

WHEELOCK and
COMPANY LIMITED
INTERIM REPORT **2006**
Stock code : 20



WHEELOCK

Founded 1857

www.wheelockcompany.com

HIGHLIGHTS OF GROUP RESULTS

- Group turnover decreased by 37% to HK\$1,870 million (2005: HK\$2,978 million), reflecting lower sales revenue recognised by the Property Development segment.
- Group profit decreased by 41% to HK\$3,735 million (2005: HK\$6,303 million).
- Included in Group profit was an attributable revaluation surplus, including share of associates' surplus, of HK\$2,156 million (2005: HK\$4,553 million).
- Group profit before revaluation surplus decreased by 10% to HK\$1,579 million (2005: HK\$1,750 million).
- Earnings per share were HK\$1.84 (2005: HK\$3.10).
- Interim dividend of 2.5 cents per share (2005: 2.5 cents per share).
- Borrowing costs increased to HK\$130 million (2005: HK\$94 million); effective borrowing rate rose to 4.3% p.a. (2005: 2.9% p.a.).
- Net debt improved to HK\$108 million (31 March 2006: HK\$2,687 million). Net debt to Shareholders' equity improved to 0.2% (31 March 2006: 6.6%).
- Consolidated net asset value increased to HK\$22.09 per share (31 March 2006: HK\$20.19 per share).

GROUP RESULTS

The Group reported an unaudited profit attributable to Shareholders for the six months ended 30 September 2006 of HK\$3,735 million, compared to HK\$6,303 million for the same period last year. Earnings per share were HK\$1.84 (2005: HK\$3.10).

INTERIM DIVIDEND

The Board has declared an interim dividend of 2.5 cents (2005: 2.5 cents) per share in respect of the half-year period ended 30 September 2006, payable on Tuesday, 9 January 2007 to Shareholders on record as at 5 January 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

INVESTMENT REVIEW

Property

Bellagio (74% attributable)

Bellagio is a property development in Sham Tseng overlooking the Tsing Ma Bridge. Virtually all of the 1,704 units in Towers 6, 7, 8 and 9 have been sold. Towers 1, 2, 3 and 5 with a total of 1,641 units were completed in early 2006 and cumulative sales have reached 81% by September 2006.

Sorrento (66% attributable)

Sorrento is a joint-venture development with MTRC above the Kowloon Station. Virtually all of the units of the development have been sold by September 2006.

Lane Crawford House (wholly-owned)

The office tower was 82% leased. The majority of the retail podium has been leased to H&M Hennes & Mauritz AB, an international retailer, on favourable terms.

Wheelock Properties Limited (a 74%-attributable listed subsidiary)

Unaudited profit for Wheelock Properties Limited ("WPL") amounted to HK\$812 million for the six months ended 30 September 2006 (2005: HK\$1,037 million). Excluding the investment property revaluation surplus net of deferred tax, unaudited profit for the period under review was HK\$771 million (2005: HK\$680 million).

During the financial period under review, the Group received a cash dividend of HK\$108 million (2005: HK\$92 million) from WPL.

WPL effectively owns 40% and 33.3% of Sorrento and Bellagio respectively.

Parc Palais is a one-million-square-foot GFA residential development in Homantin with 700 apartments, which WPL owns 20% of the joint venture. 94% of the development have been sold by September 2006.

Wheelock House and Fitfort were 87% and 95% leased respectively.

Wheelock Properties (Singapore) Limited (a 76%-attributable listed subsidiary of WPL)

Profit for Wheelock Properties (Singapore) Limited ("WPSL") amounted to S\$162.6 million for the period (2005: S\$47.9 million).

In August 2006, WPSL sold its 100% equity interest in Hamptons Group Limited and realised a gain on disposal amounting to S\$115.7 million.

Development Properties

Pre-sales of the residential condominium development The Sea View (546 apartments) and The Cosmopolitan (228 apartments) have reached 93% and 79% respectively by September 2006. Both developments are scheduled for completion in the second half of 2007.

Ardmore II is a prime residential condominium development with 118 apartments. Demolition of the previous development is in progress. Pre-sales was launched in September 2006 and met with enthusiastic response. 64% of the total units have been pre-sold by end of September 2006.

Development of Orchard View (formerly known as Angullia View) is underway with scheduled completion in 2008.

Scotts Shopping Centre and The Ascott Singapore were 99% and 86% leased respectively. The property will be demolished and redeveloped into a residential and commercial complex in the first half of 2007.

Investment Properties

Wheelock Place, a commercial development in Singapore, and Oakwood Residence Azabujuban, a serviced apartment development in Tokyo, were 93% and 95% leased respectively.

The Wharf (Holdings) Limited (a 48%-attributable listed associate)

Wharf reported an unaudited profit attributable to shareholders of HK\$6,259 million for the six-month period ended 30 June 2006 (2005: HK\$9,035 million). Excluding the net investment property revaluation surplus, unaudited profit amounted to HK\$1,900 million (2005: HK\$1,923 million).

For the financial period under review, total cash dividends received by the Group from Wharf amounted to HK\$538 million (2005: HK\$440 million).

Harbour City (wholly-owned by Wharf)

Harbour City, the core investment property asset of Wharf, turned over HK\$1,789 million during the six months to 30 June 2006, for an increase of 10% over the same period in 2005.

Retail revenue grew by 11% to HK\$709 million, with average occupancy maintained at 99% and favourable rental growth on new leases and renewals. Retail tenants at Harbour City reported an 18% increase in average sales per square foot during the period. Phase I of the Ocean Centre car park conversion (GFA: 45,000 square feet) was completed in June 2006.

