Wheelock & Company Limited
Annual Report 2007

Stock Code: 20 www.wheelockcompany.com

會德豐

18 57

WHEELOCK

WHEELOCK

Founded 1857

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Peter K C Woo, GBS, JP *(Chairman)*
Gonzaga W J Li *(Senior Deputy Chairman)*
Stephen T H Ng *(Deputy Chairman)*
Paul Y C Tsui *(Executive Director)*

Independent Non-executive Directors

Alexander S K Au, OBE*
B M Chang*
Kenneth W S Ting, SBS, JP*

* *Members of the Audit Committee*

SECRETARY

Wilson W S Chan, FCIS

REGISTRARS

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

23rd Floor, Wheelock House
20 Pedder Street
Hong Kong
Telephone: (852) 2118 2118
Fax: (852) 2118 2018
Website: www.wheelockcompany.com

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

AUDITORS

KPMG

In 2007, the economy of Hong Kong sustained a robust growth momentum, with real GDP increasing by 6.3%. Underpinned by robust domestic consumption, strong financial activities and exports, the domestic economy showed another year of vibrant performance. The labour market continued to see notable improvement, with unemployment rate reaching a 10-year low of 3.4%. Escalating household wealth, coupled with improving job security and better asset market performance bolstered consumption spending. This, along with upbeat tourists' spending, rendered support to the retail sector. The Group's retail properties, leveraging on its excellent quality and retail management, achieved strong performance in 2007. The local office sector was also propelled by the sustained economic upturn. Grade A office demand continued to be fuelled by expansion and upgrading requirements. This is beneficial to the Group's office portfolio. The property market improved further, with a considerable pick-up in both sales prices and transactions, amidst a favourable interest rate environment and soaring inflationary pressures.

In Singapore, the economy grew by 7.7% year-on-year in 2007, on the back of strong construction, healthy services and manufacturing. Wheelock Properties (Singapore) Limited ("WPSL") performed in line with the real estate market where private residential prices increased by some 33% and office rents by 56% based on the latest figures released by Singapore Urban Redevelopment Authority. Demand for high-end residential homes is expected to be maintained but at a moderate rate.

The Company has changed its financial year end date from 31 March to 31 December to get in line with that of The Wharf (Holdings) Limited ("Wharf"), the major subsidiary of the Company. Accordingly, the financial period under review covers a period of nine months from 1 April 2007 to 31 December 2007 (2006/07: 12 months from 1 April 2006 to 31 March 2007). The Group's financial statements for the nine months ended 31 December 2007 have consolidated Wharf's financial statements for the twelve months ended 31 December 2007 (2006/07: twelve months ended 31 December 2006).

Including the net investment property revaluation surplus, Group profit for the nine-month period grew by 21% to HK$7,615 million (2006/07: HK$6,310 million). Earnings per share increased to HK$3.75 (2006/07: HK$3.11). Excluding the revaluation surplus, Group profit for the nine-month period ended 31 December 2007 rose by 12% to HK$3,361 million (2006/07: HK$3,008 million). The increase was mainly driven by an increase in Wharf's profit from the Property Investment segment, sales of China residential properties and the Investment segment, partially mitigated by the lack of non-recurring profits from the disposals of Hamptons Group Limited and Oakwood Residence Azabujuban by WPSL group.

Consolidated net asset value per share rose by 15% to HK$27.88 as at 31 December 2007. The financial position of the Group remained healthy, with net debt amounting to HK$21.9 billion.

A final dividend of 10.0 cents per share has been recommended to bring the total dividend for the nine-month period ended 31 December 2007 to 12.5 cents per share (2006/07: 12.5 cents per share for 12 months). Total dividend received in cash from the publicly-listed subsidiaries Wharf and Wheelock Properties Limited amounted to HK$1,132 million during the financial period (2006/07: HK$1,116 million).

BUSINESS PERFORMANCE

Properties

98% of the total units of Bellagio have been sold by December 2007. The office portion of Crawford House was 90% leased at satisfactory rental rates. Hennes & Mauritz AB (H&M), a reputable international retailer, leased the majority of the retail podium.

Wheelock Properties Limited

All owned and joint-venture residential projects, including Bellagio and Parc Palais, contributed favourably during the financial period but fewer units were sold by comparison to the preceding year. Wheelock House and Fitfort were 92% and 95% leased respectively at satisfactory rental rates at the end of December 2007. The group has during the period successfully sold off the office units in South Seas Centre and some units in Wing On Plaza, various industrial units at My Loft and Metro Loft as well as some carparking spaces.

In 2007, the group, together with the China Merchants Property ("CMP") group, acquired two pieces of residential land in Foshan of Guangdong Province at public auctions. The group has formed two 50:50 joint venture companies with the CMP group for the purpose of developing the two pieces of land. The first site in Xincheng District (新城區) was acquired in January 2007 for RMB950 million, and the second site in Chancheng (禪城) was acquired in October 2007 for RMB1,505 million.

Wheelock Properties (Singapore) Limited

During the period the company acquired a 12% interest in SC Global Developments Ltd ("SC Global") which is listed in Singapore. The principal activities of SC Global are property development, investment holding and provision of project management and marketing services. Wheelock Place was 100% committed at satisfactory rental rates at the end of December 2007. All units of The Cosmopolitan, The Sea View and Ardmore II as well as 67% of units at Scotts Square have been pre-sold by the end of December 2007. Orchard View, a luxury 36-storey residential development, and Ardmore 3, planned for redevelopment, are expected for pre-selling in 2009. Turnover and profits, however, will not be recognised by the Group until project completion, in accordance with the current accounting standard. The Sea View and The Cosmopolitan are scheduled for completion in 2008, while profits from Ardmore II and Scotts Square would be recognised at a later stage.

The Wharf (Holdings) Limited

Harbour City and Times Square, the core assets of the group representing close to 52% of total assets, registered solid double-digit growth in both turnover and operating profit. The group's commitments towards expanding the property sector in the Mainland continued, with the acquisition of 12 sites for development in the cities of Chengdu, Hangzhou, Suzhou, Chongqing, Nanjing, Changzhou and Wuxi during 2007 and early 2008. Accordingly, the group's attributable landbank and investment properties in the Mainland in terms of plot ratio GFA currently exceed 90 million square feet. Modern Terminals' expansion into the Mainland also continued. The first two berths of its Dachan Bay project in Western Shenzhen have commenced services in December 2007 and the remaining 3 berths will be commissioned in 2008. Together with its other quality projects including Taicang terminal and Mega Shekou terminal, Modern Terminals will significantly increase its presence in the region of Pearl River Delta and Yangtze River Delta on completion of these new projects.

A full report on each business unit's performance is included in the Segment Review section on pages 8 to 15.

OUTLOOK

It is expected that Asia will continue to outperform the global economy in 2008, underpinned by the thriving Mainland economy and sustained robust growth momentum in other Asian markets. With its close economic and financial links with the still fast-growing Mainland economy, Hong Kong is well positioned to weather the global economic problems. The CEPA framework and Pan-PRD cooperation will further deepen and broaden Hong Kong's integration with the Mainland, resulting in abundant business opportunities and benefits to both sides.

Underpinned by numerous investment opportunities in Hong Kong and China, the Group is poised for further growth and set to display its dynamism in 2008.

On behalf of Shareholders and my fellow Directors, I wish to express our heartfelt gratitude to all staff for their dedication and contribution throughout the fiscal period.

Peter K C Woo
Chairman

Hong Kong, 26 March 2008

FINANCIAL HIGHLIGHTS

	Period ended 31/12/2007 HK$ Million	Year ended 31/3/2007 HK$ Million (restated)
Results		
Turnover (Continuing operations)	**17,915**	16,096
Operating profit (Continuing operations)	**10,347**	7,650
Profit before attributable property revaluation surplus	**3,361**	3,008
Group profit attributable to equity shareholders	**7,615**	6,310
Dividends attributable to the period/year	**254**	254
Earnings per share	**HK$3.75**	HK$3.11
Dividends per share	**12.5¢**	12.5¢
Dividends from major subsidiaries		
Wharf	**978**	978
Wheelock Properties	**154**	138
Financial position		
Total assets	**179,125**	149,027
Net debt	**21,912**	15,571
Shareholders' equity	**56,651**	49,262
Total equity	**114,159**	99,542
Net assets per share	**HK$27.88**	HK$24.25
Net debt to shareholders' equity	**38.7%**	31.6%
Net debt to total equity	**19.2%**	15.6%

	Group profit to equity shareholders				
Financial year/period	**Before property revaluation HK$ Million**	**After property revaluation HK$ Million**	**Shareholders' equity HK$ Million**	**Earnings per share HK¢**	**Dividends per share HK¢**
1998/99	808	657	27,548	32.4	7.5
1999/00	1,821	864	27,242	42.6	7.5
2000/01	1,371	523	28,419	25.8	7.5
2001/02	1,452	547	26,485	26.9	7.5
2002/03	1,600	35	22,790	1.7	7.5
2003/04	2,276	2,303	26,544	113.3	9.0
2004/05	2,498	8,337	31,435	410.3	11.0
2005/06	3,203	10,316	41,016	507.7	12.5
2006/07	3,008	6,310	49,262	310.5	12.5
2007 (Note 1)	**3,361**	**7,615**	**56,651**	**374.8**	**12.5**

Notes:

1) *The Company has changed its financial year end date from 31 March to 31 December to get in line with that of The Wharf (Holdings) Limited ("Wharf"), the major subsidiary of the Company (see note 2(a) to the financial statements).*

2) *Certain figures have been reclassified or restated to comply with the prevailing HKFRSs.*

	Group net profit				Shareholders' equity			
	Period ended 31/12/2007 HK$ Million	**%**	Year ended 31/3/2007 HK$ Million	%	**31/12/2007 HK$ Million**	**%**	31/3/2007 HK$ Million (restated)	%
Wharf	**2,864**	**85**	2,062	69	**41,621**	**72**	36,161	71
Wheelock Properties [1]	**321**	**10**	767	25	**13,115**	**23**	12,050	24
The Company and its other subsidiaries	**176**	**5**	179	6	**2,847**	**5**	3,017	5
	3,361	**100**	3,008	100	**57,583**	**100**	51,228	100
Corporate items [2]	**–**		–		**(932)**		(1,966)	
Attributable investment property revaluation surplus	**4,254**		3,302		**–**		–	
Attributable to shareholders	**7,615**		6,310		**56,651**		49,262	
Per share	**HK$3.75**		HK$3.11		**HK$27.88**		HK$24.25	

Notes:

1) Wheelock Properties' attributable profit contribution and attributable shareholders' equity exclude the dividend income from and its 7% holdings in Wharf, respectively.

2) Corporate items represent net debt of the Company and its wholly-owned subsidiaries, respectively.

SEGMENT REVIEW

Property

Bellagio (effectively 74%-owned)

Bellagio is a residential development in Sham Tseng overlooking the Tsing Ma Bridge. Out of the total of 3,345 units in the development, cumulative sales have reached 3,266 units (or 98%) by the end of December 2007.

Crawford House (wholly-owned)

The office and retail portion of Crawford House was 90% and 89% leased respectively at satisfactory rental rates.

Wheelock Properties Limited (a 74%-owned listed subsidiary) ("WPL")

Including the net investment property revaluation surplus, group profit for the nine-month period was HK$1,540 million (2006/07: HK$1,450 million). Earnings per share were HK$0.74 (2006/07: HK$0.70). Excluding the revaluation surplus, group profit was HK$570 million (2006/07: HK$1,169 million). The decrease in profit was mainly due to a shorter reporting period, as well as the lack of non-recurring profits from the disposal of Hamptons Group Limited ("Hamptons") and Oakwood Residence Azabujuban ("Oakwood") a year earlier.

Parc Palais is a one-million-square-foot GFA residential development in Homantin. 99% (or 690 units) of the 700 units have been sold by December 2007.

Re-development of 6D-6E Babington Path, Mid-levels and 2 Heung Yip Road, Aberdeen, is underway. The former will comprise 47 deluxe apartments and the latter will be redeveloped into a high rise industrial building. In November 2007, the group pre-sold nine storeys of the Heung Yip Road project.

Wheelock House and Fitfort were 92% and 95% leased respectively at satisfactory rental rates at the end of December 2007.

In line with the group's policy of disposing of non-core assets, the group has during the period sold off the office units in South Seas Centre and some units in Wing On Plaza, various industrial units at My Loft and Metro Loft as well as some carparking spaces.

By the end of December 2007, the group has acquired up to 96% interest in the residential units at 211-215C Prince Edward Road West for HK$330 million. The project is planned for residential re-development.

In 2007, the group, together with the China Merchants Property ("CMP") group, acquired two pieces of residential land in Foshan of Guangdong Province at public auctions. The first piece of land is situated at Xincheng District (新城區) with site area and plot ratio GFA of 2.88 million square feet and 4.86 million square feet respectively (Plot ratio GFA attributable to WPL is 2.43 million square feet). The second piece of land is situated at Chancheng (禪城) and the site area and plot ratio GFA are 1.15 million square feet and 2.89 million square feet respectively (Plot ratio GFA attributable to WPL is 1.45 million square feet). The group has formed two 50:50 joint venture companies with the CMP group for the purpose of developing the two pieces of land. Completion of the first development is scheduled to be in 2012 whereas completion for the second development will be in 2011.

During the financial period, WPL contributed a cash dividend of HK$154 million (2006/07: HK$138 million) to the Group.

Wheelock Properties (Singapore) Limited (a 76%-owned Singapore subsidiary of WPL)
Profit for Wheelock Properties (Singapore) Limited ("WPSL") amounted to S$273.5 million for the nine months under review (2006/07: S$297.9 million).

During the financial period under review, WPSL acquired a 12% interest in SC Global Development Ltd ("SC Global") which is listed in Singapore. The principal activities of SC Global are property development, investment holding and provision of project management and marketing services.

Development Properties
The Sea View is a residential condominium development of six tower blocks with 546 apartments. Main construction work is in progress and development completion is scheduled in the first half of 2008. All of the 546 units have been pre-sold at satisfactory prices by December 2007.

The Cosmopolitan is a residential condominium development with 228 apartments on the former Times House site. Main construction work is in progress and the project is scheduled for completion in the middle of 2008. All of the 228 units have been pre-sold at satisfactory prices by December 2007.

Ardmore II is a prime residential condominium development with 118 apartments. Main construction work is in progress and development completion is scheduled in 2010. All of the 118 units have been pre-sold at satisfactory prices by December 2007.

Orchard View is a luxury 36-storey residential development, with 30 units of four-bedroom apartments, located in the tree-lined serene enclave of Angullia Park, just off Orchard Turn. Main construction work is in progress and the project is scheduled for completion by 2009. Orchard View is expected for pre-selling in 2009.

Scotts Square is a prime residential condominium development with 338 apartments, plus a retail annex. Retail podium is held for long term investment purposes. Pre-sales of apartments was met with favourable response and has reached 67% by December 2007. Piling work for the project is in progress and development completion is scheduled in 2010.

Ardmore 3 is planned for redevelopment and sale. Piling work for the project is in progress and the project is scheduled for completion in 2012. Ardmore 3 is expected to start pre-selling in 2009.

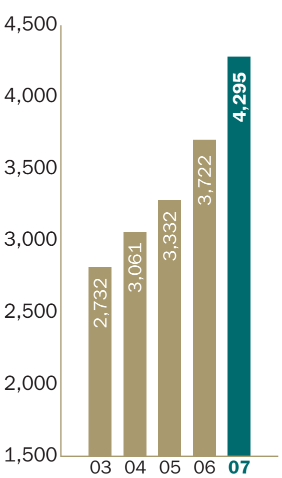
Investment Properties
Wheelock Place, a commercial development at Orchard Road, Singapore, was 100% committed at satisfactory rental rates at the end of December 2007.

The Wharf (Holdings) Limited (a 50%-owned listed subsidiary) ("Wharf")

With Wharf becoming a subsidiary of the Group during the financial period under review, Wharf's financial statements for the year from 1 January to 31 December 2007 were fully consolidated in the Group's.

Wharf's group turnover for 2007 grew by HK$2,844 million or 21% to HK$16,208 million (2006: HK$13,364 million) and operating profit rose by 46% to HK$9,466 million (2006: HK$6,471 million). Net profit attributable to shareholders excluding the net revaluation surplus surged by 39% to HK$5,947 million (2006: HK$4,285 million). Including a higher unrealised surplus from the revaluation of investment properties, net profit attributable to equity shareholders was HK$13,143 million (2006: HK$10,757 million).

Harbour City: Gross Revenue
(HK$ Million)



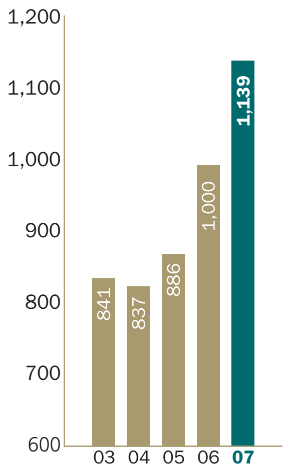
Harbour City (wholly-owned by Wharf)
Harbour City, the Wharf group's core investment property asset, turned over HK$4,295 million during the year, for an increase of 15% over 2006, while its operating profit grew by 19% to HK$3,067 million.

Positive local spending sentiments associated with healthy growth in tourist arrivals, boosted the momentum of retail sales. Turnover of Harbour City's retail sector rose by 18% to HK$1,742 million. Average retail occupancy at Harbour City was maintained at nearly 100% with favourable rental growth. Tenants at Harbour City continued to achieve excellent sales performance during 2007, with 27% year-on-year growth in average sales per square foot. Average sales per square foot in December 2007 also soared to a record high exceeding HK$1,800.

Turnover from the office sector jumped by 21% to HK$1,336 million, underpinned by strong rental reversion. Office occupancy at Harbour City was committed at 95% at the end of December 2007. New letting transactions with very favourable rentals have been recorded in Harbour City, which included recent transactions recorded at over HK$40 per square foot at Tower 6 of Gateway II. The Gateway portfolio has also benefited from the decentralisation trend and become a preferred location for some commercial banks, including Mizuho Corporate Bank who took up over 47,000 square feet in December 2007.

Turnover for the serviced apartments grew by 21% to HK$245 million, on the back of higher occupancy and rental rates during the year. Committed occupancy at Gateway Apartments soared to over 90% at the end of December 2007.

Times Square: Gross Revenue
(HK$ Million)



Times Square (wholly-owned by Wharf)

Times Square, another core investment property asset of the Wharf group, turned over HK$1,139 million during 2007, for an increase of 14% over 2006. Operating profit grew by 15% to HK$968 million.

Turnover from Times Square's retail sector rose by 10% to HK$774 million. Average retail occupancy was maintained at 99%, with favourable rental growth. Leasing activities remained robust during the year. Excitement and traffic at the mall will be further boosted with Gucci's commitment of over 3,700 square feet of lettable retail space on the second floor. In a bid to consolidate Times Square's edge, active recruitment of debut international labels will be one of the main focuses.

On the back of strong rental reversion, turnover for the office sector climbed by 24% to HK$365 million. Committed office occupancy stood high at 98% at the end of 2007.

China Properties

All three completed investment properties, namely, Beijing Capital Times Square, Shanghai Times Square and the retail podium of Chongqing Times Square, performed satisfactorily. Total revenue was up by 21% and operating profit by 52% during the year.

Robust growth in development profit from China properties was recorded during the year. Relevant development profit from sales of two launched projects jumped to HK$718 million (2006: HK$2 million). Wellington Garden, a high-end residential and office apartment development in Shanghai, has launched its first phase of two residential blocks since mid-2006 and all launched units were sold at excellent unit price by the end of 2007. Wuhan Times Square also successfully sold 98% of its first phase consisting of two residential towers at record high unit price in that city as at the year-end. The second phase of both projects has been launched since mid-December of 2007, with favourable responses.

Tian Fu Times Square in Chengdu, launched its pre-sale of two residential towers in September 2007 and all units launched were promptly sold within a few days. Pre-sale of the second phase comprising the third residential block has been launched since mid-January 2008 and was met with enthusiastic responses. Overall, 97% of these three residential towers were successfully pre-sold at record high unit price in the city.

Other Projects under Development

Dalian Times Square is a retail and residential complex, with attributable plot ratio GFA of 1.5 million square feet. The development is scheduled for completion by the fourth quarter of 2008. The 180,000-square-foot shopping mall, targeting for opening in the fourth quarter of 2008, has secured the commitment of a host of top-notch brands including Louis Vuitton (over 10,000 square feet), Dior, Fendi, Giorgio Armani, Gucci, Hermès, Prada, Versace, etc. The two residential blocks atop the retail podium with a total GFA of about 1.32 million square feet, are scheduled for pre-sale in 2008 by two phases.

Shanghai Wheelock Square, with an attributable plot ratio GFA of 1.2 million square feet, comprises a top quality Grade A office tower plus a retail annex. The development is scheduled for completion by 2009. Two high-end residential projects in Shanghai, No. 1 Xin Hua Road (新華路) and Jingan Garden are progressing according to plan.

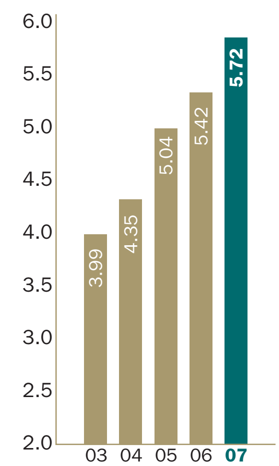
Excluding acquisitions in January 2008 which are covered under New Acquisitions below, other development projects owned by Wharf include three lots in Chengdu - No. 10 Gaoxin District (高新區), Shuangliu Development Zone (雙流發展區) and Hongxing Road (紅星路), two lots in Nanchang District (南長區) in Wuxi (including a 339-metre super tower and residential development), two lots in Suzhou (one lot between Jinji Lake (金雞湖) and Dushu Lake (獨墅湖) and another lot in Suzhou Industrial Park), Xihu District (西湖區) in Hangzhou, Nanan District (南岸區) in Chongqing and Qixia / Xianlin New District (棲霞區 / 仙林新區) in Nanjing City (南京市) are progressing according to plan. The Wharf group through Harbour Centre Development Limited ("HCDL"), also acquired five excellent sites in the cities of Chongqing (Jiangbei City (江北城)), Suzhou (Xinghu Jie (星湖街) and Xiandai Da Dao (現代大道)), Hangzhou (Qianjiang New City (錢江新城) of Shangcheng District (上城區)) and Changzhou during 2007. Acquisition of the first four sites was made through partnering with strong local property companies while the remaining site in Changzhou was wholly-owned by HCDL.

New Acquisitions

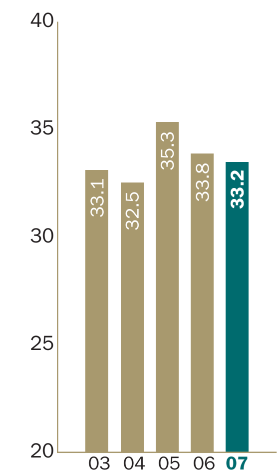
In January 2008, the Wharf group acquired one prime site (three pieces of land lot) in Wuxi as detailed hereunder.

The Wharf group acquired another three land parcels in the city of Wuxi at a public auction in January 2008. Superbly located in Nanchang District (南長區) of Wuxi alongside the 2,500-year-old ancient canal, these land parcels boast a site area of 4.8 million square feet and offer an attributable plot ratio GFA of 8.74 million square feet. It is planned for commercial and residential development. Ongoing discussion with prospective property partner is underway and no fixed decision has yet been made.

Modern Terminals: Throughput (HK)
(Million TEUs)



Modern Terminals: Market Share (HK)
(%)



Modern Terminals (a 68%-owned subsidiary of Wharf)
Modern Terminals' total revenue and operating profit rose by 4% and 5% respectively during 2007.

In Hong Kong, throughput at Modern Terminals grew by 6% to 5.72 million TEUs during 2007, on the back of an increase in Intra-Asia services. Modern Terminals' market share in Kwai Tsing was maintained at 33.2% at the end of 2007. In South China, Chiwan Container Terminal, in which Modern Terminals effectively holds an 8% stake, handled 4.0 million TEUs during the year. Throughput at Shekou Container Terminals ("Mega SCT"), in which Modern Terminals effectively holds a 30% stake (to be eventually diluted to 20% with the completion of the remainder of the entire facilities) after the completion of Shekou Container Terminals rationalisation in February 2007, reached 3.31 million TEUs in 2007.

At Taicang Port, where Modern Terminals holds 51% and 70% equity stake in its Phases I and II respectively, the Container Terminals handled about 1 million TEUs, 77% higher than the throughput volume a year earlier.

Phase I of Da Chan Bay Terminal One in Western Shenzhen, 65%-owned by Modern Terminals, is progressing according to plan. Construction of the terminal is progressing as scheduled and the first two berths commenced operation in late 2007.

Other Hong Kong Properties
Plaza Hollywood registered a turnover growth of 9% to HK$302 million, thanks to favourable rental growth during the year. Average occupancy was maintained at 99% throughout 2007.

Leasing activities for the Peak Portfolio during 2007 remained robust. Chelsea Court was fully let at the end of 2007. Occupancy at Mountain Court and No. 1 Plantation Road was maintained at 96% and 98% respectively. Favourable rental growth in all new lettings and renewals was recorded.

In line with the group's policy, the group continues to actively look for opportunities to dispose of its non-core properties, following successful disposal of Wharf's remaining stock in Grandtech Centre in Shatin in May 2007.

Marco Polo Hotels

Marco Polo Hotels currently has a portfolio of nine operating hotels in the Asia Pacific Region. The three hotels in Harbour City performed solidly during the year. Total hotel and club revenue was HK$972 million, and a 6% growth in average room rate was achieved. Despite a steady increase in average room rates, consolidated occupancy during the year was sustained at a healthy level of 90%, which is the same as last year.

i-CABLE

In 2007, i-CABLE successfully adjusted to the new competitive environment to establish a lower cost base to preserve its profitability despite substantial pressure on revenue. Investment in new businesses also began to bear fruit. Accordingly, it is well placed for further development. For the full year, net profit after tax was almost unchanged at HK$183 million (2006: HK$181 million), despite a decrease in turnover to HK$2,304 million (2006: HK$2,548 million). Anchoring on its content strength as well as its adjusted marketing strategy, customer retention exceeds all plans and the Pay TV subscriber base grew by 12% in the year to 882,000. However, both subscription and advertising revenue weakened and combined to reduce total turnover and operating profit for this sector to HK$1,595 million (2006: HK$1,895 million) and HK$179 million (2006: HK$248 million) respectively. Nevertheless, both turnover and operating profit in the fourth quarter were higher than those in the third quarter, partly for seasonal reasons.

On the Broadband front, subscriber base and turnover consolidated as i-CABLE preferred revenue and profit preservation over market share gains. Turnover slipped marginally to HK$588 million (2006: HK$596 million) as the subscriber base dipped to 306,000 (2006: 328,000). However, operating profit for this sector increased by 40% to set a new record with HK$180 million (2006: HK$129 million).

