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**WHEELOCK AND COMPANY LIMITED**  
*(Incorporated in Hong Kong with limited liability)*  
Stock Code: 20

Interim Results Announcement  
for the half-year period ended 30 June 2010

## **Focus on Development Projects in Hong Kong as Core Business Sharpened after Wheelock Properties Privatisation**

### **HIGHLIGHTS**

- Privatisation of Wheelock Properties has enabled 50.02% of Wharf to be consolidated in one block under Wheelock since July.
- Wheelock Properties, now wholly-owned, will spearhead the Group's development projects in Hong Kong with the full backing of the Group's capital base and starting with a current attributable landbank of 1.6 million square feet. Douglas Woo has been appointed vice chairman and managing director and Ricky Wong as managing director.
- In Singapore, 75.8%-owned Wheelock Properties (Singapore) contributed HK\$3.4 billion of turnover and HK\$1.2 billion of operating profit on completion of Ardmore II and Orchard View. Two other projects (Scotts Square and Ardmore Three with a total of 0.6 million square feet) are due for completion in 2011 and 2014, respectively.
- Subject to legal compliances, suitable consideration may be given to consolidating under Wharf the non-Wharf China projects (all of them led by joint venture partners and currently held under Wheelock directly) as well.
- Funding for the privatisation of Wheelock Properties in 2010 and Wharf's rights issue in 2008 have raised net Group debt (excluding non-wholly owned subsidiaries) from HK\$0.9 billion in 2008 to HK\$8.2 billion.

## **GROUP RESULTS**

The unaudited profit attributable to equity shareholders for the six months ended 30 June 2010 increased by 66% to HK\$5,969 million (2009: HK\$3,599 million). Earnings per share were HK\$2.94 (2009: HK\$1.77).

Excluding the net investment property revaluation surplus of HK\$3,143 million (2009: HK\$1,845 million), Group profit attributable to equity shareholders would be HK\$2,826 million (2009: HK\$1,754 million), for an increase of 61% over 2009.

## **INTERIM DIVIDEND**

The Board has declared an interim dividend of HK\$0.025 (2009: HK\$0.025) per share, payable on 30 September 2010 to shareholders on record as at 22 September 2010.

## **BUSINESS REVIEW**

*Wheelock Properties Limited, previously a 74%-owned listed subsidiary, became wholly owned on 22 July 2010 by way of a scheme of arrangement.*

*Wheelock Properties (Singapore) Limited, a 75.8%-owned listed subsidiary of Wheelock Properties Limited, contributed a profit attributable to shareholders of HK\$1,106 million for the financial period under review (2009: loss of HK\$38 million).*

*The Wharf (Holdings) Limited, a 50.02%-owned listed subsidiary of the Group, reported a profit attributable to shareholders of HK\$9,888 million (2009: HK\$6,975 million). Excluding the net investment property surplus and related deferred tax, Wharf's net profit was HK\$4,204 million (2009: HK\$3,292 million), for an increase of 28% over 2009.*

## **PROPERTY DEVELOPMENT**

### **Hong Kong**

In March 2010, the Group acquired two parcels of land atop the MTR Austin Station at the heart of Tsim Sha Tsui West, jointly with New World Development on a 50:50 basis, for a luxury residential development. It is within close proximity to the Airport Express Line and the rail terminus for the high-speed train services to Guangzhou under development. The combined site area is 295,000 square feet, with 641,000 square feet of GFA attributable to the Group. Master layout plan for the development is underway.

The Group acquired the entire interest in the property situated at 46 Belcher's Street, Western District, in May for residential redevelopment. The development envisages a total GFA of 91,400 square feet.

For other developments, 87% of The Babington in the Mid-Levels, with a total of 47 luxury apartments, has been sold to realise proceeds of HK\$570 million.

Redevelopment of 2 Heung Yip Road, Aberdeen, into a high-rise commercial building is underway. The development offers a total GFA of 737,200 square feet, of which about 224,900 square feet has been pre-sold. Premium for the lease modification has been paid.

Foundation works for a residential development at 211-215C Prince Edward Road West, Ho Man Tin, is underway. The development offers a total GFA of 91,700 square feet.

### **Singapore**

Ardmore II, a prime residential development with 118 apartments, was completed in June. All of the 118 units have been sold at an average selling price of over S\$2,300 per square foot.

Orchard View, a luxury residential development located in the serene enclave of Angullia Park and within walking distance of MRT Orchard Station, comprises 30 units of four-bedroom apartments with private lift lobbies, was completed in May. As at 30 June 2010, six units have been sold at an average price of over S\$3,200 per square foot.

Scotts Square, strategically located in the main shopping belt of Orchard Road, is a prime residential development with 338 international quality apartments, plus a retail annex. The retail podium will be held for long term investment. 77% have been pre-sold at an average price of close to S\$4,000 per square foot. Main construction work is underway and the development is scheduled for completion by 2011.

Ardmore Three, 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. Piling works is scheduled to commence in the third quarter of 2010.

### **Southern China**

The Group further acquired two prime sites in Foshan (佛山) in July through public auction for a combined residential development, boosting its presence in Foshan to four projects, all undertaken through 50:50 joint ventures with China Merchants.

The two sites, acquired for RMB1.1 billion, are well-located at the western side of the First Ring Road in Nanhai, offering a combined attributable GFA of 112,400 square metres. The development is under planning, with completion scheduled to be in phases by 2014.

The Group's first project with China Merchants in Foshan, Evian Town (依雲水岸), is located in Xincheng District (新城區) facing the Dong Ping River (東平河). 86% of 360 high-rise residential units launched between January and June have so far been sold for over RMB580 million, for an average price of RMB12,200 per square metre of GFA. The development is scheduled for completion in phases by 2014.

The second development, Evian Uptown (依雲上城) in Chancheng District (禪城區), launched its 2nd to 4th residential towers (340 units) between January and June 2010, of which 76% has so far been sold for RMB206 million, for an average selling price of close to RMB9,000 per square metre. The development is expected to be completed in phases by 2013.

The third development is in Shishan Town (獅山鎮), 15km from the centre of Chancheng District. It offers an attributable GFA of 155,000 square metres and is planned for an upscale residential project to be completed in phases by 2015.

## **PROPERTY INVESTMENT**

### **Hong Kong**

The office and retail area of Crawford House, at 70 Queen's Road Central, was 96% and 100% leased at satisfactory rental rates. Hennes & Mauritz AB (H&M), the anchor retail tenant which occupies the majority of the retail podium, is performing well.

Wheelock House, situated right above the MTR Central Station, was 97% leased at satisfactory rental rates as at the end of June 2010.

### **Singapore**

Wheelock Place, a commercial development at Orchard Road, was 100% committed to tenants as at the end of June 2010.

