155

WHEELOCK

Founded 1857

Wheelock and Company Limited
Interim Report 2012

Stock Code: 20 / www.wheelockcompany.com

CONTENTS

Wheelock Properties to anchor core business

HIGHLIGHTS

- Group turnover increased by 43% to HK$19.7 billion from a doubling in property sales turnover and firm double-digit growth in property rental.
- Group operating profit increased by 21% to HK$9.1 billion.
- Profit before investment property revaluation surplus and exceptional items decreased by 15% to HK$3.4 billion, mainly due to lower attributable completion from Wheelock Properties.
- Profit before investment property revaluation surplus increased by 10% to HK$4.2 billion.
- Profit after investment property revaluation surplus increased by 33% to HK$13.6 billion.
- Wheelock Properties completed One Midtown to recognise HK$2.2 billion of turnover and HK$1.0 billion of operating profit for Wharf, with an attributable interest of 51% (2011: HK$3.3 billion of turnover and HK$2.1 billion of operating profit with an attributable interest of 100%, from One Island South).
- The landbank in Hong Kong under Wheelock Properties management increased to 6.6 million square feet (of which 4.4 million square feet are attributable to the Group), with a total valuation of over HK$58 billion. That includes the Peak portfolio comprising 560,000 square feet or 9% of the total landbank, with a valuation of over HK$22 billion (of which HK$8 billion is attributable to the Group) or 38% of the total valuation.
- Sales of HK$4.4 billion (for 940,000 square feet GFA, mainly non-residential properties) were contracted by Wheelock Properties during the period.
- Group net debt was HK$67.4 billion (December 2011: HK$53.0 billion), with net debt to total equity at 26.0% (December 2011: 22.5%). Excluding non-recourse debt of partly-owned subsidiaries, net debt was HK$17.1 billion (December 2011: HK$15.0 billion) and no debt will be due for repayment before the end of 2013.
- First interim dividend is increased to 25 cents per share (2011: 4 cents), representing an increase of 525%, to achieve better balance with the year-end dividend.

GROUP RESULTS

Unaudited Group profit attributable to equity shareholders for the six months ended 30 June 2012 increased by 33% to HK$13,572 million (2011: HK$10,219 million). Earnings per share were HK$6.68 (2011: HK$5.03).

Excluding the net investment property revaluation surplus, Group profit attributable to equity shareholders increased by 10% to HK$4,222 million (2011: HK$3,825 million).

Excluding the net investment property revaluation surplus and exceptional items, core profit decreased by 15% to HK$3,391 million (2011: HK$4,002 million), in the absence of the exceptional profit recognised by Wheelock Properties from the One Island South project in the first half of 2011.

INTERIM DIVIDEND

An interim dividend of 25 cents (2011: 4 cents) per share will be paid on 28 September 2012 to Shareholders on record as at 21 September 2012, absorbing a total amount of HK$508 million (2011: HK$81 million).

BUSINESS REVIEW

WHEELOCK PROPERTIES LIMITED (“WPL”, 100% OWNED)

The Austin MTR Station project in Western Kowloon is being developed into a prime residential development by a 50:50 joint venture with New World Development. Located on top of an MTR station and next to the future terminus for the High Speed Rail to the Mainland (target opening in 2015), the development offers an attributable GFA of 641,000 square feet to the Group and guards the main entrance to the West Kowloon Cultural District under development. Foundation work is underway.

Kadoorie Hill, a residential development in Homantin with a GFA of 91,700 square feet, is targeted for pre-sales in the second half of 2012 subject to the pre-sale consent application process. Superstructure work is underway.

Pre-sale of Lexington Hill, a residential development in Western District with a GFA of 102,900 square feet, commenced in February 2012. 98% of the total 104 units were promptly sold for total proceeds of HK$1.13 billion as at 30 June 2012.

General building plan for the commercial development at the junction of Wai Yip Street, Shun Yip Street and Hoi Bun Road along the Kwun Tong waterfront has been approved. The development, with a GFA of 914,900 square feet, will comprise two Grade A office buildings overlooking Victoria Harbour and the future Kai Tak Cruise Terminal, with an easy access to the Ngau Tau Kok MTR station. Foundation work for the development is underway.

Another commercial development, with a GFA of 590,000 square feet, is located at the junction of Hung Luen Road and Kin Wan Street within the core commercial hub of Hung Hom. The development will comprise two Grade A office buildings and two low-rise retail buildings overlooking Victoria Harbour. It is within easy reach of MTR East and West Rails, through-train services to Guangzhou, the future Shatin-to-Central MTR line (target opening in 2020) and the future MTR Whampoa station, part of the Kwun Tong Line Extension (target opening in 2015). General building plan for the development has been submitted for approval.

In January 2012, WPL won a tender for a residential site in Tseung Kwan O for HK$1.9 billion. The development, with a GFA of 488,200 square feet, is in close proximity to the Tseung Kwan O MTR station. General building plan has been submitted for approval.

The 90,500-square-foot retail podium of One Island South in Aberdeen was 100% leased at the end of June 2012.

WHEELOCK PROPERTIES (SINGAPORE) LIMITED („WPSL", 75.8% OWNED)

In accordance with Hong Kong Financial Reporting Standards, WPSL's profit contribution to the Group for the period was HK$380 million (2011: HK$181 million).

85% of Scotts Square, a prime residential development atop a retail complex located in the heart of the Orchard Road shopping belt, has been sold at an average price of over S$4,000 per square foot. The retail podium was 93% leased with internationally renowned brands including *Anne Fontaine, Hermès, Kiton, Leonard, Michael Kors, On Pedder* and *Tila March*.

Wheelock Place, a prime commercial development on Orchard Road, was 93% leased with steady recurrent income generated. *Marks & Spencer* opened its flagship store at Wheelock Place in the second quarter of 2012.

90% of the apartments at Orchard View, a luxury residential development comprising 30 four-bedroom apartments with private lift lobbies, was sold by the end of June 2012 at an average price of S$2,900 per square foot.

Construction for Ardmore Three, a 36-storey luxury development along Ardmore Park, is underway with full completion scheduled for 2014. Sales launch in 2012 is envisaged.

In China, a high-end residential development in Fuyang District, Hangzhou with a GFA of 358,000 square metres, is being developed. The project is 22 kilometres from the city centre, with residences commanding a nice mountain view. Full completion is scheduled for 2018.

THE WHARF (HOLDINGS) LIMITED ("WHARF", 51.06% OWNED)

Excluding investment property revaluation surplus and exceptional items, Wharf's profit attributable to its shareholders for the period increased by 49% to HK$5,425 million. Core earnings per share were HK$1.79 (2011: HK$1.23).

Including investment property revaluation surplus and exceptional items, Wharf's profit attributable to shareholders increased by 65% to HK$23,646 million. Basic earnings per share were HK$7.81 (2011: HK$4.84).

Hong Kong

Harbour City

Turnover (excluding hotels) increased by 15% to HK$3,050 million and operating profit by 14% to HK$2,629 million.

Harbour City continued to outperform the overall Hong Kong retail market. Total retail sales grew by 18% year-on-year, four percentage points better than the market average. Turnover from Harbour City's retail sector increased by 20% to HK$2,069 million.

Turnover from the office sector increased by 5% to HK$829 million, on the back of solid office demand during the period. Rental rates for new commitments increased slightly whereas occupancy climbed to 99% at the end of June 2012. Lease renewal retention rate was 58%.

Turnover from the serviced apartments increased by 5% to HK$152 million. Occupancy stood at 89% at the end of June with favourable growth in average rent for new leases.

Times Square

Turnover increased by 14% to HK$932 million and operating profit by 14% to HK$826 million.

Times Square remains the most successful vertical shopping mall in town. Turnover from the retail sector increased by 13% to HK$664 million with occupancy maintained at virtually 100% (excluding the areas vacated for reconfiguration works) at the end of June. The cinema relocation refurbishment with a view to add immense value to Times Square progressed as planned.

