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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 2011

Solid cash flow consistent with plan

HIGHLIGHTS

- Robust retail sales and tightening of prime office supply advanced Harbour City and Times Square to a record performance. Hotels also reported a solid performance.
- On an attributable basis, China property sales tracked the Group's plan and increased by 271% to RMB6.3 billion. Completions during the period totalled 160,000 square metres. Net order book increased to RMB14.9 billion for 945,000 square metres.
- Modern Terminals' throughput growth in South China slowed; margin declined due to one-off items and rising operating costs. Hong Kong Air Cargo Terminals' throughput slipped.
- All segments reported higher turnover and (except Logistics) operating profit.
- Non-recurrent items accounted for HK\$1.2 billion of net profit in 2010. Excluding non-recurrent items, underlying profit increased by 11% to HK\$3.3 billion. Attributable profit increased by 31% to HK\$14.3 billion.
- EPS (before investment property revaluation) declined by 26% to HK\$1.11. DPS is maintained at 36 cents on the enlarged share capital to give a dividend cover at 3.1 times.
- New investments in the period exceeded HK\$20 billion, primarily for China properties. China landbank increased to 12.4 million square metres.

- That was funded by HK\$10 billion of new equity and HK\$10 billion of additional debt.
- Book NAV increased by 14% to HK\$187 billion (HK\$61.59 per share).

GROUP RESULTS

Unaudited Group profit attributable to equity shareholders amounted to HK\$14,302 million (2010: HK\$10,892 million as restated). Basic earnings per share were HK\$4.84 (2010: HK\$3.85 as restated).

Excluding the investment property revaluation surplus and one-off exceptional gains recorded in 2010, the Group's underlying profit attributable to equity shareholders increased by 11% to HK\$3,283 million (2010: HK\$2,958 million).

INTERIM DIVIDEND

An interim dividend of HK\$0.36 (2010: HK\$0.36) per share on the expanded share capital will be paid on 30 September 2011 to Shareholders on record as at 22 September 2011, absorbing a total amount of HK\$1,091 million (2010: HK\$991 million).

BUSINESS REVIEW

HONG KONG PROPERTY INVESTMENT

Harbour City and Times Square, representing 47% of the Group's business assets and 64% of operating profit, continued to perform strongly. Retail sales conducted within these two core assets during the period accounted for an unmatched 8.3% share of Hong Kong's total retail sales, up from 7.9% a year earlier.

Harbour City

Turnover (excluding hotels) increased by 13% to HK\$2,655 million and operating profit by 13% to HK\$2,313 million.

Retail

As the largest mall in town, Harbour City's retail sales performance continued to outpace the market with a 33% year-on-year growth, 9 percentage points higher than the marketplace. During the period, Harbour City commanded a 6.2% share of Hong Kong's retail sales, a unique level the envy of other shopping malls in Hong Kong.

Turnover from Harbour City's retail sector increased by 20% to HK\$1,723 million.

Harbour City continues to provide a captivating "shoppertainment" experience to shoppers through a finely calibrated trade mix and innovative marketing campaigns. During the period, international labels including *Tom Ford* and *Chloe* opened stores at Harbour City. The world-renowned chef, *Michael White*, opened his first Hong Kong restaurant at Ocean Terminal. LCX also underwent tenant-mix revamp and recruited the first *American Eagle* store in Asia, a

favourite brand for youngsters.

Office

Turnover increased by 2% to HK\$787 million. Reflecting the buoyant business activities, occupancy and rental rates for new commitments trended up strongly during the period.

Occupancy stood at 95% at the end of June, and lease renewal retention rate held up well at 73%, including renewal with anchor tenants including *Hasbro*, *Du Pont*, *Estee Lauder* and *Mattel*, while *Prudential's* expanded its leased space at The Gateway.

Serviced Apartments

Turnover increased by 10% to HK\$145 million. Occupancy at Gateway Apartments rose to 94% at the end of June with favourable rental growth.

Times Square

Turnover increased by 10% to HK\$815 million and operating profit by 11% to HK\$727 million.

Retail

Times Square remains the most successful vertical shopping mall in Hong Kong. Retail revenue grew by 15% to HK\$587 million, with full occupancy during the period.

To uplift the shopping ambiance, tenant mix on the various atrium floors was further fine-tuned, with new recruitments including *Shanghai Tang* and *LACOSTE*, as well as relocation of some existing tenants to enhance the shopping experience. *Elegant Watch & Jewellery* has committed to expand to widen the watch and jewellery offering, while *Manzo*, a premium Italian steak house, opened during the period.

Office

Turnover increased marginally to HK\$228 million, with occupancy climbing to 96% at the end of June and strong growth in spot rents.

Alibaba, an e-commerce operator, has leased 26,000 square feet of office space at Times Square for consolidation and relocation from Wanchai, and *EQ Corporate*, an asset management company, has leased 19,400 square feet for relocation from Central. Lease renewal retention rate stood at 28% as some tenants moved to fringe locations, although any non-renewed space was rapidly absorbed by new tenants.

Other Hong Kong Properties

Leasing for the Peak Portfolio remained active with average occupancy maintained at over 90% and strong rental growth.

Plaza Hollywood posted a 7% growth in turnover to HK\$186 million with favourable rental growth. Average occupancy stood at 99%.

Mount Nicholson is being developed through a 50:50 joint venture with Nan Fung. The development offers exclusive luxurious residences with ultimate privacy, with an attributable GFA of 162,000 square feet. The master layout plan and general building plan have been submitted for approval.

One Midtown (*formerly identified as Cable TV Tower South Project*) in Tsuen Wan is being developed into a high-rise industrial / loft building, with a total GFA of 644,000 square feet. The development is scheduled for completion in the second half of 2012.

