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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 2012

Property Dual Cores Drove Record Profit

HIGHLIGHTS

- Group turnover increased by 87% to HK\$18.3 billion.
 - Properties increased by 154% to account for 77% of Group total.
 - China properties surpassed Hong Kong properties (41% vs 36%).
 - Property development surpassed property investment (50% vs 27%).
- Group operating profit increased by 65% to HK\$8.2 billion.
 - Properties increased by 83% to account for 91% of Group total.
 - China properties increased 2.5-fold to 33% of Group total (vs 58% for Hong Kong properties).
 - Property development increased 5-fold to 42% of Group total (vs 49% for property investment).
- Profit before investment property revaluation surplus and exceptional items increased by 49% to a record of HK\$5.4 billion.
- Profit before investment property revaluation surplus increased by 115% to HK\$7.1 billion, including:
 - Book accounting gain during the period on acquisition of 18.4% equity interests in Greentown China amounted to HK\$1.5 billion.
- Profit after investment property revaluation surplus increased by 65% to HK\$23.6 billion.
 - Net investment property revaluation surplus of HK\$16.5 billion.

- Investment properties in Hong Kong remain firm and China provides the new impetus (with operating profit increasing by 13% and 63% respectively). Portfolio size to more than double in the next 3 to 4 years, particularly on completion of the IFCs in Chengdu, Chongqing and Changsha.
- Development properties bear fruit in both Hong Kong and China. Under severe central government policy control, total attributable sales in China in less than 8 months so far this year already meet the full year target of RMB10 billion and comfortably outpace last year. That includes a record of over RMB5 billion in the second quarter and RMB2.5 billion in the first half of the third quarter.
- Greentown China represented a timely opportunity for some of the said sales proceeds to be re-invested accretively. It also allowed the Group's attributable China landbank to increase by 50% to 18 million square metres.
- Group net debt stabilized at HK\$53.2 billion (December 2011: HK\$43.5 billion) after payment of Ocean Terminal lease premium of HK\$7.9 billion and the first tranche of investment in Greentown China of HK\$1.7 billion, with net debt to total equity at 22.9% (December 2011: 20.6%).
 - Excluding non-recourse debt of partly owned subsidiaries (principally Modern Terminals Limited and its subsidiaries), net debt was HK\$45.3 billion (December 2011: HK\$35.3 billion) while HK\$3.0 billion of gross debt (out of total of HK\$57.0 billion) mature before the end of 2013.
- First interim dividend is increased to 45 cents per share (2011: 36 cents), representing an increase of 25%.

GROUP RESULTS

Unaudited Group profit attributable to equity shareholders amounted to HK\$23,646 million (2011: HK\$14,302 million). Basic earnings per share were HK\$7.81 (2011: HK\$4.84).

Excluding the investment property revaluation surplus, the Group's net profit for the period increased by 115% to HK\$7,072 million (2011: HK\$3,283 million) and, on further excluding exceptional items, core profit for the period increased by 49% to HK\$5,425 million (2011: HK\$3,638 million).

INTERIM DIVIDEND

An interim dividend of HK\$0.45 (2011: HK\$0.36) per share will be paid on 28 September 2012 to Shareholders on record as at 21 September 2012, absorbing a total amount of HK\$1,363 million (2011: HK\$1,091 million).

BUSINESS REVIEW

HONG KONG PROPERTY INVESTMENT

Underpinned by the Group's leadership in retail management, Harbour City and Times Square, representing 50% of the Group's business assets and 44% of operating profit, performed solidly, notwithstanding a less buoyant retail market during the period under review.

Harbour City

Turnover (excluding hotels) increased by 15% to HK\$3,050 million and operating profit by 14% to HK\$2,629 million.

Retail

As the most prominent shopping destination for both local residents and tourists, Harbour City continued to outperform the overall Hong Kong retail market. Total retail sales increased by 18% year on year, 4 percentage points over the market average, to reach HK\$14,125 million or an average of about HK\$2,381 per square foot per month. Turnover to the Group increased by 20% to HK\$2,069 million.

Prominently located on Canton Road, Harbour City is one of the world's leading shopping destinations of retail space for leading luxury and high street brands. With the most diversified and comprehensive retail offerings across a finely-calibrated price point matrix, Harbour City strives for providing a captivating "shoppertainment" experience for new and regular shoppers. During the period, brand offerings were further enriched and diversified with the recruitment of a host of celebrated brands including the debut of internationally renowned *Laduree*, *Maison Eric Kayser*, Michelin-starred chef *Sergi Arola*, *Alexander Wang*, *Boggi Milano*, *T Tech by Tumi*, etc.

In the meantime, rejuvenation and conversion works to upgrade the shopping experience continues. They include the creation of flagship Canton Road stores for *Fendi* and *Giorgio Armani* in 2012 and another iconic store in 2013. In addition, *Gap* will open a 16,000-square foot store on Levels 3 and 4, while parts of the Level 2 arcade will be reconfigured, all to be completed in phases within 2012.

Top-tier brands including *Chanel*, *Louis Vuitton*, *Gucci* and *Dior Homme*, are undergoing expansion at various areas, with a view to better presenting their brands' identity to strengthen its competitive edge and bring new excitement to shoppers.

Reflecting the success of its constant diversification of trendy brand mix alongside powerful marketing strategies, Harbour City has effectively created a strong customer base as well as strengthened the loyalty of its shoppers from all walks of life.

Office

Turnover increased by 5% to HK\$829 million, on the back of solid office demand during the period.

Rental rates for new commitments increased slightly whereas occupancy climbed to 99% at the end of June. Demand was driven by business expansion, new lettings and decentralization. Major new lettings included *Worldwide International Corporation Limited*, the sourcing arm of an Italian fashion company, leasing 16,300 square feet for its new office

establishment in Hong Kong and *Ageas Insurance* leasing 10,700 square feet for its new agency team in Kowloon. *Samsonite* and *CIMB Securities (HK) Limited* have leased 17,400 square feet and 8,200 square feet at the Gateway for relocation from Wanchai and Quarry Bay respectively. There were also in-house expansions from a host of tenants including *Prudential*, *Jakks Pacific* and *Estee Lauder*. Lease renewal retention rate was 58%, with renewal from tenants including *Prudential*, *AIA* and *Elegant Jewellery*.

Serviced Apartments

Turnover increased by 5% to HK\$152 million. Occupancy stood at 89% at the end of June with favourable growth in average rent for new leases.