## **THE WHARF (HOLDINGS) LIMITED (a 50.02%-owned listed subsidiary)**

Wharf's profit attributable to shareholders excluding net investment property revaluation surplus increased by 28% to HK\$4,204 million (2009: HK\$3,292 million). Including the net revaluation surplus, profit attributable to shareholders increased by 42% to HK\$9,888 million (2009: HK\$6,975 million). Earnings per share were HK\$3.59 (2009: HK\$2.53).

## **PROPERTY INVESTMENT**

Property Investment posted a 9% rise in operating profit to HK\$3,258 million. Landmarks Harbour City and Times Square combined to account for an exceptional 8% share of Hong Kong's total retail sales, substantially outperforming the rest of Hong Kong.

### **Harbour City**

Turnover increased by 10% to HK\$2,831 million during the period, while operating profit rose by 12% to HK\$2,190 million.

Harbour City accounts for close to 6% of total Hong Kong retail sales in the first half of 2010. Total retail sales grew by 34% year-on-year, over 16 percentage points better than the market. Retail turnover rose by 20% to HK\$1,437 million.

Turnover of Harbour City's office sector dropped by 8% to HK\$774 million, reflecting the market softness since the second half of 2008, which has now started to firm again. Occupancy was maintained at 92% at the end of June 2010.

### **Times Square**

Times Square turned over HK\$738 million during the period, for an increase of 8% over the same period in 2009. Operating profit rose by 10% to HK\$655 million.

Times Square registered strong retail sales growth during the period, with a 24% year-on-year rise, outperforming the market by over six percentage points. Retail turnover increased by 13% to HK\$512 million.

Turnover of the office sector dropped by 2% to HK\$226 million to reflect the earlier softness in the market. Occupancy was maintained at 93% at the end of the period.

### **China**

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

Dalian Times Square continued to achieve excellent performance and provide further impetus to profit growth for the group's China properties.

Shanghai Wheelock Square, the tallest building in Puxi commercial hub, is the group's new landmark property. The development was completed in May 2010. The low zones, representing 54% of the total GFA, has been launched for lease; and 65% of the launched area has been committed at satisfactory rents.

Chengdu International Finance Centre is the group's next flagship development and single largest commercial complex across China. It will comprise a mega retail complex, Grade A offices, a five-star hotel and luxury residences. Main construction commenced in June, and phase one of the project is targeted for completion by the first half of 2013.

Chongqing International Finance Centre is a joint development with China Overseas Land & Investment ("COLI") on a 50:50 basis. The development targets to become the new landmark of Chongqing, a city recently branded as "Chicago on the Yangtze", with an iconic 300 metres tower and 4 other towers atop a retail podium, providing up-market retail, Grade A office, 5-star hotel and serviced apartment.

### ***CHINA PROPERTY DEVELOPMENT***

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

With fewer projects completed during the period, turnover dropped by 36% to HK\$1,024 million and operating profit slightly reduced by 5% to HK\$560 million.

#### **Encouraging Sales**

Wharf's property sales continued to meet with encouraging responses in both take-up rates and prices, reflecting the superb location and quality of the properties, and the group's reputable brand strength.

A total of 161,000 square metres of residential properties were sold or presold in the first half of 2010, generating proceeds of over RMB1.7 billion (HK\$2.0 billion).

Changzhou Times Palace (常州時代上院) sold 97% of units launched between March and June to realise total sales proceeds of over RMB610 million.

Pre-sales of the first seven high-end medium-rise residential towers of Shanghai Xiyuan (璽園) commenced in late July, with 74% of the units sold so far, generating total sales proceeds of over RMB900 million.

Chengdu Crystal Park sold 70% of the units launched in 2010 for total sales proceeds of over RMB300 million. Chengdu Times Residences at Tian Fu Times Square sold residential and office units during 2010 to realise sales proceeds of over RMB320 million.

Wuxi Times City sold 64% of the units launched in 2010 for total sales proceeds of over RMB460 million.

In Chongqing, the CBD International Community project in Danzishi (彈子石), developed by the Wharf and COLI on a 40:60 basis, sold 70% of the units offered for RMB190 million.

## **New Acquisitions and Existing Developments**

Wharf acquired 4 new prime sites in the cities of Chengdu, Tianjin, Hangzhou and Wuxi in 2010.

In Chengdu, Wharf acquired a new site in Chenghua District (成華區) with established community facilities nearby. It offers a GFA of 321,000 square metres and will be developed into upscale residences.

In Tianjin, Wharf acquired a site in He Bei Qu (河北區) on the North Eastern side of Tianjin. The project is being developed with COLI on a 50:50 basis. It is developable into attributable GFA of 244,000 square metres of residential and commercial use.

Wharf acquired its third project in Hangzhou in Xiacheng District (下城區), next to a future metro line station to be completed by 2011. The project is developable into 82,000 square metres of GFA.

Wharf acquired a new residential project in the Nanchang District (南長區) of Wuxi through a joint venture with Shanghai Forte and Shanghai Greenland, of which Wharf owns 40%. The development offers an attributable GFA of 98,000 square metres.

All other projects under development in the cities of Chengdu, Chongqing, Wuxi, Suzhou, Hangzhou, Shanghai and Tianjin are progressing according to plan.

## ***HONG KONG PROPERTY DEVELOPMENT***

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

Cable TV Tower South, Kowloon Godown, Yau Tong Godown and Yau Tong JV are progressing on schedule.

## ***OTHER BUSINESSES***

### **Modern Terminals**

Modern Terminals' consolidated revenue and operating profit grew by 13% to HK\$1,533 million and 36% to HK\$793 million respectively.

Modern Terminals' throughput in Hong Kong grew by 8% to 2.65 million TEUs, alongside a gradual revival in trade demand. Container volume at Taicang International Gateway in Suzhou and Da Chan Bay in Shenzhen grew strongly by 57% and over five-fold respectively during the period.

### **Marco Polo Hotels**

Total revenue for the Marco Polo hotels and club in Harbour City rose by 21% to HK\$533 million. Consolidated occupancy in Hong Kong improved to 82% and a 19% increase in average room rates was registered during the period.

## **i-CABLE**

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

The World Cup was a major draw card to rebuild business momentum. Pay TV subscribers increased by 9% to 1,086,000, which represented the largest half yearly net gain ever. Post-World Cup subscriber retention has also been very satisfactory. Broadband competition heightened in the period, with subscribers decreasing by 6% to 234,000.

## **Wharf T&T**

The ICT business sidestepped the worst of the global financial crisis on the back of pent-up demand. Turnover slightly rose to HK\$833 million and a net profit of HK\$95 million was reported.

## **FINANCIAL REVIEW**

### **(I) Review of 2010 Interim Results**

#### **Turnover and Operating Profit**

Group turnover rose by 38% to HK\$12,516 million (2009: HK\$9,082 million), largely due to the substantial increase in recognition of property sales on completion of two projects in Singapore. In addition, modest increases were reported for all other segments.