Turnover for the office sector rose by 7% to HK\$526 million with positive rental growth for new leases and renewals. Average occupancy was 95%.

Turnover for the serviced apartments sector slightly decreased by 4% to HK\$103 million, attributable to lower average occupancy of 75% (2005: 85%). The three hotels at Harbour City performed strongly during the period, with consolidated occupancy of 90% and double-digit growth in average room rate.

Times Square (wholly-owned by Wharf)

Times Square, another core asset of Wharf, turned over HK\$473 million during the first half of 2006 for an increase of 8% over the same period in 2005.

The retail sector registered a turnover growth of 8% to reach HK\$334 million, with average occupancy maintained at virtually 100% and favourable rental growth. Trade-mix revamp on Basement 2 level to capture the shopper's traffic from MTR is continuing.

The office sector recorded turnover growth of 8% to HK\$139 million during the period with significant rental reversion growth. Occupancy stood at 93% at the end of June 2006.

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

Modern Terminals' turnover and operating profit reduced by 10% and 16% respectively during the six-month period ended 30 June 2006, mainly due to revenue drop arising from box mix shift in favour of transshipment and feeder cargos and increasing competition in Hong Kong and South China.

Throughput at Modern Terminals (Hong Kong operations) grew by 0.7% to 2.51 million TEUs during the period.

For Modern Terminals' investments in China, Chiwan Container Terminals and Shekou Container Terminals handled 1.6 million TEUs and 875,000 TEUs respectively during the period. Phase I of Taicang handled 225,000 TEUs, 121% higher than the same period in 2005. The first berth of Phase II of Taicang commenced operation in July 2006. Phase I of Dachan Bay in Shenzhen West will commence operation in phases starting from late 2007.

i-CABLE (a 73%-owned listed subsidiary of Wharf)

Turnover rose by 4% to HK\$1,274 million and net profit after tax declined by 59% to HK\$64 million for the six-month period ended 30 June 2006, partly due to non-recurring distortions.

Turnover from Pay TV grew by 2% to HK\$966 million. However, operating profit fell by 50% to HK\$98 million; partly due to revenue and expense timing mismatch relating to FIFA World Cup 2006, the enhancement of the movie platform and other content enrichment initiatives.

Subscription grew by 4% to 770,000 at the end of June 2006 on the back of World Cup. CABLE TV's locally produced channels and programmes continued to gain acclaim and viewership. i-CABLE's first theatrical release "49 Days" bagged the Grand Prize in the Fukuoka Film Festival in Japan.

Turnover from Internet & Multimedia rose by 6% to HK\$296 million, with record operating profit of HK\$68 million. Network enhancement and introduction of more value-added services, amid a maturing market, were only able to maintain Broadband subscription at 321,000 at the end of June 2006.

Wharf T&T (wholly-owned by Wharf)

Turnover from the Wharf T&T group decreased by 5% to HK\$681 million during the first half of 2006, primarily due to price erosion. Operating profit accordingly declined by HK\$43 million, resulting in a HK\$4 million operating loss.

Despite yield decline, the fixed line installed base grew by 16,000 to reach 539,000, representing an overall market share of 13%. Total outgoing IDD volume grew by 16% for the period to 308 million minutes. The new integrated business model of Wharf T&T and COL created value and gained customer reception.

FINANCIAL REVIEW

(I) Results Review

Discontinued operation

During the period under review, WPSL sold its 100% interest in Hamptons for £82 million (about HK\$1,182 million) and recorded a profit of HK\$585 million (HK\$330 million attributable to the Group). Because of the disposal, the results of Hamptons, which formed a significant business segment of the Group, were reported as a discontinued operation and presented separately on the profit and loss account in accordance with Hong Kong Financial Reporting Standard 5 "Non-current assets held for sale and discontinued operations".

Continuing operations

Turnover

Group turnover from continuing operations for the six-month period fell by 37% to HK\$1,870 million (2005: HK\$2,978 million), reflecting lower sales revenue recognised by the Property Development segment.

Operating profit

Group operating profit from continuing operations fell by 53% to HK\$577 million (2005: HK\$1,222 million) mainly due to the unfavourable operating results recorded by the Property Development and the Investment and Others segment.

Property Investment

Revenue from the Property Investment segment rose by 2% to HK\$232 million (2005: HK\$228 million) but operating profit was down by 7% to HK\$133 million (2005: HK\$143 million).

Higher average rental rates were achieved by the Group for its investment properties but this favourable result was partly offset by lower rental contribution from Lane Crawford House due to a major renovation of the retail area vacated by Lane Crawford. Higher operating expenses and administrative expenses incurred by WPSL for its investment properties also adversely impacted the corresponding operating profit of the Property Investment segment.

Property Development

Revenue of the Property Development segment fell by 45% to HK\$1,456 million (2005: HK\$2,627 million) and operating profit dropped by 44% to HK\$380 million (2005: HK\$679 million).

The decrease was mainly attributable to lower revenue and operating profit contributed from the sales of Bellagio units, and profit from the sale of the remaining 11 Grange Residences units by WPSL recorded last year.

WPSL recognises profits on pre-sales of properties under development by stages using the percentage of completion method in accordance with generally accepted accounting principles in Singapore. The Group prepares its consolidated financial statements under Hong Kong Financial Reporting Standards which recognises revenue and profit on pre-sales of properties upon the completion of properties. Accordingly, profits recognised by WPSL in respect of its pre-sale of The Sea View and The Cosmopolitan units were reversed and excluded in the Group's consolidated financial statements. The cumulative attributable profits so reversed amounted to approximately HK\$220 million at 30 September 2006.

