Wheelock & Company Limited

stock code: 20

Annual Report 2008

www.wheelockcompany.com

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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 & Group Chief Financial Officer)*

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

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PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

AUDITORS

KPMG

Global economic downturn took its toll on the Hong Kong economy in 2008. Accordingly, GDP grew mildly by 2.5% for 2008 as a whole. With a deepening global economic crisis, the residential property market faltered in the second half of 2008. Concerns over the worsening job prospects and gloomy economic outlook spurred a bruising downturn in the Hong Kong retail market towards the latter part of 2008.

Despite the softening commercial property market, the Group's core properties achieved strong performance in 2008. Leveraging on excellent retail management and vibrant promotions, the Group's retail properties continued to be highly popular with both local and overseas shoppers making them very resilient even in difficult times. The Group also managed its office portfolio well in achieving a sustained level of occupancy and rents. Some of the Group's office portfolio has benefited from the growing trend of decentralisation despite weakening demand towards the fourth quarter of 2008.

In 2008, Singapore also suffered from the worst economic crisis in years. This has further depressed the local residential and leasing markets. Even with the prevailing weaker market sentiment and the challenging operating environment, Wheelock Properties (Singapore) Limited ("WPSL") continued to perform well. In property development, WPSL completed two residential projects – The Sea View and The Cosmopolitan. Its effort in conserving a neo-classical bungalow at The Sea View for the condominium clubhouse won an Architectural Heritage Award from the Urban Redevelopment Authority.

Group profit attributable to equity shareholders decreased by 55% to HK$3,432 million (2007: HK$7,615 million), which was mainly due to the exceptional impairment provisions made for investments and a decrease in net investment property surplus. Earnings per share were HK$1.69 (2007: HK$3.75).

Excluding the exceptional impairment provisions for investments and the net investment property revaluation surplus after the related deferred tax and credit adjustment, the Group's net profit attributable to equity shareholders decreased by 9% to HK$3,095 million (2007: HK$3,414 million). The decrease was mainly due to the absence of the exceptionally large investment profits recorded in 2007, which did not recur in 2008.

Consolidated net asset value per share rose by 4% to HK$28.91 as at 31 December 2008. The financial position of the Group remained healthy, with net debt amounting to HK$22.7 billion.

A final dividend of 10.0 cents per share has been recommended to bring the total dividend for the year ended 31 December 2008 to 12.5 cents per share (2007: 12.5 cents per share). Total dividend received in cash from the publicly-listed subsidiaries The Wharf (Holdings) Limited and Wheelock Properties Limited amounted to HK$1,256 million during the financial year (2007: HK$1,132 million).

BUSINESS PERFORMANCE

Property

The office portion of Crawford House was 95% leased at satisfactory rental rates. Lease renewal retention rate stood high at 90%. Hennes & Mauritz AB (H&M), a reputable international retailer, leased the majority of the retail podium. In a bid to stay competitive in the marketplace, Crawford House is upgrading its ground-floor lobby and renovating its washrooms and the common corridor for enhancement.

Wheelock Properties Limited

Wheelock House and Fitfort were 98% and 97% leased respectively at satisfactory rental rates at the end of December 2008.

As at the end of 2008, the group had acquired up to 98% of the interest in the property situate at 46 Belcher's Street for a total of HK$305 million. The project is planned for residential redevelopment. The 6D-6E Babington Path (Mid-levels) redevelopment, comprising 47 deluxe apartments, commenced a soft launch for pre-sales in September 2008.

On the Mainland property development front, a residential development in a 50:50 joint venture with China Merchants Property group situate at Xincheng District (新城區), Foshan launched its pre-sales of the first phase of the townhouses in September 2008 and has met with an overwhelming response. All units launched were sold out in early October 2008.

Wheelock Properties (Singapore) Limited

Wheelock Place was 99% committed at satisfactory rental rates at the end of December 2008. Two residential projects, The Sea View and The Cosmopolitan, were completed and fully pre-sold. By the end of 2008, WPSL had successfully pre-sold various other properties in Singapore, including 100% of Ardmore II and 77% of Scotts Square. In accordance with the current accounting standard, revenue and profits for these projects will not be recognised by the Group until project completion, presently scheduled for 2010 and 2011 respectively. Orchard View, a luxury 36-storey residential development is targeted to be launched for sale in 2010. Ardmore 3, planned for redevelopment and sale, is under design and planning.

The Wharf (Holdings) Limited

"Building for Tomorrow" is Wharf's mission. Harbour City and Times Square, the "Heart of the Group" representing 46% of its total assets and 63% of total operating profit, posted solid double-digit growth in both turnover and operating profit, despite the adverse economic conditions. This was the "Tomorrow" that Wharf has built for today.

In the meantime, Wharf is building a new "Tomorrow" in the Mainland. As at the end of 2008, its attributable landbank and investment properties totalled close to 100 million square feet of gross floor area.

Times Squares in Beijing, Shanghai and Chongqing are investment properties and together reported rises in revenue and operating profit of 22% and 38% in 2008 over 2007, respectively. In addition, the 180,000-square-foot shopping mall in Dalian Times Square opened in November 2008 and quickly became the luxury shopping landmark of the Northeast.

Wharf's next flagship, the International Finance Centre (IFC) project in Hongxing Road, Chengdu, is comparable in significance to Harbour City and Times Square in Hong Kong. Chengdu is the up and coming business hub at the heart of Western China and has a population of 11 million, trailing only Beijing, Shanghai and Chongqing. Prime retail rental is comparable to that in Shanghai. Sitting at the top location in the city's main commercial district, the project links to the adjacent mass transit railway station where two major lines intersect. There are three leading department stores across the street. The scale of the development, also with retail, office, apartments and hotel, is comparable to that of Harbour City. It aims to quickly become the "Best of the West" as the new shopping hub for not only Chengdu but the entire Western region when it is completed in phases from 2012.

In development properties, Wharf has been achieving record or near record sales for its various residential projects in the respective cities. Recent pre-sales launches in cities such as Chengdu, Chongqing and Dalian have met with very favourable response.

The group remains enthusiastic about the fundamental outlook for the real estate market in the Mainland. Urbanisation is the theme for the next 20 years. Close to 300 million people are anticipated to be moving into the cities. Our overall development portfolio is expected to generate attractive returns to the group in the coming years.

OUTLOOK

Given the sheer scale of the global financial meltdown, economies across the globe have deteriorated sharply since the latter part of 2008. Hong Kong economic performance in 2009 is bound to be affected. GDP is expected to contract by 2% to 3%. Worsening economic conditions will put a further drag on the key sectors of Hong Kong. However, it is believed that China will be the first country to recover from the global crisis and will be able to ride out the challenges of a worsening global crisis. Its sustained economic growth as well as massive support measures to Hong Kong will be able to help Hong Kong weather the financial storm. The Mainland government has pledged to further strengthen the economic and financial co-operation between Hong Kong and the Pearl River Delta Region and to further facilitate Mainland visitors to Hong Kong. As an international financial centre and a leading hub for China-related business, Hong Kong will strive to maintain its roles and to lessen the impact from the deteriorating economic conditions. Medium-term prospects for Hong Kong remained positive.

The Group is well-poised for creating a better future and displaying its vibrancy on the back of numerous investment opportunities in Hong Kong and China. On its new projects underway in China, the Group is confident they will achieve a reasonable profit to the Group in the next few years. The Group will carefully plan the progress of development through close monitoring of market conditions. The projects involved will be funded both by equity and debt, as well as proceeds from operations and property pre-sales.

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 financial year.

Peter K C Woo
Chairman

Hong Kong, 25 March 2009

Financial Highlights

RESULTS AND FINANCIAL POSITION

	Year ended 31/12/2008 HK$ Million	Period ended 31/12/2007 HK$ Million
Results		
Turnover	**22,583**	17,915
Operating profit	**9,453**	10,428
Profit before attributable net investment property revaluation surplus	**2,284**	3,361
Group profit attributable to equity shareholders	**3,432**	7,615
Dividends attributable to the year/period	**254**	254
Earnings per share	**HK$1.69**	HK$3.75
Dividends per share	**12.5¢**	12.5¢
Dividends from major subsidiaries		
The Wharf (Holdings) Limited	**1,102**	978
Wheelock Properties Limited	**154**	154
Financial position		
Total assets	**198,206**	179,125
Net debt	**22,696**	21,912
Shareholders' equity	**58,733**	56,651
Total equity	**123,243**	114,159
Net assets per share	**HK$28.91**	HK$27.88
Net debt to total equity	**18.4%**	19.2%

Financial year/period	Group profit to equity shareholders HK$ Million	Total equity HK$ Million	Shareholders' equity HK$ Million	Earnings per share HK$	Dividends per share HK¢
1999/00	864	33,460	27,242	0.43	7.5
2000/01	523	34,537	28,419	0.26	7.5
2001/02	547	32,215	26,485	0.27	7.5
2002/03	35	26,203	22,790	0.02	7.5
2003/04	2,303	30,637	26,544	1.13	9.0
2004/05	8,337	36,666	31,435	4.10	11.0
2005/06	10,316	47,368	41,016	5.08	12.5
2006/07	6,310	99,542	49,262	3.11	12.5
2007 (Note 1)	7,615	114,159	56,651	3.75	12.5
2008	**3,432**	**123,243**	**58,733**	**1.69**	**12.5**

Notes:

1) *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, which became a major subsidiary of the Company in 2007.*

2) *Please refer to Ten-year Financial Summary on pages 134 and 135.*

GROUP PROFIT AND ASSETS COMPOSITION

	Group profit to equity shareholders				Shareholders' equity			
	Year ended 31/12/2008 HK$ Million	**%**	Period ended 31/12/2007 HK$ Million	%	**2008 HK$ Million**	**%**	2007 HK$ Million	%
The Wharf (Holdings) Limited	**2,085**	**68**	2,886	85	**47,971**	**76**	41,621	72
Wheelock Properties Limited [1]	**847**	**27**	321	9	**11,973**	**19**	13,115	23
The Company and its other subsidiaries	**163**	**5**	207	6	**2,841**	**5**	2,847	5
	3,095	**100**	3,414	100	**62,785**	**100**	57,583	100
Attributable impairment loss for investments	**(811)**		(53)		**–**		–	
	2,284		3,361		**62,785**		57,583	
Attributable investment property revaluation surplus	**1,148**		4,254		**–**		–	
Corporate items [2]	**–**		–		**(4,052)**		(932)	
Attributable to shareholders	**3,432**		7,615		**58,733**		56,651	
Per share	**HK$1.69**		HK$3.75		**HK$28.91**		HK$27.88	

Notes:

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

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

SEGMENT REVIEW

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

Group profit attributable to equity shareholders for the year ended 31 December 2008 was HK$816 million (2007: HK$1,540 million). A significant increase in operating profit mainly from the property development segment in Singapore (upon recognition of profits on pre-sales of The Sea View and The Cosmopolitan projects) was outweighed by impairment losses on investments, as well as a decrease in net investment property surplus.

Excluding the net investment property revaluation surplus and the above exceptional impairment losses, the group’s net profit attributable to equity shareholders in fact rose by 145% to HK$1,396 million (2007: HK$570 million).

Hong Kong

Wheelock House and Fitfort were 98% and 97% leased respectively at satisfactory rental rates at the end of December 2008.

Redevelopment of 6D-6E Babington Path, Mid-levels and 2 Heung Yip Road, Aberdeen, is underway. The former will comprise 47 deluxe apartments and a soft launch for pre-sales commenced in September 2008. The latter will be redeveloped into a high rise commercial building.

During the year under review, the group acquired up to 98% of the interest in the property situate at 46 Belcher’s Street for a total of HK$305 million. The property is planned for residential redevelopment. By the end of December 2008, the group has acquired up to 98% of the interest in the property at 211-215C Prince Edward Road West for residential redevelopment.

China

On the Mainland property development front, the group’s two 50:50 residential joint ventures with China Merchants Property group in Foshan of Guangdong Province are in progress. The first project situate at Xincheng District (新城區), boasts a site area of 2.88 million square feet and offers a plot ratio GFA of 2.43 million square feet attributable to the group. Pre-sales of the first phase of the townhouses commenced in September 2008 and has met with overwhelming responses, with all units launched sold out by early October 2008. Located at Chancheng (禪城), the second piece of land has a site area of 1.15 million square feet and offers a plot ratio GFA of 1.45 million square feet attributable to the group. These developments are scheduled for completion in phases by 2012 and 2013 respectively.

Singapore

Profit attributable to shareholders of Wheelock Properties (Singapore) Limited ("WPSL"), 76%-owned by WPL, amounted to S$100.9 million for the financial year under review (2007: S$273.5 million) as reported in accordance with the applicable accounting standards in Singapore. Excluding the net investment property revaluation surplus (net of tax) of S$74 million (2007: S$164 million) on Wheelock Place and impairment loss of S$200 million on the listed SC Global Developments Ltd ("SC Global") and Hotel Properties Limited ("HPL"), WPSL's profit increased by 108% to S$227 million.

Development properties

Ardmore II is a prime residential condominium development with 118 apartments. Main construction work is in progress and the development is scheduled for completion by 2010. All of the 118 units have been pre-sold at satisfactory prices by December 2008.

Orchard View is a luxury 36-storey residential development located in the serene enclave of Angullia Park, and within walking distance to Orchard MRT. It comprises 30 units of four-bedroom apartments with private lift lobbies. Main construction work is in progress and completion is scheduled for early 2010. The project is targeted to be launched for sale in 2010.

Scotts Square on Scotts Road is strategically located in the main shopping belt of Orchard Road. It is a prime residential condominium development with 338 international quality apartments, plus a retail annex. The retail podium is held for long term investment purposes. Pre-sales of the apartments has reached 77% by December 2008. Foundation works for the project are expected to complete in early 2009. Completion is scheduled for 2011.

Ardmore 3 is planned for redevelopment and sale. It will be an international standard luxury development in the prestigious Ardmore Park, next to Ardmore II. Design and planning work for the project is in progress.

Investment properties

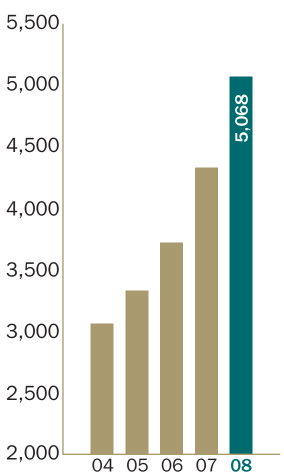
Wheelock Place, a commercial development at Orchard Road, Singapore, was 99% committed at satisfactory rental rates at the end of December 2008.

The Wharf (Holdings) Limited (a 50.02%-owned listed subsidiary) ("Wharf")

Wharf's group turnover for the year was HK$15,940 million, down from HK$16,208 million in 2007. Its operating profit, despite a robust profit growth in the property investment sector, dropped to HK$7,639 million from HK$9,516 million in 2007 on account of lower Hong Kong and China property sales recognised and the absence of an exceptionally large profit from the Investment segment booked in 2007. Net profit attributable to equity shareholders excluding the net surplus arising from the revaluation of investment properties therefore decreased to HK$4,194 million (2007: HK$5,947 million). Including a lower unrealised surplus from the revaluation of investment properties, net profit attributable to equity shareholders was HK$6,247 million (2007: HK$13,143 million). Earnings per share were HK$2.28 (2007: HK$5.17).

Harbour City and Times Square representing 46% of the Wharf group's total assets and 63% of total operating profit, achieved spectacular performance amidst the current economic crisis, a good demonstration of their popularity with shoppers and resilience towards market downturns.

Harbour City: Revenue
(HK$ Million)



Harbour City

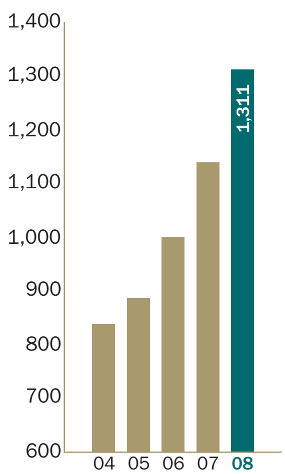
Harbour City achieved a turnover of HK$5,068 million during the year for an increase of 17% over 2007, while its operating profit grew by 21% to HK$3,726 million.

Despite the adverse external environment, turnover of Harbour City's retail sector grew by 22% to HK$2,166 million. As at the end of 2008, retail occupancy at Harbour City was committed at 99% while rental grew favourably. Tenants at Harbour City, the largest "shoppertainment" destination in town, continued to achieve an 18% year-on-year growth in average sales. Shoppers' foot traffic for the year grew by 7% to 80 million and total sales in 2008 set a new record at HK$13.4 billion. Average sales per square foot in December surged to a record high of over HK$1,900.

In spite of the deepened global financial turmoil, the office sector at Harbour City performed satisfactorily on the back of the continuing strong rental reversion. Turnover grew by 19% to HK$1,585 million. Office occupancy at Harbour City was committed at 96% at the end of December 2008. About 55% of the new lettings during the year were in-house expansions, including AIA, Zurich Life Insurance, etc. During the year, Harbour City has attracted a host of commercial banks and airline companies, such as All Nippon Airways, Taiwan Business Bank to relocate from the core office district. Recently, Sony Corporation relocated its 3-floor office from The Lee Gardens to Gateway, occupying approximately 48,000 square feet at Harbour City. Lease renewal retention rate at Harbour City held up well at 73% during the year with favourable rental increment.

Turnover for the serviced apartments grew by 12% to HK$275 million with an increase in rental rates but partially offset by a drop in occupancy. At the end of December 2008, committed occupancy at Gateway Apartments dropped to 87% (2007: over 90%) owing to the unfavourable economic conditions.

Times Square: Revenue
(HK$ Million)



Times Square

Times Square, another core asset of the group, turned over HK$1,311 million during 2008, for an increase of 15% over 2007. Operating profit increased by 16% to HK$1,124 million.

Turnover from Times Square's retail sector was up by 13% to HK$871 million. Average retail occupancy was maintained at 99%, with favourable rental growth. Leasing activities remained active during the year, with recruitment of a host of international labels including Burberry, Gucci, etc and the expansion of a series of celebrated brands. Trade-mix at the basement floor was further revamped resulting in a cluster of Fashion & Accessory and Cosmetics, in which a host of trendy brands were recruited. The audio-visual cluster and Food Forum at Times Square were further fine-tuned with the opening of a host of new sought-after brands.

Turnover for the office sector rose by 21% to HK$440 million on the back of strong rental reversion during the year. Committed office occupancy stood high at 98% at the end of 2008. Lease renewal retention rate stood high at 84%, with renewals including ABN Bank, Apple, Coca-Cola, Hitachi and Shell despite the softening commercial market.