Group operating profit increased by 31% to HK\$6,020 million (2009: HK\$4,612 million), with HK\$4,516 million (2009: HK\$4,211 million) contributed by Wharf and HK\$1,301 million (2009: HK\$83 million) by Wheelock Properties (Singapore) Limited (“WPSL”).

#### ***Property Investment***

Revenue and operating profit increased by 6% and 8% to HK\$4,483 million (2009: HK\$4,226 million) and HK\$3,467 million (2009: HK\$3,197 million) respectively. This reflects the underlying solid rental reversion and consistently high occupancy for the retail areas. In addition, the hotel segment also recorded favourable results with both occupancy and average room rate much improved.

#### ***Property Development***

Revenue and operating profit increased by HK\$2,798 million and HK\$1,062 million to HK\$4,548 million (2009: HK\$1,750 million) and HK\$1,813 million (2009: HK\$751 million) respectively. The Ardmore II and Orchard View projects in Singapore were completed in the second quarter of 2010 to enable revenue of HK\$3,394 million and operating profit of HK\$1,190 million be recognised by the Group during the period under review.

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 profit from WPSL’s Ardmore II (100% sold) and Orchard View (20% sold) projects were not recognised until they were completed during the period under review, which gave rise to an attributable net profit of HK\$566 million in the first half of 2010. On the same basis, profit recognised by WPSL in the first half of 2010 in respect of its pre-sale of Scotts Square units (still under development) was reversed and excluded from the Group’s consolidated results. Up to 30 June 2010, WPSL has cumulatively pre-sold 237 units

(77% pre-sold) at Scotts Square. The accumulated sales revenue of HK\$2,420 million and profit attributable to the Group of HK\$723 million were reversed and excluded from the Group's consolidated results.

Property sales revenue from China in the first half of 2010 fell by 36% to HK\$1,024 million, which was mainly derived from the Shanghai Xin Hua Road and Dalian Times Square projects. The decrease was mainly due to timing in property sales recognition despite actual sales / pre-sales of properties amounting to about HK\$2.0 billion, nearly same as that recorded in the first half of 2009.

### ***Logistics***

Revenue and operating profit of HK\$1,596 million (2009: HK\$1,483 million) and HK\$811 million (2009: HK\$626 million) were reported respectively. This mainly reflected a 24% increase in volume throughput handled by Modern Terminals under the recovering global economic environment together with its successful implemented cost control initiatives.

### ***CME***

Revenue increased by 6% to HK\$1,795 million (2009: HK\$1,693 million). An operating loss of HK\$15 million (2009: profit of HK\$129 million) was reported as Wharf T&T's operating profit was extinguished by i-CABLE's loss, mainly due to the mismatch in timing of recognition between the substantial non-recurrent costs on premium programming and the recurrent revenue from the long term subscriber commitments.

### ***Investment and Others***

Investment operating profit was HK\$169 million (2009: HK\$88 million), mainly comprising dividend and interest income.

### **Increase in Fair Value of Investment Properties**

The Group's investment property portfolio was HK\$136.2 billion with HK\$131.8 billion stated at fair value, based on independent valuation as at 30 June 2010, which produced a revaluation surplus of HK\$8,030 million (2009: HK\$4,565 million). The attributable net revaluation surplus of HK\$3,143 million (2009: HK\$1,845 million), after deducting related deferred tax and non-controlling interests in total of HK\$4,887 million (2009: HK\$2,720 million), was credited to the consolidated income statement.

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

### **Other Net Income**

Other net income of HK\$537 million (2009: HK\$202 million) comprised a one-off surplus from revaluation of the interests in Hong Kong Air Cargo Terminals Limited on its becoming an associate of Wharf and profit on disposal of available-for-sale investments.

### **Net Other Charge**

There was no net other charge for the first half of 2010 against the impairment provision of HK\$121 million made by WPSL on its investments in SC Global Developments Ltd and Hotel Properties Limited in 2009.

### **Finance Costs**

Finance costs charged to the consolidated income statement were HK\$569 million (2009: HK\$20 million), which included an unrealised mark-to-market loss of HK\$318 million (2009: gain of HK\$196 million) on the cross currency / interest rate swaps as measured in compliance

with the prevailing accounting standard.

Excluding the unrealised mark-to-market impact on the swaps, finance costs, after capitalisation of HK\$154 million (2009: HK\$97 million), were HK\$251 million (2009: HK\$216 million).

#### **Share of Results after Tax of Associates and Jointly Controlled Entities**

Share of profits of associates increased by 58% to HK\$142 million (2009: HK\$90 million), mainly attributable to profit recognised by an associate for property units sold in Foshan. Contribution from jointly controlled entities (“JCEs”) was HK\$7 million (2009: HK\$27 million).

#### **Income Tax**

Taxation charge was HK\$2,217 million (2009: HK\$1,842 million), which included deferred taxation of HK\$1,801 million (2009: HK\$771 million) provided for the investment property revaluation surplus.

Excluding the above deferred tax, the tax charge decreased to HK\$416 million (2009: HK\$1,071 million), resulting from a net tax provision write back of HK\$809 million by Wharf upon reaching a settlement with the Inland Revenue Department on various tax disagreements.

#### **Non-controlling Interests**

Profit attributable to non-controlling interests was HK\$5,981 million (2009: HK\$3,914 million), which was mainly attributable to profit of Wharf.

#### **Profit Attributable to Equity Shareholders**

Group profit attributable to equity shareholders increased by 66% to HK\$5,969 million (2009: HK\$3,599 million). Earnings per share were HK\$2.94 (2009: HK\$1.77).

Excluding the net investment property revaluation surplus after the associated deferred tax of HK\$3,143 million (2009: HK\$1,845 million), the Group’s profit attributable to shareholders for the period was HK\$2,826 million (2009: HK\$1,754 million), an increase of 61% over the corresponding period in 2009.

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

| <u>Profit/(loss) attributable to</u>             | <b>Six months ended 30 June</b> |              |
|--|---------------------------------|--------------|
|  | <b>2010</b>                     | 2009         |
|  | <b>HK\$ Million</b>             | HK\$ Million |
| Wharf group                                      | <b>2,027</b>                    | 1,587        |
| WPSL   | <b>623</b>                      | (32)         |
| Wheelock and other subsidiaries                  | <b>176</b>                      | 199          |
| Profit before investment property surplus        | <b>2,826</b>                    | 1,754        |
| Investment property surplus (after deferred tax) | <b>3,143</b>                    | 1,845        |
| Profit attributable to equity shareholders       | <b>5,969</b>                    | 3,599        |

Wharf's profit for the first half of 2010 was HK\$9,888 million (2009: HK\$6,975 million). Excluding the net investment property surplus and related deferred tax, Wharf's net profit was HK\$4,204 million (2009: HK\$3,292 million), an increase of 28% over 2009.

WPSL's reported profit for the first half of 2010 was S\$133.9 million (2009: S\$38.7 million), based on the accounting standards accepted in Singapore. In accordance with Hong Kong Financial Reporting Standards, WPSL's contributed profit to the Group was HK\$1,106 million (2009: loss of HK\$38 million), including the profits on pre-sales of Ardmore II and Orchard View recognised on their completion for the period under review.