Investment and Others

Investment revenue, comprising mainly dividends from the Group's long-term investment portfolio and interest income, increased by 19% to HK\$218 million (2005: HK\$183 million). However, operating profit fell by 81% to HK\$78 million (2005: HK\$410 million) due to the inclusion last year of a one-off profit of HK\$235 million on sale of long-term investments and HK\$52 million from the sale of some Great Western Plaza units.

Increase in fair value of investment properties

Included in the interim results was a revaluation surplus, before share of associates' surplus, of HK\$83 million (2005: HK\$1,481 million) on revaluation of the Group's investment properties in accordance with current accounting standards.

Borrowing costs

Borrowing costs charged to the profit and loss account rose to HK\$130 million (2005: HK\$94 million). Borrowing costs capitalised for properties under development for sale amounted to HK\$36 million (2005: HK\$18 million). For the period under review, the Group's effective borrowing interest rate was approximately 4.3% per annum (2005: 2.9% per annum).

Share of profits less losses of associates

Share of profits of associates, substantially contributed by Wharf, was HK\$3,156 million (2005: HK\$4,556 million). Included in the share of Wharf's results was an attributable investment property revaluation surplus (net of deferred tax) of HK\$2,098 million (2005: HK\$3,423 million). Excluding the attributable revaluation surplus, share of associates' profits would be HK\$1,058 million (2005: HK\$1,133 million).

Wharf's Property Investment segment continued to gain momentum with improved revenue and operating profit. This was partly offset by lower-than-expected results of both Modern Terminals and the Communications, Media and Entertainment segments as well as the increase in borrowing costs.

The share of associates' results also included profit derived from the sale of Parc Palais units undertaken by a 20%-owned associate of WPL.

Income tax

Taxation charge of HK\$83 million (2005: HK\$308 million) included deferred tax of HK\$15 million (2005: HK\$259 million) provided against the net revaluation surplus of investment properties.

Minority interests

Profit shared by minority interests was HK\$509 million (2005: HK\$561 million), which was mainly related to the profit of WPL, including the profit on disposal of Hamptons.

Profit attributable to Shareholders

The Group's unaudited profit attributable to Shareholders was HK\$3,735 million for the six-month period ended 30 September 2006 (2005: HK\$6,303 million). Earnings per share were HK\$1.84 (2005: HK\$3.10).

Included in the six months results was an attributable surplus of HK\$2,156 million (2005: HK\$4,553 million), comprising the Group's revaluation surplus of HK\$83 million (2005: HK\$1,481 million) less related deferred tax and minority interests of HK\$25 million (2005: HK\$351 million) and the net surplus of HK\$2,098 million (2005: HK\$3,423 million) attributable to associates, including principally Wharf.

Excluding the above net revaluation surplus, the Group's net profit attributable to Shareholders was HK\$1,579 million (2005: HK\$1,750 million). The decrease was largely attributable to lower profit contribution from property sales and disposal of certain long-term investments, which was partly offset by the profit on disposal of Hamptons.

(II) Liquidity and Financial Resources

Equity

As at 30 September 2006, Shareholders' equity amounted to HK\$44,877 million or HK\$22.09 per share, against the restated amount of HK\$41,016 million or HK\$20.19 per share as at 31 March 2006.

In compliance with the new accounting requirements in respect of the amendment to HKAS 19, the Group's Shareholders' equity as at 1 April 2006 was restated to HK\$41,016 million from HK\$40,987 million. The increase was attributable to the recognition of all unrecognised actuarial gains by the Group's associate for its defined benefit pension schemes as at 31 December 2005.

As at 30 September 2006, the Group's total equity, including minority interests, was HK\$51,756 million (31/3/2006: HK\$47,368 million).

Supplemental Information on Net Asset Value

To better reflect its underlying net asset value (“NAV”) attributable to its shareholders, Wharf had made certain adjustments on the book NAV that was based on HKFRSs and disclosed as supplemental information in the Financial Review section of its Interim Report for the six-month period ended 30 June 2006. On the same basis, the adjusted underlying NAV attributable to the Group’s Shareholders is summarised below for additional information:

	Per share HK\$
Book NAV (based on HKFRSs) as at 30 September 2006	22.09
Share of Wharf’s adjustments:	5.45
Modern Terminals	1.93
– based on the latest transaction price	
i-CABLE	0.22
– based on market value as at 30 June 2006 (@HK\$1.73 p.s.)	
Hotel properties	
– based on the valuation as at 30 June 2006 conducted by an independent valuer	0.87
Deferred tax on investment property revaluation surplus	*2.43
Wheelock’s deferred tax on investment property revaluation surplus	*0.31
Adjusted underlying NAV as at 30 September 2006	<u>27.85</u>
Adjusted underlying NAV as at 31 March 2006	<u>25.75</u>

* As there is no capital gains tax on the sale of investment properties in Hong Kong and Singapore, the deferred tax liability (attributable to the Group HK\$5.6 billion or about HK\$2.74 per share) as provided and included in the consolidated balance sheet of the Group and its associate would not be payable if the above-mentioned investment properties were to be sold at the revalued amounts under the respective current tax regime. Accordingly, such deferred tax as provided under HKAS 40 and HK(SIC)-INT 21 has been excluded for the above calculation in order to provide a better understanding of the NAV attributable to Shareholders.

Net debt and gearing

As at 30 September 2006, the ratio of the Group’s net debt to Shareholders’ equity was 0.2% (31/3/2006: 6.6%).

As at 30 September 2006, the Group’s net debt amounted to HK\$108 million which was made up of total debts of HK\$5,950 million less deposits and cash of HK\$5,842 million. This compared favourably against a net debt of HK\$2,687 million as at 31 March 2006. Net cash generated from the Group’s operating activities was HK\$2,339 million, which included net cash inflows from sales of Bellagio units and dividend income from Wharf. Net cash of HK\$593 million from investing activities was mainly related to the proceeds on sale of Hamptons.