Turnover from the office sector increased by 18% to HK$268 million, with occupancy climbing to 98% as at 30 June 2012. Lease renewal retention rate was 57%.

The Peak Portfolio and Other Hong Kong Properties

Occupancy at Chelsea Court on the Peak reached 93% as at 30 June 2012. Redevelopment of No. 77 Peak Road, No.1 Plantation Road and Mountain Court will start shortly, with all units vacated. Preparation for demolition work is in progress.

Plaza Hollywood registered an 11% growth in revenue to HK$207 million during the period. Occupancy was maintained at 98% as at 30 June 2012.

Master layout plan and general building plan for Mount Nicholson have been approved. Foundation work is underway.

Over 92% of One Midtown in Tsuen Wan has been pre-sold at an average price of HK$3,700 per square foot for proceeds of HK$2.2 billion. The development was completed in June 2012.

Development of other projects progressed as planned.

Delta House, a 349,000-square-foot commercial development in Shatin, was sold for HK$1.3 billion in May 2012.

China Properties

Property Development

During the period, sales of 349,000 square metres of properties were recognised. Completion from subsidiary projects enabled the property development segment to report turnover of HK$6,929 million, a 416% growth from a year earlier. Operating profit increased by 326% to HK$2,422 million. Profits recognised during the period included significant contributions from Tian Fu Times Square and Crystal Park in Chengdu, Shanghai Xiyuan and Times City in Wuxi.

Sales

Three new projects were launched for pre-sales in the cities of Chengdu and Foshan during the first half of 2012. Together with projects previously launched, Wharf has 26 projects on sale across 11 cities in the marketplace.

A total of 654,000 square metres of properties were sold during the period to generate attributable proceeds of RMB7.5 billion, 19% higher than in 2011 and exceeded target by over 72%. The net order book (net of business tax) at the end of June 2012 was RMB14.2 billion for 1,207,000 square metres of properties.

In Eastern China, total attributable sales proceeds of RMB3.3 billion were generated from various projects. The largest contributor was Suzhou Times City. Others included Changzhou Times Palace, Shanghai Xiyuan and Wuxi Times City.

In Western China, total attributable sales proceeds of RMB2.4 billion were generated from various projects. Significant contributors were Tian Fu Times Square and Crystal Park in Chengdu. Others included The U World and International Community in Chongqing.

In Tianjin, total attributable proceeds of RMB663 million were generated, principally from Peaceland Cove and The Magnificent. In Foshan, two new projects, namely, Evian Buena Vista and Evian Riviera were newly launched for pre-sale during the period. For projects previously launched, total attributable proceeds of RMB776 million from Evian Town and Evian Uptown were generated.

Acquisitions and Development Progress

In early 2012, Wharf acquired two prime sites for a residential development in Chaoyang District, Beijing through a 50:50 joint venture with China Merchants Property at an attributable cost of RMB1.2 billion. The development offers a GFA of 91,000 square metres on an attributable basis.

Construction of Shanghai Xiyuan, which consists of 11 medium-rise towers (510 fitted-out units) and a luxurious club house, was completed in June 2012. Certain phases of Wuxi Times City involving 122,000 square metres of GFA were completed during the period. Four additional residential towers of Crystal Park in Chengdu were completed in June 2012.

All projects under development are progressing as planned.

Property Investment

On the China property investment front, turnover and operating profit increased by 51% and 63% respectively on account of considerably higher contribution from Shanghai Wheelock Square and Chongqing Times Square. The completed investment properties were valued at HK$15.4 billion at the end of June 2012.

91% of the office space at Shanghai Wheelock Square was committed by the end of June 2012. Average spot rent achieved in the first half of 2012 stood at RMB403 per square metre, which is among the highest office rental rates in Shanghai.

Retail occupancy of Chongqing Times Square, which was re-launched in July 2011, stood at 96%. Continuous trade mix refinement is underway to offer variety as well as to create competitive edge. To further enhance the strategic position of Chongqing Times Square, formation of cosmetics cluster and kids wear on the respective floors is actively underway.

Occupancy at Dalian Times Square stood at 100%. *Chanel* has scheduled its store opening for the fourth quarter of 2012 and *Dior Homme's* expansion in the third quarter of 2012. *Bottega Veneta* and expanded *Tod's* (duplex) have opened for business.

The retail podium of Shanghai Times Square has been closed for renovation since 1 May 2012, except for *Wagas Express Café* and *Zara*. The mall is scheduled to re-open in the third quarter of 2013.

Five International Finance Centre (IFC) projects, with an attributable GFA of 2.1 million square metres are progressing as planned. Retail pre-leasing commitments for Chengdu IFC have exceeded target; over 50% of the space are either committed or under offer. The mall is expected to open by the end of 2013.

Marco Polo Hotels

Marco Polo operates 13 owned or managed hotels in the Asia Pacific region. Revenue from the Marco Polo hotels and club grew by 9% to HK$649 million during the period. Operating profit increased by 3% to HK$192 million. Consolidated occupancy of the three Marco Polo hotels in Hong Kong reached 84%, with a 10% increase in average room rates. Prince and Gateway hotels are undergoing room renovation which is scheduled for completion in 2012 and 2013 respectively.

Marco Polo Lingnan Tiandi in Foshan and Marco Polo Suzhou were added in the first half of 2012. 10 new hotels will come on stream by 2016 to further expand Marco Polo's network.

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

Modern Terminals' consolidated revenue decreased by 9% to HK$1,469 million while operating profit dropped by 15% to HK$573 million on account of higher operating costs being partially offset by lower administrative expenses arising from stringent cost control. Throughput in Hong Kong was 2.3 million TEUs during the period. In the Mainland, throughput at Taicang International Gateway in Suzhou grew by 17% to 804,000 TEUs, while Da Chan Bay Terminal One in Shenzhen handled 216,000 TEUs during the period.

i-CABLE (a 74%-owned subsidiary of Wharf)

During the period, competitive pressure remained high across business segments affecting i-CABLE's overall performance. Across the main product lines, negative subscriber growth was reported and rising costs eroded flat turnovers to result in larger losses. Consolidated turnover decreased marginally to HK$1,038 million whereas net loss of HK$97 million was reported (2011: HK$55 million). Its financial position remained solid with a net cash of HK$184 million.

Wharf T&T

Revenue rose by 3% to HK$904 million and net profit by 17% year-on-year to HK$99 million. Stable net cash inflow was maintained.

FINANCIAL REVIEW

(I) REVIEW OF 2012 INTERIM RESULTS

The Group continued to deliver solid financial results in the first half of 2012 with its profit attributable to equity shareholders increased by 33% to HK$13,572 million and profit before property revaluation surplus increased by 10% to HK$4,222 million. The favourable results were mainly benefited from the remarkable performance of Wharf's property development segment, particularly in the Mainland, and its strong recurrent rental revenue growth, added by a one-off profit recognised from the acquisition of an associate, Greentown China Holdings Limited ("Greentown China"), and the increase in property revaluation surplus. However, in the absence of WPL's lucrative profit that recognised from the wholly-owned One Island South project in 2011, core profit attributable to equity shareholders decreased year-on-year by 15% to HK$3,391 million.

Turnover and Operating Profit

Group turnover increased by 43% to HK$19,716 million (2011: HK$13,755 million) with more than double in recognised property sales and double-digit rental revenue increase.

Group operating profit increased by 21% to HK$9,106 million (2011: HK$7,501 million) with HK$8,241 million (2011: HK$4,980 million) contributed by Wharf, HK$461 million (2011: HK$216 million) by WPSL, and HK$404 million (2011: HK$2,305 million) by Wheelock and its other subsidiaries.