## **(II) Liquidity, Financial Resources and Capital Commitments**

### **Shareholders' and Total Equity**

The Group's shareholders' equity increased by HK\$6.0 billion or 9% to HK\$75.7 billion (2009: HK\$69.7 billion), or HK\$37.25 per share (2009: HK\$34.30 per share) as at 30 June 2010.

Including the non-controlling interests, the Group's total equity increased by 8% to HK\$155.1 billion (2009: HK\$144.1 billion).

### **Total Assets**

The Group's total assets increased by 6% to HK\$238.0 billion (2009: HK\$224.8 billion). Total business assets, excluding bank deposits and cash, held-to-maturity investments and available-for-sale investments, increased by 8% to HK\$205.7 billion (2009: HK\$191.3 billion).

The Group's Investment Property portfolio was HK\$136.2 billion, representing 66% of total business assets, which included Harbour City and Times Square in Hong Kong together valued at HK\$91.7 billion, representing 67% of the value of the portfolio.

Other major business assets included other properties and fixed assets of HK\$18.3 billion, interest in JCEs and associates (mainly for China property and port projects) of HK\$17.0 billion and properties under development and held for sale of HK\$28.6 billion.

Geographically, the Group's business assets in Mainland China, mainly properties and terminals, increased to HK\$61.9 billion (2009: HK\$54.9 billion), representing 30% of the Group's business assets.

### **Debts and Gearing**

The Group's net debt increased by HK\$2.4 billion to HK\$21.3 billion (2009: HK\$18.9 billion) as at 30 June 2010, which was made up of HK\$47.6 billion in debts and HK\$26.3 billion in

bank deposits and cash. Excluding Wharf's net debt of HK\$23.4 billion, which is non-recourse to the Company and its other subsidiaries, and WPSL's net cash of HK\$3.4 billion, Wheelock's net debt was HK\$1.3 billion (2009: HK\$0.3 billion).

Analysis of the net debt by group is as below:

| <u>Net debt/(cash)</u>              | <b>30 June 2010</b><br><b>HK\$ Million</b> | 31 December 2009<br>HK\$ Million |
|-------------------------------------|--|----------------------------------|
| Wheelock Group (excludes Wharf)     | <b>(2,120)</b>                             | (2,554)                          |
| Wheelock and other subsidiaries     | <b>1,328</b>                               | 348                              |
| WPSL                                | <b>(3,448)</b>                             | (2,902)                          |
| Wharf group                         | <b>23,370</b>                              | 21,432                           |
| Wharf (excludes below subsidiaries) | <b>11,887</b>                              | 9,392                            |
| Modern Terminals                    | <b>10,570</b>                              | 10,742                           |
| HCDL                                | <b>1,452</b>                               | 1,829                            |
| i-CABLE                             | <b>(539)</b>                               | (531)                            |
| Group                               | <b>21,250</b>                              | 18,878                           |

The ratio of net debt to total equity was 13.7% (2009: 13.1%) as at 30 June 2010.

Subsequent to the reporting date, the privatisation of WPL became effective and the total consideration of HK\$6.9 billion financed by the available banking facility as at 30 June 2010 was paid by the Company on 30 July 2010.

#### **Finance and Availability of Facilities**

The Group's available loan facilities and debt securities amounting to HK\$82.5 billion (2009: HK\$67.7 billion), of which HK\$47.6 billion were drawn, as at 30 June 2010 are analysed as below:

|                                     | <b>Available<br/>Facility<br/>HK\$ Billion</b> | <b>Total Debts<br/>HK\$ Billion</b> | <b>Undrawn<br/>Facility<br/>HK\$ Billion</b> |
|-------------------------------------|--|-------------------------------------|--|
| Wheelock Group (excludes Wharf)     | 14.6   | 6.6                                 | 8.0  |
| Wheelock and other subsidiaries     | 13.4   | 6.0                                 | 7.4  |
| WPSL                                | 1.2  | 0.6                                 | 0.6  |
| Wharf group                         | 67.9   | 41.0                                | 26.9   |
| Wharf (excludes below subsidiaries) | 46.9   | 26.7                                | 20.2   |
| Modern Terminals                    | 16.1   | 11.2                                | 4.9  |
| HCDL                                | 4.6  | 3.1                                 | 1.5  |
| i-CABLE                             | 0.3  | —                                   | 0.3  |
|                                     | <b>82.5</b>                                    | <b>47.6</b>                         | <b>34.9</b>                                  |

Of the above debts, HK\$15.9 billion (2009: HK\$15.8 billion) was secured by mortgage over certain properties under development, fixed assets and investments with total carrying value of HK\$64.0 billion (2009: HK\$72.6 billion).

The Group's debts were primarily denominated in Hong Kong dollars ("HKD"), United States dollars ("USD"), Renminbi ("RMB") and Singapore dollars ("SGD"). RMB and SGD borrowings were used to fund the Group's property development and port-related investments in Mainland 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 a very strong financial position with ample surplus cash 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 2010 of HK\$6.0 billion (2009: HK\$4.9 billion), which is immediately available for liquidation for the Group's use.

### **Cash Flows for the Group's Operating and Investing Activities**

For the period under review, the Group's net cash inflow from operating activities was HK\$1.0 billion (2009: HK\$4.0 billion), which was mainly derived from sale proceeds of properties offset by Wharf's payment for land and construction cost for properties under development. For investing activities, the Group reported a net cash inflow of HK\$2.3 billion (2009: HK\$261 million), which mainly included the balance of proceeds from disposal of Beijing Capital Times Square and bank deposits with maturity over three months of HK\$4.2 billion matured in the first half of 2010 and cash outflow of HK\$3.0 billion for net investments in JCEs and associates.

### **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 2010 are analysed as follows:

| Business Unit/Company   | Expenditure<br>for 1-6/2010 | Commitments as at<br>30 June 2010                   |   |
|---|-----------------------------|---|---|
|   | HK\$ Million                | Authorised<br>and<br>Contracted for<br>HK\$ Million | Authorised<br>but not<br>Contracted for<br>HK\$ Million |
| <b>(a) Capital expenditure</b><br>(including investment properties)           |                             |   |   |
| Wharf group   |                             |   |   |
| Property Investments  | 833                         | 7,131   | 13,111  |
| Wharf T&T   | 119                         | 135   | 203   |
| i-CABLE (73.8%-owned)   | 120                         | 33  | 105   |
| Modern Terminals (67.6%-owned)  | 79                          | 636   | 1,275   |
|   | 1,151                       | 7,935   | 14,694  |
| Wheelock Group (excludes Wharf)   | 55                          | 157   | —   |
| Total   | 1,206                       | 8,092   | 14,694  |
| <b>(b) Programming and others</b>   | 38                          | 2,111   | 124   |
| <b>(c) Properties under development</b><br>(other than investment properties) |                             |   |   |
| Wharf group   | 6,088                       | 12,587  | 38,333  |
| Subsidiaries (China/Hong Kong)  | 4,352                       | 7,941   | 25,180  |
| JCEs and associates (China)   | 1,736                       | 4,646   | 13,153  |
| Wheelock Group (excludes Wharf)   | 2,461                       | 835   | 4,102   |
| Subsidiaries (Singapore/Hong Kong)  | 948                         | 635   | 706   |
| JCEs and associates (China/Hong Kong)   | 1,513                       | 200   | 3,396   |
| Total   | 8,549                       | 13,422  | 42,435  |