Kowloon Godown in Kowloon Bay has been given approval for a residential and commercial development with a GFA of 829,000 square feet. The master layout plan has been approved and lease modification application is underway.

Yau Tong Godown was given approval for a residential and commercial development with a GFA of 256,000 square feet. Negotiation on lease modification premium is underway.

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

CHINA PROPERTIES

The Group is on course with its strategy to increase Mainland assets to 50% of the Group's business assets, with 39% of business assets in China at the end of June.

During the first half of 2011, the Group acquired ten sites in the cities of Changsha, Hangzhou, Suzhou and Foshan for development of eight projects with an attributable GFA of 2.0 million square metres for RMB13 billion. The Group's landbank increased by 17% to 12.4 million square metres at the end of June, spanning across 13 cities, and is on track to the next milestone of 15 million square metres. The RMB required for all outstanding land payments has been fully covered.

Turnover from China property development increased by 31% to HK\$1,343 million with operating profit at HK\$568 million. Profits recognised during the period primarily included contributions from Tian Fu Times Square and Crystal Park in Chengdu.

During the period, four new projects were launched for sales. Together with further sales from projects previously launched, a total of 437,000 square metres of properties were sold to generate attributable sales proceeds of RMB6.3 billion, 271% higher than 2010. Net order book increased to RMB14.9 billion at the end of June.

For China property investment, turnover and operating profit increased as a result of contribution from Wheelock Square in Shanghai, notwithstanding the closure of Chongqing Times Square for renovation. Wheelock Square is leasing up well and will gain further momentum in the second half. The completed investment properties were valued at HK\$13 billion at the end of June.

Property Development – Eastern China

Sales

Suzhou Times City (*formerly identified as Suzhou Industrial Park Project*) was launched in May, with 83% of the units offered sold by 30 June at an average price of RMB13,900 per square metre of GFA for proceeds of RMB410 million.

For projects previously launched, Shanghai Xiyuan sold more units during the period at an average selling price of over RMB52,000 per square metre of GFA to generate proceeds of RMB890 million. Changzhou Times Palace also sold more units to generate proceeds of RMB696 million.

In Suzhou, Ambassador Villa sold additional villas at an average selling price of RMB51,100 per square metre of GFA to generate proceeds of RMB337 million. Other projects including Times City and Glory of Time in Wuxi, Golf Landmark in Hangzhou and No. 1 Xin Hua Road in Shanghai also made further sales with favourable response.

In July, the Group launched another new project, Wuxi Xiyuan (*formerly identified as Wuxi Old Canal No. 71 Project*), with the villa sold at an average selling price of over RMB23,000 per square metre of GFA to generate proceeds of RMB113 million.

Acquisitions

In January and March, the Group acquired two residential sites in Hangzhou. The first site is located in Fu Yang District with attractive river and mountain views and the second site is in Yuhang District in the new Qianjiang Development Area near the touristy Chaoshan Scenic District. The sites are developable into 129,000 square metres of GFA and 220,000 square metres of GFA respectively.

In Suzhou, the Group acquired two sites in January next to Yin Shan Hu in Wu Zhong District, a focal development area by the Suzhou government. This will be a high-end residential development with a GFA of 385,000 square metres with easy access to a future metro station nearby.

Development Progress

The first phase of residential units of Changzhou Times Palace is scheduled for completion in the second half of 2011. The State Guest House, five-star hotel and serviced apartments will be completed in 2012.

The first phases of Ambassador Villa in Suzhou and Glory of Time in Wuxi are scheduled for completion in late 2011.

Superstructure work of Shanghai Xiyuan is underway with scheduled completion in 2012. The Shanghai metro line 10 station adjacent to the development is already in operation to provide easy access to the city centre.

Other developments in Eastern China are progressing on schedule.

Property Development – Western China

Sales

The U World in Chongqing (*formerly identified as Chongqing Jiangbei City Zone B Project*) was launched in April, with nearly 90% of the units launched in the first 2 phases sold by 30 June at an average price of RMB22,100 per square metre of GFA. Another phase of high-rise residential units launched in late June has also met with strong demand. Cumulative attributable proceeds generated have reached RMB715 million.

International Community in Chongqing released more units to meet with the strong local market demand to generate attributable proceeds of RMB494 million. The development set a record with sale of over 1,000 residential units in one single day.

In Chengdu, Tian Fu Times Square released its second tower of Times Riverside and additional office units at Times 8 to generate proceeds of RMB752 million. Crystal Park made more sales to generate proceeds of RMB352 million.

Development Progress

The final three residential towers of Tian Fu Times Square were completed in June, while the two office towers are scheduled for completion in 2012 and 2013. Crystal Park completed four additional residential towers in June; the remaining residential towers and one office tower will be completed in phases by 2013. Other developments in Chengdu are progressing as planned.

In Chongqing, another phase of International Community was completed during the period. Construction of The U World is underway with scheduled completion in phases by 2015. Excavation work of the Zone C residential site is in progress.

Property Development – Other Regions

Sales

Peaceland Cove in Tianjin was launched in February, with 81% of the units offered sold by 30 June at an average price of RMB13,100 per square metre of GFA for attributable proceeds of RMB494 million.

Magnificent in Tianjin (*formerly identified as Tianjin Jin Jiang Lu project*) was launched in May, with 83% of the units offered sold by 30 June at an average price of RMB14,300 per square metre of GFA for attributable proceeds of RMB402 million.

Acquisitions

In June, the Group acquired the 50% shares in the joint ventures of four residential projects in Foshan, Guangdong, from Wheelock & Company Limited for a consideration of HK\$3,388 million, based on a property valuation of HK\$5,138 million. These projects are developed through 50:50 joint ventures with China Merchants Property.