China properties

Beijing Capital Times Square, Shanghai Times Square and the retail podium of Chongqing Times Square performed satisfactorily. Total revenue and operating profit for these three investment properties grew by 22% and 38% respectively.

Wuhan Times Square, comprising four residential towers and one office-apartment tower for sale and a hotel for investment purposes, was fully completed at the end of 2008. The new hotel – Marco Polo Wuhan opened on 15 September 2008 and provides premium accommodation and enhanced meeting services to travellers in Hankou, the commercial centre of Wuhan.

The 180,000-square-foot retail podium of Dalian Times Square, which is destined to become a shopping landmark in Dalian, opened in late November 2008. The deluxe shopping mall houses a host of top-notch brands including Dior, Fendi, Giorgio Armani, Gucci, Hermes, Louis Vuitton, Prada, Versace etc.

Significant development profit from China properties in 2007 did not recur during the year owing to booking of fewer units which were completed by 2008. Development profit from sales of two completed launched projects (namely, Wellington Garden in Shanghai and Wuhan Times Square) was HK$91 million (2007: HK$718 million).

The group successfully sold/pre-sold various properties in China in 2008, including Wellington Garden in Shanghai, Wuhan Times Square, Tian Fu Times Square in Chengdu, Dalian Times No. 8, Crystal Park (formerly known as No. 10 Gaoxin District (高新區)) in Chengdu and Danzishi (彈子石) project in Chongqing. In accordance with the group's accounting policy, relevant profits for the Chengdu, Dalian and Chongqing projects will only be recognised at project completion. This resulted in a decrease of the group's property development profit for the year.

Wellington Garden in Shanghai is a high-end residential and office-apartment development. The two residential blocks were fully sold while sales of the office-apartment block were launched in December 2007, with 40% sold as at the end of 2008 at excellent unit price. The four residential towers at Wuhan Times Square have been 98% sold and sales of the units in the office-apartment tower reached 31%.

At Tian Fu Times Square in Chengdu, over 98% of the first three residential towers were successfully pre-sold at record high unit price in the city.

Dalian Times Square, including two residential blocks, launched its pre-sale of one residential tower in late June 2008 and successfully pre-sold 89% of its units at excellent unit price, achieving a record-breaking price of over RMB25,000 per square metre for a select deluxe duplex unit. Another residential tower has recently been launched for sale and the pre-sales achieved excellent unit price. This project is scheduled for completion in the first half of 2009.

Crystal Park in Gaoxin District, Chengdu, launched its pre-sale of the first two residential towers in the latter part of the year. As at the end of 2008, about 31% of the units launched were pre-sold. Construction works are in progress, with the first four residential towers scheduled to be completed by the end of 2009. The project is planned for residential and commercial developments.

Danzishi of Nanan District (南岸區) along the Yangtze River, developed by the group and China Overseas group on a 40:60 ownership basis, launched its pre-sale of the first three residential towers in the latter part of the year. About 60% of the units launched were pre-sold by the end of 2008. It will be developed into a high-end residential and retail project, which is scheduled for completion in phases by 2014.

Other projects under development

Wheelock Square at Nanjing Xi Road (南京西路) of Shanghai, with an attributable plot ratio GFA of 1.2 million square feet, comprises a top quality Grade A office tower plus a retail annex. Completion is scheduled for the fourth quarter of 2009.

Superbly located at the north side of Huai Hai Xi Road (淮海西路) in Changning District (長寧區) of Shanghai, No. 1 Xin Hua Road (新華路) is a planned low density residential development with an attributable plot ratio GFA of 0.2 million square feet. The project is scheduled for completion by the end of 2009. Another high-end residential project in Shanghai, Jingan Garden is progressing according to plan.

Superbly located in Shuangliu Development Zone (雙流發展區), the group's third site in Chengdu will be developed into a mixed-use complex comprising an outlet mall, office and residential space with an attributable plot ratio GFA of 9.8 million square feet. The first phase of construction of the commercial outlet is in progress and is scheduled for completion by April 2009.

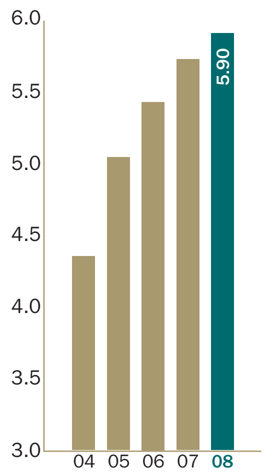
Other development projects acquired by Wharf before 2008 include Hongxing Road (紅星路) in Chengdu, two lots in Nanchang District (南長區) in Wuxi (including a 339-metre super tower and residential development), two lots in Suzhou (one lot between Jinji Lake (金雞湖) and Dushu Lake (獨墅湖) and another lot in Suzhou Industrial Park) and Xihu District (西湖區) in Hangzhou. Listed subsidiary 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 Central Business District (錢江新城) and Xinbei District (新北區) in Changzhou during 2007. The first four sites were acquired through partnering with strong local property companies. All of these developments are progressing according to plan, which will be flexibly adjusted as appropriate to better reflect market conditions.

New acquisitions

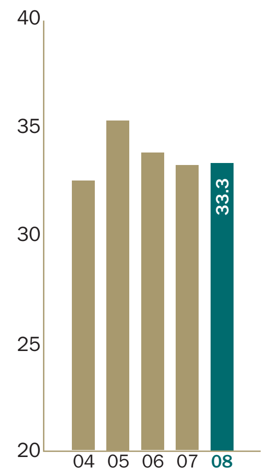
The group, in January 2008, acquired three pieces of land parcels in Nanchang District in Wuxi alongside the 2,500-year-old ancient canal (京杭運河), which offer a plot ratio GFA of 7.0 million square feet attributable to the group. Two of these sites were wholly owned by the group (plot ratio GFA: 5.2 million square feet) and the remaining site (plot ratio GFA: 3.5 million square feet) is being developed by the group and Shanghai Forte on a 50:50 ownership basis. These sites are planned for commercial and residential development. Completion of these sites is scheduled in phases for 2014 to 2015.

In July 2008, the group entered into a joint venture agreement with Sun Hung Kai Properties and Henderson Land on a 30:40:30 ownership basis to jointly develop a prime commercial site in Dongdajie (東大街) in Chengdu into an integrated commercial complex comprising an office tower of over 280 metres, a five-star hotel, high-end shopping centre with international retailers and residential apartments. Total plot ratio GFA for the overall development is expected to be over 13 million square feet and to be completed over a period of 10 years.

Modern Terminals: Throughput (HK)
(Million TEUs)



Modern Terminals: Market Share (HK)
(%)



Modern Terminals (a 68%-owned subsidiary of Wharf)
For 2008, Modern Terminals group's consolidated revenue grew by 7% to HK$3,446 million while operating profit slid by 10% to HK$1,651 million. The lower operating profit was mainly due to increase in depreciation charges and start-up loss on operations of Da Chan Bay Terminal One ("DCB").

Modern Terminals' throughput in Hong Kong grew by 3% to 5.9 million TEUs and maintained a market share of 33.3% in Kwai Tsing during 2008, on the back of an increase in Intra-Asia services and South America services being partially offset by the decline in Europe and Middle East volume. In Shenzhen, Chiwan Container Terminal, in which Modern Terminals holds an 8% attributable stake, handled 3.9 million TEUs and Shekou Container Terminals, in which Modern Terminals holds a 27% stake, handled 4.1 million TEUs, a 24% increase from a year earlier. Such 27% stake was diluted from 30% upon the completion of stage two of a rationalisation agreement in 2008 and will be eventually diluted to 20% with the completion of all stages of rationalisation.

Taicang International Gateway (51%- and 70%-owned in Phases I & II respectively) expanded from four to six container berths with a capacity of 3.6 million TEUs. Throughput in 2008 was maintained at about one million TEUs.

DCB in Shenzhen (65%-owned) commenced commercial operations in July 2008 when Customs for DCB was fully functioning, after diligent efforts with Central and Provincial Government. With its berths coming on stream in stages, DCB has since been building up business steadily, achieving a throughput close to 90,000 TEUs in its initial year of operations.

Several strategic framework agreements have been signed including the ones with Dalian Port (PDA) Co. Ltd and the Dalian Municipal Government (Liaoning), and Zhoushan Port Authority (Zhejiang). These, together with possible further expansion at the existing terminals in Taicang and Dachan Bay, will affirm Modern Terminals' strong positioning in Greater China.

Other Hong Kong properties
Plaza Hollywood posted a 6% growth in turnover to HK$320 million, underpinned by favourable rental growth during the year. Average occupancy was maintained at over 99% throughout 2008.

For our Peak property portfolio, leasing activities remained active during the year. 1 Plantation Road, Chelsea Court and Mountain Court were almost fully let during 2008, with favourable rental growth in new lettings and renewals.

The group continues to actively look for opportunities to dispose of its non-core properties in accordance with its policy.

Marco Polo Hotels

Marco Polo Hotels currently has a portfolio of nine operating hotels in the Asia Pacific Region, with the opening of Marco Polo Wuhan hotel on 15 September 2008. The three hotels in Harbour City performed well during the year. Total hotel and club revenue was HK$1,042 million, and an 8% growth in average room rate was achieved. Despite a steady increase in average room rates, consolidated occupancy in 2008 slightly dropped to 86% (2007: 90%) on a slowdown in inbound tourism towards the year end, spurred by the global economic downturn.

Currently, two additional Marco Polo hotels are planned for the Wuxi and Changzhou markets.

Communication, Media and Entertainment

i-CABLE

Deteriorating economic conditions amidst the onslaught of the global financial turmoil, along with the harsh operating environment took toll on i-CABLE's financial performance in 2008. A special provision made for set-top-boxes to be replaced in 2009 upon the launch of a new conditional access system and a loss booked relating to film investments turned i-CABLE to a net loss after tax of HK$111 million from a net profit of HK$183 million in 2007. Nevertheless, thanks to its prudence in financial management, i-CABLE maintained a sound liquidity position, with net cash increasing to HK$690 million as at 31 December 2008 (2007: HK$642 million). The Pay TV subscriber base continuously grew to 917,000 by the end of 2008 (2007: 882,000). However, dilution from lower yield subscribers reduced total turnover and operating profit for this sector to HK$1,355 million (2007: HK$1,595 million) and HK$6 million (2007: HK$179 million) respectively.

On the Broadband front, subscriber base and turnover consolidated as i-CABLE adhered to a strategy of maintaining yield in the broadband access segment. Though the subscriber base slid to 267,000 (2007: 306,000), turnover was held at HK$576 million (2007: HK$588 million). Operating profit for the sector fell to HK$148 million (2007: HK$180 million).

i-CABLE's strong balance sheet and low cost base will put themselves in a good position to stay competitive in a harsh environment.

Wharf T&T

Wharf T&T, despite the devastating financial tsunami, continued to progress steadily in its business transformation and gained ground in both the telecom and IT sectors.

The fixed line installed base grew by 14,000 to 621,000, representing an overall market share of 13%. Business lines grew by 33,000 to 441,000 (for an 18% market share) while residential lines shrank by 19,000 to 180,000 (for an 8% market share). Total outgoing IDD volume (including wholesale and retail) dipped to 647 million minutes (2007: 706 million minutes).

Total turnover for the year rose by 12% to HK$1,641 million (2007: HK$1,460 million) while operating profit grew considerably to HK$140 million (2007: HK$47 million). Positive free cash flow increased to HK$223 million (2007: HK$80 million).

FINANCIAL REVIEW

(I) Results Review

The Company changed its financial year end date from 31 March to 31 December at the end of 2007. Accordingly, the Group's financial year 2008 covered the twelve months ended 31 December 2008, whereas the preceding financial period covered the nine months ended 31 December 2007 but consolidated financial statements for Wharf for full calendar year 2007.

Turnover and Operating profit

The Group's turnover for 2008 grew by 26% to HK$22,583 million (2007: HK$17,915 million), largely due to the substantial increase in property sales recognised by listed subsidiary WPSL on completion of two projects in Singapore. Wharf's turnover for 2008 slipped to HK$15,940 million (2007: HK$16,208 million), as strong growth in recurrent rental income substantially covered the decline in property sales in the year.

The Group's operating profit was HK$9,453 million (2007: HK$10,428 million), mainly comprising profits from Wharf of HK$7,639 million (2007: HK$9,516 million) and from WPL of HK$1,694 million (2007: HK$597 million). Decrease in Wharf's operating profit was principally due to the combined effect of lower profit recognition from property sales in 2008 and an exceptionally large one-off profit on disposal of investments in 2007.

Property Investment

Revenue and operating profit increased by 18% and 20% to HK$8,112 million (2007: HK$6,863 million) and HK$5,918 million (2007: HK$4,932 million) respectively. Benefitting from the continuing positive rental reversion and high occupancy, Wharf's Property Investment segment reported revenue growth of 16% to another record high at HK$7,606 million. The Group's other major investment properties, including Wheelock House and Crawford House in Hong Kong and Wheelock Place in Singapore, also achieved higher rental revenue during the year.

Property Development

Revenue rose sharply to HK$6,606 million (2007: HK$3,283 million) and operating profit was higher at HK$1,496 million (2007: HK$1,412 million). The Sea View and The Cosmopolitan projects in Singapore were completed during the year to enable revenue of HK$5,408 million and operating profit of HK$1,271 million to be recognised.

WPSL recognises revenue and profit on pre-sales of properties under development by stages using the percentage of completion method in accordance with generally accepted accounting principles in Singapore. However, the Group prepares its consolidated financial statements under Hong Kong Financial Reporting Standards and recognises revenue and profit on pre-sales of properties only upon their completion. Accordingly, revenue and profit from WPSL's The Sea View and The Cosmopolitan projects were not recognised until they were completed during the year under review and gave rise to an attributable net profit of HK$595 million in 2008. On the same basis, profits recognised by WPSL in 2008 in respect of its pre-sales of Ardmore II units and Scotts Square units (still under development) were reversed and excluded from the Group's consolidated results for 2008. As at 31 December 2008, the cumulative reversed profits attributable to the Group amounted to HK$528 million.

Wharf's property sales revenue in 2008 fell by 70% to HK$710 million, which was mainly derived from the sales of residential units at Wellington Garden and Wuhan Times Square in China.

Logistics
Revenue and operating profit of HK$3,875 million (2007: HK$3,625 million) and HK$1,763 million (2007: HK$1,914 million) respectively were reported. This reflected the increase in throughput handled by Modern Terminals in Hong Kong and China. However, operating profit was eroded by start-up losses from the new terminals in China. Together with contribution from other port operations undertaken by joint-ventures in the Mainland, Modern Terminals' net profit was virtually unchanged from 2007.

CME
Revenue and operating profit of HK$3,751 million (2007: HK$3,797 million) and HK$244 million (2007: HK$365 million) were reported. Wharf T&T reported a 198% increase in operating profit to HK$140 million while i-CABLE reported a decline of 57% to HK$154 million, partly due to non-recurring charges booked in the year.

Investment and Others
Investment revenue fell to HK$681 million (2007: HK$794 million) while operating profit fell to HK$472 million (2007: HK$2,222 million). The significant decrease in operating profit was mainly due to the inclusion in Wharf's 2007 results an exceptionally large profit on disposal of certain available-for-sale investments, which did not recur in 2008.

Increase in fair value of investment properties
The Group's investment properties were revalued by independent valuers as at 31 December 2008, which gave rise to a revaluation surplus of HK$2,158 million (2007: HK$10,878 million).

The attributable net surplus of HK$776 million (2007: HK$4,254 million), after deducting the related deferred tax and minority interests in total of HK$1,382 million (2007: HK$6,624 million), was credited to the consolidated profit and loss account.

Net other charge/credit

Included in the Group's profit was a net other charge of HK$1,229 million (2007: net other credit of HK$103 million), which mainly included impairment losses of HK$1,375 million (of which HK$811 million is attributable to the Group) mainly provided by WPSL on its investments in SC Global and HPL. Against this, the Group wrote back a provision of HK$146 million previously made in relation to a China project.

Finance costs

Finance costs charged to the consolidated profit and loss account were HK$1,695 million (2007: HK$1,212 million). The charge was after capitalisation of HK$235 million (2007: HK$242 million) for the Group's related assets.

Included in the finance costs was a mark-to-market unrealised loss of HK$508 million (2007: HK$96 million) incurred by Wharf on its cross-currency-interest rate swaps entered into to effectively convert the US$400 million fixed-rate notes issued in 2007 into a Japanese yen obligation to finance its RMB assets in the Mainland. Under this arrangement, an interest savings of about 3% per annum will be achieved over the tenure of the ten-year notes.

Share of results after tax of associates and jointly controlled entities

The share of profits of associates decreased to HK$7 million (2007: HK$269 million). Profit contribution from Modern Terminals' investment in Shekou increased. However, the share of losses in China property development undertaken by certain associates of Wharf and WPL increased after impairment provisions.

Excluding the property provisions, the share of associates' profit actually rose by 10% to HK$295 million (2007: HK$269 million).

Taxation

Taxation charge for the year was HK$1,201 million (2007: HK$4,639 million), which included deferred taxation of HK$495 million (2007: HK$2,535 million) provided on the current year's investment property revaluation surplus and a downward adjustment of HK$738 million (2007: Nil), of which HK$372 million is attributable to the Group, in respect of deferred tax liabilities previously provided on the Group's investment property revaluation surplus, resulting from the 1% reduction in Hong Kong profits tax rate.

Excluding the above tax effects, the tax charge was HK$1,444 million (2007: HK$2,104 million), including a tax provision of HK$292 million (2007: HK$336 million) made by Wharf for certain tax cases primarily relating to interest deductibility under discussion with the Inland Revenue Department and a tax credit of HK$314 million (2007: Nil), mainly attributable to WPSL's write-back of the tax previously provided on disposal of a subsidiary following a favourable ruling given by the Inland Revenue Authority of Singapore.

Minority interests

Profit shared by minority interests was HK$4,066 million (2007: HK$8,239 million), which was mainly attributable to the profit of Wharf and WPL.

Profit attributable to equity shareholders

Group profit attributable to equity shareholders decreased by 55% to HK$3,432 million (2007: HK$7,615 million). Earnings per share were HK$1.69 (2007: HK$3.75).

Excluding the exceptional impairment losses for investments and the net attributable investment property revaluation surplus after related deferred tax charge and the credit adjustment resulted from the 1% tax rate reduction, the Group's net profit attributable to equity shareholders decreased by 9% to HK$3,095 million (2007: HK$3,414 million).

