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WHARF

Established 1886

THE WHARF (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 4

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

Full Steam Ahead for Properties in Hong Kong and in China

HIGHLIGHTS

- 34% retail sales growth at Harbour City and 24% at Times Square well exceeded the market and all expectations.
- Strong retail rental more than compensated for the weak rental from offices.
- Property sales in China were maintained despite the control measures but recognition in the period declined.
- Logistics and Hotels reported vibrant recovery.
- CME results were distorted by a major revenue and cost timing mismatch.
- Non-recurrent items inflated finance costs and other net income but deflated taxation.

GROUP RESULTS

The unaudited Group profit attributable to equity shareholders amounted to HK\$9,888 million (2009: HK\$6,975 million). Basic earnings per share were HK\$3.59 (2009: HK\$2.53).

Excluding the net attributable investment property revaluation surplus, the Group's net profit for the period attributable to equity shareholders would be HK\$4,204 million (2009: HK\$3,292 million), an increase of 28% over 2009.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK\$0.36 (2009: HK\$0.36) per share, payable on 30 September 2010 to Shareholders on record as at 22 September 2010, absorbing a total amount of HK\$991 million (2009: HK\$991 million).

BUSINESS REVIEW

PROPERTY INVESTMENT

Property Investment posted a 9% rise in operating profit to HK\$3,258 million.

Harbour City and Times Square, representing 51% of the Group's total business assets and 63% of operating profit, exceeded budget and retail sales growth continued to substantially outperform the rest of Hong Kong. They now account for an exceptional 8% share of Hong Kong's total retail sales to confirm their leading position as the must-visit shopping landmarks in Hong Kong.

Shanghai Wheelock Square, the Group's new landmark office tower in Puxi, was completed in May 2010. 65% of the leasing area launched has been committed at satisfactory rates.

Harbour City

Harbour City continued to attract remarkable retail sales, reflecting its premium location, diversified trade-mix, well-rounded ancillary services and innovative marketing campaigns. For the first six months of 2010, turnover increased by 10% to HK\$2,831 million and operating profit by 12% to HK\$2,190 million.

Retail

Harbour City is the single largest retail offering under one roof in Hong Kong, representing almost 75% of the total shopping area of Canton Road. It accounts for close to 6% of total Hong Kong retail sales.

Hong Kong retail market continued a marked recovery during the first half of 2010, supported by inbound tourism and global economic improvement. Total retail sales at Harbour City grew by 34% year-on-year, which was over 16 percentage points better than the rest of Hong Kong. Rental turnover rose by 20% to HK\$1,437 million.

Office

Turnover registered a decrease of 8% to HK\$774 million, reflecting the softness in the market since the second half of 2008, which has started to firm again. Occupancy was maintained at

92% at the end of June 2010. The trend of decentralization continued with some new tenants relocating from Central. Lease renewal retention rate held up well at 67% in spite of an increase of new supply in the marketplace.

Serviced Apartments

Turnover softened marginally by 1% to HK\$132 million. At the end of June 2010, occupancy at Gateway Apartments stood at 90% while rents grew favorably. Large two-bedroom and three-bedroom apartment units continued to enjoy full occupancy.

Times Square

Times Square is among the most successful vertical malls in town with its unique 16-level design, exciting and diverse trade-mix and direct link to the Mass Transit Railway. It achieves HK\$1 billion of retail rental turnover per annum.

Turnover increased by 8% to HK\$738 million during the period, and operating profit by 10% to HK\$655 million.

Retail

A strong 24% year-on-year growth in retail sales was registered during the period, outperforming the market by over six percentage points. Rental turnover increased by 13% to HK\$512 million. The new sky escalators in the atrium of the mall operating since November 2009 have significantly improved vertical circulation. Tenant mix on various floors was further enriched for a more vibrant and exhilarating shopping experience.

Office

Turnover 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. Lease renewal retention rate stood high at 72%, and renewals included *AIG*, *Sisley*, *H3G Technologies*, etc.

Others

Plaza Hollywood posted a 4% growth in turnover to HK\$174 million, underpinned by favourable rental growth during the period. Average occupancy was maintained at over 99%.

Leasing for the Peak Portfolio remained active during the period, with average occupancy at over 90% and favourable rental growth.

China

All operating properties performed satisfactorily. 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, a luxury shopping landmark in the very heart of the city, houses a spate of top international brands including *Louis Vuitton*, *Gucci*, *Hermes*, *Dior*, *Prada*, *Emenegildo Zegna*, *Fendi* and *Giorgio Armani*, etc. It 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 overlooking Jingan Park and Jingan Temple, is the new landmark investment property for the Group. The development was completed in May 2010. The low zones, representing 54% of the total GFA, have been launched for lease; and 65% of the launched area has been committed at satisfactory rents. Over

90% of the committed tenants are multinationals in various industries and they include *Coach*, *Shisedo*, *Bristol-Myers Squibb*, *ICBC*, etc.