Evian Town is located in Xincheng District, overlooking Dong Ping River. The development comprises townhouses, low-rise and high-rise residences. The attributable uncompleted GFA acquired by the Group amounted to 186,000 square metres. The development will be completed in 2013.

Evian Uptown is located in Chancheng District, at the junction of Kuiqi Road and Guilan Road. The attributable uncompleted GFA in this residential site acquired by the Group totaled 111,000 square metres. The development will be completed by phases by 2014.

依雲曦城 is located in the centre of Shishan Town. This upscale residential development offers an attributable GFA of 155,000 square metres. Foundation work is underway with full completion scheduled in 2015.

依雲天匯 consists of two sites located at the western side of Nanhan District. The sites offer a combined attributable GFA of 112,200 square metres. Construction has commenced with full completion scheduled in 2015.

Property Investment

Leasing activities of Wheelock Square in Shanghai have continued to gain pace. Over 70% of the office area has already been committed with the latest monthly rental rates at over RMB400 per square metre. Higher floors will be released to fetch higher rates. This premier-grade development continues to attract multinationals and major corporations.

Chongqing Times Square completed its premises transformation into a modern and stylish shopping mall. A soft re-opening took place in early July, with various international brands poised to open their stores during August and September.

Dalian Times Square continued to deliver remarkable performance with a 38% growth in retail sales per square metre and full occupancy. To fortify its leading position, reconfiguration work will commence in early 2012 to accommodate the opening of *Chanel* and other brand re-positioning exercises.

Shanghai Times Square continued to perform satisfactorily during the period with 93% retail and 96% office occupancy.

International Finance Centres

In January, the Group acquired a prime site in the city centre of Changsha for the development of Changsha IFC. The project will comprise three towers (with two of them in excess of 300 metres in height) atop a 250,000 square metres retail podium, offering upscale retail, Grade A offices, a five-star hotel and luxury apartments, with a total GFA of 700,000 square metres. Construction will start in late 2011 for full completion in 2016.

Chengdu IFC is the Group's next flagship investment property being rolled out in the busiest pedestrian shopping area of Chengdu. Construction of phase one, which includes the retail complex and an office tower, is underway with scheduled completion in 2013.

Construction of Chongqing IFC, a 50:50 joint venture development with China Overseas Land & Investment in Jiangbei City, the new CBD of Chongqing, is underway with full completion scheduled in 2015.

Development of Wuxi IFC and Suzhou IFC is progressing as planned.

MARCO POLO HOTELS

Powered by strong inbound tourism and vibrant business travel, revenue from the Marco Polo hotels and club grew by 11% to HK\$593 million during the period.

Consolidated occupancy of the three Marco Polo hotels in Hong Kong was 81%, with a 21% increase in average room rates. Other Marco Polo hotels performed robustly in their respective locations, with Marco Polo Wuhan, the Group's flagship on the Wuhan Bund overlooking the Yangtze River, posting a 16% growth in average room rates.

The managed Marco Polo Foshan in Lingnan Tiandi will open in 2011. From 2012 onwards, a host of new Marco Polo hotels in the cities of Changzhou, Changsha, Chengdu, Chongqing, Manila, Guiyang, Suzhou and Wuxi will come on stream.

MODERN TERMINALS

Following the sharp rebound in 2010, global trade growth slowed down during the first half of 2011. Container throughput in South China posted a growth rate of under 3%.

Modern Terminals' consolidated revenue increased by 6% to HK\$1,620 million during the period. However, operating profit decreased by 15% to HK\$675 million partly due to one-off items but also as a result of rising operating costs. Throughput in Hong Kong grew modestly to 2.7 million TEUs.

In China, throughput at Taicang International Gateway in Suzhou grew by 9% to 685,000 TEUs, while Da Chan Bay Terminal One in Shenzhen handled 343,000 TEUs during the period, 19% higher than last year. Throughput growth was also reported at Shekou Container Terminal and Chiwan Container Terminals, both in Shenzhen, in which Modern Terminals holds strategic stakes.

OTHER BUSINESSES

i-CABLE

i-CABLE's efforts to rebuild revenue and profitability have started to pay off. Turnover increased by 9% to HK\$1,051 million while net loss of HK\$55 million represented a 62% improvement. Its financial position remains solid with net cash of HK\$369 million.

i-CABLE continues to invest in premier content that attracts higher viewership to reinforce and expand market share under its well-tested strategy. Broadband service and network upgrades continued notwithstanding the challenging competitive environment.

Wharf T&T

The ICT industry benefited from the rally of IT and telecom spending to cope with business demand during the period. Data business stood to gain from the invigorating bandwidth consumption. New projects and infrastructure investment in the enterprise sector boosted chain demand on server, storage and router / switching equipment, fibre connectivity, security and system integration savoir-faire. Wharf T&T's revenue rose by 6% to HK\$879 million and net profit by 8% to HK\$103 million, with stable net cash inflow.

Hong Kong Air Cargo Terminals

Hong Kong Air Cargo Terminals, a 20.8% associate of the Group, reported a throughput drop of 4.6% during the period. The supply chain disruption arising from the earthquake and tsunami in Japan, labour shortage in Pearl River Delta and the inward migration of manufacturers in China, have affected air cargo volume in Hong Kong.

FINANCIAL REVIEW

(I) REVIEW OF 2011 INTERIM RESULTS

The Group continued to deliver robust performance, with consolidated turnover and operating profit both achieving double-digit growth. Inclusive of the surplus arising on the revaluation of investment properties, Group profit increased by 31% to HK\$14,302 million (2010: HK\$10,892 million). Exclusive of the revaluation surplus, and the exceptional gains in 2010 comprising a one-off tax write back and a surplus from revaluation of the interest in an associate totalling HK\$1,246 million, underlying profit increased by 11% to HK\$3,283 million (2010: HK\$2,958 million).

