

# THE WHARF (HOLDINGS) LIMITED Stock Code: 4

## Interim Report 2012



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# Property Dual Cores Drove Record Profit

## HIGHLIGHTS

- Group turnover increased by 87% to HK\$18.3 billion.
  - Properties increased by 154% to account for 77% of the Group's total.
  - China properties surpassed Hong Kong properties (41% vs 36%).
  - Property development surpassed property investment (50% vs 27%).
- Group operating profit increased by 65% to HK\$8.2 billion.
  - Properties increased by 83% to account for 91% of the Group's total.
  - China properties increased 2.5-fold to 33% of the Group's total (vs 58% for Hong Kong properties).
  - Property development increased 5-fold to 42% of the Group's total (vs 49% for property investment).
- Profit before investment property revaluation surplus and exceptional items increased by 49% to a record of HK\$5.4 billion.
- Profit before investment property revaluation surplus increased by 115% to HK\$7.1 billion, including:
  - Book accounting gain on acquisition of 18.4% equity interests in Greentown China during the period amounted HK\$1.5 billion.
- Profit after investment property revaluation surplus increased by 65% to HK\$23.6 billion.
  - Net investment property revaluation surplus of HK\$16.5 billion.
- Investment properties in Hong Kong remained firm and China began to provide new impetus (with operating profit increasing by 13% and 63% respectively). Portfolio size to more than double in the next 3 to 4 years, particularly on completion of the IFCs in Chengdu, Chongqing and Changsha.
- Development properties bore fruit in both Hong Kong and China. Total attributable sales in China in less than eight months so far this year already meet the full year target of RMB10 billion and comfortably outpace last year. That included a record of over RMB5 billion in the second quarter and RMB2.5 billion in the first half of the third quarter.
- Greentown China represented a timely opportunity for some of the said sales proceeds to be re-invested accretively. It also allowed the Group's attributable China landbank to increase by 50% to 18 million square metres.
- Group net debt stabilised at HK\$53.2 billion (December 2011: HK\$43.5 billion) after payment of Ocean Terminal lease premium of HK\$7.9 billion and the first tranche of investment in Greentown China of HK\$1.7 billion, with net debt to total equity at 22.9% (December 2011: 20.6%).
  - Excluding non-recourse debt of partly owned subsidiaries (principally Modern Terminals Limited and its subsidiaries), net debt was HK\$45.3 billion (December 2011: HK\$35.3 billion) while HK\$3.0 billion of gross debt (out of total of HK\$57.0 billion) will mature before the end of 2013.
- First interim dividend is increased to 45 cents per share (2011: 36 cents), representing an increase of 25%.

## GROUP RESULTS

Unaudited Group profit attributable to equity shareholders amounted to HK\$23,646 million (2011: HK\$14,302 million). Basic earnings per share were HK\$7.81 (2011: HK\$4.84).

Excluding the investment property revaluation surplus, the Group's net profit for the period increased by 115% to HK\$7,072 million (2011: HK\$3,283 million) and, on further excluding exceptional items, core profit for the period increased by 49% to HK\$5,425 million (2011: HK\$3,638 million).

## INTERIM DIVIDEND

An interim dividend of HK\$0.45 (2011: HK\$0.36) per share will be paid on 28 September 2012 to Shareholders on record as at 21 September 2012, absorbing a total amount of HK\$1,363 million (2011: HK\$1,091 million).

## BUSINESS REVIEW

### HONG KONG PROPERTY INVESTMENT

**Underpinned by the Group's leadership in retail management, Harbour City and Times Square, representing 50% of the Group's business assets and 44% of operating profit, performed solidly, notwithstanding a less buoyant retail market during the period under review.**

#### Harbour City

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

##### **Retail**

As the most prominent shopping destination for both local and tourists, Harbour City continued to outperform the overall Hong Kong retail market. Total retail sales increased by 18% year on year, four percentage points over the market average, to reach HK\$14,125 million or an average of about HK\$2,381 per square foot per month. Turnover to the Group increased by 20% to HK\$2,069 million.

Prominently located on Canton Road, Harbour City is one of the world's leading shopping destinations for leading luxury and high street brands. With the most diversified and comprehensive retail offerings across a finely-calibrated price point matrix, Harbour City strives to provide a captivating "shoppertainment" experience for all shoppers. During the period, brand offerings were further enriched and diversified with a host of celebrated brands on board including the debut of internationally renowned *Alexander Wang*, *Boggi Milano*, *Ladurée*, *Maison Eric Kayser*, Michelin-starred chef Sergi Arola's *Vi Cool Sergi Arola*, *T Tech by Tumi*, etc.

In the meantime, rejuvenation and conversion works to upgrade the shopping experience continue. They include the creation of flagship Canton Road stores for *Fendi* and *Giorgio Armani* during the year and another iconic store in 2013. *Gap* will open a 16,000-square foot store on Levels 3 and 4, while parts of the Level 2 arcade will be reconfigured, all to be completed in phases within 2012.

Top-tier brands including *Chanel*, *Dior Homme*, *Gucci* and *Louis Vuitton* are undergoing expansion in the premise with a view to better present their brand personalities to strengthen its competitive edge and bring new excitement to shoppers.

Reflecting on the success of its constant diversification of trendy brand mix alongside powerful marketing strategies, Harbour City has effectively created a strong customer base as well as strengthened the loyalty of shoppers from all walks of life.

## Office

Turnover 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. Demand was driven by business expansion, new lettings and decentralisation. Major new lettings included *Worldwide International Corporation Limited*, the sourcing arm of an Italian fashion company, leasing 16,300 square feet for its new office establishment in Hong Kong, and *Ageas Insurance* leasing 10,700 square feet for its new agency team in Kowloon. *Samsonite* and *CIMB Securities (HK) Limited* have leased 17,400 square feet and 8,200 square feet of office space at the Gateway for relocation from Wanchai and Quarry Bay respectively.

There were also in-house expansions from tenants such as *Estée Lauder*, *Jakks Pacific* and *Prudential*. Lease renewal retention rate was 58%, with renewal from tenants including *AIA*, *Elegant Jewellery* and *Prudential*.

## Serviced Apartments

Turnover 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.

## Retail

Times Square, located in the heart of the busiest Causeway Bay on Hong Kong Island, remains the most successful vertical shopping mall in town. Retail revenue increased by 13% to HK\$664 million with occupancy maintained at virtually 100% at the end of June (excluding the areas vacated for refurbishment).

The cinema relocation refurbishment with a view to add immense value to Times Square progressed as planned. 70,000 square feet of retail space are withdrawn from the market, for about 14% of the total. Despite the massive disruption, a year-on-year growth of 17% in retail sales per square foot was still achieved at Times Square during the period. The new retail shops and restaurants are scheduled to open in mid-2013, and the new cinema in the fourth quarter of 2013.

The tenant mix on the atrium floors was further strengthened with new additions including *Cartier*, *Chaumet*, *Georg Jensen*, *IWC*, *Jill Stuart*, *Loewe*, *Omega* and *Repetto*, as well as relocation of some existing tenants in a bid to enrich the retail offerings and to uplift the shopping atmosphere. The opening of *BLT Burger*, a popular restaurant operated by Dining Concept Group in July 2012 further widened the culinary selection at Times Square.