Chengdu International Finance Centre, located in the heart of the city's business 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. It aims to become the "Best of the West" and the new urban landmark for Western China. Main construction commenced in June, and phase one of the project, comprising the mega retail complex and one office tower, is targeted for completion by the first half of 2013.

Chongqing International Finance Centre is a 50:50 joint development with China Overseas Land & Investment ("COLI") at the new Central Business District ("CBD") in Chongqing, a city recently branded as "Chicago on the Yangtze". The development targets to become the new landmark of Chongqing, with an iconic 300-metre tower and four 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, the total land bank attributable to the Group 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 decreased by 5% to HK\$560 million. During the period, profits recognized mainly included sales of Shanghai Xin Hua Road and Dalian Times No.1 & 8.

Encouraging Sales

The Group's property sales continued to meet with encouraging response in both take-up rates and prices notwithstanding the cooling measure. This reflects 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). The first phases of two new projects, namely, Changzhou Times Palace (常州時代上院) and Shanghai Xiyuan (璽園), opened for presales in 2010.

Changzhou Times Palace is located in the future CBD of Xinbei District (新北區). 97% of 712 units (comprising 56 villas and 656 high-rise residential units) launched between March and June have been sold for over RMB610 million. This represents an average price of over RMB18,000 per square metre of GFA for the villas and over RMB8,000 overall. Construction is underway and the development will be fully completed by 2016. A 5-star hotel and State Guest House are expected to open by 2012.

Shanghai Xiyuan is superbly located in Yangpu District (楊浦區). Pre-sales of the first seven high-end medium-rise residential towers (145 units) commenced in late July, with 74% of the units sold so far at an average selling price of RMB44,000 per square metre of GFA, generating total sales proceeds of over RMB900 million. Superstructure work is underway and the whole project is scheduled for completion by 2012.

Among other projects, Chengdu Crystal Park launched its 9th to 11th residential towers between January and June, with 70% of the units sold at an average selling price of over RMB9,600 per

square metre of GFA for total sales proceeds of over RMB300 million. The whole development is expected to be completed by 2013.

Chengdu Times Residences at Tian Fu Times Square launched its 10th residential tower in April and certain floors of its first office tower in late July, with 50% of the units sold at an average price of RMB17,000 per square metre for total sale proceeds of over RMB320 million. The whole development is scheduled for full completion by 2012.

Wuxi Times City launched 12 additional medium- to high-rise residential towers between January and early August 2010. 64% of the units offered were sold at an average selling price of over RMB11,000 per square metre for total sales proceeds of over RMB460 million. Superstructure work is ongoing and the whole development is scheduled for completion in phases by 2017.

In Chongqing, the CBD International Community project in Danzishi (彈子石), developed by the Group and COLI on a 40:60 basis, launched its 14th residential tower in April with 70% of the units offered sold for RMB190 million. This represents an average selling price of over RMB9,000 per square metre. The development is scheduled for completion in phases by 2014.

New Acquisitions

The Group acquired four new prime sites in the cities of Chengdu, Tianjin, Hangzhou and Wuxi in 2010.

In Chengdu, the Group acquired a new site located at a mature residential area in east second Ring Road of 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. Planning and design are in progress.

In Tianjin, the Group acquired a site in He Bei Qu (河北區). The project, located just outside the mid-ring road atop the Tie Dong Lu (鐵東路) MTR station on the North Eastern side of Tianjin, is being developed with COLI on a 50:50 basis. It is developable into an attributable GFA of 244,000 square metres of residential and commercial use.

In Hangzhou, the Group acquired its third project, which is well-located in Xiacheng District (下城區), less than two kilometres away from Wulin Square (武林廣場) in city centre, for residential development. The site is adjacent to Shangtang River (上塘河), with breathtaking river view and conveniently located next to a future metro line station to be completed by 2011. The project is developable into 82,000 square metres of GFA.

The Group also acquired a new project in Wuxi through a joint venture with Shanghai Forte and Shanghai Greenland, of which the Group owns 40%. The site is ideally located in the mature Nanchang District (南長區), with good river view and established vicinity. The development offers an attributable GFA of 98,000 square metres of high-end residences.

Projects under Development – Western China

In Chengdu, a site in Shuangliu Development Zone will be developed into a commercial and residential complex with an attributable GFA of 911,000 square metres. Its outlet mall, Times Outlets, opened in late 2009 and houses an array of reputable international and local brands. Phase II construction comprising residential and commercial development will commence by the fourth quarter of 2010.

The Group has another three development sites in Chengdu apart from the two projects launched for presales. They include a joint venture with Sun Hung Kai Properties and Henderson Land. Development progress is on schedule.