Property Investment

Revenue and operating profit increased by 16% and 15% to HK$5,863 million (2011: HK$5,050 million) and HK$4,520 million (2011: HK$3,927 million) respectively, reflecting the retail rental growth accelerated by the remarkable sales achieved by the retail tenants and the continuous positive rental reversions for office areas. Revenue from the Mainland increased substantially by 51% to HK$479 million as benefited from the escalating revenue generated by the brand new Shanghai Wheelock Square and the renovated Chongqing Times Square. Hotels also recorded favourable results as sustained by increase in room rates with occupancy remained at high level.

Property Development

Revenue and operating profit increased by 106% and 42% to HK$10,073 million (2011: HK$4,893 million) and HK$3,927 million (2011: HK$2,765 million) respectively, chiefly attributable to property sales in the Mainland and the One Midtown and Bellagio Mall in Hong Kong. Other property sales were mainly recognised from sales of miscellaneous remaining stock in Hong Kong and in Singapore.

In Hong Kong, One Midtown was completed with 92% industrial units sold enabling the recognition of revenue of HK$2,193 million and operating profit of HK$1,006 million.

In the Mainland, recognised property sales and operating profit increased by 416% and 326% to HK$6,929 million and HK$2,422 million respectively, mainly derived from Chengdu Tian Fu Times Square, Crystal Park, Shanghai Xiyuan and Wuxi Times City.

During the period, inclusive of joint ventures on an attributable basis, the Group recorded contracted property sales of HK$14.3 billion (2011: HK$11.9 billion), increasing its net order book to HK$18.5 billion by end of June 2012 (December 2011: HK$17.2 billion), mostly in the Mainland, pending recognition on completion of the respective properties in stages.

Logistics

Revenue and operating profit decreased by 9% and 15% to HK$1,515 million (2011: HK$1,673 million) and HK$577 million (2011: HK$682 million) respectively, due to lower throughput handled by Modern Terminals as adversely affected by the slowdown in global trade growth.

Communications, Media and Entertainment ("CME")

Revenue increased by 1% to HK$1,942 million (2011: HK$1,930 million). CME's operating profit decreased by 66% to HK$17 million (2011: HK$50 million). Wharf T&T's operating profit increased by 16% to HK$119 million (2011: HK$103 million) against i-CABLE's operating loss of HK$100 million (2011: HK$53 million).

Investment and Others

Investment and other operating profit slightly increased to HK$342 million (2011: HK$333 million), comprising mainly dividend and interest income.

Increase in Fair Value of Investment Properties

The book value of the Group's investment property portfolio as at 30 June 2012 increased to HK$227.9 billion (2011: HK$200.5 billion), with HK$210.0 billion thereof stated at fair value based on an independent valuation as at that date. That resulted in a revaluation surplus of HK$18,333 million (2011: HK$12,496 million), mainly reflecting the continuous strong rental growth of the Group's investment properties. The attributable net revaluation surplus of HK$9,350 million (2011: HK$6,394 million), after deducting related deferred tax and non-controlling interests in total of HK$8,983 million (2011: HK$6,102 million), was credited to the consolidated income statement.

Investment properties in the amount of HK$17.9 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 their respective completion.

Other Net Income

Other net income amounted to HK$1,509 million (2011: HK$304 million), mainly including the book accounting gain arising from Wharf's acquisition of an 18.4% equity interests in Greentown China as detailed in note 4(a) to the financial statements. Wharf further increased its equity interests in Greentown China to 24.6% after the reporting period.

Finance Costs

Finance costs charged to the consolidated income statement were HK$688 million (2011: HK$878 million), which included an unrealised mark-to-market gain of HK$92 million (2011: loss of HK$369 million) on the cross currency/interest rate swaps as measured in compliance with the prevailing accounting standard. Net of non-controlling interests, the mark-to-market gain is HK$52 million (2011: loss of HK$177 million).

Excluding the unrealised mark-to-market change, finance costs before capitalisation was HK$1,239 million (2011: HK$694 million), representing an increase of HK$545 million mainly as a result of increase in gross borrowings and rise in effective borrowing rates. The Group's effective borrowing rate for the period was 2.6% (2011: 1.8%) per annum.

Finance costs after capitalisation of HK$459 million (2011: HK$185 million) was HK$780 million (2011: HK$509 million), representing an increase of HK$271 million.

Share of Results after Tax of Associates and Jointly Controlled Entities

Share of profits of associates increased by 90% to HK$397 million (2011: HK$209 million), mainly due to higher profit contribution from China projects. Jointly controlled entities ("JCEs") turned around from a loss to a profit of HK$4 million (2011: loss of HK$9 million), due to the increased contribution from Modern Terminals' port investments.

Income Tax

Taxation charge was HK$2,741 million (2011: HK$1,906 million), which included deferred taxation of HK$601 million (2011: HK$518 million) provided for the current period's revaluation surplus of investment properties in the Mainland.

Excluding the above deferred tax, the tax charge increased to HK$2,140 million (2011: HK$1,388 million), mainly due to increase in profit recognised by Property Development segment.

Non-controlling Interests

Profit attributable to non-controlling interests was HK$12,348 million (2011: HK$7,498 million), which was mainly attributable to profit of Wharf and WPSL.

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders increased by 33% to HK$13,572 million (2011: HK$10,219 million). Earnings per share were HK$6.68 (2011: HK$5.03).

Excluding the net investment property revaluation surplus of HK$9,350 million (2011: HK$6,394 million), Group profit attributable to equity shareholders for the period was HK$4,222 million (2011: HK$3,825 million), representing an increase of 10% over 2011.

Further stripping out the exceptional attributable book accounting gain arising from acquisition of the equity interests in Greentown China of HK$779 million (2011: HK$ Nil) and the attributable mark-to-market gain on swaps of HK$52 million (2011: loss of HK$177 million), Group core profit attributable to equity shareholders decreased year-on-year by 15% to HK$3,391 million (2011: HK$4,002 million). Core earnings per share were HK$1.67 (2011: HK$1.97).

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

Profit attributable to	**2012** **HK$ Million**	2011 HK$ Million
Wharf group	**2,738**	1,819
WPSL group	**288**	137
Wheelock and other subsidiaries	**365**	2,046
Core profit attributable to equity shareholders	**3,391**	4,002
Attributable book accounting gain arising from acquisition of equity interests in Greentown China	**779**	–
Attributable mark-to-market gain/(loss) on swaps	**52**	(177)
Profit before investment property surplus	**4,222**	3,825
Investment property surplus (after deferred tax)	**9,350**	6,394
Profit attributable to equity shareholders	**13,572**	10,219

Wharf's profit for the first half of 2012 increased by 65% to HK$23,646 million (2011: HK$14,302 million). Excluding the net investment property surplus, Wharf's net profit was HK$7,072 million (2011: HK$3,283 million). Before the investment property surplus and the abovementioned exceptionals, Wharf's core profit increased by 49% to HK$5,425 million (2011: HK$3,638 million).

WPSL's reported profit for the first half of 2012 was S$61.7 million (2011: S$89.4 million), based on the accounting standards accepted in Singapore. In accordance with Hong Kong Financial Reporting Standards, WPSL's contributed profit to the Group was HK$380 million (2011: HK$181 million).

(II) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL COMMITMENTS

Shareholders' and Total Equity

The Group's shareholders' equity increased by 11% to HK$136.4 billion (2011: HK$122.6 billion), or HK$67.13 per share (2011: HK$60.32 per share) as at 30 June 2012.

Including the non-controlling interests, the Group's total equity increased by 10% to HK$258.6 billion (2011: HK$235.2 billion).

Total Assets

The Group's total assets increased by 5% to HK$384.0 billion (2011: HK$364.1 billion). Total business assets, excluding bank deposits and cash, financial investments, deferred tax assets and other derivative financial assets, increased by 11% to HK$346.7 billion (2011: HK$312.3 billion).