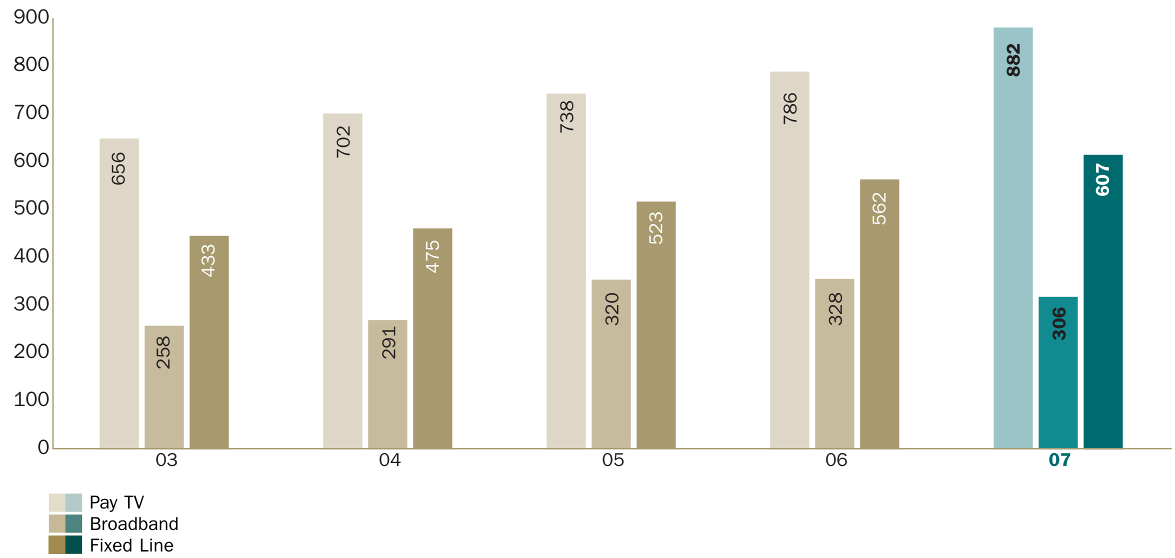
Wharf T&T

Against a backdrop of improved market landscape and booming network as well as IT demand brought about by the recovery of the economy, 2007 was a reasonably good year for Wharf T&T.

The fixed line installed base grew by 45,000 or 8% to 607,000, representing an overall market share of 13%. Business lines grew by 53,000 or 15% to 408,000 (for an 18% market share) while residential lines fell by 8,000 or 4% to 199,000 (for a 10% market share). Total outgoing IDD volume (including wholesale and retail) increased by 11% to 706 million minutes (2006: 638 million).

Total turnover for the year rose by 5% to HK$1,460 million (2006: HK$1,384 million) while operating profit improved to HK$47 million from a loss of HK$64 million. Positive free cash flow increased to HK$80 million (2006: HK$52 million).

Growth of Pay TV/Broadband Subscribers and Fixed Line Installment
(in thousands)



FINANCIAL REVIEW

(I) Results Review

Note of importance to the consolidation of Wharf's financial statements

Following the increase of the Group's controlling interest in Wharf to 50.00003%, the change of the Company's financial year end date from 31 March to 31 December and as a result of the change in accounting policy on consolidation as explained in the notes to the financial statements, the Group's financial statements for the nine months ended 31 December 2007 have consolidated Wharf's financial statements for the twelve months ended 31 December 2007. The comparative figures for the twelve months ended 31 March 2007 have consolidated Wharf's financial statements for the twelve months ended 31 December 2006 and have been adjusted or reclassified to conform to the current period's presentation.

In the previous years, the Group accounted Wharf as an associate and equity-accounted for Wharf's interest based on Wharf's published consolidated financial statements for the periods ended 31 December each year.

Turnover

The Group's turnover from continuing operations for the period under review rose by HK$1,819 million or 11% to HK$17,915 million (2006/07: HK$16,096 million), mainly reflecting Wharf's remarkable revenue growth of 21% over 2006 underpinned by the achievement of double-digit revenue increase by its Property Investment segment and higher contribution from property sales, both in Hong Kong and China. WPL group also provided steady revenue from its investment properties and sales of properties both in Hong Kong and Singapore.

Operating profit

The Group's operating profit increased sharply by HK$2,697 million or 35% to HK$10,347 million (2006/07: HK$7,650 million). In addition to the favourable performance of its Property Investment and Property Development segments, Wharf also recorded an exceptional profit on disposal of certain long-term investments that helped boost the Group's underlying operating profit.

Property Investment

Revenue and operating profit from Property Investment segment were higher at HK$6,830 million (2006/07: HK$6,135 million) and HK$4,932 million (2006/07: HK$4,260 million) respectively, an increase of 11% and 16% when compared to the previous year. Benefited from the persistent positive rental reversion with occupancy remained high, Wharf increased its property investment income by 15% to HK$6,506 million and corresponding operating profit by 18% to HK$4,701 million. Excluding hotel revenue, Wharf's investment properties, mainly including Harbour City, Times Square and Plaza Hollywood in Hong Kong and the three Times Square in China, recorded double-digit rental billing growth of 17% and 21% to HK$5,118 million and HK$416 million, respectively. Other investment properties of the Group, mainly including Wheelock House and Crawford House in Hong Kong and Wheelock Place in Singapore, also achieved higher rental rates during the period under review.

Property Development

Revenue and operating profit from Property Development segment were HK$3,283 million (2006/07: HK$2,235 million) and HK$1,412 million (2006/07: HK$554 million) respectively. The profit increase was mainly attributable to the profits of HK$718 million from recognition of property sales by Wharf for its residential units at Wellington Garden and Wuhan Times Square in China and of HK$409 million for sales of the remaining three luxury houses at Gough Hill Residences. Other properties sales revenue and profit were derived mainly from sales of Bellagio units and certain non-core office and industrial units in Hong Kong by Wheelock and WPL.

WPSL recognises profits on pre-sales of properties under development by stages using the percentage of completion method in accordance with generally accepted accounting principles in Singapore. The Group prepares its consolidated financial statements under Hong Kong Financial Reporting Standards which recognises revenue and profit on pre-sales of properties upon the completion. Accordingly, profits recognised by WPSL in respect of its pre-sales of The Sea View, The Cosmopolitan and Ardmore II units were reversed and excluded in the Group's consolidated results. As at 31 December 2007, the cumulative profits reversed attributable to the Group amounted to approximately HK$650 million. WPSL has sold all the units at The Sea View, The Cosmopolitan and Ardmore II, and 225 residential units (67% sold) at Scotts Square as of 31 December 2007. No profit from pre-sale of Scotts Square was recognised by WPSL as the project is still in its initial stage of constructions, in accordance with its accounting policies.

CME
CME's revenue dropped by 4% to HK$3,797 million (2006/07: HK$3,947 million). As a result of its effective control over expenditures, CME's operating profit increased by 35% to HK$365 million (2006/07: HK$270 million). i-CABLE reported a decrease in revenue by HK$244 million or 10% to HK$2,304 million under severe competition in its market plan, but it successfully established a lower cost base to preserve its profitability and recorded an operating profit of HK$179 million for its pay television and HK$180 million for its Internet and Multimedia segments. Wharf T&T performed well and contributed an operating profit of HK$47 million (2006/07: a loss of HK$64 million).

Logistics
Logistics segment recorded a marginal increase in revenue and operating profit to HK$3,625 million (2006/07: HK$3,506 million) and HK$1,914 million (2006/07: HK$1,887 million) respectively, mainly reflecting a 6% increase in throughput handled by Modern Terminals.

Investment and Others
Investment and Others segment's revenue, comprising mainly dividends from the Group's long-term investment portfolio and interest income, increased to HK$794 million (2006/07: HK$696 million). This segment recorded exceptionally strong result and reported an operating profit of HK$2,141 million (2006/07: HK$1,039 million), which included profit of HK$1,790 million (2006/07: HK$114 million) arising from sales of long-term investments mainly attributable to Wharf during the period under review. (Note: Profit from sales of investments is not accounted for as turnover based on the Group's accounting policy)

Increase in fair value of investment properties
The Group's investment properties were revalued by independent valuers giving a revaluation surplus of HK$10,878 million (2006/07: HK$8,248 million).

The attributable net surplus of HK$4,254 million (2006/07: HK$3,302 million), after the related deferred tax and minority interests in total of HK$6,624 million (2006/07: HK$4,946 million), was credited to the consolidated profit and loss account.

Finance costs

Finance costs increased by HK$199 million to HK$1,212 million (2006/07: HK$1,013 million) primarily due to the increase in Modern Terminals' borrowings to meet with its expanding port investment expenditures. The charge was after capitalisation of HK$242 million (2006/07: HK$151 million) for the Group's related assets. The Group's average effective borrowing interest rate was approximately 4.6% per annum (2006/07: 4.6% per annum).

Share of results after tax of associates and jointly controlled entities

Share of profits of associates increased to HK$269 million (2006/07: HK$146 million), which covered the profit contribution from Modern Terminals' additional port investment in Mega SCT and the sale of Parc Palais units undertaken by an associate of WPL. Contribution from jointly controlled entities of HK$27 million was also related to terminal business in China, which began to bear fruit.

Taxation

Taxation charge for the period was HK$4,639 million (2006/07: HK$2,560 million), which included deferred tax of HK$2,386 million (2006/07: HK$1,367 million) on the revaluation surplus of investment properties. Excluding this deferred tax, taxation charge was HK$2,253 million (2006/07: HK$1,193 million). The increase in taxation was attributable to increase in PRC income tax and land appreciation tax charged against the profit from sales of properties in China and the making of an additional provision of HK$336 million by Wharf for certain tax cases concerning interest deductibility under dispute with the Inland Revenue Department.

Discontinued operation

Hamptons was disposed of by WPSL in August 2006. The results of Hamptons, which deemed to form a significant business segment of the Group, were reported as a discontinued operation. The profit on the disposal recognised by WPSL was HK$475 million (HK$268 million attributable to the Group) in the previous year.

Minority interests

Profit shared by minority interests was HK$8,239 million (2006/07: HK$6,829 million), which was mainly attributable to the profit of Wharf and WPL.

Profit attributable to equity shareholders

The Group's profit attributable to equity shareholders increased by HK$1,305 million or 21% to HK$7,615 million (2006/07: HK$6,310 million). Earnings per share were HK$3.75 (2006/07: HK$3.11).

Excluding the net investment property revaluation surplus of HK$4,254 million (2006/07: HK$3,302 million), the Group's profit attributable to equity shareholders was HK$3,361 million (2006/07: HK$3,008 million), an increase of HK$353 million or 12% over 2006/07. The increase was largely attributable to higher profit contribution from Wharf, which was partly offset by the decrease of WPL's profit contribution resulting from the lack of non-recurring profits from the disposal of Hamptons and Oakwood in 2006/07.

Set out below is an analysis of the Group's profit attributable to the equity shareholders as contributed by each of Wharf, WPL and the Company and its other subsidiaries.

Profit attributable to	**Period ended 31/12/2007 HK$ Million**	Year ended 31/3/2007 HK$ Million
Wharf group	**2,864**	2,062
WPL group (excluded dividends from its 7% holding in Wharf)	**321**	767
The Company and its other subsidiaries	**176**	179
Profit before investment property surplus	**3,361**	3,008
Investment property surplus (after deferred tax and minority interests)	**4,254**	3,302
Profit attributable to equity shareholders	**7,615**	6,310

Wharf's profit for its year ended 31 December 2007 was HK$13,143 million (2006: HK$10,757 million). Excluding the net investment property surplus, Wharf's net profit was HK$5,947 million (2006: HK$4,285 million).

WPL's profit for its nine months ended 31 December 2007 was HK$1,540 million (2006/07: HK$1,450 million). Excluding the net investment property surplus, WPL's net profit was HK$570 million (2006/07: HK$1,169 million). During the period, WPL received dividends from Wharf of HK$138 million (2006/07: HK$138 million).

(II) Liquidity and Financial Resources

Shareholders' equity

The Group's Shareholders' equity increased by 15% to HK$56,651 million or HK$27.88 per share as at 31 December 2007, compared to HK$49,262 million or HK$24.25 per share as at 31 March 2007.

The Group's total equity, including minority interests, was HK$114,159 million as at 31 December 2007, an increase of 15% from HK$99,542 million as at 31 March 2007.

Supplemental information on net asset value ("NAV")

To better reflect the underlying NAV attributable to its equity shareholders, Wharf had made certain adjustments on the book NAV that was based on HKFRSs and disclosed as supplemental information in the Financial Review section of its Annual Report 2007. On the same basis, the adjusted underlying NAV attributable to the Group's equity shareholders is summarised below for additional information:

	Per share HK$
Book NAV as at 31 December 2007 (based on HKFRSs)	27.88
Share of Wharf's adjustments:	5.71
Modern Terminals (based on the latest transaction price in 2005)	1.68
i-CABLE (based on year-end market price @HK$1.59 p.s.)	0.16
Hotel properties (based on year-end independent valuation)	1.00
Deferred tax for surplus on revaluation of investment properties in Hong Kong*	2.87
Wheelock's deferred tax for surplus on revaluation of investment properties in Hong Kong and Singapore*	0.40
Adjusted underlying NAV as at 31 December 2007	**33.99**
Adjusted underlying NAV as at 31 March 2007	30.01

* *As there is no capital gains tax in Hong Kong and Singapore, the deferred tax liability (attributable to the Group HK$6.6 billion or about HK$3.27 per share) as provided and included in the consolidated balance sheet would not be payable if the above-mentioned investment properties were to be sold at the revalued amounts under the respective current tax regime. Accordingly, such deferred tax as provided under HKAS 40 and HK(SIC)-INT 21 is adjusted for the above calculation in order to provide a better understanding of the underlying NAV.*

Net cash generated from/used in the Group's operating and investing activities

For the period under review, net cash generated from the Group's operating activities was HK$5.9 billion, decreased slightly by HK$0.1 billion from HK$6.0 billion in 2006/07. The decrease was mainly due to net increase in trading properties caused by the acquisitions of various sites in China by Wharf and certain properties in Hong Kong by WPL, which was substantially mitigated by the increase in operating profit. Net cash of HK$11.5 billion spent for investing activities mainly consisted of Modern Terminals' payment of HK$3.2 billion for rationalisation of its interest in Mega SCT and HK$5.2 billion for the Group's investments in jointly controlled entities involving in property development projects in China.

Capital Expenditure and Commitments

The capital expenditure substantially incurred by Wharf's core businesses during the period and related capital commitments at 31 December 2007 are analysed as follows:

		Capital Commitments as at 31 December 2007	
	Capital Expenditure 2007 HK$ Million	**Authorised and Contracted for HK$ Million**	**Authorised but not Contracted for HK$ Million**
Wharf group			
Property Investments/Others	589	88	57
Wharf T&T	276	108	141
Modern Terminals (67.6%-owned)	2,757	2,613	2,318
i-CABLE (73.6%-owned)	305	722	135
	3,927	3,531	2,651
WPL group (74.3%-owned)	39	–	–
Total	**3,966**	**3,531**	**2,651**
As at 31 March 2007	4,724	4,573	3,635

The above capital expenditure incurred by the Property Investment segment was mainly related to certain refurbishment and renovation work for enhancing the quality and value of the Group's investment properties, in particular for Harbour City. For i-CABLE and Wharf T&T, the capital expenditures were incurred substantially for procurement of production and broadcasting equipment and additions to programming library while that for Modern Terminals was mainly incurred for construction of the Dachan Bay Phase I and Taicang Phase II ports. i-CABLE, Modern Terminals and WPL respectively 73.6%, 67.6% and 74.3% owned by the Group, funded their own capital expenditure programmes.

During the period under review, apart from the above capital expenditure, the Group also incurred HK$11.5 billion (HK$9.0 billion and HK$2.5 billion incurred by Wharf and WPL respectively) for its trading properties under development mainly in China, including HK$5.2 billion for projects undertaken through joint ventures. In February 2007, Modern Terminals paid HK$3.2 billion in cash on completion of the rationalisation of the interests in Shekou container terminals under an agreement signed in December 2006 with China Merchants Holdings (International) Company Limited ("CMH"). On this completion, Modern Terminals and CMH injected their respective equity interests in Shekou containers terminals into a newly setup joint venture, Mega SCT, in which Modern Terminals holds 30% equity interests.

As at 31 December 2007, apart from the above capital commitments, Wharf also committed to properties under development in China, both by its subsidiaries and through jointly controlled entities, of a total amount of HK$61.5 billion (31 March 2007: HK$17.0 billion), including land cost of about HK$18.0 billion payable by instalments mainly in 2008 and 2009. These developments will be executed by stages in the forthcoming years. WPL's commitments for its properties under development amounted to HK$4.2 billion as of 31 December 2007.

The above commitments will be funded by the respective groups' internal financial resources, bank and other borrowings as well as other available resources, including available-for-sale investments and proceeds from sales and pre-sales of properties.

Net debt and gearing

The Group's net debt was HK$21,912 million as at 31 December 2007, which was made up of debts of HK$34,991 million and bank deposits and cash of HK$13,079 million. Included in the total debts were loans borrowed by Wharf and WPSL of HK$31,282 million and HK$2,729 million respectively, which are without recourse to the Company and its wholly-owned subsidiaries. Analysis of the net debt by group is as below:

Net debt/(cash)	**31/12/2007 HK$ Million**	31/3/2007 HK$ Million
Wheelock Group (excludes Wharf)	**(1,653)**	(1,330)
Wheelock/wholly-owned subsidiaries	**932**	1,966
WPL	**(2,291)**	(2,919)
WPSL	**(294)**	(377)
Wharf group	**23,565**	16,901
Wharf (excludes below subsidiaries)	**13,331**	14,376
Modern Terminals	**9,602**	4,951
HCDL	**1,274**	(1,840)
i-CABLE	**(642)**	(586)
Group	**21,912**	15,571
Gearing of the Group:		
Net debt to shareholders' equity	**38.7%**	31.6%
Net debt to total equity	**19.2%**	15.6%

In January 2008, Wharf completed its rights issue and received a net proceeds of approximately HK$9.1 billion (HK$4.0 billion and HK$0.6 billion were paid by the Company and WPL, respectively, for their subscriptions), which will be applied mainly for its expanding property investment in China as mentioned above.

Finance and availability of facilities

The Group's available loan facilities and debt securities totalled HK$58.3 billion, of which HK$35.0 billion were drawn and outstanding as at 31 December 2007 with details below:

	Available Facility HK$ Billion	Total Debts HK$ Billion	%	Undrawn Facility HK$ Billion
Wheelock Group (excludes Wharf)	8.6	3.7	11%	4.9
Wheelock/wholly-owned subsidiaries	3.5	1.0	3%	2.5
WPL	0.2	–	0%	0.2
WPSL	4.9	2.7	8%	2.2
Wharf group	49.7	31.3	89%	18.4
Wharf (excludes below subsidiaries)	30.0	19.7	56%	10.3
Modern Terminals	17.1	9.7	28%	7.4
HCDL	2.0	1.9	5%	0.1
i-CABLE	0.6	–	0%	0.6
	58.3	**35.0**	**100%**	**23.3**

As at 31 December 2007, the Group's debts of HK$6,295 million were secured by mortgage over certain properties under development, fixed assets, investment and bank deposits with total carrying value of HK$16,419 million (31 March 2007: HK$11,522 million).

The Group's debts were primarily denominated in Hong Kong dollar ("HKD"), US dollar ("USD"), Renminbi ("RMB") and Singapore dollar ("SGD"). RMB and SGD borrowings were used to fund the Group's property development and port-related equity investments in China, and the properties in Singapore respectively.

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

The Group maintained a reasonable level of surplus cash, which was denominated principally in HKD, RMB and SGD, to facilitate the Group's business and investment activities. The Group also maintained a portfolio of available-for-sale investments, primarily in blue-chip securities, with an aggregate market value as at 31 December 2007 of HK$7.6 billion, which is immediately available for liquidation to meet the Group's future investment commitments. The accumulated attributable surplus of the investments as at 31 December 2007 amounted to HK$1.5 billion (31 March 2007: HK$2.0 billion) and is retained in reserves until the related investments are sold. Performance of the portfolio was favourably in line with market.

Contingent liabilities

There were no material contingent liabilities as at 31 December and 31 March 2007.

(III) Human Resources

The Group has 13,384 employees as at 31 December 2007 (31 March 2007: 12,787). Employees are remunerated according to nature of the job and market trend, with a built-in merit component incorporated in the annual increment to reward and motivate individual performance. Total staff costs for the period under review amounted to HK$2,593 million (2006/07: HK$2,721 million).

(A) CORPORATE GOVERNANCE PRACTICES

During the nine months from 1 April to 31 December 2007, all the code provisions as set out in the Code on Corporate Governance Practices in Appendix 14 (the "Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") were met by the Company, with the exception of one deviation as set out under section (D) below. The application of the relevant principles, and the reasons for the abovementioned deviation from a Code provision, are stated in the following sections.

(B) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors of the Company who were in office during the nine months ended 31 December 2007, they have confirmed that they have complied with the Model Code during the financial period.

(C) BOARD OF DIRECTORS

(i) Composition of the Board, number of Board meetings and Directors' attendance

The Company's Board has a balance of skills and experience and a balance composition of executive and non-executive directors. Three Board meetings were held during the nine months ended 31 December 2007. The composition of the Board and attendance of the Directors are set out below:

Directors	Attendance at Meetings
Chairman	
Peter K C Woo	3
Senior Deputy Chairman	
Gonzaga W J Li	3
Deputy Chairman	
Stephen T H Ng	3
Executive Director	
Paul Y C Tsui	3
Independent Non-executive Directors	
Alexander S K Au	1
B M Chang	1
Kenneth W S Ting	2

Each Director of the Company has been appointed on the strength of his calibre, experience and stature, and his potential to contribute to the proper guidance of the Group and its businesses. Apart from formal meetings, matters requiring board approval were arranged by means of circulation of written resolutions.

(ii) Operation of the Board

The Company is headed by an effective Board which takes decisions objectively in the interests of the Company. The Company's management has closely monitored changes to regulations that affect its corporate affairs and businesses, and changes to accounting standards, and adopted appropriate reporting format in its interim report, annual report and other related documents to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. Where these changes are pertinent to the Company or Directors' disclosure obligations, the Directors are either briefed during Board meetings or issued with regular updates and materials to keep them abreast of their responsibilities and of the conduct, business activities and development of the Group. Newly appointed Directors receive briefings and orientation on their legal and other responsibilities as a Director and the role of the Board. The Company has also provided appropriate information in a timely manner to the Directors to enable them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company.

There is a clear division of responsibilities between the Board and the management. Decisions on important matters are specifically reserved to the Board while decisions on the Group's general operations are delegated to the management. Important matters include those affecting the Group's strategic policies, major investment and funding decisions and major commitments relating to the Group's operations.

(D) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr Peter K C Woo serves as the Chairman and also as the *de facto* chief executive officer of the Company. This is a deviation from the Code provision with respect to the roles of chairman and chief executive officer to be performed by different individuals. Such 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.

Furthermore, the Chairman is supported by Senior Deputy Chairman Mr Gonzaga W J Li, Deputy Chairman Mr Stephen T H Ng, and Executive Director Mr Paul Y C Tsui. The Chairman is responsible for the Board, focuses on Group strategies and Board issues, ensures a cohesive working relationship between members of the Board and management, and directly has responsibilities in certain major business units of the Group. The Executive Director has full executive responsibilities in the business directions and operational efficiency of the business units under his responsibilities and is accountable to the Chairman.

(E) NON-EXECUTIVE DIRECTORS

All those existing Directors of the Company who do not hold any executive office of the Company have their respective terms of appointment coming to an end normally three years after their appointment to the Board or (in the case of Directors who were re-elected to the Board at previous Annual General Meetings) their last re-election as Directors.

(F) REMUNERATION OF DIRECTORS

The Company has set up a Remuneration Committee consisting of the Chairman of the Company and two other independent Non-executive Directors.

One Remuneration Committee meeting was held during the nine months from 1 April to 31 December 2007. Attendance of the Members is set out below:

Members	**Attendance at Meeting**
Peter K C Woo, *Chairman*	1
Alexander S K Au	1
Kenneth W S Ting	1

The terms of reference of the Remuneration Committee are aligned with the provisions set out in the Code. Given below are the main duties of the Remuneration Committee:

(a) to consider the Company's policy and structure for all remuneration of Directors and senior management;

(b) to determine the specific remuneration packages of all executive Directors and senior management;

(c) to review performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(d) to review the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment; and

(e) to review compensation arrangements relating to dismissal or removal of Directors for misconduct.

The work performed by the Remuneration Committee for the nine months ended 31 December 2007 is summarised below:

(a) review of the Company's policy and structure for all remuneration of Directors and senior management;

(b) consideration of the emoluments for all Directors and senior management; and

(c) review of the level of fees for Directors and Audit Committee Members.

The basis of determining the emoluments payable to its Directors and senior management by the Company is by reference to the level of emoluments normally paid by a listed company in Hong Kong to directors and senior executives of comparable calibre and job responsibilities so as to ensure a fair and competitive remuneration package as is fit and appropriate. The basis of determining the Directors' fees, currently at the rate of HK$60,000 per annum per Director, payable to Directors of the Company, and the Audit Committee Members' fees, currently at the rate of HK$20,000 per annum per Member, payable to those Directors of the Company who are also Members of the Audit Committee of the Company is by reference to the level of fees of similar nature normally paid by a listed company in Hong Kong to its directors.

(G) NOMINATION OF DIRECTORS

The Company does not have a nomination committee as the role and function of such committee are performed by the Board.

The Board is responsible for the formulation of the nomination policies, making recommendations to Shareholders on Directors standing for re-election, providing sufficient biographical details of Directors to enable Shareholders to make an informed decision on the re-election, and where necessary, nominate Directors to fill casual vacancies. The Chairman in conjunction with the two Deputy Chairmen from time to time reviews the composition of the Board with particular regard to ensuring that there is an appropriate number of Directors on the Board independent of management. They also identify and nominate qualified individuals for appointment as new Directors of the Company. New Directors of the Company will be appointed by the Board. Any and all new Directors are subject to retirement from the Board at the Annual General Meeting of the Company immediately following his or her appointment and may stand for re-election at the Annual General Meeting.

(H) AUDITORS' REMUNERATION

The fees in relation to the audit and other services provided by KPMG, the external auditors of the Company, amounted to HK$20 million and HK$6 million respectively.

(I) AUDIT COMMITTEE

All the Members of the Audit Committee of the Company are appointed from the independent Non-executive Directors.

All Members have sufficient experience in reviewing audited financial statements as aided by the auditors of the Group whenever required. In addition, Mr Alexander S K Au has the appropriate professional qualifications and experience in financial matters.

Three Audit Committee meetings were held during the nine months ended 31 December 2007. Attendance of the Members is set out below:

Members	**Attendance at Meetings**
Alexander S K Au, *Chairman*	3
B M Chang	1
Kenneth W S Ting	3

(i) The terms of reference of the Audit Committee are aligned with the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants. Given below are the main duties of the Audit Committee:

(a) to consider the appointment of the external auditors and any questions of resignation or dismissal;

(b) to discuss with the external auditors before the audit commences, the nature and scope of the audit;

(c) to review the half-year and annual financial statements before submission to the Board, focusing particularly on:

(1) any changes in accounting policies and practices;
(2) major judgmental areas;
(3) significant adjustments resulting from the audit;
(4) the going concern assumption;
(5) compliance with accounting standards; and
(6) compliance with Stock Exchange and legal requirements;

(d) to discuss problems and reservations arising from the audits, and any matters the external auditors may wish to discuss (in the absence of management where necessary); and

(e) to review the audit programme, and ensure co-ordination with external auditors, of the internal audit function.