## Office

Turnover increased by 18% to HK\$268 million, with occupancy climbing to 98% as at June 2012. During the period, there were in-house expansions from *Aon Hong Kong*, *KT Corporation*, *Lane Crawford*, etc. as well as new commitments from tenants including *Kosei International*, *Ferragamo* and *Sportshouse*. Lease renewal retention rate was 57%, with renewal from tenants including *Dennis Lau* and *Ng Chun Man Architects & Engineers (H.K.)*, *Luxury Timepieces*, *Mary Kay* and *Neiman Marcus*.



## The Peak Portfolio and Other Hong Kong Properties

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

Plaza Hollywood registered a 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, a 50:50 joint venture with Nan Fung Group, have been approved. It offers a gross floor area ("GFA") of 162,000 square feet on an attributable basis and will be developed into exclusive luxurious residences with ultimate privacy. Foundation works is underway.

One Midtown in Tsuen Wan, a high-rise industrial/loft building with a GFA of 644,000 square feet, was completed in June 2012. This enabled HK\$2.2 billion of turnover and HK\$1.0 billion of operating profit recognised during the period.

The redevelopment of Kowloon Godown in Kowloon Bay into a residential and commercial development, with a GFA of 829,000 square feet, has been approved. Lease modification application is underway.

Yau Tong Godown was given the approval for a residential and commercial development with a GFA of 256,000 square feet. Premium for the lease modification has been paid in July 2012.

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

The plan for the redevelopment of Wharf T&T Square into a high-rise Grade A commercial building with a GFA of 581,000 square feet has been approved. Premium for the lease modification has been paid. The tentative vacant possession is scheduled for April 2015.

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

## Commitments to capital and development expenditure

As at 30 June 2012, the Group's planned capital and development expenditures for property investment and development properties in Hong Kong were estimated at HK\$1,794 million and HK\$807 million, respectively, of which totalling HK\$1,026 million have been authorised and contracted for.



## CHINA PROPERTIES

In early 2012, a residential project in Beijing with an attributable GFA of 91,000 square metres was acquired through a 50:50 joint venture with China Merchants Property (“CMP”) at an attributable cost of RMB1.2 billion.

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

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

Underpinned by the improving sales momentum in the market and the Group’s well-respected brand, 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. This exceeded the Group’s target by over 72%. The net order book (net of business tax) was RMB14.2 billion for 1,207,000 square metres of properties at the end of June 2012.

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.

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 has been promising and encouraging, with rental rates above budget. Over 50% of the retail spaces are either committed or under offer. The first phase of Chengdu IFC is scheduled for completion in the second half of 2013.

### Strategic Investment in Greentown China

On 8 June 2012, the Group entered into subscription and investment agreements with Greentown China Holdings Limited (“Greentown China”), under which Greentown China issued new shares and perpetual subordinated convertible securities (“PSCS”) respectively to two wholly-owned subsidiaries of the Company at an aggregate consideration of approximately HK\$5.1 billion. Following completion of the transactions on 2 August 2012, the Group holds approximately 24.6% of the equity capital of Greentown China and the PSCS. The investment in Greentown China is for long term, complementing the Group’s business strategy in continual expansion in property investment and development businesses in China.

The Group has high regard on Greentown China's long term commitment to excellent quality. In the China's Urban Resident Satisfaction Survey, recently published by the China Index Academy and the China Real Estate System, based on information and fieldwork undertaken in 12 major Chinese cities comprising Beijing, Chongqing, Guangzhou, Hangzhou, Nanjing, Ningbo, Qingdao, Shanghai, Shenzhen, Suzhou, Tianjin and Wuhan, Greentown China was ranked first in "China's Urban Residents Overall Satisfaction", and came first in six of the sub-indices, namely, "Product Quality", "Plan and Design", "Sales Services", "Property Services", "Corporate Image", and "Property-Owner Loyalty".

With Greentown China now a strategic business partner of the Group, given Greentown China's strength in property development capabilities in the mainland China, and the Group's strength in financial discipline and undisputed excellence in commercial properties management, the Company envisages many strategic co-operation opportunities ahead which would benefit the Group's business development in China over the long term.

## **Property Development – Eastern China**

### ***Sales***

No new projects were launched for pre-sales during the period. For projects previously launched, Suzhou Times City pre-sold a further 90,000 square metres at an average price of RMB10,900 per square metre for proceeds of RMB977 million. Shanghai Xiyuan sold a further 8,700 square metres of properties at an average price of RMB43,200 per square metre for proceeds of RMB375 million during the period. Changzhou Times Palace sold 55,000 square metres at an average selling price of RMB6,200 per square metre for proceeds of RMB351 million. Wuxi Times City sold 66,900 square metres for proceeds of RMB509 million during the period.

Other projects for sale included Glory of Time and Xiyuan in Wuxi, Ambassador Villa and Kingsville in Suzhou, No. 1 Xin Hua Road in Shanghai and Golf Landmark in Hangzhou.

### ***Development Progress***

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. Construction of Changzhou Times Palace is underway, with full completion scheduled for 2014. The State Guest House, the five-star hotel and serviced apartments will be completed in 2013. Construction progress of other developments in Eastern China is as planned.

## **Property Development – Western China**

### ***Sales***

In Chongqing, initial phases of retail units and additional phases of residential units of The U World were launched for pre-sale during the period. On an attributable basis, 13,000 square metres were pre-sold at an average price of RMB22,400 per square metre for the residential towers and

RMB48,300 per square metre for the retail units for total proceeds of RMB393 million. International Community sold further units and generated attributable proceeds of RMB361 million. The Throne has also met with good demand.

In Chengdu, Sirius at International Commerce Centre was launched for pre-sale in April 2012 and was well received. Tian Fu Times Square and Crystal Park sold further units for proceeds of RMB649 million and RMB602 million respectively during the period. The Orion and Le Palais have met with favourable responses.

### ***Development Progress***

Four additional residential towers of Crystal Park were completed in June 2012. Construction of the remaining three residential towers and one office block is underway, with full completion scheduled for 2013. 12 residential towers and one office tower of Tian Fu Times Square were completed by 2011 or before. The remaining office tower is scheduled for completion in 2013. Tower 1 of The Orion and Phase 1 (eight residential towers) of Le Palais are scheduled for completion in the first quarter of 2013. Construction of Chengdu Shuangliu Development Area commenced in the first quarter of 2012. Other projects in Chengdu are progressing on plan.

In Chongqing, construction of International Community, The U World and The Throne is underway. These projects are developed through joint ventures with China Overseas Land & Investment ("COLI"), with the Group's shareholding ranging between 40% and 55%.

## **Property Development – Other Regions**

### ***Sales***

In Foshan, pre-sale of Evian Buena Vista and Evian Riviera commenced during the period and have met with good demand. Evian Town and Evian Uptown sold further units and generated proceeds of RMB533 million and RMB243 million respectively on an attributable basis. These four projects are developed through 50:50 joint ventures with CMP.

In Tianjin, Peaceland Cove presold further units for proceeds of RMB541 million on an attributable basis. The Magnificent has also met with favourable responses.

### ***Acquisition***

In early 2012, the Group acquired two prime sites for residential development in Chaoyang District, Beijing through a 50:50 joint venture with CMP. The development offers a GFA of 91,000 square metres on an attributable basis and is in close proximity to a future subway station. Construction will commence in the fourth quarter of 2012, with full completion scheduled for 2015.

### ***Development Progress***

Construction of the residential development in Guangzhou commenced during the period, with full completion scheduled for 2015. All other developments in the regions are progressing as planned.

## Commitments to capital and development expenditure

As at 30 June 2012, the Group's planned capital and development expenditures for development properties in Mainland China was estimated at HK\$61,611 million, of which HK\$12,248 million has been authorised and contracted for.