The Group's Investment Property portfolio was HK$227.9 billion, representing 66% of total business assets. Together, Harbour City (excluding the three hotels) and Times Square in Hong Kong were valued at HK$154.0 billion, representing 68% of the value of the portfolio.

Other major business assets included other properties and fixed assets of HK$18.9 billion, interest in JCEs and associates (mainly for the Mainland property development and port projects) of HK$33.0 billion and properties under development and held for sale of HK$59.7 billion.

Geographically, the Group's business assets in the Mainland, mainly properties and terminals, increased to HK$116.6 billion (2011: HK$111.0 billion), representing 34% of the Group's total business assets.

Debts and Gearing

The Group's net debt increased by HK$14.4 billion to HK$67.4 billion (2011: HK$53.0 billion) as at 30 June 2012, which was made up of HK$93.5 billion in debts and HK$26.1 billion in bank deposits and cash. Excluding Wharf's net debt of HK$53.2 billion, which is non-recourse to the Company and its other subsidiaries, and WPSL's net cash of HK$2.9 billion, Wheelock's net debt was HK$17.1 billion (2011: HK$15.0 billion). Analysis of the net debt by group is as below:

Net debt/(cash)	**2012 HK$ Million**	2011 HK$ Million
Wharf (excludes below subsidiaries)	**45,254**	35,348
Modern Terminals	**11,548**	11,155
Harbour Centre Development Ltd.	**(3,450)**	(2,700)
i-CABLE	**(184)**	(338)
Wharf group	**53,168**	43,465
WPSL group	**(2,869)**	(5,510)
Wheelock and other subsidiaries	**17,053**	15,059
Group	**67,352**	53,014

The ratio of net debt to total equity was 26.0% (2011: 22.5%) as at 30 June 2012.

Finance and Availability of Facilities

The Group's available loan facilities and debt securities amounting to HK$115.2 billion (2011: HK$115.0 billion), of which HK$93.5 billion were drawn, as at 30 June 2012 are analysed as below:

	Available Facility HK$ Billion	**Total Debts HK$ Billion**	**Undrawn Facility HK$ Billion**
Wharf (excludes below subsidiaries)	70.4	57.0	13.4
Modern Terminals	13.7	12.6	1.1
Harbour Centre Development Ltd.	4.6	2.5	2.1
i-CABLE	0.5	0.1	0.4
Wharf group	89.2	72.2	17.0
WPSL group	2.4	1.7	0.7
Wheelock and other subsidiaries	23.6	19.6	4.0
Group	115.2	93.5	21.7

Of the above debts, HK$20.6 billion (2011: HK$26.8 billion) was secured by mortgage over certain properties under development, fixed assets and investments with total carrying value of HK$71.5 billion (2011: HK$64.5 billion).

The Group's debts were primarily denominated in Hong Kong dollars ("HKD"), United States dollars, Renminbi ("RMB") and Singapore dollars ("SGD"). The borrowings were mainly used to fund the Group's property development and port investments in the Mainland, and property development projects in Singapore and Hong Kong.

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, RMB and SGD and undrawn committed facilities to facilitate the Group's expanding business and investment activities. The Group also maintained a portfolio of financial investments, primarily in blue-chip securities, with an aggregate market value as at 30 June 2012 of HK$8.9 billion (2011: HK$7.1 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 operating cash inflow before changes in working capital increased to HK$9.5 billion (2011: HK$7.8 billion). The changes in working capital reduced the net cash inflow to HK$2.3 billion (2011: outflow of HK$1.8 billion). For investing activities, the Group reported a net cash outflow of HK$13.2 billion (2011: HK$10.3 billion), mainly including premium payment for the lease renewal of Ocean Terminal of HK$7.9 billion and investments in associates and JCEs involved in property development projects in the Mainland, including the acquisition of 18.4% equity interests in Greentown China of HK$1.9 billion. Subsequent to the reporting period, the Group further paid HK$0.8 billion for increasing its equity interests in Greentown China to 24.6% and HK$2.6 billion for subscribing Greentown China's perpetual subordinated convertible securities.

Major Expenditure and Commitments

The major expenditure incurred by the Group's core businesses during the period and related commitments as at 30 June 2012 are analysed as follows:

			Commitments as at 30 June 2012	
Business Unit/Company		Expenditure for 1-6/2012 HK$ Million	Authorised and Contracted for HK$ Million	Authorised but not Contracted for HK$ Million
(a)	**Capital expenditure**			
	Wharf group	9,729	10,795	23,978
	Property Investments	9,254	9,738	23,129
	Wharf T&T	231	207	270
	i-CABLE	113	47	132
	Modern Terminals	131	803	447
	WPSL group	12	62	–
	Wheelock and other subsidiaries	194	1	–
		9,935	10,858	23,978
(b)	**Trading properties under development**			
	Wharf group	6,464	12,404	50,014
	Subsidiaries	2,582	7,510	37,161
	JCEs and associates	3,882	4,894	12,853
	WPSL group			
	Subsidiaries	1,024	452	3,300
	Wheelock and other subsidiaries	1,996	2,829	5,097
	Subsidiaries	1,865	802	5,097
	JCEs and associates	131	2,027	–
		9,484	15,685	58,411
(c)	**Programming and others**	52	1,389	92

The capital expenditure incurred during the period was mainly for Wharf's lease renewal premium of HK$7.9 billion paid for Ocean Terminal and the 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 construction of the Dachan Bay port project in the Mainland and addition of other fixed assets.

In addition to the capital expenditure, the Group also incurred HK$9.5 billion of expenditures for the development of its trading properties in the Mainland, Hong Kong and Singapore, of which HK$1.9 billion was incurred by Wharf for the acquisition of 18.4% equity interests in Greentown China during the period under review.

As at 30 June 2012, the Group's authorised and contracted commitments were mainly for development properties for investment of HK$10.9 billion and for trading of HK$15.7 billion, respectively, among these including attributable land costs of HK$4.5 billion payable by the end of 2013. Apart from that, the Group intends to invest HK$24.0 billion in investment properties and HK$58.4 billion in trading properties in the Mainland, Hong Kong and Singapore, mainly on construction cost, for their completions in stages in the forthcoming years.

The above commitments and planned expenditures will be funded by the respective groups' own internal financial resources including surplus cash, cash flow from operations 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 financial investments.

(III) HUMAN RESOURCES

The Group had approximately 15,500 employees as at 30 June 2012, including about 2,800 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective group's achievement and results.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012 – Unaudited

	Note	Six months ended 30 June 2012 HK$ Million	2011 HK$ Million
Turnover	2	**19,716**	13,755
Direct costs and operating expenses		**(8,694)**	(4,513)
Selling and marketing expenses		**(592)**	(476)
Administrative and corporate expenses		**(622)**	(601)
Operating profit before depreciation, amortisation, interest and tax		**9,808**	8,165
Depreciation and amortisation	3	**(702)**	(664)
Operating profit	2 & 3	**9,106**	7,501
Increase in fair value of investment properties		**18,333**	12,496
Other net income	4	**1,509**	304
		28,948	20,301
Finance costs	5	**(688)**	(878)
Share of results after tax of:			
Associates		**397**	209
Jointly controlled entities		**4**	(9)
Profit before taxation		**28,661**	19,623
Income tax	6	**(2,741)**	(1,906)
Profit for the period		**25,920**	17,717
Profit attributable to:			
Equity shareholders		**13,572**	10,219
Non-controlling interests		**12,348**	7,498
		25,920	17,717
Earnings per share	7		
Basic		**HK$6.68**	HK$5.03
Diluted		**HK$6.68**	HK$5.03