The capital expenditure for Wharf's Property Investment segment was mainly for the construction of its Shanghai Wheelock Square, Chengdu International Finance Centre and certain refurbishment and renovation work, in particular for Harbour City. For i-CABLE and Wharf T&T, the capital expenditures were incurred substantially for procurement of production and broadcasting equipment, network rollout and internet service equipment while those for Modern Terminals were mainly for construction of the Dachan Bay project.

In addition to the capital expenditure, the Group also incurred HK\$8.5 billion for properties under development, of which HK\$6.1 billion was incurred by Wharf.

As at 30 June 2010, Wharf's total commitments to properties under development for investment or trading purposes was about HK\$ 71.2 billion, including attributable land cost of HK\$13.9 billion payable by instalments mainly from 2010 to 2013. These developments will be executed by stages in the forthcoming years. Excluding Wharf's, the Group's commitments to properties under development was about HK\$5.1 billion, mainly related to property development projects in Singapore, Hong Kong and Mainland 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.

### **(III) Events after the Reporting Date**

#### **Privatisation of WPL**

The privatisation of WPL, at a cancellation price of HK\$13 per share by way of a scheme of arrangement under Section 166 of the Companies Ordinance, became effective on 22 July 2010 and the total consideration of HK\$6,905 million financed by a bank loan was paid.

#### **Acquisition of Property**

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

### **(IV) Human Resources**

The Group had approximately 13,600 employees as at 30 June 2010, including about 2,200 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective group's achievement and results.

## **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 on The Stock Exchange of Hong Kong Limited 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.

**CONSOLIDATED INCOME STATEMENT**  
**for the six months ended 30 June 2010 - Unaudited**

|   | Note  | Six months ended 30 June |                      |
|---|-------|--------------------------|----------------------|
|   |       | 2010<br>HK\$ Million     | 2009<br>HK\$ Million |
| <b>Turnover</b>   | 2     | <b>12,516</b>            | 9,082                |
| Direct costs and operating expenses                                     |       | <b>(4,950)</b>           | (2,936)              |
| Selling and marketing expenses  |       | <b>(404)</b>             | (359)                |
| Administrative and corporate expenses                                   |       | <b>(491)</b>             | (529)                |
| Operating profit before depreciation,<br>amortisation, interest and tax |       | <b>6,671</b>             | 5,258                |
| Depreciation and amortisation   |       | <b>(651)</b>             | (646)                |
| <b>Operating profit</b>   | 2 & 3 | <b>6,020</b>             | 4,612                |
| Increase in fair value of investment properties                         |       | <b>8,030</b>             | 4,565                |
| Other net income  | 4     | <b>537</b>               | 202                  |
| Net other charge  | 5     | <b>—</b>                 | (121)                |
|   |       | <b>14,587</b>            | 9,258                |
| Finance costs   | 6     | <b>(569)</b>             | (20)                 |
| Share of results after tax of:  |       |                          |                      |
| Associates  |       | <b>142</b>               | 90                   |
| Jointly controlled entities   |       | <b>7</b>                 | 27                   |
| Profit before taxation  |       | <b>14,167</b>            | 9,355                |
| Income tax  | 7     | <b>(2,217)</b>           | (1,842)              |
| <b>Profit for the period</b>  |       | <b>11,950</b>            | 7,513                |
| <b>Profit attributable to:</b>  |       |                          |                      |
| Equity shareholders   |       | <b>5,969</b>             | 3,599                |
| Non-controlling interests   |       | <b>5,981</b>             | 3,914                |
|   |       | <b>11,950</b>            | 7,513                |
| <b>Earnings per share</b>   | 8     | <b>HK\$2.94</b>          | HK\$1.77             |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**for the six months ended 30 June 2010 - Unaudited**

|   | <b>Six months ended 30 June</b> |                     |
|---|---------------------------------|---------------------|
|   | <b>2010</b>                     | <b>2009</b>         |
|   | <b>HK\$ Million</b>             | <b>HK\$ Million</b> |
| <b>Profit for the period</b>  | <u>11,950</u>                   | <u>7,513</u>        |
| <b>Other comprehensive income</b>   |                                 |                     |
| Exchange difference   | 353                             | (141)               |
| Available-for-sale investments:   |                                 |                     |
| Net movement in the investments revaluation reserves                            | 34                              | 1,252               |
| Surplus on revaluation  | 118                             | 1,140               |
| Transferred to consolidated income statement:                                   |                                 |                     |
| Disposal  | (84)                            | (9)                 |
| Impairment  | —                               | 121                 |
| Share of other comprehensive income of associates / jointly controlled entities | 81                              | (4)                 |
| Others  | <u>(23)</u>                     | <u>(6)</u>          |
| <b>Other comprehensive income for the period</b>                                | <u>445</u>                      | <u>1,101</u>        |
| <b>Total comprehensive income for the period</b>                                | <u><b>12,395</b></u>            | <u><b>8,614</b></u> |
| <b>Total comprehensive income attributable to:</b>                              |                                 |                     |
| Equity shareholders   | 6,187                           | 4,256               |
| Non-controlling interests   | 6,208                           | 4,358               |
|   | <u><b>12,395</b></u>            | <u><b>8,614</b></u> |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**as at 30 June 2010 - Unaudited**