In Chongqing, the Group is developing two sites in Jiangbei City (江北城) with COLI on a 50:50 basis. Apart from Chongqing International Finance Centre, the other high-end residential site offers an attributable GFA of 442,000 square metres. Construction is planned to commence in the third quarter of 2010, with the whole project scheduled to complete by 2018.

Another residential site in Jiangbei City, a joint venture with COLI in which the Group, through Harbour Centre Development Limited ("HCDL"), owns 55%, is scheduled for completion in phases by 2014.

Projects under Development – Eastern China

No. 1 Xin Hua Road in Shanghai was completed in June 2010. The first four residential blocks were launched in 2009, of which 86% have been sold for close to RMB600 million at an average selling price of RMB80,000 per square metre.

Jingan Garden (靜安花園), located in the prime residential area of Jingan District (靜安區) in Shanghai, offers an attributable GFA of 71,000 square metres. Construction work is expected to commence in the fourth quarter of 2010, with scheduled completion by 2013.

In Suzhou, a site located between Jinji Lake (金雞湖) and Dushu Lake (獨墅湖), will be developed into deluxe low density residences. Construction work has commenced since the second quarter of 2010. Another residential site, located next to Qing Jian Hu (青劍湖), is being developed by the Group and China Merchants Property on a 50:50 basis.

Two other sites in Suzhou are held by HCDL in a 80:20 joint venture with Genway Housing Development (蘇州工業園區建屋發展集團). The first project is a 450-metre skyscraper landmark of office and apartment development, the tallest in Jiangsu Province. Ground breaking was held in March and construction is in progress, with scheduled completion by 2016. The second is a high-end residential development to be fully completed by 2017.

In Hangzhou, a site located in Xihu District (西湖區) and Zhuantang Town (轉塘) is jointly developed with Jindu on a 50:50 basis. Construction work has commenced. The second project is located in Gongshu District (拱墅區). Construction works is expected to commence in the first quarter of 2011.

In Wuxi, in addition to Wuxi Times City, the Group owns a site at Renmin Plaza in the new CBD in Nanchang District, which is for commercial development, including a super-high-rise tower, offices, a hotel and apartments. Piling works have commenced. The Group owns another three sites in Nanchang District alongside the ancient canal (古運河) for residential developments, including a joint venture with Shanghai Forte on a 50:50 basis. Development progress is on schedule.

HONG KONG PROPERTY DEVELOPMENT

In July 2010, the Group 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 has a site area of 251,000 square feet, with an attributable GFA of 162,000 square feet. It will be developed into very exclusive and super deluxe residences, whose exclusivity will be unmatched even among the Peak properties.

Cable TV Tower South is being redeveloped into a high-rise industrial/loft building, with a total GFA of 585,000 square feet. Relevant building plans were approved by the Building Authority and the Lands Department. Superstructure works are underway.

Kowloon Godown, with a site area of 166,000 square feet, is currently zoned as commercial use under the Outline Zoning Plan. Planning application allowing residential use has been submitted to Town Planning Board for consideration.

Yau Tong Godown was given planning approval for a residential/commercial development with GFA of about 256,000 square feet. Negotiation on premium with the government is underway.

Master Layout Plan for Yau Tong JV project, in which the Group owns 15% interest, has been submitted to the Town Planning Board.

OTHER BUSINESSES

Modern Terminals

The global economic recovery has stimulated a considerable rebound in global trade flows and 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. Its growth pace was slightly impacted by the dredging work being carried out since April 2010 in one of the Modern Terminals' berths.

Container volume at Taicang International Gateway in Suzhou, comprising 6 berths, grew strongly by 57% to 630,000 TEUs during the period. Da Chan Bay in Shenzhen has also made considerable progress, with throughput increasing by over five-fold to reach 288,000 TEUs. Strong throughput growth was also reported at Chiwan Container Terminal and Shekou Container Terminals.

Hong Kong Air Cargo Terminals

Hong Kong Air Cargo Terminals ("Hactl") became an associate of the Group in May 2010, following the increase of the Group's interest in Hactl from 12.5% to 20.83%.

During the first half of 2010, throughput volume was 1.4 million tonnes, which was a record for Hactl and 39% higher than 2009.

Marco Polo Hotels

Aided by a sharp rebound in inbound tourism, total revenue for the Marco Polo hotels and club 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. The other Marco Polo

hotels also performed well.

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. However, the recognition of recurrent revenue from long term subscriber commitments very seriously lags the substantial non-recurrent programming costs booked in the period. A large operating loss for the period therefore resulted. Nevertheless, Post-World Cup subscriber retention has been very satisfactory.

Broadband competition heightened during the period, with subscribers decreasing by 6% to 234,000.

Wharf T&T

During the period, the ICT business sidestepped the worst of the global financial crisis on the back of pent-up demand. The small and medium enterprises market continued to be resilient with increased ICT services adoption. Wharf T&T enhanced its competitive position in the business sector and is making additional investments to extend its network reach to 95% of the sector's footprint by 2012. Total turnover rose to HK\$833 million and a net profit of HK\$95 million was reported.

