Wheelock & Company Limited

WHEELOCK AND COMPANY LIMITED ANNUAL REPORT 2009

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WHEELOCK

WHEELOCK

Founded 1857

www.wheelockcompany.com

Stock Code: 20

Contents

Corporate Information

BOARD OF DIRECTORS

Peter K C Woo, GBS, JP *(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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28 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

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20 Pedder Street
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PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

AUDITORS

KPMG

Chairman's Statement

The world opened 2009 very uncertain and nervous after the monumental financial tsunami in 2008 had shocked financial systems and nearly floored the world economy. A slow recovery started after governments started to introduce unprecedented financial rescue programmes in March. Nevertheless, real GDP for the full year still contracted by 2.7% in Hong Kong and by 2% in Singapore. Mainland China's GDP grew by 8.7% due to rapid and decisive liquidity expansion which started before the end of 2008 on a scale and with a speed hitherto never seen that lasted throughout the entire 2009. However, serious uncertainties remain going forward to 2010 and 2011 as markets anticipate the eventual unwinding of these massive rescue programmes.

On a recurrent basis, the Group's underlying net profit increased by 21% to HK$3,747 million (2008: HK$3,095 million). Non-recurrent items improved net profit to HK$4,442 million while investment property revaluation further lifted Group profit attributable to shareholders to HK$9,631 million. Net asset value per share rose by 19% to HK$34.3 as at 31 December 2009. The Group's net debt amounted to HK$18.9 billion.

To support Wharf's HK$9.1 billion rights issue in January 2008, the Company took on additional debt of HK$4.0 billion instead of raising new equity from shareholders. Subsequent dividends from Wharf and Wheelock Properties, being the Company's primary source of cash inflow, were applied to fund the Company's dividends to shareholders and left a balance to reduce the Company's net debt by HK$1.6 billion.

New opportunities may arise for the Company and its various subsidiaries in 2010 and 2011, given the serious uncertainties that remain around the world. The Board recommends no change in distribution from 2008 with a final dividend of 10 cents per share to bring the total dividend for the year to 12.5 cents per share (2008: 12.5 cents).

The Group's performance is underpinned primarily on the strength of the core properties.

Wharf's retail properties outperformed to deliver a solid performance even before the upturn in local consumer spending and the recovery in inbound travel. This can be attributed to leadership retail management, diversified trade-mix across a finely calibrated price point matrix and powerful retail marketing. Core assets Harbour City and Times Square reported a 10% increase in profit to HK$5.3 billion. Together, they accounted for around 8% of total Hong Kong retail sales in 2009. The office portfolio also held up well and a sustained level of occupancy and rents were achieved, thanks to their ideal location, served by excellent transportation networks and well-rounded ancillary services.

Wharf's China property segment, still at a relatively early stage of development, outpaced all other segments in profit growth. Sales for 3.7 million square feet of properties recognised in 2009 helped increase operating profit by elevenfold to exceed HK$1 billion. Including sales not yet recognised, a total of 4.7 million square feet of properties were sold in 2009 for RMB4.6 billion to exceed target. That reflected soaring housing demand across urban China, the properties' excellent location and quality, as well as Wharf's respected brand.

Chairman's Statement

Wheelock Properties has been successful in riding the recent market cycles in Singapore and will continue to watch the market for reinvestment opportunities. In Singapore, with both Ardmore II and Orchard View to be completed in the first half of 2010, earlier successful pre-sales are expected to be recognised. During the year, it successfully pre-sold projects in Hong Kong and Southern China, including The Babington in the Mid-Levels and the two projects in Foshan, Guangdong. In March 2010, a 50:50 joint venture with New World Development won the tender for the development of a luxury residential project atop MTR Austin Station at the heart of West Kowloon. The project has excellent potential, given its prime location in West Kowloon on top of the key transportation networks in the city.

Urbanisation remains to be the growth driver of China's GDP over the next 30 years. The high-speed railway development marks a new milestone to connect all the major cities throughout the country. It will generate more economic activities in the cities and between cities over the second 30 years of China's opening up. The recent Central Economic Work Conference underlined the Chinese government's pledge to fast track the process of urbanisation and further relaxation of residence permits. That will lend further support to urban housing demand. I remain enthusiastic about the fundamentals of the Mainland real estate market, where the Group's motto of "Building for Tomorrow" continues to serve us well both internally and externally.