|  | Note | 30 June 2010<br>HK\$ Million | 31 December 2009<br>HK\$ Million |
|--|------|------------------------------|----------------------------------|
| <b>Non-current assets</b>                    |      |                              |                                  |
| Investment properties                        |      | 136,162                      | 126,789                          |
| Other property, plant and equipment          |      | 14,605                       | 14,734                           |
| Leasehold land                               |      | 3,747                        | 3,788                            |
| Total fixed assets                           |      | <u>154,514</u>               | <u>145,311</u>                   |
| Goodwill and other intangible assets         |      | 297                          | 297                              |
| Interest in associates                       |      | 6,687                        | 5,513                            |
| Interest in jointly controlled entities      |      | 10,296                       | 7,551                            |
| Available-for-sale investments               |      | 5,986                        | 4,885                            |
| Long term receivables                        |      | 34                           | 284                              |
| Programming library                          |      | 108                          | 113                              |
| Employee retirement benefit assets           |      | 138                          | 139                              |
| Deferred tax assets                          |      | 440                          | 432                              |
| Derivative financial assets                  |      | 147                          | 318                              |
|  |      | <u>178,647</u>               | <u>164,843</u>                   |
| <b>Current assets</b>                        |      |                              |                                  |
| Properties for sale                          |      | 28,588                       | 25,824                           |
| Inventories                                  |      | 110                          | 107                              |
| Held-to-maturity investments                 |      | —                            | 824                              |
| Trade and other receivables                  | 10   | 4,134                        | 5,243                            |
| Derivative financial assets                  |      | 200                          | 209                              |
| Bank deposits and cash                       |      | 26,307                       | 27,756                           |
|  |      | <u>59,339</u>                | <u>59,963</u>                    |
| <b>Current liabilities</b>                   |      |                              |                                  |
| Trade and other payables                     | 11   | (6,109)                      | (6,457)                          |
| Deposits from sale of properties             |      | (5,771)                      | (6,225)                          |
| Derivative financial liabilities             |      | (186)                        | (101)                            |
| Taxation payable                             |      | (1,652)                      | (1,653)                          |
| Bank loans and other borrowings              |      | (8,698)                      | (9,049)                          |
|  |      | <u>(22,416)</u>              | <u>(23,485)</u>                  |
| <b>Net current assets</b>                    |      | <u>36,923</u>                | <u>36,478</u>                    |
| <b>Total assets less current liabilities</b> |      | <u>215,570</u>               | <u>201,321</u>                   |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**as at 30 June 2010 - Unaudited**

|                                  | Note | 30 June 2010<br>HK\$ Million | 31 December 2009<br>HK\$ Million |
|----------------------------------|------|------------------------------|----------------------------------|
| <b>Non-current liabilities</b>   |      |                              |                                  |
| Bank loans and other borrowings  |      | (38,859)                     | (37,585)                         |
| Deferred tax liabilities         |      | (20,257)                     | (18,270)                         |
| Other deferred liabilities       |      | (274)                        | (262)                            |
| Derivative financial liabilities |      | (1,069)                      | (1,055)                          |
|                                  |      | <u>(60,459)</u>              | <u>(57,172)</u>                  |
| <b>NET ASSETS</b>                |      | <u><b>155,111</b></u>        | <u>144,149</u>                   |
| <b>Capital and reserves</b>      |      |                              |                                  |
| Share capital                    |      | 1,016                        | 1,016                            |
| Reserves                         |      | 74,659                       | 68,675                           |
| <b>Shareholders' equity</b>      |      | <u><b>75,675</b></u>         | <u>69,691</u>                    |
| <b>Non-controlling interests</b> |      | <u><b>79,436</b></u>         | <u>74,458</u>                    |
| <b>TOTAL EQUITY</b>              |      | <u><b>155,111</b></u>        | <u>144,149</u>                   |

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

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

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

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2009 except the changes mentioned below.

With effect from 1 January 2010, the Group has adopted the below relevant new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) and amendments, which are relevant to the Group’s financial statements:

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

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

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

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

The revised HKFRS 3 introduces a number of changes to the accounting for business combinations, including the requirement that where a business combination is achieved in stages, the existing interest in the acquiree should be re-measured at fair value at acquisition

date and any resulting gain or loss recognised in the consolidated income statement. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition. The acquisition of additional interests in Hong Kong Air Cargo Terminals Limited (“Hactl”) during the period (as set out in note 4) has been accounted for in accordance with the revised HKFRS 3 and the revised HKAS 27. This has resulted in the remeasurement of the previously held interest in Hactl to fair value and the recognition of a gain of HK\$437 million in the consolidated income statement.

## **2. SEGMENT INFORMATION**

The Group manages its diversified businesses according to the nature of services and products provided. Management has determined five reportable operating segments for measuring performance and allocating resources. The segments are property investment, property development, communications, media and entertainment (“CME”), logistics and investment and others. No operating segments have been aggregated to form the following reportable segments.

Property investment segment primarily includes property leasing and hotel operations. Currently, the Group’s properties portfolio, which consists of retail, office, service apartment and hotels, is primarily located in Hong Kong, China and Singapore.

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

CME segment comprises pay television, internet and multimedia and other businesses operated by the Group’s non-wholly owned subsidiary, i-CABLE Communications Limited (“i-CABLE”). It also includes the telecommunication businesses operated by Wharf T&T Limited.

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

Investment and others segment includes activities for managing the Group’s corporate assets and liabilities, available-for-sale investments, financial instruments and other treasury operations.

Management evaluates performance primarily based on operating profit as well as the equity share of results of associates and jointly controlled entities of each segment. Inter-segment pricing is generally determined at arm’s length basis.