FINANCIAL REVIEW

(I) Review of 2010 Interim Results

Turnover

Group turnover of HK\$8,622 million marginally surpassed that recorded in the first half of 2009. Rental revenue continued to grow. Revenue from hotels and terminals rebounded in an improving economy. However, lower property sales were recognized.

Property Investment revenue from Hong Kong increased by 7% to HK\$3,449 million, reflecting strong underlying retail sales, whilst that from China decreased by 17% to HK\$236 million following the disposal of Beijing Capital Times Square in late 2009. With increasing demand since the second half of 2009, Hotel revenue rose by 21% to HK\$533 million. In aggregate, the Property Investment segment reported a net increase in turnover of 7% to HK\$4,218 million.

Property Development revenue decreased by 36% to HK\$1,025 million, mainly due to the timing in recognition of property sales. Property sales/pre-sales actually amounted to HK\$2.0 billion, almost unchanged from the first half of 2009. For the period under review, sales were recognised mainly in respect of the Shanghai Xin Hua Road and Dalian Times Square projects.

Logistics revenue increased by 8% to HK\$1,596 million. Modern Terminals' revenue improved by 13% to reflect a 24% increase in consolidated throughput due partly to a

market recovery and partly to the business build up in its ports in China.

CME revenue increased by 6% to HK\$1,795 million, mainly due to a 12% increase from i-CABLE with its Pay TV subscriber base expanding by 9%.

Operating Profit

Group operating profit increased by 7% to HK\$4,516 million, mainly driven by the growing rental revenue and Modern Terminals.

Property Investment remained the core contributor with a 9% increase to HK\$3,258 million. Contributions from Harbour City (excluding Hotels) and Times Square increased by 9% and 10%, respectively, despite the pressure on office rental and occupancy since late 2008. Contribution from China dropped by 5% mainly due to the disposal of Beijing Capital Times Square in late 2009.

Hotel contribution increased by 80% to HK\$144 million with overall occupancy and average room rates both much improved.

Property Development's operating profit decreased by 5% to HK\$561 million as less property sales recognised for the period under review.

Logistics' contribution rose by 30% to HK\$811 million primarily due to the recovery of Modern Terminals.

CME recorded an operating loss of HK\$15 million (2009: profit of HK\$129 million) 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 2010 FIFA World Cup and the recurrent revenue from the long term subscriber commitments.

Investment and Others segment reported an increase in operating profit to HK\$90 million (2009: HK\$25 million), mainly due to increase in interest income.

Increase in Fair Value of Investment Properties

The book value of the Group's investment property portfolio as at 30 June 2010 was HK\$124.2 billion, with HK\$119.8 billion thereof stated at fair value based on an independent valuation as at 30 June 2010, which produced a revaluation surplus of HK\$7,447 million (2009: HK\$4,476 million). The attributable net revaluation surplus of HK\$5,684 million (2009: HK\$3,683 million), after deducting related deferred tax and non-controlling interests, 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 the earlier of when their fair values first become reliably measurable or the dates of their respective completion.

Other Net Income

Other net income for the period amounted to HK\$522 million (2009: HK\$163 million), which mainly included profits on disposal of available-for-sale investments and a one-off surplus from revaluation of the interests in Hong Kong Air Cargo Terminals Limited ("Hactl") on its becoming an associate in accordance with prevailing accounting standard.

Finance Costs

Finance costs charged to the consolidated income statement were HK\$544 million for the period versus a credit of HK\$11 million in 2009. That included an unrealised mark-to-market loss of HK\$319 million (2009: gain of HK\$196 million) on the cross currency/interest rate swaps in compliance with prevailing accounting standard.

Excluding the unrealised mark-to-market impact on the swaps, finance cost after capitalisation was HK\$225 million (2009: HK\$185 million), representing an increase of HK\$40 million mainly as a result of the increase in gross borrowings.

Finance cost was stated after capitalisation of HK\$145 million (2009: HK\$86 million) in respect of the Group's related assets.

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

The share of profit of associates decreased by 28% to HK\$100 million (2009: HK\$138 million), mainly due to the decrease in contribution in relation to property development. Contribution from the jointly controlled entities decreased to HK\$7 million (2009: HK\$27 million).

Income Tax

Taxation charge for the period was HK\$1,902 million (2009: HK\$1,787 million), which included deferred taxation of HK\$1,705 million (2009: HK\$775 million) provided for the current year's investment properties revaluation surplus.

Excluding the above deferred tax, the tax charge decreased to HK\$197 million (2009: HK\$1,012 million) mainly resulting from a net tax write back of HK\$809 million upon reaching settlement on various tax disagreements with the Inland Revenue Department.