Following a notable recovery towards the end of 2009, the Hong Kong economy looks set for a further rebound in 2010. The Government forecasts GDP will resume positive growth of 4-5%, underpinned by a further recovery in external trade and domestic demand. The strengthening economic relations with the Mainland will continue to add impetus to Hong Kong's recovery process and provide a cushion against the uncertainties in the global environment. I remain optimistic about the medium-term outlook for Hong Kong.

Asia, particularly the Mainland, is expected to take the lead in the recovery process. The Group, with its strong foothold in Hong Kong, China and Singapore, is well positioned to benefit from the dynamic growth in the regions. It is well poised to display its vitality and to create a better future on the back of a spate of investment opportunities in Hong Kong, Singapore and China. The Group is confident that these investments will generate a satisfactory return to the Group in the years to come.

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 year. In particular, Mr Gonzaga Li, Senior Deputy Chairman, is retiring after serving in the senior management nucleus for over 40 years. I am personally indebted to him for his invaluable assistance to me over the years. Special mention is also due to our property teams who are fully energised and motivated to help propel the Group and to make great advances to establish our leadership position in the segment.

Peter K C Woo
Chairman

Hong Kong, 23 March 2010

Financial Highlights

RESULTS AND FINANCIAL POSITION

	2009 HK$ Million	2008 HK$ Million
Results		
Turnover	**18,957**	22,583
Operating profit	**9,507**	9,420
Profit before attributable net investment property revaluation surplus	**4,442**	2,284
Group profit attributable to equity shareholders	**9,631**	3,432
Earnings per share	**HK$4.74**	HK$1.69
Dividends per share	**12.5¢**	12.5¢
Financial position		
Total assets	**224,806**	198,206
Net debt	**18,878**	22,696
Shareholders' equity	**69,691**	58,733
Total equity	**144,149**	123,243
Net assets per share	**HK$34.30**	HK$28.91
Net debt to total equity	**13.1%**	18.4%

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 ¢
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
2009	**9,631**	**144,149**	**69,691**	**4.74**	**12.5**

Notes:

1) *The Company changed its financial year end date from 31 March to 31 December in 2007.*

2) *Please refer to Ten-year Financial Summary on pages 126 to 127.*

Financial Highlights

GROUP PROFIT AND ASSETS COMPOSITION

	Group profit to equity shareholders				Shareholders' equity			
	2009		2008		**2009**		2008	
	HK$ Million	**%**	HK$ Million	%	**HK$ Million**	**%**	HK$ Million	%
The Wharf (Holdings) Limited	**3,098**	**83**	2,085	68	**55,549**	**76**	47,971	76
Wheelock Properties Limited [1]	**467**	**12**	847	27	**14,235**	**20**	11,973	19
The Company and its other subsidiaries	**182**	**5**	163	5	**3,032**	**4**	2,841	5
	3,747	**100**	3,095	100	**72,816**	**100**	62,785	100
Attributable net profit on disposal of investment properties	**766**		–		**–**		–	
Attributable impairment loss for investments	**(71)**		(811)		**–**		–	
	4,442		2,284		**72,816**		62,785	
Attributable investment property revaluation surplus	**5,189**		1,148		**–**		–	
Corporate items [2]	**–**		–		**(3,125)**		(4,052)	
Attributable to shareholders	**9,631**		3,432		**69,691**		58,733	
Per share	**HK$4.74**		HK$1.69		**HK$34.30**		HK$28.91	

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.*

Management Discussion and Analysis

SEGMENT REVIEW

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

Including the investment property revaluation surplus and a one-off profit on disposal of Fitfort, profit attributable to shareholders for the year grew by 79% to HK$1,458 million (2008: HK$816 million).