(a) Analysis of segment revenues and results

| Six months ended      | Turnover<br>HK\$<br>Million | Operating<br>profit/<br>(loss)<br>HK\$<br>Million | Increase<br>in fair<br>value of<br>investment<br>properties<br>HK\$<br>Million | Other net<br>income/<br>(charge)<br>HK\$<br>Million | Finance<br>costs<br>HK\$<br>Million | Associates<br>HK\$<br>Million | Jointly<br>controlled<br>entities<br>HK\$<br>Million | Profit<br>before<br>taxation<br>HK\$<br>Million |
|-----------------------|-----------------------------|---|--|---|-------------------------------------|-------------------------------|--|---|
| 30 June 2010          |                             |   |  |   |                                     |                               |  |   |
| Property investment   | 4,483                       | 3,467   | 8,030  | –   | (185)                               | –                             | –  | 11,312  |
| Hong Kong             | 3,583                       | 3,079   | 6,572  | –   | (147)                               | –                             | –  | 9,504   |
| China                 | 236                         | 139   | 1,458  | –   | (35)                                | –                             | –  | 1,562   |
| Singapore             | 131                         | 105   | –  | –   | –                                   | –                             | –  | 105   |
| Hotels                | 533                         | 144   | –  | –   | (3)                                 | –                             | –  | 141   |
| Property development  | 4,548                       | 1,813   | –  | 20  | (43)                                | 51                            | (10)   | 1,831   |
| Hong Kong             | 130                         | 56  | –  | –   | –                                   | 8                             | –  | 64  |
| China                 | 1,024                       | 560   | –  | 20  | (43)                                | 43                            | (10)   | 570   |
| Singapore             | 3,394                       | 1,197   | –  | –   | –                                   | –                             | –  | 1,197   |
| CME                   | 1,795                       | (15)  | –  | –   | –                                   | (39)                          | –  | (54)  |
| i-CABLE               | 962                         | (107)   | –  | –   | –                                   | (39)                          | –  | (146)   |
| Telecommunications    | 833                         | 95  | –  | –   | –                                   | –                             | –  | 95  |
| Others                | –                           | (3)   | –  | –   | –                                   | –                             | –  | (3)   |
| Logistics             | 1,596                       | 811   | –  | 438   | (139)                               | 130                           | 17   | 1,257   |
| Terminals             | 1,533                       | 793   | –  | 1   | (139)                               | 111                           | 17   | 783   |
| Others                | 63                          | 18  | –  | 437   | –                                   | 19                            | –  | 474   |
| Investment and others | 305                         | 169   | –  | 79  | (202)                               | –                             | –  | 46  |
| Inter-segment revenue | (211)                       | –   | –  | –   | –                                   | –                             | –  | –   |
| Segment total         | 12,516                      | 6,245   | 8,030  | 537   | (569)                               | 142                           | 7  | 14,392  |
| Corporate expenses    | –                           | (225)   | –  | –   | –                                   | –                             | –  | (225)   |
| Group total           | 12,516                      | 6,020   | 8,030  | 537   | (569)                               | 142                           | 7  | 14,167  |
| 30 June 2009          |                             |   |  |   |                                     |                               |  |   |
| Property investment   | 4,226                       | 3,197   | 4,565  | 10  | (171)                               | –                             | –  | 7,601   |
| Hong Kong             | 3,387                       | 2,882   | 4,563  | 10  | (145)                               | –                             | –  | 7,310   |
| China                 | 285                         | 147   | 2  | –   | (17)                                | –                             | –  | 132   |
| Singapore             | 114                         | 88  | –  | –   | (3)                                 | –                             | –  | 85  |
| Hotels                | 440                         | 80  | –  | –   | (6)                                 | –                             | –  | 74  |
| Property development  | 1,750                       | 751   | –  | –   | (12)                                | (7)                           | 8  | 740   |
| Hong Kong             | 138                         | 162   | –  | –   | –                                   | (2)                           | –  | 160   |
| China                 | 1,612                       | 589   | –  | –   | (12)                                | (5)                           | 8  | 580   |
| Singapore             | –                           | –   | –  | –   | –                                   | –                             | –  | –   |
| CME                   | 1,693                       | 129   | –  | –   | –                                   | 1                             | –  | 130   |
| i-CABLE               | 862                         | (1)   | –  | –   | –                                   | 1                             | –  | –   |
| Telecommunications    | 831                         | 132   | –  | –   | –                                   | –                             | –  | 132   |
| Others                | –                           | (2)   | –  | –   | –                                   | –                             | –  | (2)   |
| Logistics             | 1,483                       | 626   | –  | –   | 51                                  | 96                            | 19   | 792   |
| Terminals             | 1,353                       | 583   | –  | –   | 51                                  | 96                            | 19   | 749   |
| Others                | 130                         | 43  | –  | –   | –                                   | –                             | –  | 43  |
| Investment and others | 169                         | 88  | –  | 71  | 112                                 | –                             | –  | 271   |
| Inter-segment revenue | (239)                       | –   | –  | –   | –                                   | –                             | –  | –   |
| Segment total         | 9,082                       | 4,791   | 4,565  | 81  | (20)                                | 90                            | 27   | 9,534   |
| Corporate expenses    | –                           | (179)   | –  | –   | –                                   | –                             | –  | (179)   |
| Group total           | 9,082                       | 4,612   | 4,565  | 81  | (20)                                | 90                            | 27   | 9,355   |

### (b) Analysis of inter-segment revenue

| Six months ended 30 June | 2010               |                            |                    | 2009               |                            |                    |
|--------------------------|--------------------|----------------------------|--------------------|--------------------|----------------------------|--------------------|
|                          | Total Revenue HK\$ | Inter-segment revenue HK\$ | Group Revenue HK\$ | Total Revenue HK\$ | Inter-segment revenue HK\$ | Group Revenue HK\$ |
|                          | Million            | Million                    | Million            | Million            | Million                    | Million            |
| Property investment      | 4,483              | (81)                       | 4,402              | 4,226              | (95)                       | 4,131              |
| Property development     | 4,548              | –                          | 4,548              | 1,750              | –                          | 1,750              |
| CME                      | 1,795              | (76)                       | 1,719              | 1,693              | (84)                       | 1,609              |
| Logistics                | 1,596              | –                          | 1,596              | 1,483              | –                          | 1,483              |
| Investment and others    | 305                | (54)                       | 251                | 169                | (60)                       | 109                |
|                          | <b>12,727</b>      | <b>(211)</b>               | <b>12,516</b>      | <b>9,321</b>       | <b>(239)</b>               | <b>9,082</b>       |

### (c) Geographical information

| Six months ended 30 June | Revenue       |              | Operating Profit |              |
|--------------------------|---------------|--------------|------------------|--------------|
|                          | 2010          | 2009         | 2010             | 2009         |
|                          | HK\$ Million  | HK\$ Million | HK\$ Million     | HK\$ Million |
| Hong Kong                | 7,382         | 6,922        | 4,145            | 3,817        |
| China                    | 1,540         | 1,996        | 530              | 674          |
| Singapore                | 3,594         | 164          | 1,345            | 121          |
| Group total              | <b>12,516</b> | <b>9,082</b> | <b>6,020</b>     | <b>4,612</b> |

## 3. OPERATING PROFIT

Operating profit is arrived at:

|  | Six months ended 30 June |              |
|--|--------------------------|--------------|
|  | 2010                     | 2009         |
|  | HK\$ Million             | HK\$ Million |
| <b>After charging/(crediting):</b>           |                          |              |
| Depreciation:                                |                          |              |
| – assets held for use under operating leases | 57                       | 63           |
| – other fixed assets                         | 505                      | 492          |
|  | <b>562</b>               | <b>555</b>   |
| Amortisation:                                |                          |              |
| – programming library                        | 43                       | 47           |
| – leasehold land                             | 46                       | 44           |
| Total depreciation and amortisation          | <b>651</b>               | <b>646</b>   |
| Staff costs                                  | 1,402                    | 1,333        |
| Cost of trading properties sold              | 2,680                    | 984          |
| Rental income less direct outgoings (Note)   | (3,387)                  | (3,165)      |
| Interest income                              | (92)                     | (25)         |
| Dividend income from listed investments      | (72)                     | (46)         |
| Dividend income from unlisted investments    | (16)                     | (29)         |
| Profit on disposal of fixed assets           | (7)                      | (13)         |

Note: Rental income included contingent rentals of HK\$550 million (2009: HK\$339 million).

#### 4. OTHER NET INCOME

Other net income includes a one-off surplus of HK\$437 million on revaluation of the interests in Hactl on its becoming an associate of Wharf, net profit on disposal of available-for-sale investments of HK\$160 million (2009: net loss of HK\$4 million) and net foreign exchange loss of HK\$60 million (2009: gain of HK\$107 million).

#### 5. NET OTHER CHARGE

The net other charge of HK\$121 million in the first half of 2009 represented the further impairment provision for investments in SC Global Developments Ltd and Hotel Properties Limited made by Wheelock Properties (Singapore) Limited.