(ii) The work performed by the Audit Committee for the nine months ended 31 December 2007 is summarised below:

(a) approval of the remuneration and terms of engagement of the external auditors;

(b) review of the external auditors' independence and objectivity and the effectiveness of audit process in accordance with applicable standards;

(c) review of the half-year and annual financial statements before submission to the Board, with particular consideration of the points mentioned in paragraph (i)(c) above regarding the duties of the Audit Committee;

(d) discussion with the external auditors before the audit commences, the nature and scope of the audit;

(e) review of the audit programme and co-ordination between the external auditors and the internal audit function;

(f) review of the Group's financial controls, internal control and risk management systems; and

(g) meeting with the external auditors without executive Board members present.

(J) INTERNAL CONTROL

The Directors are ultimately responsible for the internal control system of the Group and, through the Audit Committee, have reviewed the effectiveness of the system. The internal control system comprises a well-defined organisational structure with specified limits of authority in place. Areas of responsibility of each business and operational units are also clearly defined to ensure effective checks and balances.

Procedures have been designed for safeguarding assets against unauthorised use or disposition, maintenance of proper accounting records, assurance of the reliability of financial information for internal use or publication and compliance with relevant legislation and regulations. Such procedures are designed to manage risks of failure in operational systems and can provide reasonable assurance against material errors, losses or fraud.

The internal audit function monitors compliance with policies and standards and the effectiveness of internal control structures across the whole Group. The head of Internal Audit Department reports to the Audit Committee. A full set of internal audit reports will also be provided to the external auditors.

A review of the effectiveness of the Group's internal control system and procedures covering all controls, including financial, operational and compliance and risk management, was conducted by the Audit Committee and subsequently reported to the Board during the nine months ended 31 December 2007. Based on the result of the review, in respect of the nine months ended 31 December 2007, the Directors considered that the internal control system and procedures of the Group were effective and adequate.

(K) DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of financial statements for the nine months ended 31 December 2007, which give a true and fair view of the affairs of the Company and of the Group and of the Group's results and cash flow for the period then ended and in compliance with the requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

In preparing the financial statements for the nine months ended 31 December 2007:

(i) appropriate accounting policies are selected, applied consistently and in accordance with the Hong Kong Financial Reporting Standards;

(ii) prudent and reasonable judgements and estimates are made; and

(iii) the reasons for any significant departure from applicable accounting standards are stated, if applicable.

(L) COMMUNICATION WITH SHAREHOLDERS

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performances and activities. Annual and interim reports are printed and sent to all Shareholders. Press releases are posted on the Company's corporate website www.wheelockcompany.com. The Company's website provides email address, postal address, fax number and telephone number by which enquiries may be put to the Company's Board. Constantly being updated in a timely manner, the website also contains a wide range of additional information on the Group's business activities. As a standard part of the investor relations programme to maintain a constant dialogue on the Group's performance and objectives, senior executives hold regular briefings and attend conferences with institutional investors and financial analysts.

The Company encourages its Shareholders to attend Annual General Meetings to ensure a high level of accountability and to stay informed of the Group's strategy and goals.

The Company keeps Shareholders informed of the procedure for voting by poll in all circulars to Shareholders which are from time to time despatched to Shareholders together with notices of general meetings of the Company. The Company has taken steps to ensure compliance with the requirements about voting by poll contained in the Listing Rules and the constitutional documents of the Company. Regarding circulars to Shareholders for convening Annual General Meetings, the Company also states in such circulars that arrangements have been made for the voting of each of the resolutions being put to the Annual General Meetings to be dealt with by means of poll vote. The Board and external auditors attend the Annual General Meetings to answer Shareholders' questions. Poll results are published on the website of Stock Exchange and are posted on the Company's corporate website shortly after the meetings.

(M) SHAREHOLDERS' RIGHTS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Pursuant to the Hong Kong Companies Ordinance, on requisition by one or more Shareholders in aggregate holding not less than 5% of the paid-up capital of the Company carrying the right to vote at general meetings, the Directors of the Company must convene an extraordinary general meeting.

The Directors have pleasure in submitting their Report and the Audited Financial Statements for the nine months from 1 April 2007 to 31 December 2007.

CHANGE OF FINANCIAL YEAR END DATE

As a result of the recent change of the financial year end date from 31 March to 31 December, the financial statements and this report of the Directors now presented cover a period of nine months from 1 April 2007 to 31 December 2007.

PRINCIPAL ACTIVITIES AND TRADING OPERATIONS

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 132 to 134.

An analysis of the principal activities and geographical locations of trading operations of the Company and its subsidiaries during the nine months ended 31 December 2007 is set out in Note 3 to the Financial Statements on pages 64 to 68.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the nine months ended 31 December 2007 are set out in the Consolidated Profit and Loss Account on page 51.

Appropriations of profits and movements in reserves during the period are set out in Note 31 to the Financial Statements on pages 105 to 107.

DIVIDENDS

An interim dividend of 2.5 cents per share was paid on 4 January 2008. The Directors have now recommended for adoption at the Annual General Meeting to be held on Thursday, 29 May 2008 the payment on 5 June 2008 to Shareholders on record as at 29 May 2008 of a final dividend of 10.0 cents per share in respect of the nine months ended 31 December 2007. This recommendation has been disclosed in the Financial Statements.

FIXED ASSETS

Movements in fixed assets during the nine months ended 31 December 2007 are set out in Note 13 to the Financial Statements on page 79.

DONATIONS

The Group made donations during the period totalling HK$7.1 million.

DIRECTORS

The Directors of the Company during the nine months ended 31 December 2007 were Messrs P K C Woo, G W J Li, S T H Ng, P Y C Tsui, A S K Au, B M Chang and K W S Ting.

Messrs B M Chang and G W J Li are due to retire from the Board at the forthcoming Annual General Meeting. Being eligible, they offer themselves for re-election. None of the retiring Directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

INTERESTS IN CONTRACTS

No contract of significance in relation to the Company's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the nine months ended 31 December 2007 or at any time during that financial period.

MANAGEMENT CONTRACTS

No contracts for the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the financial period.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the financial period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, with the exception of the options to subscribe for ordinary shares of i-CABLE Communications Limited ("i-CABLE") granted under i-CABLE's Share Option Scheme (the "Scheme") to, *inter alia*, certain executives/employees of i-CABLE or its subsidiaries, one of whom was a Director of the Company during the financial period.

Under the rules of the Scheme (subject to any such restrictions or alterations as may be prescribed or provided under the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from time to time in force), shares of i-CABLE would be issued at such prices, not being less than 80% of i-CABLE's average closing prices on the Stock Exchange for the five trading days immediately preceding the date of offer of the options, and the relevant options would be exercisable during such periods, not being beyond the expiration of 10 years from the date of grant, as determined by the board of directors of i-CABLE. During the financial period, no share of i-CABLE was issued to any Director of the Company under the Scheme.

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.

AUDITORS

The Financial Statements now presented have been audited by KPMG, Certified Public Accountants, who retire and being eligible, offer themselves for re-appointment.

KPMG was appointed Auditors of the Company to fill the vacancy occasioned by the retirement of PricewaterhouseCoopers on 15 August 2005.

By Order of the Board
Wilson W S Chan
Secretary

Hong Kong, 26 March 2008

SUPPLEMENTARY CORPORATE INFORMATION

(A) BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGERS ETC.

(i) Directors

Peter K C WOO, *GBS, JP, Chairman (Age: 61)*

Mr Woo has resumed the role of Chairman of the Company since 2002 after having also served in that capacity from 1986 to 1996. He also serves as a member and the chairman of the Company's Remuneration Committee. He is also the chairman of The Wharf (Holdings) Limited ("Wharf"), Wheelock Properties Limited ("WPL"), and Wheelock Properties (Singapore) Limited ("WPSL") in Singapore.

Mr Woo was appointed a Justice of the Peace in 1993 and awarded the Gold Bauhinia Star in 1998 by the Hong Kong SAR Government. He has for many years been actively engaged in community and related services, both locally and in the international arena, and has held various Government appointments. He has been appointed a non-official member of the Commission on Strategic Development since June 2007. He had served as the chairman of Hospital Authority from 1995 to 2000, the council chairman of Hong Kong Polytechnic University from 1993 to 1997 and the Government-appointed chairman of the Hong Kong Trade Development Council from 2000 to 2007. He was the chairman of the Hong Kong Environment and Conservation Fund Committee set up in 1994 which he co-funded with the Government. He also served as a deputy chairman in 1991 to Prince of Wales Business Leaders Forum, and as a member of the International Advisory Council of JPMorgan Chase & Co., National Westminster Bank, Banca Nazionale del Lavoro, Elf Aquitaine of France and General Electric of America. He has received Honorary Doctorates from various universities in Australia, Hong Kong and the United States.

Gonzaga W J LI, *Senior Deputy Chairman (Age: 78)*

Mr Li has been a Director of the Company since 1969 and became Chairman in 1996. He relinquished the title of Chairman and has assumed the title of Senior Deputy Chairman of the Company since 2002. He is also the senior deputy chairman of Wharf and the chairman of Harbour Centre Development Limited ("HCDL") as well as the chief executive officer and a director of Wharf China Limited. Furthermore, he is a director of WPL and Joyce Boutique Holdings Limited ("Joyce").

Stephen T H NG, *Deputy Chairman (Age: 55)*
Mr Ng has been a Director of the Company since 1988 and became the Deputy Chairman in 1995. He is also the deputy chairman and managing director of Wharf and the chairman and chief executive officer of both i-CABLE and Wharf T&T Limited as well as the chairman of Joyce and Modern Terminals Limited. Mr Ng serves as a member of the General Committee of The Hong Kong General Chamber of Commerce.

Paul Y C TSUI, *Executive Director (Age: 61)*
Mr Tsui has been a Director of the Company since 1998 and became Executive Director in 2003. He is also a director of Joyce, WPL and WPSL. Mr Tsui is a fellow member of the Hong Kong Institute of Certified Public Accountants ("HKICPA"), The Association of Chartered Certified Accountants ("ACCA") and the Chartered Institute of Management Accountants.

Alexander S K AU, *OBE, Director (Age: 61)*
Mr Au has been an independent Non-executive Director of the Company since 2002. He also serves as a member and the chairman of the Company's Audit Committee and also a member of the Company's Remuneration Committee.

A banker by profession, Mr Au was the chief executive officer of Hang Seng Bank Limited from October 1993 to March 1998 and of Oversea-Chinese Banking Corporation Limited in Singapore from September 1998 to April 2002. Currently, he is an executive director and the chief financial officer of Henderson Land Development Company Limited and a non-executive director of Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited. He is also a member of the Council of the Hong Kong University of Science and Technology.

An accountant by training, Mr Au is a Chartered Accountant as well as a Fellow of the HKICPA and ACCA.

B M CHANG, *Director (Age: 79)*
Mr Chang has been a Director of the Company since 1969. He, being an independent Non-executive Director, also serves as a member of the Company's Audit Committee.

Kenneth W S TING, *SBS, JP, Director (Age: 65)*
Mr Ting has been an independent Non-executive Director of the Company since 2003. He also serves as a member of the Company's Audit Committee and Remuneration Committee. Mr Ting is also the managing director and chief executive officer of publicly-listed Kader Holdings Company Limited and the chairman of Kader Industrial Company Limited, and a non-executive director of New Island Printing Holdings Limited and an independent non-executive director of Times Ltd. Mr Ting currently serves as the honorary president of the Federation of Hong Kong Industries, the non-executive director of the Mandatory Provident Fund Schemes Authority, the president of the Hong Kong Plastics Manufacturers' Association Limited, the honorary president of the Chinese Manufacturers' Association of Hong Kong and the honorary president of the Toys Manufacturers' Association of Hong Kong Limited.

Mr Ting is also a member of the Hong Kong General Chamber of Commerce, the Hong Kong Polytechnic University Court and The Hong Kong University of Science and Technology Court. Furthermore, he is a member of the Jiangsu Provincial Committee of the Chinese People's Political Consultative Conference and the Guangdong Provincial Committee of the Chinese People's Political Consultative Conference (Yue Xiu District).

Note: The Company confirms that it has received written confirmation from each of the independent Non-executives Directors confirming their independence pursuant to Rule 3.13 of the Listing Rules, and considers them independent.

(ii) Senior Managers

Various businesses of the Group are respectively under the direct responsibility of the Chairman and the Executive Director of the Company as named under (A)(i) above, who are regarded as senior management of the Group.

(B) DIRECTORS' INTERESTS IN SHARES

At 31 December 2007, Directors of the Company had the following beneficial interests, all being long positions, in the share capitals of the Company, and of three subsidiaries of the Company, namely, Wharf, i-CABLE and WPL, and the percentages which the relevant shares represented to the issued share capitals of the four companies respectively are also set out below:

	No. of Ordinary Shares (percentage of issued capital)	**Nature of Interest**
The Company		
P K C Woo	1,204,934,330 (59.3023%)	Personal Interest in 8,847,510 shares, Corporate Interest in 200,865,142 shares and Other Interest in 995,221,678 shares
G W J Li	1,486,491 (0.0732%)	Personal Interest
S T H Ng	300,000 (0.0148%)	Personal Interest
B M Chang	8,629,575 (0.4247%)	Corporate Interest
Wharf		
G W J Li (Note (5))	686,549 (0.0280%)	Personal Interest
S T H Ng (Note (5))	650,057 (0.0266%)	Personal Interest
i-CABLE		
G W J Li	68,655 (0.0034%)	Personal Interest
S T H Ng	1,065,005 (0.0528%)	Personal Interest
WPL		
G W J Li	2,900 (0.0001%)	Personal Interest

Notes:

(1) The 995,221,678 shares of the Company stated above as "Other Interest" against the name of Mr P K C Woo represented an interest comprised in certain trust properties in which Mr Woo was taken, under certain provisions in Part XV of the Securities and Futures Ordinance (the "SFO") which are applicable to a director or chief executive of a listed company, to be interested.

(2) The shareholdings classified as "Corporate Interest" in which the Directors concerned were taken to be interested as stated above were interests of corporations at respective general meetings of which the relevant Directors were respectively either entitled to exercise (or taken under Part XV of the SFO to be able to exercise) or control the exercise of one-third or more of the voting power in general meetings of such corporations.

(3) The shareholding interests stated above as "Personal Interest" and "Corporate Interest" against the name of Mr P K C Woo totalling 209,712,652 shares of the Company represented the same block of shares as that of the shareholding interest of Mrs Bessie P Y Woo stated under "section (C) Substantial Shareholders' Interests" below.

(4) The 995,221,678 shares of the Company as referred to under Note (1) above are entirely duplicated or included in the shareholding interest of HSBC Trustee (Guernsey) Limited stated under "section (C) Substantial Shareholders' Interests" below.

(5) Subsequent to the financial period end, Mr G W J Li and Mr S T H Ng fully subscribed for their pro rata rights entitlements under a 1-for-8 rights issue by Wharf and they were accordingly allotted 85,818 shares and 81,257 shares of Wharf respectively on 16 January 2008. Consequently, Mr Li and Mr Ng were interested in 772,367 shares and 731,314 shares of Wharf respectively following such allotments.

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the SFO in respect of information required to be notified to the Company and the Stock Exchange by the Directors and/or Chief Executive of the Company pursuant to the SFO or to the Model Code for Securities Transactions by Directors of Listed Issuers, there were no interests, both long and short positions, held during the financial period from 1 April 2007 to 31 December 2007 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO); nor had there been any exercises during the financial period of any rights to subscribe for any shares, underlying shares or debentures of the Company.

(C) SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties, other than person(s) who is/are Director(s) of the Company, who/which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company as at 31 December 2007, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register") and the percentages which the shares represented to the issued share capital of the Company:

	Names	**No. of Ordinary Shares** (percentage of issued capital)
(i)	Third Avenue Management LLC	123,151,000 (6.06%)
(ii)	Mrs Bessie P Y Woo	209,712,652 (10.32%)
(iii)	HSBC Trustee (Guernsey) Limited	1,095,300,362 (53.91%)

Note: Duplication occurred in respect of the shareholding interests under (ii) and (iii) above, as set out in Notes (3) and (4) under "section (B) Directors' Interests in Shares" above.

All the interests stated above represented long positions and as at 31 December 2007, there were no short position interests recorded in the Register.

(D) EXECUTIVE SHARE INCENTIVE SCHEME (THE "SCHEME")

(i) Summary of the Scheme

(a) Purpose of the Scheme:

To give executives of the Group the opportunity of acquiring an equity participation in the Company, to continue to provide them with the motivation and incentive to give their best contribution towards the Company's continued growth and success.

(b) Participants of the Scheme:

Any employee of the Company or any of its subsidiaries holding an executive, managerial, supervisory or similar position, including a Director of the Company or any of its subsidiaries holding executive office, who accepts the offer of the grant of an option in accordance with the terms of the Scheme (the "Employee(s)").

(c) (i) Total number of ordinary shares of HK$0.50 each in the capital of the Company (the "Shares") available for issue under the Scheme as at 31 December 2007:

82,401,464

(ii) Percentage of the issued share capital that it represents as at 31 December 2007:

4%

(d) Maximum entitlement of each participant under the Scheme as at 31 December 2007:

Not more than:

(i) 10% of the maximum number of Shares available for subscription under the terms of the Scheme; and

(ii) in terms of amount of the aggregate subscription price, such amount of aggregate subscription price in respect of all the Shares for which an Employee is granted options in any financial year as would exceed five times his or her gross annual remuneration.

(e) Period within which the Shares must be taken up under an option:

Within 10 years from the date on which the option is granted or such shorter period as the Board of Directors may approve.

(f) Minimum period for which an option must be held before it can be exercised:

One year from the date on which the option is granted.

(g) (i) Price payable on application or acceptance of the option:

HK$1.00

(ii) The period within which payments or calls must or may be made or loans of such purposes must be repaid:

Seven days after the offer date of an option.

(h) Basis of determining the exercise price:

Pursuant to Rule 17.03(9) of the Listing Rules, the exercise price must be at least the higher of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

(i) The remaining life of the Scheme :

Five months

(ii) Details of Share Options Granted

No share option of the Company was issued, exercised, cancelled, lapsed or outstanding throughout the financial period.

(E) MAJOR CUSTOMERS & SUPPLIERS

For the nine months ended 31 December 2007:

(a) the aggregate amount of purchases (not including the purchases of items which are of a capital nature) attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases; and

(b) the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

(F) BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Particulars of all bank loans, overdrafts and/or other borrowings of the Company and of the Group as at 31 December 2007 which are repayable on demand or within a period not exceeding one year or after one year are set out in Note 25 to the Financial Statements on pages 94 and 95.

(G) INTEREST CAPITALISED

The amount of interest capitalised by the Group during the financial period is set out in Note 7 to the Financial Statements on page 73.

(H) PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules throughout the nine months ended 31 December 2007.

(I) DISCLOSURE OF CONNECTED TRANSACTIONS

Set out below is information in relation to certain connected transactions involving the Company and/or its subsidiaries, particulars of which were previously disclosed in the announcements of the Company dated 21 August 2007, 6 September 2007, 12 October 2007, 9 November 2007 and 6 December 2007 respectively and are required under the Listing Rules to be disclosed in the Annual Report and Financial Statements of the Company:

(i) Continuing connected transactions of Wharf group

On 20 August 2007, the Company and/or its subsidiary(ies) acquired on the open stock market additional shares of Wharf, thereby making Wharf a non wholly-owned subsidiary of the Company. There exist, and on 20 August 2007 existed, certain continuing connected transactions of Wharf, being certain tenancy arrangements between subsidiaries of Wharf as the landlords and associates of the Chairman of the Company, namely, Mr P K C Woo, as the tenants. Those continuing connected transactions were previously disclosed in, *inter alia*, announcements issued by Wharf in accordance with the requirements of the Listing Rules. Following Wharf becoming a subsidiary of the Company, those existing tenancy agreements entered into by the Wharf group with (a) City Super Limited, and (b) Ferragamo Retail HK Limited, also constitute continuing connected transactions for the Company under the Listing Rules. Given below are particulars of those transactions (the "Transactions"):

(a) Tenancy Agreements with City Super Limited

There exist certain tenancy arrangements (the "City Super Transactions") respectively made by two wholly-owned subsidiaries of Wharf as the landlords with City Super Limited ("City Super") as the tenant, particulars of which were previously disclosed in an announcement of the Company dated 21 August 2007. The City Super Transactions are for the purpose of earning rental revenue for the Wharf group and certain particulars are as follows:

Location of the City Super store premises	Amount of rent received by the Wharf group for its year ended 31 December 2007 HK$ Million
1. Tenancy agreement in respect of B101-B109, Basement 1, Times Square, Causeway Bay, Hong Kong	30.79
2. Tenancy agreement in respect of Shops 3001-3002 and 3103-3104, Level 3, Gateway Arcade, Harbour City, Kowloon, Hong Kong	29.15

The City Super Transactions are regarded as continuing connected transactions for the Company under the Listing Rules by reason of the fact that City Super is 39.08% effectively owned by The Lane Crawford Joyce Group (BVI) Limited (formerly known as Lane Crawford (BVI) Limited) which in turn is indirectly wholly-owned by a trust (the "Trust") the settlor of which is the Chairman of the Company.

(b) Tenancy Agreement with Ferragamo Retail HK Limited

There exists a tenancy agreement between a wholly-owned subsidiary of Wharf as the landlord and Ferragamo Retail HK Limited ("Ferragamo") as the tenant, particulars of which were previously disclosed in the announcement of the Company dated 21 August 2007. This tenancy transaction (the "Ferragamo Transaction") is for the purpose of earning rental revenue for the Wharf group and certain particulars are as follows:

Location of the Ferragamo shop	Amount of rent received by the Wharf group for its year ended 31 December 2007 HK$ Million
Portions of Ground Floor and Level 1, Ocean Centre, Harbour City, Kowloon, Hong Kong	15.20

The Ferragamo Transaction is regarded as a continuing connected transaction for the Company under the Listing Rules by reason of the fact that Ferragamo is indirectly 40%-owned by the Trust.

The rentals receivable by the Wharf group from the City Super Transactions and the Ferragamo Transaction are subject to annual cap amounts previously disclosed in the abovementioned announcement dated 21 August 2007 of the Company.

(ii) Connected transactions with China Merchants

(a) Foshan Xincheng Joint Venture by WPL group

On 10 April 2007, a joint venture agreement (the "Foshan Xincheng JV Agreement") was entered into between a wholly-owned subsidiary of WPL and a wholly-owned subsidiary of China Merchants Property Development Co., Ltd. (a Mainland company publicly listed on the Shenzhen Stock Exchange) ("CMP") relating to the formation of a joint venture company in Foshan, to be owned as to 50% by each of WPL group and CMP group, for the purpose of developing a piece of land in Foshan, Xincheng District with a site area of approximately 2,867,600 sq. ft. (the "Foshan Xincheng Land") into residential properties. The Foshan Xincheng Land was acquired jointly by WPL group and CMP group on a 50:50 ownership basis in January 2007 at a price of RMB950 million (equal to about HK$982 million).

(b) Suzhou Property Joint Venture by Wharf group

On 6 September 2007, a joint venture agreement (the "Suzhou JV Agreement") was entered into between a wholly-owned subsidiary of Wharf and a wholly-owned subsidiary of CMP relating to the formation of a joint venture company in Suzhou, to be owned as to 50% by each of Wharf group and CMP group, for the purpose of developing a piece of land in Suzhou with a site area of approximately 1,976,237 sq. ft. (the "Suzhou Land") into residential properties. The Suzhou Land was acquired jointly by Wharf group and CMP group on a 50:50 ownership basis in July 2007 at a price of RMB1,010 million (equal to about HK$1,044 million).

(c) Foshan Chancheng Joint Venture by WPL group

On 12 October 2007, WPL group together with CMP group succeeded in bidding for a piece of land in Foshan, Chancheng District with a net site area of approximately 1,155,000 sq. ft. (the "Foshan Chancheng Land") at a price of RMB1,505 million (equal to about HK$1,556 million). WPL group and CMP group will jointly develop the Foshan Chancheng Land, on a 50:50 ownership basis, into residential properties.

(d) Nanjing Property Joint Venture by Wharf group

On 6 December 2007, Wharf group together with CMP group succeeded in bidding for a piece of land in Nanjing with a total site area of approximately 3,578,071 sq. ft. (the "Nanjing Land") at a price of RMB2,410 million (equal to about HK$2,535 million). Wharf group and CMP group will jointly develop the Nanjing Land, on a 50:50 ownership basis, into residential properties.

As CMP is a non wholly-owned subsidiary of China Merchants Group Limited ("CMG") which holds 50.86% shareholding interest in CMP through China Merchants Shekou Industrial Zone Company Limited, and CMG is an indirect substantial shareholder of a non wholly-owned subsidiary of the Company, namely, Modern Terminals Limited, CMP together with its subsidiaries are regarded as connected persons of the Company. Therefore, the entering into of the Foshan Xincheng JV Agreement and the Suzhou JV Agreement, and the acquisition of the Foshan Chancheng Land and the Nanjing Land constituted connected transactions for the Company under the Listing Rules.

(iii) Chongqing Property Joint Venture by Wharf group

On 9 November 2007, the Wharf group together with China Overseas Land & Investment Ltd. ("China Overseas") group succeeded in bidding for a piece of land in Chongqing with a site area of approximately 6.1 million sq. ft. at a consideration of RMB7,500 million (equal to about HK$7,860 million) (the "Chongqing Transaction"). Wharf group and China Overseas group will jointly develop that piece of land (the "Chongqing Land"), on a 40:60 ownership basis, into a residential, office and retail development.

As China Overseas is a joint venture partner of HCDL group for property development of another piece of land in Chongqing central business district, and HCDL is an indirect non wholly-owned listed subsidiary of the Company, China Overseas is regarded as a connected person of the Company. Therefore, the entering into of the Chongqing Transaction together with the joint development of the Chongqing Land therefore constituted a connected transaction for the Company under the Listing Rules.

The purpose of the transactions set out under (I)(ii) and (I)(iii) above is for broadening the assets and earnings base of the Group.

(iv) Disposal of certain units at 2 Heung Yip Road by WPL group

On 9 November 2007, a legally binding letter (the "Letter") in respect of an offer by Samover Company Limited ("Samover"), a wholly-owned subsidiary of WPL, to sell the premises located at 22nd to 23rd, and 25th to 31st Floors together with Flat Roofs attached to 29th and 30th Floors and Portion of the Main Roof of the building (the "Units") to be erected on 2 Heung Yip Road, Hong Kong was entered into between Samover and Lucky Ever International Limited ("Lucky Ever"), and Lucky Ever accepted to purchase the Units on terms set out in the Letter which provides that, among other things, Samover and Lucky Ever shall enter into the formal sale and purchase agreement (the "Agreement") at a later date. The sale of the Units under the abovementioned transaction (the "Heung Yip Transaction") to Lucky Ever, which is in the same group of companies as Lane Crawford, a reputable up-market department store operator based in Hong Kong, is expected to improve the image of the entire building, which is being developed by the WPL group, and will facilitate or is for the purpose of facilitating the future sale of other units in the building.

As Lucky Ever is indirectly wholly-owned by a trust of which Mr P K C Woo, the Chairman of the Company, is the settlor, and WPL is a listed subsidiary of the Company, the Heung Yip Transaction constitutes a connected transaction for the Company under the Listing Rules.

The aggregate consideration for the Heung Yip Transaction is HK$449.8 million (subject to adjustments based on the final gross floor area of the Units to be determined and confirmed by Samover after the issuance of Occupation Permit). Lucky Ever paid to Samover HK$22.5 million (representing 5% of the aggregate consideration) on 9 November 2007, being the date of acceptance of the Letter, with the balance of the consideration settled or to be settled in the following manner:

(a) HK$22.5 million (representing 5% of the aggregate consideration) on or before 15 February 2008; and

(b) HK$404.8 million (representing 90% of the aggregate consideration) on completion of the Agreement, which will take place in March 2010 or thereabout.