Excluding the investment property revaluation surplus and exceptional items, net profit attributable to shareholders in fact fell by 44% to HK$783 million (2008: HK$1,396 million) due to the timing of project completion in Singapore. Total core earnings from Hong Kong rose by 145% (or HK$385 million) but total earnings from Singapore decreased by 88% (or HK$998 million).

Wheelock House
Hong Kong

Hong Kong

Over 80% of The Babington in the Mid-Levels, with a total of 47 luxury apartments, have been sold to realise proceeds of about HK$496 million. Corresponding revenue and profits were recognised in 2009.

Redevelopment of 2 Heung Yip Road, Aberdeen, into a high-rise commercial building is underway. Lease modification for conversion to allow a commercial building has been agreed with the Government. The development offers a total GFA of 737,200 square feet, of which about 224,900 square feet was pre-sold in previous years.

The sale of Fitfort, a non-core retail property in North Point, was completed in December 2009 for HK$935 million. A net profit of HK$126 million was recognised in 2009.

Foundation works for a residential development at 211-215C Prince Edward Road West, Mongkok, is underway. The development offers a total GFA of 91,700 square feet.

By the end of December 2009, the company had acquired 98.5% of the interest in the property situated at 46 Belcher's Street, Western District. The Court has subsequently approved an application to put the entire building on auction. The site has the potential for a residential redevelopment with a total GFA of 91,400 square feet.

In early March 2010, a joint bid by the company and New World Development on a 50:50 basis won the tender for the development of a luxury residential project atop the MTR Austin Station at the heart of Tsim Sha Tsui West. It is also within close proximity to the existing Airport Express Line as well as the future high-speed rail terminus. The land parcel has a site area of 295,181 square feet, with 641,082 square feet of GFA attributable to the company. The land premium is HK$11.7 billion, with one-third being shared by MTRC.

Management Discussion and Analysis

Southern China

The company's three current projects in Southern China are all undertaken in Foshan through 50:50 joint ventures with China Merchants.

The first project, in an integrated new town (Xincheng District 新城區) facing the Dong Ping River (東平河), boasts a site area of 2.88 million square feet and offers an attributable GFA of 2.43 million square feet. All the townhouses, low-rise and high-rise residential units offered for pre-sale to-date have been taken up in full or nearly in full.

The second project, at the junction of Kuiqi Road (魁奇路) and Guilan Road (桂瀾路) in Chancheng District (禪城區), boasts a site area of 1.15 million square feet and envisages an attributable GFA of 1.45 million square feet. Pre-sale of the first phase covering one high-rise residential tower started in December 2009 and was 97% taken up.

These first two projects are scheduled for completion in phases by 2012 and 2013 respectively.

The third site was acquired for RMB680 million at a public auction in January 2010. Located at the centre of Shishan Town (獅山鎮) and 15km from the centre of Chancheng District (禪城區), it boasts a site area of 1.5 million square feet and offers an attributable GFA of 1.67 million square feet. It is planned for an upscale residential project to be completed in phases by 2015.

Singapore

Profit for Wheelock Properties (Singapore) Limited ("WPSL") amounted to S$262.3 million for the financial year under review (2008: S$100.9 million) in accordance with the accounting standards in Singapore.

Investment Property

Wheelock Place, a commercial development at Orchard Road, was 100% committed to tenants as at the end of December 2009. It also achieved high retention renewals of 89% and 94% for its office and retail portions respectively.

Wheelock Place
Singapore

Development Properties

Ardmore II is a prime residential development with 118 apartments. Main construction work is progressing to schedule and is expected to be completed by the first half of 2010. All of the 118 units have been pre-sold.

Orchard View, a luxury residential development located in the serene enclave of Angullia Park and within walking distance of MRT Orchard Station, comprises 30 units of four-bedroom apartments with private lift lobbies. A preview sale was conducted in August 2009 and three units were sold. Main construction work is scheduled for completion in the first half of 2010.

Strategically located in the main shopping belt of Orchard Road, Scotts Square is a prime residential development with 338 international quality apartments, plus a retail annex. The retail podium will be held for long term investment. Pre-sale of the apartments reached 77% (in net saleable area) by the end of 2009. Main construction work is in progress and the development is scheduled to be completed by 2011.