## Property Investment

Powered by its distinctive design, world-class management and facilities, Shanghai Wheelock Square continued to attract multinationals and major corporations. 91% of the office space 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. Celebrated tenants committed during the period include *Daiichi Sankyo*, *Luenmei*, *SAP* and *Tod's*.

Re-launched in July 2011, Chongqing Times Square's retail occupancy stood at 96%. In addition to the existing first tier international labels on Level 1 such as *Burberry*, *Cartier*, *Emporio Armani*, *Ermenegildo Zegna*, *Giorgio Armani*, *Louis Vuitton*, *Salvatore Ferragamo* and *Tiffany & Co*, more young fashion brands such as *Armani Exchange*, together with international renowned jewellery and accessories, *Anteprima Wirebag*, *Carat*, and *Pandora*, were recently added to Lower Ground 1 and Level 3. The value-added initiative has offered more diversified and comprehensive merchandise of trendy and fashionable apparels and accessories which enriched the shopping ambience. To further enhance the strategic position of Chongqing Times Square, formation of a cosmetics cluster and kids wear on respective floors are actively underway.

Occupancy at Dalian Times Square stood at 100%. With the opening of *Chanel* and *Versace* scheduled for the fourth quarter of 2012 and *Dior Homme's* expansion to be completed 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.

## Property Investment – International Finance Centres

Five IFCs in China, which are comparable in scale to Harbour City and Times Square, are being developed and progressing as planned. Upon completion, the recurrent rental income base in China will multiply.

Retail pre-leasing commitments at Chengdu IFC has been promising and encouraging, with over half of the retail spaces either committed or under offer. Rental rates contracted were above budget.



Mirroring the success of Harbour City, Chengdu IFC mall is deemed to be a one-stop flagship shopping landmark in the Western China with the most diversified trade-mix and entertainment anchors. Hongxing Road, the replica of Canton Road in Hong Kong, will emerge as the home of duplex stores. The ground level obtained the most prestigious fashion brands' commitment, such as *Dolce & Gabbana*, *Emporio Armani*, *Fendi*, *Giorgio Armani*, *Prada* and *Tod's*, etc. A host of prestige jewellery and watch labels including *Chaumet*, *Franck Muller*, *Jaeger-LeCoultre*, *Piaget* and *Van Cleef & Arpels* has taken up space on Level 3. To enhance the shopping ambience, fashion concept stores including *Uniqlo* and the fashion trend leader *I.T Group* for mono-brand will offer hip and street fashion on the upper levels, whereas UA Cineplex and a bowling lounge will provide shoppers with comprehensive entertainment elements. The retail mall and one office tower are scheduled for completion in the second half of 2013. Full completion is scheduled for 2014. The mall is expected to open by the end of 2013.

Construction of Chongqing IFC, a 50:50 joint venture development with COLI in Jiangbei City, the new CBD of Chongqing, is underway, with full completion scheduled for 2015.

Development of Wuxi, Suzhou and Changsha IFC is progressing as planned. Construction of these IFCs is underway, with full completion scheduled for 2014-2016.

### Commitments to capital and development expenditure

As at 30 June 2012, the Group's planned capital and development expenditures for property investment in Mainland China was estimated at HK\$31,073 million, of which HK\$8,868 million has been authorised and contracted for.

### MARCO POLO HOTELS

Marco Polo operates 13 owned or managed hotels in the Asia Pacific region.

Vibrant business travel and inbound tourism propelled the hotel and hospitality sector. 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. All Marco Polo hotels performed satisfactorily in their respective locations during the period, with Marco Polo Wuhan continuing to achieve dominant market position locally.

Marco Polo Lingnan Tiandi in Foshan and Marco Polo Suzhou were added in the first half of 2012. 10 new hotels in the cities of Changsha, Changzhou, Chengdu, Chongqing, Guiyang, Suzhou, Tianjin and Wuxi in the Mainland, as well as Manila in the Philippines and Bangkok in Thailand, will come on stream by 2016 to further expand Marco Polo's network.

## MODERN TERMINALS

Global trade growth continued to be overshadowed by the European debt crisis and US economic slow-down. 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. Throughput at Shekou Container Terminals in Shenzhen, in which Modern Terminals holds a 20% stake, increased by 13% to 2.2 million TEUs, while Chiwan Container Terminal, in which Modern Terminals holds an 8% attributable stake, handled 1.8 million TEUs.

As at 30 June 2012, Modern Terminals' planned capital expenditures was estimated at HK\$1,250 million, of which HK\$803 million has been authorised and contracted for.

## OTHER BUSINESSES

### i-CABLE

2012 is positioned as a period of consolidation fortifying hard-earned inroads amidst looming economic uncertainties and a challenging operating environment. During the period, competition remained tough across business segments affecting i-CABLE's overall performance. Keen competition from both within and outside the Pay TV market resulted in the consolidation of i-CABLE's Pay TV customer growth. Competition in the Broadband and Telephony sectors was also tough as fixed line services are being threatened by the phenomenal growth in mobile services.

Across the main product lines, a 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

The spillover effects of the European debt crisis and the deceleration of China's economic growth weighed on the performance of Wharf T&T. In the ICT sector, while the finance and banking spenders continued to rationalise their budget on infrastructure and technology investment, the ICT consumption from education and semi-government sectors, on the other hand, continued its momentum as technology adoption gained increasing focus. Data business continued to gain ground. Wharf T&T's 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.

## Hong Kong Air Cargo Terminals

Throughput at Hong Kong Air Cargo Terminals, a 20.8% associate of the Group, was at par with the record achieved for the same period last year, driven by an 11.5% growth in trans-shipment, being partially offset by a drop in demand for the import sector. The new cargo management system, COSAC-Plus was successfully launched in April 2012 and well received by users.

## FINANCIAL REVIEW

### (I) REVIEW OF 2012 INTERIM RESULTS

In the first half of 2012, the Group delivered another robust financial results with its profit attributable to shareholders increased by 65% to HK\$23,646 million, profit before property revaluation surplus increased by 115% to HK\$7,072 million and core profit increased by 49% to HK\$5,425 million, all at their new heights. The remarkable results reflected the extraordinary performance of the Group's property development, particularly in the Mainland, and the strong recurrent rental revenue growth, added by the increased property revaluation surplus and the one-off profit recognised from the acquisition of an associate, Greentown China Holdings Limited ("Greentown China").

#### Turnover

Group turnover increased by 87% to HK\$18,250 million (2011: HK\$9,745 million). The revenue growth was underpinned by the higher contribution from property sales achieved both in Hong Kong and the Mainland and the double-digit revenue increase achieved by the Property Investment segment.

Property Investment revenue from Hong Kong increased by 14% to HK\$4,383 million, supported by the outstanding sales achieved by the retail tenants and the continuous positive rental reversions for office areas particularly in Harbour City and Times Square. Revenue from the Mainland also increased substantially by 51% to HK\$479 million as benefited from the escalating revenue generated by the brand new Shanghai Wheelock Square as well as the renovated Chongqing Times Square. Hotel revenue increased by 9% to HK\$649 million as sustained by the increase in room rates with occupancy remained at high level though this was adversely disturbed by the renovation work for Prince Hotel. In aggregate, the segment reported an increase in revenue of 16% to HK\$5,511 million.