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	**Year ended 31/12/2008 HK$ Million**	Period ended 31/12/2007 HK$ Million
Wharf group	**2,085**	2,886
WPL group (excluded dividends from Wharf)	**847**	321
The Company and its other subsidiaries	**163**	207
Profit before exceptional provisions and investment property revaluation surplus	**3,095**	3,414
Attributable impairment loss for investments	**(811)**	(53)
Attributable investment property revaluation surplus (after deferred tax)	**776**	4,254
Attributable tax credit adjustment on reduction of tax rate	**372**	–
Profit attributable to equity shareholders	**3,432**	7,615

Wharf's profit for the year ended 31 December 2008 was HK$6,247 million (2007: HK$13,143 million). Excluding the net investment property revaluation surplus after related tax credit adjustment, Wharf's net profit was HK$4,194 million (2007: HK$5,947 million).

WPL's profit for the year ended 31 December 2008 was HK$816 million (2007: HK$1,540 million). Excluding the net investment property revaluation surplus after related tax credit adjustment and the impairment losses for investments, WPL's net profit was HK$1,293 million (2007: HK$570 million). During the year, WPL received a dividend of HK$155 million (2007: HK$138 million) from its 7% holdings in Wharf.

(II) Liquidity, Financial Resources and Capital Commitments

Shareholders' and total equity

The Group's shareholders' equity increased by 4% to HK$58.7 billion or HK$28.91 per share as at 31 December 2008, compared to HK$56.7 billion or HK$27.88 per share as at 31 December 2007.

Including the minority interests, the Group's total equity was HK$123.2 billion (2007: HK$114.2 billion).

Total assets

The Group's total assets increased by 11% to HK$198.2 billion (2007: HK$179.1 billion), which mainly included HK$5.3 billion for investment properties and container terminal assets, HK$12.2 billion in investment in China projects undertaken solely or through joint ventures, and HK$9.8 billion of bank deposits and cash, partly offset by HK$5.3 billion decrease in investments.

Debts and gearing

The Group's net debt was HK$22.7 billion as at 31 December 2008 (2007: HK$21.9 billion), which was made up of HK$45.6 billion in debts and HK$22.9 billion in bank deposits and cash. Excluding Wharf's net debt of HK$22.1 billion, which is non-recourse to the Company and its wholly-owned subsidiaries, the net debt was HK$573 million (2007: net cash of HK$1.7 billion). Analysis of the net debt by group is as below:

Net debt/(cash)	31/12/2008 HK$ Million	31/12/2007 HK$ Million
Wheelock Group (excludes Wharf)	573	(1,653)
Wheelock/wholly-owned subsidiaries	4,052	932
WPL	(1,514)	(2,291)
WPSL	(1,965)	(294)
Wharf group	22,123	23,565
Wharf (excludes below subsidiaries)	10,418	13,331
Modern Terminals	10,556	9,602
HCDL	1,807	1,274
i-CABLE	(658)	(642)
Group	22,696	21,912
Gearing of the Group:		
Net debt to shareholders' equity	38.6%	38.7%
Net debt to total equity	18.4%	19.2%

In January 2008, Wharf completed a rights issue and received net proceeds of HK$9.1 billion, of which HK$3,962 million and HK$646 million were paid by Wheelock and WPL for their respective subscriptions.

In March 2008, HCDL completed a rights issue and received net proceeds of HK$2.0 billion, of which HK$1.56 billion was paid by Wharf for its subscription.

Finance and availability of facilities

During the year, the Group took advantage of market opportunities before the devastating financial tsunami and increased its available loan facilities and debt securities aggregating to HK$66.8 billion (2007: HK$58.3 billion), of which HK$45.6 billion were drawn and the undrawn facilities as at 31 December 2008 are analysed as below:

	Available Facility HK$ Billion	Total Debts HK$ Billion	Total Debts %	Undrawn Facility HK$ Billion
Wheelock Group (excludes Wharf)	10.3	7.6	17%	2.7
Wheelock/wholly-owned subsidiaries	6.9	5.5	12%	1.4
WPL	0.2	–	0%	0.2
WPSL	3.2	2.1	5%	1.1
Wharf group	56.5	38.0	83%	18.5
Wharf (excludes below subsidiaries)	35.3	24.3	53%	11.0
Modern Terminals	16.5	10.6	23%	5.9
HCDL	4.1	3.1	7%	1.0
i-CABLE	0.6	–	0%	0.6
	66.8	**45.6**	**100%**	**21.2**

Of the above debts, HK$15.3 billion (2007: HK$6.3 billion) was secured by mortgage over certain properties under development, fixed assets, investments and bank deposits with total carrying value of HK$41.1 billion (2007: HK$16.4 billion).

The Group's debts were primarily denominated in Hong Kong dollar ("HKD"), United States dollar, 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 monitored and controlled. The majority of the derivative financial instruments entered into by the Group were primarily used for management of the Group's interest rate and foreign currency exposures.

The Group maintained ample surplus cash, which was denominated principally in HKD, RMB and SGD, and undrawn committed facilities 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 2008 of HK$2.3 billion (2007: HK$7.6 billion), which is immediately available for liquidation for the Group's use.

Net cash flows for the Group's operating and investing activities

For the year under review, the Group generated a net operating cash inflow before changes in working capital of HK$10.2 billion (2007: HK$9.4 billion). The changes in working capital for 2008 resulted in a net cash outflow of HK$6.1 billion (2007: HK$2.1 billion), primarily related to Wharf's payment for land and construction cost for its development properties in China. For investing activities, the Group spent a net amount of HK$6.2 billion, which included HK$3.9 billion for net investments in jointly controlled entities and associates involving in property development projects in China, HK$3.7 billion capital expenditure mainly for berth construction and purchase of operating equipment by Modern Terminals for its China port projects and HK$1.5 billion proceeds from disposal of available-for-sale investments.

Major expenditure and commitments

The major expenditure, substantially incurred by Wharf's core businesses, during the year and related commitments as at 31 December 2008 are analysed as follows:

	Expenditure for 2008	Commitments as at 31 December 2008	
Business Unit/Company	**HK$ Million**	**Authorised and Contracted for HK$ Million**	**Authorised but not Contracted for HK$ Million**
(a) Capital expenditure			
Wharf group			
Property Investments/others	961	803	679
Wharf T&T	324	57	142
Modern Terminals (67.6%-owned)	2,216	1,356	1,583
i-CABLE (73.8%-owned)	144	56	44
	3,645	2,272	2,448
WPL group and others	91	9	–
	3,736	**2,281**	**2,448**
(b) Programming and others	**103**	**783**	**71**
(c) Properties under development			
Wharf group	11,786	14,138	43,268
Subsidiaries (China/Hong Kong)	8,243	10,600	35,090
JCEs and associates (China)	3,543	3,538	8,178
WPL group/others	1,620	1,912	1,739
Subsidiaries (Singapore/Hong Kong)	1,084	1,788	251
Associates (China)	536	124	1,488
	13,406	**16,050**	**45,007**

The above capital expenditure for Wharf's Property Investment segment was mainly related to construction cost of its Shanghai Wheelock Square, Wuhan Times Square and Dalian Times Square, and certain refurbishment and renovation work of 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, network rollout and internet service equipment while that for Modern Terminals was mainly incurred for construction of the Da Chan Bay Phase I and Taicang Phase II ports. i-CABLE, Modern Terminals and WPL respectively 73.8%, 67.6% and 74.3% owned by the Group, funded their own capital expenditure programmes.

In addition to the capital expenditure, the Group also incurred HK$13.4 billion (HK$11.8 billion and HK$1.6 billion incurred by Wharf and WPL respectively) for its trading properties under development mainly in China, including projects undertaken through associates and jointly controlled entities.

As at 31 December 2008, Wharf's commitments to properties under development in China by its subsidiaries or through associates and jointly controlled entities included land cost of about HK$11.6 billion payable by instalments mainly in 2009 and 2010. These developments will be executed by stages in the forthcoming years. WPL's commitments to properties under development were mainly related to property development projects in Singapore and Hong Kong. The above commitments will be funded by the respective groups' own internal financial resources including surplus cash, as well as bank and other financings. Other available resources include available-for-sale investments and proceeds from sales and pre-sales of properties.

(III) Human Resources

The Group has 13,577 employees as at 31 December 2008 (31 December 2007: 13,384). Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective groups' achievement and results. Total staff costs for the year under review amounted to HK$2,813 million (2007: HK$2,593 million).

(A) CORPORATE GOVERNANCE PRACTICES

During the financial year ended 31 December 2008, 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 for Securities Transactions by Directors of Listed Issuers (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 financial year ended 31 December 2008, they have confirmed that they have complied with the Model Code during the financial year.

(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 balanced composition of executive and non-executive directors. Four Board meetings were held during the financial year ended 31 December 2008. The composition of the Board and attendance of the Directors are set out below:

Directors	Attendance at Meetings
Chairman	
Peter K C Woo	4
Senior Deputy Chairman	
Gonzaga W J Li	4
Deputy Chairman	
Stephen T H Ng	4
Executive Director & Group Chief Financial Officer	
Paul Y C Tsui	4
Independent Non-executive Directors	
Alexander S K Au	4
B M Chang	2
Kenneth W S Ting	3

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 & Group Chief Financial Officer 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 & Group Chief Financial Officer 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.

Two Remuneration Committee meetings were held during the financial year ended 31 December 2008. Attendance of the Members is set out below:

Members	Attendance at Meetings
Peter K C Woo, *Chairman*	2
Alexander S K Au	2
Kenneth W S Ting	2

(i) 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.

(ii) The work performed by the Remuneration Committee for the financial year ended 31 December 2008 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 review 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$21 million and HK$4 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.

Four Audit Committee meetings were held during the financial year ended 31 December 2008. Attendance of the Members is set out below:

Members	**Attendance at Meetings**
Alexander S K Au, *Chairman*	4
B M Chang	2
Kenneth W S Ting	4

(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 financial year ended 31 December 2008 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. Findings regarding internal control matters are reported to the Audit Committee. The external auditors have access to a full set of internal audit reports.

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 financial year ended 31 December 2008. Based on the result of the review, in respect of the financial year ended 31 December 2008, 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 financial year ended 31 December 2008, 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 year 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 financial year ended 31 December 2008:

(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 Board and external auditors attend the Annual General Meetings to answer Shareholders' questions.

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

Pursuant to the Hong Kong Companies Ordinance, on requisition of 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.

Report of the Directors

The Directors have pleasure in submitting their Report and the Audited Financial Statements for the financial year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 121 to 124.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the financial year ended 31 December 2008 are set out in the Consolidated Profit and Loss Account on page 45.

Appropriations of profits and movements in reserves during the financial year are set out in Note 31 to the Financial Statements on pages 95 to 97.

DIVIDENDS

An interim dividend of 2.5 cents per share was paid on 30 September 2008. The Directors have now recommended for adoption at the Annual General Meeting to be held on Monday, 8 June 2009 the payment on 11 June 2009 to Shareholders on record as at 8 June 2009 of a final dividend of 10.0 cents per share in respect of the financial year ended 31 December 2008. This recommendation has been disclosed in the Financial Statements.

FIXED ASSETS

Movements in fixed assets during the financial year are set out in Note 12 to the Financial Statements on page 66.

DONATIONS

The Group made donations during the financial year totalling HK$14 million.

DIRECTORS

The Directors of the Company during the financial year 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 P K C Woo, P Y C Tsui, A S K Au and K W S Ting 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 of the Company had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during that financial year.

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 year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the financial year 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 year.

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 year, 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 year.

AUDITORS

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

By Order of the Board
Wilson W S Chan
Secretary

Hong Kong, 25 March 2009

SUPPLEMENTARY CORPORATE INFORMATION

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

(I) Directors

Peter K C WOO, *GBS, JP, Chairman (Age: 62)*

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, all being publicly-listed subsidiaries of the Company. He is also a director of certain other subsidiaries of the Company. 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.

Mr Woo serves as a member of the Standing Committee of the Eleventh National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He 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 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: 79)*

Mr Li has been a Director of the Company since 1969 and became Chairman in 1996. He relinquished the title of Chairman in 2002 and has since assumed the title of Senior Deputy Chairman of the Company. He is also the senior deputy chairman of Wharf and the chairman of Harbour Centre Development Limited ("HCDL") as well as a director of WPL, all being publicly-listed subsidiaries of the Company. He is also the chief executive officer and a director of Wharf China Limited, and a director of certain other subsidiaries of the Company. Mr Li was formerly a director of publicly-listed Joyce Boutique Holdings Limited ("Joyce") from 2000 to 2008.

Stephen T H NG, *Deputy Chairman (Age: 56)*
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 i-CABLE Communications Limited ("i-CABLE"), which is a publicly-listed subsidiary of the Company. He is also the chairman of Modern Terminals Limited, the chairman and chief executive officer of Wharf T&T Limited, and the chairman of Joyce. He is also a director of certain other subsidiaries of the Company.

Paul Y C TSUI, *Executive Director & Group Chief Financial Officer (Age: 62)*
Mr Tsui, *FCCA, FCPA, FCMA, FCIS, CGA-Canada*, has been a Director of the Company since 1998. He became Executive Director of the Company in 2003 and is currently also the Group Chief Financial Officer. He is also an executive director and the group chief financial officer of Wharf as well as a director of WPL, WPSL, Joyce and certain other subsidiaries of the Company.

Alexander S K AU, *OBE, Director (Age: 62)*
Mr Au, *ACA, FCCA, FCPA, AAIA, FCIB, FHKIB*, 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. An accountant by training, Mr Au is a Chartered Accountant as well as a Fellow of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is also a member of the Council of the Hong Kong University of Science and Technology.

B M CHANG, *Director (Age: 80)*
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: 66)*
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 as well as the chairman of Kader Industrial Company Limited, a non-executive director of publicly-listed New Island Printing Holdings Limited and an independent non-executive director of publicly-listed Times Ltd. Mr Ting currently serves as the chairman of the Hong Kong Ethics Development Advisory Committee, ICAC, the non-executive director of the Mandatory Provident Fund Schemes Authority, the president of the Hong Kong Plastics Manufacturers' Association Limited and HK Wuxi Trade Association Limited, and also the honorary president of the Federation of Hong Kong Industries, the Chinese Manufacturers' Association of Hong Kong and 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-executive 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 & Group Chief Financial Officer 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 2008, 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	772,367 (0.0280%)	Personal Interest
S T H Ng	731,314 (0.0266%)	Personal Interest
K W S Ting	152,000 (0.0055%)	Personal Interest
i-CABLE		
G W J Li	68,655 (0.0034%)	Personal Interest
S T H Ng	1,065,005 (0.0529%)	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.

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 year 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 year 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 2008, 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	142,416,000 (7.01%)
(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 2008, there were no short position interests recorded in the Register.

(D) MAJOR CUSTOMERS & SUPPLIERS

For the financial year ended 31 December 2008:

(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.

(E) BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Particulars of any and all bank loans, overdrafts and/or other borrowings of the Company and of the Group as at 31 December 2008 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 page 83.

(F) INTEREST CAPITALISED

The amount of interest capitalised by the Group during the financial year is set out in Note 6 to the Financial Statements on page 61.

(G) 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 financial year ended 31 December 2008.

(H) 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 an announcement of the Company dated 21 August 2007 and are required under the Listing Rules to be disclosed in the Annual Report and Financial Statements of the Company:

(a) Tenancy Agreements with City Super Limited

During the financial year under review, there existed 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. The City Super Transactions are for the purpose of earning rental revenue for the Wharf group. The amount of rent received by the Wharf group for the year ended 31 December 2008 and certain particulars are as follows:

Location of the City Super store premises	HK$ Million
1. B101-B109, Basement 1, Times Square, Causeway Bay, Hong Kong	35.93
2. Shops 3001-3002, and 3103-3104, Level 3, Gateway Arcade, Harbour City, Kowloon, Hong Kong	32.61

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 which in turn is indirectly wholly-owned by a trust (the "Trust") the settlor of which is the Chairman of the Company.

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

(b) Tenancy Agreement with Ferragamo Retail HK Limited

During the financial year under review, there also existed a tenancy agreement between a wholly-owned subsidiary of Wharf as the landlord and Ferragamo Retail HK Limited ("Ferragamo") as the tenant. This tenancy transaction (the "Ferragamo Transaction") is for the purpose of earning rental revenue for the Wharf group. The amount of rent received by the Wharf group for the year ended 31 December 2008 and certain particulars are as follows:

Location of the Ferragamo shop	HK$ Million
Portions of Ground Floor and Level 1, Ocean Centre, Harbour City, Kowloon, Hong Kong	18.24

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 rental receivable by the Wharf group from the Ferragamo Transaction is subject to an annual cap amount previously disclosed in the abovementioned announcement dated 21 August 2007.

(c) With regard to the Related Party Transactions as disclosed under Note 34 to the Financial Statements on page 99, the transaction stated under paragraph (b) therein does not constitute a connected transaction for the Company under the Listing Rules.

(d) Confirmation from Directors etc.

The Directors, including the independent Non-executive Directors, of the Company have reviewed the City Super Transactions and the Ferragamo Transaction (collectively, the "Transactions") mentioned under Sections H(a) and H(b) 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 financial year ended 31 December 2008.