Turnover

Group turnover increased by 13% to HK\$9,745 million (2010: HK\$8,622 million), with all business segments reporting an increase.

Property Investment revenue from Hong Kong increased by 12% to HK\$3,856 million, underpinned by the outstanding sales achieved by the retail tenants and recovery of office rents. Revenue from the Mainland increased by 34% to HK\$317 million due to the newly completed Shanghai Wheelock Square and favourable rental reversion for other properties. Hotel revenue increased by 11% to HK\$593 million. In aggregate, the segment reported an increase in revenue of 13% to HK\$4,766 million.

Property Development reported a 31% increase in turnover to HK\$1,343 million, with completions at Chengdu Crystal Park and Chengdu Tian Fu Times Square. Inclusive of joint ventures on an attributable basis, new sales and presales of HK\$7,610 million were contracted (2010: HK\$1,957 million) to increase cumulative presales pending recognition to HK\$17,960 million.

Logistics revenue reported an increase of 5% to HK\$1,673 million. Modern Terminals' revenue improved by 6% mainly due to higher throughput handled in both Hong Kong and the Mainland.

CME revenue increased by 8% to HK\$1,930 million, resulting from a 9% increase reported by i-CABLE and a 6% increase reported by Wharf T&T.

Operating Profit

Group operating profit increased by 10% to HK\$4,980 million with all segments reporting an increase except for Logistics.

Property Investment remained the largest contributor with a 14% increase to HK\$3,712 million. Contributions from Harbour City (excluding hotels) and Times Square increased by 13% and 11%, respectively. Operating profit from the Mainland increased by 39%, mainly due to Shanghai Wheelock Square.

Hotels contribution increased by 30% to HK\$187 million due to improved room rates.

Property Development's operating profit increased by only 1% to HK\$568 million, as a result of the project completion schedule.

Logistics' contribution dropped by 16% to HK\$682 million, mainly due to higher operating expenses that exceeded the increased revenue of Modern Terminals.

CME turned around from an operating loss to a profit of HK\$50 million. Wharf T&T's operating profit increased by 8% to HK\$103 million, while i-CABLE's operating loss reduced by half to HK\$53 million.

Contribution from Investment and Others increased by 90% to HK\$171 million, mainly due to increase in interest income and dividend income.

Increase in Fair Value of Investment Properties

The book value of the Group's investment property portfolio as at 30 June 2011 totalled HK\$169.1 billion, with HK\$154.8 billion thereof stated at fair value based on an independent valuation as at that date. That resulted in a revaluation surplus of HK\$11,614 million (2010: HK\$7,447 million), reflecting the continuous strong performance of the Group's investment properties. The attributable net revaluation surplus of HK\$11,019 million (2010: HK\$6,688 million as restated), after deducting related deferred tax and non-controlling interests, was credited to the consolidated income statement.

Investment properties in the amount of HK\$14.3 billion which had not been revalued were all under development and will not be carried at fair value until the earlier of their fair values first becoming reliably measurable or the dates of completion.

Other Net Income

Other net income decreased by 77% to HK\$122 million mainly due to the absence of a one-off surplus from revaluation of the interests in Hong Kong Air Cargo Terminals Limited ("Hactl") in 2010 on its became an associate.

Finance Costs

Finance costs charged to the consolidated income statement were HK\$775 million (2010: HK\$544 million). That included an unrealised mark-to-market loss of HK\$369 million (2010: HK\$319 million) on the cross currency/interest rate swaps in accordance with prevailing accounting standard.

Excluding the said unrealised mark-to-market loss, finance cost after capitalisation was HK\$406 million (2010: HK\$225 million), representing an increase of HK\$181 million mainly as a result of the increase in gross borrowings.

Finance cost was stated after capitalisation of HK\$175 million (2010: HK\$145 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 increased by 88% to HK\$188 million, mainly due to contribution from Hactl, which became an associate in May 2010. Share of results of jointly controlled entities reported a net loss of HK\$9 million (2010: profit of HK\$7 million) in the absence of any major property completion in the Mainland.

Income Tax

Taxation charge for the period was HK\$1,511 million (2010: HK\$889 million as restated), which included deferred taxation of HK\$518 million (2010: HK\$692 million as restated) provided for the current period's revaluation gain attributable to investment properties in the Mainland.

Excluding the above deferred tax, the tax charge was HK\$993 million (2010: HK\$197 million). The tax charge in 2010 was exceptionally lower mainly due to the inclusion of a tax write back of HK\$809 million upon reaching a settlement on various prolonged tax disagreements with the Inland Revenue Department.

Non-controlling Interests

Profit attributable to non-controlling interests increased by HK\$40 million to HK\$307 million.

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders for the period ended 30 June 2011 amounted to HK\$14,302 million (2010: HK\$10,892 million as restated), representing an increase of 31%. Basic earnings per share were HK\$4.84, based on weighted average of 2,952 million shares after taking the effect of the Rights Issue (2010: HK\$3.85 based on 2,829 million shares as restated for the Rights Issue).

Excluding the net investment property revaluation surplus of HK\$11,019 million (2010: HK\$6,688 million as restated), Group underlying profit attributable to shareholders for the period was HK\$3,283 million (2010: HK\$4,204 million), representing a decrease of 22%, as a result of the exceptional income in 2010 amounting to HK\$1,246 million on tax write back and surplus from revaluation of Hactl. Before the exceptionals, the underlying profit rose by 11%. Underlying earnings per share were HK\$1.11.

(II) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL COMMITMENTS

Shareholders' and Total Equity

As at 30 June 2011, the Group's shareholders' equity increased by 14% or HK\$23,465 million to HK\$186,554 million, equivalent to HK\$61.59 per share based on 3,029 million issued shares after the rights issue completed in March 2011 (31 December 2010: HK\$59.22 per share based on 2,754 million issued shares).