Times Square

Turnover increased by 14% to HK\$932 million and operating profit by 14% to HK\$826 million.

Retail

Times Square, located in the heart of the busiest Causeway Bay District on Hong Kong Island, remains the most successful vertical shopping mall in town. Retail revenue increased by 13% to HK\$664 million with occupancy maintained at virtually 100% at the end of June (excluding the areas vacated for refurbishment).

The cinema relocation refurbishment with a view to adding immense value to Times Square progressed as planned. 70,000 square feet of retail space are withdrawn from the market, for about 14% of the total. Despite the massive disruption, a year-on-year growth of 17% in retail sales per square foot was still achieved at Times Square during the period. The new retail shops and restaurants are scheduled to open in mid-2013, and the new cinema in the fourth quarter of 2013.

Tenant mix on the atrium floors was further strengthened with new additions including *Chaumet*, *Loewe*, *Cartier*, *IWC*, *Omega*, *Georg Jensen*, *Jill Stuart* and *Repetto*, as well as relocation of some existing tenants in a bid to enrich the retail offerings and to uplift the shopping atmosphere. The opening of *BLT Burger*, a popular restaurant operated by Dining Concept Group in July 2012 further widened the culinary selection at Times Square.

Office

Turnover increased by 18% to HK\$268 million, with occupancy climbing to 98% as at June 2012. During the period, there were in-house expansions from *Aon Hong Kong*, *KT Corporation*, *Lane Crawford*, etc. as well as new commitments from tenants including *Kosei International*, *Ferragamo* and *Sportshouse*. Lease renewal retention rate was 57%, with renewal from tenants including *Dennis Lau & Ng Chun Man*, *Neiman-Marcus*, *Luxury Timepieces* and *Mary Kay*.

Other Hong Kong Properties

Occupancy at Chelsea Court reached 93% as at June 2012. Redevelopment of No. 77 Peak Road, No.1 Plantation Road and Mountain Court will start shortly, with all three properties vacated at the end of June 2012. Preparation for demolition works is in progress.

Plaza Hollywood registered a 11% growth in revenue to HK\$207 million during the period. Occupancy was maintained at 98% as at 30 June 2012.

Master layout plan and general building plan for Mount Nicholson, a 50:50 joint venture with

Nan Fung Group, have been approved. It offers a gross floor area (“GFA”) of 162,000 square feet on an attributable basis and will be developed into exclusive luxurious residences with ultimate privacy. Foundation works is underway.

One Midtown in Tsuen Wan, a high-rise industrial/ loft building with a GFA of 644,000 square feet, was completed in June 2012. This enabled HK\$2.2 billion of turnover and HK\$1.0 billion of operating profit recognized during the period.

The redevelopment of Kowloon Godown in Kowloon Bay into a residential and commercial development, with a GFA of 829,000 square feet, has been approved. 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. Premium for the lease modification has been paid in July 2012.

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

The plan for the redevelopment of Wharf T&T Square into a high-rise Grade A commercial building with a GFA of 581,000 square feet has been approved. Premium for the lease modification has been paid. The tentative vacant possession is scheduled for April 2015.

The Group sold Delta House, a 349,000-square-foot commercial development in Shatin for HK\$1.3 billion in May 2012.

CHINA PROPERTIES

In early 2012, a residential project in Beijing with an attributable GFA of 91,000 square metres was acquired through a 50:50 joint venture with China Merchants Property (“CMP”) at an attributable cost of RMB1.2 billion.

During the period, the sale of 349,000 square metres of development properties were recognized. Completion from subsidiary projects generated a turnover of HK\$6,929 million, a 416% increase from a year earlier. Operating profit increased by 326% to HK\$2,422 million. Profits recognized during the period included significant contributions from Shanghai Xiyuan, Tian Fu Times Square, Crystal Park in Chengdu and Wuxi Times City.

Three new projects were launched for pre-sales in the cities of Foshan and Chengdu during the first half of 2012. Together with projects previously launched, the Group has 26 projects on sale across 11 cities in the marketplace.

Underpinned by the improving sales momentum in the marketplace and the Group’s well-respected brand, a total of 654,000 square metres of properties were sold during the period to generate attributable proceeds of RMB7.5 billion, 19% higher than in 2011. This exceeded the Group’s target by over 72%. The net order book (net of business tax) was RMB14.2 billion for 1,207,000 square metres of properties at the end of June 2012.

On the China property investment front, turnover and operating profit increased by 51% and 63% respectively on account of considerably higher contribution from Shanghai Wheelock Square and Chongqing Times Square. The completed investment properties were valued at HK\$15.4 billion at the end of June 2012.

Five International Finance Centre (IFC) projects, with an attributable GFA of 2.1 million square metres are progressing as planned. Retail pre-leasing commitments for Chengdu IFC has been promising and encouraging, with rental rates above budget. Over 50% of the retail spaces are either committed or under offer. The first phase of Chengdu IFC is scheduled for completion in the second half of 2013.

Property Development – Eastern China

Sales

No new projects were launched for pre-sales during the period. For projects previously launched, Suzhou Times City presold a further 90,000 square metres at an average price of RMB10,900 per square metre for proceeds of RMB977 million. Shanghai Xiyuan sold a further 8,700 square metres of properties at an average price of RMB43,200 per square metre for proceeds of RMB375 million during the period. Changzhou Times Palace sold 55,000 square metres at an average selling price of RMB6,200 per square metre for proceeds of RMB351 million. Wuxi Times City sold 66,900 square metres for proceeds of RMB509 million during the period.

Other projects on sale included Glory of Time and Xiyuan in Wuxi, Ambassador Villa and Kingsville in Suzhou, No. 1 Xin Hua Road in Shanghai and Golf Landmark in Hangzhou.

Development Progress

Construction of Shanghai Xiyuan, which consists of 11 medium-rise towers (510 fitted-out units) and a luxurious club house, was completed in June 2012.

Certain phases of Wuxi Times City involving 122,000 square metres of GFA were completed during the period.

Construction of Changzhou Times Palace is underway, with full completion scheduled for 2014. The State Guest House, the five-star hotel and serviced apartments will be completed in 2013.

Construction progress of other developments in Eastern China is as planned.

Property Development – Western China

Sales

In Chongqing, initial phases of retail units and additional phases of residential units of The U World were launched for presale during the period. On an attributable basis, 13,000 square metres were presold at an average price of RMB22,400 per square metre for the residential towers and RMB48,300 per square metre for the retail units for total proceeds of RMB393 million. International Community sold further units and generated attributable proceeds of RMB361 million. The Throne has also met with good demand.

