December 2010		
	Hong Kong	Mainland China	Total	Hong Kong	Mainland China	Total
	HK$ Million	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*
a. Capital expenditure						
(including investment properties)						
Authorised and contracted for	1,200	10,100	11,300	937	5,853	6,790
Authorised but not contracted for	667	24,210	24,877	739	16,242	16,981
	1,867	34,310	36,177	1,676	22,095	23,771
b. Programming and others						
Authorised and contracted for	1,448	–	1,448	1,761	–	1,761
Authorised but not contracted for	109	–	109	142	–	142
	1,557	–	1,557	1,903	–	1,903
c. Properties under development						
(other than investment properties)						
Authorised and contracted for	10	8,112	8,122	7	10,973	10,980
Authorised but not contracted for	–	40,428	40,428	–	37,060	37,060
	10	48,540	48,550	7	48,033	48,040
d. Properties under development undertaken by jointly controlled entities and associates attributable to the Group						
Authorised and contracted for	31	3,540	3,571	41	4,550	4,591
Authorised but not contracted for	848	16,997	17,845	853	16,149	17,002
	879	20,537	21,416	894	20,699	21,593
e. Expenditure for operating leases						
Within one year	22	–	22	24	–	24
After one year but within five years	43	–	43	33	–	33
Over five years	57	–	57	59	–	59
	122	–	122	116	–	116

(i) 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$8.5 billion. Other commitments under the categories are mainly construction cost for the forthcoming years.

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

(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.

16. Comparative Figures

As a result of the adoption of the amendments to HKAS 12, Income taxes, for the financial year ended 31 December, 2010, certain comparative figures have been adjusted to reflect the reduction in deferred tax liabilities related to investment properties carried at fair value. Further details of these developments are disclosed in Note 1.

17. Review of Unaudited Interim Financial Statements

The unaudited interim financial statements for the six months ended 30 June 2011 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 the code of conduct adopted by the Company regarding directors' securities transactions during the period under review.

DIRECTORS' INTERESTS IN SHARES

At 30 June 2011, 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	804,445 (0.0266%)	Personal Interest
T Y Ng	220,294 (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 2011 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 2011, 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	213,267,072	(7.04%)
(ii)	Star Attraction Limited	213,267,072	(7.04%)
(iii)	Wheelock Properties Limited	213,267,072	(7.04%)
(iv)	Myers Investments Limited	213,267,072	(7.04%)
(v)	Wheelock Corporate Services Limited	213,267,072	(7.04%)
(vi)	WF Investment Partners Limited	1,302,017,536	(42.98%)
(vii)	Wheelock and Company Limited	1,515,284,608	(50.02%)
(viii)	HSBC Trustee (Guernsey) Limited	1,515,284,608	(50.02%)
(ix)	JPMorgan Chase & Co.	151,845,280	(5.01%)

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 (vii), (vi) in (vii) and (vii) in (viii).

All the interests stated above represented long positions. As at 30 June 2011, JPMorgan Chase & Co. had a short position in 2,431,555 shares (0.08%) and a lending pool of 86,299,807 shares (2.85%) with regard to the issued share capital of the Company according to the record in the Register.

CHANGES OF INFORMATION OF DIRECTORS

Given below is the latest information regarding annual emoluments, exclusive of any and all amounts which would be borne by Wheelock and/or its wholly-owned subsidiary(ies) and calculated on an annualised basis for the year 2011, 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 (or, regarding any Director(s) appointed subsequent thereto, since the date of appointment as Director(s) of the Company):

Directors	**#Salary and various allowances** *HK$'000*		**##Discretionary annual bonus in cash** *HK$'000*	
Mr Peter K C Woo	11,434	*(2010: 11,069)*	11,000	*(2010: 10,000)*
Mr Stephen T H Ng	5,064	*(2010: 4,646)*	10,000	*(2010: 9,000)*
Ms Doreen Y F Lee	4,334	*(2010: 3,746)*	6,000	*(2010: 5,000)*
Mr T Y Ng	3,681	*(2010: 2,909)*	4,000	*(2010: 3,200)*
Mr Paul Y C Tsui	2,394	*(2010: 2,226)*	3,375	*(2010: 2,625)*

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 payable by the Company.

Paid during the six-month period ended 30 June 2011, with the amounts of such discretionary annual bonuses fixed/decided unilaterally by the employers.

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 Tuesday, 20 September 2011 to Thursday, 22 September 2011, both days inclusive, for the purpose of determining shareholders' entitlements to the abovementioned interim dividend.

In order to qualify for the abovementioned interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 19 September 2011.

By Order of the Board
Wilson W S Chan
Company Secretary

Hong Kong, 25 August 2011

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, Mr Andrew O K Chow, 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.

Notwithstanding any choice of language or means for the receipt of corporate communications (viz. annual report, interim report, etc.) previously made by Shareholder(s) and communicated to the Company, Shareholder(s) is/are given the option (which may be exercised at any time by giving reasonable prior notice to the Company) of changing his/her/their choice of printed language version(s) to English only, Chinese only or both English and Chinese for receiving future corporate communications, or changing the choice of receiving future corporate communications to using electronic means instead of in printed version (or vice versa). Such notice of change of choice should contain the full name(s) in English, address and contact telephone number of the relevant Shareholder(s), together with the relevant words regarding the request for the change of choice, and should be sent to the Company, c/o the Company's Registrars, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by post or by hand delivery, or via email to wharfholdings-ecom@hk.tricorglobal.com.