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 45 to 125, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated profit and loss account, the consolidated statement of recognised income and expense and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY 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. This 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 appropriate 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 2008 and of the Group's profit and cash flows for the year then ended in accordance with 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

25 March 2009

Consolidated Profit and Loss Account

For the year ended 31 December 2008

	Note	Year ended 31/12/2008 HK$ Million	Period ended 31/12/2007 HK$ Million
Turnover	2	**22,583**	17,915
Other net income	4	**170**	1,830
		22,753	19,745
Direct costs and operating expenses		**(10,141)**	(6,427)
Selling and marketing expenses		**(725)**	(766)
Administrative and corporate expenses		**(1,039)**	(848)
Operating profit before depreciation, amortisation, interest and tax		**10,848**	11,704
Depreciation and amortisation	3	**(1,395)**	(1,276)
Operating profit	2 & 3	**9,453**	10,428
Increase in fair value of investment properties		**2,158**	10,878
Net other (charge)/credit	5	**(1,229)**	103
		10,382	21,409
Finance costs	6	**(1,695)**	(1,212)
Share of results after tax of:			
Associates	7	**7**	269
Jointly controlled entities	16	**5**	27
Profit before taxation		**8,699**	20,493
Taxation	8	**(1,201)**	(4,639)
Profit for the year/period		**7,498**	15,854
Profit attributable to:			
Equity shareholders		**3,432**	7,615
Minority interests		**4,066**	8,239
		7,498	15,854
Dividends attributable to equity shareholders	10		
Interim dividend declared		**51**	51
Final dividend proposed		**203**	203
		254	254
Earnings per share	11	**HK$1.69**	HK$3.75

The comparative figures for the nine months ended 31 December 2007 included Wharf's financial results for the twelve months ended 31 December 2007 as explained in note 1 to the financial statements. The notes and principal accounting policies on pages 52 to 125 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2008

	Note	2008 HK$ Million	2007 HK$ Million
Non-current assets			
Investment properties		**108,830**	105,836
Leasehold land		**4,203**	3,775
Other property, plant and equipment		**17,663**	15,779
Total fixed assets	12	**130,696**	125,390
Goodwill and other intangible assets	14	**297**	302
Interest in associates	15	**5,438**	5,096
Interest in jointly controlled entities	16	**7,989**	4,555
Available-for-sale investments	17	**2,279**	7,622
Long term receivables	18	**411**	447
Programming library		**132**	184
Employee retirement benefit assets	19	**–**	239
Deferred tax assets	27	**484**	360
Derivative financial assets	22	**83**	17
		147,809	144,212
Current assets			
Properties for sale	20	**24,660**	19,805
Inventories		**112**	97
Trade and other receivables	21	**2,686**	1,878
Derivative financial assets	22	**12**	54
Bank deposits and cash	23	**22,927**	13,079
		50,397	34,913
Current liabilities			
Trade and other payables	24	**(6,603)**	(6,038)
Bank loans and other borrowings	25	**(4,955)**	(7,120)
Deposits from sale of properties	26	**(3,537)**	(5,046)
Derivative financial liabilities	22	**(206)**	(131)
Taxation payable	8(f)	**(1,582)**	(1,774)
Dividend payable	10	**–**	(51)
		(16,883)	(20,160)
Net current assets		**33,514**	14,753
Total assets less current liabilities		**181,323**	158,965

At 31 December 2008

	Note	2008 HK$ Million	2007 HK$ Million
Non-current liabilities			
Bank loans and other borrowings	25	**(40,668)**	(27,871)
Deferred tax liabilities	27	**(16,258)**	(16,578)
Other deferred liabilities	28	**(262)**	(261)
Derivative financial liabilities	22	**(738)**	(96)
Employee retirement benefit liabilities	19	**(154)**	–
		(58,080)	(44,806)
NET ASSETS		**123,243**	114,159
Capital and reserves			
Share capital	30	**1,016**	1,016
Reserves		**57,717**	55,635
Shareholders' equity	31	**58,733**	56,651
Minority interests	31	**64,510**	57,508
TOTAL EQUITY	31	**123,243**	114,159

The notes and principal accounting policies on pages 52 to 125 form part of these financial statements.

Peter K C Woo
Chairman

Paul Y C Tsui
Executive Director &
Group Chief Financial Officer

Company Balance Sheet

At 31 December 2008

	Note	2008 HK$ Million	2007 HK$ Million
Non-current assets			
Interest in subsidiaries	13	**9,640**	4,549
Current assets			
Receivables and prepayment		**58**	–
Bank deposits and cash	23	**311**	–
		369	–
Current liabilities			
Trade and other payables		**(8)**	(4)
Taxation payable		**(4)**	–
Dividend payable	10	**–**	(51)
		(12)	(55)
Net current assets/(liabilities)		**357**	(55)
Total assets less current liabilities		**9,997**	4,494
Non-current liabilities			
Bank loans	25	**(5,500)**	–
NET ASSETS		**4,497**	4,494
Capital and reserves			
Share capital	30	**1,016**	1,016
Reserves		**3,481**	3,478
SHAREHOLDERS' EQUITY	31	**4,497**	4,494

The notes and principal accounting policies on pages 52 to 125 form part of these financial statements.

Peter K C Woo
Chairman

Paul Y C Tsui
Executive Director &
Group Chief Financial Officer

Consolidated Statement of Recognised Income and Expense

For the year ended 31 December 2008

	Note	**Year ended 31/12/2008 HK$ Million**	Period ended 31/12/2007 HK$ Million
(Deficit)/surplus on revaluation of available-for-sale investments	31	**(3,547)**	60
Actuarial loss on defined benefit pension schemes	31	**(412)**	(5)
Exchange differences	31	**800**	1,019
Cash flow hedge:			
Transfer from equity to the profit and loss account	31	**(45)**	–
Effective portion of changes in fair value	31	**–**	45
Others	31	**(2)**	18
Reserves transferred to the profit and loss account on:			
Disposal of available-for-sale investments	31	**(418)**	(1,009)
Impairment on available-for-sale investments	31	**1,375**	81
Share of reserves of associates/jointly controlled entities	31	**187**	64
Net (expense)/income not recognised in the profit and loss account		**(2,062)**	273
Profit for the year/period	31	**7,498**	15,854
Total recognised income for the year/period attributable to:			
Equity shareholders		**2,336**	7,643
Minority interests		**3,100**	8,484
		5,436	16,127

The comparative figures for the nine months ended 31 December 2007 included Wharf's recognised income and expense for the twelve months ended 31 December 2007 as explained in note 1 to the financial statements. The notes and principal accounting policies on pages 52 to 125 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	Year ended 31/12/2008 HK$ Million	Period ended 31/12/2007 HK$ Million
Operating cash inflow		**10,150**	9,365
Changes in working capital		**(6,138)**	(2,079)
Cash generated from operations	(a)	**4,012**	7,286
Interest received		**322**	246
Interest paid		**(1,325)**	(1,365)
Dividends received from associates		**235**	148
Dividends received from jointly controlled entities		**49**	–
Dividends received from investments		**222**	518
Hong Kong profits tax paid		**(1,391)**	(910)
Overseas tax paid		**(345)**	(89)
Net cash generated from operating activities		**1,779**	5,834
Investing activities			
Purchase of fixed assets		**(3,659)**	(3,663)
Additions to programming library		**(103)**	(130)
Net increase in associates		**(467)**	(4,410)
Net increase in jointly controlled entities		**(3,395)**	(3,709)
Purchase of available-for-sale investments		**(282)**	(5,424)
Increase in interest in a subsidiary		**–**	(44)
Proceeds from disposal of fixed assets		**6**	40
Proceeds from disposal of properties		**121**	695
Proceeds from disposal of available-for-sale investments		**1,520**	5,769
Repayment of long term receivables		**36**	51
Refund/(placing) of pledged deposits		**22**	(707)
Net cash used in investing activities		**(6,201)**	(11,532)
Financing activities			
Net drawdown of long term bank loans and other borrowings		**16,360**	11,227
Net repayment of short term bank loans and other borrowings		**(5,747)**	(2,193)
Issue of shares by subsidiaries to minority interests	(b)	**5,487**	197
Dividend paid to equity shareholders		**(305)**	(203)
Dividend paid to minority interests		**(1,585)**	(1,404)
Net cash generated from financing activities		**14,210**	7,624
Net increase in cash and cash equivalents		**9,788**	1,926
Cash and cash equivalents at 1 January/1 April		**12,372**	10,235
Effect of foreign exchange rate changes		**82**	211
Cash and cash equivalents at 31 December	23	**22,242**	12,372

The comparative figures for the nine months ended 31 December 2007 included Wharf's cash flows for the twelve months ended 31 December 2007 as explained in note 1 to the financial statements.

NOTES TO CONSOLIDATED CASH FLOW STATEMENT

a) *Reconciliation of operating profit to cash generated from operations*

	Year ended 31/12/2008 HK$ Million	Period ended 31/12/2007 HK$ Million
Operating profit	**9,453**	10,428
Adjustments for:		
Interest income	**(324)**	(244)
Dividend income from investments	**(220)**	(495)
Depreciation	**1,161**	1,094
Amortisation	**234**	182
Net profit on disposal of available-for-sale investments	**(133)**	(1,790)
Net profit on disposal of properties	**(19)**	(12)
Loss/(profit) on disposal of fixed assets	**4**	(32)
Impairment loss on fixed assets/programming library	**29**	–
Exchange differences/others	**(35)**	234
Operating cash inflow before working capital changes	**10,150**	9,365
Increase in properties under development for sale	**(9,327)**	(6,303)
Decrease in completed properties for sale	**4,956**	1,736
Increase in inventories	**(15)**	(12)
(Increase)/decrease in trade and other receivables	**(779)**	86
(Decrease)/increase in deposits from sale of properties	**(1,509)**	1,629
Increase in trade and other payables	**478**	680
Increase in derivative financial liabilities	**76**	130
Other non-cash items	**(18)**	(25)
Changes in working capital	**(6,138)**	(2,079)
Cash generated from operations	**4,012**	7,286

b) *Issue of shares by subsidiaries*

Cash inflow from issues of shares by subsidiaries to minority interests in 2008 included proceeds of HK$4,512 million from minority shareholders of The Wharf (Holdings) Limited and HK$453 million from minority shareholders of Harbour Centre Development Limited for their rights issues in January 2008 and March 2008 respectively.

1. FINANCIAL YEAR END DATE

The Company changed its financial year end date from 31 March to 31 December in the last financial period. The comparative figures, which cover a period for the nine months from 1 April 2007 to 31 December 2007, cover Wharf's financial statements for the twelve months from 1 January 2007 to 31 December 2007. As a result of the change in the year end date of the Company, all the comparative figures and related notes are therefore not entirely comparable with those of the current year. Further details are set out in note 1 to the 2007 annual report.

2. SEGMENT INFORMATION

a) *Business segments*

(i) Revenue and results	Revenue Year ended 31/12/2008 HK$ Million	Revenue Period ended 31/12/2007 HK$ Million	Results Year ended 31/12/2008 HK$ Million	Results Period ended 31/12/2007 HK$ Million
Property investment	**8,112**	6,863	**5,918**	4,932
Hong Kong	**6,336**	5,346	**5,206**	4,322
China	**514**	416	**254**	197
Singapore	**208**	129	**150**	93
Hotels	**1,054**	972	**308**	320
Property development	**6,606**	3,283	**1,496**	1,412
Hong Kong	**488**	1,508	**134**	609
China	**710**	1,619	**91**	718
Singapore	**5,408**	156	**1,271**	85
Communications, media and entertainment ("CME")	**3,751**	3,797	**244**	365
Pay television	**1,355**	1,595	**6**	179
Internet and multimedia	**576**	588	**148**	180
Telecommunications	**1,641**	1,460	**140**	47
Others	**179**	154	**(50)**	(41)
Logistics	**3,875**	3,625	**1,763**	1,914
Terminals	**3,446**	3,216	**1,608**	1,764
Others	**429**	409	**155**	150

	Revenue		Results	
	Year ended 31/12/2008 HK$ Million	Period ended 31/12/2007 HK$ Million	**Year ended 31/12/2008 HK$ Million**	Period ended 31/12/2007 HK$ Million
Investment and others	**681**	794	**472**	2,222
	23,025	18,362	**9,893**	10,845
Inter-segment revenue (Note)	**(442)**	(447)	**–**	–
	22,583	17,915	**9,893**	10,845
Unallocated expenses			**(440)**	(417)
Operating profit			**9,453**	10,428
Increase in fair value of investment properties			**2,158**	10,878
Net other (charge)/credit			**(1,229)**	103
Property development			**146**	184
Investment and others			**(1,375)**	(81)
			10,382	21,409
Finance costs			**(1,695)**	(1,212)
Associates			**7**	269
Property development			**(283)**	33
Terminals			**307**	236
CME			**(17)**	–
Jointly controlled entities			**5**	27
Property development			**(28)**	–
Terminals			**33**	27
Profit before taxation			**8,699**	20,493
Taxation			**(1,201)**	(4,639)
Profit for the year/period			**7,498**	15,854

Note

Inter-segment revenue eliminated on consolidation includes:

	Year ended 31/12/2008 HK$ Million	Period ended 31/12/2007 HK$ Million
Property investment	**162**	146
CME	**182**	224
Investment and others	**98**	77
	442	447

(ii) Assets and liabilities

	Assets		Liabilities	
Assets and liabilities	**2008 HK$ Million**	2007 HK$ Million	**2008 HK$ Million**	2007 HK$ Million
Property investment	**113,848**	110,011	**2,692**	2,529
Hong Kong	**98,525**	96,904	**1,970**	1,809
China	**9,363**	8,149	**389**	322
Singapore	**4,939**	4,431	**109**	101
Hotels	**1,021**	527	**224**	297
Property development	**34,891**	25,756	**4,990**	6,422
Hong Kong	**3,348**	3,436	**499**	427
China	**25,888**	13,672	**2,047**	1,310
Singapore	**5,655**	8,648	**2,444**	4,685
CME	**4,347**	4,647	**1,033**	965
Pay television	**1,052**	1,160	**362**	354
Internet and multimedia	**474**	509	**129**	129
Telecommunications	**2,775**	2,853	**541**	480
Others	**46**	125	**1**	2
Logistics	**18,445**	16,876	**1,278**	1,095
Terminals	**18,241**	16,686	**1,211**	1,045
Others	**204**	190	**67**	50
Investment and others	**2,363**	7,733	**16**	31
Unallocated items	**24,312**	14,102	**64,954**	53,924
Group total	**198,206**	179,125	**74,963**	64,966

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

	2008 HK$ Million	2007 HK$ Million
Property development	**9,180**	5,282
CME	**39**	59
Logistics	**4,208**	4,310
Group total	**13,427**	9,651

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

(iii) Other information	**Capital expenditure** Year ended 31/12/2008 HK$ Million	Capital expenditure Period ended 31/12/2007 HK$ Million	**Increase in interests in associates and jointly controlled entities** Year ended 31/12/2008 HK$ Million	Increase in interests in associates and jointly controlled entities Period ended 31/12/2007 HK$ Million	**Depreciation and amortisation** Year ended 31/12/2008 HK$ Million	Depreciation and amortisation Period ended 31/12/2007 HK$ Million
Property investment	**1,038**	622	**–**	–	**131**	125
Hong Kong	**252**	215	**–**	–	**21**	21
China	**697**	149	**–**	–	**27**	21
Singapore	**65**	38	**–**	–	**1**	2
Hotels	**24**	220	**–**	–	**82**	81
Property development						
China	**–**	–	**4,079**	5,154	**–**	–
CME	**472**	451	**–**	59	**890**	890
Pay television	**70**	62	**–**	–	**328**	318
Internet and multimedia	**63**	68	**–**	–	**120**	144
Telecommunications	**324**	276	**–**	–	**386**	385
Others	**15**	45	**–**	59	**56**	43
Logistics	**2,226**	2,763	**4**	2,911	**374**	261
Terminals	**2,216**	2,757	**4**	2,911	**360**	248
Others	**10**	6	**–**	–	**14**	13
Group total	**3,736**	3,836	**4,083**	8,124	**1,395**	1,276

In addition, CME segment incurred HK$103 million (2007: HK$130 million) for its programming library. The Group has no significant non-cash expenses other than depreciation and amortisation.

b) Geographical segments

	Revenue		Operating profit	
	Year ended 31/12/2008 HK$ Million	Period ended 31/12/2007 HK$ Million	**Year ended 31/12/2008 HK$ Million**	Period ended 31/12/2007 HK$ Million
Hong Kong	**15,324**	15,298	**7,743**	8,993
China	**1,510**	2,096	**105**	876
Singapore	**5,749**	521	**1,605**	559
Group total	**22,583**	17,915	**9,453**	10,428

	Assets	
	2008 HK$ Million	2007 HK$ Million
Hong Kong	**129,229**	121,886
China	**52,084**	35,435
Singapore	**16,893**	21,804
Group total	**198,206**	179,125

	Capital expenditure		Increase in interests in associates and jointly controlled entities	
	Year ended 31/12/2008 HK$ Million	Period ended 31/12/2007 HK$ Million	**Year ended 31/12/2008 HK$ Million**	Period ended 31/12/2007 HK$ Million
Hong Kong	**897**	1,093	**–**	61
China	**2,774**	2,705	**4,083**	8,063
Singapore	**65**	38	**–**	–
Group total	**3,736**	3,836	**4,083**	8,124

3. OPERATING PROFIT

a) *Operating profit*

	Year ended 31/12/2008 HK$ Million	Period ended 31/12/2007 HK$ Million
Operating profit is arrived at after charging/(crediting):		
Depreciation:		
Assets held for use under operating leases	**96**	91
Other fixed assets	**1,065**	1,003
	1,161	1,094
Amortisation:		
Programming library	**142**	131
Leasehold land (Note 12)	**87**	47
Other intangible assets (Note 14)	**5**	4
Total depreciation and amortisation	**1,395**	1,276
Impairment losses on fixed assets/programming library	**29**	–
Impairment loss on trade receivables	**84**	26
Staff costs	**2,813**	2,593
Including:		
Contributions to defined contribution pension schemes including MPF schemes and after a forfeiture of HK$2 million (2007: HK$5 million)	**112**	94
Income recognised in respect of defined benefit pension schemes (Note 19)	**(16)**	(11)
Auditors' remuneration:		
Audit services	**21**	20
Other services	**4**	6
Cost of trading properties sold	**4,989**	1,706
Net foreign exchange loss, including impact of forward foreign exchange contracts (Note)	**137**	38
Rental charges under operating leases in respect of telecommunications equipment and services	**98**	101
Rental income less direct outgoings	**(5,712)**	(4,674)
– including contingent rentals	**(632)**	(459)
Interest income	**(324)**	(244)
Dividend income from listed investments	**(126)**	(313)
Dividend income from unlisted investments	**(94)**	(182)
Loss/(profit) on disposal of fixed assets	**4**	(32)
Rental income under operating leases in respect of owned plant and machinery	**(61)**	(81)

Note: Apart from the above exchange differences, there was a net exchange gain of HK$987 million (2007: HK$1,083 million) arising from the translation of the net investments in WPSL and certain China subsidiaries, associates and jointly controlled entities, which has been dealt with as an equity movement.

b) *Directors' emoluments*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Contributions to pension schemes HK$'000	Year ended 31/12/2008 Total emoluments HK$'000	Period ended 31/12/2007 Total emoluments HK$'000
Board of Directors						
Peter K C Woo	**239**	**15,056**	**14,000**	**24**	**29,319**	25,445
Gonzaga W J Li	**120**	**4,925**	**7,000**	**–**	**12,045**	10,822
Stephen T H Ng	**60**	**4,482**	**9,000**	**264**	**13,806**	12,508
Paul Y C Tsui	**60**	**2,596**	**2,400**	**12**	**5,068**	3,928
Independent Non-executive Directors						
Alexander S K Au	**80**(ii)	**–**	**–**	**–**	**80**	60
B M Chang	**80**(ii)	**–**	**–**	**–**	**80**	60
Kenneth W S Ting	**80**(ii)	**–**	**–**	**–**	**80**	60
	719	**27,059**	**32,400**	**300**	**60,478**	52,883
Total for 2007	580	24,033	28,000	270		52,883

Notes:

(i) There were no compensation for loss of office and/or inducement for joining the Group paid/payable to the Company's Directors in respect of the year ended 31 December 2008 and the nine months ended 31 December 2007.