In Chengdu, Sirius at International Commerce Centre was launched for presale in April 2012 and was well received. Tian Fu Times Square and Crystal Park sold further units for proceeds of RMB649 million and RMB602 million respectively during the period. The Orion and Le Palais have also met with favourable responses.

Development Progress

Four additional residential towers of Crystal Park were completed in June 2012. Construction of the remaining three residential towers and one office block is underway, with full completion scheduled for 2013.

12 residential towers and one office tower of Tian Fu Times Square were completed by 2011 or before. The remaining office tower is scheduled for completion in 2013.

Tower 1 of The Orion and Phase 1 (8 residential towers) of Le Palais are scheduled for completion in the first quarter of 2013.

Construction of Chengdu Shuangliu Development Area commenced in the first quarter of 2012. Other projects in Chengdu are progressing on plan.

In Chongqing, construction of International Community, The U World and The Throne is underway. These projects are developed through joint ventures with China Overseas Land & Investment (“COLI”), with the Group’s shareholding ranging between 40% and 55%.

Property Development – Other Regions

Sales

In Foshan, presales of Evian Buena Vista and Evian Riviera commenced during the period and have met with good demand. Evian Town and Evian Uptown sold further units and generated proceeds of RMB533 million and RMB243 million respectively on an attributable basis. These four projects are developed through 50:50 joint ventures with CMP.

In Tianjin, Peaceland Cove presold further units for proceeds of RMB541 million on an attributable basis. The Magnificent has also met with favourable responses.

Acquisition

In early 2012, the Group acquired two prime sites for a residential development in Chaoyang District, Beijing through a 50:50 joint venture with CMP. The development offers a GFA of 91,000 square metres on an attributable basis and is in close proximity to a future subway station. Construction will commence in the fourth quarter of 2012, with full completion scheduled for 2015.

Development Progress

Construction of the residential development in Guangzhou commenced during the period, with full completion scheduled for 2015. All other developments in the regions are progressing as planned.

Property Investment

Powered by its distinctive design, world-class management and facilities, Wheelock Square in Shanghai continued to attract multinationals and major corporations. 91% of the office space was committed by the end of June 2012. Average spot rent achieved in the first half of 2012 stood at RMB403 per square metre, which is among the highest office rental rates in Shanghai. Celebrated tenants committed during the period include *SAP*, *Tod’s*, *Daiichi Sankyo* and *Luenmei*.

Retail occupancy of Chongqing Times Square, which was re-launched in July 2011, stood at 96%. Continuous trade mix refinement is underway to offer variety as well as to create competitive edges. *Armani Exchange*, *Anteprima Wirebag* and a multi-brand store *MR 97* carrying *7 for all Mankind*, *GAS*, *Diesel Underwear* and etc. were launched on Lower Ground Level 1. *Starbucks* coffee shop opened on Level 1. *Patrizia Pepe* and *Hofil*, a multi-brand store carrying Korean ladies’ fashion including *W.*, *mia mia* and *fashion show* as well as new counters of international renowned jewelry including *Pandora* and *CARAT*, were added on Level 3. The value-added initiative has offered more diversified and

comprehensive merchandise of trendy and fashionable apparels and accessories, and enriched the shopping ambience. To further enhance the strategic position of Chongqing Times Square, formation of cosmetics cluster and kids wear on the respective floors is actively underway.

Occupancy at Dalian Times Square stood at 100%. With *Chanel's* opening scheduled for the fourth quarter of 2012 and *Dior Homme's* expansion to be opened in the third quarter of 2012, *Bottega Veneta* and expanded *Tod's* (duplex) have opened for business. *Versace* is poised to open in the fourth quarter of 2012.

The retail podium of Shanghai Times Square has been closed for renovation since 1 May 2012, except *Zara* and *Wagas Express Café*. The mall is scheduled to re-open in the third quarter of 2013.

Property Investment – International Finance Centres

Five IFCs in China, which are comparable in scale to Harbour City and Times Square, are being developed and progressing as planned. Upon completions, the recurrent rental income base in China will multiply.

Retail pre-leasing commitments at Chengdu IFC has been promising and encouraging, with over half of the retail spaces are either committed or under offer. Rental rates contracted were above budget. Mirroring the success of Harbour City, Chengdu IFC mall will be a one-stop flagship shopping landmark of Western China with the most diversified trade-mix and entertainment anchors. Hongxing Road, the replica of Canton Road in Hong Kong, will emerge as the home of duplex stores. The ground level obtained the most prestigious fashion brands' commitment, such as *Prada*, *Dolce & Gabbana*, *Giorgio Armani*, *Tod's*, *Fendi*, *Emporio Armani*, etc. A host of prestige jewelry and watch labels including *Piaget*, *Chaumet*, *Van Cleef & Arpels*, *Jaeger-Le Coultre* and *Frank Muller* took up "the second ground floor" on Level 3. To enhance the shopping ambience, fashion concept stores including *UNIQLO* and the fashion trend leader *I.T. Group* for mono-brand on the upper levels will offer hip and street fashion, whereas UA Cineplex and a Bowling Lounge will provide shoppers with comprehensive entertainment elements. The retail mall and one office tower are scheduled for completion in the second half of 2013. Full completion is scheduled in 2014. The mall is expected to open by the end of 2013.

Construction of Chongqing IFC, a 50:50 joint venture development with COLI in Jiangbei City, the new CBD of Chongqing, is underway, with full completion scheduled for 2015.

Development of Wuxi, Suzhou and Changsha IFC is progressing as planned. Construction of these IFCs is underway, with full completion scheduled for 2014-2016.

MARCO POLO HOTELS

Marco Polo operates 13 owned or managed hotels in the Asia Pacific region.

Vibrant business travel and inbound tourism propelled the hotel and hospitality sector. Revenue from the Marco Polo hotels and club grew by 9% to HK\$649 million during the period. Operating profit increased by 3% to HK\$192 million.

Consolidated occupancy of the three Marco Polo hotels in Hong Kong reached 84%, with a 10% increase in average room rates. Prince and Gateway hotels are undergoing room

renovation which is scheduled for completion in 2012 and 2013 respectively. All Marco Polo hotels performed satisfactorily in their respective locations during the period, with Marco Polo Wuhan continuing to achieve dominant market position.

Marco Polo Lingnan Tiandi in Foshan and Marco Polo Suzhou were added in the first half of 2012.