(v) Confirmation from Directors Etc.

The Directors, including the independent Non-executive Directors, of the Company have reviewed the Transactions mentioned under Section (I)(i) above and confirmed that the Transactions were entered into:

(a) by the Group in the ordinary and usual course of its business;

(b) either on normal commercial terms or, if there are not sufficient comparable transactions, on terms that are no less favourable than those available to or from (as appropriate) independent third parties; and

(c) in accordance with the relevant agreements governing such Transactions on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

Furthermore, the auditors of the Company have advised the following:

(1) the Transactions had been approved by the Company's Board of Directors;

(2) nothing came to the attention of the auditors of the Company that caused them to believe that the Transactions were not entered into in accordance with the terms of the related agreements governing the Transactions; or, where there was no agreement, on terms no less favourable than those for similar transactions undertaken by the Group with independent third parties where available; and

(3) the relevant cap amounts have not been exceeded during the nine months ended 31 December 2007.

KPMG

TO THE SHAREHOLDERS OF WHEELOCK AND COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Wheelock and Company Limited (the "Company") set out on pages 51 to 135, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated profit and loss account, the consolidated statement of recognised income and expense and the consolidated cash flow statement for the nine months period ended 31 December 2007, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. The responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the period ended 31 December 2007 in accordance with the Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

26 March 2008

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the nine months ended 31 December 2007

	Note	Period ended 31/12/2007 HK$ Million	Year ended 31/3/2007 HK$ Million (restated)
Continuing operations			
Turnover	3	**17,915**	16,096
Other net income	5	**1,830**	602
		19,745	16,698
Direct costs and operating expenses		**(6,508)**	(6,157)
Selling and marketing expenses		**(766)**	(801)
Administrative and corporate expenses		**(848)**	(813)
Operating profit before depreciation, amortisation, interest and tax		**11,623**	8,927
Depreciation and amortisation	4	**(1,276)**	(1,277)
Operating profit	4	**10,347**	7,650
Increase in fair value of investment properties		**10,878**	8,248
Net other credit	6	**184**	123
		21,409	16,021
Finance costs	7	**(1,212)**	(1,013)
Share of results after tax of:			
Associates	16	**269**	146
Jointly controlled entities	17	**27**	12
Profit before taxation		**20,493**	15,166
Taxation	8	**(4,639)**	(2,560)
Profit after taxation		**15,854**	12,606
Discontinued operation	9	**–**	533
Profit for the period/year		**15,854**	13,139
Profit attributable to:			
Equity shareholders		**7,615**	6,310
Minority interests		**8,239**	6,829
		15,854	13,139
Dividends attributable to equity shareholders	11		
Interim dividend declared		**51**	51
Final dividend proposed		**203**	203
		254	254
Earnings per share	12		
Continuing operations		**HK$3.75**	HK$2.96
Discontinued operation		**–**	HK$0.15
		HK$3.75	HK$3.11

The above consolidated profit and loss account includes Wharf's financial results for the twelve months ended 31 December 2007 (2006/07: includes Wharf's financial results for the twelve months ended 31 December 2006) as explained in notes 1 and 2(a) to the financial statements. The notes and principal accounting policies on pages 59 to 135 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2007

	Note	31/12/2007 HK$ Million	31/3/2007 HK$ Million (restated)
Non-current assets			
Fixed assets			
Investment properties		**105,836**	95,085
Leasehold land		**3,775**	3,662
Other property, plant and equipment		**15,779**	12,509
	13	**125,390**	111,256
Goodwill and other intangible assets	15	**302**	306
Interest in associates	16	**3,632**	531
Interest in jointly controlled entities	17	**6,019**	788
Available-for-sale investments	18	**7,622**	7,088
Long-term receivables	19	**447**	498
Programming library		**184**	186
Defined benefit pension scheme assets	20	**239**	230
Derivative financial assets	29	**17**	17
Deferred tax assets	27	**360**	429
		144,212	121,329
Current assets			
Properties for sale	21	**19,805**	15,386
Inventories		**97**	85
Trade and other receivables	22	**1,878**	1,980
Derivative financial assets	29	**54**	12
Bank deposits and cash	23	**13,079**	10,235
		34,913	27,698
Current liabilities			
Trade and other payables	24	**(6,038)**	(5,151)
Short-term loans and overdrafts	25	**(7,120)**	(5,682)
Deposits from sale of properties	26	**(5,046)**	(3,417)
Derivative financial liabilities	29	**(131)**	(3)
Taxation payable	8(e)	**(1,774)**	(690)
Dividend payable	11	**(51)**	–
		(20,160)	(14,943)
Net current assets		**14,753**	12,755
Total assets less current liabilities		**158,965**	134,084

	Note	31/12/2007 HK$ Million	31/3/2007 HK$ Million (restated)
Non-current liabilities			
Long-term loans	25	**(27,871)**	(20,124)
Deferred taxation	27	**(16,578)**	(14,150)
Other deferred liabilities	28	**(261)**	(268)
Derivative financial liabilities	29	**(96)**	–
		(44,806)	(34,542)
NET ASSETS		**114,159**	99,542
Capital and reserves			
Share capital	30	**1,016**	1,016
Reserves		**55,635**	48,246
Shareholders' equity	31(a)	**56,651**	49,262
Minority interests	31(a)	**57,508**	50,280
TOTAL EQUITY	31(a)	**114,159**	99,542

The above consolidated balance sheet includes Wharf's financial position as of 31 December 2007 (31 March 2007: includes Wharf's financial position as of 31 December 2006) as explained in notes 1 and 2(a) to the financial statements. The notes and principal accounting policies on pages 59 to 135 form part of these financial statements.

Peter K C Woo
Chairman

Paul Y C Tsui
Executive Director

COMPANY BALANCE SHEET

At 31 December 2007

	Note	31/12/2007 HK$ Million	31/3/2007 HK$ Million
Non-current assets			
Interest in subsidiaries	14	**4,549**	4,492
Current liabilities			
Trade and other payables		**(4)**	(4)
Dividend payable	11	**(51)**	–
		(55)	(4)
NET ASSETS		**4,494**	4,488
Capital and reserves			
Share capital	30	**1,016**	1,016
Reserves		**3,478**	3,472
SHAREHOLDERS' EQUITY	31(b)	**4,494**	4,488

The notes and principal accounting policies on pages 59 to 135 form part of these financial statements.

Peter K C Woo
Chairman

Paul Y C Tsui
Executive Director

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the nine months ended 31 December 2007

	Note	**Period ended 31/12/2007 HK$ Million**	Year ended 31/3/2007 HK$ Million (restated)
Surplus on revaluation of			
available-for-sale investments	31(a)	**60**	2,438
Actuarial (loss)/gains on defined benefit pension schemes	31(a)	**(5)**	55
Exchange difference	31(a)	**1,019**	766
Others	31(a)	**63**	14
Reserves transferred to the profit and loss account on:			
Disposal of available-for-sale investments	31(a)	**(1,009)**	(10)
Disposal of properties	31(a)	**–**	(4)
Impairment of available-for-sale investments	31(a)	**81**	–
Share of reserves of associates/jointly controlled entities	31(a)	**64**	16
Net gains not recognised in the profit and loss account		**273**	3,275
Profit for the period/year	31(a)	**15,854**	13,139
Total recognised income for the period/year			
Equity shareholders		**7,643**	8,054
Minority interests		**8,484**	8,360
		16,127	16,414
Effect of changes in accounting policy:			
Attributable to equity shareholders			
Cumulative effect as at 1 April 2006			
Increase in revenue reserves	2(a) & 31(a)	**446**	446

The above statement includes Wharf's recognised income and expense for the twelve months ended 31 December 2007 (2006/07: includes Wharf's recognised income and expense for the twelve months ended 31 December 2006) as explained in notes 1 and 2(a) to the financial statements. The notes and principal accounting policies on pages 59 to 135 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the nine months ended 31 December 2007

	Note	**Period ended 31/12/2007 HK$ Million**	Year ended 31/3/2007 HK$ Million (restated)
Cash generated from operations	(a)	**7,327**	7,678
Interest received		**246**	316
Interest paid		**(1,365)**	(1,145)
Dividends received from associates		**148**	207
Dividends received from investments		**518**	247
Hong Kong profits tax paid		**(910)**	(1,209)
Overseas tax paid		**(89)**	(77)
Net cash generated from operating activities		**5,875**	6,017
Investing activities			
Purchase of fixed assets		**(3,663)**	(3,763)
Additions to programming library		**(130)**	(143)
Net (increase)/decrease in associates		**(2,964)**	3
Net increase in jointly controlled entities		**(5,155)**	–
Purchase of available-for-sale investments		**(5,424)**	(1,495)
Increase in interest in a subsidiary		**(44)**	–
Proceeds from disposal of fixed assets		**40**	650
Proceeds from disposal of investment properties		**695**	1,156
Proceeds from disposal of available-for-sale investments		**5,769**	1,162
Repayment of long-term receivables		**51**	151
Placing of pledged deposits		**(707)**	–
Redemption of deposits with financial institutions		**–**	156
Proceeds from disposal of subsidiaries	(b)	**–**	1,037
Net cash inflow from acquisition of subsidiaries		**–**	79
Net cash used in investing activities		**(11,532)**	(1,007)
Financing activities			
Net drawdown of long-term loans		**11,227**	3,316
Net repayment of short-term bank loans		**(2,193)**	(3,789)
Issue of shares by subsidiaries to minority interests		**197**	193
Advances from minority interests		**–**	8
Dividends paid to equity shareholders		**(203)**	(254)
Dividends paid to minority interests		**(1,404)**	(1,325)
Net cash generated from/(used in) financing activities		**7,624**	(1,851)
Net increase in cash and cash equivalents		**1,967**	3,159
Cash and cash equivalents at 1 April		**10,235**	6,870
Effect of foreign exchange rate changes		**170**	206
Cash and cash equivalents at 31 December/31 March	23	**12,372**	10,235

The above statement includes Wharf's cash flows for the twelve months ended 31 December 2007 (2006/07: twelve months ended 31 December 2006) as explained in notes 1 and 2(a) to the financial statements.

NOTES TO CONSOLIDATED CASH FLOW STATEMENT

a) Reconciliation of operating profit to cash generated from operations

	Period ended 31/12/2007 HK$ Million	Year ended 31/3/2007 HK$ Million (restated)
Operating profit		
From continuing operations	**10,347**	7,650
From a discontinued operation	**–**	72
Adjustments for:		
Interest income	**(244)**	(316)
Dividend income from investments	**(495)**	(252)
Depreciation	**1,094**	1,144
Amortisation	**182**	133
Net profit on disposal of available-for-sale investments	**(1,790)**	(114)
Net profit on disposal of properties	**(12)**	(481)
(Profit)/loss on disposal of fixed assets	**(32)**	10
Impairment loss on investments	**81**	–
Exchange differences/others	**234**	354
Operating profit before working capital changes	**9,365**	8,200
Increase in properties under development for sale	**(6,303)**	(3,360)
Decrease in completed properties for sale	**1,736**	1,237
(Increase)/decrease in inventories	**(12)**	45
Decrease/(increase) in trade and other receivables	**86**	(332)
Increase in deposits from sale of properties	**1,629**	1,672
Increase in trade and other payables	**721**	275
Increase/(decrease) in derivative financial liabilities	**130**	(7)
Increase in defined benefit pension scheme assets	**(18)**	(25)
Decrease in other deferred liabilities	**(7)**	(27)
Cash generated from operations	**7,327**	7,678

b) *Disposal of subsidiaries*

On 31 July 2006, Wheelock Properties (Singapore) Limited ("WPSL") entered into an agreement to sell its 100% interest in Hamptons Group Limited ("Hamptons") at a consideration of £82 million (about HK$1,182 million) payable by cash. The company is engaged in estate agency services in the residential property market. The disposal was completed on 24 August 2006.

The cash flow and the net assets of subsidiaries disposed of are provided below:

	Year ended 31/3/2007 HK$ Million
Non-current assets	377
Current assets	407
Current liabilities	(294)
Minority interests	(6)
Net assets disposed	484
Goodwill on acquisition	101
Profit on disposal	597
Cash consideration received, satisfied in cash	1,182
Less: Cash of subsidiaries disposed	(145)
Net cash inflow in respect of the disposed of subsidiaries	1,037

There were no disposals in the period ended 31 December 2007.

1. CHANGE IN FINANCIAL YEAR END DATE

Pursuant to a written resolution passed on 10 December 2007, the Company changed its financial year end date from 31 March to 31 December to get in line with that of The Wharf (Holdings) Limited ("Wharf"), the major subsidiary of the Company (see note 2(a)).

In previous periods, the Group's financial statements for the year ended 31 March included the Group's share of the financial results and position of the Wharf group based on Wharf's published consolidated financial statements as of the immediately preceding 31 December. Accordingly, the Group's current financial statements, which cover a period of nine months from 1 April 2007 to 31 December 2007, include Wharf's consolidated financial statements for the twelve months ended 31 December 2007. The comparative figures, which cover a period of twelve months from 1 April 2006 to 31 March 2007, cover Wharf's financial statements for the twelve months ended 31 December 2006.

As a result of the change in the year end date of the Company, all the comparative figures for the financial statements and related notes are therefore not entirely comparable with those of the current period. Details of the change in accounting policy on consolidation of Wharf's financial statements and the financial impacts on the comparative figures are set out in note 2(a).

2. CHANGES IN ACCOUNTING POLICIES

a) *Consolidation of Wharf's financial statements*

In prior years, the financial statements of subsidiaries were consolidated with the Company's financial statements where the Group, directly or indirectly, held more than half of the issued share capital, or controlled more than half of the voting power or controlled the composition of the board of directors. As the Group held less than 50% equity interest in Wharf prior to 1 April 2007, the Group had accounted for Wharf as an associate and equity-accounted for its results and net assets in prior years based on Wharf's published consolidated financial statements for the annual financial reporting periods ended on 31 December each year.

With effect from the accounting period beginning on 1 April 2007, the Group has changed its basis of consolidation such that companies that are less than 50% owned, but over which the Group exercises de facto control are now also consolidated. De facto control exists where the Company is able to exert effective control by holding a substantial minority interest in an entity of which the other shareholdings are widely dispersed and thus unable to coalesce to successfully vote against the wishes of the largest shareholder.

The Group increased its interest in Wharf from 49.93814% to 50.00003% in August 2007, but in management's view this made little difference in practice to their ability to make financial and operating policy decisions concerning Wharf compared to the de facto control that the Group was able to exert over Wharf before this increase in shareholding. Management similarly considers that any subsequent small changes in the Group's effective ownership interest in Wharf, in the absence of other significant developments, are unlikely to affect their ability to make such financial and operating policy decisions concerning Wharf in future, whether or not those changes take the Group's ownership interest in Wharf below the 50% threshold. Accordingly, the Group considers that the revised accounting policy will provide more relevant information about the results and financial position of the enlarged Group than the previous accounting policy.

As consolidation based on de facto control constitutes a change in the Group's accounting policy in accordance with Hong Kong Accounting Standard 8, Accounting policies, changes in accounting estimates and errors, prior year figures in the consolidated profit and loss account and consolidated balance sheet have been restated to take account of the fact that the Group exercised de facto control over Wharf in prior years. As a result of this change in accounting policy, the shareholders' equity of the Group was increased by HK$446 million, representing the transfer of accumulated unrealised profits resulting from prior years' transactions between the Group and Wharf (formerly as an associate), previously recorded in other deferred liabilities, to the revenue reserves as at 1 April 2006. This change has no impact on the Group's profit attributable to equity shareholders for the nine months period ended 31 December 2007 and the year ended 31 March 2007.

A summary of the effect of change in accounting policy on consolidation of Wharf's financial statements on the profit and loss account and balance sheet of the Group for the year ended 31 March 2007 is set out below:

(i) Profit and Loss Account for the year ended 31 March 2007

		Prior year adjustments		
	As previously reported HK$ Million	Wharf's financial statements 31/12/2006 HK$ Million	Other consolidation adjustments HK$ Million	As restated HK$ Million
Continuing operations				
Turnover	2,771	13,364	(39)	16,096
Other net income	186	415	1	602
	2,957	13,779	(38)	16,698
Direct costs and operating expenses	(1,518)	(4,653)	14	(6,157)
Selling and marketing expenses	(100)	(701)	–	(801)
Administrative and corporate expenses	(136)	(688)	11	(813)
Operating profit before depreciation, amortisation, interest and tax	1,203	7,737	(13)	8,927
Depreciation and amortisation	–	(1,266)	(11)	(1,277)
Operating profit	1,203	6,471	(24)	7,650
Increase in fair value of investment properties	380	7,868	–	8,248
Net other credit	23	100	–	123
	1,606	14,439	(24)	16,021
Finance costs	(214)	(824)	25	(1,013)
Share of results after tax of:				
Associates	5,371	196	(5,421)	146
Jointly controlled entities	–	12	–	12
Profit before taxation	6,763	13,823	(5,420)	15,166
Taxation	(131)	(2,429)	–	(2,560)
Profit after taxation	6,632	11,394	(5,420)	12,606
Discontinued operation	533	–	–	533
Profit for the year	7,165	11,394	(5,420)	13,139
Profit attributable to:				
Equity shareholders	6,310	10,757	(10,757)	6,310
Minority interests	855	637	5,337	6,829
	7,165	11,394	(5,420)	13,139

(ii) Balance Sheet at 31 March 2007

		Prior year adjustments		
	As previously reported HK$ Million	Wharf's financial statements 31/12/2006 HK$ Million	Other consolidation adjustments HK$ Million	As restated HK$ Million
Non-current assets				
Fixed assets				
Investment properties	8,401	86,684	–	95,085
Leasehold land	–	3,662	–	3,662
Other property, plant and equipment	657	11,852	–	12,509
	9,058	102,198	–	111,256
Goodwill and other intangible assets	–	306	–	306
Interest in associates	37,417	781	(37,667)	531
Interest in jointly controlled entities	–	788	–	788
Available-for-sale investments	4,167	2,921	–	7,088
Long-term receivables	127	371	–	498
Programming library	–	186	–	186
Defined benefit pension scheme assets	–	230	–	230
Derivative financial assets	–	17	–	17
Deferred tax assets	–	429	–	429
	50,769	108,227	(37,667)	121,329
Current assets				
Properties for sale	9,602	5,784	–	15,386
Inventories	–	85	–	85
Trade and other receivables	541	1,400	39	1,980
Derivative financial assets	–	12	–	12
Bank deposits and cash	6,466	3,769	–	10,235
	16,609	11,050	39	27,698
Current liabilities				
Trade and other payables	(992)	(4,222)	63	(5,151)
Short-term loans and overdrafts	(1,015)	(4,667)	–	(5,682)
Deposits from sale of properties	(2,713)	(704)	–	(3,417)
Derivative financial liabilities	–	(3)	–	(3)
Taxation payable	(300)	(390)	–	(690)
	(5,020)	(9,986)	63	(14,943)
Net current assets	11,589	1,064	102	12,755
Total assets less current liabilities	62,358	109,291	(37,565)	134,084
Non-current liabilities				
Long-term loans	(4,121)	(16,003)	–	(20,124)
Deferred taxation	(1,034)	(13,116)	–	(14,150)
Other deferred liabilities	(425)	(254)	411	(268)
	(5,580)	(29,373)	411	(34,542)
NET ASSETS	56,778	79,918	(37,154)	99,542
Capital and reserves				
Share capital	1,016	–	–	1,016
Reserves	47,800	–	446	48,246
Shareholders' equity	48,816	–	446	49,262
Minority interests	7,962	4,756	37,562	50,280
TOTAL EQUITY	56,778	4,756	38,008	99,542

The comparative figures shown in the notes to the financial statements are to be read in conjunction with the prior year adjustments as set out in the above tables.

b) *Other new standards, amendments and interpretation*

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and Interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

The "Principal accounting policies" set out on pages 113 to 131 summarises the accounting policies of the Group after the adoption of these policies to the extent that they are relevant to the Group.

The adoption on the new and revised HKFRSs has no significant impacts to the financial statements of the Group for the nine months period ended 31 December 2007 and year ended 31 March 2007, except for the presentation requirements following the adoption of HKFRS 7, Financial instruments: Disclosures and the amendment to HKAS 1, Presentation of financial statements: Capital disclosures.

(i) HKFRS 7, Financial instruments: Disclosures

As a result of the adoption of HKFRS 7, the financial statements included expanded disclosure about the significance of the financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, Financial instruments: Disclosure and presentation. These disclosures are provided in note 29 to the financial statements.

(ii) HKAS 1, Presentation of financial statements: Capital disclosures

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 31(e) to the financial statements.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 37).

3. SEGMENT INFORMATION

a) Business segments

(i) Revenue and results

	Revenue		Results	
	Period ended 31/12/2007 HK$ Million	Year ended 31/3/2007 HK$ Million	**Period ended 31/12/2007 HK$ Million**	Year ended 31/3/2007 HK$ Million
Continuing operations				
Property investment	**6,830**	6,135	**4,932**	4,260
Hong Kong	**5,313**	4,576	**4,289**	3,617
China	**416**	343	**197**	130
Singapore	**129**	272	**93**	168
Hotels	**972**	944	**353**	345
Property development	**3,283**	2,235	**1,412**	554
Hong Kong	**1,508**	2,222	**609**	552
China	**1,619**	13	**718**	2
Singapore	**156**	–	**85**	–
Communications, media and entertainment ("CME")	**3,797**	3,947	**365**	270
Pay television	**1,595**	1,895	**179**	248
Internet and multimedia	**588**	596	**180**	129
Telecommunications	**1,460**	1,384	**47**	(64)
Others	**154**	72	**(41)**	(43)
Logistics	**3,625**	3,506	**1,914**	1,887
Terminals	**3,216**	3,096	**1,764**	1,727
Others	**409**	410	**150**	160
Investment and others	**794**	696	**2,141**	1,039
	18,329	16,519	**10,764**	8,010
Inter-segment revenue (Note)	**(414)**	(423)	**–**	–
	17,915	16,096	**10,764**	8,010
Unallocated expenses			**(417)**	(360)
Operating profit			**10,347**	7,650
Increase in fair value of investment properties			**10,878**	8,248
Net other credit			**184**	123
			21,409	16,021

	Revenue		Results	
	Period ended 31/12/2007 HK$ Million	Year ended 31/3/2007 HK$ Million	**Period ended 31/12/2007 HK$ Million**	Year ended 31/3/2007 HK$ Million
Finance costs			**(1,212)**	(1,013)
Associates			**269**	146
Property development			**33**	46
Terminals			**236**	100
Jointly controlled entities				
Terminals			**27**	12
Profit before taxation			**20,493**	15,166
Taxation			**(4,639)**	(2,560)
Profit for the period/year			**15,854**	12,606
Discontinued operation (Note 9)				
Hamptons – agency services				
Revenue/Profit from a discontinued operation	**–**	452	**–**	533
Total profit for the period/year			**15,854**	13,139

Note

Inter-segment revenue eliminated on consolidation includes:

	Period ended 31/12/2007 HK$ Million	Year ended 31/3/2007 HK$ Million
Property investment	**113**	91
CME	**224**	253
Investment and others	**77**	79
	414	423

(ii) Assets and liabilities

	Assets		Liabilities	
	31/12/2007 HK$ Million	31/3/2007 HK$ Million	**31/12/2007 HK$ Million**	31/3/2007 HK$ Million
Property investment	**109,226**	97,936	**5,378**	4,050
Hong Kong	**95,938**	87,721	**1,809**	1,524
China	**8,330**	6,666	**3,170**	2,279
Singapore	**4,431**	3,156	**101**	92
Hotels	**527**	393	**298**	155
Property development	**28,690**	17,346	**10,083**	4,252
Hong Kong	**4,401**	4,681	**483**	444
China	**15,641**	5,213	**4,915**	856
Singapore	**8,648**	7,452	**4,685**	2,952
CME	**4,592**	4,835	**965**	977
Pay television	**1,160**	1,243	**354**	384
Internet and multimedia	**509**	631	**129**	133
Telecommunications	**2,857**	2,939	**480**	460
Others	**66**	22	**2**	–
Logistics	**16,922**	11,138	**10,817**	6,330
Terminals	**16,732**	10,935	**10,767**	6,276
Others	**190**	203	**50**	54
Investment and others	**7,733**	7,424	**31**	26
Unallocated	**11,962**	10,348	**37,692**	33,850
Total assets/liabilities	**179,125**	149,027	**64,966**	49,485

Segment assets held through jointly controlled entities and associates included in above are:

	31/12/2007 HK$ Million	31/3/2007 HK$ Million
Property development	**5,282**	118
CME	**59**	–
Logistics	**4,310**	1,201
	9,651	1,319

Unallocated items mainly comprise financial and corporate assets, interest-bearing borrowings and corporate and financing expenses.