(ii) Includes Audit Committee Member's fee for the year ended 31 December 2008 of HK$20,000 (2007: HK$15,000) received/receivable by each of 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 year ended 31 December 2008 of 2 employees (2007 : 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 year as well as other employees of the Group) employed by the Group.

(i) Aggregate emoluments

	Year ended 31/12/2008 HK$ Million	Period ended 31/12/2007 HK$ Million
Salaries, allowances and benefits in kind	**16**	14
Discretionary bonuses	**19**	18
	35	32

(ii) Bandings

	Year ended 31/12/2008 HK$ Million	Period ended 31/12/2007 HK$ Million
Bands (in HK$)		
$10,000,001 - $10,500,000	**–**	1
$11,000,001 - $11,500,000	**1**	–
$21,000,001 - $21,500,000	**–**	1
$23,500,001 - $24,000,000	**1**	–
	2	2

4. OTHER NET INCOME

	Year ended 31/12/2008 HK$ Million	Period ended 31/12/2007 HK$ Million
Net profit on disposal of available-for-sale investments	**133**	1,790
Net profit on disposal of properties	**19**	12
Others	**18**	28
	170	1,830

Included in the net profit on disposal of available-for-sale investments is a net revaluation surplus, before deduction of minority interests, of HK$418 million (2007: HK$1,009 million) transferred from the investment revaluation reserves.

5. NET OTHER (CHARGE)/CREDIT

	Year ended 31/12/2008 HK$ Million	Period ended 31/12/2007 HK$ Million
Write-back of provisions for properties	**146**	184
Impairment losses on available-for-sale investments	**(1,375)**	(81)
	(1,229)	103

6. FINANCE COSTS

	Year ended 31/12/2008 HK$ Million	Period ended 31/12/2007 HK$ Million
Interest charged on:		
Bank loans and overdrafts repayable within five years	**965**	1,006
Other borrowings repayable within five years	**51**	158
Bank loans repayable after five years	**116**	88
Other borrowings repayable after five years	**119**	55
Total interest charge	**1,251**	1,307
Fair value cost on cross currency interest rate swaps	**508**	96
Fair value cost on interest rate swaps	**104**	–
Other finance costs	**67**	51
	1,930	1,454
Less: Amount capitalised	**(235)**	(242)
	1,695	1,212

a) Interest was capitalised at an average annual rate of approximately 1.6% (2007: 2.2%).

b) Included in total interest costs are amounts totalling HK$1,208 million (2007: HK$1,167 million) in respect of interest bearing borrowings that are stated at amortised cost.

c) The above interest charge has taken into account the interest paid/receipts in respect of interest rate swaps and cross currency interest rate swaps.

7. SHARE OF RESULTS AFTER TAX OF ASSOCIATES

The share of profits of associates decreased to HK$7 million (2007: HK$269 million). Profit contribution from Modern Terminals' investment in Shekou increased. However, the share of losses in China property development undertaken by certain associates of Wharf and WPL increased after impairment provisions.

Excluding the property provisions, the share of associates' profit actually rose by 10% to HK$295 million (2007: HK$269 million).

8. TAXATION

Taxation charged to the consolidated profit and loss account represents:

	Year ended 31/12/2008 HK$ Million	Period ended 31/12/2007 HK$ Million
Current income tax		
Hong Kong profits tax		
Provision for the year/period	**1,063**	1,263
Underprovision in respect of prior years (Note 8(h))	**254**	352
Overseas taxation		
Provision for the year/period	**422**	226
Overprovision in respect of prior years (Note 8(i))	**(241)**	–
	1,498	1,841
Land appreciation tax ("LAT") in the People's Republic of China ("PRC")	**30**	239
Deferred tax (Note 27)		
Change in fair value of investment properties	**495**	2,535
Origination and reversal of temporary differences	**117**	253
Effect on reduction in tax rate on deferred tax balances	**(812)**	(201)
Benefit of previously unrecognised tax losses now recognised	**(127)**	(28)
	(327)	2,559
	1,201	4,639

a) The provision for Hong Kong profits tax is based on the profit for the year as adjusted for tax purposes at the rate of 16.5% (2007: 17.5%). In 2008, the Hong Kong SAR Government enacted a reduction in the profits tax rate from 17.5% to 16.5% for the fiscal year 2008/09.

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

c) In January 2009, The Singapore Government announced a proposed reduction in the corporate income tax rate from 18% to 17% with effect from the fiscal year 2009. This will trigger a recalculation of the net deferred tax liabilities as at 1 January 2009 of WPSL, mainly for the investment property revaluation surplus, which would likely be reduced by approximately HK$19 million and impact the Group's 2009 financial statements.

d) In March 2007, the new Corporate Income Tax Law was enacted in the PRC whereas the standard PRC Corporate Income Tax (“CIT”) rate was revised from 33% to 25%.

e) Under the Provisional Regulations on LAT implemented upon the issuance of the Provisional Regulations of 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 borrowings costs and all property development expenditures.

f) Taxation payable in the consolidated balance sheet is expected to be settled within one year.

g) Tax attributable to associates and jointly controlled entities for the year ended 31 December 2008 of HK$30 million (2007: HK$23 million) is included in the share of results after tax of associates and jointly controlled entities.

h) 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 primarily relating to 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, 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 2008, a provision of HK$292 million (2007: HK$336 million) was made 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.

i) Tax overprovision in respect of prior years is mainly attributable to WPSL's write-back of tax provided on profit on disposal of Hamptons Group Limited following the ruling given by the Inland Revenue of Singapore ("IRAS") in November 2008 that the disposal profit was capital in nature and utilisation of tax losses which have been agreed by IRAS in early 2009 against prior years' tax paid. In addition, the Group also recognised a deferred tax asset of HK$104 million on the tax losses agreed by the IRAS.

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

	Year ended 31/12/2008 HK$ Million	Period ended 31/12/2007 HK$ Million
Profit before taxation	**8,699**	20,493
Notional tax on profit before taxation calculated at applicable tax rates	**1,628**	3,762
Tax effect of non-deductible expenses	**425**	158
Tax effect of non-taxable income	**(172)**	(241)
Underprovision in respect of prior years	**13**	352
Tax effect of tax losses not recognised	**225**	74
Tax effect of unrecognised tax losses utilised	**(113)**	(93)
Tax effect of previously unrecognised tax losses now recognised as deferred tax assets	**(127)**	(28)
Effect on reduction in tax rate on deferred tax balances	**(812)**	(201)
LAT on trading properties	**30**	239
Deferred LAT on change in fair value of investment properties	**104**	617
Actual total tax charge	**1,201**	4,639

9. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS

Profit attributable to equity shareholders for the year is dealt with in the financial statements of the Company to the extent of HK$257 million (2007: HK$260 million).

10. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	Year ended 31/12/2008 HK$ Million	Period ended 31/12/2007 HK$ Million
Interim dividend declared and paid of 2.5 cents (2007: 2.5 cents) per share	**51**	51
Final dividend proposed 10.0 cents after the balance sheet date (2007: 10.0 cents) per share	**203**	203
	254	254

a) The proposed final dividend 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 period ended 31 December 2007 was approved and paid in 2008.

11. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on profit attributable to equity shareholders for the year of HK$3,432 million (2007: HK$7,615 million) and 2,032 million ordinary shares in issue throughout year ended 31 December 2008 and nine months ended 31 December 2007.

12. 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 and 1 January 2008	**105,836**	**5,782**	**674**	**9,687**	**11,521**	**4,155**	**137,655**
Exchange differences	**348**	**85**	**–**	**–**	**70**	**67**	**570**
Additions	**196**	**2,445**	**–**	**350**	**403**	**342**	**3,736**
Disposals	**(8)**	**–**	**–**	**(91)**	**(207)**	**–**	**(306)**
Reclassification	**300**	**(2,401)**	**522**	**–**	**1,697**	**107**	**225**
Revaluation surplus/ write back/(write off)	**2,158**	**–**	**(11)**	**–**	**–**	**–**	**2,147**
At 31 December 2008	**108,830**	**5,911**	**1,185**	**9,946**	**13,484**	**4,671**	**144,027**
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 and 1 January 2008	**–**	**–**	**549**	**6,372**	**4,964**	**380**	**12,265**
Exchange differences	**–**	**–**	**–**	**–**	**6**	**1**	**7**
Charge for the year	**–**	**–**	**36**	**626**	**499**	**87**	**1,248**
Written back on disposals	**–**	**–**	**–**	**(85)**	**(109)**	**–**	**(194)**
Impairment loss/(write off)	**–**	**–**	**(11)**	**16**	**–**	**–**	**5**
At 31 December 2008	**–**	**–**	**574**	**6,929**	**5,360**	**468**	**13,331**
Net book value							
At 31 December 2008	**108,830**	**5,911**	**611**	**3,017**	**8,124**	**4,203**	**130,696**
At 31 December 2007	105,836	5,782	125	3,315	6,557	3,775	125,390

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
2008 valuation	**108,830**	**–**	**–**	**–**	**–**	**–**	**108,830**
At cost less provision	**–**	**5,911**	**1,185**	**9,946**	**13,484**	**4,671**	**35,197**
	108,830	**5,911**	**1,185**	**9,946**	**13,484**	**4,671**	**144,027**
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

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 2008							
Held in Hong Kong							
Long term leases	**83,230**	**–**	**92**	**–**	**11**	**82**	**83,415**
Medium term leases	**12,961**	**680**	**–**	**–**	**2,939**	**1,215**	**17,795**
Short term leases	**1,200**	**–**	**–**	**–**	**–**	**–**	**1,200**
	97,391	**680**	**92**	**–**	**2,950**	**1,297**	**102,410**
Held outside Hong Kong							
Freehold	**–**	**670**	**–**	**–**	**–**	**–**	**670**
Long term leases	**4,258**	**–**	**–**	**–**	**–**	**–**	**4,258**
Medium term leases	**7,181**	**4,561**	**519**	**–**	**1,539**	**2,906**	**16,706**
	108,830	**5,911**	**611**	**–**	**4,489**	**4,203**	**124,044**
At 31 December 2007							
Held in Hong Kong							
Long term leases	81,572	–	125	–	2	82	81,781
Medium term leases	13,055	608	–	–	2,955	1,251	17,869
Short term leases	1,320	–	–	–	–	–	1,320
	95,947	608	125	–	2,957	1,333	100,970
Held outside Hong Kong							
Freehold	–	622	–	–	–	–	622
Long term leases	3,794	–	–	–	–	–	3,794
Medium term leases	6,095	4,552	–	–	593	2,442	13,682
	105,836	5,782	125	–	3,550	3,775	119,068

d) *Properties revaluation*

The Group's investment properties were revalued as at 31 December 2008 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 an open 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, as at 31 December 2007, a deficit of HK$157 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 prevailing property market conditions. No such provision was made or written back in 2008.

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	
	2008	2007
	HK$ Million	HK$ Million
Within 1 year	**5,332**	4,418
After 1 year but within 5 years	**6,360**	4,841
After 5 years	**520**	226
	12,212	9,485

13. INTEREST IN SUBSIDIARIES

	Company	
	2008	2007
	HK$ Million	HK$ Million
Unlisted shares, at cost	**3,495**	3,495
Amounts due from subsidiaries	**6,145**	1,393
Amounts due to subsidiaries	**–**	(339)
	9,640	4,549

Details of principal subsidiaries at 31 December 2008 are shown on pages 121 to 124.

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 repayment.

14. GOODWILL AND OTHER INTANGIBLE ASSETS

	Group		
	Goodwill HK$ Million	**Other intangible assets HK$ Million**	**Total HK$ Million**
Cost			
At 1 April 2007/1 January 2008 and 31 December 2007/2008	**297**	**12**	**309**
Accumulated amortisation			
At 1 April 2007	–	3	3
Charge for the period	–	4	4
At 31 December 2007 and 1 January 2008	**–**	**7**	**7**
Charge for the year	**–**	**5**	**5**
At 31 December 2008	**–**	**12**	**12**
Net carrying value			
At 31 December 2008	**297**	**–**	**297**
At 31 December 2007	297	5	302

Goodwill is mainly related to the Group's terminals business. As at 31 December 2008, 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.

15. INTEREST IN ASSOCIATES

	Group	
	2008	2007
	HK$ Million	HK$ Million
Share of net tangible assets	**2,531**	2,736
Goodwill	**1,790**	1,790
	4,321	4,526
Amounts due from associates	**1,117**	570
	5,438	5,096

a) Details of principal associates at 31 December 2008 are shown on page 125.

b) Included in interest in associates is a goodwill of HK$1,790 million (2007: HK$1,790 million) related to the acquisition of Mega Shekou Container Terminals Limited ("Mega SCT") which is held by Modern Terminals Limited ("Modern Terminals"), a 67.6%-owned subsidiary of the Group, under an agreement with China Merchants Holdings (International) Company Limited ("CMH") following the rationalisation of interests in Shekou Container Terminals Phases I, II and III ("the Rationalisation Agreement").

Under the Rationalisation Agreement, CMH and Modern Terminals initially held 70% and 30% equity interests in the Mega SCT respectively. CMH is responsible for financing and will bear 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 is to 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 was completed on 22 February 2007 and Stage 2 was completed on 27 February 2008 resulting in Modern Terminals' equity interests in Mega SCT reducing from 30% to 27% as at 31 December 2008.

c) Amounts due from associates are unsecured, interest free with no fixed terms of repayment.

d) Certain entities classified as jointly controlled entities in the previous year have been reclassified as associates to reflect more appropriately the substance of the arrangements with the other shareholder in these entities. Accordingly, the comparative figure for interest in associates in the amount of HK$1,464 million has been reclassified to conform to the current year's presentation.

e) Summary financial information on associates

	2008		2007	
	Total HK$ Million	**Attributable interest HK$ Million**	Total HK$ Million	Attributable interest HK$ Million
Balance sheets				
Assets	**21,622**	**4,539**	18,958	3,875
Liabilities	**(6,330)**	**(2,008)**	(3,854)	(1,139)
Equity	**15,292**	**2,531**	15,104	2,736
Profit and loss accounts				
Revenue	**3,407**	**654**	3,362	594
Profit before taxation	**1,181**	**31**	1,587	287
Taxation	**(129)**	**(24)**	(63)	(18)
Profit after taxation	**1,052**	**7**	1,524	269

16. INTEREST IN JOINTLY CONTROLLED ENTITIES

	Group	
	2008	2007
	HK$ Million	HK$ Million
Share of net assets	**918**	800
Goodwill	**54**	54
	972	854
Amounts due from jointly controlled entities	**7,017**	3,701
	7,989	4,555

a) Details of principal jointly controlled entities at 31 December 2008 are shown on page 125.

b) Amounts due from jointly controlled entities are unsecured, interest free and have no fixed terms of repayment. The amounts are not past due nor impaired.

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

	Group	
	2008	2007
	HK$ Million	HK$ Million
Balance sheets		
Non-current assets	**1,298**	1,343
Current assets	**7,514**	3,147
Non-current liabilities	**(7,772)**	(3,648)
Current liabilities	**(122)**	(42)
Net assets	**918**	800
Profit and loss accounts		
Revenue	**180**	160
Profit before taxation	**11**	32
Taxation	**(6)**	(5)
Profit for the year/period	**5**	27

17. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2008	2007
	HK$ Million	HK$ Million
Listed investments, at market value		
Listed in Hong Kong	**55**	1,659
Listed outside Hong Kong	**2,175**	5,899
	2,230	7,558
Unlisted investments	**49**	64
	2,279	7,622

a) Investments listed outside Hong Kong include the Group's 20% (2007: 20%) interest in Hotel Properties Limited ("HPL") and 17% (2007: 12%) interest in SC Global Developments Ltd ("SC Global"), which are incorporated and listed in Singapore. The equity interest in HPL 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) An impairment loss of HK$1,375 million (2007: HK$81 million) mainly related to WPSL's interest in HPL and SC Global was recognised in 2008 due to significant or prolonged decline in the fair value of the investments.

18. LONG TERM RECEIVABLES

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

19. EMPLOYEE RETIREMENT BENEFITS

a) Defined benefit pension schemes

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 2008 were performed either by HSBC Life (International) Limited or Watson Wyatt Hong Kong Limited, who are independent qualified actuaries, using the projected unit credit method. The aggregate funding ratio of the schemes was 83%.

i) The defined benefit pension scheme (liabilities)/assets recognised in the consolidated balance sheet are as follows:

	2008 HK$ Million	2007 HK$ Million
Fair value of scheme assets	**734**	1,130
Present value of funded obligations	**(888)**	(891)
Net defined benefit pension scheme (liabilities)/assets	**(154)**	239

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. The Group expects to pay HK$3 million in contribution to defined benefit pension schemes in 2009.

ii) Scheme assets consist of the following:

	2008 HK$ Million	2007 HK$ Million
Equity securities	**490**	803
Debt securities	**209**	247
Deposits and cash	**35**	80
	734	1,130

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

	2008 HK$ Million	2007 HK$ Million
At 1 January/1 April	**891**	775
Benefits paid by the schemes	**(56)**	(65)
Current service cost	**34**	31
Employees' contribution	**2**	2
Interest cost	**30**	29
Actuarial (gains)/losses	**(13)**	119
At 31 December	**888**	891

iv) Movements in the scheme assets are as follows:

	2008 **HK$ Million**	2007 HK$ Million
At 1 January/1 April	**1,130**	1,005
Group's contributions paid to the schemes	**3**	3
Benefits paid by the schemes	**(56)**	(65)
Employees' contribution	**2**	2
Actuarial expected return on scheme assets	**80**	71
Actuarial (losses)/gains	**(425)**	114
At 31 December	**734**	1,130

v) Income recognised in the consolidated profit and loss account is as follows:

	Year ended 31/12/2008 HK$ Million	Period ended 31/12/2007 HK$ Million
Current service cost	**34**	31
Interest cost	**30**	29
Actuarial expected return on scheme assets	**(80)**	(71)
	(16)	(11)

All the income is recognised within direct costs and operating expenses in the consolidated profit and loss account.

