

HIGHLIGHTS OF GROUP RESULTS

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

GROUP RESULTS

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

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

Harbour City

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

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

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

Times Square

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

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

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

Investment properties, China

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

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

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

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

Development properties, China

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

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

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

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

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

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

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

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

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

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

Other Businesses

Marco Polo Hotels

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

i-CABLE

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

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

Wharf T&T

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

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

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

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

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

Hong Kong

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

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

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

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

China

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

Singapore

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

Development Properties

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

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

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

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

Investment Property

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

FINANCIAL REVIEW

(I) Review of 2009 Interim Results

Turnover and operating profit

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

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

Property Investment

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

Property Development

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

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

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

Logistics

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

CME

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

Investment and Others

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

Increase in fair value of investment properties

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

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

Net other charge

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

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

Finance costs

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

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

Share of results after tax of associates and jointly controlled entities

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

Taxation

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

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

Minority interests

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

Profit attributable to equity shareholders

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

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

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

Set out below is an analysis of the Group's profit attributable to the equity shareholders as contributed by each of Wharf, WPL and the Company and its other subsidiaries:

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

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

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

(II) Liquidity, Financial Resources and Capital Commitments

Shareholders' and Total Equity

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

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

Total assets

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

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

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

Debts and Gearing

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

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

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

Finance and availability of facilities

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

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

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

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

The use of derivative financial instruments was strictly monitored and controlled. The majority of the derivative financial instruments entered into by the Group were primarily used for management of the Group's interest rate and currency exposures.

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

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

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

Major expenditure and commitments

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

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

The above capital expenditure for Wharf's Property Investment segment was mainly related to construction cost of its Shanghai Wheelock Square and certain refurbishment and renovation work of investment properties, in particular for Harbour City. For i-CABLE and Wharf T&T, the capital expenditures were incurred substantially for procurement of production and broadcasting equipment, network rollout and internet service equipment while that for Modern Terminals was mainly incurred for construction of the Da Chan Bay Phase I and Taicang Phase II ports. i-CABLE, Modern Terminals and WPL respectively 73.8%, 67.6% and 74.3% owned by the Group, independently funded their own capital expenditure programmes.

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

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

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

Rights issue by a subsidiary

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

(III) Human Resources

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

CODE ON CORPORATE GOVERNANCE PRACTICES

During the financial period under review, all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") were met by the Company, except in respect of one code provision providing for the roles of chairman and chief executive officer to be performed by different individuals. The deviation is deemed appropriate as it is considered to be more efficient to have one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive officer. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals, a substantial proportion thereof being independent Non-executive Directors.