(iii) Other information

	Capital expenditure		Increase in interests in associates and jointly controlled entities		Depreciation and amortisation	
	Period ended 31/12/2007 HK$ Million	Year ended 31/3/2007 HK$ Million	**Period ended 31/12/2007 HK$ Million**	Year ended 31/3/2007 HK$ Million	**Period ended 31/12/2007 HK$ Million**	Year ended 31/3/2007 HK$ Million
Property investment	**622**	585	**–**	–	**125**	109
Hong Kong	**215**	337	**–**	–	**21**	16
China	**149**	97	**–**	–	**21**	18
Singapore	**38**	115	**–**	–	**2**	10
Hotels	**220**	36	**–**	–	**81**	65
Property development						
China	**–**	–	**5,154**	–	**–**	–
CME	**581**	655	**59**	–	**890**	950
Pay television	**159**	238	**–**	–	**318**	320
Internet and multimedia	**68**	64	**–**	–	**144**	188
Telecommunications	**276**	309	**–**	–	**385**	418
Others	**78**	44	**59**	–	**43**	24
Logistics	**2,763**	3,484	**2,911**	–	**261**	218
Terminals	**2,757**	3,446	**2,911**	–	**248**	204
Others	**6**	38	**–**	–	**13**	14
Total	**3,966**	4,724	**8,124**	–	**1,276**	1,277

The Group has no significant non-cash expenses other than depreciation and amortisation.

b) *Geographical segments*

	Revenue		Operating profit	
	Period ended 31/12/2007 HK$ Million	Year ended 31/3/2007 HK$ Million	**Period ended 31/12/2007 HK$ Million**	Year ended 31/3/2007 HK$ Million
Continuing operations				
Hong Kong	**15,298**	15,228	**8,912**	7,314
China	**2,096**	476	**876**	56
Singapore	**521**	392	**559**	280
	17,915	16,096	**10,347**	7,650
Discontinued operation				
United Kingdom	**–**	450	**–**	71
Others	**–**	2	**–**	1
	–	452	**–**	72
Revenue/operating profit	**17,915**	16,548	**10,347**	7,722

	Assets	
	31/12/2007 HK$ Million	31/3/2007 HK$ Million
Hong Kong	**121,886**	112,515
China	**35,435**	17,201
Singapore	**21,804**	19,311
	179,125	149,027

	Capital expenditure		Increase in interests in associates and jointly controlled entities	
	Period ended 31/12/2007 HK$ Million	Year ended 31/3/2007 HK$ Million	**Period ended 31/12/2007 HK$ Million**	Year ended 31/3/2007 HK$ Million
Hong Kong	**1,223**	1,554	**61**	–
China	**2,705**	3,055	**8,063**	–
Singapore	**38**	115	**–**	–
	3,966	4,724	**8,124**	–

4. OPERATING PROFIT

a) Operating profit

	Period ended 31/12/2007 HK$ Million	Year ended 31/3/2007 HK$ Million
Operating profit is arrived at:		
Continuing operations		
after charging/(crediting):		
Depreciation		
– assets held for use under operating leases	**91**	91
– other fixed assets	**1,003**	1,053
	1,094	1,144
Amortisation		
– programming library	**131**	100
– leasehold land (Note 13)	**47**	30
– other intangible assets (Note 15)	**4**	3
Total depreciation and amortisation	**1,276**	1,277
Staff costs	**2,593**	2,564
Including:		
Contributions to defined contribution pension schemes including MPF schemes (after a forfeiture of HK$5 million (2006/07: HK$6 million))	**94**	91
(Income)/expenses recognised in respect of defined benefit pension schemes (Note 20)	**(11)**	9
Auditors' remuneration		
– audit services	**20**	16
– other services	**6**	2
Cost of trading properties sold	**1,706**	1,550
Net foreign exchange loss/(gain), including impact of forward foreign exchange contracts (Note)	**38**	(92)
Rental charges under operating leases in respect of telecommunications equipment and services	**101**	136
Rental income from operating leases less outgoings	**(4,674)**	(4,088)
– including contingent rentals	**(459)**	(323)
Interest income	**(244)**	(311)
Dividend income from listed investments	**(313)**	(131)
Dividend income from unlisted investments	**(182)**	(121)
(Profit)/loss on disposal of fixed assets	**(32)**	10
Rental income under operating leases in respect of owned plant and machinery	**(81)**	(95)
Discontinued operation		
after charging/(crediting):		
Staff costs	**–**	157
– including contributions to defined contribution retirement schemes	**–**	12
Interest income	**–**	(5)

Note: During the period, total exchange gain arising from the translation of the net investments in WPSL and certain China subsidiaries, associates and jointly controlled entities amounted to HK$1,083 million (2006/07: HK$782 million) for the Group, which has been dealt with as an equity movement.

b) *Directors' emoluments*

	Fees HK$'000	Basic salaries, housing and other allowances, and benefits in kind HK$'000	Discretionary bonuses and/or performance related bonuses HK$'000	Contributions to pension schemes HK$'000	Compensation for loss of office/ inducement for joining the Group HK$'000	Period ended 31/12/2007 Total emoluments HK$'000	Year ended 31/3/2007 Total emoluments HK$'000
Board of Directors							
Peter K C Woo	**190**	**13,234**	**12,000**	**21**	**–**	**25,445**	23,791
Gonzaga W J Li	**105**	**4,717**	**6,000**	**–**	**–**	**10,822**	9,352
Stephen T H Ng	**60**	**4,208**	**8,000**	**240**	**–**	**12,508**	11,116
Paul Y C Tsui	**45**	**1,874**	**2,000**	**9**	**–**	**3,928**	3,335
Independent Non-executive Directors							
Alexander S K Au	**60***	**–**	**–**	**–**	**–**	**60**	69
B M Chang	**60***	**–**	**–**	**–**	**–**	**60**	69
Kenneth W S Ting	**60***	**–**	**–**	**–**	**–**	**60**	54
Past Directors							
William Turnbull	**–**	**–**	**–**	**–**	**–**	**–**	63
	580	**24,033**	**28,000**	**270**	**–**	**52,883**	47,849
Total for 2006/07	643	23,785	23,169	252	–		47,849

* *Includes Audit Committee Member's fee in a total amount of HK$45,000 (2006/07: HK$48,479) received by relevant Directors.*

c) *Five highest paid employees*

Set out below are analyses of the emoluments (excluding amounts paid or payable by way of commissions on sales generated by the employees concerned) for the nine months ended 31 December 2007 of 2 employees (2006/07: 2) of the Group who, not being Directors of the Company, were among the top five highest paid individuals (including persons who held the office of Directors of the Company at any time during the period as well as other employees of the Group) employed by the Group.

(i) Aggregate emoluments

	Period ended 31/12/2007 HK$ Million	Year ended 31/3/2007 HK$ Million
Basic salaries, housing and other allowances, and benefits in kind	**14**	8
Deemed profit on share option exercise	**–**	–
Pension scheme contributions	**–**	–
Discretionary bonuses and/or performance-related bonuses	**18**	44
Compensation for loss of office/inducement for joining the Group	**–**	–
	32	52

(ii) Bandings

	Period ended 31/12/2007 Number	Year ended 31/3/2007 Number
Bands (in HK$)		
$8,500,001 – $9,000,000	**–**	1
$10,000,001 – $10,500,000	**1**	–
$21,000,001 – $21,500,000	**1**	–
$43,500,001 – $44,000,000	**–**	1
	2	2

5. OTHER NET INCOME

	Period ended 31/12/2007 HK$ Million	Year ended 31/3/2007 HK$ Million
Continuing operations		
Net profit on disposal of available-for-sale investments	**1,790**	114
Net profit on disposal of properties	**12**	481
Others	**28**	7
	1,830	602
Discontinued operation (Note 9)		
Others	**–**	(1)
	1,830	601

Included in the net profit on disposal of available-for-sale investments is a net revaluation surplus, before deduction of minority interests, of HK$1,009 million (2006/07: HK$10 million) transferred from the investment revaluation reserves.

6. NET OTHER CREDIT

	Period ended 31/12/2007 HK$ Million	Year ended 31/3/2007 HK$ Million
Write-back of provisions for properties	**184**	223
Write-off of broadcasting and communications equipment	**–**	(100)
	184	123

7. FINANCE COSTS

	Period ended 31/12/2007 HK$ Million	Year ended 31/3/2007 HK$ Million
Continuing operations		
Interest on:		
Bank loans and overdrafts repayable within five years	**1,006**	732
Other loans repayable within five years	**158**	332
Loans repayable over five years	**143**	75
Fair value cost on currency swaps	**96**	–
Other finance costs	**51**	25
	1,454	1,164
Less: Amount capitalised	**(242)**	(151)
	1,212	1,013
Discontinued operation (Note 9)		
Interest on bank loans and overdrafts	**–**	1
	1,212	1,014

a) Interest was capitalised at annual rates of between 4.1% to 5.6% (2006/07: 4.1% to 5.0%).

b) Included in total interest costs are amounts totalling HK$1,167 million (2006/07: HK$879 million) in respect of interest bearing borrowings that are at amortised cost.

8. TAXATION

Taxation charged to the consolidated profit and loss account represents:

	Period ended 31/12/2007 HK$ Million	Year ended 31/3/2007 HK$ Million
Continuing operations		
Current income tax		
Hong Kong profits tax	**1,263**	912
Overseas taxation	**226**	55
Underprovision in respect of prior years (Note 8(g))	**352**	129
	1,841	1,096
Land appreciation tax ("LAT") in the PRC	**239**	–
Deferred tax (Note 27)		
Change in fair value of investment properties	**2,386**	1,367
Origination and reversal of temporary differences	**201**	157
Benefit of previously unrecognised tax losses now recognised	**(28)**	(60)
	2,559	1,464
	4,639	2,560
Discontinued operation (Note 9)		
Current income tax		
Overseas taxation	**–**	22
Underprovision in respect of prior years	**–**	3
Taxation on profit on disposal of subsidiaries	**–**	122
	–	147
Deferred tax (Note 27)		
Origination and reversal of temporary differences	**–**	(2)
	–	145
	4,639	2,705

a) The provision for Hong Kong profits tax is based on the profit for the period as adjusted for tax purposes at the rate of 17.5% (2006/07: 17.5%).

On 27 February 2008, the Hong Kong SAR ("HKSAR") Government announced a proposed reduction in the profits tax rate from 17.5% to 16.5% applicable to the operations in Hong Kong with effect from the year of assessment 2008/09. This will trigger a recalculation of the net deferred tax liabilities, mainly for the surplus on the investment properties, as at 1 January 2008, which would likely be reduced by approximately HK$794 million and will impact the Group's financial statements.

b) Overseas taxation is calculated at rates of tax applicable in countries in which the Group is assessed for tax.

c) Under the Provisional Regulations on LAT implemented upon the issuance of the Provisional Regulations of the People's Republic of China ("PRC") on 27 January 1995, all gains arising from transfer of real estate property in the PRC effective from 1 January 1994 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 borrowing costs and all property development expenditures.

d) On 16 March 2007, the Standing Committee of the Tenth National People's Congress of the PRC approved the income tax law, which will change the tax rate from 33% to 25% for certain subsidiaries operating in the PRC effective from 1 January 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

e) The taxation payable in the consolidated balance sheet is expected to be settled within one year.

f) Tax attributable to associates and jointly controlled entities for the nine months ended 31 December 2007 of HK$23 million (2006/07: HK$15 million) is included in the share of results after tax of associates and jointly controlled entities.

g) Wharf group is currently in the process of providing information to the Inland Revenue Department of HKSAR in respect of tax enquiries from Wharf group's perspective on certain interest expenses deductibility as claimed by some property investment owning companies. In view of the fact that these enquiries are at the stage of collecting information and some preliminary discussions, provisions have been made only to the extent that the estimated tax assessments have been issued and the tax risk that can be reliably estimated. In 2007, a provision of HK$336 million was made by Wharf group for the disputes as part of the underprovision for income tax. However, the final outcomes are subject to uncertainties and resulting liabilities may or may not exceed the provisions.

h) Reconciliation between the actual total tax charge and profit before taxation at applicable tax rates

	Period ended 31/12/2007 HK$ Million	Year ended 31/3/2007 HK$ Million
Profit before taxation (including profit from a discontinued operation)	**20,493**	15,844
Notional tax on profit before taxation calculated at applicable tax rates	**3,762**	2,815
Tax effect of non-deductible expenses	**158**	98
Tax effect of non-taxable revenue	**(241)**	(284)
Underprovision in respect of prior years	**352**	132
Tax effect of tax losses not recognised	**74**	84
Tax effect of unrecognised tax losses utilised	**(93)**	(79)
Tax effect of previously unrecognised tax losses now recognised as deferred tax assets	**(28)**	(60)
Effect of change in tax rate on deferred tax balances	**(201)**	(1)
LAT on trading properties	**239**	–
Deferred LAT on change in fair value of investment properties	**617**	–
Actual total tax charge	**4,639**	2,705
Tax charge attributable to a discontinued operation	**–**	(145)
Tax charge attributable to continuing operations	**4,639**	2,560

9. DISCONTINUED OPERATION

	Year ended 31/3/2007 HK$ Million
Profit on disposal of subsidiaries	597
Taxation on profit on disposal of subsidiaries	(122)
Net profit on disposal of subsidiaries	475
Profit for the year	58
Total profit from a discontinued operation	533

On 24 August 2006, WPSL completed the disposal of its 100% interest in Hamptons at a cash consideration of £82 million (about HK$1,182 million) and realised a profit of HK$475 million (HK$268 million attributable to the Group). Hamptons' principal business is estate agency services in the residential property market in the United Kingdom.

The results of Hamptons are presented below:

	Year ended 31/3/2007 HK$ Million
Turnover	452
Other net loss	(1)
	451
Direct costs and operating expenses	(164)
Selling and marketing expenses	(139)
Administrative expenses	(76)
Operating profit	72
Finance costs	(1)
Share of results after tax of associates	10
Profit before taxation	81
Taxation	(23)
Profit for the year	58
Profit attributable to:	
Equity shareholders	33
Minority interests	25
	58
The net cash flows incurred by the disposed subsidiaries are as follows:	
Operating activities	51
Investing activities	1,027
Financing activities	44
Net cash inflow	1,122

10. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS

Profit attributable to equity shareholders for the period is dealt with in the financial statements of the Company to the extent of HK$260 million (2006/07: HK$259 million).

11. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	Period ended 31/12/2007 HK$ Million	Year ended 31/3/2007 HK$ Million
Interim dividend declared and payable of 2.5 cents (2006/07: declared and paid of 2.5 cents) per share	**51**	51
Final dividend proposed 10.0 cents after the balance sheet date (2006/07: 10.0 cents) per share	**203**	203
	254	254

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

b) The final dividend of HK$203 million for the year ended 31 March 2007 was approved and paid in the financial period under review.

12. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on profit attributable to equity shareholders for the period of HK$7,615 million (2006/07: HK$6,310 million) and 2,032 million ordinary shares in issue throughout the nine months period ended 31 December 2007 and year ended 31 March 2007. The profit for the period/year is analysed as follows:

	Period ended 31/12/2007 HK$ Million	Year ended 31/3/2007 HK$ Million
Profit attributable to:		
Continuing operations	**7,615**	6,009
Discontinued operation	**–**	301
	7,615	6,310

13. FIXED ASSETS

	Group						
	Investment properties HK$ Million	Properties under or held for redevelopment HK$ Million	Hotel and club properties HK$ Million	Broadcasting & communications equipment HK$ Million	Other properties and fixed assets HK$ Million	Leasehold land HK$ Million	Total HK$ Million
a) ***Cost or valuation***							
At 1 April 2007	**95,085**	**2,908**	**661**	**9,515**	**10,564**	**3,995**	**122,728**
Exchange differences	**351**	**80**	**–**	**–**	**77**	**73**	**581**
Additions	**197**	**2,471**	**13**	**313**	**740**	**102**	**3,836**
Disposals	**(683)**	**–**	**–**	**(140)**	**(224)**	**–**	**(1,047)**
Reclassification	**8**	**166**	**–**	**(1)**	**366**	**(15)**	**524**
Revaluation surplus/ write back / (write off)	**10,878**	**157**	**–**	**–**	**(2)**	**–**	**11,033**
At 31 December 2007	**105,836**	**5,782**	**674**	**9,687**	**11,521**	**4,155**	**137,655**
Accumulated depreciation, amortisation and impairment losses							
At 1 April 2007	**–**	**–**	**517**	**5,869**	**4,753**	**333**	**11,472**
Exchange differences	**–**	**–**	**–**	**–**	**8**	**–**	**8**
Charge for the period	**–**	**–**	**32**	**638**	**424**	**47**	**1,141**
Written back on disposals	**–**	**–**	**–**	**(135)**	**(221)**	**–**	**(356)**
At 31 December 2007	**–**	**–**	**549**	**6,372**	**4,964**	**380**	**12,265**
Net book value							
At 31 December 2007	**105,836**	**5,782**	**125**	**3,315**	**6,557**	**3,775**	**125,390**
Cost or valuation							
At 1 April 2006	86,784	1,513	659	9,570	9,938	1,733	110,197
Exchange differences	285	8	–	–	20	46	359
Additions	267	1,405	2	369	767	1,770	4,580
Acquisition of subsidiaries	–	91	–	–	1	460	552
Disposals	(952)	(185)	–	(328)	(411)	–	(1,876)
Disposal of subsidiaries	–	–	–	–	(137)	–	(137)
Cost adjustment	(410)	–	–	–	–	–	(410)
Reclassification	863	(16)	–	4	386	(14)	1,223
Revaluation surplus / write back / (write off)	8,248	92	–	(100)	–	–	8,240
At 31 March 2007	95,085	2,908	661	9,515	10,564	3,995	122,728
Accumulated depreciation, amortisation and impairment losses							
At 1 April 2006	–	–	484	5,460	4,627	303	10,874
Exchange differences	–	–	–	–	5	–	5
Charge for the year	–	–	33	721	390	30	1,174
Written back on disposals	–	–	–	(317)	(246)	–	(563)
Disposal of subsidiaries	–	–	–	–	(23)	–	(23)
Reclassification	–	–	–	5	–	–	5
At 31 March 2007	–	–	517	5,869	4,753	333	11,472
Net book value							
At 31 March 2007	95,085	2,908	144	3,646	5,811	3,662	111,256

b) **The analysis of cost or valuation of the above assets is as follows:**

	Investment properties HK$ Million	Properties under or held for redevelopment HK$ Million	Hotel and club properties HK$ Million	Broadcasting & communications equipment HK$ Million	Other properties and fixed assets HK$ Million	Leasehold land HK$ Million	Total HK$ Million
At 31 December 2007							
2007 valuation	**105,836**	**–**	**–**	**–**	**–**	**–**	**105,836**
At cost less provision	**–**	**5,782**	**674**	**9,687**	**11,521**	**4,155**	**31,819**
	105,836	**5,782**	**674**	**9,687**	**11,521**	**4,155**	**137,655**
At 31 March 2007							
2006 valuation	95,085	–	–	–	–	–	95,085
At cost less provisions	–	2,908	661	9,515	10,564	3,995	27,643
	95,085	2,908	661	9,515	10,564	3,995	122,728

c) **Tenure of title to properties:**

	Investment properties HK$ Million	Properties under or held for redevelopment HK$ Million	Hotel and club properties HK$ Million	Broadcasting & communications equipment HK$ Million	Other properties and fixed assets HK$ Million	Leasehold land HK$ Million	Total HK$ Million
At 31 December 2007							
Held in Hong Kong							
Long lease	**81,572**	**–**	**125**	**–**	**2**	**82**	**81,781**
Medium lease	**13,055**	**608**	**–**	**–**	**2,955**	**1,251**	**17,869**
Short lease	**1,320**	**–**	**–**	**–**	**–**	**–**	**1,320**
	95,947	**608**	**125**	**–**	**2,957**	**1,333**	**100,970**
Held outside Hong Kong							
Freehold	**–**	**622**	**–**	**–**	**–**	**–**	**622**
Long lease	**3,794**	**–**	**–**	**–**	**–**	**–**	**3,794**
Medium lease	**6,095**	**4,552**	**–**	**–**	**593**	**2,442**	**13,682**
	105,836	**5,782**	**125**	**–**	**3,550**	**3,775**	**119,068**
At 31 March 2007							
Held in Hong Kong							
Long lease	72,649	–	144	–	2	80	72,875
Medium lease	13,278	606	–	–	3,010	1,185	18,079
Short lease	1,430	–	–	–	–	–	1,430
	87,357	606	144	–	3,012	1,265	92,384
Held outside Hong Kong							
Freehold	–	560	–	–	–	–	560
Long lease	2,587	–	–	–	84	–	2,671
Medium lease	5,141	1,742	–	–	279	2,397	9,559
	95,085	2,908	144	–	3,375	3,662	105,174

d) ***Properties revaluation***

The Group's investment properties were revalued as at 31 December 2007 by Knight Frank Petty Limited and CB Richard Ellis (Pte) Ltd, independent firms of property consultants, who have appropriate qualifications and experience in the valuation of properties in the relevant locations, on a market value basis, after taking into consideration the net rental income allowing for reversionary potential and the redevelopment potential of the properties where appropriate.

The surplus or deficit arising on revaluation is recognised directly in the consolidated profit and loss account.

e) ***Impairment of fixed assets***

The value of properties, other than investment properties which are revalued annually, is assessed at each balance sheet date for indications of impairment with reference to valuations undertaken by management. Such valuations assess the recoverable amount of each property based on its value in use (using relevant discount rates) or on its net selling price (by reference to market prices), depending upon the anticipated future plans for the property. As a consequence of this exercise, at 31 December 2007, deficit of HK$157 million (2006/07: HK$92 million) previously recognised in the consolidated profit and loss account was reversed due to the anticipated increase in the recoverable amount of the properties primarily to reflect the current prevailing property market conditions.

f) The Group leases out properties under operating leases, which generally run for an initial period of one to seven years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease income may be varied periodically to reflect market rentals and may contain a contingent rental element which is based on various percentages of tenants' sales receipts.

g) The Group's total future minimum lease income under non-cancellable operating leases is receivable as follows:

	Group	
	31/12/2007 HK$ Million	31/3/2007 HK$ Million
Within 1 year	**4,418**	4,247
After 1 year but within 5 years	**4,841**	4,783
After 5 years	**226**	296
	9,485	9,326

14. INTEREST IN SUBSIDIARIES

	Company	
	31/12/2007 HK$ Million	31/3/2007 HK$ Million
Unlisted shares, at cost	**3,495**	3,495
Amounts due from subsidiaries	**1,393**	2,178
Amounts due to subsidiaries	**(339)**	(1,181)
	4,549	4,492

Details of principal subsidiaries at 31 December 2007 are shown on pages 132 to 134.

Amounts due from subsidiaries are unsecured, non-interest bearing with no fixed terms of repayment and hence are classified as non-current as these are not expected to be recoverable within the next twelve months. Amounts due to subsidiaries are unsecured, non-interest bearing with no fixed terms of payment.

15. GOODWILL AND OTHER INTANGIBLE ASSETS

	Group		
	Goodwill HK$ Million	**Other intangible assets HK$ Million**	**Total HK$ Million**
Cost			
At 1 April 2007 and 31 December 2007	**297**	**12**	**309**
Accumulated amortisation			
At 1 April 2007	**–**	**3**	**3**
Charge for the period	**–**	**4**	**4**
At 31 December 2007	**–**	**7**	**7**
Net carrying value			
At 31 December 2007	**297**	**5**	**302**
Cost			
At 1 April 2006	297	–	297
Additions	–	12	12
At 31 March 2007	297	12	309
Accumulated amortisation			
At 1 April 2006	–	–	–
Charge for the year	–	3	3
At 31 March 2007	–	3	3
Net carrying value			
At 31 March 2007	297	9	306

Goodwill is mainly related to the Group's terminals business. As at 31 December 2007, an impairment test was performed by comparing the attributable carrying amount of the business with the recoverable amount. The recoverable amount of the terminals business is based on fair value less costs to sell, which is determined by the latest transaction price. No impairment was recorded.

16. INTEREST IN ASSOCIATES

	Group	
	31/12/2007 HK$ Million	31/3/2007 HK$ Million
Share of net tangible assets	**1,723**	347
Goodwill	**1,790**	61
	3,513	408
Amounts due from associates	**119**	123
	3,632	531

a) Details of principal associates at 31 December 2007 are shown on page 135.

b) Mega Shekou Container Terminals Limited ("Mega SCT")
On 14 December 2006, Modern Terminals Limited ("Modern Terminals"), a 67.6%-owned subsidiary of Wharf, signed an agreement with China Merchants Holdings (International) Company Limited ("CMH") in relation to the rationalisation of interests in Shekou Container Terminals Phases I, II and III ("the Rationalisation Agreement").

As at 31 December 2006, Modern Terminals had effective interests in Shekou Container Terminals Phases I and II ("SCT I and II") of 10.0% and 9.8% respectively and these were accounted for as associates of Wharf as at 31 December 2006.

Under the Rationalisation Agreement, CMH acquired the equity interests held by the other shareholders of SCT I and II and upon its completion, both CMH and Modern Terminals injected their interests in SCT I and II and Shekou Container Terminal (Phase III) Limited ("SCT III") into a new company, Mega SCT. CMH and Modern Terminals initially held 70% and 30% equity interests in the Mega SCT respectively ("the Transaction") and Modern Terminals paid HK$3,168 million in relation to the Transaction, which was completed on 22 February 2007.

Under the Rationalisation Agreement, CMH is responsible for arranging financing for all the construction and development costs of the berths to be developed. Subject to satisfaction of the relevant conditions therein, the completion of the Rationalisation Agreement would take place in four stages. In consideration of the construction and development of berths by CMH, the equity interests held by

Modern Terminals in Mega SCT will gradually decrease from 30% upon stage 1 completion to 20% upon stage 4 completion. Stage 1 completion was completed on 22 February 2007. Stage 2 completion will take place after berth no. 7 of SCT III has been completed and become commercially operational or one year after stage 1 completion, whichever is later. As at 31 December 2007, stage 2 completion has not been completed.

Wharf group's share of profits of SCT I and II for the period from 1 January 2007 to 22 February 2007 was HK$6 million. Wharf group's share of profits of Mega SCT for the period from 23 February 2007 to 31 December 2007 was HK$176 million. If the Rationalisation agreement had occurred on 1 January 2007, Wharf group's share of profits from Mega SCT would have been HK$209 million.

Details of net assets acquired and the goodwill arose from the Transaction of HK$1,790 million are as follows:

	HK$ Million
Purchase consideration:	
Cash paid	3,168
Fair value of assets exchanged	232
Costs directly attributable to the acquisition	4
Adjustment sum received and receivable	(712)
Total purchase consideration	2,692
Less: Fair value of net assets acquired	(902)
Goodwill	1,790

The major components of assets acquired and liabilities assumed arising from the Transaction are as follows:

	Fair value HK$ Million	Carrying value HK$ Million
Fixed assets	1,119	992
Cash and cash equivalents	174	174
Net working capital excluding cash	(203)	(203)
Non-current liabilities	(188)	(188)
	902	775

The acquired tangible assets primarily comprised of land and buildings, plant and equipment and accounts receivables. The liabilities assumed primarily comprised of accounts payables and other current liabilities.

c) *Summary financial information on associates*

	31/12/2007 Total HK$ Million	31/12/2007 Attributable interest HK$ Million	31/3/2007 Total HK$ Million	31/3/2007 Attributable interest HK$ Million
Balance sheets				
Assets	**15,890**	**2,341**	6,934	706
Liabilities	**(2,812)**	**(618)**	(2,970)	(359)
Equity	**13,078**	**1,723**	3,964	347
Profit and loss accounts				
Revenue	**3,362**	**594**	2,735	294
Profit before taxation	**1,587**	**287**	1,527	161
Taxation	**(63)**	**(18)**	(121)	(15)
Profit after taxation	**1,524**	**269**	1,406	146

17. INTEREST IN JOINTLY CONTROLLED ENTITIES

	Group 31/12/2007 HK$ Million	Group 31/3/2007 HK$ Million
Share of net assets	**2,783**	734
Goodwill	**54**	54
	2,837	788
Amounts due from jointly controlled entities	**3,182**	–
	6,019	788

a) Details of principal jointly controlled entities at 31 December 2007 are shown on page 135.

b) The amounts due from jointly controlled entities are unsecured, interest free and have no fixed terms of repayment.

c) The Group's effective interest in the results, assets and liabilities of its jointly controlled entities are summarised below:

	31/12/2007 HK$ Million	31/3/2007 HK$ Million
Balance sheets		
Non-current assets	**2,797**	1,192
Current assets	**3,103**	188
Non-current liabilities	**(2,554)**	(622)
Current liabilities	**(563)**	(24)
Net assets	**2,783**	734
Profit and loss accounts		
Revenue	**160**	121
Profit before taxation	**32**	12
Taxation	**(5)**	–
Profit for the period / year	**27**	12

18. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	31/12/2007 HK$ Million	31/3/2007 HK$ Million
Listed investments, at market value		
Listed in Hong Kong	**1,659**	1,644
Listed outside Hong Kong	**5,899**	5,380
	7,558	7,024
Unlisted investments	**64**	64
	7,622	7,088

a) Investments listed outside Hong Kong include the Group's 20% (31 March 2007: 20%) interest in Hotel Properties Limited ("HPL"), a company incorporated and listed in Singapore. This equity interest is not classified as an associate as the Group does not have significant influence in HPL. The Group does not have representation on the board of directors and does not participate in the policy-making processes of HPL.

b) Fair value of individually impaired available-for-sale investments amounted to HK$258 million (31 March 2007: HK$8 million). These were determined to be impaired on the basis of material decline in their fair value below cost and there are indications that these may not be recovered. Impairment losses were recognised in consolidated profit and loss account.

19. LONG-TERM RECEIVABLES

Long-term receivables represent receivables due after more than one year.