Ten new hotels in the cities of Changsha, Changzhou, Chengdu, Chongqing, Guiyang, Suzhou, Tianjin and Wuxi in the Mainland, as well as Manila in Philippines and Bangkok in Thailand, will come on stream by 2016 to further expand Marco Polo's network.

MODERN TERMINALS

Global trade growth continued to be overshadowed by the European debt crisis and US economic slow-down. Modern Terminals' consolidated revenue decreased by 9% to HK\$1,469 million while operating profit dropped by 15% to HK\$573 million on account of higher operating costs being partially offset by lower administrative expenses arising from stringent cost control. Throughput in Hong Kong was 2.3 million TEUs during the period.

In the Mainland, throughput at Taicang International Gateway in Suzhou grew by 17% to 804,000 TEUs, while Da Chan Bay Terminal One in Shenzhen handled 216,000 TEUs during the period. Throughput at Shekou Container Terminals in Shenzhen, in which Modern Terminals holds a 20% stake, increased by 13% to 2.2 million TEUs, while Chiwan Container Terminal, in which Modern Terminals holds an 8% attributable stake, handled 1.8 million TEUs.

OTHER BUSINESSES

i-CABLE

2012 is positioned as a period of consolidation fortifying hard-earned inroads amidst looming economic uncertainties and a challenging operating environment. During the period, competitive pressure remained high across business segments affecting i-CABLE's overall performance. Keen competition from both within and outside the Pay TV market resulted in the consolidation of i-CABLE's Pay TV customer growth. Competition in the Broadband and Telephony sectors was also tough as fixed line services are also being threatened by the phenomenal growth in mobile services.

Across the main product lines, negative subscriber growth was reported and rising costs eroded flat turnovers to result in larger losses. Consolidated turnover decreased marginally to HK\$1,038 million whereas net loss of HK\$97 million was reported (2011: HK\$55 million). Its financial position remained solid with a net cash of HK\$184 million.

Wharf T&T

The spillover effects of the European debt crisis and the deceleration of China's economic growth weighed on the performance of Wharf T&T. In the ICT sector, while the finance and banking spenders continued to rationalize their budget on infrastructure and technology investment, the ICT consumption from education and semi-government sectors, on the other hand, continued its momentum as technology adoption gained increasing focus. Data business continued to gain ground. Wharf T&T's revenue rose by 3% to HK\$904 million

and net profit by 17% year on year to HK\$99 million. Stable net cash inflow was maintained.

Hong Kong Air Cargo Terminals

Throughput at Hactl, a 20.8% associate of the Group, was at par with the record achieved for the same period last year, driven by an 11.5% growth in transshipment, being partially offset by a drop in demand for the import sector. The new cargo management system, COSAC-Plus was successfully launched in April 2012 and has been well received by the users.

FINANCIAL REVIEW

(I) Review of 2012 Interim Results

In the first half of 2012, the Group delivered another robust financial results with its profit attributable to shareholders increased by 65% to HK\$23,646 million, profit before property revaluation surplus increased by 115% to HK\$7,072 million and core profit increased by 49% to HK\$5,425 million, all at their new heights. The remarkable results reflected the extraordinary performance of the Group's property development, particularly in the Mainland, and the strong recurrent rental revenue growth, added by the increased property revaluation surplus and the one-off profit recognised from the acquisition of an associate, Greentown China Holdings Limited ("Greentown China").

Turnover

Group turnover increased by 87% to HK\$18,250 million (2011: HK\$9,745 million). The revenue growth was underpinned by the higher contribution from property sales achieved both in Hong Kong and the Mainland and the double-digit revenue increase achieved by the Property Investment segment.

Property Investment revenue from Hong Kong increased by 14% to HK\$4,383 million, supported by the outstanding sales achieved by the retail tenants and the continuous positive rental reversions for office areas particularly in Harbour City and Times Square. Revenue from the Mainland also increased substantially by 51% to HK\$479 million as benefited from the escalating revenue generated by the brand new Shanghai Wheelock Square as well as the renovated Chongqing Times Square. Hotel revenue increased by 9% to HK\$649 million as sustained by the increase in room rates with occupancy remained at high level though this was adversely disturbed by the renovation work for Prince Hotel. In aggregate, the segment reported an increase in revenue of 16% to HK\$5,511 million.

Property Development continued to bear fruit with recognised sales increased by 579% to HK\$9,122 million (2011: HK\$1,343 million). Revenue recognition mainly derived from Chengdu Tian Fu Times Square, Crystal Park, Shanghai Xi Yuan and Wuxi Times City in the Mainland totally HK\$6,929 million and from One Midtown in Hong Kong of HK\$2,193 million.

During the period, in the Mainland, inclusive of joint ventures on an attributable basis, the Group recorded contracted property sales totally HK\$9.2 billion (2011: HK\$7.6 billion) in more than ten cities in the Mainland, increasing its net order book to

HK\$17.4 billion by end of June 2012 (December 2011: HK\$16.7 billion) pending for recognition on completion of the respective properties by stages.

Logistics revenue dropped by 9% to HK\$1,515 million due to Modern Terminals' revenue decreased with lower throughput handled as adversely affected by the slowdown in global trade growth.

CME revenue increased by 1% to HK\$1,942 million, with revenue of Wharf T&T increased by 3% whereas i-CABLE reported a slight drop of 1%.

Operating Profit

The Group's operating profit increased sharply by 65% to set a record high for its half-year reporting at HK\$8,241 million, supported by its favourable profit contributions from rental and property sales.

Property Investment remained the Group's largest profit contributor with a 15% increase in operating profit to HK\$4,261 million. Contributions from Harbour City (excluding hotels) and Times Square both increased by 14%. Operating profit from the Mainland increased by 63%, benefited from its expanding portfolio particularly Shanghai Wheelock Square.

Hotels operating profit increased by 3% to HK\$192 million though partly impacted by the above mentioned hotel renovation.

Property Development, with higher property sales achieved and more property completions delivered, increased its operating profit by 504% to HK\$3,428 million, including HK\$2,422 million attributable to Mainland property projects and HK\$1,006 million attributable to a Hong Kong property project, One Midtown.

Logistics' profit contribution dropped by 15% to HK\$577 million, mainly due to decrease in revenue of Modern Terminals.

CME's profit decreased by 66% to HK\$17 million with Wharf T&T's operating profit increased by 16% to HK\$119 million against i-CABLE's operating loss of HK\$100 million.