Excluding WPL group's net cash of HK\$2,305 million, the Company together with its other subsidiaries had a net debt of HK\$2,413 million, reduced by HK\$863 million from HK\$3,276 million as at 31 March 2006. For the period under review, total cash dividends received from Wharf and WPL, being the Group's main sources of recurring cash inflow, totalled HK\$646 million (2005: HK\$532 million). The Company also received distributions from the sale of Bellagio amounted to HK\$499 million.

Committed and uncommitted facilities

- (a) The Group's available loan facilities totalled HK\$9.4 billion, comprising committed and uncommitted loan facilities of HK\$7.6 billion and HK\$1.8 billion, respectively.

The debt maturity profile of the Group as at 30 September 2006

	30/9/2006 HK\$ Million	31/3/2006 HK\$ Million
Repayable within 1 year	2,537	1,976
Repayable after 1 year, but within 2 years	990	2,038
Repayable after 2 years, but within 3 years	824	1,733
Repayable after 3 years, but within 4 years	1,049	1,458
Repayable after 4 years, but within 5 years	550	–
	5,950	7,205
Undrawn facilities	3,444	5,375
Total loan facilities	9,394	12,580

- (b) The following assets of the Group have been pledged for securing bank loan facilities:

	30/9/2006 HK\$ Million	31/3/2006 HK\$ Million
Investment properties	488	493
Properties under development for sale	4,474	4,014
	4,962	4,507

- (c) As at 30 September 2006, the Group's borrowings were primarily denominated in Hong Kong dollars except that WPSL's borrowings for financing its properties in Singapore and Japan were primarily denominated in respective local currencies i.e. Singapore Dollar and Japanese Yen. Forward exchange contracts were entered into by WPSL mainly for hedging purpose. After the disposal of Hamptons, the Group has no other significant exposure to foreign exchange fluctuation except for its net investments in Singapore subsidiaries and certain pound sterling bank deposits held by WPSL.

Available-for-sale investments

As at 30 September 2006, the Group maintained a portfolio of available-for-sale investments with a market value of HK\$2,491 million (31/3/2006: HK\$2,187 million), which primarily comprised blue chip securities.

In accordance with the Group's accounting policies, long-term investments classified as available-for-sale investments are stated in the balance sheet at fair value. Changes in fair value are recognised in the investment revaluation reserves until the investment is sold. As at 30 September 2006, such reserves had an attributable accumulated surplus of HK\$562 million compared to HK\$502 million at 31 March 2006. Performance of the portfolio was in line with the stock markets.

Contingent liabilities

As at 30 September 2006 and 31 March 2006, there was no guarantee given by the Group in respect of banking facilities available to associates.

(III) Acquisition of Property / Disposal of Subsidiary

The Habitat One, Singapore

On 14 July 2006, WPSL acquired The Habitat One for S\$180 million (about HK\$882 million). The acquisition is scheduled to complete in 2007.

Disposal of Hamptons

On 24 August 2006, WPSL completed the disposal of its 100% interest in Hamptons for £82 million (about HK\$1,182 million) at a profit of HK\$585 million. The profit attributable to the Group (net of minority interests) resulted from the disposal amounted to HK\$330 million.

(IV) Human Resources

The Group has 773 employees as at 30 September 2006 (31/3/2006: 1,712). The decrease of 939 employees is mainly due to the exclusion of Hamptons' employees after it was disposed of by WPSL in August 2006. Employees are remunerated according to the nature of their jobs and market trends, with a built-in merit component incorporated in the annual increment to reward and motivate individual performance. Total staff costs for the six-month period ended 30 September 2006 amounted to HK\$294 million.

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 with a substantial number thereof being independent Non-executive Directors.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 September 2006

	Note	Unaudited 30/9/2006 HK\$ Million	Unaudited 30/9/2005 HK\$ Million
Continuing operations			
Turnover	2 & 3	1,870	2,978
Other net (loss)/income	4	(37)	289
		1,833	3,267
Direct costs and operating expenses		(1,110)	(1,908)
Selling and marketing expenses		(67)	(99)
Administrative expenses		(79)	(38)
Operating profit	2 & 3	577	1,222
Increase in fair value of investment properties		83	1,481
		660	2,703
Borrowing costs	5	(130)	(94)
Share of profits less losses of associates	2	3,156	4,556
Profit before taxation		3,686	7,165
Income tax	6	(83)	(308)
Profit for the period from continuing operations		3,603	6,857
Discontinued operation			
Profit for the period from a discontinued operation	7	56	7
Gain on disposal of subsidiaries		585	–
Total profit from a discontinued operation		641	7
Profit for the period		4,244	6,864
Profit attributable to:			
Shareholders		3,735	6,303
Minority interests		509	561
		4,244	6,864
Interim dividend declared after the balance sheet date	8	51	51
Earnings per share	9		
Continuing operations		HK\$1.66	HK\$3.10
Discontinued operation		HK\$0.18	–
		HK\$1.84	HK\$3.10
Interim dividend per share	8	2.5 cents	2.5 cents