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012 – Unaudited

	Six months ended 30 June	
	2012	2011
	HK$ Million	HK$ Million
Profit for the period	**25,920**	17,717
Other comprehensive income		
Exchange (loss)/gain on translation of foreign operations	**(64)**	1,936
Net revaluation reserves of available-for-sale investments:	**815**	(1,057)
Surplus/(deficit) on revaluation	**682**	(900)
Transferred to consolidated income statement on disposal	**133**	(157)
Share of other comprehensive income of associates/jointly controlled entities	**(69)**	245
Others	**30**	24
Other comprehensive income for the period	**712**	1,148
Total comprehensive income for the period	**26,632**	18,865
Total comprehensive income attributable to:		
Equity shareholders	**14,161**	10,671
Non-controlling interests	**12,471**	8,194
	26,632	18,865

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012 – Unaudited

	Note	**30 June 2012 HK$ Million**	31 December 2011 HK$ Million
Non-current assets			
Investment properties		**227,861**	200,497
Other property, plant and equipment		**15,258**	15,251
Leasehold land		**3,728**	3,751
Total fixed assets		**246,847**	219,499
Goodwill and other intangible assets		**297**	297
Interest in associates		**13,986**	9,331
Interest in jointly controlled entities		**19,012**	18,297
Financial investments		**8,866**	7,065
Programming library		**117**	107
Deferred tax assets		**694**	694
Derivative financial assets		**341**	182
Other non-current assets		**26**	28
		290,186	255,500
Current assets			
Properties for sale		**59,739**	60,909
Inventories		**137**	130
Trade and other receivables	9	**7,598**	4,680
Derivative financial assets		**239**	225
Bank deposits and cash		**26,121**	42,668
		93,834	108,612
Current liabilities			
Trade and other payables	10	**(11,652)**	(11,368)
Deposits from sale of properties		**(6,938)**	(9,704)
Derivative financial liabilities		**(215)**	(233)
Taxation payable		**(3,119)**	(2,458)
Bank loans and other borrowings	11	**(7,701)**	(8,903)
		(29,625)	(32,666)
Net current assets		**64,209**	75,946
Total assets less current liabilities		**354,395**	331,446
Non-current liabilities			
Derivative financial liabilities		**(2,317)**	(2,470)
Deferred tax liabilities		**(7,478)**	(6,728)
Other deferred liabilities		**(277)**	(275)
Bank loans and other borrowings	11	**(85,772)**	(86,779)
		(95,844)	(96,252)
NET ASSETS		**258,551**	235,194
Capital and reserves			
Share capital		**1,016**	1,016
Reserves		**135,371**	121,546
Shareholders' equity		**136,387**	122,562
Non-controlling interests		**122,164**	112,632
TOTAL EQUITY		**258,551**	235,194

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012 – Unaudited

	Shareholders' equity							
	Share capital HK$ Million	Share premium HK$ Million	Investments revaluation and other reserves * HK$ Million	Exchange reserves HK$ Million	Revenue reserves HK$ Million	Total Shareholders' equity HK$ Million	Non-controlling interests HK$ Million	Total equity HK$ Million
At 1 January 2012	**1,016**	**1,914**	**187**	**4,347**	**115,098**	**122,562**	**112,632**	**235,194**
Changes in equity for the period:								
Profit	**–**	**–**	**–**	**–**	**13,572**	**13,572**	**12,348**	**25,920**
Other comprehensive income	**–**	**–**	**559**	**30**	**–**	**589**	**123**	**712**
Total comprehensive income	**–**	**–**	**559**	**30**	**13,572**	**14,161**	**12,471**	**26,632**
Acquisition of additional interest in a subsidiary	**–**	**–**	**–**	**–**	**585**	**585**	**(1,454)**	**(869)**
Equity settled share-based payment	**–**	**–**	**14**	**–**	**–**	**14**	**13**	**27**
Second interim dividend paid for 2011 (Note 8b)	**–**	**–**	**–**	**–**	**(427)**	**(427)**	**–**	**(427)**
Special dividend paid for 2011 (Note 8b)	**–**	**–**	**–**	**–**	**(508)**	**(508)**	**–**	**(508)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(1,498)**	**(1,498)**
At 30 June 2012	**1,016**	**1,914**	**760**	**4,377**	**128,320**	**136,387**	**122,164**	**258,551**
At 1 January 2011	1,016	1,914	2,406	2,797	92,239	100,372	92,704	193,076
Changes in equity for the period:								
Profit	–	–	–	–	10,219	10,219	7,498	17,717
Other comprehensive income	–	–	(802)	1,234	20	452	696	1,148
Total comprehensive income	–	–	(802)	1,234	10,239	10,671	8,194	18,865
Shares issued by subsidiaries	–	–	–	–	–	–	5,002	5,002
Convertible bonds issued by a subsidiary	–	–	50	–	–	50	49	99
Final dividend paid for 2010 (Note 8b)	–	–	–	–	(203)	(203)	–	(203)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(1,660)	(1,660)
At 30 June 2011	1,016	1,914	1,654	4,031	102,275	110,890	104,289	215,179

* Included in investments revaluation and other reserves is capital redemption reserve of HK$19 million (2011: HK$19 million).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012 – Unaudited

	Six months ended 30 June 2012 HK$ Million	2011 HK$ Million
Operating cash inflow	**9,451**	7,824
Changes in working capital/others	**(7,148)**	(9,624)
Net cash generated from/(used in) operating activities	**2,303**	(1,800)
Net cash used in investing activities	**(13,189)**	(10,326)
Net cash (used in)/generated from financing activities	**(4,899)**	13,629
Net (decrease)/increase in cash and cash equivalents	**(15,785)**	1,503
Cash and cash equivalents at 1 January	**41,519**	27,514
Effect of exchange rate changes	**37**	539
Cash and cash equivalents at 30 June	**25,771**	29,556
Analysis of the balances of cash and cash equivalents		
Bank deposits and cash in the consolidated statement of financial position	**26,121**	29,584
Less: Bank deposits with maturity greater than three months	**(323)**	–
Pledged bank deposits	**(27)**	(28)
Cash and cash equivalents in the condensed consolidated statement of cash flows	**25,771**	29,556

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

The preparation of the interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2011 except the changes mentioned below.

With effect from 1 January 2012, the Group has adopted the below amendment to Hong Kong Financial Reporting Standards ("HKFRSs"), which is relevant to the Group's financial statements:

Amendment to HKFRS 7	Financial instruments: Disclosures – Transfers of financial assets

The Group has assessed the impact of the adoption of this amendment and considered that there was no significant impact on the Group's results and financial position or any substantial changes in the Group's accounting policies.

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 mainly consists of retail, office, service apartments and hotels, is primarily located in Hong Kong, Mainland China and Singapore.

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

Logistics segment mainly includes the container terminal operations in Hong Kong and Mainland China undertaken by 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 i-CABLE Communications Limited ("i-CABLE") and the telecommunication businesses operated by Wharf T&T Limited ("Wharf T&T").

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 2012								
Property investment	5,863	4,520	18,333	73	(591)	–	–	22,335
Hong Kong	4,542	3,879	17,401	73	(505)	–	–	20,848
Mainland China	479	314	932	–	(81)	–	–	1,165
Singapore	193	135	–	–	–	–	–	135
Hotels	649	192	–	–	(5)	–	–	187
Property development	10,073	3,927	–	1,504	(50)	206	(20)	5,567
Hong Kong	2,508	1,221	–	–	4	–	–	1,225
Mainland China	6,929	2,422	–	1,504	(54)	206	(20)	4,058
Singapore	636	284	–	–	–	–	–	284
Logistics	1,515	577	–	(46)	(137)	191	24	609
Terminals	1,469	573	–	(25)	(137)	105	24	540
Others	46	4	–	(21)	–	86	–	69
CME	1,942	17	–	3	(20)	–	–	–
i-CABLE	1,038	(100)	–	3	(2)	–	–	(99)
Telecommunications	904	119	–	–	(18)	–	–	101
Others	–	(2)	–	–	–	–	–	(2)
Inter-segment revenue	(206)	–	–	–	–	–	–	–
Segment total	19,187	9,041	18,333	1,534	(798)	397	4	28,511
Investment and others	529	342	–	(25)	110	–	–	427
Corporate expenses	–	(277)	–	–	–	–	–	(277)
Group total	19,716	9,106	18,333	1,509	(688)	397	4	28,661