Profit contribution from Investment and Others increased by 20% to HK\$205 million, primarily due to increase in interest and dividend income.

Increase in Fair Value of Investment Properties

The book value of the Group's investment property portfolio as at 30 June 2012 increased to HK\$209.1 billion (2011: HK\$184.1 billion), with HK\$192.2 billion thereof stated at fair value based on an independent valuation as at that date, which produced a revaluation surplus of HK\$17,346 million (2011: HK\$11,614 million), mainly reflecting the continuous strong rental growth of the Group's investment properties. The attributable net revaluation surplus of HK\$16,574 million (2011: HK\$11,019 million), after deducting related deferred tax and non-controlling interests, was credited to the consolidated income statement.

Investment properties in the amount of HK\$16.9 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 amounted to HK\$1,544 million (2011: HK\$122 million), mainly including the book accounting gain arising from the acquisition of an 18.4% interests in Greentown China as detailed in note 4(a) to the financial statements. The Group increased its interest in Greentown China to 24.6% after the reporting period.

Finance Costs

Finance costs charged to the consolidated income statement were HK\$605 million (2011: HK\$775 million). That included an unrealised mark-to-market gain of HK\$92 million (2011: loss of HK\$369 million) on the cross currency / interest rate swaps in accordance with prevailing accounting standard. Net of non-controlling interests, the mark-to-market gain is HK\$104 million (2011: loss of HK\$355 million).

Excluding the unrealised mark-to-market gain, finance cost before capitalisation was HK\$979 million (2011: HK\$581 million), representing an increase of HK\$398 million mainly as a result of the increase in gross borrowings and rise in effective borrowing rates. The Group's effective borrowing rate for the period was 2.6% (2011: 2.1%).

Excluding the unrealised mark-to-market gain, finance cost after capitalisation of HK\$282 million (2011: HK\$175 million) in respect of the Group's related assets was HK\$697 million (2011: HK\$406 million), representing an increase of HK\$291 million.

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

The share of profit of associates increased by 49% to HK\$280 million (2011: HK\$188 million), mainly due to increase in profit contributions from both Hong Kong and Mainland China properties projects. Jointly controlled entities turned around from a loss to a profit of HK\$4 million (2011: loss of HK\$9 million), reflecting the increased profit contributions from property projects and Modern Terminals' port investment in the Mainland.

Income Tax

Taxation charge for the period was HK\$2,622 million (2011: HK\$1,511 million), which included deferred taxation of HK\$601 million (2011: HK\$518 million) provided for the current period's revaluation gain attributable to investment properties in the Mainland.

Excluding the above deferred tax, the tax charge increased by 104% to HK\$2,021 million (2011: HK\$993 million) mainly due to increase in profit recognised by Property Development segment.

Non-controlling Interests

Group profit attributable to non-controlling interests increased by HK\$235 million to HK\$542 million, reflecting the increase in net profits of certain non-wholly-owned subsidiaries.

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders for the period ended 30 June 2012 amounted to HK\$23,646 million (2011: HK\$14,302 million), representing an increase of 65%. Basic earnings per share were HK\$7.81, based on 3,029 million shares (2011: HK\$4.84 based on weighted average of 2,952 million shares after taking the effect of the Rights Issue).

Excluding the net investment property revaluation surplus of HK\$16,574 million (2011: HK\$11,019 million), Group profit attributable to shareholders for the period was HK\$7,072 million (2011: HK\$3,283 million), representing an increase of 115%. Excluding the net investment property revaluation surplus and exceptionals, which included the attributable mark-to-market gain of HK\$104 million (2011: loss of HK\$355 million) on cross currency/interest rate swaps and the book accounting gain arising from the acquisition of the interests in Greentown China of HK\$1,543 million, the Group's core profit rose year-on-year by 49% to HK\$5,425 million (2011: HK\$3,638 million). Core earnings per share were HK\$1.79 (2011: HK\$1.23).

(II) Liquidity, Financial Resources and Capital Commitments

Shareholders' and Total Equity

As at 30 June 2012, the Group's shareholders' equity increased by HK\$21,428 million or 11% to HK\$224,685 million, equivalent to HK\$74.18 per share based on 3,029 million issued shares (31 December 2011: HK\$67.10 per share based on 3,029 million issued shares).

Including the non-controlling interests, the Group's total equity increased by 10% to HK\$232,573 million (31 December 2011: HK\$210,874 million).

Total Assets

The Group's total assets increased by 5% to HK\$334.3 billion (31 December 2011: HK\$318.0 billion). Total business assets, excluding bank deposit and cash, available-for-sale investments, deferred tax assets and other derivative financial assets, increased by 10% to HK\$310.2 billion (31 December 2011: HK\$280.8 billion).

Included in the Group's total assets is the investment property portfolio of HK\$209.1 billion, representing 67% of total business assets. The core assets in this portfolio are Harbour City and Times Square in Hong Kong, which are valued at HK\$114.3 billion (excluding the 3 hotels) and HK\$39.7 billion, respectively. Together, they represent 74% of the total value of the portfolio.

Other major business assets included other properties and fixed assets of HK\$19.0 billion, interests in jointly controlled entities and associates (mainly for Mainland property and port projects) of HK\$32.2 billion and properties under development and held for sale (mainly in the Mainland) of HK\$44.7 billion.

Geographically, the Group's business assets in the Mainland, mainly properties and terminals, increased to HK\$115.1 billion (31 December 2011: HK\$110.6 billion), representing 37% of the Group's total business assets.

Debts and Gearing

The Group's net debt increased by HK\$9.7 billion to HK\$53.2 billion as at 30 June

2012 (31 December 2011: HK\$43.5 billion), which was made up of HK\$72.2 billion in debts and HK\$19.0 billion in bank deposits and cash. Included in the Group's net debt were HK\$7.9 billion (31 December 2011: HK\$8.2 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\$45.3 billion (31 December 2011: HK\$35.3 billion). Analysis of the net debt is as below:

<u>Net debt/(cash)</u>	30 June 2012 HK\$ Million	31 December 2011 HK\$ Million
Wharf (excluding below subsidiaries)	45,254	35,348
Modern Terminals	11,548	11,155
HCDL	(3,450)	(2,700)
i-CABLE	(184)	(338)
	<u>53,168</u>	<u>43,465</u>

As at 30 June 2012, the ratio of net debt to total equity was 22.9% (31 December 2011: 20.6%).