#### 6. FINANCE COSTS

|   | Six months ended 30 June |              |
|---|--------------------------|--------------|
|   | 2010                     | 2009         |
|   | HK\$ Million             | HK\$ Million |
| Interest charged on:                                  |                          |              |
| Bank loans and overdrafts repayable within five years | 209                      | 189          |
| Other borrowings repayable within five years          | —                        | 6            |
| Bank loans repayable after five years                 | 64                       | 36           |
| Other borrowings repayable after five years           | 30                       | 55           |
| Total interest charge                                 | 303                      | 286          |
| Other finance costs                                   | 102                      | 27           |
| Less: Amount capitalised                              | (154)                    | (97)         |
|   | 251                      | 216          |
| Fair value cost/(gain):                               |                          |              |
| Cross currency interest rate swaps                    | 29                       | 96           |
| Interest rate swaps                                   | 289                      | (292)        |
|   | 569                      | 20           |

The Group's average effective borrowing rate for the period was approximately 1.8% (2009: 1.4%) per annum.

## 7. INCOME TAX

Taxation charged to the consolidated income statement represents:

|  | Six months ended 30 June |              |
|--|--------------------------|--------------|
|  | 2010                     | 2009         |
|  | HK\$ Million             | HK\$ Million |
| <b>Current income tax</b>                                |                          |              |
| Hong Kong  |                          |              |
| – provision for the period                               | 614                      | 559          |
| – (over) / underprovision in respect of prior years      | (809)                    | 186          |
| Outside Hong Kong  |                          |              |
| – provision for the period                               | 266                      | 142          |
| – underprovision in respect of prior years               | 21                       | –            |
|  | <u>92</u>                | <u>887</u>   |
| <b>Land appreciation tax (“LAT”) in Mainland China</b>   | <u>167</u>               | <u>140</u>   |
| <b>Deferred tax</b>                                      |                          |              |
| Change in fair value of investment properties            | 1,801                    | 790          |
| Origination and reversal of temporary differences        | 157                      | 44           |
| Effect on reduction in tax rate on deferred tax balances | –                        | (19)         |
|  | <u>1,958</u>             | <u>815</u>   |
|  | <u>2,217</u>             | <u>1,842</u> |

- (a) The provision for Hong Kong profits tax is based on the profit for the period as adjusted for tax purposes at the rate of 16.5% (2009: 16.5%).
- (b) Income tax on profits assessable outside Hong Kong is mainly China corporate income tax calculated at a rate of 25%, China withholding income tax at a rate of 10% and Singapore income tax at a rate of 17%.
- (c) Under the Provisional Regulations on LAT, all gains arising from transfer of real estate property in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights, borrowings costs and all property development expenditures.
- (d) Tax attributable to associates and jointly controlled entities for the six months ended 30 June 2010 of HK\$55 million (2009: HK\$19 million) is included in the share of results after tax of associates and jointly controlled entities.
- (e) During the period under review, Wharf reached a compromise settlement with the Inland Revenue Department on various tax disagreements in respect of the deductibility of interest expenses and the concerned over-provision made in previous years totalling HK\$809 million was written back.

## 8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on profit attributable to equity shareholders for the period of HK\$5,969 million (2009: HK\$3,599 million) and 2,032 million ordinary shares in issue throughout the six months ended 30 June 2010 and 2009.

## 9. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

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

|   | Six months ended 30 June |              |
|---|--------------------------|--------------|
|   | 2010                     | 2009         |
|   | HK\$ Million             | HK\$ Million |
| Interim dividend of 2.5 cents (2009: 2.5 cents)<br>per share proposed after the end of the reporting date | <u>51</u>                | <u>51</u>    |

- (b) Dividends recognised as distribution during the period:

|  | Six months ended 30 June |              |
|--|--------------------------|--------------|
|  | 2010                     | 2009         |
|  | HK\$ Million             | HK\$ Million |
| 2009 Final dividend paid of 10.0 cents per share | 203                      | —            |
| 2008 Final dividend paid of 10.0 cents per share | <u>—</u>                 | <u>203</u>   |
|  | <u>203</u>               | <u>203</u>   |

## 10. TRADE AND OTHER RECEIVABLES

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

|                           | 30 June 2010 | 31 December 2009 |
|---------------------------|--------------|------------------|
|                           | HK\$ Million | HK\$ Million     |
| Trade receivables         |              |                  |
| 0 - 30 days               | 1,056        | 421              |
| 31 - 60 days              | 128          | 174              |
| 61 - 90 days              | 67           | 43               |
| Over 90 days              | <u>117</u>   | <u>110</u>       |
|                           | 1,368        | 748              |
| Accrued sales receivables | 658          | 467              |
| Other receivables         | <u>2,108</u> | <u>4,028</u>     |
|                           | <u>4,134</u> | <u>5,243</u>     |

Accrued sales receivables mainly represent property sales consideration to be billed or received after the reporting date. 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.

Other receivables at 31 December 2009 included the remaining instalments of proceeds in total amount of HK\$2.5 billion in respect of the disposal of Beijing Capital Times Square, which was received during the period under review.

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.

## 11. TRADE AND OTHER PAYABLES

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

|                              | <b>30 June 2010</b><br><b>HK\$ Million</b> | 31 December 2009<br>HK\$ Million |
|------------------------------|--|----------------------------------|
| Amounts payable in the next: |  |                                  |
| 0 - 30 days                  | 271  | 229                              |
| 31 - 60 days                 | 107  | 63                               |
| 61 - 90 days                 | 46   | 31                               |
| Over 90 days                 | 55   | 80                               |
|                              | <hr/> 479                                  | <hr/> 403                        |
| Rental and customer deposits | 1,733                                      | 1,771                            |
| Construction costs payable   | 1,368                                      | 1,512                            |
| Other payables               | 2,529                                      | 2,771                            |
|                              | <hr/> <b>6,109</b>                         | <hr/> <b>6,457</b>               |

## 12. EVENTS AFTER THE REPORTING DATE

### (a) Privatisation of WPL

The privatisation of WPL, at a cancellation price of HK\$13 per share by way of a scheme of arrangement under Section 166 of the Companies Ordinance, became effective on 22 July 2010 and the total consideration of HK\$6,905 million financed by a bank loan was paid.

### (b) Acquisition of Property

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

## 13. COMPARATIVE FIGURES

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

## 14. REVIEW OF UNAUDITED INTERIM FINANCIAL STATEMENTS

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

## PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the financial period under review.

## **BOOK CLOSURE**

The Register of Members will be closed from Monday, 20 September 2010 to Wednesday, 22 September 2010, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to qualify for the abovementioned interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 17 September 2010.

By Order of the Board  
**Wilson W S Chan**  
*Company Secretary*

Hong Kong, 30 August 2010

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. Peter K. C. Woo, Mr. Stephen T. H. Ng and Mr. Paul Y. C. Tsui, together with three Independent Non-executive Directors, namely, Mr. Alexander S. K. Au, Mr. B. M. Chang and Mr. Kenneth W. S. Ting.*