CONSOLIDATED BALANCE SHEET

At 30 September 2006

	Note	Unaudited 30/9/2006 HK\$ Million	Audited 31/3/2006 HK\$ Million (restated)
Non-current assets			
Fixed assets			
Investment properties		8,659	8,560
Other property, plant and equipment		17	105
		<u>8,676</u>	<u>8,665</u>
Goodwill and other intangible assets		–	306
Associates		35,205	32,012
Available-for-sale investments		2,491	2,187
Deferred debtors		181	231
		<u>46,553</u>	<u>43,401</u>
Current assets			
Properties under development for sale		7,275	6,627
Properties held for sale		1,564	2,542
Trade and other receivables	10	607	1,090
Bank balances and deposits		5,842	4,518
		<u>15,288</u>	<u>14,777</u>
Current liabilities			
Trade and other payables	11	(1,202)	(1,148)
Bank loans and overdrafts		(2,537)	(1,976)
Deposits from sale of properties		(1,516)	(1,041)
Current tax		(183)	(146)
		<u>(5,438)</u>	<u>(4,311)</u>
Net current assets		<u>9,850</u>	<u>10,466</u>
Total assets less current liabilities		<u>56,403</u>	<u>53,867</u>
Non-current liabilities			
Long-term loans		(3,413)	(5,229)
Deferred tax		(791)	(827)
Deferred items		(443)	(443)
		<u>(4,647)</u>	<u>(6,499)</u>
Net assets		<u>51,756</u>	<u>47,368</u>
Capital and reserves			
Share capital		1,016	1,016
Reserves		43,861	40,000
Shareholders' equity		<u>44,877</u>	<u>41,016</u>
Minority interests		<u>6,879</u>	<u>6,352</u>
Total equity	12	<u>51,756</u>	<u>47,368</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2006

	Note	Unaudited 30/9/2006 HK\$ Million	Unaudited 30/9/2005 HK\$ Million (restated)
Total equity at 1 April			
As previously reported:			
Shareholders' equity		40,987	31,513
Minority interests		6,351	5,268
Total equity		47,338	36,781
Prior year adjustment for HKAS 19	1	30	15
As restated		47,368	36,796
Company and subsidiaries			
Surplus on revaluation of available-for-sale investments		108	150
Exchange difference on translation of financial statements of foreign entities		184	(197)
Associates			
Surplus/(deficit) on revaluation of available-for-sale investments		175	(2)
Others		(6)	(144)
Net gain/(loss) not recognised in the profit and loss account		461	(193)
Company and subsidiaries			
Profit for the period		4,244	6,864
Reserves transferred to the profit and loss account on disposal of available-for-sale investments		(5)	(111)
Associates			
Reserves transferred to the profit and loss account on disposal of available-for-sale investments		(1)	(15)
Total recognised income for the period		4,699	6,545
Shareholders		4,064	6,068
Minority interests		635	477
		4,699	6,545
Final dividend approved in respect of the previous year	8b	(203)	(173)
Dividend paid to minority interests		(108)	(48)
Total equity at 30 September		51,756	43,120
Attributable to:			
Shareholders		44,877	37,422
Minority interests		6,879	5,698
		51,756	43,120

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2006

	Unaudited 30/9/2006 HK\$ Million	Unaudited 30/9/2005 HK\$ Million
Net cash generated from operating activities	2,339	1,007
Net cash generated from investing activities	593	437
Net cash used in financing activities	(1,669)	(967)
Net repayment of loans	(1,358)	(746)
Others	(311)	(221)
Net increase in cash and cash equivalents	1,263	477
Cash and cash equivalents at 1 April	4,518	3,502
Effect of foreign exchange rate changes	61	(70)
Cash and cash equivalents at 30 September	5,842	3,909
Analysis of the balances of cash and cash equivalents		
Bank balances and deposits	5,842	3,909

NOTES TO INTERIM FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION OF THE INTERIM FINANCIAL STATEMENTS

These unaudited consolidated interim 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 Appendix 16 of Listing Rules of the Stock Exchange.

The preparation of the interim financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and 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 described in the annual financial statements for the year ended 31 March 2006 except for the change described below.

HKAS 19 “Employee benefits”

In prior years, the associate of the Group in calculating its obligation in respect of a defined benefit pension scheme, if any cumulative unrecognised actuarial gain or loss exceeds 10% of the greater of the present value of the defined benefit obligation and the fair value of scheme assets, that portion is recognised in the consolidated profit and loss account over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

With effect from 1 January 2006, the associate adopted retrospectively the alternative recognition policy in the amendment to HKAS 19 under which all actuarial gain or loss of all defined benefit pension schemes can be recognised outside profit or loss. As a result of this change, the Group’s Shareholders’ equity and minority interests as at 1 April 2006 increased by HK\$29 million and HK\$1 million (1/4/2005: HK\$14 million and HK\$1 million) respectively. This change has no significant impact on the Group’s results.

2. SEGMENT INFORMATION

(a) Business segments

	Segment Revenue		Segment Results	
	30/9/2006 HK\$ Million	30/9/2005 HK\$ Million	30/9/2006 HK\$ Million	30/9/2005 HK\$ Million
Continuing operations				
Property investment	232	228	133	143
Property development	1,456	2,627	380	679
Investment and others	218	183	78	410
	<u>1,906</u>	<u>3,038</u>	<u>591</u>	<u>1,232</u>
Inter-segment revenue (Note i)	(36)	(60)	–	–
	<u>1,870</u>	<u>2,978</u>	<u>591</u>	<u>1,232</u>
Unallocated expenses			(14)	(10)
Operating profit			577	1,222
Increase in fair value of investment properties			83	1,481
			<u>660</u>	<u>2,703</u>
Borrowing costs			(130)	(94)
Share of results of associates (Note ii)			3,156	4,556
			<u>3,686</u>	<u>7,165</u>
Income tax			(83)	(308)
Profit for the period from continuing operations			<u>3,603</u>	<u>6,857</u>
Discontinued operation (Note 7)				
Property agency	444	410	70	19
Borrowing costs			(1)	(1)
Share of results of associates (Note ii)			10	–
			<u>79</u>	<u>18</u>
Income tax			(23)	(11)
Profit for the period from a discontinued operation			<u>56</u>	<u>7</u>
Gain on disposal of subsidiaries			585	–
Total profit from a discontinued operation			<u>641</u>	<u>7</u>
Profit for the period			<u>4,244</u>	<u>6,864</u>