Non-controlling Interests

Profit attributable to non-controlling interests decreased by HK\$6 million to HK\$258 million, reflecting the decrease in net profits of certain non-wholly-owned subsidiaries.

Profit Attributable to Equity Shareholders

The Group's profit attributable to equity 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), based on 2,754 million issued shares.

Excluding the net investment property revaluation surplus of HK\$5,684 million (2009: HK\$3,683 million), the Group's profit attributable to shareholders for the period was HK\$4,204 million (2009: HK\$3,292 million), representing an increase of 28% over the corresponding period in 2009.

(II) Liquidity, Financial Resources and Capital Commitments

Shareholders' and Total Equity

As at 30 June 2010, the Group's shareholders' equity increased by HK\$8,430 million to HK\$123,640 million, equivalent to an increase of 7% to HK\$44.89 per share (31 December 2009: HK\$41.83 per share).

Including the non-controlling interests, the Group's total equity increased by 7% to HK\$130,644 million (31 December 2009: HK\$122,164 million).

Total Assets

The Group's total assets increased by 6% to HK\$202.3 billion (31 December 2009: HK\$190.5 billion). Total business assets, excluding bank deposit and cash, held-to-maturity investment and available-for-sale investments, increased by 7% to HK\$182.5 billion (31 December 2009: HK\$170.0 billion).

Included in the Group's total assets is the Investment Property portfolio of HK\$124.2 billion, representing 68% of total business assets. The core assets in this portfolio are Harbour City and Times Square in Hong Kong, which are valued at HK\$66.8 billion (excluding the 3 hotels) and HK\$24.9 billion, respectively. Together, they represent 74% of the value of the Investment Property portfolio.

Other major business assets included other properties and fixed assets of HK\$18.3 billion, interest in jointly controlled entities and associates (mainly for China property and port projects) of HK\$14.3 billion and properties under development and held for sale (mainly in China) of HK\$21.9 billion.

Geographically, the Group's business assets in China, mainly properties and terminals, increased to HK\$59.9 billion (31 December 2009: HK\$53.4 billion) and represented 33% of the Group's business assets.

Debts and Gearing

The Group's net debt increased by HK\$2.0 billion to HK\$23.4 billion as at 30 June 2010 (31 December 2009: HK\$21.4 billion), which was made up of HK\$41.0 billion in debts and HK\$17.6 billion in bank deposits and cash. Included in the Group's net debts were HK\$11.5 billion (31 December 2009: HK\$12.0 billion) attributable to Modern Terminals, Harbour Centre Development Limited ("HCDL") and other subsidiaries, which are without recourse to the Company and its other subsidiaries. Excluding these non-recourse debts, the Group's net debt increased by 27% to HK\$11.9 billion (31 December 2009: HK\$9.4 billion). Analysis of the net debt is as below:

<u>Net debt/(cash)</u>	30 June 2010 HK\$ Million	31 December 2009 HK\$ Million
Wharf (excluding below subsidiaries)	11,887	9,392
Modern Terminals	10,570	10,742
HCDL	1,452	1,829
i-CABLE	(539)	(531)
	<u>23,370</u>	<u>21,432</u>

As at 30 June 2010, the ratio of net debt to total equity was 17.9% (31 December 2009: 17.5%).

Finance and Availability of Facilities

The Group's total available loan facilities and debt securities as at 30 June 2010 amounting to HK\$67.9 billion, of which HK\$41.0 billion were drawn, are analysed as below:

	30 June 2010		
	Available Facility HK\$ Billion	Total Debts HK\$ Billion	Undrawn Facility HK\$ Billion
<u>Company/wholly-owned subsidiaries</u>			
Committed facilities	42.9	25.3	17.6
Uncommitted facilities	0.5	-	0.5
	<u>43.4</u>	<u>25.3</u>	<u>18.1</u>
<u>Non-wholly-owned subsidiaries</u>			
Committed and uncommitted			
- Modern Terminals	16.1	11.2	4.9
- HCDL	4.6	3.1	1.5
- i-CABLE	0.3	-	0.3
- Others	3.5	1.4	2.1
	<u>67.9</u>	<u>41.0</u>	<u>26.9</u>

Of the above debts, HK\$9,347 million (31 December 2009: HK\$8,996 million) was secured by mortgage over certain properties under development and fixed assets with total carrying value of HK\$23,827 million (31 December 2009: HK\$22,474 million).

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

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

The Group maintained a very strong financial position with ample surplus cash denominated principally in HKD and RMB and undrawn committed facilities to facilitate the Group's expanding business and investment activities. As at 30 June 2010, the Group also maintained a portfolio of available-for-sale investments with an aggregate market value of HK\$2.2 billion (31 December 2009: HK\$1.3 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 for operating activities decreased to HK\$0.5 billion (2009: HK\$3.0 billion), primarily due to payment for land and construction cost for trading properties under development. For investing activities, the Group reported a net cash inflow of HK\$2.3 billion (2009: HK\$0.3 billion), mainly representing the balance of the proceeds from the disposal of Beijing Capital Times Square in 2009 and uplift of bank deposits with maturity greater than three months.