Including the non-controlling interests, the Group's total equity increased by 14% to HK\$193,961 million (31 December 2010: HK\$170,649 million).

Rights Issue

In March 2011, the Company strengthened its equity base by completion of an issue of 275 million new ordinary shares at HK\$36.5 each by way of rights with net proceeds of HK\$10.0 billion received.

Total Assets

The Group's total assets increased by 16% to HK\$281.8 billion (31 December 2010: HK\$242.2 billion). Total business assets, excluding bank deposit and cash, available-for-sale investments, deferred tax assets and other derivative financial assets,

increased by 17% to HK\$257.1 billion (31 December 2010: HK\$220.2 billion).

Included in the Group's total assets is the investment property portfolio of HK\$169.1 billion, representing 66% of total business assets. The core assets in this portfolio are Harbour City and Times Square in Hong Kong, which are valued at HK\$87.1 billion (excluding the 3 hotels) and HK\$32.0 billion, respectively. Together, they represent 70% of the total value of the portfolio.

Other major business assets included other properties and fixed assets of HK\$18.5 billion, interests in jointly controlled entities and associates (mainly for Mainland property and port projects) of HK\$25.9 billion and properties under development and held for sale (mainly in the Mainland) of HK\$40.3 billion.

Geographically, the Group's business assets in the Mainland, mainly properties and terminals, increased to HK\$100.1 billion (31 December 2010: HK\$74.8 billion), representing 39% of the Group's total business assets.

Debts and Gearing

Principally due to the increase in investments in China properties, the Group's net debt increased by HK\$9.8 billion to HK\$42.5 billion as at 30 June 2011 (31 December 2010: HK\$32.7 billion), which was made up of HK\$62.4 billion in debts and HK\$19.9 billion in bank deposits and cash. Included in the Group's net debt were HK\$9.0 billion (31 December 2010: HK\$9.3 billion) attributable to Modern Terminals, Harbour Centre Development Limited ("HCDL") and other subsidiaries, which are without recourse to the Company and its other subsidiaries. Excluding these non-recourse debts, the Group's net debt was HK\$33.5 billion (31 December 2010: HK\$23.4 billion). Analysis of the net debt is as below:

<u>Net debt/(cash)</u>	30 June 2011 HK\$ Million	31 December 2010 HK\$ Million
Wharf (excluding below subsidiaries)	33,503	23,376
Modern Terminals	11,054	9,932
HCDL	(1,694)	(172)
i-CABLE	(369)	(447)
	<u>42,494</u>	<u>32,689</u>

As at 30 June 2011, the ratio of net debt to total equity was 21.9% (31 December 2010: 19.2%).

Finance and Availability of Facilities

The Group's total available loan facilities and debt securities as at 30 June 2011 amounting to HK\$85.3 billion, of which HK\$62.4 billion were drawn, are analysed as below:

	30 June 2011		
	Available Facility HK\$ Billion	Total Debts HK\$ Billion	Undrawn Facility HK\$ Billion
<u>Company/wholly-owned subsidiaries</u>			
Committed facilities	62.2	44.4	17.8
Uncommitted facilities	0.4	-	0.4
	<u>62.6</u>	<u>44.4</u>	<u>18.2</u>
<u>Non-wholly-owned subsidiaries</u>			
Committed and uncommitted			
- Modern Terminals	14.4	11.6	2.8
- HCDL	4.6	3.0	1.6
- i-CABLE	0.3	-	0.3
- Others	3.4	3.4	-
	<u>85.3</u>	<u>62.4</u>	<u>22.9</u>

Of the above debts, HK\$19,324 million (31 December 2010: HK\$18,137 million) was secured by mortgage over certain properties under development, fixed assets and shares with total carrying value of HK\$19,918 million (31 December 2010: HK\$18,360 million).

In June 2011, the Group issued guaranteed convertible bonds with a term of 3 years for an aggregate principal amount of HK\$6,220 million. The initial conversion price of the bonds is HK\$90 per share and full conversion of the bonds will increase the Group's issued capital by 69.11 million shares or 2.28%.

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 the Mainland.

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

The Group continued to maintain a strong financial position with ample surplus cash denominated principally in HKD and RMB and undrawn committed facilities to facilitate the Group's expanding business and investment activities. As at 30 June 2011, the Group also maintained a portfolio of available-for-sale investments with an aggregate market value of HK\$3.2 billion (31 December 2010: HK\$3.4 billion), which is immediately available for liquidation for the Group's use.

Cash Flows for the Group's Operating and Investing Activities

For the period under review, the Group recorded net cash inflow before change in working capital of HK\$5.4 billion (2010: HK\$5.0 billion). The changes in working capital resulted in net cash outflow of HK\$3.2 billion (2010: inflow of HK\$0.5 billion),

chiefly due to the payments for land and construction cost for trading properties under development which was partly compensated by the increase in deposits received from sale of properties in the Mainland. For investing activities, the Group recorded a net cash outflow of HK\$14.3 billion (2010: inflow of HK\$2.3 billion), mainly for additions to investment properties and investments in associates and jointly controlled entities involved in property development projects in the Mainland.