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	5,050	3,927	12,496	–	(298)	–	–	16,125
Hong Kong	3,996	3,444	11,567	–	(206)	–	–	14,805
Mainland China	317	193	929	–	(88)	–	–	1,034
Singapore	144	103	–	–	–	–	–	103
Hotels	593	187	–	–	(4)	–	–	183
Property development	4,893	2,765	–	36	(42)	20	(30)	2,749
Hong Kong	3,402	2,118	–	–	(7)	22	–	2,133
Mainland China	1,343	568	–	36	(35)	(2)	(30)	537
Singapore	148	79	–	–	–	–	–	79
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	(207)	–	–	–	–	–	–	–
Segment total	13,339	7,424	12,496	135	(464)	209	(9)	19,791
Investment and others	416	333	–	169	(414)	–	–	88
Corporate expenses	–	(256)	–	–	–	–	–	(256)
Group total	13,755	7,501	12,496	304	(878)	209	(9)	19,623

(b) Analysis of inter-segment revenue

Six months ended 30 June	**2012** Total Revenue HK$ Million	**2012** Inter-segment revenue HK$ Million	**2012** Group Revenue HK$ Million	2011 Total Revenue HK$ Million	2011 Inter-segment revenue HK$ Million	2011 Group Revenue HK$ Million
Property investment	**5,863**	**(84)**	**5,779**	5,050	(80)	4,970
Property development	**10,073**	**–**	**10,073**	4,893	–	4,893
Logistics	**1,515**	**–**	**1,515**	1,673	–	1,673
CME	**1,942**	**(54)**	**1,888**	1,930	(95)	1,835
Investment and others	**529**	**(68)**	**461**	416	(32)	384
	19,922	**(206)**	**19,716**	13,962	(207)	13,755

(c) Geographical information

Six months ended 30 June	Revenue **2012** **HK$ Million**	2011 HK$ Million	Operating Profit **2012** **HK$ Million**	2011 HK$ Million
Hong Kong	**11,004**	11,320	**6,228**	6,612
Mainland China	**7,788**	2,024	**2,385**	612
Singapore	**924**	411	**493**	277
Group total	**19,716**	13,755	**9,106**	7,501

3. OPERATING PROFIT

	Six months ended 30 June **2012** **HK$ Million**	2011 HK$ Million
Operating profit is arrived at after charging/(crediting):		
Depreciation and amortisation on		
– assets held for use under operating leases	**70**	65
– other fixed assets	**541**	514
– leasehold land	**48**	46
– programming library	**43**	39
Total depreciation and amortisation	**702**	664
Staff costs (Note a)	**1,634**	1,477
Cost of trading properties for recognised sales	**5,784**	1,955
Rental income less direct outgoings (Note b)	**(4,351)**	(3,751)
Interest income	**(238)**	(136)
Dividend income from listed investments	**(143)**	(162)
Dividend income from unlisted investments	**–**	(3)
(Profit)/loss on disposal of fixed assets	**(3)**	3

Notes:

(a) Staff costs included retirement scheme costs of HK$75 million (2011: HK$71 million) and equity settled share-based payment expenses of HK$27 million (2011: HK$ Nil).

(b) Rental income included contingent rentals of HK$996 million (2011: HK$778 million).

4. OTHER NET INCOME

Other net income for the six months ended 30 June 2012 amounted to HK$1,509 million (2011: HK$304 million), mainly including:

(a) A book accounting gain representing the negative goodwill of HK$1,543 million (2011: HK$ Nil) recognised in respect of Wharf's acquisition of an 18.4% equity interests in Greentown China Holdings Limited ("Greentown China"), being as an associate, in June 2012. This amount was calculated based on Wharf's internal assessment of net fair value of Greentown China's identifiable assets and liabilities as at the date of acquisition. It increased to an estimated amount of approximately HK$2,200 million after Wharf's equity interests in Greentown China further increased to 24.6% subsequent to 30 June 2012.

As the fair values to be assigned to the identifiable assets and liabilities of Greentown China can only be determined provisionally, the acquisition has been accounted for using those provisional values. The amount may be adjusted upon the completion of the acquisition.

(b) Net foreign exchange loss of HK$60 million (2011: gain of HK$126 million) which included the impact of forward foreign exchange contracts.

(c) Net loss on disposal of available-for-sale investments of HK$25 million (2011: profit of HK$189 million).

5. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	HK$ Million	HK$ Million
Interest charged on:		
Bank loans and overdrafts		
– repayable within five years	**446**	374
– repayable after five years	**95**	153
Other borrowings		
– repayable within five years	**177**	7
– repayable after five years	**391**	70
Total interest charge	**1,109**	604
Other finance costs	**130**	90
Less: Amount capitalised	**(459)**	(185)
	780	509
Fair value (gain)/cost:		
Cross currency interest rate swaps	**213**	(41)
Interest rate swaps	**(305)**	410
	(92)	369
Total	**688**	878

(a) The Group's average effective borrowing rate for the period was approximately 2.6% (2011: 1.8%) per annum.

(b) The above interest charge has taken into account the interest paid/received 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 2012 HK$ Million	2011 HK$ Million
Current income tax		
Hong Kong		
– provision for the period	**899**	990
– overprovision in respect of prior years	**(7)**	(6)
Outside Hong Kong		
– provision for the period	**668**	224
– underprovision in respect of prior years	**2**	–
	1,562	1,208
Land appreciation tax ("LAT") (Note 6c)	**417**	175
Deferred tax		
Change in fair value of investment properties	**601**	518
Origination and reversal of temporary differences	**161**	5
	762	523
Total	**2,741**	1,906

(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% (2011: 16.5%).

(b) Income tax on profits assessable outside Hong Kong is mainly China corporate income tax calculated at a rate of 25% (2011: 25%), China withholding income tax at a rate of up to 10% (2011: 10%) and Singapore income tax at a rate of 17% (2011: 17%).

(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 2012 of HK$236 million (2011: HK$46 million) is included in the share of results after tax of associates and jointly controlled entities.

7. EARNINGS PER SHARE

The calculation of earnings per share is based on profit attributable to equity shareholders for the period of HK$13,572 million (2011: HK$10,219 million) and 2,032 million ordinary shares in issue throughout the six months ended 30 June 2012 and 2011.

There were no potential diluted ordinary shares in existence during the six months ended 30 June 2012 and 2011.

8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

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

	Six months ended 30 June	
	2012	2011
	HK$ Million	HK$ Million
First interim dividend of 25.0 cents (2011: 4.0 cents) per share proposed after the end of the reporting period	**508**	81

(b) Dividends recognised as distribution during the period:

	Six months ended 30 June	
	2012	2011
	HK$ Million	HK$ Million
2011 second interim dividend paid of 21.0 cents per share	**427**	–
2011 special dividend paid of 25.0 cents per share	**508**	–
2010 final dividend paid of 10.0 cents per share	**–**	203
	935	203

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 dates as at 30 June 2012 as follows:

	30 June 2012 HK$ Million	31 December 2011 HK$ Million
Trade receivables		
0 – 30 days	**725**	740
31 – 60 days	**107**	127
61 – 90 days	**92**	73
Over 90 days	**90**	63
	1,014	1,003
Accrued sales receivables	**2,951**	901
Other receivables	**3,633**	2,776
	7,598	4,680

Accrued sales receivables mainly represent property sales consideration to be billed or received after the end of the reporting period. In accordance with the Group's accounting policy, upon receipt of the Temporary Occupation Permit or architect's completion certificate, the balance of sales consideration to be billed is included as accrued sales receivables.