Major Expenditure and Commitments

The major expenditure incurred by the Group's core businesses during the period and related commitments at 30 June 2010 are analysed as follows:

Business Unit/Company	Expenditure for 1-6/2010	Commitments as at 30 June 2010	
	HK\$ Million	Authorised and Contracted for HK\$ Million	Authorised but not Contracted for HK\$ Million
a. Capital expenditure			
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
	<u>1,151</u>	<u>7,935</u>	<u>14,694</u>
b. Programming and others	<u>38</u>	<u>2,111</u>	<u>124</u>
c. Trading properties under development			
Subsidiaries (China/Hong Kong)	4,352	7,941	25,180
JCEs/ associates (China)	1,736	4,646	13,153
	<u>6,088</u>	<u>12,587</u>	<u>38,333</u>

For the Property Investment segment, the capital expenditure incurred was mainly for the construction of 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 the construction of the Dachan Bay project. i-CABLE and Modern Terminals, respectively 73.8% and 67.6% owned by the Group, independently funded their own capital expenditure programmes.

In addition to the capital expenditure, the Group also incurred HK\$6.1 billion for development of its trading properties in China, either wholly-owned or undertaken through associates and jointly controlled entities.

As at 30 June 2010, the total outstanding commitments for the development of properties for investment or trading purposes was about HK\$71.2 billion, including attributable land cost of HK\$13.9 billion payable by installments mainly from 2010 to 2013. These developments will be executed by stages in the forthcoming years and funded by the Group's internal financial resources including its surplus cash of HK\$17.6 billion, as well as bank and other financings. Other available resources include proceeds from sales and pre-sales of properties.

(III) Human Resources

The Group had approximately 13,000 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

		Six months ended 30 June	
		2010	2009
	Note	HK\$ Million	HK\$ Million
Turnover	2	8,622	8,611
Direct costs and operating expenses		(2,622)	(2,910)
Selling and marketing expenses		(385)	(346)
Administrative and corporate expenses		(450)	(500)
Operating profit before depreciation, amortisation, interest and tax		5,165	4,855
Depreciation and amortisation		(649)	(644)
Operating profit	2 & 3	4,516	4,211
Increase in fair value of investment properties		7,447	4,476
Other net income	4	522	163
		12,485	8,850
Finance (costs)/credits	5	(544)	11
Share of results after tax of:			
Associates		100	138
Jointly controlled entities		7	27
Profit before taxation		12,048	9,026
Income tax	6	(1,902)	(1,787)
Profit for the period		10,146	7,239
Profit attributable to :			
Equity shareholders		9,888	6,975
Non-controlling interests		258	264
		10,146	7,239
Earnings per share	7	HK\$3.59	HK\$2.53

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Six Months Ended 30 June 2010 – Unaudited

	Six months ended 30 June	
	2010	2009
	HK\$ Million	HK\$ Million
Profit for the period	10,146	7,239
Other comprehensive income		
Exchange difference	290	(49)
Available-for-sale investments :		
Net movement in the investments revaluation reserves	(28)	260
Surplus on revaluation	9	268
Transferred to consolidated income statement on disposal	(37)	(8)
Share of other comprehensive income of associates/jointly controlled entities	67	(4)
Others	(23)	(5)
Other comprehensive income for the period	306	202
Total comprehensive income for the period	10,452	7,441
Total comprehensive income attributable to:		
Equity shareholders	10,193	7,134
Non-controlling interests	259	307
	10,452	7,441

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 30 June 2010 – Unaudited

		30 June 2010	31 December 2009
	Note	HK\$ Million	HK\$ Million
Non-current assets			
Investment properties		124,198	115,492
Other properties, plant and equipment		14,593	14,722
Leasehold land		3,747	3,788
Total fixed assets		142,538	134,002
Goodwill and other intangible assets		297	297
Interest in associates		5,052	4,238
Interest in jointly controlled entities		9,201	7,551
Available-for-sale investments		2,170	1,331
Long term receivables		6	249
Programming library		108	113
Employee retirement benefit assets		138	139
Deferred tax assets		373	366
Derivative financial assets		147	318
		160,030	148,604
Current assets			
Properties for sale		21,852	17,797
Inventories		110	107
Held-to-maturity investments		-	794
Trade and other receivables	9	2,493	4,554
Derivative financial assets		198	193
Bank deposits and cash		17,613	18,412
		42,266	41,857
Current liabilities			
Trade and other payables	10	(5,274)	(5,632)
Deposits from sale of properties		(3,447)	(2,608)
Derivative financial liabilities		(150)	(100)
Taxation payable		(1,425)	(1,581)
Bank loans and other borrowings		(8,124)	(8,328)
		(18,420)	(18,249)
Net current assets		23,846	23,608
Total assets less current liabilities		183,876	172,212