Ardmore 3, another luxury project along Ardmore Park, is planned for redevelopment and sale. It will be an international-standard luxury residential development in the prestigious Ardmore Park, next to Ardmore II. Piling works is scheduled to commence in mid-2010.

The Wharf (Holdings) Limited (“Wharf”, a 50.02%-owned listed subsidiary)

Turnover increased by 10% to HK$17,553 million (2008: HK$15,940 million) on account of firm recurrent rental income coupled with strong China property sales to more than offset the decline in the logistics sector caused by the global contraction in world trade. Operating profit grew by 13% to HK$8,554 million (2008: HK$7,543 million).

Profit attributable to shareholders excluding investment property revaluation increased by 86% to HK$7,817 million (2008: HK$4,194 million). Including the revaluation of investment properties, profit attributable to shareholders increased by 180% to HK$17,501 million (2008: HK$6,247 million). Earnings per share were HK$6.35 (2008: HK$2.28).

Harbour City and Times Square representing 51% of the group’s total business assets and 62% of total operating profit posted favourable results for 2009, notwithstanding the challenging environment. They also combined to account for a stable 8% of total Hong Kong retail sales.

Harbour City

Harbour City (excluding hotels) achieved a turnover of HK$4,467 million for an increase of 11%, while operating profit rose by 14% to HK$3,840 million.

It also set a new record of HK$15.5 billion, with average sales per square foot surging to a new high of almost HK$2,400 in December. That in turn resulted in an 18% increase in retail rental at Harbour City to HK$2,550 million.

For the full year, tenants at Harbour City registered a 16% year-on-year growth in total retail sales to outperform the market by 15 percentage points, thanks to the mall’s premier location, sustained quality for the most exhilarating and rewarding shopping experience, diversified trade-mix and powerful retail marketing.

Turnover for the office sector grew by 5% to HK$1,662 million. Committed occupancy was maintained at 93% at the end of 2009. Following the relocation of Sony Corporation from The Lee Gardens to The Gateway, Taishin International Bank recently committed a floor at The Gateway to relocate from Admiralty Centre. Despite the less favourable economic environment, a number of tenants expanded. Lease renewal retention rate at Harbour City held up reasonably well at 67% with favourable rental increment.

With a decrease in average occupancy, turnover for the serviced apartments dropped by 7% to HK$255 million. At the end of December 2009, committed occupancy at Gateway Apartments was maintained at 87% (2008: 87%).

Times Square

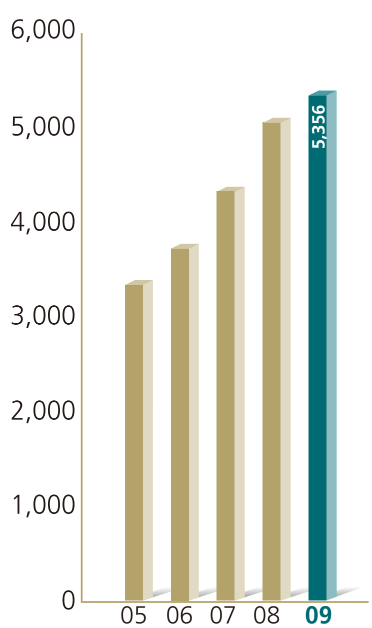
Times Square turned over HK$1,426 million for an increase of 9%. Operating profit rose by 10% to HK$1,242 million.

Turnover for Times Square's retail sector increased by 10% to HK$956 million. Average retail occupancy was maintained at virtually 100%. Tenant mix was further refined, with recruitment of a spate of international and trendy labels including CK Calvin Klein, Jill Stuart, Levi's, Replay, etc during the year. The new sky escalators in the atrium of the mall were completed in November 2009. They are not only exciting but also improving the circulation in the mall.

Turnover from the office sector rose by 7% to HK$470 million, underpinned by positive rental reversion. Committed occupancy was maintained at 95% at the end of 2009. Lease renewal retention rate stood high at 75%, and renewals included AIA, Assicurzaioni Generali, Coca-Cola, Walt Disney, etc.