Property Development continued to bear fruit with recognised sales increased by 579% to HK\$9,122 million (2011: HK\$1,343 million). Revenue recognition mainly derived from Chengdu Tian Fu Times Square, Crystal Park, Shanghai Xi Yuan and Wuxi Times City in the Mainland totally HK\$6,929 million and from One Midtown in Hong Kong of HK\$2,193 million.

During the period, in the Mainland, inclusive of joint ventures on an attributable basis, the Group recorded contracted property sales totally HK\$9.2 billion (2011: HK\$7.6 billion) in more than ten cities in the Mainland, increasing its net order book to HK\$17.4 billion by end of June 2012 (December 2011: HK\$16.7 billion) pending for recognition on completion of the respective properties by stages.

Logistics revenue dropped by 9% to HK\$1,515 million due to Modern Terminals' revenue decreased with lower throughput handled as adversely affected by the slowdown in global trade growth.

CME revenue increased by 1% to HK\$1,942 million, with revenue of Wharf T&T increased by 3% whereas i-CABLE reported a slight drop of 1%.



## Operating Profit

The Group's operating profit increased sharply by 65% to set a record high for its half-year reporting at HK\$8,241 million, supported by its favourable profit contributions from rental and property sales.

Property Investment remained the Group's largest profit contributor with a 15% increase in operating profit to HK\$4,261 million. Contributions from Harbour City (excluding hotels) and Times Square both increased by 14%. Operating profit from the Mainland increased by 63%, benefited from its expanding portfolio particularly Shanghai Wheelock Square.

Hotels operating profit increased by 3% to HK\$192 million though partly impacted by the above mentioned hotel renovation.

Property Development, with higher property sales achieved and more property completions delivered, increased its operating profit by 504% to HK\$3,428 million, including HK\$2,422 million attributable to Mainland property projects and HK\$1,006 million attributable to a Hong Kong property project, One Midtown.

Logistics' profit contribution dropped by 15% to HK\$577 million, mainly due to decrease in revenue of Modern Terminals.

CME's profit decreased by 66% to HK\$17 million with Wharf T&T's operating profit increased by 16% to HK\$119 million against i-CABLE's operating loss of HK\$100 million.

Profit contribution from Investment and Others increased by 20% to HK\$205 million, primarily due to increase in interest and dividend 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\$209.1 billion (2011: HK\$184.1 billion), with HK\$192.2 billion thereof stated at fair value based on an independent valuation as at that date, which produced a revaluation surplus of HK\$17,346 million (2011: HK\$11,614 million), mainly reflecting the continuous strong rental growth of the Group's investment properties. The attributable net revaluation surplus of HK\$16,574 million (2011: HK\$11,019 million), after deducting related deferred tax and non-controlling interests, was credited to the consolidated income statement.

Investment properties in the amount of HK\$16.9 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 completion.

## Other Net Income

Other net income amounted to HK\$1,544 million (2011: HK\$122 million), mainly including the book accounting gain arising from the acquisition of an 18.4% interests in Greentown China as detailed in note 4(a) to the financial statements. The Group increased its interest in Greentown China to 24.6% after the reporting period.

## Finance Costs

Finance costs charged to the consolidated income statement were HK\$605 million (2011: HK\$775 million). That included an unrealised mark-to-market gain of HK\$92 million (2011: loss of HK\$369 million) on the cross currency/interest rate swaps in accordance with prevailing accounting standard. Net of non-controlling interests, the mark-to-market gain is HK\$104 million (2011: loss of HK\$355 million).

Excluding the unrealised mark-to-market gain, finance cost before capitalisation was HK\$979 million (2011: HK\$581 million), representing an increase of HK\$398 million mainly as a result of the increase in gross borrowings and rise in effective borrowing rates. The Group's effective borrowing rate for the period was 2.6% (2011: 2.1%).

Excluding the unrealised mark-to-market gain, finance cost after capitalisation of HK\$282 million (2011: HK\$175 million) in respect of the Group's related assets was HK\$697 million (2011: HK\$406 million), representing an increase of HK\$291 million.

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

The share of profit of associates increased by 49% to HK\$280 million (2011: HK\$188 million), mainly due to increase in profit contributions from both Hong Kong and Mainland China properties projects. Jointly controlled entities turned around from a loss to a profit of HK\$4 million (2011: loss of HK\$9 million), reflecting the increased profit contributions from property projects and Modern Terminals' port investment in the Mainland.

## Income Tax

Taxation charge for the period was HK\$2,622 million (2011: HK\$1,511 million), which included deferred taxation of HK\$601 million (2011: HK\$518 million) provided for the current period's revaluation gain attributable to investment properties in the Mainland.

Excluding the above deferred tax, the tax charge increased by 104% to HK\$2,021 million (2011: HK\$993 million) mainly due to increase in profit recognised by Property Development segment.

## Non-controlling Interests

Group profit attributable to non-controlling interests increased by HK\$235 million to HK\$542 million, reflecting the increase in net profits of certain non-wholly-owned subsidiaries.

## Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders for the period ended 30 June 2012 amounted to HK\$23,646 million (2011: HK\$14,302 million), representing an increase of 65%. Basic earnings per share were HK\$7.81, based on 3,029 million shares (2011: HK\$4.84 based on weighted average of 2,952 million shares after taking the effect of the Rights Issue).

Excluding the net investment property revaluation surplus of HK\$16,574 million (2011: HK\$11,019 million), Group profit attributable to shareholders for the period was HK\$7,072 million (2011: HK\$3,283 million), representing an increase of 115%. Excluding the net investment property revaluation surplus and exceptionals, which included the attributable mark-to-market gain of HK\$104 million (2011: loss of HK\$355 million) on cross currency/interest rate swaps and the book accounting gain arising from the acquisition of the interests in Greentown China of HK\$1,543 million, the Group's core profit rose year-on-year by 49% to HK\$5,425 million (2011: HK\$3,638 million). Core earnings per share were HK\$1.79 (2011: HK\$1.23).

## (II) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL COMMITMENTS

### Shareholders' and Total Equity

As at 30 June 2012, the Group's shareholders' equity increased by HK\$21,428 million or 11% to HK\$224,685 million, equivalent to HK\$74.18 per share based on 3,029 million issued shares (31 December 2011: HK\$67.10 per share based on 3,029 million issued shares).

Including the non-controlling interests, the Group's total equity increased by 10% to HK\$232,573 million (31 December 2011: HK\$210,874 million).

### Total Assets

The Group's total assets increased by 5% to HK\$334.3 billion (31 December 2011: HK\$318.0 billion). Total business assets, excluding bank deposit and cash, available-for-sale investments, deferred tax assets and other derivative financial assets, increased by 10% to HK\$310.2 billion (31 December 2011: HK\$280.8 billion).

Included in the Group's total assets is the investment property portfolio of HK\$209.1 billion, representing 67% of total business assets. The core assets in this portfolio are Harbour City and Times Square in Hong Kong, which are valued at HK\$114.3 billion (excluding the 3 hotels) and HK\$39.7 billion, respectively. Together, they represent 74% of the total value of the portfolio.

Other major business assets included other properties and fixed assets of HK\$19.0 billion, interests in jointly controlled entities and associates (mainly for Mainland property and port projects) of HK\$32.2 billion and properties under development and held for sale (mainly in the Mainland) of HK\$44.7 billion.

Geographically, the Group's business assets in the Mainland, mainly properties and terminals, increased to HK\$115.1 billion (31 December 2011: HK\$110.6 billion), representing 37% of the Group's total business assets.