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 30 June 2010 – Unaudited

	Note	30 June 2010 HK\$ Million	31 December 2009 HK\$ Million
Non-current liabilities			
Bank loans and other borrowings		(32,859)	(31,516)
Deferred tax liabilities		(19,030)	(17,215)
Other deferred liabilities		(274)	(262)
Derivative financial liabilities		(1,069)	(1,055)
		<u>(53,232)</u>	<u>(50,048)</u>
NET ASSETS		<u>130,644</u>	<u>122,164</u>
Capital and reserves			
Share capital		2,754	2,754
Reserves		<u>120,886</u>	<u>112,456</u>
Shareholders' equity		<u>123,640</u>	<u>115,210</u>
Non-controlling interests		<u>7,004</u>	<u>6,954</u>
TOTAL EQUITY		<u>130,644</u>	<u>122,164</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Principal Accounting Policies and Basis of Preparation

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

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

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 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 (“HKFRS”) 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 combination

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 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 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 HKFRS3 and the revised HKAS27. 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 and China.

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

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 (“Modern Terminals”) 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 HK\$ Million	Operating profits/ (losses) HK\$ Million	Increase in fair value of investment properties HK\$ Million	Net other income HK\$ Million	Finance (costs)/ credits HK\$ Million	Associates HK\$ Million	Jointly controlled entities HK\$ Million	Profit before taxation HK\$ Million
30 June 2010								
Property investment	4,218	3,258	7,447	-	(182)	-	-	10,523
Hong Kong	3,449	2,975	5,989	-	(144)	-	-	8,820
China	236	139	1,458	-	(35)	-	-	1,562
Hotels	533	144	-	-	(3)	-	-	141
Property development	1,025	561	-	20	(43)	9	(10)	537
Hong Kong	1	1	-	-	-	10	-	11
China	1,024	560	-	20	(43)	(1)	(10)	526
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	138	90	-	64	(180)	-	-	(26)
Inter-segment revenue	(150)	-	-	-	-	-	-	-
Segment total	8,622	4,705	7,447	522	(544)	100	7	12,237
Corporate expenses	-	(189)	-	-	-	-	-	(189)
Group total	8,622	4,516	7,447	522	(544)	100	7	12,048
30 June 2009								
Property investment	3,953	2,988	4,476	10	(165)	-	-	7,309
Hong Kong	3,228	2,761	4,474	10	(142)	-	-	7,103
China	285	147	2	-	(17)	-	-	132
Hotels	440	80	-	-	(6)	-	-	74
Property development	1,612	589	-	-	(12)	41	8	626
Hong Kong	-	-	-	-	-	41	-	41
China	1,612	589	-	-	(12)	-	8	585
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	35	25	-	153	137	-	-	315
Inter-segment revenue	(165)	-	-	-	-	-	-	-
Segment total	8,611	4,357	4,476	163	11	138	27	9,172
Corporate expenses	-	(146)	-	-	-	-	-	(146)
Group total	8,611	4,211	4,476	163	11	138	27	9,026

b. Analysis of inter-segment revenue

	2010			2009		
	Total	Inter-segment	Group	Total	Inter-segment	Group
	Revenue	revenue	Revenue	Revenue	revenue	Revenue
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Six months ended 30 June	Million	Million	Million	Million	Million	Million
Property investment	4,218	(74)	4,144	3,953	(81)	3,872
Property development	1,025	-	1,025	1,612	-	1,612
CME	1,795	(76)	1,719	1,693	(84)	1,609
Logistics	1,596	-	1,596	1,483	-	1,483
Investment and others	138	-	138	35	-	35
	8,772	(150)	8,622	8,776	(165)	8,611

c. Geographical information

	Revenue		Operating profit	
	2010	2009	2010	2009
	HK\$	HK\$	HK\$	HK\$
	Million	Million	Million	Million
Six months ended 30 June				
Hong Kong	7,061	6,598	3,964	3,519
China	1,540	1,996	531	674
Singapore	21	17	21	18
Group total	8,622	8,611	4,516	4,211

3. Operating Profit

Operating profit is arrived at :

	Six months ended 30 June	
	2010	2009
	HK\$ Million	HK\$ Million
After charging / (crediting) :		
Depreciation		
– assets held for use under operating leases	57	63
– other fixed assets	503	490
	<u>560</u>	<u>553</u>
Amortisation		
– programming library	43	47
– leasehold land	46	44
Total depreciation and amortisation	<u>649</u>	<u>644</u>
Staff cost	1,284	1,214
Cost of trading properties sold during the period	435	922
Rental income less direct outgoings (Note)	(3,174)	(2,953)
Interest income	(76)	(16)
Dividend income from listed investments	(24)	(17)
Dividend income from unlisted investments	(16)	(29)
Profit on disposal of fixed assets	<u>(7)</u>	<u>(13)</u>

Notes :Rental income included contingent rentals of HK\$550 million (2009: HK\$338 million).