Notes:

(i) Inter-segment revenue eliminated on consolidation includes:

	30/9/2006 HK\$ Million	30/9/2005 HK\$ Million
Investment and others	<u>36</u>	<u>60</u>

(ii) Share of results of associates

	Segment Results	
	30/9/2006 HK\$ Million	30/9/2005 HK\$ Million
Continuing operations		
Property investment	956	863
Property development	26	53
Communications, media and entertainment	71	129
Logistics	435	499
Investment and others	<u>138</u>	<u>62</u>
	1,626	1,606
Increase in fair value of investment properties	2,658	4,318
Borrowing costs	(206)	(90)
Income tax	(679)	(975)
Unallocated expenses and other items	<u>(243)</u>	<u>(303)</u>
	3,156	4,556
Discontinued operation		
Property agency	<u>10</u>	<u>–</u>
	<u>3,166</u>	<u>4,556</u>

(b) Geographical segments

	Segment Revenue		Segment Results (Operating Profit)	
	30/9/2006 HK\$ Million	30/9/2005 HK\$ Million	30/9/2006 HK\$ Million	30/9/2005 HK\$ Million
Continuing operations				
Hong Kong	1,649	2,608	477	880
Singapore	196	347	79	319
Others	25	23	21	23
	<u>1,870</u>	<u>2,978</u>	<u>577</u>	<u>1,222</u>
Discontinued operation				
United Kingdom	442	410	70	19
Others	2	—	—	—
	<u>444</u>	<u>410</u>	<u>70</u>	<u>19</u>
	<u>2,314</u>	<u>3,388</u>	<u>647</u>	<u>1,241</u>

3. TURNOVER AND OPERATING PROFIT

(a) Turnover

The principal activities of the Group are property investment, property development, treasury management and investment holding. Analysis of the Group's turnover is as follows:

	30/9/2006 HK\$ Million	30/9/2005 HK\$ Million
Continuing operations		
Property investment	232	228
Property development	1,456	2,627
Investment and others	182	123
	<u>1,870</u>	<u>2,978</u>
Discontinued operation		
Property agency	444	410
	<u>2,314</u>	<u>3,388</u>

(b) **Operating profit**

	30/9/2006 HK\$ Million	30/9/2005 HK\$ Million
Operating profit is arrived at after charging/(crediting):		
Continuing operations		
Staff costs*	122	70
Cost of properties for sale sold	978	1,800
Depreciation	9	9
Dividend income from listed investments	(33)	(11)
Discontinued operation		
Staff costs	155	167
	<u>155</u>	<u>167</u>

* In addition to the above staff costs charged directly to the consolidated profit and loss account, staff costs of HK\$17 million (2005: HK\$12 million) were capitalised as part of the costs of properties under development for sale.

4. OTHER NET (LOSS) / INCOME

	30/9/2006 HK\$ Million	30/9/2005 HK\$ Million
Continuing operations		
Net profit on disposal of available-for-sale investments	7	235
Profit on disposal of investment properties	–	52
Exchange (loss)/gain and others	(44)	2
	<u>(37)</u>	<u>289</u>

5. BORROWING COSTS

	30/9/2006 HK\$ Million	30/9/2005 HK\$ Million
Continuing operations		
Interest payable on		
Bank loans, bonds and overdrafts	141	107
Other loans repayable within 5 years	17	–
Other borrowing costs	8	5
	<u>166</u>	<u>112</u>
Less: Amount capitalised	(36)	(18)
	<u>130</u>	<u>94</u>
Discontinued operation		
Interest on bank loans and overdrafts	1	1
	<u>131</u>	<u>95</u>

The Group's effective borrowing interest rate for the six-month period was approximately 4.3% (2005: 2.9%) per annum.

6. INCOME TAX

- (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 17.5% (2005: 17.5%). Overseas taxation is calculated at rates of tax applicable in countries in which the Group is assessed for tax. The taxation charge is made up as follows:

	30/9/2006 HK\$ Million	30/9/2005 HK\$ Million
Continuing operations		
<i>Current tax</i>		
Hong Kong profits tax for the period	66	20
Overseas taxation for the period	18	14
	<u>84</u>	<u>34</u>
<i>Deferred tax</i>		
Change in fair value of investment properties	15	259
Reversal on disposal of investment properties	(4)	(10)
Origination and reversal of temporary differences	3	25
Benefit of previously unrecognised tax losses now recognised	(15)	–
	<u>(1)</u>	<u>274</u>
	<u>83</u>	<u>308</u>
Discontinued operation		
<i>Current tax</i>		
Overseas taxation for the period	22	11
Under provision in prior years	3	–
	<u>25</u>	<u>11</u>
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(2)	–
	<u>23</u>	<u>11</u>
	<u>106</u>	<u>319</u>

- (b) Share of associates' tax for the six months ended 30 September 2006 of HK\$679 million (2005: HK\$975 million) is included in the share of profits less losses of associates.

7. DISCONTINUED OPERATION

	30/9/2006 HK\$ Million	30/9/2005 HK\$ Million
Profit for the period from a discontinued operation	56	7
Gain on disposal of subsidiaries	585	–
	641	7

On 31 July 2006, Wheelock Properties (Singapore) Limited entered into an agreement to sell its 100% interest in Hamptons Group Limited (“Hamptons”) at a consideration of £82 million (about HK\$1,182 million) payable by cash. The disposal was completed on 24 August 2006. Hamptons’ principal business is estate agency services in the residential property market in the United Kingdom. Details of the disposal were set out in the Company’s announcement and circular dated 1 August 2006 and 22 August 2006 respectively.