## Debts and Gearing

The Group's net debt increased by HK\$9.7 billion to HK\$53.2 billion as at 30 June 2012 (31 December 2011: HK\$43.5 billion), which was made up of HK\$72.2 billion in debts and HK\$19.0 billion in bank deposits and cash. Included in the Group's net debt were HK\$7.9 billion (31 December 2011: HK\$8.2 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\$45.3 billion (31 December 2011: HK\$35.3 billion). Analysis of the net debt is as below:

<b>Net debt/(cash)</b>	<b>30 June 2012 HK\$ Million</b>	<b>31 December 2011 HK\$ Million</b>
Wharf (excluding below subsidiaries)	<b>45,254</b>	35,348
Modern Terminals	<b>11,548</b>	11,155
HCDL	<b>(3,450)</b>	(2,700)
i-CABLE	<b>(184)</b>	(338)
	<b>53,168</b>	43,465

As at 30 June 2012, the ratio of net debt to total equity was 22.9% (31 December 2011: 20.6%).

## Finance and Availability of Facilities

The Group's total available loan facilities and issued debt securities as at 30 June 2012 amounting to HK\$89.2 billion, of which HK\$72.2 billion were utilised, are analysed as below:

	<b>30 June 2012</b>		
	<b>Available Facility HK\$ Billion</b>	<b>Total Debts HK\$ Billion</b>	<b>Undrawn Facility HK\$ Billion</b>
<b>Company/wholly-owned subsidiaries</b>			
Committed bank facilities	43.0	30.0	13.0
Uncommitted bank facilities	0.4	–	0.4
Debt securities	27.0	27.0	–
	70.4	57.0	13.4
<b>Non-wholly-owned subsidiaries</b>			
Committed and uncommitted			
– Modern Terminals	13.7	12.6	1.1
– HCDL	4.6	2.5	2.1
– i-CABLE	0.5	0.1	0.4
	89.2	72.2	17.0



Of the above debts, HK\$18,342 million (31 December 2011: HK\$20,056 million) was secured by mortgage over certain properties under development, fixed assets and shares with total carrying value of HK\$26,592 million (31 December 2011: HK\$27,348 million).

The Group diversified the debt portfolio across a bundle of currency including primarily Hong Kong dollar ("HKD"), United States dollar ("USD") and Renminbi ("RMB"). The funding sourced from such debt portfolio was mainly used to finance 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 2012, the Group also maintained a portfolio of available-for-sale investments with an aggregate market value of HK\$3.0 billion (31 December 2011: HK\$2.7 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\$8.7 billion (2011: HK\$5.4 billion). The changes in working capital reduced the net cash inflow to HK\$4.5 billion (2011: outflow of HK\$3.2 billion). For investing activities, the Group recorded a net cash outflow of HK\$10.7 billion (2011: HK\$14.3 billion), mainly for additions to investment properties, including the payment for the lease renewal premium of Ocean Terminal of HK\$7.9 billion and investments in associates and jointly controlled entities involved in property development projects in the Mainland, including HK\$1.9 billion paid for the acquisition of 18.4% equity interests in Greentown China. The net cash outflow was partly compensated by the proceeds received from disposal of certain non-core properties during the reporting period. 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 Capital and Development Expenditure and Commitments

The Group's major capital and development expenditure incurred in the first half of 2012 and related commitments to planned expenditure as at 30 June 2012 are analysed as follows:

### A. Major capital and development expenditure

	Hong Kong HK\$ Million	Mainland China HK\$ Million	Total HK\$ Million
<b>Property investment</b>	8,246	1,008	9,254
<b>Development properties</b>	268	6,196	6,464
<b>Properties total</b>	8,514	7,204	15,718
<b>Non-properties</b>			
Modern Terminals	93	38	131
Wharf T&T	230	1	231
i-CABLE	111	2	113
	434	41	475
<b>Group total</b>	8,948	7,245	16,193

- i. Property investment expenditure incurred during the period under review mainly included the lease renewal premium of HK\$7.9 billion paid for Ocean Terminal and the construction cost for Chengdu IFC.
- ii. In addition, the Group also incurred HK\$6.5 billion expenditures for the development properties mainly in the Mainland, including HK\$3.9 billion attributable to jointly controlled entities and associates. Of which HK\$1.9 billion was incurred for the acquisition of 18.4% interests in Greentown China during the period under review.
- iii. For Modern Terminals, the capital expenditures were mainly for the addition of other fixed assets and the construction of the Dachan Bay port project in the Mainland while those for Wharf T&T and i-CABLE were incurred substantially for procurement of production and broadcasting equipment, network rollout and internet service equipment. Modern Terminals and i-CABLE, respectively 67.6% and 73.8% owned by the Group, independently funded their own capital expenditure programmes.

### **B. Commitments to capital and development expenditure**

As at 30 June 2012, the Group's major commitments to capital and development expenditure that to be incurred in the forthcoming years was estimated at HK\$97.2 billion, of which HK\$23.2 billion was authorised and contracted for. By segment, the commitments are analysed as below:

	As at 30 June 2012		Total HK\$ Million
	Authorised and contracted for HK\$ Million	Authorised but not contracted for HK\$ Million	
<b>Property investment</b>			
Hong Kong	870	924	1,794
Mainland China	8,868	22,205	31,073
	9,738	23,129	32,867
<b>Development properties</b>			
Hong Kong	156	651	807
Mainland China	12,248	49,363	61,611
	12,404	50,014	62,418
<b>Non-properties</b>			
Modern Terminals	803	447	1,250
Wharf T&T	207	270	477
i-CABLE	47	132	179
	1,057	849	1,906
<b>Group total</b>	<b>23,199</b>	<b>73,992</b>	<b>97,191</b>

- i. Properties commitments are mainly for construction cost to be incurred by stages in the forthcoming years and attributable land cost of HK\$4.5 billion payable by end of 2013.
- ii. Modern Terminals' commitments are mainly related to addition of other fixed assets and the outstanding construction cost for the Dachan Bay project.

The above commitments and planned expenditures will be funded by Group's internal financial resources including its surplus cash of HK\$19.0 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 14,800 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

		Six months ended 30 June	
	Note	2012 HK\$ Million	2011 HK\$ Million
<b>Turnover</b>	2	<b>18,250</b>	9,745
Direct costs and operating expenses		<b>(8,164)</b>	(3,162)
Selling and marketing expenses		<b>(567)</b>	(404)
Administrative and corporate expenses		<b>(580)</b>	(537)
Operating profit before depreciation, amortisation, interest and tax		<b>8,939</b>	5,642
Depreciation and amortisation		<b>(698)</b>	(662)
<b>Operating profit</b>	2 & 3	<b>8,241</b>	4,980
Increase in fair value of investment properties		<b>17,346</b>	11,614
Other net income	4	<b>1,544</b>	122
Finance costs	5	<b>27,131</b>	16,716
Share of results after tax of:		<b>(605)</b>	(775)
Associates		<b>280</b>	188
Jointly controlled entities		<b>4</b>	(9)
Profit before taxation		<b>26,810</b>	16,120
Income tax	6	<b>(2,622)</b>	(1,511)
<b>Profit for the period</b>		<b>24,188</b>	14,609
<b>Profit attributable to:</b>			
Equity shareholders		<b>23,646</b>	14,302
Non-controlling interests		<b>542</b>	307
		<b>24,188</b>	14,609
<b>Earnings per share</b>	7		
Basic		<b>HK\$7.81</b>	HK\$4.84
Diluted		<b>HK\$7.66</b>	HK\$4.83