The actual return on scheme assets was a loss of HK$345 million (2007: gain of HK$185 million).

vi) The principal actuarial assumptions used as at 31 December 2008 (expressed as a range) are as follows:

	2008	2007
Discount rate at 31 December	**1.2% – 1.65%**	3.45% – 3.5%
Expected rate of return on scheme assets	**7.0% – 8.0%**	7.0% – 8.0%
Future salary increases – 2008	**N/A**	3.0% – 4.5%
– 2009 thereafter	**0% – 4.0%**	3.0% – 4.5%

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 asset categories. The expected return is determined based on market expectation, at the beginning of the period, for returns net of administration costs, over the entire period of the defined benefit obligation.

vii) Historical information

	2008 HK$ Million	2007 HK$ Million	2006 HK$ Million
Fair value of scheme assets	**734**	1,130	1,005
Present value of the defined benefit obligations	**(888)**	(891)	(775)
(Deficit)/surplus in the scheme	**(154)**	239	230
Experience adjustments arising on:			
Scheme liabilities	**14%**	–6%	9%
Scheme assets	**–58%**	10%	2%

viii) The Group recognised an actuarial loss amounting to HK$412 million (2007: HK$5 million) for the year ended 31 December 2008 directly in equity. The cumulative amount of actuarial loss recognised amounted to HK$265 million (2007: gain of HK$147 million) as at 31 December 2008.

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 not covered by the defined benefit pension schemes. For defined contribution pension schemes, both the Group and the employees contribute respectively to the schemes sums 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 for those employees who have left the scheme prior to full vesting of the related contributions.

20. PROPERTIES FOR SALE

	Group	
	2008 HK$ Million	2007 HK$ Million
Properties under development for sale	**23,927**	18,814
Completed properties for sale	**733**	991
	24,660	19,805

a) Properties under development for sale 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$5,233 million (2007: HK$2,616 million) paid for the acquisition for certain land sites/properties located in the PRC.

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 2008 was HK$251 million (2007 : HK$249 million).

d) Provision of HK$146 million (2007: HK$27 million) previously made for a China project was written back during the year under review.

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

	Group	
	2008	2007
	HK$ Million	HK$ Million
Held in Hong Kong		
Long term leases	**1,596**	1,330
Medium term leases	**1,241**	1,332
	2,837	2,662
Held outside Hong Kong		
Freehold	**4,115**	6,584
Medium term leases	**13,340**	7,251
	17,455	13,835
	20,292	16,497

21. TRADE AND OTHER RECEIVABLES

a) *Ageing analysis*

Included in this item are trade receivables (net of allowance for bad and doubtful debts) with an ageing analysis as at 31 December 2008 as follows:

	Group	
	2008	2007
	HK$ Million	HK$ Million
Trade receivables		
Current	**1,323**	768
Past due:		
0 – 30 days	**177**	222
31 – 60 days	**60**	42
61 – 90 days	**67**	59
Over 90 days	**–**	1
	1,627	1,092
Other receivables	**1,059**	786
	2,686	1,878

Included in the 2008 current trade receivables are sales receivables of HK$792 million (representing the 15% remaining balance of sales consideration to be billed according to the standard payment scheme in Singapore) accrued by WPSL on completion of The Sea View and The Cosmopolitan. Of the accrued sales receivables, HK$422 million has been billed and collected by the end of February 2009. The balance of the sales receivable will be collected in 2009 and 2010.

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

b) *Impairment of trade receivables*

Impairment losses in respect of trade receivables 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 receivables directly.

The movements in the allowance account for the bad and doubtful debts during the year, including both specific and collective loss components, are as follows:

	Group	
	2008	2007
	HK$ Million	HK$ Million
At 1 January/1 April	**53**	50
Impairment loss recognised	**84**	26
Uncollectible amounts written off	**(23)**	(23)
At 31 December	**114**	53

c) *Trade receivables that are not impaired*

As at 31 December 2008, 94% (2007: 81%) of the Group's trade receivables were not impaired, of which 96% (2007: 89%) 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 past due balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group does not hold any collateral over these balances.

22. DERIVATIVE FINANCIAL INSTRUMENTS

	2008		2007	
	Assets	**Liabilities**	Assets	Liabilities
	HK$ Million	**HK$ Million**	HK$ Million	HK$ Million
Cash flow hedges				
Forward foreign exchange contracts	**–**	**–**	45	–
At fair value through profit or loss				
Fixed-to-floating interest rate swaps	**83**	**–**	26	1
Floating-to-fixed interest rate swaps	**–**	**126**	–	–
Cross currency interest rate swaps	**8**	**612**	–	96
Forward foreign exchange contracts	**4**	**206**	–	130
Total	**95**	**944**	71	227
Analysis				
Current	**12**	**206**	54	131
Non-current	**83**	**738**	17	96
Total	**95**	**944**	71	227

Analysis of the remaining maturities at 31 December 2008 of the above derivative financial instruments are as follows:

	2008		2007	
	Assets HK$ Million	**Liabilities HK$ Million**	Assets HK$ Million	Liabilities HK$ Million
Fixed-to-floating interest rate swaps				
Expiring within 1 year	**8**	**–**	9	1
Expiring after more than 1 year but not exceeding 5 years	**37**	**–**	11	–
Expiring after 5 years	**38**	**–**	6	–
	83	**–**	26	1
Floating-to-fixed interest rate swaps				
Expiring after 5 years	**–**	**126**	–	–
Cross currency interest rate swaps				
Expiring after more than 1 year but not exceeding 5 years	**8**	**11**	–	–
Expiring after 5 years	**–**	**601**	–	96
	8	**612**	–	96
Forward foreign exchange contracts				
Expiring within 1 year	**4**	**206**	45	130
Total	**95**	**944**	71	227

a) The notional principal amounts of derivative financial instruments outstanding at 31 December 2008 are as follows:

	2008 HK$ Million	2007 HK$ Million
Fixed-to-floating interest rate swaps	**3,350**	2,050
Floating-to-fixed interest rate swaps	**2,500**	–
Cross currency interest rate swaps	**9,217**	3,120
Forward foreign exchange contracts	**1,619**	2,938

The notional amount of cross currency interest rate swaps included the US$400 million swaps against JPY with the effect of converting the US$400 million ten-year fixed-rate notes issued in 2007 into JPY borrowings.

b) Derivative financial assets represented the amounts the Group would receive whilst derivative financial liabilities represented the amounts the Group would pay if the position were closed at the balance sheet date. Derivative financial instruments did not qualify for hedge accounting and their corresponding changes in fair values have been recognised in the consolidated profit and loss account.

c) There were no forward foreign exchange contracts that qualified as cash flow hedges (2007: HK$1,136 million).

During the year, a loss of HK$220 million (2007: HK$224 million) in respect of forward foreign exchange contracts was recognised to the consolidated profit and loss account as follows:

	Year ended 31/12/2008 HK$ Million	Period ended 31/12/2007 HK$ Million
Loss on forward foreign exchange contracts not qualified for hedge accounting	**262**	224
Gain on forward foreign exchange contracts under cash flow hedge	**(42)**	–
	220	224

d) Fair value cost on cross currency interest rate swaps and interest rate swaps in the amounts of HK$508 million (2007: HK$96 million) and HK$104 million (2007: Nil) respectively have been included under finance costs in the consolidated profit and loss account.

23. BANK DEPOSITS AND CASH

	Group		**Company**	
	2008 HK$ Million	2007 HK$ Million	**2008 HK$ Million**	2007 HK$ Million
Bank deposits and cash				
Not pledged	**22,242**	12,372	**311**	–
Pledged	**685**	707	**–**	–
	22,927	13,079	**311**	–

Bank deposits and cash as at 31 December 2008 included Renminbi balances in HK$4,251 million equivalent (2007: HK$2,694 million) placed with banks 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$1,543 million equivalent (2007: HK$1,706 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 2008 as follows:

	Group	
	2008	2007
	HK$ Million	HK$ Million
Amounts payable in the next:		
0 – 30 days	**339**	439
31 – 60 days	**180**	132
61 – 90 days	**127**	110
Over 90 days	**393**	250
	1,039	931
Rental and customer deposits	**1,761**	1,591
Other payables	**3,803**	3,516
	6,603	6,038

The amount of trade and other payables that is expected to be settled after more than one year is HK$1,207 million (2007: HK$1,068 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 payable on demand.

25. BANK LOANS AND OTHER BORROWINGS

	2008 HK$ Million	2007 HK$ Million
Group		
Bonds and notes (Unsecured)		
HK dollar fixed rate notes due 2008	**–**	1,209
HK dollar fixed rate notes due 2009	**308**	304
HK dollar fixed rate notes due 2011	**214**	206
HK dollar fixed rate notes due 2016	**289**	256
HK dollar floating rate notes due 2008	**–**	100
HK dollar floating rate notes due 2009	**100**	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 2017	**3,120**	3,120
	4,531	5,796
Bank loans (Secured)		
Due within 1 year	**536**	619
Due after 1 year but within 2 years	**2,294**	167
Due after 2 years but within 5 years	**9,328**	3,560
Due after 5 years	**3,104**	1,949
	15,262	6,295
Bank loans (Unsecured)		
Due within 1 year	**4,011**	5,192
Due after 1 year but within 2 years	**6,942**	3,908
Due after 2 years but within 5 years	**14,077**	13,000
Due after 5 years	**800**	800
	25,830	22,900
Total bank loans and other borrowings	**45,623**	34,991
Analysis of maturities of the above borrowings		
Current borrowings		
Due within 1 year	**4,955**	7,120
Non-current borrowings		
Due after 1 year but within 5 years	**33,355**	21,446
Due after 5 years	**7,313**	6,425
	40,668	27,871
Total bank loans and other borrowings	**45,623**	34,991

	2008 HK$ Million	2007 HK$ Million
Company		
Bank loans (Secured)		
Due after 2 years but within 5 years	**5,500**	–

a) The Group's borrowings are considered by the management to be effectively denominated in the following currencies (after the effects of cross currency interest rate swaps arrangements as detailed in Note 29(b)):

	Group	
	2008 HK$ Million	2007 HK$ Million
HKD	**36,295**	26,597
RMB	**3,743**	2,295
USD	**351**	250
JPY	**3,120**	3,120
SGD	**2,114**	2,729
	45,623	34,991

b) The interest rate profile of the Group's and the Company's borrowings (after the effects of interest rate swaps and cross currency interest rate swaps as detailed in Notes 29(a) and 29(b) respectively) are as follows:

	2008		2007	
	Effective interest rate %	HK$ Million	Effective interest rate %	HK$ Million
Group				
Fixed rate borrowings				
Bonds and notes	**3.1**	**3,120**	3.1	3,120
Floating rate borrowings				
Bonds and notes	**2.5**	**1,411**	4.4	2,676
Bank loans	**2.4**	**41,092**	3.9	29,195
		42,503		31,871
Total borrowings		**45,623**		34,991
Company				
Floating rate borrowings				
Bank loans	**0.9**	**5,500**	–	–

c) Included in the Group's total loans are bank loans borrowed by Wharf and WPSL of HK$38,009 million and HK$2,114 million (2007: HK$31,282 million and HK$2,729 million), respectively, which are without recourse to the Company and its wholly-owned subsidiaries.

d) All the interest bearing borrowings are carried at amortised cost except for loans in an amount of HK$911 million (2007: HK$2,076 million) which are carried at their fair value. None of the non-current interest bearing borrowings are expected to be settled within one year.

e) At 31 December 2008, 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$41,063 million (2007: HK$16,419 million).

f) 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 year 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$2,180 million (2007: HK$1,702 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	
	2008 **HK$ Million**	2007 HK$ Million
Deferred tax liabilities	**16,258**	16,578
Deferred tax assets	**(484)**	(360)
Net deferred tax liabilities	**15,774**	16,218

The components of deferred tax (assets)/liabilities and the movements during the year/period 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	2,535	–	115	3	107	2,760
Credited to reserves	–	(78)	–	–	–	(78)
Effect of change in tax rate	(149)	–	(52)	–	–	(201)
At 31 December 2007 and 1 January 2008	**14,437**	**216**	**2,254**	**(18)**	**(671)**	**16,218**
Exchange differences	**83**	**(2)**	**12**	**1**	**3**	**97**
Charged/(credited) to the profit and loss account	**495**	**–**	**112**	**(25)**	**(97)**	**485**
Credited to reserves	**–**	**(214)**	**–**	**–**	**–**	**(214)**
Effect of change in tax rate	**(739)**	**–**	**(112)**	**–**	**39**	**(812)**
At 31 December 2008	**14,276**	**–**	**2,266**	**(42)**	**(726)**	**15,774**

b) *Deferred tax assets not recognised*

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

	Group	
	2008 HK$ Million	2007 HK$ Million
Deductible temporary differences	**(13)**	(3)
Future benefit of tax losses	**(1,151)**	(1,088)
Net deferred tax assets not recognised	**(1,164)**	(1,091)

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 2008. 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	
	2008 **HK$ Million**	2007 HK$ Million
Club debentures issued (non-interest bearing)	**217**	219
Deferred revenue	**45**	42
	262	261

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

29. FINANCIAL RISK MANAGEMENT

The Group is exposed to financial risks related to interest rate, foreign currency, equity price, liquidity and credit in the normal course of business. To manage some of these risks, the Group Finance Committee develops, maintains and monitors the Group's financial policies designed to facilitate cost efficient funding to the Group and to mitigate the impact of fluctuations in interest rates and exchange rates. The financial policies are implemented by the Group's Treasury department, which operates as a centralised service unit in close co-operation with the Group's operating units for managing the day-to-day treasury functions and financial risks and for providing cost efficient funding to the Group.

The Group cautiously uses derivatives, principally forward foreign exchange contracts and interest rate and cross currency interest rate swaps as deemed appropriate for financing and hedging transactions and for managing the Group's assets and liabilities. It is the Group's policy not to enter into derivative transactions and invest in financial products with significant underlying leverage which are commercially speculative.

a) *Interest rate risk*

The Group's main exposure to interest rate risk relates principally to the Group's long term borrowings denominated in Hong Kong dollar ("HKD"), United States dollar ("USD"), Renminbi ("RMB") and Singapore dollar ("SGD") borrowings while the Company's main exposure to interest rate risk relates principally to the Company's long term borrowings denominated in HKD. Borrowings at variable rates expose the Group and the Company to cash flow interest rate risk whilst borrowings at fixed rate expose the Group to fair value interest rate risk. The Group manages its interest rate risk exposure in accordance with defined policies and regular review with a focus on reducing the Group's overall cost of funding as well as having regard to the floating/fixed rate mix appropriate to its current business portfolio.

In line with the Group's prevailing strategy, the Group has entered into a number of interest rate swaps ("IRS") which have the economic effect of converting certain fixed rate interest bearing notes with the notional amounts totalling HK$850 million (2007: HK$2,050 million) into floating rate borrowings. For each of the IRS entered into by the Group, the tenor and timing of the IRS cash flows matches with those of the notes interest expenses.

For ensuring the certainty for a proportion of funding costs in the forthcoming years, the Group has entered into various floating-to-fixed IRS with the notional amounts totalling HK$2,500 million with maturity of 10 years together with another HK$2,500 million fixed-to-floating IRS with maturity of 2 years. Effectively, this arrangement has locked in the fixed interest rates ranging from 2.1% to 2.7% for certain portion of its floating rate loan portfolio for a period of eight years from 2010 onwards.

As at 31 December 2008, after taking into account of IRS, approximately 93% (2007: 91%) of the Group's borrowings were at floating rates and the remaining 7% (2007: 9%) were at fixed rates. (see Note 25(b)).

Based on the sensitivity analysis performed on 31 December 2008, it was estimated that a general increase/decrease of 1% (2007:1%) in interest rates would decrease/increase the post-tax profit and total equity of the Group and the Company by approximately HK$122 million (2007: HK$136 million) and HK$51 million (2007: Nil) respectively. This takes into account the effect of interest bearing bank deposits.

The sensitivity analysis is determined assuming all other variables, including the amount of borrowings and bank deposits, are held constant for the whole year and the change in interest rates are compared to the rates applicable at the balance sheet date and are applied to both derivative and non-derivative financial instruments in existence at that date. The analysis is performed on the same basis for 2007.

b) Foreign currency risk

The Group owns assets and conducts its businesses primarily in Hong Kong and secondarily in China and Singapore, with its cash flows denominated substantially in HKD, RMB and SGD which exposes the Group to foreign currency risk with respect to RMB and SGD related to its property development and port-related operations and investments in China and WPSL's property development projects in Singapore, respectively.

The Group is also exposed to foreign currency risk in respect of its USD denominated borrowings. Anticipated foreign exchange payments relate primarily to interest expense payments, repayment of principal and capital expenditure. Where appropriate or available in a cost-efficient manner, the Group may enter into forward foreign exchange and swap contracts to manage its foreign currency risk arising from above anticipated transactions denominated in currencies other than its entities functional currencies.

The Group's borrowings are predominantly denominated in the functional currency of the entity taking out the borrowings. In the case of group companies whose functional currencies are in HKD, their borrowings will be either in HKD or USD. For managing the overall financing costs of existing and future capital requirements for the projects in China, the Group has adopted a diversified funding approach and entered into certain cross currency interest rate swaps and forward foreign exchange contracts. Some of the cross currency interest rate swaps have the financial effect of converting certain USD borrowings into JPY borrowings, taking the advantage of lower interest rate for the JPY borrowings but exposing the Group to exchange rate risk with respect to JPY. The swaps entered into under this arrangement have effectively converted the USD400 million ten-year fixed-rate notes issued in 2007 into JPY borrowings, which has and is anticipated going forward to save the Group interest of approximately 3% per annum for and over the tenure of the notes. Concurrently, the swaps expose the Group to fluctuation in the JPY exchange rate. Based on the prevailing accounting standard, such swaps need to be marked to market with the valuation movement recognised to profit and loss account.

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets/(liabilities) denominated in a currency other than the functional currency of the Group's entities to which they relate. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency and exposure arising from inter-company balances which are considered to be in the nature of investment in a subsidiary are excluded.