The results of Hamptons are presented below:

	30/9/2006 HK\$ Million	30/9/2005 HK\$ Million
Turnover	444	410
Direct costs and operating expenses	(161)	(196)
Selling and marketing expenses	(136)	(112)
Administrative expenses	(77)	(83)
Operating profit from a discontinued operation	70	19
Borrowing costs	(1)	(1)
Share of profits less losses of associates	10	–
Profit before taxation	79	18
Income tax	(23)	(11)
Profit for the period from a discontinued operation	56	7

8. DIVIDENDS

(a) Dividends attributable to the period

	30/9/2006 HK\$ Million	30/9/2005 HK\$ Million
Interim dividend proposed after the balance sheet date of 2.5 cents (2005: 2.5 cents) per share	<u>51</u>	<u>51</u>

The interim dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends attributable to the previous financial year, approved and paid during the period

	30/9/2006 HK\$ Million	30/9/2005 HK\$ Million
Final dividend in respect of the previous financial year, approved and paid during the period, of 10.0 cents (2005: 8.5 cents) per share	<u>203</u>	<u>173</u>

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on profit attributable to the Shareholders for the period of HK\$3,735 million (2005: HK\$6,303 million) and 2,032 million ordinary shares in issue throughout the financial period ended 30 September 2006 and the previous year's corresponding period. The profit for the period is analysed as follows:

	30/9/2006 HK\$ Million	30/9/2005 HK\$ Million
Attributable to:		
Continuing operations	3,374	6,299
Discontinued operation	<u>361</u>	<u>4</u>
	<u>3,735</u>	<u>6,303</u>

10. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables (net of impairment losses for bad and doubtful debts) with an ageing analysis as at 30 September 2006 as follows:

	30/9/2006 HK\$ Million	31/3/2006 HK\$ Million
Current	364	567
31 – 60 days	8	8
61 – 90 days	–	7
Over 90 days	23	23
	<hr/>	<hr/>
	395	605
Stakeholders' deposits	121	331
Other receivables	91	154
	<hr/>	<hr/>
	607	1,090
	<hr/>	<hr/>

The Group maintains and closely monitors defined credit policies for its businesses and trade receivables in order to control the credit risk associated with trade receivables.

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with an ageing analysis as at 30 September 2006 as follows:

	30/9/2006 HK\$ Million	31/3/2006 HK\$ Million
Amounts payable in the next:		
0 – 30 days	300	230
31 – 60 days	58	70
61 – 90 days	111	126
Over 90 days	294	316
	<hr/>	<hr/>
	763	742
Other payables	439	406
	<hr/>	<hr/>
	1,202	1,148
	<hr/>	<hr/>

12. TOTAL EQUITY

	Share capital	Share premium	Capital redemption reserve	Investment revaluation reserves	Other capital reserves	Revenue reserves	Shareholders' equity	Minority interests	Total equity
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Company and subsidiaries									
Balance at 1 April 2006	1,016	1,914	19	502	285	16,404	20,140	5,881	26,021
Final dividend approved in respect of the previous year (Note 8b)	-	-	-	-	-	(203)	(203)	-	(203)
Dividend paid to minority interests	-	-	-	-	-	-	-	(108)	(108)
Revaluation surplus	-	-	-	64	-	-	64	44	108
Transferred to the profit and loss account on disposal of available-for-sale investments	-	-	-	(4)	-	-	(4)	(1)	(5)
Exchange differences	-	-	-	-	107	-	107	77	184
Disposal of subsidiaries	-	-	-	-	(30)	30	-	-	-
Profit for the period retained	-	-	-	-	-	1,241	1,241	415	1,656
Balance at 30 September 2006	1,016	1,914	19	562	362	17,472	21,345	6,308	27,653
Associates									
Balance at 1 April 2006									
As previously reported	-	-	-	242	52	20,553	20,847	470	21,317
Prior year adjustment for HKAS 19 (Note 1)	-	-	-	-	-	29	29	1	30
As restated	-	-	-	242	52	20,582	20,876	471	21,347
Revaluation surplus	-	-	-	169	-	-	169	6	175
Transferred to the profit and loss account on disposal of available-for-sale investments	-	-	-	(1)	-	-	(1)	-	(1)
Disposal of subsidiaries	-	-	-	-	-	(6)	(6)	(4)	(10)
Others	-	-	-	-	(6)	-	(6)	-	(6)
Profit for the period retained	-	-	-	-	-	2,500	2,500	98	2,598
Balance at 30 September 2006	-	-	-	410	46	23,076	23,532	571	24,103
Total equity at 30 September 2006	1,016	1,914	19	972	408	40,548	44,877	6,879	51,756
Total equity at 31 March 2006 (restated)	1,016	1,914	19	744	337	36,986	41,016	6,352	47,368

13. CONTINGENT LIABILITIES

At 31 March 2006 and 30 September 2006, there was no guarantee given by the Group in respect of banking facilities available to associates.

14. COMMITMENTS

- (a) Acquisition of and future development expenditure relating to properties

	30/9/2006 HK\$ Million	31/3/2006 HK\$ Million
Contracted but not provided for	1,545	766

- (b) At 30 September 2006, there was no future minimum lease payments under non-cancellable operating leases (31/3/2006: HK\$213 million).