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 2012 as follows:

	30 June 2012 HK$ Million	31 December 2011 HK$ Million
Amounts payable in the next:		
0 – 30 days	**290**	346
31 – 60 days	**132**	175
61 – 90 days	**34**	54
Over 90 days	**76**	90
	532	665
Rental and customer deposits	**2,584**	2,312
Construction costs payable	**2,477**	3,207
Amounts due to associates	**2,492**	2,124
Amounts due to jointly controlled entities	**344**	210
Other payables	**3,223**	2,850
	11,652	11,368

11. BANK LOANS AND OTHER BORROWINGS

	30 June 2012 HK$ Million	31 December 2011 HK$ Million
Bonds and notes (unsecured)	**30,036**	16,066
Convertible bonds (unsecured)	**6,239**	6,205
Bank loans (secured)	**20,620**	26,771
Bank loans (unsecured)	**36,578**	46,640
Total bank loans and other borrowings	**93,473**	95,682
Analysis of maturities of the above borrowings:		
Current borrowings		
Due within 1 year	**7,701**	8,903
Non-current borrowings		
Due after 1 year but within 5 years	**64,806**	72,500
Due after 5 years	**20,966**	14,279
	85,772	86,779
Total bank loans and other borrowings	**93,473**	95,682

12. MATERIAL RELATED PARTY TRANSACTIONS

Transaction between the Company and its subsidiaries have been eliminated on consolidation. Material transactions between the Group and other related parties during the period ended 30 June 2012 are as follows:

(a) In respect of the period ended 30 June 2012, the Group earned rental income totalling HK$365 million (2011: HK$288 million) from various tenants which are companies whose controlling shareholder is 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) In June 2012, the Group acquired 34,888,500 Greentown China shares from companies effectively owned and controlled by the Chairman of the Company at a total consideration of HK$181 million. Such transaction is considered to be a related party transaction and also constitutes a connected transaction as defined under the Listing Rules.

13. CONTINGENT LIABILITIES

(a) As at 30 June 2012, there were contingent liabilities in respect of guarantees given by the Group on behalf of certain jointly controlled entities and an associate of HK$9,118 million (2011: HK$9,371 million), of which HK$6,453 million (2011: HK$6,519 million) had been drawn.

(b) Wheelock Properties Limited, a wholly-owned subsidiary, and New World Development Company Limited as guarantors (on a several basis) have provided a guarantee in favour of MTR Corporation Limited to guarantee the performance and fulfilment of all obligations of Fast New Limited, a 50%-owned jointly controlled entity, under or arising out of or in connection with an agreement dated 23 March 2010 for the development of Site C and Site D of the Austin Station Property Development project.

14. COMMITMENTS

The Group's outstanding commitments as at 30 June 2012 are detailed as below:

(a) Planned expenditures

		30 June 2012			31 December 2011		
		Authorised and contracted for HK$ Million	Authorised but not contracted for HK$ Million	Total HK$ Million	Authorised and contracted for HK$ Million	Authorised but not contracted for HK$ Million	Total HK$ Million
(I)	**Properties**						
	Property investment						
	Hong Kong	871	924	1,795	978	5	983
	Mainland China	8,868	22,205	31,073	9,377	22,497	31,874
	Singapore	62	–	62	4	–	4
		9,801	23,129	32,930	10,359	22,502	32,861
	Development properties						
	Hong Kong	2,877	5,545	8,422	2,970	4,566	7,536
	Mainland China	12,371	52,866	65,237	10,885	58,852	69,737
	Singapore	437	–	437	457	–	457
		15,685	58,411	74,096	14,312	63,418	77,730
	Properties total						
	Hong Kong	3,748	6,469	10,217	3,948	4,571	8,519
	Mainland China	21,239	75,071	96,310	20,262	81,349	101,611
	Singapore	499	–	499	461	–	461
		25,486	81,540	107,026	24,671	85,920	110,591
(II)	**Non-properties**						
	Modern Terminals	803	447	1,250	820	720	1,540
	Wharf T&T	207	270	477	245	165	410
	i-CABLE	47	132	179	31	175	206
		1,057	849	1,906	1,096	1,060	2,156
	Group total	26,543	82,389	108,932	25,767	86,980	112,747

(i) Properties commitments are mainly for construction cost to be incurred in the forthcoming years and HK$4.5 billion attributable land cost, mainly for property investment, payable by end of 2013.

(ii) The expenditure for development properties included attributable amounts of HK$2,820 million (2011: HK$2,946 million) for developments undertaken by jointly controlled entities and associates in Hong Kong and of HK$16,954 million (2011: HK$18,285 million) in Mainland China.

(iii) Modern Terminals' commitments are mainly related to addition of other fixed assets and the outstanding construction cost for the Dachan Bay project.

(iv) The above commitments, apart from HK$11.7 billion mainly related to properties under development undertaken by Wheelock and its other subsidiaries or through its jointly controlled entity and WPSL group, are substantially attributable to Wharf group.

(b) Wharf also committed to subscribe 162,113,714 Greentown China shares for a total consideration of HK$0.8 billion and Greentown China's perpetual subordinated convertible securities for HK$2.6 billion. Both the subscriptions were completed subsequent to 30 June 2012 and the subscriptions of the shares resulted in Wharf's equity interests in Greentown China increasing to 24.6%.

(c) In addition to the above, CME committed to programming and other expenditure totalling HK$1,481 million (2011: HK$1,157 million) with HK$1,389 million (2011: HK$1,077 million) being authorised and contracted for.

(d) 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. Total operating leases commitments are detailed as below:

	30 June 2012 HK$ Million	31 December 2011 HK$ Million
Expenditure for operating leases		
Within one year	**52**	34
After one year but within five years	**123**	87
Over five years	**52**	53
	227	174

15. REVIEW OF UNAUDITED INTERIM FINANCIAL STATEMENTS

The unaudited interim financial statements for the six months ended 30 June 2012 have been reviewed with no disagreement by the Audit Committee of the Company.

CORPORATE GOVERNANCE PRACTICES

During the first three-month period, from 1 January to 31 March 2012, in the financial period under review, all the applicable code provisions in the Code on Corporate Governance Practices (which were effective during that three-month period), as set out in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") then in force, were met by the Company, except in respect of one code provision (viz. Code Provision A.2.1) providing for the roles of the chairman and chief executive officer (or chief executive) to be performed by different individuals (the "First Deviation"). 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. 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, with nearly half of them being Independent Non-executive Directors ("INEDs").

During the remaining three-month period, from 1 April to 30 June 2012, in the financial period under review, all the code provisions in the Corporate Governance Code (which is set out in the current version of Appendix 14 of the Listing Rules) were met by the Company, with the exception of three deviations, namely, (i) the First Deviation (with details etc. as mentioned above); (ii) Code Provision F.1.3 (the "Second Deviation") providing for the company secretary to report to the board chairman or the chief executive; and (iii) Code Provision A.6.7 (the "Third Deviation") providing for INEDs and other Non-executive Directors of the Company to, *inter alia,* attend general meetings. Regarding the Second Deviation, the Company Secretary of the Company has for some years directly reported to, and continues to report to, the Deputy Chairman of the Company, which is considered appropriate and reasonable given the size of the Group. In the view of the Directors, this reporting arrangement would in no way adversely affect the efficient discharge by the Company Secretary of his job duties. As regards the Third Deviation, a few INEDs of the Company were absent from the last Annual General Meeting of the Company held in May 2012 due to their other important engagements at the relevant time.