Major Expenditure and Commitments

The major expenditure incurred by the Group's core businesses during the period and related commitments at 30 June 2011 are analysed as follows:

Business Unit/Company	Expenditure for 1-6/2011 HK\$ Million	Commitments as at 30 June 2011	
		Authorised and Contracted for HK\$ Million	Authorised but not Contracted for HK\$ Million
a. Capital expenditure			
Property Investments	8,918	10,444	23,415
Wharf T&T	226	222	158
i-CABLE (73.8%-owned)	88	36	132
Modern Terminals (67.6%-owned)	92	598	1,172
	<u>9,324</u>	<u>11,300</u>	<u>24,877</u>
b. Trading properties under development			
Subsidiaries	10,518	8,122	40,428
Jointly controlled entities/ associates	5,606	3,571	17,845
	<u>16,124</u>	<u>11,693</u>	<u>58,273</u>
c. Programming and others	<u>35</u>	<u>1,448</u>	<u>109</u>

For the Property Investment segment, the capital expenditure incurred during the period under review was mainly for the land cost of Changsha IFC and construction cost of Chengdu IFC. 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 in Mainland and addition of other fixed assets. 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\$16.1 billion of expenditures for the development of its trading properties in the Mainland, either wholly-owned or undertaken through associates or jointly controlled entities. This included the amount of HK\$3,388 million paid for the 50% interests in the four Foshan property joint ventures acquired from Wheelock.

As at 30 June 2011, the Group's authorised and contracted commitments were mainly for development properties for investment of HK\$11.3 billion and for trading of HK\$11.7

billion, respectively, among these including attributable land cost of HK\$8.5 billion payable by installment from 2011 to 2013. Apart from that, the Group intends to invest HK\$24.9 billion for investment properties and HK\$58.3 billion for trading properties, mainly on construction cost to complete the Group's China and Hong Kong development projects, which will be carried out by stages in the forthcoming years.

The above commitments will be funded by Group's internal financial resources including its surplus cash of HK\$19.9 billion, cash flow from operation, as well as bank and other financings with the construction costs self-financed mainly by pre-sale proceeds and project loans. Other available resources include available-for-sale investments.

(III) HUMAN RESOURCES

The Group had approximately 13,300 employees as at 30 June 2011, 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.

CONSOLIDATED INCOME STATEMENT
For The Six Months Ended 30 June 2011 – Unaudited

		Six months ended 30 June	
		2011	2010
	Note	HK\$ Million	HK\$ Million
			(restated)
Turnover	2	9,745	8,622
Direct costs and operating expenses		(3,162)	(2,622)
Selling and marketing expenses		(404)	(385)
Administrative and corporate expenses		(537)	(450)
Operating profit before depreciation, amortisation, interest and tax		5,642	5,165
Depreciation and amortisation		(662)	(649)
Operating profit	2 & 3	4,980	4,516
Increase in fair value of investment properties		11,614	7,447
Other net income	4	122	522
		16,716	12,485
Finance costs	5	(775)	(544)
Share of results after tax of:			
Associates		188	100
Jointly controlled entities		(9)	7
Profit before taxation		16,120	12,048
Income tax	6	(1,511)	(889)
Profit for the period		14,609	11,159
Profit attributable to :			
Equity shareholders		14,302	10,892
Non-controlling interests		307	267
		14,609	11,159
Earnings per share			
Basic	7	HK\$4.84	HK\$3.85
Diluted	7	HK\$4.83	HK\$3.85

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Six Months Ended 30 June 2011 – Unaudited

	Six months ended 30 June	
	2011	2010
	HK\$ Million	HK\$ Million
		(restated)
Profit for the period	14,609	11,159
Other comprehensive income		
Exchange gain on translation of foreign operations	1,194	290
Net revaluation reserves of available-for-sale investments:	(315)	(28)
(Deficit) / Surplus on revaluation	(316)	9
Transferred to consolidated income statement on disposal	1	(37)
Share of other comprehensive income of associates/jointly controlled entities	245	67
Others	1	(23)
Other comprehensive income for the period	1,125	306
Total comprehensive income for the period	15,734	11,465
Total comprehensive income attributable to:		
Equity shareholders	15,318	11,197
Non-controlling interests	416	268
	15,734	11,465

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As At 30 June 2011 – Unaudited

		30 June 2011	31 December 2010
	Note	HK\$ Million	HK\$ Million
Non-current assets			
Investment properties		169,115	148,241
Other property, plant and equipment		14,722	14,679
Leasehold land		3,731	3,718
Total fixed assets		187,568	166,638
Goodwill and other intangible assets		297	297
Interest in associates		8,106	4,967
Interest in jointly controlled entities		17,777	15,350
Available-for-sale investments		3,162	3,362
Long term receivables		4	4
Programming library		110	113
Employee retirement benefit assets		17	17
Deferred tax assets		425	463
Derivative financial assets		284	587
		217,750	191,798
Current assets			
Properties for sale		40,347	29,732
Inventories		119	113
Trade and other receivables	9	3,520	3,518
Derivative financial assets		209	164
Bank deposits and cash		19,890	16,900
		64,085	50,427
Current liabilities			
Trade and other payables	10	(5,765)	(6,539)
Deposits from sale of properties		(10,414)	(6,855)
Derivative financial liabilities		(214)	(244)
Taxation payable		(1,347)	(1,242)
Bank loans and other borrowings		(6,908)	(7,829)
		(24,648)	(22,709)
Net current assets		39,437	27,718
Total assets less current liabilities		257,187	219,516

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As At 30 June 2011 – Unaudited

	Note	30 June 2011 HK\$ Million	31 December 2010 HK\$ Million
Non-current liabilities			
Bank loans and other borrowings		(55,476)	(41,760)
Deferred tax liabilities		(5,887)	(5,237)
Other deferred liabilities		(279)	(283)
Derivative financial liabilities		(1,584)	(1,587)
		<u>(63,226)</u>	<u>(48,867)</u>
NET ASSETS		<u>193,961</u>	<u>170,649</u>
Capital and reserves			
Share capital		3,029	2,754
Reserves		<u>183,525</u>	<u>160,335</u>
Shareholders' equity		186,554	163,089
Non-controlling interests		7,407	7,560
TOTAL EQUITY		<u>193,961</u>	<u>170,649</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.