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012 – Unaudited

	Six months ended 30 June 2012 HK\$ Million	2011 HK\$ Million
<b>Profit for the period</b>	<b>24,188</b>	14,609
<b>Other comprehensive income</b>		
Exchange (loss)/gain on translation of foreign operations	(406)	1,194
Net revaluation reserves of available-for-sale investments:	389	(315)
Surplus/(deficit) on revaluation	336	(316)
Transferred to consolidated income statement on disposal	53	1
Share of other comprehensive income of associates/jointly controlled entities	(69)	245
Others	30	1
<b>Other comprehensive income for the period</b>	<b>(56)</b>	1,125
<b>Total comprehensive income for the period</b>	<b>24,132</b>	15,734
<b>Total comprehensive income attributable to:</b>		
Equity shareholders	23,521	15,318
Non-controlling interests	611	416
	<b>24,132</b>	15,734

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012 – Unaudited

	Note	30 June 2012 HK\$ Million	31 December 2011 HK\$ Million
<b>Non-current assets</b>			
Investment properties		209,064	184,057
Other property, plant and equipment		15,240	15,233
Leasehold land		3,728	3,751
Total fixed assets		228,032	203,041
Goodwill and other intangible assets		297	297
Interest in associates		14,726	10,198
Interest in jointly controlled entities		17,518	16,934
Available-for-sale investments		2,967	2,703
Programming library		117	107
Deferred tax assets		683	683
Derivative financial assets		294	181
Other non-current assets		13	15
		264,647	234,159
<b>Current assets</b>			
Properties for sale		44,658	47,511
Inventories		137	130
Trade and other receivables	9	5,582	3,420
Derivative financial assets		239	225
Bank deposits and cash		19,034	32,528
		69,650	83,814
<b>Current liabilities</b>			
Trade and other payables	10	(10,479)	(10,316)
Deposits from sale of properties		(6,582)	(9,704)
Derivative financial liabilities		(214)	(232)
Taxation payable		(2,399)	(1,601)
Bank loans and other borrowings	11	(6,201)	(8,903)
		(25,875)	(30,756)
<b>Net current assets</b>		43,775	53,058
<b>Total assets less current liabilities</b>		308,422	287,217



	Note	30 June 2012 HK\$ Million	31 December 2011 HK\$ Million
<b>Non-current liabilities</b>			
Derivative financial liabilities		(2,317)	(2,470)
Deferred tax liabilities		(7,254)	(6,508)
Other deferred liabilities		(277)	(275)
Bank loans and other borrowings	11	(66,001)	(67,090)
		(75,849)	(76,343)
<b>NET ASSETS</b>		<b>232,573</b>	210,874
<b>Capital and reserves</b>			
Share capital	12	3,029	3,029
Reserves		221,656	200,228
<b>Shareholders' equity</b>		<b>224,685</b>	203,257
<b>Non-controlling interests</b>		<b>7,888</b>	7,617
<b>TOTAL EQUITY</b>		<b>232,573</b>	210,874

## 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	Capital redemption reserves 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	3,029	26,278	7	21	6,194	167,728	203,257	7,617	210,874
Changes in equity for the period:									
Profit	–	–	–	–	–	23,646	23,646	542	24,188
Other comprehensive income	–	–	–	321	(446)	–	(125)	69	(56)
Total comprehensive income	–	–	–	321	(446)	23,646	23,521	611	24,132
Equity settled share-based payment	–	–	–	27	–	–	27	–	27
Second interim dividends paid for 2011 (Note 8b)	–	–	–	–	–	(2,120)	(2,120)	–	(2,120)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(340)	(340)
<b>At 30 June 2012</b>	<b>3,029</b>	<b>26,278</b>	<b>7</b>	<b>369</b>	<b>5,748</b>	<b>189,254</b>	<b>224,685</b>	<b>7,888</b>	<b>232,573</b>
At 1 January 2011	2,754	16,566	7	688	2,876	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)
<b>At 30 June 2011</b>	<b>3,029</b>	<b>26,278</b>	<b>7</b>	<b>482</b>	<b>4,197</b>	<b>152,561</b>	<b>186,554</b>	<b>7,407</b>	<b>193,961</b>

## 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	8,712	5,454
Changes in working capital/others	(4,172)	(8,650)
Net cash generated from/(used in) operating activities	4,540	(3,196)
Net cash used in investing activities	(10,690)	(14,284)
Net cash (used in)/generated from financing activities	(6,441)	20,180
(Decrease)/increase in cash and cash equivalents	(12,591)	2,700
Cash and cash equivalents at 1 January	31,405	16,900
Effect of exchange rate changes	(103)	290
Cash and cash equivalents at 30 June (Note a)	18,711	19,890

Note:

### a. Cash and cash equivalents

Banks deposits and cash in the consolidated statement of financial position	19,034	19,890
Less: Bank deposits with maturity greater than three months	(323)	—
Cash and cash equivalents in the condensed consolidated statement of cash flows	18,711	19,890

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Principal Accounting Policies and Basis of Preparation

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

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

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

With effect from 1 January 2012, the Group has adopted the below amendment to HKFRSs, which is relevant to the Group’s financial statements:

Amendment to HKFRS 7	Financial instruments: Disclosures – Transfers of financial assets
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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 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 in Hong Kong and Mainland China undertaken by Modern Terminals Limited ("Modern Terminals"), Hong Kong Air Cargo Terminals Limited ("Hactl") 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.

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
<b>30 June 2012</b>								
Property investment	5,511	4,261	17,346	73	(568)	–	–	21,112
Hong Kong	4,383	3,755	16,414	73	(482)	–	–	19,760
Mainland China	479	314	932	–	(81)	–	–	1,165
Hotels	649	192	–	–	(5)	–	–	187
Property development	9,122	3,428	–	1,504	(54)	89	(20)	4,947
Hong Kong	2,193	1,006	–	–	–	63	–	1,069
Mainland China	6,929	2,422	–	1,504	(54)	26	(20)	3,878
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	(168)	–	–	–	–	–	–	–
Segment total	17,922	8,283	17,346	1,534	(779)	280	4	26,668
Investment and others	328	205	–	10	174	–	–	389
Corporate expenses	–	(247)	–	–	–	–	–	(247)
<b>Group total</b>	<b>18,250</b>	<b>8,241</b>	<b>17,346</b>	<b>1,544</b>	<b>(605)</b>	<b>280</b>	<b>4</b>	<b>26,810</b>
<b>30 June 2011</b>								
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)
<b>Group total</b>	<b>9,745</b>	<b>4,980</b>	<b>11,614</b>	<b>122</b>	<b>(775)</b>	<b>188</b>	<b>(9)</b>	<b>16,120</b>



## b. Analysis of inter-segment revenue

Six months ended 30 June	Total Revenue	2012 Inter-segment revenue	Group Revenue	Total Revenue	2011 Inter-segment revenue	Group Revenue
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Property investment	5,511	(74)	5,437	4,766	(72)	4,694
Property development	9,122	–	9,122	1,343	–	1,343
Logistics	1,515	–	1,515	1,673	–	1,673
CME	1,942	(54)	1,888	1,930	(95)	1,835
Investment and others	328	(40)	288	207	(7)	200
	18,418	(168)	18,250	9,919	(174)	9,745

## c. Geographical information

Six months ended 30 June	Revenue		Operating profit	
	2012	2011	2012	2011
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	10,443	7,700	5,837	4,348
Mainland China	7,788	2,024	2,385	612
Singapore	19	21	19	20
Group total	18,250	9,745	8,241	4,980