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 2012, Directors of the Company had the following beneficial interests, all being long positions, in the securities of the Company, and of three subsidiaries of the Company, namely, The Wharf (Holdings) Limited ("Wharf"), i-CABLE Communications Limited ("i-CABLE") and Wharf Finance (2014) Limited, and the percentages (where applicable) which the relevant securities represented to the issued share capitals of the four relevant companies respectively are also set out below:

	Quantity Held (percentage of issued capital, where applicable)	**Nature of Interest**
The Company – Ordinary Shares		
Peter K C Woo	1,215,819,330 (59.8381%)	Personal Interest in 8,847,510 shares, Corporate Interest in 211,750,142 shares and Other Interest in 995,221,678 shares
Stephen T H Ng	300,000 (0.0148%)	Personal Interest
Wharf – Ordinary Shares		
Stephen T H Ng	804,445 (0.0266%)	Personal Interest
Kenneth W S Ting	9,600 (0.0003%)	Personal Interest
i-CABLE – Ordinary Shares		
Stephen T H Ng	1,265,005 (0.0629%)	Personal Interest
Wharf Finance (2014) Limited – Convertible Bonds due 2014		
Alexander S K Au *(Note (5))*	HK$2,000,000	Personal Interest

Notes:

(1) The 995,221,678 shares of the Company 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 Director concerned was taken to be interested as stated above were interests of corporations at respective general meetings of which the Director was either entitled to exercise (or taken under Part XV of the SFO to be able to exercise) or control the exercise of one-third or more of the voting power in general meetings of such corporations.

(3) *The shareholding interests stated above as "Personal Interest" and "Corporate Interest" against the name of Mr Peter K C Woo totalling 220,597,652 shares of the Company included those shares disclosed as the shareholding interest of Mrs Bessie P Y Woo stated under the section headed "Substantial Shareholders' Interests" below.*

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

(5) *Regarding the HK$2,000,000 worth of convertible bonds held by Mr Alexander S K Au (as set out above), in the event of the conversion rights attached thereto being fully exercised, 22,222 shares (representing 0.0007% of the issued share capital) of Wharf would be issued.*

There was in existence during the financial period a share option scheme of the Company. No share option of the Company was held by or granted to any Director of the Company during the financial period.

Furthermore, there was in existence during the financial period a share option scheme of Wharf (the "Wharf's Scheme"). Set out below are particulars of interests (all being personal interests) in all the options to subscribe for ordinary shares of Wharf granted/exercisable under the Wharf's Scheme held by Directors of the Company during the six months ended 30 June 2012:

		No. of Wharf shares under option			
Name of Director	**Date granted** (Day/Month/Year)	**As at 1 January 2012**	**As at 30 June 2012**	**Subscription price per share** (HK$)	**Period during which rights exercisable** (Day/Month/Year)
Peter K C Woo	04/07/2011	1,500,000	1,500,000	55.15	05/07/2011 – 04/07/2016
Stephen T H Ng	04/07/2011	1,500,000	1,500,000	55.15	05/07/2011 – 04/07/2016
Paul Y C Tsui	04/07/2011	1,500,000	1,500,000	55.15	05/07/2011 – 04/07/2016
Ricky K Y Wong	04/07/2011	800,000	800,000	55.15	05/07/2011 – 04/07/2016

Notes:

(1) *The share options were/will be vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant options, i.e. exercisable to the extent of one-fifth of the relevant total number of Wharf's shares and with the 1st, 2nd, 3rd, 4th and 5th tranche becoming exercisable from 5th of July in the years 2011, 2012, 2013, 2014 and 2015 respectively.*

(2) *No share option of Wharf held by Directors of the Company lapsed, or was exercised or cancelled during the financial period, and no share option of Wharf was granted to any Director of the Company during the financial period.*

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 2012 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), nor had there been any rights to subscribe for any shares, underlying shares or debentures of the Company and its associated corporations held by any of them at any time during the financial period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties, other than person(s) who is/are Director(s) of the Company, who/which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company as at 30 June 2012, 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)	Mrs Bessie P Y Woo	209,712,652 (10.32%)
(ii)	HSBC Trustee (Guernsey) Limited	1,095,300,362 (53.91%)

Note: Duplication occurred in respect of the shareholding interests under (i) and (ii) above, as set out in Notes (3) and (4) under the section headed "Directors' Interests in Shares" above.

All the interests stated above represented long positions and as at 30 June 2012, there were no short position interests recorded in the Register.

SHARE OPTION SCHEMES

No share option of the Company lapsed or was granted, issued, outstanding, exercised or cancelled during, or at any time in, the financial period.

Set out below are particulars and movement(s), if any, during the financial period of all of Wharf's outstanding share options which were granted to certain employees (four of them being Directors of the Company), all working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance and all being participants with options not exceeding the respective individual limits:

Date granted (Day/Month/Year)	**No. of Wharf's shares under option** **As at 1 January 2012**	**As at 30 June 2012**	**Vesting/Exercise period** (Day/Month/Year)	**Price per share to be paid on exercise of options** (HK$)
04/07/2011	2,420,000	2,420,000	05/07/2011 – 04/07/2016	55.15
	2,420,000	2,420,000	05/07/2012 – 04/07/2016	55.15
	2,420,000	2,420,000	05/07/2013 – 04/07/2016	55.15
	2,420,000	2,420,000	05/07/2014 – 04/07/2016	55.15
	2,420,000	2,420,000	05/07/2015 – 04/07/2016	55.15
	12,100,000	12,100,000		

Note: No share option of Wharf lapsed, or was granted, exercised, or cancelled during the financial period.

CHANGES OF INFORMATION OF DIRECTORS

(I) Given below is the latest information regarding annual emoluments, calculated on an annualised basis for the year 2012, 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, where applicable as regards 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
Peter K C Woo	17,150 *(2011: 16,445)*	18,000 *(2011: 18,000)*
Stephen T H Ng	5,009 *(2011: 4,769)*	10,000 *(2011: 10,000)*
Paul Y C Tsui	3,233 *(2011: 3,079)*	4,500 *(2011: 4,500)*
Ricky K Y Wong	2,925 *(2011: 2,784)*	4,000 *(2011: 3,000)*

Not including the Chairman's fee of HK$80,000 per annum to Mr Peter K C Woo and the Director's fee of HK$70,000 per annum to each of the other Directors of the Company payable by the Company.

Paid during the six-month period ended 30 June 2012, with the amounts of such discretionary annual bonuses fixed/decided unilaterally by the employers.

(II) Given below is the latest information regarding the directorships held at present and/or former directorship(s) (if any) held within the past three years in other listed public company(ies) in respect of any and all those Director(s) of the Company for whom there has/have been change(s) in the relevant information since the publication of the last annual report of the Company (or, where applicable as regards Director(s) appointed subsequent thereto, since the date of appointment as Director(s) of the Company):

Director(s)	Present/*(Former)* directorship(s) in other listed public company(ies)
Stephen T H Ng	Wharf; Harbour Centre Development Limited ("HCDL"); i-CABLE; Joyce Boutique Holdings Limited ("Joyce"); Greentown China Holdings Limited ("Greentown China") (appointed in June 2012)
Paul Y C Tsui	Wharf; HCDL; i-CABLE; Joyce; Wheelock Properties (Singapore) Limited; Greentown China (appointed in August 2012); *(Wheelock Properties Limited (formerly a listed public company until it became a wholly-owned subsidiary of the Company in July 2010))*

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 Wednesday, 19 September 2012 to Friday, 21 September 2012, 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 Tuesday, 18 September 2012.

By Order of the Board
Wilson W S Chan
Company Secretary

Hong Kong, 24 August 2012

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 Stewart C K Leung and Mr Paul Y C Tsui, together with two Non-executive Directors, namely, Mrs Mignonne Cheng and Mr Ricky K Y Wong, and five Independent Non-executive Directors, namely, Mr Alexander S K Au, Mr Herald L F Lau, Mr Alan H Smith, Mr Kenneth W S Ting and Mr Glenn S Yee.

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 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, by post or by hand delivery, or via email to wheelockcompany-ecom@hk.tricorglobal.com.

This interim report is printed on **FSC™** Certified Paper. Pulps used are chlorine-free and acid-free. It identifies products which contain wood from well-managed forests certified in accordance with the rules of the Forest Stewardship Council™.