4. Other Net Income

Other net income includes (a) a one-off surplus of HK\$437 million on revaluation of the interests in Hactl on its becoming the Group's associate, (b) net profit on disposal of available-for-sale investments of HK\$115 million (2009: net loss of HK\$5 million) which includes a revaluation surplus of HK\$37 million (2009: HK\$8 million) transferred from the investments revaluation reserves of the Group and (c) net foreign exchange loss of HK\$30 million (2009: gain of HK\$69 million).

5. Finance Costs / (Credits)

	Six months ended 30 June	
	2010	2009
	HK\$ Million	HK\$ Million
Interest charged on :-		
Bank loans and overdrafts repayable within five years	185	159
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	279	256
Other finance costs	91	15
Less: Amount capitalised	(145)	(86)
	225	185
Fair value cost / (gain) :-		
Cross currency interest rate swaps	29	96
Interest rate swaps	290	(292)
	544	(11)

The Group's average effective borrowing rate for the period was 2.0% p.a. (2009: 1.5% p.a.)

6. Income Tax

Taxation charged to the consolidated income statement represents :

	Six months ended 30 June	
	2010	2009
	HK\$ Million	HK\$ Million
Current income tax		
Hong Kong		
- provision for the period	593	521
- (over) / underprovision in respect of prior years	(809)	186
Outside Hong Kong		
- provision for the period	140	128
- underprovision in respect of prior years	21	-
	(55)	835
Land appreciation tax ("LAT") in China	167	140
Deferred tax		
Change in fair value of investment properties	1,705	775
Origination and reversal of temporary differences	85	37
	1,790	812
	1,902	1,787

- 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 rates of 25% and China withholding income tax at a rate of 10%.
- c. Under the Provisional Regulations on LAT, all gains arising from transfer of real estate property in 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\$39 million (2009: HK\$28 million) is included in the share of results of associates and jointly controlled entities.
- e. The Group reached a settlement with the Inland Revenue Department on various tax disagreements in respect of the deductibility of interest expenses and the concerned over-provisions made in previous years totalling HK\$809 million was written back.

7. Earnings per Share

The calculation of earnings per share is based on the earnings attributable to ordinary equity shareholders for the period of HK\$9,888 million (30 June 2009: HK\$6,975 million) and the weighted average of 2,754 million ordinary shares (30 June 2009: 2,754 million shares) in issue during the period.

There were no potential diluted ordinary shares in existence during the periods ended 30 June 2010 and 2009.

8. Dividends

- a. The below interim dividends were proposed after the period end dates which have not been recognised as liabilities at the period end dates :

	Six months ended 30 June	
	2010	2009
	HK\$ Million	HK\$ Million
Interim dividend of 36 cents (2009 : 36 cents) proposed after the period end date per share	991	991

- b. Dividends recognised as distribution during the period :

	Six months ended 30 June	
	2010	2009
	HK\$ Million	HK\$ Million
2009 Final dividend paid of 64 cents per share	1,763	-
2008 Final dividend paid of 44 cents per share	-	1,212
	1,763	1,212

9. Trade and Other Receivables

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

	30 June 2010 HK\$ Million	31 December 2009 HK\$ Million
Trade receivables		
0 - 30 days	515	417
31 – 60 days	90	170
61 – 90 days	63	43
Over 90 days	93	68
	761	698
Other receivables	1,732	3,856
	2,493	4,554

The Group has established credit policies for each of its core businesses. The general credit terms allowed range from 0 to 60 days, except for sale of properties the proceeds from which are receivable pursuant to the terms of the agreements. All the receivables are expected to be virtually recoverable within one year.

10. Trade and Other Payables

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

	30 June 2010 HK\$ Million	31 December 2009 HK\$ Million
Trade payables		
0 - 30 days	248	200
31 - 60 days	99	53
61 - 90 days	45	25
Over 90 days	53	72
	445	350
Rental deposits	1,598	1,638
Construction costs payable	942	1,123
Other payables	2,289	2,521
	5,274	5,632

11. Events after the Reporting Period

On 28 July 2010, the Group together with Nan Fung group succeeded in bidding a 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.

12. Comparative Figures

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

13. 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, Ms. Doreen Y. F. Lee, Mr. T. Y. Ng and Mr. Paul Y. C. Tsui, together with six Independent Non-executive Directors, namely, Hon. Paul M. P. Chan, Professor Edward K. Y. Chen, Dr. Raymond K. F. Ch'ien, Hon. Vincent K. Fang, Mr. Hans Michael Jebsen and Mr. James E. Thompson.