	2008				2007			
	USD Million	**RMB Million**	**JPY Million**	**EURO Million**	USD Million	RMB Million	JPY Million	AUD Million
Bank deposits and cash	**53**	**87**	**–**	**–**	87	48	–	–
Available-for-sale investments	**179**	**–**	**–**	**2**	–	–	–	–
Trade and other receivables	**27**	**38**	**–**	**2**	–	–	–	–
Trade and other payables	**(26)**	**(388)**	**–**	**–**	(21)	(277)	–	–
Bank loans and other borrowings	**(1,182)**	**–**	**–**	**–**	(400)	–	–	–
Inter-company balances	**104**	**906**	**–**	**–**	–	5	–	–
Gross exposure arising from recognised assets and liabilities	**(845)**	**643**	**–**	**4**	(334)	(224)	–	–
Notional amount of forward foreign exchange contracts:								
At fair value through profit or loss	**194**	**–**	**(19,800)**	**–**	76	–	(19,800)	51
Cash flow hedge	**–**	**–**	**–**	**–**	–	1,088	–	–
Notional amount of cross currency IRS	**1,182**	**–**	**(45,764)**	**–**	400	–	(45,764)	–
Highly probably forecast purchase	**(78)**	**–**	**–**	**(2)**	–	–	–	–
Overall net exposure	**453**	**643**	**(65,564)**	**2**	142	864	(65,564)	51

In addition, the PRC subsidiaries of the Group with RMB as their functional currency are exposed to foreign currency risk with respect to HKD/USD by holding HKD/USD denominated bank deposits and cash, bank loans and inter-company borrowings in the amount of HK$654 million, HK$1,408 million and HK$1,249 million, respectively, as at 31 December 2008 (2007: HK$985 million, HK$1,325 million and HK$1,795 million respectively).

Based on the sensitivity analysis performed on 31 December 2008, it is estimated that the approximate changes in the Group's post-tax 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% (2007: 5%) increase/decrease in the exchange rate of JPY against USD will decrease/increase the Group's post-tax profit and total equity by approximately HK$277 million (2007: HK$234 million).

– the impact on the Group's post-tax 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 above sensitivity analyses has been determined assuming that the change in foreign exchange rates are compared to the rates applicable at the balance sheet date and are 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 after tax 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 2007.

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 a 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.

Based on the sensitivity analysis performed on 31 December 2008, it is estimated that an increase/decrease of 10% (2007: 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 post-tax profit unless there are impairments but would increase/decrease the Group's total equity by HK$222 million (2007: HK$717 million). Since WPSL's investments in HPL and SC Global were considered to be impaired as at 31 December 2008, further decrease in market value of the investments may be required to be charged to the profit and loss account, subject to impairment tests at the respective reporting balance sheet dates. The analysis is performed on the same basis for 2007.

d) *Liquidity risk*

The Group adopts a prudent liquidity risk management policy, maintaining sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding with staggered maturities to reduce refinancing risk in any year from major financial institutions and to maintain flexibility for meeting its liquidity requirements in the short and longer term. The Group's cash management is substantially centralised within the Group Treasury department, which regularly monitors the current and expected liquidity requirements and its compliance with lending covenants.

Certain 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 following tables detail the remaining contractual maturities at the balance sheet date of the Group's derivative and non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates at the balance sheet date) 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
Group						
At 31 December 2008						
Bank loans and other borrowings	**(45,623)**	**(48,997)**	**(5,637)**	**(7,690)**	**(27,552)**	**(8,118)**
Trade and other payables	**(6,603)**	**(6,603)**	**(5,396)**	**(539)**	**(510)**	**(158)**
Club debentures issued	**(217)**	**(217)**	**–**	**–**	**–**	**(217)**
Forward foreign exchange contracts	**(206)**	**(206)**	**(206)**	**–**	**–**	**–**
Cross currency interest rate swaps	**(604)**	**(228)**	**59**	**58**	**179**	**(524)**
Interest rate swaps	**(43)**	**(167)**	**7**	**1**	**(57)**	**(118)**
	(53,296)	**(56,418)**	**(11,173)**	**(8,170)**	**(27,940)**	**(9,135)**
At 31 December 2007						
Bank loans and other borrowings	(34,991)	(40,324)	(8,363)	(5,535)	(18,812)	(7,614)
Trade and other payables	(6,038)	(6,038)	(4,970)	(635)	(405)	(28)
Club debentures issued	(219)	(219)	–	–	–	(219)
Dividend payable	(51)	(51)	(51)	–	–	–
Forward foreign exchange contracts	(130)	(130)	(130)	–	–	–
Cross currency interest rate swaps	(96)	909	97	97	290	425
Interest rate swaps	25	33	14	5	8	6
	(41,500)	(45,820)	(13,403)	(6,068)	(18,919)	(7,430)
Company						
At 31 December 2008						
Bank loans	**(5,500)**	**(5,708)**	**(52)**	**(52)**	**(5,604)**	**–**
Trade and other payables	**(8)**	**(8)**	**(8)**	**–**	**–**	**–**
	(5,508)	**(5,716)**	**(60)**	**(52)**	**(5,604)**	**–**
At 31 December 2007						
Trade and other payables	(4)	(4)	(4)	–	–	–
Dividend payable	(51)	(51)	(51)	–	–	–
	(55)	(55)	(55)	–	–	–

e) *Credit risk*

The Group's credit risk is primarily attributable to rental, trade and other receivables, cash and cash equivalents 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 the Group's 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.

Cash at bank, deposits placed with financial institutions, and 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, current borrowings, and provisions are assumed to approximate their carrying amounts due to the short term maturities of these assets and liabilities.

The fair value of forward foreign exchange contracts is determined by using the forward exchange rates at the balance sheet date and comparing to the contractual rates. The fair value of interest rate swaps and cross currency interest rate swaps is determined based on the amount that the Group would receive or pay to terminate the swaps, at the balance sheet date taking into account current interest rates and current creditworthiness of the swap counter parties. The fair value of bank loans and other borrowings is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial institutions.

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2008 and 31 December 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.

g) Capital management

The Group's primary objective when managing capital is 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 shareholders 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 the 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 shareholders of the Company. Total equity comprises shareholders' equity and minority interests.

The net debt-to-equity ratios as at 31 December 2008 are as follows:

	Group	
	2008 **HK$ Million**	2007 HK$ Million
Total bank loans and other borrowings (Note 25)	**45,623**	34,991
Less: Bank deposits and cash (Note 23)	**(22,927)**	(13,079)
Net debt	**22,696**	21,912
Shareholders' equity	**58,733**	56,651
Total equity	**123,243**	114,159
Net debt-to-shareholders' equity ratio	**38.6%**	38.7%
Net debt-to-total equity ratio	**18.4%**	19.2%

30. SHARE CAPITAL

	2008 **No. of shares** **Million**	2007 No. of shares Million	**2008** **HK$ Million**	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
Group								
At 1 April 2007	1,016	1,914	2,047	759	43,526	49,262	50,280	99,542
Revaluation (deficit)/surplus	–	–	(64)	–	–	(64)	124	60
Actuarial loss on defined benefit pension schemes	–	–	–	–	(4)	(4)	(1)	(5)
Exchange differences	–	–	–	505	–	505	514	1,019
Cash flow hedge:								
Effective portion of changes in fair value	–	–	–	14	–	14	31	45
Others	–	–	–	(4)	(3)	(7)	25	18
Realised on disposal	–	–	(497)	–	–	(497)	(512)	(1,009)
Impairment on available-for-sale investments	–	–	53	–	–	53	28	81
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	–	–	–	–	(203)	(203)	–	(203)
Interim dividend paid (Note 10)	–	–	–	–	(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
Group								
1 January 2008	1,016	1,914	1,539	1,302	50,880	56,651	57,508	114,159
Revaluation deficit	–	–	(2,016)	–	–	(2,016)	(1,531)	(3,547)
Actuarial loss on defined benefit pension schemes	–	–	–	–	(137)	(137)	(275)	(412)
Exchange differences	–	–	–	345	–	345	455	800
Cash flow hedge:								
Transfer from equity to the profit and loss account	–	–	–	(14)	–	(14)	(31)	(45)
Others	–	–	–	5	(15)	(10)	8	(2)
Realised on disposal	–	–	(175)	–	–	(175)	(243)	(418)
Impairment on available-for-sale investments	–	–	811	–	–	811	564	1,375
Share of reserves of associates/ jointly controlled entities	–	–	–	100	–	100	87	187
Net expense recognised directly in equity	–	–	(1,380)	436	(152)	(1,096)	(966)	(2,062)
Profit for the year	–	–	–	–	3,432	3,432	4,066	7,498
Total recognised income and expenses	–	–	(1,380)	436	3,280	2,336	3,100	5,436
Final dividend approved in respect of the previous period (Note 10)	–	–	–	–	(203)	(203)	–	(203)
Interim dividend paid (Note 10)	–	–	–	–	(51)	(51)	–	(51)
Dividends paid to minority interests	–	–	–	–	–	–	(1,585)	(1,585)
Shares issued by subsidiaries	–	–	–	–	–	–	5,487	5,487
At 31 December 2008	1,016	1,914	159	1,738	53,906	58,733	64,510	123,243

	Share capital HK$ Million	Share premium HK$ Million	Exchange and other reserves HK$ Million	Revenue reserves HK$ Million	Total HK$ Million
Company					
At 1 April 2007	1,016	1,914	96	1,462	4,488
Final dividend approved in respect of the previous year	–	–	–	(203)	(203)
Profit for the period	–	–	–	260	260
Interim dividend paid (Note 10)	–	–	–	(51)	(51)
At 31 December 2007 and 1 January 2008	**1,016**	**1,914**	**96**	**1,468**	**4,494**
Final dividend approved in respect of the previous period (Note 10)	**–**	**–**	**–**	**(203)**	**(203)**
Profit for the year	**–**	**–**	**–**	**257**	**257**
Interim dividend paid (Note 10)	**–**	**–**	**–**	**(51)**	**(51)**
At 31 December 2008	**1,016**	**1,914**	**96**	**1,471**	**4,497**

a) Reserves of the Company available for distribution to equity shareholders at 31 December 2008 amounted to HK$1,471 million (2007: HK$1,468 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.

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

32. CONTINGENT LIABILITIES

a) At 31 December 2008, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to banking facilities up to HK$1,670 million (2007: HK$3,670 million).

b) 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 2008 included belows:

	2008				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	**375**	**1,903**	**3**	**2,281**	243	2,544	–	2,787
Authorised but not contracted for	**1,144**	**1,304**	**–**	**2,448**	704	1,870	–	2,574
	1,519	**3,207**	**3**	**4,729**	947	4,414	–	5,361
b) Programming and others								
Authorised and contracted for	**783**	**–**	**–**	**783**	744	–	–	744
Authorised but not contracted for	**71**	**–**	**–**	**71**	77	–	–	77
	854	**–**	**–**	**854**	821	–	–	821
c) Properties under development								
Authorised and contracted for	**513**	**10,634**	**1,241**	**12,388**	266	15,272	1,609	17,147
Authorised but not contracted for	**–**	**35,341**	**–**	**35,341**	580	32,155	–	32,735
	513	**45,975**	**1,241**	**47,729**	846	47,427	1,609	49,882
d) Properties under development undertaken by jointly controlled entities and associates								
Authorised and contracted for	**–**	**3,662**	**–**	**3,662**	–	6,081	–	6,081
Authorised but not contracted for	**–**	**9,666**	**–**	**9,666**	–	9,710	–	9,710
	–	**13,328**	**–**	**13,328**	–	15,791	–	15,791
e) Expenditure for operating leases								
Within one year	**50**	**–**	**–**	**50**	72	–	–	72
After one year but within five years	**51**	**–**	**–**	**51**	56	–	–	56
Over five years	**65**	**–**	**–**	**65**	68	–	–	68
	166	**–**	**–**	**166**	196	–	–	196

i) Commitments for properties under development by the Group's subsidiaries or through jointly controlled entities included outstanding land cost attributable to the Group of HK$11,560 million payable by instalments in 2009 and 2010. 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$3.4 billion in respect of properties under development undertaken by WPL group or through its associates, are substantially attributable to Wharf group.

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 year ended 31 December 2008:

a) In respect of the year ended 31 December 2008, the Group earned rental income totalling HK$495 million (2007: HK$408 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) 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 3(b) and 3(c).

35. CHANGES IN ACCOUNTING POLICIES

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued the following interpretations and an amendment to Hong Kong Financial Reporting Standards ("HKFRSs") that are first effective for the current accounting period of the Group and the Company:

HK(IFRIC)-12, Service concession arrangements
HK(IFRIC)-14, HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction
Amendments to HKAS 39, Financial instruments: Recognition and measurement, and HKFRS 7, Financial instruments: Disclosures – Reclassification of financial assets

The "Principal accounting policies" set out on pages 102 to 120 summarises the accounting policies of the Group and the Company after the adoption of these policies to the extent that they are relevant to the Group and the Company.

The adoption of the new and revised HKFRSs has no material impact to the financial statements of the Group for the nine months ended 31 December 2007 and the year ended 31 December 2008.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see Note 36).

36. 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, which have not been adopted since they are only effective after 31 December 2008.

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 apart from Improvements to HKFRSs which may have some impact, the adoption of the other 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 including possible restatement comparative amounts in the first period of adoption:

	Effective for accounting periods beginning on or after
HK(IFRIC) - Int 13, Customer loyalty programmes	1 July 2008
HKAS 1 (Revised), Presentation of financial statements	1 January 2009
HKAS 23 (Revised), Borrowing costs	1 January 2009
HKFRS 8, Operating segments	1 January 2009
HKAS 27 (Revised), Consolidated and separate financial statements	1 July 2009

37. COMPARATIVE FIGURES

Certain comparative figures including interest in associates, interest in jointly controlled entities, segment information, direct costs and operating expenses and net other (charge)/credit for the previous period have been reclassified to conform to the presentation in the 2008 financial statements.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 25 March 2009.

Principal Accounting Policies

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 35 to the Financial Statements provides information on any 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 effective for the current accounting period (note 36).

b) Basis of preparation of the financial statements

The consolidated financial statements made up to 31 December 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 major sources of estimation uncertainly are discussed in note (z).

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 an entity, or has the ability in practice to exert de facto control over an 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 year 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 year, including any impairment loss on goodwill relating to the investment in associates and jointly controlled entities recognised for the year.

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 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 year, 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 (other than investments in subsidiaries, associates and jointly controlled entities) 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 consolidated profit or loss account 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. The net gain or loss recognised in the consolidated profit and loss account does not include any dividends or interest earned on these investments as these are recognised in accordance with the policy set out in notes (s)(iv) and (s)(v).

(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 reclassified from equity to be 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 reclassified from equity to 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 reclassified from equity to 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 until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to the consolidated profit and loss account immediately.

(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 is reclassified from equity to 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 recognised as interest in leasehold land in the balance sheet and 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 has been recognised directly in equity is reclassified from equity to 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 fair value less costs to sell 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 year in which the reversals are recognised.

Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised has the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase in recognised directly in equity and not in the consolidated profit and loss account.

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 consolidated cash flow statement.

r) *Foreign currencies*

Foreign currency transactions during the year 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 year. 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 held for sale is recognised upon the execution of the formal sale and purchase agreement or the issue of occupation permit/completion certificate by the relevant government authorities, whichever is taken to be the point in time when the risk and rewards of ownership of the property have passed to the buyer. 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) Income received in advance attributable to long term service contracts is deferred and recognised over the contract period on a straight line basis.

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 year 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 consolidated 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 year, 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 resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the consolidated profit and loss account for the year 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 year 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) Significant accounting estimates and judgements

Key sources of estimation uncertainty

Notes 19 and 22 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:

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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.

(v) 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 2008

	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	2,753,861,207 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 Holdings Limited	British Virgin Islands	500 US$1 shares	48%	Holding company
	Wharf Estates China Limited	British Virgin Islands	500 US$1 shares	48%	Holding company
i	Beijing Capital Times Square Development Company Limited	The People's Republic of China	US$59,000,000	42%	Property
iii	Shanghai Long Xing Property Development Company Limited	The People's Republic of China	US$45,000,000	48%	Property
ii	Dalian Times Square Development Company Limited	The People's Republic of China	RMB420,000,000	48%	Property
ii	Han Long Development (Wuhan) Company Limited	The People's Republic of China	US$33,100,000	48%	Property
ii	Long Qing Property Development (Chongqing) Company Limited	The People's Republic of China	RMB194,000,000	48%	Property
iii	Shanghai Jiu Zhou Property Development Company Limited	The People's Republic of China	US$30,000,000	41%	Property
i	Shanghai Long Shen Real Estate Development Company Limited	The People's Republic of China	US$22,330,000	27%	Property

Principal Subsidiaries, Associates and Jointly Controlled Entities

At 31 December 2008

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
i Shanghai Wellington Garden Estate Development Company Limited	The People's Republic of China	US$16,666,666	28%	Property
i Shanghai Wheelock Square Development Limited	The People's Republic of China	US$80,000,000	47%	Property
ii Wharf Estates (Wuxi) Company Limited	The People's Republic of China	US$146,280,000	48%	Property
ii 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
ii 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
ii 龍昌綜合開發(成都)有限公司	The People's Republic of China	HK$405,000,000	48%	Property
ii 蘇州蘇龍地產發展有限公司	The People's Republic of China	US$166,800,000	48%	Property
ii 龍錦綜合開發(成都)有限公司	The People's Republic of China	US$288,593,812	48%	Property
ii 無錫港龍置業有限公司	The People's Republic of China	US$77,200,000	48%	Property
ii 無錫河畔置業有限公司	The People's Republic of China	US$36,200,000	48%	Property
* **Harbour Centre Development Limited**	Hong Kong	472,500,000 HK$0.5 shares	34%	Holding company
i 蘇州高龍房產發展有限公司	The People's Republic of China	RMB3,082,260,891	27%	Property
ii 九龍倉(常州)置業有限公司	The People's Republic of China	US$199,800,000	34%	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
i Shenzhen Dachan Bay Modern Port Development Company, Limited	The People's Republic of China	RMB2,475,550,000	21%	Container terminal
i 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	34%	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
ii Wuhan Marco Polo Hotels Company Limited	The People's Republic of China	US$3,850,000	48%	Hotel management

At 31 December 2008

	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
	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 and programming licensing
	Hong Kong Cable Television Limited	Hong Kong	750,000,000 HK$1 shares	36%	Pay television and internet and multimedia
*	i-CABLE Communications Limited	Hong Kong	2,012,340,400 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
	i-CABLE Satellite Television Limited	Hong Kong	2 HK$1 shares	36%	Non-domestic television services
	i-CABLE Network Operations Limited	Hong Kong	500,000 HK$1 shares	36%	Network operation
	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 systems
	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
	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	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
	Universal Sight Limited	Hong Kong	1 HK$1 share	74%	Property