20. EMPLOYEE RETIREMENT BENEFITS

a) *Defined benefit pension schemes*

	Group	
	31/12/2007 HK$ Million	31/3/2007 HK$ Million
Defined benefit pension scheme assets	**239**	230

The Group makes contributions to six defined benefit pension schemes that provide pension benefits for employees upon retirement. The assets of the schemes are held separately by independently administered funds. The schemes are funded by contributions both from employers and employees, which are in accordance with recommendations made by actuaries based on their valuation of the schemes. The latest valuations of the schemes as at 31 December 2007 were performed either by HSBC Life (International) Limited, Watson Wyatt Hong Kong Limited, who are independent qualified actuaries or internally, using the projected unit credit method. The funding ratios of the two principal schemes were 144% and 105% respectively.

(i) The amount recognised in the consolidated balance sheet is as follows:

	31/12/2007 HK$ Million	31/3/2007 HK$ Million
Fair value of scheme assets	**1,130**	1,005
Present value of funded obligations	**(891)**	(775)
	239	230

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amount payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions.

(ii) Scheme assets consist of the following:

	31/12/2007 HK$ Million	31/3/2007 HK$ Million
Equity securities	**803**	761
Debt securities	**247**	164
Bank deposits and cash	**80**	80
	1,130	1,005

(iii) Movements in the present value of the defined benefit obligations are as follows:

	31/12/2007 HK$ Million	31/3/2007 HK$ Million
At 1 April	**775**	712
Benefits paid by the schemes	**(65)**	(37)
Current service cost	**31**	29
Employees' contribution	**2**	2
Interest cost	**29**	31
Actuarial losses	**119**	38
At 31 December / 31 March	**891**	775

(iv) Movements in the scheme assets are as follows:

	31/12/2007 HK$ Million	31/3/2007 HK$ Million
At 1 April	**1,005**	855
Group's contributions paid to the schemes	**3**	33
Benefits paid by the schemes	**(65)**	(37)
Employees' contribution	**2**	2
Actuarial expected return on scheme assets	**71**	59
Actuarial gains	**114**	93
At 31 December / 31 March	**1,130**	1,005

(v) (Income)/expenses recognised in the consolidated profit and loss account are as follows:

	Period ended 31/12/2007 HK$ Million	Year ended 31/3/2007 HK$ Million
Current service cost	**31**	29
Interest cost	**29**	31
Actuarial expected return on scheme assets	**(71)**	(59)
Net transitional liability recognised	**–**	8
	(11)	9

All the (income)/expenses are recognised as direct costs and operating expenses in the consolidated profit and loss account.

Actual return on scheme assets	**(185)**	(153)

(vi) The principal actuarial assumptions used as at 31 December 2007 (expressed as a range) are as follows:

	31/12/2007	31/3/2007
Discount rate at 31 December / 31 March	**3.45% – 3.5%**	3.75% – 5.0%
Expected rate of return on scheme assets	**7.0% – 8.0%**	5.0% – 8.0%
Future salary increases – 2007	**N/A**	2.0% – 4.0%
– 2008 thereafter	**3.0% – 4.5%**	2.0% – 4.0%

The expected long-term rate of return on scheme assets is based on the portfolio as a whole and not on the sum of the returns on individual assets categories. The return is based exclusively on historical returns, without adjustments.

(vii) Historical information

	31/12/2007 HK$ Million	31/3/2007 HK$ Million
Fair value of scheme assets	**1,130**	1,005
Present value of the defined benefit obligations	**(891)**	(775)
Surplus in the scheme	**239**	230
Experience adjustments arising on scheme liabilities	**–6%**	9%
Experience adjustments arising on scheme assets	**10%**	2%

(viii) The Group recognised an actuarial loss amounting to HK$5 million (2006/07: gain of HK$55 million) for the nine months ended 31 December 2007 directly in equity. The cumulative amount of actuarial gains recognised amounted to HK$147 million (31 March 2007: HK$152 million) as at 31 December 2007.

b) Defined contribution pension schemes

A number of defined contribution pension schemes (including the Mandatory Provident Fund) administered by independent trustees are available to the employees of the Group. For defined contribution pension schemes, both the Group and the employees contribute respectively to the schemes which represent percentages of the employees' salaries as defined under the relevant trust deeds. The contributions by the Group are expensed as incurred and may be reduced by contributions forfeited from those employees who have left the scheme prior to full vesting of the contributions.

21. PROPERTIES FOR SALE

	Group	
	31/12/2007 HK$ Million	31/3/2007 HK$ Million
Properties under development for sale	**18,814**	13,760
Completed properties for sale	**991**	1,626
	19,805	15,386

a) Properties under development for sale in the amount of HK$14,919 million (31 March 2007: HK$10,358 million) are expected to be substantially completed and recovered after more than one year.

b) Included in properties under development for sale are deposits of HK$2,616 million (31 March 2007: HK$581 million) paid for the acquisition for certain land sites/properties located in China.

c) Properties under development for sale and completed properties for sale are stated at lower of cost and net realisable value. The total carrying value of properties stated at net realisable value at 31 December 2007 is HK$249 million (31 March 2007: HK$332 million).

d) For the nine months ended 31 December 2007, net provision for properties under development for sale and completed properties for sale totalling HK$27 million (2006/07: HK$131 million) charged to the consolidated profit and loss account in prior years were written back as a result of the increase in net realisable value of certain properties.

e) The carrying value of leasehold land and freehold land included in properties under development for sale and completed properties for sale is summarised as follows:

	Group	
	31/12/2007 HK$ Million	31/3/2007 HK$ Million
Held in Hong Kong		
Long lease	**1,330**	901
Medium lease	**1,332**	1,667
	2,662	2,568
Held outside Hong Kong		
Freehold	**6,584**	6,201
Medium lease	**4,635**	1,905
	11,219	8,106
	13,881	10,674

22. TRADE AND OTHER RECEIVABLES

a) *Ageing analysis*

Included in this item are trade debtors (net of allowance for bad and doubtful debts) with an ageing analysis as at 31 December 2007 as follows:

	Group	
	31/12/2007 HK$ Million	31/3/2007 HK$ Million
Trade debtors		
0 – 30 days	**768**	468
31 – 60 days	**229**	231
61 – 90 days	**35**	71
Over 90 days	**60**	73
	1,092	843
Other receivables	**786**	1,137
	1,878	1,980

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 proceeds of the sold properties that are receivable pursuant to the terms of the agreements. All the receivables are expected to be virtually recoverable within one year.

b) *Impairment of trade debtors*

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly.

The balance and the movement of the allowance for bad and doubtful debts as at 31 December 2007 and 31 March 2007 is not significant.

c) *Trade debtors that are not impaired*

As at 31 December 2007, 81% (31 March 2007: 77%) of the Group's trade debtors were not impaired, of which 89% (31 March 2007: 85%) was either not past due or less than two months past due.

Based on past experience of the Group, it is determined that no impairment allowance is necessary in respect of these balances as these are considered to be fully recoverable. The Group does not hold any collateral over these balances.

23. BANK DEPOSITS AND CASH

	Group	
	31/12/2007	31/3/2007
	HK$ Million	HK$ Million
Bank deposits and cash		
– not pledged	**12,372**	10,235
– pledged	**707**	–
	13,079	10,235

Bank deposits and cash as at 31 December 2007 included Renminbi balances in HK$1,639 million equivalents (31 March 2007: HK$587 million) in China that the remittance of such are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government and Singapore dollar balances in HK$1,706 million equivalents (31 March 2007: HK$1,062 million) in respect of certain proceeds received from the pre-sale of properties in Singapore held under the "Project Account Rules-1997 Ed", withdrawals from which are designated for payments for expenditure incurred on projects.

24. TRADE AND OTHER PAYABLES

Included in this item are trade payables with an ageing analysis as at 31 December 2007 as follows:

	Group	
	31/12/2007	31/3/2007
	HK$ Million	HK$ Million
Amounts payable in the next:		
0 – 30 days	**439**	598
31 – 60 days	**132**	149
61 – 90 days	**110**	115
Over 90 days	**250**	375
	931	1,237
Rental and customer deposits	**1,591**	1,349
Other payables	**3,516**	2,565
	6,038	5,151

The amount of trade and other payables that is expected to be settled after more than one year is HK$1,068 million (31 March 2007: HK$1,168 million), which is mainly for rental and customer deposits. The Group considers the effect of discounting these would be immaterial. All of the other trade and other payables are expected to be settled within one year or are payable on demand.

25. LOANS

	Group	
	31/12/2007	31/3/2007
	HK$ Million	HK$ Million
Bonds and notes (Unsecured)		
HK dollar fixed rate notes due 2007	**–**	651
HK dollar fixed rate notes due 2008	**1,209**	607
HK dollar fixed rate notes due 2009	**304**	302
HK dollar fixed rate notes due 2011	**206**	204
HK dollar fixed rate notes due 2016	**256**	253
HK dollar floating rate notes due 2007	**–**	150
HK dollar floating rate notes due 2008	**100**	100
HK dollar floating rate notes due 2009	**101**	101
HK dollar floating rate notes due 2010	**200**	200
HK dollar floating rate notes due 2013	**300**	300
US dollar fixed rate notes due 2007	**–**	2,808
US dollar fixed rate notes due 2017	**3,120**	–
	5,796	5,676
Bank loans (Secured)		
Due within 1 year	**619**	515
Due after 1 year but within 2 years	**167**	–
Due after 2 years but within 5 years	**3,560**	2,051
Due after 5 years	**1,949**	605
	6,295	3,171
Bank loans (Unsecured)		
Due within 1 year	**5,192**	1,558
Due after 1 year but within 2 years	**3,908**	3,400
Due after 2 years but within 5 years	**13,000**	10,382
Due after 5 years	**800**	1,619
	22,900	16,959
Total loans	**34,991**	25,806
Less: Amounts due within 1 year	**(7,120)**	(5,682)
Total long-term loans	**27,871**	20,124

a) Included in the Group's total loans are bank loans borrowed by Wharf group and WPSL group of HK$31,282 million and HK$2,729 million (31 March 2007: HK$20,670 million and HK$3,137 million), respectively, which are without recourse to the Company and its wholly-owned subsidiaries.

b) All the interest bearing borrowings are carried at amortised cost except for loans in an amount of HK$2,076 million (31 March 2007: HK$4,926 million) which are carried at their fair value. None of the non-current interest bearing borrowings are expected to be settled within one year.

c) Certain banking facilities of the Group are secured by mortgages over properties under development, certain fixed assets, certain available-for-sale investments and certain bank deposits with an aggregate carrying value of HK$16,419 million (31 March 2007: over certain properties under development and fixed assets with a carrying value of HK$11,522 million).

d) Certain of the above borrowings are attached with financial covenants which require that at any time, the consolidated tangible net worth is not less than and the ratio of borrowings to consolidated tangible net worth is not more than certain required levels of the relevant groups. During the period under review, all these covenants have been complied with by the Group.

26. DEPOSITS FROM SALE OF PROPERTIES

Deposits from sale of properties in the amount of HK$1,702 million (31 March 2007: HK$2,713 million) are expected to be recognised as income in the consolidated profit and loss account after more than one year.

27. DEFERRED TAXATION

a) Net deferred tax (assets)/liabilities recognised in the consolidated balance sheet:

	Group	
	31/12/2007	31/3/2007
	HK$ Million	HK$ Million
Deferred tax liabilities	**16,578**	14,150
Deferred tax assets	**(360)**	(429)
Net deferred tax liabilities	**16,218**	13,721

The components of deferred tax (assets)/liabilities and the movements during the period/year are as follows:

	Revaluation of investment properties HK$ Million	Revaluation of investments HK$ Million	Depreciation allowances in excess of the related depreciation HK$ Million	Others HK$ Million	Future benefit of tax losses HK$ Million	Total HK$ Million
At 1 April 2007	**12,050**	**280**	**2,190**	**(21)**	**(778)**	**13,721**
Exchange differences	**1**	**14**	**1**	**–**	**–**	**16**
Charged to the profit and loss account	**2,386**	**–**	**63**	**3**	**107**	**2,559**
Credited to reserves	**–**	**(78)**	**–**	**–**	**–**	**(78)**
At 31 December 2007	**14,437**	**216**	**2,254**	**(18)**	**(671)**	**16,218**
At 1 April 2006	10,684	–	2,177	57	(887)	12,031
Exchange differences	(1)	–	4	5	–	8
Charged/(credited) to the profit and loss account	1,367	–	9	(23)	109	1,462
Charged to reserves	–	280	–	–	–	280
Through disposal of subsidiaries	–	–	–	(60)	–	(60)
At 31 March 2007	12,050	280	2,190	(21)	(778)	13,721

b) *Deferred tax assets unrecognised*

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	31/12/2007 HK$ Million	31/3/2007 HK$ Million
Deductible temporary differences	**(3)**	(7)
Future benefits of tax losses	**(1,088)**	(1,032)
Net deferred tax assets unrecognised	**(1,091)**	(1,039)

The Group has not recognised the deferred tax assets attributable to the future benefit of tax losses sustained in the operations of certain subsidiaries as the availability of future taxable profits against which the assets can be utilised is uncertain at 31 December 2007. The tax losses arising from Hong Kong operations do not expire under current tax legislation. The tax losses arising from China operations expire five years after the relevant accounting year end date.

28. OTHER DEFERRED LIABILITIES

	Group	
	31/12/2007	31/3/2007
	HK$ Million	HK$ Million
Club debentures issued (non-interest bearing)	**219**	220
Deferred revenue/others	**42**	48
	261	268

The Group considers the effect of discounting the club debentures would be immaterial.

29. FINANCIAL INSTRUMENTS

Exposure to interest rate, foreign currency, equity price, liquidity and credit risks arises in the normal course of the Group's business. These risks are managed by the Group's financial management policies and practices described below:

a) *Interest rate risk*

The Group's exposure to interest rate risk relates principally to the Group's short and long-term loans. The Group is most vulnerable to changes in Hong Kong dollar interest rates. Interest rate risk is managed by the Group's senior management in accordance with defined policies through regular review to determine the strategy as to having the funding in floating/fixed rate mix appropriate to its current business portfolio.

(i) The Group has entered into a number of interest rate swaps ("IRS") for hedging certain fixed rate interest bearing notes with the notional amounts matching exactly the principal amounts of the respective borrowings. Effectively, the Group pays interest at floating rates on these borrowings. In each of the IRS entered into by the Group, the timing of IRS cash flows equals those of the loan's interest expenses. The fair value of the IRS at inception is considered to be zero.

The notional principal amount and expiry dates of the IRS outstanding at 31 December 2007 are as follows:

	31/12/2007	31/3/2007
	HK$ Million	HK$ Million
Expiring within 1 year	**1,200**	2,990
Expiring after more than 1 year but not exceeding 5 years	**600**	1,450
Expiring after 5 years	**250**	–
	2,050	4,440

The fair value of the IRS is calculated as the present value of the estimated future cash flows. The net fair values of the IRS at 31 December 2007 are as follows:

	31/12/2007		31/3/2007	
	Positive fair values HK$ Million	**Negative fair values HK$ Million**	Positive fair values HK$ Million	Negative fair values HK$ Million
Expiring within 1 year	**9**	**1**	12	3
Expiring after more than 1 year but not exceeding 5 years	**11**	**–**	17	–
Expiring after 5 years	**6**	**–**	–	–
	26	**1**	29	3

(ii) The following table details the interest rate profile of the Group's borrowings at the balance sheet date, after taking into account the effect of interest rate swaps.

	31/12/2007		31/3/2007	
	Effective interest rate	**HK$ Million**	Effective interest rate	HK$ Million
Fixed rate borrowings				
Bonds and notes	**6.1%**	**3,120**	–	–
Floating rate borrowings				
Bonds and notes	**4.4%**	**2,676**	5.8%	5,676
Bank loans	**3.9%**	**29,195**	4.2%	20,130
		31,871		25,806
Total borrowings		**34,991**		25,806

(iii) Sensitivity analysis

At 31 December 2007, it is estimated that a general increase/decrease of 1% in interest rates, with all other variables held constant, would decrease/increase the Group's profit and total equity by approximately HK$136 million (2006/07: HK$88 million). This takes into account the effect of interest bearing bank deposits as at 31 December 2007.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The analysis is performed on the same basis for 2006/07.

b) Foreign currency risk

The Group owns assets and conducts its business primarily in Hong Kong with its cash flows substantially denominated in Hong Kong dollars except the equity investments in China and Singapore.

The Group's primary foreign currency exposures arise mainly from its property development and investment activities and port-related equity investments in China as well as WPSL's property development projects in Singapore. During the period, total exchange gain arising from the translation of the net investments in WPSL and China subsidiaries, associates and jointly controlled entities amounted to HK$1,083 million (2006/07: HK$782 million) for the Group, which has been dealt with as an equity movement. Where appropriate and available in a cost-efficient manner, the Group seeks to finance these investments in China by RMB borrowings with reference to the future RMB funding requirements and WPSL uses Singapore dollar borrowings to finance its property development projects in Singapore.

The Group is also exposed to foreign currency risk in respect of its USD denominated long-term borrowings. Anticipated foreign exchange payments relate primarily to interest expense payments, repayment of principal and capital expenditure. Based on the Group's estimate of future foreign exchange rates, it may enter into forward foreign exchange contracts to reduce fluctuations in foreign currency cash flows related to these anticipated payments. Most of the Group's borrowings are denominated in the functional currency of the entity taking out the loans or in case of group companies whose functional currency is in HKD, in either HKD or USD. Given this, management does not expect that there will be any significant currency risk associated with the Group's borrowings.

(i) Exposure to currency risk

The following tables detail the Group's exposure at the balance sheet date to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the Group's entities to which they relate.

	31/12/2007				31/3/2007			
	USD Million	**RMB Million**	**JPY Million**	**AUD Million**	USD Million	RMB Million	JPY Million	AUD Million
Bank deposits and cash	**87**	**48**	**–**	**–**	1	25	–	–
Trade and other payables	**(21)**	**(277)**	**–**	**–**	(15)	(77)	–	–
Bank loans and other loans	**(400)**	**–**	**–**	**–**	(359)	(90)	–	–
Gross exposure arising from recognised assets and liabilities	**(334)**	**(229)**	**–**	**–**	(373)	(142)	–	–
Inter-company balances	**–**	**5**	**–**	**–**	–	395	–	–
Notional amount of forward foreign exchange contracts								
– at fair value through profit or loss	**76**	**–**	**(19,800)**	**51**	470	–	–	–
– cash flow hedge	**–**	**1,088**	**–**	**–**	–	–	–	–
Notional amount of currency swaps on borrowings	**400**	**–**	**(45,764)**	**–**	–	–	–	–
Overall net exposure	**142**	**864**	**(65,564)**	**51**	97	253	–	–

Additionally, the China subsidiaries of the Group were exposed to HKD/USD by holding HKD/USD denominated bank deposits and cash, bank loans and inter-company borrowings in the amount of HK$985 million, HK$1,325 million and HK$1,795 million, respectively, as at 31 December 2007 (31 March 2007: HK$476 million, HK$1,288 million and HK$1,600 million respectively).

The total notional amounts of outstanding forward foreign exchange contracts and currency swaps as at 31 December 2007 is HK$2,938 million (31 March 2007: HK$3,793 million) and HK$3,120 million (31 March 2007: HK$Nil) respectively. The net fair values of these contracts at 31 December 2007 are as follows:

	31/12/2007		31/3/2007	
	Positive fair values HK$ Million	**Negative fair values HK$ Million**	Positive fair values HK$ Million	Negative fair values HK$ Million
Forward foreign exchange contracts				
– at fair value through profit or loss	**–**	**130**	–	–
– cash flow hedge	**45**	**–**	–	–
Currency swaps				
– at fair value through profit or loss	**–**	**96**	–	–
	45	**226**	–	–

During the period, a loss of HK$224 million (2006/07: gain of HK$20 million) was recognised on the forward foreign exchange contracts.

(ii) Sensitivity analysis

The approximate changes in the Group's profit and total equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date are as follows:

– a 5% increase/decrease in the foreign exchange rate of JPY against USD will decrease/increase the Group's profit and total equity by approximately HK$234 million (2006/07: HK$Nil).

– the impact on the Group's profit and total equity is not expected to be material in response to possible changes in the foreign exchange rates of other currencies to which the Group is exposed.

The sensitivity analysis includes balances between group companies where the denomination is in a currency other than the functional currencies of the Group's entities to which they relate.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the Group's entities' exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

In this respect, it is assumed that the pegged rate between the HKD and the USD would be materially unaffected by any changes in movement in value of the USD against other currencies. Results of the analysis as presented above represent an aggregation of the effects on each of the Group entities' profit and equity measured in the respective functional currencies, translated into HKD at exchange rate ruling at the balance sheet date for presentation purposes. The analysis is performed on the same basis for 2006/07.

c) *Equity price risk*

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale investments.

Listed investments held in the available-for-sale portfolio have been chosen taking reference to their long term growth potential and returns and are monitored regularly for performance. Given that the volatility of the stock markets may not have direct correlation with the Group's investment portfolio, it is impractical to determine the impact that the changes in stock market indices would have on the Group's portfolio of equity investments.

At 31 December 2007, it is estimated that an increase/decrease of 10% in the market value of the Group's listed available-for-sale investments, with all other variables held constant, would not affect the Group's profit unless there are impairments. The Group's total equity would increase/decrease by HK$717 million (31 March 2007: HK$658 million). The analysis is performed on the same basis for 2006/07.

d) *Liquidity risk*

Cash management of the Company and wholly-owned subsidiaries of the Group are substantially centralised at the Group level. The non-wholly-owned subsidiaries are responsible for their own cash management, including the short term investment of cash surpluses with creditworthy financial institutions and the raising of loans to cover expected cash demands, in accordance with the established policies and strategies with the concurrence by the Company. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables detail the remaining contractual maturities at the balance sheet date of the Group's derivative and non-derivative liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

		Contractual undiscounted cash flow				
	Carrying amount HK$ Million	Total HK$ Million	Within 1 year or on demand HK$ Million	More than 1 year but less than 2 years HK$ Million	More than 2 years but less than 5 years HK$ Million	More than 5 years HK$ Million
At 31 December 2007						
Trade and other payables	**(6,038)**	**(6,038)**	**(4,970)**	**(635)**	**(405)**	**(28)**
Bank loans and other loans (Note)	**(34,991)**	**(39,382)**	**(8,252)**	**(5,433)**	**(18,514)**	**(7,183)**
Other deferred liabilities (Club debentures issued)	**(219)**	**(219)**	**–**	**–**	**–**	**(219)**
Dividend payable	**(51)**	**(51)**	**(51)**	**–**	**–**	**–**
Forward foreign exchange contracts at fair value through profit or loss	**(130)**	**(130)**	**(130)**	**–**	**–**	**–**
	(41,429)	**(45,820)**	**(13,403)**	**(6,068)**	**(18,919)**	**(7,430)**
At 31 March 2007						
Trade and other payables	(5,151)	(5,151)	(3,983)	(704)	(436)	(28)
Bank loans and other loans (Note)	(25,806)	(28,872)	(6,629)	(4,878)	(14,403)	(2,962)
Other deferred liabilities (Club debentures issued)	(220)	(220)	–	–	–	(220)
	(31,177)	(34,243)	(10,612)	(5,582)	(14,839)	(3,210)

Note: The contractual undiscounted cash flow for bank loans and other loans includes cash flow for interest rate swaps and currency swaps.

e) *Credit risk*

The Group's credit risk is primarily attributable to rental, other trade and service receivables and over-the-counter derivative financial instruments. The exposures to these credit risks are closely monitored on an ongoing basis by established credit policies and procedures in each of its core businesses. In respect of rental receivables, sufficient rental deposits from tenants are held to cover potential exposure to credit risk. Further, evaluations are made for the customers with reference to their repayment history and financial strength, as well as the economic environment in which the customer operates.

Investments and transactions involving derivative financial instruments are with counter parties with sound credit ratings to minimise credit exposure.

The Group has no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet. Except for the financial guarantees given by the Company as set out in note 32, the Group does not provide any other guarantee which would expose the Group or the Company to material credit risk.

f) Fair value estimation

Listed investments are stated at quoted market prices. Unlisted investments for which fair values cannot be reliably measured are stated at cost less impairment losses.

The fair values of receivables, bank balances and other current assets, payables and accruals and current borrowings are assumed to approximate their carrying amounts due to the short-term maturities of these assets and liabilities.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date. The fair value of currency swaps are determined based on the amount that the Group would receive or pay to terminate the swaps.

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2007 and 31 March 2007. Amounts due (to)/from subsidiaries are unsecured, interest free and have no fixed repayment terms. Given these terms it is not meaningful to disclose fair values.

30. SHARE CAPITAL

	31/12/2007 No. of shares Million	31/3/2007 No. of shares Million	**31/12/2007 HK$ Million**	31/3/2007 HK$ Million
Authorised				
Ordinary shares of HK$0.50 each	**2,800**	2,800	**1,400**	1,400
Issued and fully paid				
Ordinary shares of HK$0.50 each	**2,032**	2,032	**1,016**	1,016

31. TOTAL EQUITY

	Shareholders' equity							
	Share capital HK$ Million	Share premium HK$ Million	Investment revaluation reserves HK$ Million	Exchange and other reserves HK$ Million	Revenue reserves HK$ Million	Total HK$ Million	Minority interests HK$ Million	Total equity HK$ Million
a) Group								
At 1 April 2007								
As previously reported	1,016	1,914	2,047	759	43,080	48,816	7,962	56,778
Prior year adjustment (Note 2(a))	–	–	–	–	446	446	42,318	42,764
As restated	1,016	1,914	2,047	759	43,526	49,262	50,280	99,542
Revaluation (deficit)/surplus	–	–	(63)	–	–	(63)	123	60
Transferred to the profit and loss account on:								
Disposal of available-for-sale investments	–	–	(497)	–	–	(497)	(512)	(1,009)
Impairment of available-for-sale investments	–	–	52	–	–	52	29	81
Actuarial loss on defined benefit pension schemes	–	–	–	–	(4)	(4)	(1)	(5)
Exchange differences	–	–	–	505	–	505	514	1,019
Others	–	–	–	10	(3)	7	56	63
Share of reserves of associates/ jointly controlled entities	–	–	–	28	–	28	36	64
Net income recognised directly in equity	–	–	(508)	543	(7)	28	245	273
Profit for the period	–	–	–	–	7,615	7,615	8,239	15,854
Total recognised income and expenses	–	–	(508)	543	7,608	7,643	8,484	16,127
Final dividend approved in respect of the previous year (Note 11)	–	–	–	–	(203)	(203)	–	(203)
Interim dividend payable (Note 11)	–	–	–	–	(51)	(51)	–	(51)
Dividends paid to minority interests	–	–	–	–	–	–	(1,404)	(1,404)
Shares issued by a subsidiary	–	–	–	–	–	–	197	197
Increase in interest in a subsidiary	–	–	–	–	–	–	(49)	(49)
At 31 December 2007	1,016	1,914	1,539	1,302	50,880	56,651	57,508	114,159

	Shareholders' equity							
	Share capital HK$ Million	Share premium HK$ Million	Investment revaluation reserves HK$ Million	Exchange and other reserves HK$ Million	Revenue reserves HK$ Million	Total HK$ Million	Minority interests HK$ Million	Total equity HK$ Million
a) Group								
At 1 April 2006								
As previously reported	1,016	1,914	744	356	36,986	41,016	5,881	46,897
Prior year adjustment (Note 2(a))	–	–	–	–	446	446	36,258	36,704
As restated	1,016	1,914	744	356	37,432	41,462	42,139	83,601
Revaluation surplus	–	–	1,309	–	–	1,309	1,129	2,438
Transferred to the profit and loss account on:								
Disposal of available-for-sale investments	–	–	(6)	–	–	(6)	(4)	(10)
Disposal of properties	–	–	–	(3)	–	(3)	(1)	(4)
Actuarial gains on defined benefit pension schemes	–	–	–	–	16	16	39	55
Exchange differences	–	–	–	418	–	418	348	766
Others	–	–	–	6	(4)	2	18	20
Disposal of subsidiaries	–	–	–	(26)	26	–	(6)	(6)
Share of reserves of associates/ jointly controlled entities	–	–	–	8	–	8	8	16
Net income recognised directly in equity	–	–	1,303	403	38	1,744	1,531	3,275
Profit for the year	–	–	–	–	6,310	6,310	6,829	13,139
Total recognised income and expenses	–	–	1,303	403	6,348	8,054	8,360	16,414
Final dividend approved in respect of the previous year (Note 11)	–	–	–	–	(203)	(203)	–	(203)
Interim dividend paid (Note 11)	–	–	–	–	(51)	(51)	–	(51)
Dividends paid to minority interests	–	–	–	–	–	–	(1,325)	(1,325)
Acquisition of subsidiaries	–	–	–	–	–	–	1,098	1,098
Advance from minority interests	–	–	–	–	–	–	8	8
At 31 March 2007	1,016	1,914	2,047	759	43,526	49,262	50,280	99,542

	Share capital HK$ Million	Share premium HK$ Million	Exchange and other reserves HK$ Million	Revenue reserves HK$ Million	Total HK$ Million
b) Company					
At 1 April 2007	**1,016**	**1,914**	**96**	**1,462**	**4,488**
Final dividend approved in respect of the previous year (Note 11)	**–**	**–**	**–**	**(203)**	**(203)**
Profit for the period	**–**	**–**	**–**	**260**	**260**
Interim dividend payable (Note 11)	**–**	**–**	**–**	**(51)**	**(51)**
At 31 December 2007	**1,016**	**1,914**	**96**	**1,468**	**4,494**
At 1 April 2006	1,016	1,914	96	1,457	4,483
Final dividend approved in respect of the previous year (Note 11)	–	–	–	(203)	(203)
Profit for the year	–	–	–	259	259
Interim dividend paid (Note 11)	–	–	–	(51)	(51)
At 31 March 2007	1,016	1,914	96	1,462	4,488

c) Reserves of the Company available for distribution to equity shareholders at 31 December 2007 amount to HK$1,468 million (31 March 2007: HK$1,462 million). The application of the share premium account and the capital redemption reserve account are governed by section 48B and section 49H of the Hong Kong Companies Ordinance respectively. The investment revaluation reserves have been set up and will be dealt with in accordance with the accounting policies adopted for the revaluation of available-for-sale investments. The exchange and other reserves mainly comprise exchange differences arising from the translation of the financial statements of foreign operations.

d) Included in exchange and other reserves is capital redemption reserve of HK$19 million (31 March 2007: HK$19 million).

e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern to meet its financial obligations and continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in the Group's business portfolio and economic conditions.