During the year ended 31 December 2010, the Group early adopted the amendments to HKAS 12 “Income Taxes”, in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40 “Investment Property”. The Group applied HKAS 12 retrospectively and the comparative amounts was restated, where appropriate. As a result, the Group’s profit and profit attributable to equity shareholders for the six months ended 30 June 2010 was increased by HK\$1,013 million and HK\$1,004 million respectively, whereas the profit attributable to non-controlling interests for the six months ended 30 June 2010 was increased by HK\$9 million.

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 2010 except the changes mentioned below.

With effect from 1 January 2011, the Group has adopted the below revised and amendment to HKFRSs, which are relevant to the Group’s financial statements:

Revised HKAS 24	Related party disclosures
Improvements to HKFRSs 2010	

The improvements to HKFRSs 2010 consists of amendments to existing standards, including an amendment to HKAS 34, Interim financial reporting. HKAS 34 (amendment) provides for further disclosures in interim financial report. It has had no financial impact on the Group’s interim financial report.

The other developments related primarily to clarification of certain disclosure requirements applicable to the Group’s financial statements. These developments have no material impact on the contents of this interim financial report.

2. SEGMENT INFORMATION

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

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

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

Logistics segment mainly includes the container terminal operations of Modern Terminals Limited (“Modern Terminals”), Hong Kong Air Cargo Terminals Limited and other public transport operations.

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.

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

Segment business assets principally comprise all tangible assets, intangible assets and current assets directly attributable to each segment with the exception of bank deposits and cash, financial investments, deferred tax assets and other derivative financial assets.

Revenue and expenses are allocated with reference to sales generated by those segments and expenses incurred by those segments or which arise from the depreciation of assets attributable to those segments.

2. SEGMENT INFORMATION

a. Analysis of segment revenue and results

Six months ended	Turnover HK\$ Million	Operating profit HK\$ Million	Increase in fair value of investment properties HK\$ Million	Other net income HK\$ Million	Finance costs HK\$ Million	Associates HK\$ Million	Jointly controlled entities HK\$ Million	Profit before taxation HK\$ Million
30 June 2011								
Property investment	4,766	3,712	11,614	-	(288)	-	-	15,038
Hong Kong	3,856	3,332	10,685	-	(196)	-	-	13,821
Mainland China	317	193	929	-	(88)	-	-	1,034
Hotels	593	187	-	-	(4)	-	-	183
Property development	1,343	568	-	36	(35)	(1)	(30)	538
Hong Kong	-	-	-	-	-	5	-	5
Mainland China	1,343	568	-	36	(35)	(6)	(30)	533
Logistics	1,673	682	-	97	(124)	189	21	865
Terminals	1,620	675	-	108	(124)	97	21	777
Others	53	7	-	(11)	-	92	-	88
CME	1,930	50	-	2	-	-	-	52
i-CABLE	1,051	(53)	-	2	-	-	-	(51)
Telecommunications	879	103	-	-	-	-	-	103
Others	-	-	-	-	-	-	-	-
Inter-segment revenue	(174)	-	-	-	-	-	-	-
Segment total	9,538	5,012	11,614	135	(447)	188	(9)	16,493
Investment and others	207	171	-	(13)	(328)	-	-	(170)
Corporate expenses	-	(203)	-	-	-	-	-	(203)
Group total	9,745	4,980	11,614	122	(775)	188	(9)	16,120
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
Mainland 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
Mainland China	1,024	560	-	20	(43)	(1)	(10)	526
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
CME	1,795	(15)	-	-	-	(39)	-	(54)
i-CABLE	962	(107)	-	-	-	(39)	-	(146)
Telecommunications	833	95	-	-	-	-	-	95
Others	-	(3)	-	-	-	-	-	(3)
Inter-segment revenue	(150)	-	-	-	-	-	-	-
Segment total	8,484	4,615	7,447	458	(364)	100	7	12,263
Investment and others	138	90	-	64	(180)	-	-	(26)
Corporate expenses	-	(189)	-	-	-	-	-	(189)
Group total	8,622	4,516	7,447	522	(544)	100	7	12,048

2. SEGMENT INFORMATION

b. Analysis of inter-segment revenue

	2011			2010		
	Total Revenue	Inter-segment revenue	Group Revenue	Total Revenue	Inter-segment revenue	Group Revenue
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Six months ended 30 June	Million	Million	Million	Million	Million	Million
Property investment	4,766	(72)	4,694	4,218	(74)	4,144
Property development	1,343	-	1,343	1,025	-	1,025
Logistics	1,673	-	1,673	1,596	-	1,596
CME	1,930	(95)	1,835	1,795	(76)	1,719
Investment and others	207	(7)	200	138	-	138
	9,919	(174)	9,745	8,772	(150)	8,622

c. Geographical information

	Revenue		Operating profit	
	2011	2010	2011	2010
	HK\$	HK\$	HK\$	HK\$
Six months ended 30 June	Million	Million	Million	Million
Hong Kong	7,700	7,061	4,348	3,964
Mainland China	2,024	1,540	612	531
Singapore	21	21	20	21
Group total	9,745	8,622	4,980	4,516

3. OPERATING PROFIT

Operating profit is arrived at :

	Six months ended 30 June	
	2011	2010
	HK\$ Million	HK\$ Million
After charging / (crediting) :-		
Depreciation and amortisation on		
– assets held for use under operating leases	65	57
– other fixed assets	512	503
– leasehold land	46	46
– programming library	39	43
Total depreciation and amortisation	662	649
Staff costs	1,333	1,284
Cost of trading properties sold during the period	680	435
Rental income less direct outgoings (Note)	(3,527)	(3,174)
Interest income	(112)	(76)
Dividend income from listed investments	(45)	(24)
Dividend income from unlisted investments	(3)	(16)
Loss/(profit) on disposal of fixed assets	3	(7)

Note: Rental income included contingent rentals of HK\$777 million (2010: HK\$550 million).