At 31 December 2008

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
* **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
Ardesia Developments Pte. Ltd.	Singapore	2 S$1 shares	56%	Investment
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
Nassim Developments Pte. Ltd.	Singapore	2 S$1 shares	56%	Investment
Others				
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
Ridge Limited	Hong Kong	2 HK$1 shares	100%	Property
Salisburgh Company Limited	Hong Kong	2 HK$1 shares	74%	Property
Utmost Success Limited	Hong Kong	2 HK$1 shares	74%	Holding company
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
Wheelock China Limited (held directly)	Hong Kong	2 HK$1 shares	100%	Holding company
i 廣州市廣隆房地產有限公司	The People's Republic of China	HK$58,700,000	100%	Property

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
Shekou Container Terminals (Phase II) Limited	The People's Republic of China	Ordinary	10%	Container terminal
Shekou Container Terminals (Phase III) Limited	The People's Republic of China	Ordinary	10%	Container terminal
蘇州雙湖房地產有限公司	The People's Republic of China	Ordinary	24%	Property
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

Jointly controlled entities	Place of incorporation/ operation	Class of shares	Effective equity interest to the Company	Principal activities
Wharf – Properties				
Elite Mind International Limited	Hong Kong	Ordinary	19%	Holding company
Show All Limited	Hong Kong	Ordinary	24%	Holding company
Tartar Investments Limited	British Virgin Islands	Ordinary	14%	Holding company
Speedy Champ Investments Limited	Hong Kong	Ordinary	19%	Holding company
重慶嘉江房地產開發有限公司	The People's Republic of China	Ordinary	19%	Property
浙江金盈置業有限公司	The People's Republic of China	Ordinary	24%	Property
無錫都會置業有限公司	The People's Republic of China	Ordinary	24%	Property
祥寶投資(成都)有限公司	The People's Republic of China	Ordinary	14%	Property
重慶豐盈房地產開發有限公司	The People's Republic of China	Ordinary	19%	Property
杭州綠城海企房地產開發有限公司	The People's Republic of China	Ordinary	14%	Property
Wharf – Logistics				
Taicang International Container Terminals Company Limited	The People's Republic of China	Ordinary	16%	Container terminal

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*

i *This entity is registered as a sino-foreign joint venture company under PRC law*

ii *This entity is registered as a wholly foreign owned enterprise under PRC law*

iii *This entity is registered as a foreign owned enterprise under PRC law*

Schedule of Principal Properties

At 31 December 2008

Address	Total	Office	Retail	Residential	Others	(Remarks)
	Approximate gross floor areas (sq. ft.)					
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 Queens' Road Central, Central	187,600	104,200	83,400	–	–	
3/F-24/F, Wheelock House, 20 Pedder Street, Central	194,700	194,700	–	–	–	
Fitfort, Basement-3/F, Healthy Gardens Podium, 560 King's Road, North Point	125,400	–	125,400	–	–	
	11,711,400	6,466,900	3,770,600	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	–	–	
Wuhan Times Square 160 Yan Jiang Da Dao, Jiangan District, Wuhan	8,000	–	8,000	–	–	
Dalian Times Square 50 Ren Min Road, Zhongshan District, Dalian	186,000	–	186,000	–	–	
	2,872,800	1,068,800	1,609,000	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	34%
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	34%
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%
(c)	N/A	2053	2008	N/A	48%
(d)	N/A	2039	2008	N/A	48%

N/A	N/A	2089	1993	N/A	56%

Schedule of Principal Properties

At 31 December 2008

Address	Total	Office	Retail	Residential	Others	(Remarks)
	Approximate gross floor areas (sq. ft.)					
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	
Hotels and clubs in China						
Marco Polo Wuhan 160 Yan Jiang Da Dao, Jiangan District, Wuhan	405,000	–	–	–	405,000	(Other represents a 380-room hotel)
Property developments in Hong Kong						
Cable TV Tower South, Chai Wan Kok Street, Tsuen Wan	598,500	–	–	–	598,500	(Industrial)
Kowloon Godown, 1-5 Kai Hing Road, Kowloon Bay	994,900	–	–	994,900	–	
Yau Tong Godown, 5 Tung Yuen Street, Kowloon	255,700	–	42,600	213,100	–	
The Babington, Mid-Levels	51,900	–	–	51,900	–	(4,900 s.f. pre-sold)
2 Heung Yip Road, Wong Chuk Hang, Aberdeen	737,200	737,200	–	–	–	(224,900 s.f. pre-sold)
211-215C Prince Edward Road West	91,700	–	–	91,700	–	
46 Belcher's Street, Kennedy Town	91,400	–	–	91,400	–	
Units at Bellagio, 33 Castle Peak Road, Sham Tseng	53,400	–	31,200	22,200	–	
	2,874,700	737,200	73,800	1,465,200	598,500	
Property developments in Hong Kong (undertaken by associates)						
Various Lots at Yau Tong Bay, Yau Tong, Kowloon	624,500	–	21,100	599,200	4,200	(15.6% attributable to the Group – Note e)
Property developments in China						
Wellington Garden - Tower 3 183 Huai Hai Xi Road, Xuhui District, Shanghai	128,000	–	–	128,000*	–	
Wuhan Times Square, 160 Yan Jiang Da Dao, Jiangan District, Wuhan - Towers 1, 3, 4, 8 & 9	263,000	–	–	263,000*	–	
Dalian Times Square 50 Ren Min Road, Zhongshan District, Dalian	1,313,000	–	–	1,313,000	–	(441,000 s.f. residential area pre-sold)
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	763,000	–	–	763,000*	–	
Tian Fu Times Square, Chengdu Junction of Dong Da Jie & Fu He, Jinjiang District	4,856,000	1,903,000	140,000	2,813,000	–	(704,000 s.f. residential area pre-sold)
Crystal Park, No.10 Gaoxin District Chengdu Junction of Zhan Hua Road and Fu Cheng Avenue	4,425,000	494,000	56,000	3,875,000	–	(95,000 s.f. residential area pre-sold)

At 31 December 2008

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	34%
(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%
(c)	N/A	2053	2008	N/A	48%
66,000	TWIL 36	2047	2011	Substructure in progress	48%
165,809	NKIL 5805, 5806 & 5982	2047	N/A	Planning stage	48%
42,625	YTIL 4 s.A & adjoining Government land	2047	N/A	Planning stage	48%
5,837	IL609C R.P. & Sec. D R.P.	2859	2010	Superstructure in progress	74%
49,000	AIL 374	2121	2010	Superstructure in progress	74%
18,338	KIL 2340 R.P.	2080	2012	Planning stage	74%
11,125	IL 953 R.P.	2891	2013	Planning stage	74%
566,090	Lot no. 269 R.P. in DD 390	2051	N/A	Completed	74%
759,276	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%
(c)	N/A	2053/73	2007/08	Completed	48%
(d)	N/A	2069	2009	Superstructure in progress	48%
118,220	N/A	2064	2009	Superstructure in progress	41%
136,432	N/A	2049	2009	Superstructure in progress	47%
170,825	N/A	2043/63	2013	Planning stage	27%
761,520	N/A	2045/75	2012	Superstructure in progress	48%
884,459	N/A	2046/76	2013	Superstructure in progress	48%

Schedule of Principal Properties

At 31 December 2008

Address	Total	Office	Retail	Residential	Others	(Remarks)
	Approximate gross floor areas (sq. ft.)					
Suzhou Industrial Park Lot No. 68210 Suzhou Industrial Park	2,123,000	–	–	2,123,000	–	
Wuxi Taihu Plaza project						
Wuxi Super Tower	3,010,000	2,002,000	–	405,000*	603,000	(Other represents a 350-room hotel)
Taihu Plaza, Nanchang District, Wuxi	8,949,000	–	–	8,949,000	–	
Shuangliu Development Zone, Chengdu Junction of Shuang Nan Avenue and Guang Hua Avenue, Shuangliu Country	9,807,000	3,922,800	1,961,400	3,922,800	–	(Retail includes an outlet mall of 686,000 s.f.)
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 Xinbei District 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	1,890,000	–	1,890,000	–	
Xiandai Da Dao, Suzhou Industrial Park, Suzhou	9,765,000	–	–	9,765,000	–	
Wuxi Old Canal Lot#71 Nanchang District and abutting on Jinhang Canal	2,551,000	–	–	2,551,000	–	
Wuxi Old Canal Lot#72 Nanchang District and abutting on Jinhang Canal	2,670,000	646,000	–	2,024,000	–	
Dongfenglu Project Lot no. S2, Dong Feng Lu, Guangzhou	357,600	–	113,900	243,700	–	
	69,599,600	14,232,800	3,598,300	49,562,500	2,206,000	
Property developments in China (undertaken by associates)						
Suzhou Industrial Park Lot B24 - Wei Ting Project South of Lin Hu Road, East & West sides of Ying Hu Road	908,000	–	–	908,000	–	(50% attributable to the Group - Note e)
Foshan Xincheng Project South of Tian Hong Lu and North of Yu He Lu Xincheng District	2,453,000	–	140,000	2,313,000	–	(50% attributable to the Group - Note e) (113,000 s.f. residential area pre-sold)
Foshan Chancheng Project North side of Kin Jin Lu, Chancheng District	1,428,700	–	115,200	1,313,500	–	(50% attributable to the Group - Note e)
	4,789,700	–	255,200	4,534,500	–	

At 31 December 2008

Site area (sq.ft.)	Lot number	Lease expiry	Completion/ expected completion	Stage of completion	Effective equity interest to the Company
3,654,152	N/A	2076	2012	Planning stage	48%
313,867	N/A	2047/57	2014	Substructure in progress	48%
3,314,418	N/A	2078	2015	Substructure in progress	48%
3,900,589	N/A	2047/77	2013	Planning stage	48%
			Outlet mall: 2009	Superstructure in progress	
590,481	N/A	2047	2012	Planning stage	48%
4,427,804	N/A	2047/77	2014	Planning stage	34%
229,069	N/A	2047/77	2013	Planning stage	27%
5,425,454	N/A	2077	2013	Planning stage	27%
1,416,822	N/A	2078	2015	Planning stage	48%
1,276,142	N/A	2078	2014	Planning stage	48%
60,020	N/A	2059/79	2012	Planning stage	100%
1,976,237	N/A	2077	2013	Planning stage	24%
2,867,600	N/A	2047/77	2012	Superstructure in progress	37%
1,155,000	N/A	2048/78	2013	Substructure in progress	37%

At 31 December 2008

Address	Approximate gross floor areas (sq. ft.) Total	Office	Retail	Residential	Others	(Remarks)
Property developments in China (undertaken by jointly controlled entities)						
Hangzhou Zhuantang Town Project Zhuantang Town, Zhijiang National Tourist Holiday Resort, Xihi District, Hangzhou	2,004,000	–	83,000	1,921,000	–	(50% attributable to the Group - Note e)
Wuxi Old Canal Lot #73 Nanchang District and abutting on Jinhang Canal	1,760,000	–	–	1,760,000	–	(50% attributable to the Group - Note e)
Chongqing Danzishi Project Zone C of Danzishi, Nanan District	9,038,000	–	1,490,000	7,548,000	–	(40% attributable to the Group - Note e) (136,000 s.f. residential area pre-sold)
Chengdu Shahe Project South of Shuanggui Road, North of Niusha Road, East of Erhuan Road, West of Shahe, Jinjiang District, Chengdu	4,046,000	484,500	484,500	2,916,000	161,000	(Other represents hotel) (30% attributable to the Group - Note e)
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 e)
Hangzhou CBD Project Qianjiang New City, Shangcheng District, Hangzhou	1,255,000	–	44,000	1,035,000	176,000	(Other represents a 128-room hotel) (40% attributable to the Group - Note e)
	20,627,000	484,500	2,101,500	17,704,000	337,000	
Property developments in Singapore						
Orchard View, 29 Angullia Park	75,900	–	–	75,900	–	
Ardmore II, 1 & 2 Ardmore Park	238,700	–	–	238,700	–	(all units pre-sold)
Scotts Square, 6 Scotts Road	423,400	–	130,700	292,700	–	(226,000 s.f. residential area pre-sold)
Ardmore 3, 3 Ardmore Park	146,175	–	–	146,175	–	
	884,175	–	130,700	753,475	–	
TOTAL	**116,217,675**	**23,222,900**	**11,792,300**	**75,721,775**	**5,480,700**	

Notes:

a) Part of Harbour City, total site area is 428,719 sq. ft.

b) Part of The Marco Polo Hongkong Hotel building.

c) Components of Wuhan Times Square which has a total site area of 188,090 sq. ft.

d) Components of Dalian Times Square which has a total site area of 171,356 sq.ft.

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

* Residential includes office-apartments

At 31 December 2008

Site area (sq.ft.)	Lot number	Lease expiry	Completion/ expected completion	Stage of completion	Effective equity interest to the Company
2,046,685	N/A	2047/77	2014	Substructure in progress	24%
2,121,662	N/A	2048/78	2015	Planning stage	24%
6,080,656	N/A	2047/57	2014	Superstructure in progress	19%
2,212,128	N/A	2048/78	2011 and beyond	Planning stage	14%
1,002,408	N/A	2057	2014	Planning stage	19%
906,921	N/A	2047/77	2013	Substructure in progress	14%
29,078	N/A	Freehold	2010	Superstructure in progress	56%
89,630	N/A	Freehold	2010	Superstructure in progress	56%
71,145	N/A	Freehold	2011	Superstructure in progress	56%
54,981	N/A	Freehold	2014	Planning stage	56%

Ten-year Financial Summary

HK$ Million	2008	2007	2006/07	2005/06	2004/05
Consolidated Profit and Loss Account		(Note b)			
Turnover	**22,583**	17,915	16,096	4,235	4,521
Profit before investment property surplus	**2,284**	3,361	3,008	3,313	3,502
Investment property surplus (Note a)	**1,148**	4,254	3,302	7,003	4,835
Profit attributable to shareholders	**3,432**	7,615	6,310	10,316	8,337
Dividends attributable to shareholders	**254**	254	254	254	224
Consolidated Balance Sheet					
Fixed assets	**130,696**	125,390	111,256	8,665	5,326
Interest in associates	**5,438**	5,096	531	32,012	26,562
Interest in jointly controlled entities	**7,989**	4,555	788	–	–
Available-for-sale investments	**2,279**	7,622	7,088	2,187	1,488
Properties for sale	**24,660**	19,805	15,386	9,169	10,204
Bank deposits and cash	**22,927**	13,079	10,235	4,518	3,502
Other assets	**4,217**	3,578	3,743	1,627	1,673
Total assets	**198,206**	179,125	149,027	58,178	48,755
Bank loans/other borrowings	**(45,623)**	(34,991)	(25,806)	(7,205)	(8,023)
Other liabilities	**(29,340)**	(29,975)	(23,679)	(3,605)	(4,066)
Net assets	**123,243**	114,159	99,542	47,368	36,666
Share capital	**1,016**	1,016	1,016	1,016	1,016
Reserves	**57,717**	55,635	48,246	40,000	30,419
Shareholders' equity	**58,733**	56,651	49,262	41,016	31,435
Minority interests	**64,510**	57,508	50,280	6,352	5,231
Total equity	**123,243**	114,159	99,542	47,368	36,666
Financial Data					
Per share data					
Earnings per share (HK$)	**1.69**	3.75	3.11	5.08	4.10
Net assets per share (HK$)	**28.91**	27.88	24.25	20.19	15.47
Dividends per share (Cents)	**12.5**	12.5	12.5	12.5	11.0
Financial ratios					
Net debt to shareholders' equity (%)	**38.6%**	38.7%	31.6%	6.6%	14.4%
Net debt to total equity (%)	**18.4%**	19.2%	15.6%	5.7%	12.3%
Return on shareholders' equity (%)	**5.9%**	14.4%	14.0%	28.5%	28.8%
Dividend cover (Times)	**13.5**	30.0	24.8	40.6	37.2

HK$ Million	2003/04	2002/03	2001/02	2000/01	1999/2000
Consolidated Profit and Loss Account					
Turnover	7,116	9,868	7,165	3,762	4,551
Profit before investment property surplus	2,303	35	547	523	864
Investment property surplus (Note a)	–	–	–	–	–
Profit attributable to shareholders	2,303	35	547	523	864
Dividends attributable to shareholders	183	152	152	152	152
Consolidated Balance Sheet					
Fixed assets	4,011	3,886	4,935	5,352	5,765
Interest in associates	24,528	20,488	23,379	24,733	23,571
Interest in jointly controlled entities	–	–	–	–	–
Available-for-sale investments	1,167	753	3,728	3,335	3,613
Properties for sale	7,251	10,600	17,163	22,939	21,873
Bank deposits and cash	2,017	3,183	3,451	1,299	1,430
Other assets	1,905	3,092	2,011	818	1,048
Total assets	40,879	42,002	54,667	58,476	57,300
Bank loans/other borrowings	(8,132)	(11,981)	(16,626)	(16,964)	(17,512)
Other liabilities	(2,110)	(3,818)	(5,826)	(6,975)	(6,328)
Net assets	30,637	26,203	32,215	34,537	33,460
Share capital	1,016	1,016	1,016	1,015	1,015
Reserves	25,528	21,774	25,469	27,404	26,227
Shareholders' equity	26,544	22,790	26,485	28,419	27,242
Minority interests	4,093	3,413	5,730	6,118	6,218
Total equity	30,637	26,203	32,215	34,537	33,460
Financial Data					
Per share data					
Earnings per share (HK$)	1.13	0.02	0.27	0.26	0.43
Net assets per share (HK$)	13.06	11.22	13.04	13.99	13.41
Dividends per share (Cents)	9.0	7.5	7.5	7.5	7.5
Financial ratios					
Net debt to shareholders' equity (%)	23.0%	38.6%	49.7%	55.1%	59.0%
Net debt to total equity (%)	20.0%	33.6%	40.9%	45.4%	48.1%
Return on shareholders' equity (%)	9.3%	0.14%	2.0%	1.9%	3.2%
Dividend cover (Times)	12.6	0.2	3.6	3.4	5.7

Notes:

a) *Investment property surplus on revaluation is after deferred tax and minority interests.*

b) *The Company changed its financial year end date from 31 March to 31 December at the end of 2007. Accordingly, the Company's financial year 2007 covered nine months ended 31 December 2007 but consolidated the financial statement for Wharf for full calender year 2007.*

c) *The Company 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.*

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

e) *Return on shareholders' equity is based on profit attributable to shareholders over average shareholders' equity during the year.*

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