The Group monitors its capital structure by reviewing its net debt-to-equity ratios and cash flow requirements, taking into account of its future financial obligations and commitments. For this purpose, the Group defines net debt as total loans less deposits and cash. Shareholders' equity comprises issued share capital and reserves attributable to equity shareholers of the Company. Total equity comprises shareholders' equity and minority interests.

The net debt-to-equity ratios as at 31 December 2007 are as follows:

	Group	
	31/12/2007	31/3/2007
	HK$ Million	HK$ Million
Secured bank loans	**6,295**	3,171
Unsecured bonds and notes	**5,796**	5,676
Unsecured bank loans	**22,900**	16,959
Total loans (Note 25)	**34,991**	25,806
Less: Bank deposits and cash (Note 23)	**(13,079)**	(10,235)
Net debt	**21,912**	15,571
Shareholders' equity	**56,651**	49,262
Total equity	**114,159**	99,542
Net debt-to-shareholders' equity ratio	**38.7%**	31.6%
Net debt-to-total equity ratio	**19.2%**	15.6%

32. CONTINGENT LIABILITIES

a) At 31 December and 31 March 2007, there is no guarantee given by the Group in respect of the banking facilities available to associates and jointly controlled entities.

b) At 31 December 2007, there are contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to banking facilities up to HK$3,670 million (31 March 2007: HK$5,270 million).

c) The Company has not recognised any deferred income for the guarantees given in respect of borrowings and other banking facilities for subsidiaries as their fair value cannot be reliably measured and their transaction price was HK$Nil.

33. COMMITMENTS

The Group's outstanding commitments on expenditures as at 31 December 2007 include belows:

	31/12/2007				31/3/2007			
	Hong Kong HK$ Million	**China HK$ Million**	**Singapore HK$ Million**	**Total HK$ Million**	Hong Kong HK$ Million	China HK$ Million	Singapore HK$ Million	Total HK$ Million
a) Capital expenditure								
Authorised and contracted for	**243**	**2,544**	**–**	**2,787**	522	3,513	–	4,035
Authorised but not contracted for	**704**	**1,870**	**–**	**2,574**	737	2,841	–	3,578
	947	**4,414**	**–**	**5,361**	1,259	6,354	–	7,613
b) Programming and others								
Authorised and contracted for	**744**	**–**	**–**	**744**	538	–	–	538
Authorised but not contracted for	**77**	**–**	**–**	**77**	57	–	–	57
	821	**–**	**–**	**821**	595	–	–	595
c) Properties under development								
Authorised and contracted for	**266**	**15,272**	**1,609**	**17,147**	363	4,074	1,471	5,908
Authorised but not contracted for	**580**	**32,155**	**–**	**32,735**	562	12,941	–	13,503
	846	**47,427**	**1,609**	**49,882**	925	17,015	1,471	19,411
d) Properties under development undertaken by jointly controlled entities (attributable to the Group)								
Authorised and contracted for	**–**	**6,081**	**–**	**6,081**	–	456	–	456
Authorised but not contracted for	**–**	**9,710**	**–**	**9,710**	–	750	–	750
	–	**15,791**	**–**	**15,791**	–	1,206	–	1,206
e) Expenditure for operating leases								
Within one year	**72**	**–**	**–**	**72**	78	–	–	78
After one year but within five years	**56**	**–**	**–**	**56**	104	–	–	104
Over five years	**68**	**–**	**–**	**68**	78	–	–	78
	196	**–**	**–**	**196**	260	–	–	260

(i) Commitments for properties under development by the Group's subsidiaries or through jointly controlled entities include outstanding land cost attributable to the Group of HK$18,317 million payable by instalments in 2008 and 2009. Other commitments under the categories are mainly construction cost for the forthcoming years.

(ii) Commitment for capital expenditure in China are mainly related to Modern Terminals' port expenditure for the Da Chan Bay and Taicang projects.

(iii) The Group leases a number of properties and telecommunication network facilities under operating leases. The leases typically run for an initial period of two to fifteen years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

(iv) The above commitments, apart from HK$4.2 billion in respect of properties under development undertaken by WPL group or through its jointly controlled entities, are substantially attributable to Wharf group. As at 31 December 2007, the Group has available-for-sale investments of HK$7.6 billion and undrawn banking facilities of HK$23.3 billion available for funding the above commitments. In addition, Wharf completed a rights issue on 16 January 2008 and received net proceeds of approximately HK$9,110 million, which will be applied mainly for its above expanding property investments in China.

34. MATERIAL RELATED PARTY TRANSACTIONS

Except for the transactions noted below, the Group has not been a party to any material related party transactions during the period ended 31 December 2007:

a) In respect of the nine months ended 31 December 2007, the Group earned rental income totalling HK$408 million (2006/07: HK$325 million) from various tenants which are wholly-owned by, or are non-wholly-owned subsidiaries of, companies which in turn are wholly-owned by the family interests of, or by a trust the settlor of which is, the Chairman of the Company. Such transactions are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules.

b) The Group's non-wholly-owned subsidiary sold 9 storeys of Heung Yip Road project at a consideration of HK$450 million to a related company on 9 November 2007. Such transaction is considered to be a related party transaction and also constitutes a connected transaction as defined under the Listing Rules.

c) Remuneration for key management personnel of the Group, including amounts paid to the Directors of the Company and the five highest paid employees are disclosed in notes 4(b) and 4(c).

35. POST BALANCE SHEET EVENTS

a) After the balance sheet date the Directors proposed a final dividend. Further details are disclosed in note 11 to the financial statements.

b) Wharf Rights Issue

On 16 January 2008, Wharf completed its rights issue that announced on 28 November 2007 and received a net proceeds of HK$9,110 million, of which HK$3,962 million and HK$646 million were paid by the Company and WPL (74% owned by the Group) for their respective subscriptions. Accordingly, the Group's interest in Wharf increased slightly from 50.00003% to 50.02%.

c) Harbour Centre Development Rights Issue

On 25 March 2008, Harbour Centre Development Limited ("HCDL") completed its rights issue that announced on 5 February 2008 and received a net proceeds of HK$2,000 million, of which HK$1,560 million was paid by Wharf for its subscription and, accordingly, Wharf increased its interest in HCDL from 66.8% to 70.4%.

36. COMPARATIVE FIGURES

As a result of the change in accounting policy on consolidation of Wharf's financial statements, as explained in note 2 to the Financial Statements, comparative figures of the profit and loss account and balance sheet have been adjusted or reclassified to conform to the current period's presentation.

In addition, as a result of adopting HKFRS 7, Financial instruments: Disclosures, and the amendments to HKAS 1, Presentation of financial statements: Capital disclosures, certain comparative figures have been adjusted to conform with changes in disclosures in the current period and to show separately comparative amounts in respect of items disclosed for the first time in 2007. Further details of these developments are disclosed in note 2(b).

37. FUTURE CHANGES IN ACCOUNTING POLICIES

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations. These new standards have not been adopted since they are only effective after 31 December 2007.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of the new standards and interpretations is unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, the following developments may result in new or amended disclosures in the financial statements:

	Effective for accounting periods beginning on or after
HK(IFRIC) - Int 12, Service concession arrangements	1 January 2008
HK(IFRIC) - Int 13, Customer loyalty programmes	1 July 2008
HK(IFRIC) - Int 14, HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008
Revised HKAS 1, Presentation of financial statements	1 January 2009
Revised HKAS 23, Borrowing costs	1 January 2009
HKFRS 8, Operating segments	1 January 2009

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 26 March 2008.

a) *Statement of compliance*

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the principal accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 to the Financial Statements provides information on the changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements. The Group has not applied any new standard or interpretation that is not yet effect for the current accounting period.

b) *Basis of preparation of the financial statements*

The consolidated financial statements made up to 31 December 2007 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

The measurement basis used in the preparation of the financial statements is the historical cost basis except where stated otherwise in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note (aa).

c) *Basis of consolidation*

(i) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of the entity, or has the ability in practice to exert de facto control over the entity, so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

De facto control exists when the Company is able to exert effective control by holding a substantial minority interest in an entity of which the other shareholdings are widely dispersed and thus unable to coalesce to successfully vote against the wishes of the largest shareholder.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated profit and loss account as an allocation of the total profit or loss for the period between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses.

(ii) Associates and jointly controlled entities

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's or the jointly controlled entity's net assets. The consolidated profit and loss account includes the Group's share of the post-acquisition, post-tax results of the associates and jointly controlled entities for the period, including any impairment loss on goodwill relating to the investment in associates and jointly controlled entities recognised for the period.

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the jointly controlled entity. For this purpose, the Group's interest in the associate or the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that, in substance, form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associate or the jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated profit and loss account.

In the individual company balance sheets, its investment in associates and jointly controlled entities are stated at cost less impairment losses.

(iii) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate or a jointly controlled entity over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. In respect of associates or jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or jointly controlled entity.

Any excess of the Group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or a jointly controlled entity is recognised immediately in the consolidated profit and loss account.

On disposal of a cash-generating unit, an associate or a jointly controlled entity during the period, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

d) *Fixed assets*

(i) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in the consolidated profit and loss account. Rental income from investment properties is accounted for as described in note (s)(i).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease, and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note (i).

Property that is being constructed or developed for future use as investment property is classified as other property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property at fair value. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in the consolidated profit and loss account.

(ii) Hotel and club properties

Hotel and club properties are stated at cost less accumulated depreciation and impairment losses.

(iii) Broadcasting and communications equipment

Broadcasting and communications equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes materials, direct labour and an appropriate proportion of overheads and borrowing costs directly attributable to the acquisition, construction or production of such equipment which necessarily takes a substantial period of time to get ready for its intended use.

(iv) Other properties and fixed assets held for own use

Other properties and fixed assets held for own use are stated at cost less accumulated depreciation and impairment losses.

(v) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated profit and loss account on the date of retirement or disposal.

e) *Depreciation of fixed assets*

Depreciation is calculated to write-off the cost of items of fixed assets, less their estimated residual value, if any, using a straight line method over their estimated useful lives as follows:

(i) Investment properties

No depreciation is provided on investment properties.

(ii) Hotel and club properties

Depreciation is provided on the cost of the leasehold land of hotel and club properties over the unexpired period of the lease. Costs of buildings thereon are depreciated on a straight line basis over their estimated useful lives of not more than 40 years.

(iii) Broadcasting and communications equipment

Depreciation is provided on a straight line basis on the cost of the equipment at rates determined by the estimated useful lives of the assets of 2 to 20 years.

(iv) Other properties and fixed assets held for own use

Depreciation is provided on the cost of the leasehold land of all other properties held for own use over the unexpired period of the lease. Costs of the buildings thereon are depreciated on a straight line basis over their estimated useful lives of 40 years.

Depreciation is provided on a straight line basis on the cost of other fixed assets held for own use at rates determined by the estimated useful lives of these assets of 3 to 25 years.

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

f) *Investments in debt and equity securities*

Investments in debt and equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

(i) Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in the profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in the consolidated profit and loss account.

(ii) Dated debt securities that the Group and/or the Company has the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the balance sheet at amortised cost less impairment losses.

(iii) Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses.

(iv) Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in the investments revaluation reserves in equity, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in the consolidated profit and loss account. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the consolidated profit and loss account. When these investments are derecognised or impaired, the cumulative gain or loss previously recognised directly in the investments revaluation reserves in equity is recognised in the consolidated profit and loss account.

(v) Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in the consolidated profit and loss account. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

h) Hedging

(i) Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the consolidated profit and loss account. The gain or loss from remeasuring the hedging instrument at fair value together with the gain or loss on the hedged item attributable to the hedged risk are recorded in the consolidated profit and loss account.

(ii) Cash flow hedge

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gain or loss on remeasurement of the derivative financial instrument to fair value is recognised directly in equity. The ineffective portion of any gain or loss is recognised immediately in the consolidated profit and loss account.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is removed from equity and recognised in the consolidated profit and loss account in the same period or periods during which the asset acquired or liability assumed affects the consolidated profit and loss account (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is removed from equity and recognised in the consolidated profit and loss account in the same period or periods during which the hedged forecast transaction affects the consolidated profit and loss account.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the consolidated profit and loss account.

(iii) Hedge of net investment in a foreign operation

The portion of the gain or loss on remeasurement to fair value of an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in equity until the disposal of the foreign operation, at which time the cumulative gain or loss recognised directly in equity is recognised in the consolidated profit and loss account. The ineffective portion is recognised immediately in the consolidated profit and loss account.

i) Leased assets

An arrangement comprising a transaction or a series of transactions is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of leased assets

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as an investment property, is accounted for as if held under a finance lease (see note d(i)); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets held under operating leases

– Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the consolidated profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the consolidated profit and loss account as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the consolidated profit and loss account in the accounting period in which they are incurred.

– The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note d(i)) or is properties under development for sale (see note l(ii)).

(iii) Assets held under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note (e). Impairment losses are accounted for in accordance with the accounting policy as set out in note (k)(ii). Finance charges implicit in the lease payments are charged to the consolidated profit and loss account over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to the consolidated profit and loss account in the accounting period in which they are incurred.

j) Programming library

Programming library consists of presentation rights for commissioned programmes and acquired programmes for showing on the Group's television channels, and commissioned programmes and films for licensing purposes.

Presentation rights are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is other than indefinite) and any impairment losses. Amortisation is charged to profit or loss on an accelerated basis over the licence period or over the estimated number of future showings. Subsequent expenditure on programmes after initial acquisition is recognised as an expense when incurred. Cost of in-house programmes are written-off in the period in which they are incurred.

Commissioned programmes and films for licensing purposes comprise direct production costs and production overheads, and are stated at the lower of amortised cost or net realisable value. Costs are amortised on an individual programme/film basis in the ratio of the current period's gross revenues to management's forecast of the total ultimate gross revenues from all sources.

Both the period and method of amortisation are reviewed annually.

k) *Impairment of assets*

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities (other than investments in subsidiaries, associates and jointly controlled entities) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale investments are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses arising on equity securities are not reversed (including those provided during the interim financial reporting).

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets) where the effect of discounting is material.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the consolidated profit and loss account. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale investments, the cumulative loss that had been recognised directly in equity is removed from equity and is recognised in the consolidated profit and loss account. The amount of the cumulative loss that is recognised in the consolidated profit and loss account is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the consolidated profit and loss account.

Impairment losses recognised in the consolidated profit and loss account in respect of available-for-sale equity investments are not reversed through the consolidated profit and loss account. Any subsequent increase in the fair value of such assets is recognised directly in the investment revaluation reserves in equity.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the consolidated profit and loss account.

(ii) Impairment of other assets

The carrying amounts of non-current assets, other than properties carried at revalued amounts and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated.

– Recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised as an expense in the consolidated profit and loss account whenever the carrying amount exceeds the recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed (including those provided during the interim financial reporting).

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the consolidated profit and loss account in the period in which the reversals are recognised.

l) Properties for sale

(i) Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total development costs, including finance costs capitalised, attributable to unsold units. Net realisable value is estimated by the management, based on prevailing market conditions which represents the estimated selling price less costs to be incurred in selling the property. Cost of completed properties held for sale comprises all costs of purchase, costs of conversion and costs incurred in bringing the inventories to their present location and condition.

The amount of any write down of or provision for completed properties for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down or provision arising from an increase in net realisable value is recognised in the consolidated profit and loss account in the period in which the reversal occurs.

(ii) Properties under development for sale

Properties under development for sale are classified as current assets and stated at the lower of cost and net realisable value. Cost includes identified costs including the acquisition cost of land, aggregate cost of development, borrowing costs capitalised, material and supplies, wages, other direct expenses and an appropriate proportion of overheads. Net realisable value is estimated by the management, taking into account the expected price that can ultimately be achieved, based on prevailing market conditions and the anticipated costs of completion and costs to be incurred in selling the property.

The amount of any write down of or provision for properties under development for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down or provision arising from an increase in net realisable value is recognised in the consolidated profit and loss account in the period in which the reversal occurs.

m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is estimated by the management, based on the expected selling price in the ordinary course of business less the anticipated costs of completion and the estimated costs necessary to make the sale.

n) *Trade and other receivables*

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of bad and doubtful debts.

o) *Interest-bearing borrowings*

Interest-bearing borrowings for which there is a hedging relationship with a derivative financial instrument, which does not qualify for hedge accounting are initially recognised at fair value less transaction costs. At each balance sheet date the fair value is remeasured and any change in fair value is recognised in the consolidated profit and loss account.

Other interest-bearing borrowings are initially recognised at fair value less transaction costs. Subsequent to initial recognition, the interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the consolidated profit and loss account over the period of the borrowings together with any interest and fees payable using the effective interest method.

p) *Trade and other payables*

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

q) *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

r) *Foreign currencies*

Foreign currency transactions during the period are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary foreign currency balances and the balance sheets of overseas subsidiaries, associates and jointly controlled entities are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The profit and loss accounts of overseas subsidiaries, associates and jointly controlled entities are translated into Hong Kong dollars at the monthly weighted average exchange rates for the period. Differences arising from the translation of the financial statements of overseas subsidiaries, associates and jointly controlled entities, and those arising from foreign currency borrowings used to hedge a net investment in a foreign operation, are dealt with in a separate component of equity. The exchange differences arising from the financing of properties under development by foreign currency borrowings are capitalised as part of the development costs. All other exchange differences are dealt with in the consolidated profit and loss account. On disposal of an overseas subsidiary, associate or jointly controlled entity, the cumulative amount of the exchange differences recognised in equity which relate to that overseas subsidiary, associate or jointly controlled entity, is included in the calculation of the profit or loss on disposal. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

s) *Recognition of revenue*

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated profit and loss account as follows:

(i) Rental income under operating leases is recognised in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of leased asset. Lease incentives granted are recognised as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(ii) Income arising from the sale of properties for sale is recognised upon the completion of the sale and purchase agreement or the issue of occupation permit by the relevant government authorities, whichever is the later. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under deposits from sale of properties.

(iii) Income from communications, media and entertainment operations, logistics operations and hotels operations is recognised at the time when the services are provided.

(iv) Dividend income from unlisted investments is recognised when the shareholder’s right to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Interest income is recognised as it accrues using the effective interest method.

(vi) Deferred revenue
Income received in advance attributable to long-term service contracts is deferred and recognised over the contract period on a straight line basis.

(vii) Residential agency income comprises fees and commissions which are brought into account on the exchange of contracts for the property to which they relate. Lettings income relates to fees for finding and renewing tenants for landlord of properties and are recognised on the commencement of the tenancy.

t) Borrowing costs

Borrowing costs are expensed in the consolidated profit and loss account in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

u) Income tax

(i) Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the profit and loss account except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases respectively. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may be capable to support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided that they are not part of a business combination).

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Group has the legally enforceable right to set off current tax assets against current tax liabilities.

v) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or vice versa, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

w) *Financial guarantees issued, provisions and contingent liabilities*

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

x) *Segment reporting*

A segment is a distinguishable component of the Group that is engaged in providing products or services (business segment), or in providing products, or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group companies within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing borrowings and corporate and financing expenses.

y) *Employee benefits*

(i) Defined benefit pension schemes

The Group's net obligation in respect of defined benefit pension schemes is calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any scheme assets is deducted. The discount rate is the yield at the balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method.

When the benefits of a scheme are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the consolidated profit and loss account on a straight-line basis over the average period until the benefits become vested. If the benefits vest immediately, the expense is recognised immediately in the consolidated profit and loss account.

Any actuarial gains and losses are fully recognised in equity in the period they occur.

Where the calculation of the Group's net obligation results in a negative amount, the asset recognised is limited to the present value of any future refunds from the scheme or reductions in future contributions to the scheme less past service cost.

(ii) Shared based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the consolidated profit and loss account for the period of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to revenue reserves).

(iii) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, leave passage, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(iv) Central Provident Fund in Singapore

Contributions to the Central Provident Fund in Singapore as required under the Central Provident Fund Act are charged to the consolidated profit and loss account when incurred.

z) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated profit and loss account, which comprises the post-tax profit or loss of the discontinued operation; and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation. When an operation is classified as a discontinued operation, the comparative profit and loss account is restated as if the operation had been discontinued from the start of the comparative period.

aa) Significant accounting estimates and judgements

Key sources of estimation uncertainty

Notes 20 and 29 contain information about the assumptions and their risk relating to defined benefit retirement obligations and financial instruments. Other key sources of estimation uncertainty are as follows:

– Valuation of investment properties

  Investment properties are included in the balance sheet at their open market value, which is assessed annually by independent qualified valuers, after taking into consideration the net income allowing for reversionary potential.

  The assumptions adopted in the property valuations are based on the market conditions existing at the balance sheet date, with reference to current market sales prices and the appropriate capitalisation rate.

- Assessment of useful economic lives for depreciation of fixed assets

  In assessing the estimated useful lives of fixed assets, management takes into account factors such as the expected usage of the asset by the Group based on past experience, the expected physical wear and tear (which depends on operational factors), technical obsolescence arising from changes or improvements in production or from a change in the market demand for the product or service output of the asset. The estimation of the useful life is a matter of judgement based on the experience of the Group.

  Management reviews the useful lives of fixed assets annually, and if expectations are significantly different from previous estimates of useful economic lives, the useful lives and, therefore, the depreciation rate for the future periods will be adjusted accordingly.

- Assessment of impairment of non-current assets

  Management assesses the recoverable amount of each asset based on its value in use (using relevant rates) or on its net selling price (by reference to market prices), depending upon the anticipated future plans for the asset. Estimating the value in use of an asset involves estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and applying the appropriate discount rate to these future cash flows. Cash flow projections for remaining useful life of the asset and the most recent financial budgets/forecasts are approved by management.

- Assessment of provision for properties for sale

  Management determines the net realisable value of completed properties for sale by using (i) prevailing market data such as most recent sale transactions and market survey reports available from independent property valuers; and (ii) internal estimates of costs based on quotes by suppliers.

  Management's assessment of net realisable value of properties under development for sale requires the application of a risk-adjusted discount rate to estimate future discounted cash flows to be derived from the properties under development for sale. These estimates require judgement as to the anticipated sale prices by reference to recent sale transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions. The Group's estimates may be inaccurate, and estimates may need to be adjusted in later periods.

- Recognition of deferred tax assets

  The recognition of deferred tax assets requires formal assessment by the Group of the future profitability of related operations. In making this judgement, the Group evaluates, amongst other factors, the forecast financial performance, changes in technology and operational and financing cashflows.