15. RELATED PARTY TRANSACTIONS

Except for the transactions noted below, the Group has not been a party to any material related party transactions during the six-month period ended 30 September 2006:

- (a) Included in interest in associates is a loan of HK\$469 million (31/3/2006: HK\$882 million) contributed by an associate in proportion to its equity interest in the Bellagio property development project. The loan bears interest at rate as determined by the shareholders of the property holding company with reference to prevailing market rates which were between 4.4% and 4.9% (2005: interest free) per annum for the current financial period. Interest expense in respect of the loan from the associate for the six-month period ended 30 September 2006 amounted to HK\$17 million (2005: HK\$ Nil). The loan is unsecured and has no fixed terms of repayment. This transaction did not constitute a connected transaction of the Company under the Listing Rules.
- (b) In respect of the six-month period ended 30 September 2006, the Group earned rental income totalling HK\$5 million (2005: HK\$10 million) from the Lane Crawford group, which is wholly owned by a trust of which the Chairman of the Company is the settlor, in respect of the leasing of the Group's retail premise at Shop C, Wheelock House, certain office units at Lane Crawford House as well as certain godown units. These transactions are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules.

16. COMPARATIVE FIGURES

As a result of the disposal of Hamptons, which was reported as a discontinued operation in the financial statements in accordance with Hong Kong Financial Reporting Standard 5 "Non-current assets held for sale and discontinued operations", certain comparative figures have been adjusted or reclassified to conform with the current period's presentation.

17. REVIEW OF UNAUDITED INTERIM FINANCIAL STATEMENTS

The unaudited interim financial statements for the six months ended 30 September 2006 have been reviewed with no disagreement by the Audit Committee of the Company.

MODEL CODE FOR DIRECTORS' DEALING IN SECURITIES

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors and all the Directors have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions.

DIRECTORS' INTERESTS IN SHARES

At 30 September 2006, Directors of the Company had the following beneficial interests, all being long positions, in the share capitals of the Company, of an associate of the Company, namely, The Wharf (Holdings) Limited ("Wharf"), and of a subsidiary of the Company, namely, Wheelock Properties Limited ("WPL"), and the percentages which the relevant shares represented to the issued share capitals of the three companies respectively are also set out below:

	No. of Ordinary Shares (percentage of issued capital)	Nature of Interest
The Company		
P K C Woo	1,204,934,330 (59.3023%)	Personal Interest in 8,847,510 shares, Corporate Interest in 200,865,142 shares and Other Interest in 995,221,678 shares
B M Chang	8,629,575 (0.4247%)	Corporate Interest
G W J Li	1,486,491 (0.0732%)	Personal Interest
S T H Ng	300,000 (0.0148%)	Personal Interest
Wharf		
G W J Li	686,549 (0.0280%)	Personal Interest
S T H Ng	650,057 (0.0266%)	Personal Interest
WPL		
G W J Li	2,900 (0.0001%)	Personal Interest

Notes:

- (1) *The 995,221,678 shares of the Company stated above as “Other Interest” against the name of Mr P K C Woo represented an interest comprised in certain trust properties in which Mr Woo was taken, under certain provisions in Part XV of the Securities and Futures Ordinance (the “SFO”) which are applicable to a director or chief executive of a listed company, to be interested.*
- (2) *The shareholdings classified as “Corporate Interest” in which the Directors concerned were taken to be interested as stated above were interests of corporations at respective general meetings of which the relevant Directors were respectively either entitled to exercise (or taken under Part XV of the SFO to be able to exercise) or control the exercise of one-third or more of the voting power in general meetings of such corporations.*
- (3) *The shareholding interests stated above as “Personal Interest” and “Corporate Interest” against the name of Mr P K C Woo totalling 209,712,652 shares of the Company represented the same block of shares as that of the shareholding interest of Mrs Bessie P Y Woo stated below in the section headed “Substantial Shareholders’ Interests”.*
- (4) *The 995,221,678 shares of the Company as referred to under Note (1) above are entirely duplicated or included in the shareholding interest of HSBC Trustee (Guernsey) Limited stated below under the section headed “Substantial Shareholders’ Interests”.*

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the SFO in respect of information required to be notified to the Company and the Stock Exchange pursuant to the SFO or to the Model Code:

- (i) there were no interests, both long and short positions, held as at 30 September 2006 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO); and
- (ii) there existed during the financial period no rights to subscribe for any shares, underlying shares or debentures of the Company which were held by any of the Directors or Chief Executive of the Company or any of their spouses or children under 18 years of age nor had there been any exercises during the financial period of any such rights by any of them.

SUBSTANTIAL SHAREHOLDERS’ INTERESTS

Given below are the names of all parties, other than person(s) who is/are Director(s) of the Company, who/which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company as at 30 September 2006, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the “Register”), and the percentages which the shares represented to the issued share capital of the Company:

Names	No. of Ordinary Shares (percentage of issued capital)
(i) Mrs Bessie P Y Woo	209,712,652 (10.32%)
(ii) HSBC Trustee (Guernsey) Limited	1,095,300,362 (53.91%)

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

All the interests stated above represented long positions and as at 30 September 2006, there were no short positions interests recorded in the Register.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

BOOK CLOSURE

The Register of Members will be closed from Tuesday, 2 January 2007 to Friday, 5 January 2007, 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, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 29 December 2006.

By Order of the Board

Wilson W S Chan

Secretary

Hong Kong, 28 November 2006

As at the date of this interim report, the Board of Directors of the Company comprises Mr Peter K C Woo, Mr Gonzaga W J Li, Mr Stephen T H Ng and Mr Paul Y C Tsui, together with four independent Non-executive Directors, namely, Mr Alexander S K Au, Mr B M Chang, Mr Kenneth W S Ting and Mr William Turnbull.