Finance and Availability of Facilities

The Group's total available loan facilities and issued debt securities as at 30 June 2012 amounting to HK\$89.2 billion, of which HK\$72.2 billion were utilised, are analysed as below:

	30 June 2012		
	Available Facility HK\$ Billion	Total Debts HK\$ Billion	Undrawn Facility HK\$ Billion
<u>Company/wholly-owned subsidiaries</u>			
Committed bank facilities	43.0	30.0	13.0
Uncommitted bank facilities	0.4	-	0.4
Debt securities	27.0	27.0	-
	<u>70.4</u>	<u>57.0</u>	<u>13.4</u>
<u>Non-wholly-owned subsidiaries</u>			
Committed and uncommitted			
- Modern Terminals	13.7	12.6	1.1
- HCDL	4.6	2.5	2.1
- i-CABLE	0.5	0.1	0.4
	<u>89.2</u>	<u>72.2</u>	<u>17.0</u>

Of the above debts, HK\$18,342 million (31 December 2011: HK\$20,056 million) was secured by mortgage over certain properties under development, fixed assets and shares with total carrying value of HK\$26,592 million (31 December 2011: HK\$27,348 million).

The Group diversified the debt portfolio across a bundle of currency including primarily Hong Kong dollar ("HKD"), United States dollar ("USD") and Renminbi ("RMB"). The funding sourced from such debt portfolio was mainly used to finance 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 2012, the Group also maintained a portfolio of available-for-sale investments with an aggregate market value of HK\$3.0 billion (31 December 2011: HK\$2.7 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\$8.7 billion (2011: HK\$5.4 billion). The changes in working capital reduced the net cash inflow to HK\$4.5 billion (2011: outflow of HK\$3.2 billion). For investing activities, the Group recorded a net cash outflow of HK\$10.7 billion (2011: HK\$14.3 billion), mainly for additions to investment properties, including the payment for the lease renewal premium of Ocean Terminal of HK\$7.9 billion and investments in associates and jointly controlled entities involved in property development projects in the Mainland, including HK\$1.9 billion paid for the acquisition of 18.4% equity interests in Greentown China. The net cash outflow was partly compensated by the proceeds received from disposal of certain non-core properties during the reporting period. Subsequent to the reporting period, the Group further paid HK\$0.8 billion for increasing its equity interests in Greentown China to 24.6% and HK\$2.6 billion for subscribing Greentown China's perpetual subordinated convertible securities.

Major Expenditure and Commitments

The major expenditure incurred by the Group's core businesses during the period and related commitments at 30 June 2012 are analysed as follows:

Business Unit/Company	Expenditure for 1-6/2012 HK\$ Million	Commitments as at 30 June 2012	
		Authorised and Contracted for HK\$ Million	Authorised but not Contracted for HK\$ Million
<u>a. Capital expenditure</u>			
Property Investments	9,254	9,738	23,129
Wharf T&T	231	207	270
i-CABLE (73.8%-owned)	113	47	132
Modern Terminals (67.6%-owned)	131	803	447
	<u>9,729</u>	<u>10,795</u>	<u>23,978</u>
<u>b. Trading properties under development</u>			
Subsidiaries	2,582	7,510	37,161
Jointly controlled entities/ associates	3,882	4,894	12,853
	<u>6,464</u>	<u>12,404</u>	<u>50,014</u>
<u>c. Programming and others</u>	<u>52</u>	<u>1,389</u>	<u>92</u>

For the Property Investment segment, the capital expenditure incurred during the period under review mainly included the lease renewal premium of HK\$7.9 billion paid for Ocean Terminal and the construction cost for 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 port project in the 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\$6.5 billion of expenditures for the development of its trading properties in the Mainland, either wholly-owned or undertaken through associates or jointly controlled entities, of which HK\$1.9 billion was incurred for the acquisition of 18.4% interests in Greentown China during the period under review.

As at 30 June 2012, the Group's authorised and contracted commitments were mainly for development properties for investment of HK\$10.8 billion and for trading of HK\$12.4 billion, respectively, among these including attributable land cost of HK\$4.5 billion payable by installments from the remaining period of 2012 to 2013. Apart from that, the Group intends to invest HK\$24.0 billion mainly for investment properties and HK\$50.0 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 and planned expenditures will be funded by Group's internal financial resources including its surplus cash of HK\$19.0 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 14,800 employees as at 30 June 2012, including about 2,800 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective group's achievement and results.

CONSOLIDATED INCOME STATEMENT
For The Six Months Ended 30 June 2012 – Unaudited

		Six months ended 30 June	
		2012	2011
	Note	HK\$ Million	HK\$ Million
Turnover	2	18,250	9,745
Direct costs and operating expenses		(8,164)	(3,162)
Selling and marketing expenses		(567)	(404)
Administrative and corporate expenses		(580)	(537)
Operating profit before depreciation, amortisation, interest and tax		8,939	5,642
Depreciation and amortisation		(698)	(662)
Operating profit	2 & 3	8,241	4,980
Increase in fair value of investment properties		17,346	11,614
Other net income	4	1,544	122
		27,131	16,716
Finance costs	5	(605)	(775)
Share of results after tax of:			
Associates		280	188
Jointly controlled entities		4	(9)
Profit before taxation		26,810	16,120
Income tax	6	(2,622)	(1,511)
Profit for the period		24,188	14,609
Profit attributable to :			
Equity shareholders		23,646	14,302
Non-controlling interests		542	307
		24,188	14,609
Earnings per share	7		
Basic		HK\$7.81	HK\$4.84
Diluted		HK\$7.66	HK\$4.83

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Six Months Ended 30 June 2012 – Unaudited

	Six months ended 30 June	
	2012	2011
	HK\$ Million	HK\$ Million
Profit for the period	24,188	14,609
Other comprehensive income		
Exchange (loss) / gain on translation of foreign operations	(406)	1,194
Net revaluation reserves of available-for-sale investments:	389	(315)
Surplus /(deficit) on revaluation	336	(316)
Transferred to consolidated income statement on disposal	53	1
Share of other comprehensive income of associates/jointly controlled entities	(69)	245
Others	30	1
Other comprehensive income for the period	(56)	1,125
Total comprehensive income for the period	24,132	15,734
Total comprehensive income attributable to:		
Equity shareholders	23,521	15,318
Non-controlling interests	611	416
	24,132	15,734

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As At 30 June 2012 – Unaudited