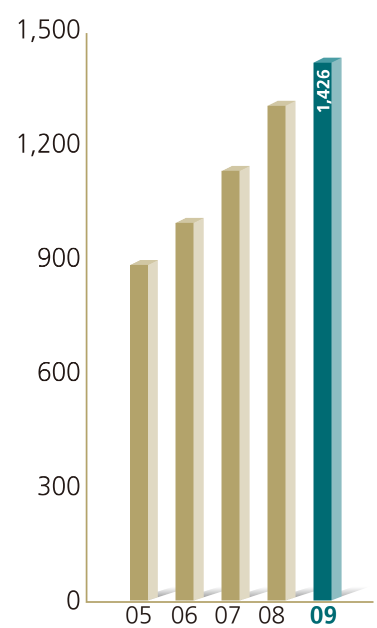
Harbour City:

Revenue (HK$ Million)



Times Square:

Revenue (HK$ Million)



Management Discussion and Analysis

Wheelock Square
1717 Nanjing Xi Road, Shanghai, China

China Properties

All four completed Times Squares, in Beijing, Chongqing, Dalian and Shanghai performed satisfactorily. Total revenue spurred by a full-year contribution from Dalian Times Square, which opened in late 2008, rose by 15% and operating profit by 26%. The disposal of Beijing Capital Times Square in November 2009 at a valuation of RMB3.2 billion resulted in an after-tax profit of HK$1.4 billion being recognised in 2009.

Wheelock Square at Nanjing Xi Road (南京西路) of Shanghai, with an attributable GFA of 1.2 million square feet of premium Grade A offices, is scheduled for completion by June 2010. Marketing is in progress. Commitments and letters of intent received so far are encouraging.

Designed by Kohn Pedersen Fox, Wheelock Square features simple yet refined symmetrical lines combined with subtle elegance. It is among the tallest in Puxi upon completion in June 2010. The tower will feature top modern office specification and facilities rarely matched in the current market.

Strategically situated in the heart of Jing'an District and overlooking Jing'an Park, Wheelock Square is located directly opposite Jing'an Temple Station for Metro lines 2 & 7, as well as within 5 minutes' walk to Changshu Road Station for Metro line 1.

Management Discussion and Analysis

Chengdu International Finance Centre is the group's next flagship development. Ideally located in Hongxing Road (紅星路) in the heart of the city's business centre, it is comparable in scale and significance to Harbour City in Hong Kong. It will comprise a mega retail complex, Grade A offices, a five-star hotel and luxury residences. Foundation work has commenced. Phase I comprising the mega retail complex and one office tower is targeted to complete by the first half of 2013.

Property Development

Turnover grew by HK$2,355 million to HK$3,065 million and profit before tax improved by HK$1,283 million to HK$1,139 million. Phased completion enabled pre-sale commitments for Dalian Times Square in Dalian, Tian Fu Times Square and Crystal Park in Chengdu to be booked.

Underpinned by its reputable branding, execution capability and well-located residential projects, the company surpassed its sales target for 2009. A total of 4.7 million square feet of properties were sold or pre-sold, with a combined value of RMB4.6 billion, primarily in Chengdu, Chongqing, Dalian, Shanghai and Wuxi.

The group was particularly active in Chengdu, Sichuan. Over 99% of the first nine residential towers (Times Residences) at Tian Fu Times Square have been sold/pre-sold. The first three towers were completed and the related property sales profits were recognised in 2009. Over 99% of the first eight residential towers at Crystal Park have been sold/pre-sold. The ninth residential tower was recently launched for sale in January 2010. Over 98% of the units offered were pre-sold within one month at an average price of over RMB9,200 per square metre, which surged notably from the previous price levels. The first four towers were completed and the related property sales profits were booked in 2009.

Dalian Times Square has successfully sold/pre-sold 87% of its two residential towers. Both towers were completed and the related property sales profits were recognised in 2009.

The first 22 residential towers (Wuxi Times City) at Wuxi Taihu Plaza have been launched since August 2009, of which 83% have been pre-sold at excellent prices. Construction work for the first phase of residential development is underway. The whole development is scheduled for completion in phases by 2015.