### 3. Operating Profit

Operating profit is arrived at:

	Six months ended 30 June	
	2012	2011
	HK\$ Million	HK\$ Million
<b>After charging/(crediting):</b>		
Depreciation and amortisation on		
– assets held for use under operating leases	70	65
– other fixed assets	537	512
– leasehold land	48	46
– programming library	43	39
Total depreciation and amortisation	698	662
Staff costs (Note i)	1,477	1,333
Cost of trading properties for recognised sales	5,371	680
Rental income less direct outgoings (Note ii)	(4,079)	(3,527)
Interest income	(192)	(112)
Dividend income from listed investments	(61)	(45)
Dividend income from unlisted investments	–	(3)
(Profit)/loss on disposal of fixed assets	(3)	3

Notes:

- (i) Staff costs included retirement scheme costs HK\$68 million (2011: HK\$65 million) and equity-settled share-based payment expenses of HK\$27 million (2011: HK\$nil).
- (ii) Rental income included contingent rentals of HK\$995 million (2011: HK\$777 million).

#### 4. Other Net Income

Other net income for the period amounted to HK\$1,544 million (2011: HK\$122 million) mainly includes:

- a. A book accounting gain representing the negative goodwill of HK\$1,543 million recognised in respect of the Group's acquisition of 18.4% equity interests in Greentown China Holdings Limited ("Greentown China"), being as an associate, in June 2012. This amount was calculated based on the Group'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 the Group'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\$52 million (2011: gain of HK\$133 million) which included the impact of forward foreign exchange contracts.
- c. Net gain on disposal of available-for-sale investment of HK\$2 million (2011: loss of HK\$1 million) which includes a revaluation deficit of HK\$53 million (2011: HK\$1 million) transferred from the investments revaluation reserves of the Group.

## 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	378	290
– repayable after five years	95	153
Other borrowings		
– repayable within five years	76	7
– repayable after five years	330	70
Total interest charge	879	520
Other finance costs	100	61
Less: Amount capitalised	(282)	(175)
	697	406
Fair value (gain)/cost:		
Cross currency interest rate swaps	213	(41)
Interest rate swaps	(305)	410
	(92)	369
Total	605	775

- a. The Group's average effective borrowing rate for the period was 2.6% p.a. (2011: 2.1% 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:

	<b>Six months ended 30 June</b>	
	<b>2012</b>	<b>2011</b>
	<b>HK\$ Million</b>	<b>HK\$ Million</b>
<b>Current income tax</b>		
Hong Kong		
– provision for the period	<b>850</b>	631
– overprovision in respect of prior years	<b>(7)</b>	(6)
Outside Hong Kong		
– provision for the period	<b>598</b>	97
– underprovision in respect of prior years	<b>2</b>	–
	<b>1,443</b>	722
<b>Land appreciation tax (“LAT”) in China</b>	<b>417</b>	175
<b>Deferred tax</b>		
Change in fair value of investment properties	<b>601</b>	518
Origination and reversal of temporary differences	<b>161</b>	96
	<b>762</b>	614
<b>Total</b>	<b>2,622</b>	1,511

- 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% 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 2012 of HK\$134 million (2011: HK\$43 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\$23,646 million (30/06/2011: HK\$14,302 million) and the weighted average of 3,029 million ordinary shares in issue during the period (30/06/2011: 2,952 million ordinary shares).

### 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\$23,719 million (30/06/2011: HK\$14,312 million) and the weighted average of 3,098 million ordinary shares in issue during the period (30/06/2011: 2,963 million ordinary shares), calculated as follows:

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

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>HK\$ Million</b>	<i>HK\$ Million</i>
Profit attributable to ordinary equity shareholders	<b>23,646</b>	14,302
After tax effect of effective interest on the liability component of convertible bonds	<b>73</b>	10
	<b>23,719</b>	14,312

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

	<b>30 June</b>	30 June
	<b>2012</b>	2011
	<b>No. of shares</b>	<i>No. of shares</i>
	<b>Million</b>	<i>Million</i>
Weighted average number of ordinary shares at 30 June	<b>3,029</b>	2,952
Effect of conversion of convertible bonds	<b>69</b>	11
	<b>3,098</b>	2,963



## 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:

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>HK\$ Million</b>	<i>HK\$ Million</i>
First interim dividend of 45 cents (2011: 36 cents) proposed after the period end date per share	<b>1,363</b>	1,091

- b. Dividends recognised as distribution during the period:

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>HK\$ Million</b>	<i>HK\$ Million</i>
2011 second interim dividend paid of 70 cents per share	<b>2,120</b>	–
2010 Final dividend paid of 64 cents per share	<b>–</b>	1,939
	<b>2,120</b>	1,939

## 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 2012 as follows:

	<b>30 June</b>	31 December
	<b>2012</b>	2011
	<b>HK\$ Million</b>	<i>HK\$ Million</i>
Trade receivables		
0 – 30 days	<b>591</b>	656
31 – 60 days	<b>107</b>	116
61 – 90 days	<b>58</b>	73
Over 90 days	<b>90</b>	63
	<b>846</b>	908
Accrued sales receivables	<b>1,757</b>	–
Other receivables	<b>2,979</b>	2,512
	<b>5,582</b>	3,420

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:

	<b>30 June 2012 HK\$ Million</b>	<b>31 December 2011 HK\$ Million</b>
Trade payables		
0 – 30 days	<b>270</b>	314
31 – 60 days	<b>123</b>	172
61 – 90 days	<b>29</b>	54
Over 90 days	<b>62</b>	90
	<b>484</b>	630
Rental and customer deposits	<b>2,342</b>	2,124
Construction costs payable	<b>1,957</b>	2,644
Amounts due to associates	<b>2,507</b>	2,133
Amounts due to jointly controlled entities	<b>344</b>	210
Other payables	<b>2,845</b>	2,575
	<b>10,479</b>	10,316

## 11. Bank Loans and Other Borrowings

	30 June 2012 HK\$ Million	31 December 2011 HK\$ Million
Bonds and notes (unsecured)	20,759	12,734
Convertible bonds (unsecured)	6,239	6,205
Bank loans (secured)	18,342	20,056
Bank loans (unsecured)	26,862	36,998
<b>Total bank loans and other borrowings</b>	<b>72,202</b>	<b>75,993</b>
<b>Analysis of maturities of the above borrowings:</b>		
<b>Current borrowings</b>		
Due within 1 year	6,201	8,903
<b>Non-current borrowings</b>		
Due after more than 1 year but not exceeding 5 years	47,864	55,104
Due after more than 5 years	18,137	11,986
	66,001	67,090
<b>Total bank loans and other borrowings</b>	<b>72,202</b>	<b>75,993</b>

## 12. Share Capital

	30 June 2012 No. of shares Million	31 December 2011 No. of shares Million	30 June 2012 HK\$ Million	31 December 2011 HK\$ Million
Authorised				
Ordinary shares of HK\$1 each	10,000	10,000	10,000	10,000
Issued and fully paid				
Ordinary shares of HK\$1 each				
At 1 January	3,029	2,754	3,029	2,754
Rights issue	–	275	–	275
At 30 June, 31 December	3,029	3,029	3,029	3,029

### 13. Material Related Party Transaction

Transactions 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\$364 million (2011: HK\$287 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. 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 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 2012, 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\$72,207 million (31/12/2011: HK\$74,485 million). There were also contingent liabilities in respect of guarantees given by the Company on behalf of jointly controlled entities and an associate of HK\$4,618 million (31/12/2011: HK\$4,871 million) of which HK\$3,453 million (31/12/2011: HK\$3,519 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, jointly controlled entities and an associate as their fair value cannot be reliably measured and their transaction price was HK\$ Nil.