		30 June 2012	31 December 2011
	Note	HK\$ Million	HK\$ Million
Non-current assets			
Investment properties		209,064	184,057
Other property, plant and equipment		15,240	15,233
Leasehold land		3,728	3,751
Total fixed assets		228,032	203,041
Goodwill and other intangible assets		297	297
Interest in associates		14,726	10,198
Interest in jointly controlled entities		17,518	16,934
Available-for-sale investments		2,967	2,703
Programming library		117	107
Deferred tax assets		683	683
Derivative financial assets		294	181
Other non-current assets		13	15
		264,647	234,159
Current assets			
Properties for sale		44,658	47,511
Inventories		137	130
Trade and other receivables	9	5,582	3,420
Derivative financial assets		239	225
Bank deposits and cash		19,034	32,528
		69,650	83,814
Current liabilities			
Trade and other payables	10	(10,479)	(10,316)
Deposits from sale of properties		(6,582)	(9,704)
Derivative financial liabilities		(214)	(232)
Taxation payable		(2,399)	(1,601)
Bank loans and other borrowings		(6,201)	(8,903)
		(25,875)	(30,756)
Net current assets		43,775	53,058
Total assets less current liabilities		308,422	287,217

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As At 30 June 2012 – Unaudited

	Note	30 June 2012 HK\$ Million	31 December 2011 HK\$ Million
Non-current liabilities			
Derivative financial liabilities		(2,317)	(2,470)
Deferred tax liabilities		(7,254)	(6,508)
Other deferred liabilities		(277)	(275)
Bank loans and other borrowings		(66,001)	(67,090)
		<u>(75,849)</u>	<u>(76,343)</u>
NET ASSETS		<u>232,573</u>	<u>210,874</u>
Capital and reserves			
Share capital		3,029	3,029
Reserves		<u>221,656</u>	<u>200,228</u>
Shareholders' equity		<u>224,685</u>	<u>203,257</u>
Non-controlling interests		7,888	7,617
TOTAL EQUITY		<u>232,573</u>	<u>210,874</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 HKAS34 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 2011 except the changes mentioned below.

With effect from 1 January 2012, the Group has adopted the below amendment to HKFRSs, which is relevant to the Group’s financial statements:

Amendment to HKFRS 7	Financial instruments: Disclosures – Transfers of financial assets
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The Group has assessed the impact of the adoption of this amendment and considered that there was no significant impact on the Group’s results and financial position or any substantial changes in the Group’s accounting policies.

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 mainly 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 in Hong Kong and Mainland China undertaken by Modern Terminals Limited (“Modern Terminals”), Hong Kong Air Cargo Terminals Limited (“Hactl”) and other public transport operations.

CME segment comprises pay television, internet and multimedia and other businesses operated by i-CABLE Communications Limited (“i-CABLE”) and 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 2012								
Property investment	5,511	4,261	17,346	73	(568)	-	-	21,112
Hong Kong	4,383	3,755	16,414	73	(482)	-	-	19,760
Mainland China	479	314	932	-	(81)	-	-	1,165
Hotels	649	192	-	-	(5)	-	-	187
Property development	9,122	3,428	-	1,504	(54)	89	(20)	4,947
Hong Kong	2,193	1,006	-	-	-	63	-	1,069
Mainland China	6,929	2,422	-	1,504	(54)	26	(20)	3,878
Logistics	1,515	577	-	(46)	(137)	191	24	609
Terminals	1,469	573	-	(25)	(137)	105	24	540
Others	46	4	-	(21)	-	86	-	69
CME	1,942	17	-	3	(20)	-	-	-
i-CABLE	1,038	(100)	-	3	(2)	-	-	(99)
Telecommunications	904	119	-	-	(18)	-	-	101
Others	-	(2)	-	-	-	-	-	(2)
Inter-segment revenue	(168)	-	-	-	-	-	-	-
Segment total	17,922	8,283	17,346	1,534	(779)	280	4	26,668
Investment and others	328	205	-	10	174	-	-	389
Corporate expenses	-	(247)	-	-	-	-	-	(247)
Group total	18,250	8,241	17,346	1,544	(605)	280	4	26,810
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

2. SEGMENT INFORMATION

b. Analysis of inter-segment revenue

Six months ended 30 June	2012			2011		
	Total	Inter-	Group	Total	Inter-	Group
	Revenue	segment	Revenue	Revenue	segment	Revenue
	HK\$	revenue	HK\$	HK\$	revenue	HK\$
	Million	Million	Million	Million	Million	Million
Property investment	5,511	(74)	5,437	4,766	(72)	4,694
Property development	9,122	-	9,122	1,343	-	1,343
Logistics	1,515	-	1,515	1,673	-	1,673
CME	1,942	(54)	1,888	1,930	(95)	1,835
Investment and others	328	(40)	288	207	(7)	200
	18,418	(168)	18,250	9,919	(174)	9,745

c. Geographical information

Six months ended 30 June	Revenue		Operating profit	
	2012	2011	2012	2011
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	10,443	7,700	5,837	4,348
Mainland China	7,788	2,024	2,385	612
Singapore	19	21	19	20
Group total	18,250	9,745	8,241	4,980

3. OPERATING PROFIT

Operating profit is arrived at :

	Six months ended 30 June	
	2012	2011
	HK\$ Million	HK\$ Million
After charging / (crediting) :-		
Depreciation and amortisation on		
– assets held for use under operating leases	70	65
– other fixed assets	537	512
– leasehold land	48	46
– programming library	43	39
Total depreciation and amortisation	698	662
Staff costs	1,477	1,333
Cost of trading properties for recognised sales	5,371	680
Rental income less direct outgoings (Note)	(4,079)	(3,527)
Interest income	(192)	(112)
Dividend income from listed investments	(61)	(45)
Dividend income from unlisted investments	-	(3)
(Profit)/ loss on disposal of fixed assets	(3)	3

Note: Rental income included contingent rentals of HK\$995 million (2011: HK\$777 million).

4. OTHER NET INCOME

Other net income for the period amounted to HK\$1,544 million (2011: HK\$122 million) mainly includes:

- a. A book accounting gain representing the negative goodwill of HK\$1,543 million recognised in respect of the Group's acquisition of 18.4% equity interests in Greentown China Holdings Limited ("Greentown China"), being as an associate, in June 2012. This amount was calculated based on the Group's internal assessment of net fair value of Greentown China's identifiable assets and liabilities as at the date of acquisition. It increased to an estimated amount of approximately HK\$2,200 million after the Group's equity interests in Greentown China further increased to 24.6% subsequent to 30 June 2012.