In Shanghai, the first four residential blocks at No. 1 Xin Hua Road, a low density super-deluxe development ideally located at the junction of Xin Hua Road (新華路) and Huai Hai Xi Road (淮海西路), were launched in August 2009. 86% of the units offered have been pre-sold at an average price of RMB80,000 per square metre. The development is expected to be completed by July 2010.

The CBD International Community project in Danzishi (彈子石) of Nanan District (南岸區) along the Yangtze River (長江), developed by the group and China Overseas Land on a 40:60 basis, has pre-sold over 99% of its first 13 residential towers and 88% of its retail units launched. The development comprises 22.6 million square feet GFA (with 9.0 million square feet attributable to the group) of high-end comprehensive residences, apartments/retail development and is expected to be completed in phases by 2014.

For Wellington Garden in Shanghai, all of the units had been sold at the end of December 2009. The four residential towers and the office-apartment towers at Wuhan Times Square have been 98% and 53% sold respectively.

Other Projects under Development

In Chengdu, a site in Shuangliu Development Zone (雙流發展區) is being developed into a commercial and residential complex with an attributable GFA of 9.8 million square feet. In Phase I, an outlet mall, namely, Times Outlets, with an attributable GFA of 680,000 square feet, started trial operation at the end of 2009. It attracted a spate of reputable international and local brands including Adidas, Cerruti 1881, Guess, Hush Puppies, Kent & Curwen and Nike etc.

Other development projects, excluding new acquisitions in 2009 and 2010, include one lot in Jingan District, Shanghai, one lot in Jinjiang District, Chengdu, four parcels of land in Wuxi (one parcel located along Beijing-Hangzhou Grand Canal at Renmin Plaza and three parcels in Nanchang District), two lots in Suzhou (one lot between Jinji Lake and Dushu Lake and another lot next to Qing Jian Hu) and one lot in Xihu District in Hangzhou. Listed subsidiary Harbour Centre Development Limited ("HCDL") is also developing five prime sites in the cities of Changzhou, Chongqing, Shanghai (Yangpu District) and Suzhou. All of these developments are progressing according to plan.

New Acquisitions

The company, since September 2009, has acquired six prime sites in the cities of Tianjin, Chongqing, Chengdu and Hangzhou.

The first site in Tianjin was acquired and developed by the company and China Merchants Property on a 50:50 basis. It is ideally located atop the Jing Jiang Lu (靖江路) Mass Transit Railway ("MTR") station, and just outside the mid-ring road of the city, within He Dong Qu (河東區). With a site area of 512,000 square feet and an attributable GFA of 0.65 million square feet, the development will comprise high-end residential and commercial properties. Construction is expected to commence within this year and completion is expected to take place in 2014.

Another site in Tianjin was acquired by the company and China Overseas in January 2010 on a 50:50 basis. The site is located atop the Tie Dong Lu (鐵東路) MTR station and at the North Eastern side of city centre, just outside the mid-ring road. The site area is 1.6 million square feet, developable into 2.63 million square feet of attributable GFA, of which 75% is for residential purpose and 25% for commercial use. Construction is expected to commence in 2010 and completion is expected in 2015.

In Chongqing, following the earlier acquisition with China Overseas Land of one site in Jiangbei City (江北城) and one site in Danzishi (彈子石), designated to be the future CBD with good transportation networks, the company acquired another two sites in Jiangbei City with China Overseas Land on a 50:50 basis. With these acquisitions, the company has become the dominant player in the future CBD of Chongqing that secures its distinct positioning in the district. The two recent sites boast a site area of 2.9 million square feet, developable into 7.2 million square feet of attributable GFA. One of the sites will be developed into a large commercial complex while the other is for residential development. Construction is targeted to commence in the third quarter of 2010 and completion is expected to take place in 2018.

The company's second project in Hangzhou was acquired in November 2009 for residential development. It comprises two sites located at Gongshu District (拱墅區), a traditional residential district with well-developed living facilities, and near the historical Gongchen Bridge (拱辰橋) and Beijing-Hangzhou Grand Canal (京杭大運河). These sites boast a site area of 914,000 square feet and offer a GFA of 2.4 million square feet. Construction is expected to commence in the first quarter of 2011 and the whole development is scheduled for completion by 2014.