As at the end of the reporting period, 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 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
<b>(I) Properties</b>						
<b>Property investment</b>						
Hong Kong	870	924	1,794	976	5	981
Mainland China	8,868	22,205	31,073	9,377	22,497	31,874
	<b>9,738</b>	<b>23,129</b>	<b>32,867</b>	10,353	22,502	32,855
<b>Development properties</b>						
Hong Kong	156	651	807	328	655	983
Mainland China	12,248	49,363	61,611	9,807	55,320	65,127
	<b>12,404</b>	<b>50,014</b>	<b>62,418</b>	10,135	55,975	66,110
<b>Properties total</b>						
Hong Kong	1,026	1,575	2,601	1,304	660	1,964
Mainland China	21,116	71,568	92,684	19,184	77,817	97,001
	<b>22,142</b>	<b>73,143</b>	<b>95,285</b>	20,488	78,477	98,965
<b>(II) Non-properties</b>						
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
	<b>1,057</b>	<b>849</b>	<b>1,906</b>	1,096	1,060	2,156
<b>Group total</b>	<b>23,199</b>	<b>73,992</b>	<b>97,191</b>	21,584	79,537	101,121

- (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\$793 million (2011: HK\$854 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.
- b.** The Group also committed to subscribe 162,113,714 Greentown China's shares for a total consideration of HK\$0.8 billion and Greentown China's perpetual 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 the Group'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:–

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

## 16. 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 MATTERS

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 preformed 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 half of them being Independent Non-executive Directors (“INED(s)”).

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 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.

Following the resignation of Mr Paul M P Chan as a director of the Company on 28 July 2012, the Board of Directors of the Company no longer comprises at least one INED who possesses the appropriate qualification(s) or expertise as required under Rule 3.10(2) of the Listing Rules, and the Audit Committee of the Company also no longer comprises at least one member who is an INED with those qualification(s) or expertise in accordance with Rule 3.21 of the Listing Rules. The Company is looking for a suitable candidate with the appropriate qualification(s) or expertise for appointment as an INED and also as a member of the Audit Committee of the Company as soon as practicable, for making the relevant appointment(s) within three months from 28 July 2012 as required under Rules 3.11 and 3.23 of the Listing Rules.

## 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 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
<b>The Company</b>		
Stephen T H Ng	804,445 (0.0266%)	Personal Interest
T Y Ng	220,294 (0.0073%)	Personal Interest
<b>Wheelock</b>		
Peter K C Woo	1,215,819,330 (59.84%)	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
T Y Ng	70,000 (0.0034%)	Personal Interest
<b>i-CABLE</b>		
Stephen T H Ng	1,265,005 (0.0629%)	Personal Interest
T Y Ng	17,801 (0.0009%)	Personal Interest
<b>Modern Terminals</b>		
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.

Set out below are particulars of interests (all being personal interests) in options to subscribe for ordinary shares of the Company granted/exercisable under the Share Option Scheme of the Company held by Directors of the Company during the six months ended 30 June 2012:

Name of Director	Date granted (Day/Month/Year)	No. of Shares under Option		Subscription Price per Share (HK\$)	Period during which rights exercisable (Day/Month/Year)
		As at 1 January 2012	As at 30 June 2012		
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
Andrew O K Chow	04/07/2011	1,500,000	1,500,000	55.15	05/07/2011 – 04/07/2016
Doreen Y F Lee	04/07/2011	1,500,000	1,500,000	55.15	05/07/2011 – 04/07/2016
T Y 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

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 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 the Company held by Directors lapsed or was exercised or cancelled during the financial period, and no share option of the Company was granted to any Director 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 for Securities Transactions by Directors of Listed Issuers, 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 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)	Lynchpin Limited	213,267,072	(7.04%)
(ii)	WF Investment Partners Limited	1,302,017,536	(42.98%)
(iii)	Wheelock Investments Limited	1,515,284,608	(50.02%)
(iv)	Wheelock and Company Limited	1,545,015,608	(51%)
(v)	HSBC Trustee (Guernsey) Limited	1,545,015,608	(51%)
(vi)	JPMorgan Chase & Co.	154,481,700	(5.10%)

*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 (v) above to the extent that the shareholding stated against party (i) above was entirely duplicated or included in that against party (iii) above, with the same duplication of the shareholdings in respect of (ii) in (iii), (iii) in (iv) and (iv) in (v).*

All the interests stated above represented long positions. As at 30 June 2012, JPMorgan Chase & Co. had a short position in 3,517,815 shares (0.12%) and a lending pool of 80,674,047 shares (2.66%) with regard to the issued share capital of the Company according to the record in the Register.

## SHARE OPTION SCHEME

Details of share options granted to Directors of the Company and the relevant movement(s) during the financial period are set out in the section headed "Directors' Interests in Shares".

Set out below are particulars during the financial period of all of the Company's outstanding share options which were granted to certain employees (six 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 are participants with options not exceeding the respective individual limits:

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

Note: No share option of the Company 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, 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, of all those present 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):

Director(s)	#Salary and various allowances HK\$'000	##Discretionary annual bonus in cash HK\$'000
Peter K C Woo	11,907 (2011: 11,428)	11,000 (2011: 11,000)
Stephen T H Ng	5,009 (2011: 4,769)	10,000 (2011: 10,000)
Andrew O K Chow	5,059 (2011: 5,067)	5,000 (2011: 7,000)
Doreen Y F Lee	4,090 (2011: 3,896)	6,500 (2011: 6,000)
T Y Ng	3,952 (2011: 3,763)	5,000 (2011: 5,000)
Paul Y C Tsui	2,586 (2011: 2,394)	3,600 (2011: 3,375)

# 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\$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 directorship(s) held at present and/or former directorship(s) (if any) held within the past three years in other listed public companies in respect of all those present Director(s) of the Company for whom there have been changes 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):

<b>Director(s)</b>	<b>Present/(Former) directorship(s) in other listed public company(ies)</b>
Stephen T H Ng	Wheelock; Harbour Centre Development Limited ("HCDL"); i-CABLE; Joyce Boutique Holdings Limited ("Joyce"); Greentown China Holdings Limited ("Greentown China") (appointed in June 2012)
Doreen Y F Lee	Joyce; <i>(HCDL (resigned in July 2012))</i>
Paul Y C Tsui	Wheelock; HCDL; i-CABLE; Joyce; Wheelock Properties (Singapore) Limited; Greentown China (appointed in August 2012); <i>(Wheelock Properties Limited)</i>
Raymond K F Ch'ien	China.com Inc.; China Resources Power Holdings Company Limited; Convenience Retail Asia Limited; Hang Seng Bank Limited; MTR Corporation Limited; Swiss Re Limited; UGL Limited (appointed in September 2012); <i>(CDC Corporation); (Swiss Reinsurance Company Limited)</i>

## **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, 23 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 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, Professor Edward K Y Chen, Dr Raymond K F Ch'ien, Hon. Vincent K Fang, Mr Hans Michael Jebsen, Prof. the Hon. Arthur K. C. Li 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](mailto:wharfholdings-ecom@hk.tricorglobal.com).*

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