4. OTHER NET INCOME

Other net income for the period amounted to HK\$122 million (2010: HK\$522 million) mainly includes net foreign exchange gain of HK\$133 million (2010: loss of HK\$30 million) which included the impact of forward foreign exchange contracts. A one-off surplus of HK\$437 million on revaluation of the interests in Hactl on its becoming the Group's associate was included in the period ended 30 June 2010.

5. FINANCE COSTS

	Six months ended 30 June	
	2011 HK\$ Million	2010 HK\$ Million
Interest charged on :-		
Bank loans and overdrafts		
– repayable within five years	290	185
– repayable after five years	153	64
Other borrowings		
– repayable within five years	7	-
– repayable after five years	70	30
Total interest charge	520	279
Other finance costs	61	91
Less : Amount capitalised	(175)	(145)
	406	225
Fair value (gain)/cost :		
Cross currency interest rate swaps	(41)	29
Interest rate swaps	410	290
	775	544

The Group's average effective borrowing rate for the period was 2.1% p.a. (2010: 2.0% p.a.).

6. INCOME TAX

Taxation charged to the consolidated income statement represents:

	Six months ended 30 June	
	2011	2010
	HK\$ Million	HK\$ Million
Current income tax		(restated)
Hong Kong		
- provision for the period	631	593
- overprovision in respect of prior years	(6)	(809)
Outside Hong Kong		
- provision for the period	97	140
- underprovision in respect of prior years	-	21
	722	(55)
Land appreciation tax (“LAT”) in China	175	167
Deferred tax		
Change in fair value of investment properties	518	692
Origination and reversal of temporary differences	96	85
	614	777
	1,511	889

- 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% (2010: 16.5%).
- b. Income tax on profits assessable outside Hong Kong is mainly China corporate income tax calculated at a rate of 25% and China withholding income tax at a rate of up to 10%.
- c. Under the Provisional Regulations on LAT, all gains arising from transfer of real estate property in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights, borrowings costs and all property development expenditures.
- d. Tax attributable to associates and jointly controlled entities for the six months ended 30 June 2011 of HK\$43 million (2010: HK\$39 million) is included in the share of results of associates and jointly controlled entities.

7. EARNINGS PER SHARE

a. Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders for the period of HK\$14,302 million (30/06/2010: HK\$10,892 million as restated) and the weighted average of 2,952 million ordinary shares in issue during the period (30/06/2010: 2,829 million ordinary shares after adjusting for the rights issue completed in March 2011), calculated as follows:

Weighted average number of ordinary shares

	30 June 2011	30 June 2010
	No. of shares Million	No. of shares Million
Issued ordinary shares 1 January	2,754	2,754
Effect of rights issue	198	75
Weighted average number of ordinary shares	2,952	2,829

b. Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders for the period of HK\$14,312 million (30/06/2010: HK\$10,892 million as restated) and the weighted average of 2,963 million ordinary shares in issue during the period (30/06/2010: 2,829 million ordinary shares after adjusting for the rights issue completed in March 2011), calculated as follows:

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

	Six months ended 30 June 2011	30 June 2010
	HK\$ Million	HK\$ Million (restated)
Profit attributable to ordinary equity shareholders	14,302	10,892
After tax effect of effective interest on the liability component of convertible bonds	10	-
	14,312	10,892

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

	30 June 2011	30 June 2010
	No. of shares Million	No. of shares Million
Weighted average number of ordinary shares at 30 June	2,952	2,829
Effect of conversion of convertible bonds	11	-
	2,963	2,829

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	
	2011	2010
	HK\$ Million	HK\$ Million
Interim dividend of 36 cents (2010 : 36 cents) proposed after the period end date per share	1,091	991

- b. Dividends recognised as distribution during the period :

	Six months ended 30 June	
	2011	2010
	HK\$ Million	HK\$ Million
2010 Final dividend paid of 64 cents per share	1,939	-
2009 Final dividend paid of 64 cents per share	-	1,763
	1,939	1,763

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 2011 as follows:

	30 June 2011	31 December 2010
	HK\$ Million	HK\$ Million
Trade receivables		
0 - 30 days	617	583
31 – 60 days	78	108
61 – 90 days	84	52
Over 90 days	85	50
	864	793
Other receivables	2,656	2,725
	3,520	3,518

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 2011 as follows:

	30 June 2011 HK\$ Million	31 December 2010 HK\$ Million
Trade payables		
0 - 30 days	196	242
31 - 60 days	169	133
61 - 90 days	35	44
Over 90 days	89	146
	489	565
Rental and customer deposits	1,926	1,790
Construction costs payable	1,092	1,746
Other payables	2,258	2,438
	5,765	6,539

11. COMPARATIVE FIGURES

As a result of the adoption of the amendments to HKAS 12, Income taxes, for the financial year ended 31 December, 2010, certain comparative figures have been adjusted to reflect the reduction in deferred tax liabilities related to investment properties carried at fair value. Further details of these developments are disclosed in Note 1.

12. REVIEW OF UNAUDITED INTERIM FINANCIAL STATEMENTS

The unaudited interim financial statements for the six months ended 30 June 2011 have been reviewed with no disagreement by the Audit Committee of the Company.

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.

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, 20 September 2011 to Thursday, 22 September 2011, both days inclusive, for the purpose of determining shareholders' entitlements to the abovementioned interim dividend.

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 Monday, 19 September 2011.

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

Hong Kong, 25 August 2011

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, Mr Andrew O K Chow, Ms Doreen Y F Lee, Mr T Y Ng and Mr Paul Y C Tsui, together with six Independent Non-executive Directors, namely, 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.