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

At 31 December 2007

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital (except otherwise stated)/ registered and paid up capital	Effective equity interest to the Company	Principal activities
A) Wharf				
***The Wharf (Holdings) Limited**	Hong Kong	2,447,876,629 HK$1 shares	48%	Holding company
Properties				
Wharf Estates Limited	Hong Kong	2 HK$1 shares	48%	Holding company
Harbour City Estates Limited	Hong Kong	20,000 HK$10 shares	48%	Property
Wharf Realty Limited	Hong Kong	2 HK$1 shares	48%	Property
Times Square Limited	Hong Kong	2 HK$10 shares	48%	Property
Wharf Estates Development Limited	Hong Kong	2 HK$1 shares	48%	Holding company
Plaza Hollywood Limited	Hong Kong	10,000 HK$1 shares	48%	Property
Delta Realty Limited	Hong Kong	2 HK$1 shares	48%	Property
Feckenham Limited	Hong Kong	2 HK$10 shares	48%	Property
Framenti Company Limited	Hong Kong	2 HK$1 shares	48%	Property
HKRT Peak Properties Limited	Hong Kong	3,000,000 HK$10 shares	48%	Property
Hong Tai Yuen Limited	Hong Kong	500,000 HK$1 shares	48%	Property
New Tech Centre Limited	Hong Kong	10,000 HK$1 shares	48%	Property
Olinda Limited	Hong Kong	2 HK$10 shares	48%	Property
Spring Wealth Investments Limited	British Virgin Islands	500 US$1 shares	48%	Holding company
Wharf China Limited	Cayman Islands	500,000,000 US$1 shares	48%	Holding company
Wharf Estates China Limited	British Virgin Islands	500 US$1 shares	48%	Holding company
Beijing Capital Times Square Development Company Limited	The People's Republic of China	US$59,000,000	42%	Property
Shanghai Long Xing Property Development Company Limited	The People's Republic of China	US$45,000,000	48%	Property
Dalian Times Square Development Company Limited	The People's Republic of China	RMB420,000,000	48%	Property
Han Long Development (Wuhan) Company Limited	The People's Republic of China	US$33,100,000	48%	Property
Long Qing Property Development (Chongqing) Company Limited	The People's Republic of China	US$194,000,000	48%	Property
Shanghai Jiu Zhou Property Development Company Limited	The People's Republic of China	US$30,000,000	41%	Property
Shanghai Long Shen Real Estate Development Company Limited	The People's Republic of China	US$22,330,000	26%	Property
Shanghai Wellington Garden Estate Development Company Limited	The People's Republic of China	US$16,666,666	28%	Property
Shanghai Wheelock Square Development Limited	The People's Republic of China	US$80,000,000	47%	Property
Wharf Estates (Wuxi) Company Limited	The People's Republic of China	US$143,080,000	48%	Property
龍茂房地產開發(成都)有限公司	The People's Republic of China	HK$750,000,000	48%	Property
龍潤房地產開發(成都)有限公司	The People's Republic of China	HK$820,000,000	48%	Property
龍昌綜合開發(成都)有限公司	The People's Republic of China	HK$315,000,000	48%	Property
蘇州蘇龍地產發展有限公司	The People's Republic of China	US$165,000,000	48%	Property
龍錦綜合開發(成都)有限公司	The People's Republic of China	HK$775,000,000	48%	Property

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital (except otherwise stated)/ registered and paid up capital	Effective equity interest to the Company	Principal activities
* **Harbour Centre Development Limited**	Hong Kong	315,000,000 HK$0.5 shares	32%	Holding company
蘇州高龍房產發展有限公司	The People's Republic of China	RMB925,268,493	25%	Property
九龍倉(常州)置業有限公司	The People's Republic of China	US$99,000,000 (paid in February 2008)	32%	Property
Logistics				
Wharf Transport Investments Limited	Hong Kong	2 HK$1 shares	48%	Holding company
The "Star" Ferry Company, Limited	Hong Kong	1,440,000 HK$5 shares	48%	Public transport
Hong Kong Tramways, Limited	Hong Kong	21,937,500 HK$5 shares	48%	Public transport
Modern Terminals Limited	Hong Kong	70,116 HK$1,000 shares	33%	Container terminal
Shenzhen Dachan Bay Modern Port Development Company, Limited	The People's Republic of China	RMB2,475,550,000	21%	Container terminal
Suzhou Modern Terminals Limited	The People's Republic of China	RMB822,500,000	23%	Container terminal
Hotels				
Marco Polo Hotels Limited	Cayman Islands	500,000,000 US$1 shares	48%	Holding company
Marco Polo Hotels Management Limited	Hong Kong	2 HK$10 shares	48%	Hotel management
The Hongkong Hotel Limited	Hong Kong	100,000 HK$1 shares	32%	Hotel and property
The Marco Polo Hotel (Hong Kong) Limited	Hong Kong	1,000 HK$1 shares	48%	Hotel operation
The Prince Hotel Limited	Hong Kong	2 HK$1 shares	48%	Hotel operation
Wuhan Marco Polo Hotels Company Limited	The People's Republic of China	US$3,850,000	48%	Hotel management
CME				
Wharf Communications Limited	Hong Kong	1,000,000 HK$10 shares	48%	Holding company
COL Limited	Hong Kong	40,000 HK$500 shares	48%	Computer services
Hong Kong Cable Enterprises Limited	Hong Kong	2 HK$1 shares	36%	Advertising airtime, programming licensing and channel carriage services
Hong Kong Cable Television Limited	Hong Kong	750,000,000 HK$1 shares	36%	Pay television services
* i-CABLE Communications Limited	Hong Kong	2,016,792,400 HK$1 shares	36%	Holding company
i-CABLE Network Limited	Hong Kong	100 HK$1 shares 2 HK$1 non-voting deferred shares	36%	Network operation services
i-CABLE Satellite Television Limited	Hong Kong	2 HK$1 shares	36%	Non-domestic television services and programming licensing
i-CABLE Network Operations Limited	Hong Kong	500,000 HK$1 shares	36%	Internet and multimedia services
Sundream Motion Pictures Limited	Hong Kong	10,000,000 HK$1 shares	36%	Film production
Rediffusion Satellite Services Limited	Hong Kong	1,000 HK$10 shares	36%	Satellite television services
EC Telecom Limited	Hong Kong	2 HK$1 shares	48%	Telecommunication
Wharf T&T Limited	Hong Kong	100,000,000 HK$1 shares	48%	Telecommunication

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital (except otherwise stated)/ registered and paid up capital	Effective equity interest to the Company	Principal activities
Investment and others				
Wharf Limited	Hong Kong	2 HK$10 shares	48%	Management services
Wharf Finance Limited	Hong Kong	2 HK$1 shares	48%	Finance
Wharf Finance (BVI) Limited	British Virgin Islands/ International	500 US$1 shares	48%	Finance
Wharf Hong Kong Limited	Cayman Islands	500,000,000 US$1 shares	48%	Holding company
B) Wheelock (other than Wharf)				
* **Wheelock Properties Limited**	Hong Kong	2,069,637,125 HK$0.2 shares	74%	Holding company
Janeworth Company Limited	Hong Kong	550,000,000 HK$1 shares	74%	Property
Marnav Holdings Limited	Hong Kong	1,000,000 HK$1 shares	74%	Property
Pizzicato Limited	Hong Kong	2 HK$10 shares	74%	Property
Samover Company Limited	Hong Kong	2 HK$1 shares	74%	Property
Titano Limited	Hong Kong	2 HK$1 shares	74%	Property
* **Wheelock Properties (Singapore) Limited**	Singapore	398,853,292 S$1 shares & 797,706,584 shares issued at S$0.825 per share	56%	Holding company / Property
Actbilt Pte Limited	Singapore	1,000,000 S$1 shares	56%	Property
Belgravia Properties Pte. Ltd.	Singapore	1,000,000 S$1 shares	56%	Property
Bestbilt Pte. Ltd.	Singapore	1,000,000 S$1 shares	56%	Property
Botanica Pte. Ltd.	Singapore	1,000,000 S$1 shares	56%	Property
Everbilt Developers Pte Ltd	Singapore	160,000,000 S$1 shares	56%	Property
Mer Vue Developments Pte. Ltd.	Singapore	1,000,000 S$1 shares	56%	Property
Ardesia Developments Pte. Ltd.	Singapore	2 S$1 shares	56%	Investment
Nassim Developments Pte. Ltd.	Singapore	2 S$1 shares	56%	Investment
Others				
Ridge Limited	Hong Kong	2 HK$1 shares	100%	Property
Salisburgh Company Limited	Hong Kong	2 HK$1 shares	74%	Property
Wheelock Properties (China) Limited	Hong Kong/ The People's Republic of China	2 HK$10 shares	100%	Property development in China
Wheelock Properties (Hong Kong) Limited (held directly)	Hong Kong	10 HK$100 shares	100%	Property services and management
Wheelock Corporate Services Limited (held directly)	Hong Kong	10,000,000 HK$1 shares	100%	Commercial services
Wheelock Finance Limited	Hong Kong	2 HK$1 shares	100%	Finance
Wheelock Travel Limited	Hong Kong	50,000 HK$10 shares	100%	Travel agency
Harriman Property Management Limited	Hong Kong	198 HK$100 shares	100%	Property management
Harriman Leasing Limited	Hong Kong	100,049 HK$10 shares & 50 non-voting HK$10 shares	74%	Letting agent
Wheelock China Limited (held directly)	Hong Kong	2 HK$1 shares	100%	Holding company

Associates	Place of incorporation/ operation	Class of shares	Effective equity interest to the Company	Principal activities
Wharf – Logistics				
Mega Shekou Container Terminals Limited	British Virgin Islands	Ordinary	10%	Holding company
Shekou Container Terminals Limited	The People's Republic of China	Ordinary	10%	Container terminal operations
Shekou Container Terminals (Phase II) Limited	The People's Republic of China	Ordinary	10%	Container terminal operations
Shekou Container Terminals (Phase III) Limited	The People's Republic of China	Ordinary	10%	Container terminal operations

Jointly controlled entities	Place of incorporation/ operation	Class of shares	Effective equity interest to the Company	Principal activities
Wharf – Properties				
重慶嘉江房地產開發有限公司	The People's Republic of China	Ordinary	19%	Property
蘇州雙湖房地產有限公司	The People's Republic of China	Ordinary	24%	Property
重慶豐盈房地產開發有限公司	The People's Republic of China	Ordinary	18%	Property
杭州綠城海企房地產開發有限公司	The People's Republic of China	Ordinary	13%	Property
Wharf – Logistics				
Taicang International Container Terminals Company Limited	The People's Republic of China	Ordinary	16%	Container terminal operations
Wheelock Properties				
佛山信捷房地產有限公司	The People's Republic of China	Ordinary	37%	Property
佛山鑫城房地產有限公司	The People's Republic of China	Ordinary	37%	Property

Notes:

a) *Unless otherwise stated, the subsidiaries, associates and jointly controlled entities were held indirectly by the Company.*

b) *The above list gives the principal subsidiaries, associates and jointly controlled entities of the Group which, in the opinion of the Directors, principally affect the profit and assets of the Group.*

* *Listed companies*

SCHEDULE OF PRINCIPAL PROPERTIES

At 31 December 2007

	Approximate gross floor areas (sq.ft.)					
Address	**Total**	**Office**	**Retail**	**Residential**	**Others**	**(Remarks)**
Investment properties in Hong Kong						
Harbour City, Tsimshatsui						
Ocean Terminal	658,000	–	658,000	–	–	
Ocean Centre	901,000	677,000	224,000	–	–	
Wharf T & T Centre	257,000	257,000	–	–	–	
World Commerce Centre	257,000	257,000	–	–	–	
World Finance Centre	512,000	512,000	–	–	–	
Ocean Galleries	386,000	–	386,000	–	–	
Gateway I	1,236,000	1,128,000	108,000	–	–	
Gateway II	2,640,000	1,570,000	400,000	670,000	–	
The Marco Polo Hongkong Hotel (Commercial Section)	206,000	34,000	172,000	–	–	
Times Square						
Sharp Street East, Causeway Bay	1,969,000	1,033,000	936,000	–	–	
Others						
Plaza Hollywood, 3 Lung Poon Street, Diamond Hill	562,000	–	562,000	–	–	
Wharf T&T Square, Hoi Bun Road, Kwun Tong	395,000	330,000	65,000	–	–	
Delta House, 3 On Yiu Street, Shatin	349,000	349,000	–	–	–	
26-27/F, World-Wide House, Central	21,000	21,000	–	–	–	
Units at Cable TV Tower, Hoi Shing Road, Tsuen Wan	566,000	–	–	–	566,000	(Industrial)
Units at Strawberry Hill, 8 Plunkett's Road, The Peak	16,000	–	–	16,000	–	
77 Peak Road, The Peak	32,000	–	–	32,000	–	
Chelsea Court, 63 Mount Kellett Road, The Peak	43,000	–	–	43,000	–	
Mountain Court, 11-13 Plantation Road, The Peak	49,900	–	–	49,900	–	
1 Plantation Road, The Peak	97,000	–	–	97,000	–	
Units at Star House, 3 Salisbury Road, Kowloon	50,800	–	50,800	–	–	
Crawford House, 64-70A Queen's Road Central, Central	188,400	103,800	84,600	–	–	
3/F-24/F, Wheelock House, 20 Pedder Street, Central	192,900	192,900	–	–	–	
Fitfort, Basement-3/F, Healthy Gardens Podium, 560 King's Road, North Point	125,400	–	125,400	–	–	
	11,710,400	6,464,700	3,771,800	907,900	566,000	
Investment properties in China						
Beijing Capital Times Square 88 West Changan Avenue, Beijing	1,114,000	724,000	390,000	–	–	
Shanghai Times Square 93-111 Huai Hai Zhong Road, Shanghai	973,000	331,000	447,000	195,000	–	
Chongqing Times Square, 100 Zou Rong Road, Yuzhong District, Chongqing	591,800	13,800	578,000	–	–	
	2,678,800	1,068,800	1,415,000	195,000	–	
Investment property in Singapore						
Wheelock Place, 501 Orchard Road	464,800	232,700	232,100	–	–	

Site area (sq.ft.)	Lot number	Lease expiry	Completion/ expected completion	Stage of completion	Effective equity interest to the Company
346,719	KPP 83	2012	1966	N/A	48%
126,488	KML 11 S.A.	2880	1977	N/A	48%
(a)	KML 11 S.B.	2880	1981	N/A	48%
(a)	KML 11 S.B.	2880	1981	N/A	48%
(a)	KML 11 S.D.	2880	1983	N/A	48%
(a)	KML 11 S.B. & D.	2880	1981/83	N/A	48%
(a)	KML 11 R.P.	2880	1994	N/A	48%
(a)	KML 11 S.B. & D.	2880	1998/99	N/A	48%
(b)	KML 91 S.A. & KML 10 S.B.	2863	1969	N/A	32%
112,441	IL 731, IL 728, IL 727, IL 725 S.A. & R.P., IL 724 S.A., B & R.P., IL 722 & IL 718	2850/60/80	1993	N/A	48%
280,510	NKIL 6160	2047	1997	N/A	48%
48,438	KTIL 713	2047	1991	N/A	48%
70,127	STTL 422	2047	1999	N/A	48%
N/A	IL 8432	2053	1979	N/A	48%
N/A	TWTL 218	2047	1992	N/A	48%
N/A	RBL 512 & 1004	2027/28	1974/77	N/A	48%
76,728	RBL 836	2029	1951	N/A	48%
29,640	RBL 556 R.P.S.A. & S.B.	2035	2001	N/A	48%
32,145	RBL 522, 639, 661	2027	2001	N/A	48%
97,670	RBL 534 S.E. & F.	2028	2002	N/A	48%
N/A	KML 10 S.A.	2863	1966	N/A	32%
12,286	IL 7 R.P. & IL 45 Sec. A R.P.	2842	1977	N/A	100%
N/A	ML 99 Sec. A,C, R.P. & ML 100 Sec. A,B, R.P	2854	1984	N/A	74%
N/A	IL 3546	2086	1979	N/A	74%
141,007	N/A	2044	1999	N/A	42%
148,703	N/A	2043	1999	N/A	48%
95,799	N/A	2050	2004	N/A	48%
N/A	N/A	2089	1993	N/A	56%

At 31 December 2007

	Approximate gross floor areas (sq.ft.)					
Address	**Total**	**Office**	**Retail**	**Residential**	**Others**	**(Remarks)**
Hotels and clubs in Hong Kong						
Harbour City, Tsimshatsui						
The Marco Polo Hongkong Hotel	553,000	–	–	–	553,000	(Other represents a 664-room hotel)
Gateway	313,000	–	–	–	313,000	(Other represents a 433-room hotel)
Prince	359,000	–	–	–	359,000	(Other represents a 393-room hotel)
Pacific Club Kowloon	139,000	–	–	–	139,000	(Club House)
	1,364,000	–	–	–	1,364,000	
Property developments in Hong Kong						
Cable TV Tower South Chai Wan Kok Street, Tsuen Wan	584,600	–	–	–	584,600	(Industrial)
Kowloon Godown, 1-3 Kai Hing Road, Kowloon Bay	1,575,200	–	82,900	–	1,492,300	(Industrial)
Yau Tong Godown, 5 Tung Yuen Street, Kowloon	255,700	–	42,600	213,100	–	
2 Heung Yip Road, Wong Chuk Hang, Aberdeen	737,200	–	–	–	737,200	(Industrial; 224,900 s.f. pre-sold)
6D-6E Babington Path, Mid-Levels	46,700	–	–	46,700	–	
Units at Bellagio, 33 Castle Peak Road, Sham Tseng	105,700	–	31,200	74,500	–	
	3,305,100	–	156,700	334,300	2,814,100	
Property developments in Hong Kong (undertaken by associates)						
Various Lots at Yau Tong Bay, Yau Tong, Kowloon	720,200	83,100	36,800	600,300	–	(15.6% attributable to the Group – Note c)
	720,200	83,100	36,800	600,300	–	
Property developments in China						
Wellington Garden – Tower 3 183 Huai Hai Xi Road, Xuhui District, Shanghai	209,100	–	–	209,100*	–	
Wuhan Times Square, 160 Yan Jiang Da Dao, Jiangan District, Wuhan						
– Towers 3 & 4	24,300	–	–	24,300	–	
– Towers 1, 2, 8 & 9	1,002,000	–	–	592,000*	410,000	(Other represents a 371-room hotel) (275,000 s.f. residential area pre-sold)

Site area (sq.ft.)	Lot number	Lease expiry	Completion/ expected completion	Stage of completion	Effective equity interest to the Company
58,814	KML 91 S.A. & KML 10 S.B.	2863	1969	N/A	32%
(a)	KML 11 S.B.	2880	1981	N/A	48%
(a)	KML 11 S.D.	2880	1983	N/A	48%
48,309	KIL 11179	2021	1990	N/A	48%
66,000	TWIL 36	2047	N/A	Planning stage	48%
165,809	NKIL 5805, 5806 & 5982	2047	N/A	Planning stage	48%
42,625	YTIL 4SA & adjoining Government land	2047	N/A	Planning stage	48%
49,000	AIL 374	2121	2009	Substructure in progress	74%
5,837	IL 609C R.P. & Sec. D R.P.	2859	2010	Substructure in progress	74%
566,090	Lot No. 269 R.P. in DD 390	2051	N/A	Completed	74%
769,626	R.P. of YTML 22 & ext., YTML 28 & ext., YTML 29 & ext., and YTML 12, 32 and 33 together with adjoining lots at Yau Tong Bay	2047	N/A	Planning stage	7.5%
80,482	N/A	2045	2007	Completed	28%
188,090	N/A	2073	2007	Completed	48%
		2053/73	2008	Superstructure in progress	

Address	Total	Office	Retail	Residential	Others	(Remarks)
	Approximate gross floor areas (sq.ft.)					
Dalian Times Square Ren Min Road, Zhongshan District, Dalian	1,529,000	–	188,000	1,341,000	–	
No.1 Xin Hua Road, 176, Huai Hai Xi Road, Changning District, Shanghai	206,000	–	–	206,000	–	
Shanghai Wheelock Square 1717, Nan Jing Xi Road, Jingan District, Shanghai	1,228,000	1,149,000	79,000	–	–	
Jingan Garden 398, Wanhangdu Road, Jingan District, Shanghai	773,000	–	–	773,000*	–	
Tian Fu Times Square, Chengdu Junction of Dong Da Jie & Fu He, Jinjiang District	4,856,200	1,066,000	204,600	2,810,600	775,000	(Other represents a 611-room hotel) (493,000 s.f. residential area pre-sold)
No.10 Gaoxin District, Chengdu Junction of Zhan Hua Road and Fu Cheng Avenue	4,422,000	985,000	110,000	3,327,000	–	
Suzhou Industrial Park Lot No. 68210 Suzhou Industrial Park	2,192,000	–	–	2,192,000	–	
Wuxi Taihu Plaza Project						
Wuxi Super Tower	3,023,000	1,311,000	32,000	1,050,000*	630,000	(Other represents
Taihu Plaza, Nanchang District, Wuxi	8,949,000	–	–	8,949,000	–	a 345-room hotel)
Shuangliu Development Zone, Chengdu Junction of Shuang Nan Avenue and Guang Hua Avenue, Shuangliu County	9,807,000	–	686,000	8,309,000*	812,000	(Other represents a 852-room hotel)
Chengdu IFC Junction of Hongxing Road and Da Ci Si Road, Jinjiang District	4,724,000	2,226,000	1,248,000	490,000	760,000	(Other represents a 600-room hotel)
Changzhou Dinosaur Park Project China Dinosaur Park, Xinbei District, Changzhou, Jiangsu Province	8,681,000	–	–	7,838,000	843,000	(Other represents a 405-room hotel)
Suzhou Industrial Park Project						
Suzhou Super Tower, Xing Hu Jie	3,780,000	1,302,000	30,000	1,627,000	821,000	(Other represents
Xiandai Da Dao, Suzhou Industrial Park, Suzhou	9,765,000	–	–	9,765,000	–	a 600-room hotel)
	65,170,600	8,039,000	2,577,600	49,503,000	5,051,000	
Property developments in China (undertaken by jointly controlled entities)						
Hangzhou Zhuantang Town Project Zhuantang Town, Zhi Jiang National Tourist Resort, Xihu District, Hangzhou	2,005,000	–	83,000	1,922,000	–	(50% attributable to the Group – Note c)
Suzhou Wei Ting Project South of Lin Hu Road, East & West sides of Ying Hu Road, Suzhou Industrial Park	908,000	–	–	908,000	–	(50% attributable to the Group – Note c)
Nanjing Xian Lin Project West of Xian Lin Lake, North of Xian Lin Da Dao, Xian Lin Xin Qu	2,263,000	–	–	2,263,000	–	(50% attributable to the Group – Note c)
Chongqing Danzishi Project Danzishi, Nanan District	9,039,000	–	706,000	8,333,000	–	(40% attributable to the Group – Note c)
Chongqing Jiangbei City Project Zone B of Jiangbei City, Jiang Bei District, Chongqing	2,524,000	–	–	2,524,000	–	(55% attributable to the Group – Note c)
Hangzhou CBD Project West of Wang Jiang Dong Road, North of Zhi Jiang Road, East Side is Bounded by Planning Road, South of Fu Chun Road, Qianjiang New City, Shangcheng District, Hangzhou	1,280,000	190,000	26,000	917,000	147,000	(Other represents a 160-room hotel) (40% attributable to the Group – Note c)

Site area (sq.ft.)	Lot number	Lease expiry	Completion/ expected completion	Stage of completion	Effective equity interest to the Company
171,356	N/A	2039/69	2008	Superstructure in progress	48%
118,220	N/A	2064	2009	Substructure in progress	41%
136,432	N/A	2049	2009	Superstructure in progress	47%
170,825	N/A	2043/63	2011	Planning stage	27%
761,520	N/A	2045/75	2011	Superstructure/ Substructure in progress	48%
884,459	N/A	2046/76	2011	Substructure in progress	48%
3,654,152	N/A	2076	2010	Planning stage	48%
313,867	N/A	2047/57	2012	Planning stage	48%
3,314,418	N/A	2078	2014	Substructure in progress	48%
3,900,589	N/A	2047/77	2012	Planning stage	48%
590,481	N/A	2047	2011	Planning stage	48%
4,427,804	N/A	2047/77	2012	Planning stage	32%
229,069	N/A	2047/77	2013	Planning stage	26%
5,425,454	N/A	2077	2013	Planning stage	26%

2,046,685	N/A	2047/77	2012	Planning stage	24%
1,976,237	N/A	2077	2012	Planning stage	24%
3,578,071	N/A	2077	2012	Planning stage	24%
6,080,656	N/A	2047/57	2014	Planning stage	19%
1,002,408	N/A	2057	2012	Planning stage	18%
906,921	N/A	2047/77	2012	Planning stage	13%

Address	Total	Office	Retail	Residential	Others	(Remarks)
	Approximate gross floor areas (sq.ft.)					
Foshan Chancheng Project North side of Kin Jin Lu, Chancheng District	1,443,700	–	115,500	1,328,200	–	(50% attributable to the Group – Note c)
Foshan Xincheng Project South of Tian Hong Lu and North of Yu He Lu, Xincheng District	2,429,500	–	161,500	2,268,000	–	(50% attributable to the Group – Note c)
	21,892,200	190,000	1,092,000	20,463,200	147,000	
Property developments in Singapore						
The Sea View, Amber Road	796,100	–	–	796,100	–	(all units pre-sold)
The Cosmopolitan, 390 Kim Seng Road	316,000	–	–	316,000	–	(all units pre-sold)
Orchard View, 29 Anguilla Park	75,900	–	–	75,900	–	
Scotts Square, 6 Scotts Road	423,400	–	130,700	292,700	–	(215,100 s.f. residential area pre-sold)
Ardmore II, 1 & 2 Ardmore Park	238,700	–	–	238,700	–	(all units pre-sold)
Ardmore 3, 3 Ardmore Park	169,300	–	–	169,300	–	
	2,019,400	–	130,700	1,888,700	–	
TOTAL	**109,325,500**	**16,078,300**	**9,412,700**	**73,892,400**	**9,942,100**	

Notes:

a) Components of Harbour City, which has a total site area of 428,719 sq. ft.

b) Part of The Marco Polo Hongkong Hotel building.

c) The floor areas of properties held through jointly controlled entities and associates are shown on an attributable basis.

d) Subsequent to 31 December 2007, the Group acquired a new site (three land parcels) in Wuxi with developable GFA of approximately 8.7 million square feet in January 2008.

* Residential includes office-apartments

Site area (sq.ft.)	Lot number	Lease expiry	Completion/ expected completion	Stage of completion	Effective equity interest to the Company
1,155,000	N/A	2048/78	2011	Planning stage	37%
2,867,600	N/A	2047/77	2012	Planning stage	37%
381,803	N/A	Freehold	2008	Superstructure in progress	56%
112,862	N/A	Freehold	2008	Superstructure in progress	56%
29,078	N/A	Freehold	2009	Superstructure in progress	56%
71,145	N/A	Freehold	2010	Substructure in progress	56%
89,630	N/A	Freehold	2010	Superstructure in progress	56%
54,981	N/A	Freehold	2012	Substructure in progress	56%

FIVE-YEAR FINANCIAL SUMMARY

	Period ended 31/12/2007 HK$ Million	Year ended 31/3/2007 HK$ Million	Year ended 31/3/2006 HK$ Million	Year ended 31/3/2005 HK$ Million	Year ended 31/3/2004 HK$ Million
Summary of Profit and Loss Account	**(Note a)**				
Turnover	**17,915**	16,096	4,235	4,521	7,116
Group profit attributable to equity shareholders	**7,615**	6,310	10,316	8,337	2,303
Dividends attributable to equity shareholders	**254**	254	254	224	183
Summary of Balance Sheet					
Fixed assets	**125,390**	111,256	8,665	5,326	4,011
Goodwill and other intangible assets	**302**	306	306	–	–
Interest in associates	**3,632**	531	32,012	26,562	24,528
Interest in jointly controlled entities	**6,019**	788	–	–	–
Available-for-sale investments	**7,622**	7,088	2,187	1,488	1,167
Long-term receivables	**447**	498	231	371	496
Other assets	**423**	416	–	–	–
Derivative financial assets	**17**	17	–	–	–
Deferred tax assets	**360**	429	–	–	–
Current assets	**34,913**	27,698	14,777	15,008	10,677
Total assets	**179,125**	149,027	58,178	48,755	40,879
Current liabilities	**(20,160)**	(14,943)	(4,311)	(4,072)	(3,830)
Long-term loans/deferred liabilities	**(28,132)**	(20,392)	(5,672)	(7,882)	(6,340)
Deferred taxation	**(16,578)**	(14,150)	(827)	(135)	(72)
Derivative financial liabilities	**(96)**	–	–	–	–
	114,159	99,542	47,368	36,666	30,637
Share capital	**1,016**	1,016	1,016	1,016	1,016
Reserves	**55,635**	48,246	40,000	30,419	25,528
Shareholders' equity	**56,651**	49,262	41,016	31,435	26,544
Minority interests	**57,508**	50,280	6,352	5,231	4,093
Total equity	**114,159**	99,542	47,368	36,666	30,637

Notes:

a) *The Company has changed its year end date from 31 March to 31 December to get in line with that of Wharf, the major subsidiary of the Company.*

b) *The Company has changed its accounting policy on consolidation as explained in note 2(a) to the 2007 financial statements. Figures for the year of 2005/06 and prior years have not been restated to reflect this change as it would involve delays and expenses out of proportion to the benefit to equity shareholders.*

c) *Certain figures have been reclassified or restated to comply with the prevailing HKFRSs.*

Concept, design and printing: iOne Financial Press Limited