As the fair values to be assigned to the identifiable assets and liabilities of Greentown China can only be determined provisionally, the acquisition has been accounted for using those provisional values. The amount may be adjusted upon the completion of the acquisition.

- b. Net foreign exchange loss of HK\$52 million (2011: gain of HK\$133 million) which included the impact of forward foreign exchange contracts.
- c. Net gain on disposal of available-for-sale investment of HK\$2 million (2011: loss of HK\$ 1 million) which includes a revaluation deficit of HK\$53 million (2011: HK\$1 million) transferred from the investments revaluation reserves of the Group.

5. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	HK\$ Million	HK\$ Million
Interest charged on :		
Bank loans and overdrafts		
– repayable within five years	378	290
– repayable after five years	95	153
Other borrowings		
– repayable within five years	76	7
– repayable after five years	330	70
Total interest charge	879	520
Other finance costs	100	61
Less : Amount capitalised	(282)	(175)
	697	406
Fair value (gain)/cost :		
Cross currency interest rate swaps	213	(41)
Interest rate swaps	(305)	410
	(92)	369
	605	775

The Group's average effective borrowing rate for the period was 2.6% p.a. (2011: 2.1% p.a.).

6. INCOME TAX

Taxation charged to the consolidated income statement represents :

	Six months ended 30 June	
	2012	2011
	HK\$ Million	HK\$ Million
Current income tax		
Hong Kong		
- provision for the period	850	631
- overprovision in respect of prior years	(7)	(6)
Outside Hong Kong		
- provision for the period	598	97
- underprovision in respect of prior years	2	-
	1,443	722
Land appreciation tax (“LAT”) in China	417	175
Deferred tax		
Change in fair value of investment properties	601	518
Origination and reversal of temporary differences	161	96
	762	614
	2,622	1,511

- 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% (2011: 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 2012 of HK\$134 million (2011: HK\$43 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\$23,646 million (30/06/2011: HK\$14,302 million) and the weighted average of 3,029 million ordinary shares in issue during the period (30/06/2011: 2,952 million ordinary shares).

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\$23,719 million (30/06/2011: HK\$14,312 million) and the weighted average of 3,098 million ordinary shares in issue during the period (30/06/2011: 2,963 million ordinary shares), calculated as follows:

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

	Six months ended 30 June	
	2012	2011
	HK\$ Million	HK\$ Million
Profit attributable to ordinary equity shareholders	23,646	14,302
After tax effect of effective interest on the liability component of convertible bonds	73	10
	23,719	14,312

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

	30 June 2012	30 June 2011
	No. of shares Million	No. of shares Million
Weighted average number of ordinary shares at 30 June	3,029	2,952
Effect of conversion of convertible bonds	69	11
	3,098	2,963

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	
	2012	2011
	HK\$ Million	HK\$ Million
First interim dividend of 45 cents (2011 : 36 cents) proposed after the period end date per share	1,363	1,091

- b. Dividends recognised as distribution during the period

	Six months ended 30 June	
	2012	2011
	HK\$ Million	HK\$ Million
2011 second interim dividend paid of 70 cents per share	2,120	-
2010 Final dividend paid of 64 cents per share	-	1,939
	2,120	1,939

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 2012 as follows:

	30 June 2012 HK\$ Million	31 December 2011 HK\$ Million
Trade receivables		
0 – 30 days	591	656
31 – 60 days	107	116
61 – 90 days	58	73
Over 90 days	90	63
	846	908
Accrued sales receivables	1,757	-
Other receivables	2,979	2,512
	5,582	3,420

Accrued sales receivables mainly represent property sales consideration to be billed or received after the end of the reporting period. In accordance with the Group's accounting policy, upon receipt of the Temporary Occupation Permit or architect's completion certificate, the balance of sales consideration to be billed is included as accrued sales receivables.

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 2012 as follows:

	30 June 2012 HK\$ Million	31 December 2011 HK\$ Million
Trade payables		
0 - 30 days	270	314
31 - 60 days	123	172
61 - 90 days	29	54
Over 90 days	62	90
	484	630
Rental and customer deposits	2,342	2,124
Construction costs payable	1,957	2,644
Amounts due to associates	2,507	2,133
Amounts due to jointly controlled entities	344	210
Other payables	2,845	2,575
	10,479	10,316

11. REVIEW OF UNAUDITED INTERIM FINANCIAL STATEMENTS

The unaudited interim financial statements for the six months ended 30 June 2012 have been reviewed with no disagreement by the Audit Committee of the Company.

CORPORATE GOVERNANCE PRACTICES

During the first three-month period, from 1 January to 31 March 2012, in the financial period under review, all the applicable code provisions in the Code on Corporate Governance Practices (which were effective during that three-month period), as set out in Appendix 14 of the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) then in force, were met by the Company, except in respect of one code provision (viz. Code Provision A.2.1) providing for the roles of the chairman and chief executive officer (or chief executive) to be preformed by different individuals (the “First Deviation”). 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. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high-calibre individuals, with half of them being Independent Non-executive Directors (“INED(s)”).

During the remaining three-month period, from 1 April to 30 June 2012, in the financial period under review, all the code provisions in the Corporate Governance Code (which is set out in the current version of Appendix 14 of the Listing Rules) were met by the Company, with the exception of three deviations, namely, (i) the First Deviation (with details etc. as mentioned above); (ii) code provision F.1.3 (the “Second Deviation”) providing for the company secretary to report to the board chairman or the chief executive; and (iii) code provision A.6.7 (the “Third Deviation”) providing for INEDs and other Non-executive Directors of the Company to, *inter alia*, attend general meetings. Regarding the Second Deviation, the Company Secretary of the Company has for some years directly reported to, and continues to report to, the Deputy Chairman of the Company, which is considered appropriate and reasonable given the size of the Group. In the view of the Directors, this reporting arrangement would in no way adversely affect the efficient discharge by the Company Secretary of his job duties. As regards the Third Deviation, a few INEDs were absent from the last Annual General Meeting of the Company held in May 2012 due to their other important engagements at the relevant time.

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 Wednesday, 19 September 2012 to Friday, 21 September 2012, 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 Tuesday, 18 September 2012.

By Order of the Board

Wilson W. S. Chan

Company Secretary

Hong Kong, 23 August 2012

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, Professor Edward K. Y. Chen, Dr. Raymond K. F. Ch'ien, Hon. Vincent K. Fang, Mr. Hans Michael Jebsen, Prof. the Hon. Arthur K. C. Li and Mr. James E. Thompson.