In Chengdu, the company has acquired since November 2009 another two sites close to the city centre for residential development. One of them is located at Jinjiang District (錦江區) and bounded by Dongdajie (東大街) to its southern side and Jinhua Nan Lu (經華南路) to its eastern side. The development boasts a site area of 160,000 square feet and offers a GFA of 639,000 square feet. Construction is targeted to commence by mid-2010. Another site is located at a mature residential area in east second Ring Road of Chenghua District (成華區，川棉廠) with sufficient community facilities nearby. It offers a GFA of 3.5 million square feet and will be developed into upscale residences.

Management Discussion and Analysis

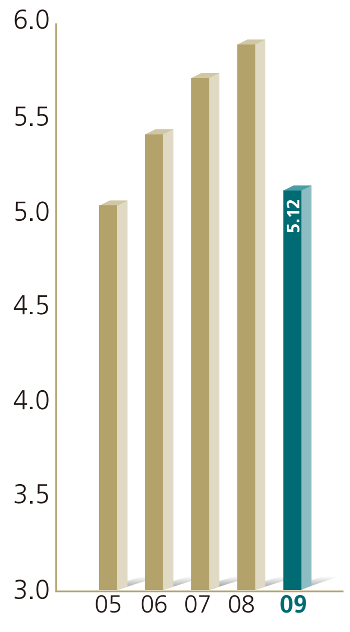
Modern Terminals (a 68%-owned subsidiary of Wharf)

For 2009, Modern Terminals' consolidated revenue was HK$2,840 million (2008: HK$3,446 million). Thanks to the proactive and aggressive cost saving initiatives rolled out at the beginning of the year, which effectively reduced the consolidated operating costs by 22%, consolidated operating profit was held up at HK$1,307 million (2008: HK$1,608 million). Favourable finance costs coupled with the cost saving initiatives further mitigated Modern Terminals' bottom line and narrowed the rate of net profit decrease to 4% from a year earlier.

Throughput in Hong Kong dropped by 13.3% to 5.12 million TEUs amidst the global-wide collapse in trade demand. Taicang International Gateway in Suzhou, comprising six berths with a capacity of 3.6 million TEUs, grew container volume by 4% in 2009, coupled with a significant growth in breakbulk cargo alongside a revival in intra-Asia trade since the middle of 2009. Da Chan Bay Terminal One in Shenzhen, notwithstanding the difficult market climate, successfully added eight new services throughout the year and now provides a full and comprehensive range of service routes to meet different customer needs. Chiwan Container Terminal, in which Modern Terminals holds an 8% attributable stake, handled 3.0 million TEUs and Shekou Container Terminals, in which Modern Terminals holds a 25% stake, handled 3.3 million TEUs. Such 25% stake was diluted from 27% upon the completion of stage three of the rationalisation agreement in March 2009 and is expected to be diluted to 20% with the completion of all stages of rationalisation in 2010.

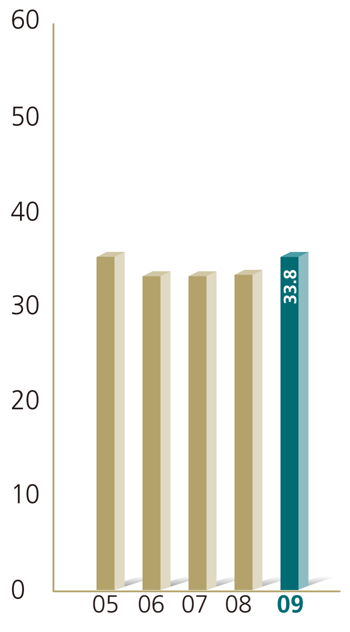
Modern Terminals: Throughtput (HK)

(Million TEUs)



Modern Terminals: Market Share (HK)

(%)



Marco Polo Hotels

The company currently has a portfolio of ten operating Marco Polo hotels in the Asia Pacific Region. The three hotels in Harbour City were significantly impacted by the global recession and the swine flu threat that curtailed travel demand for most of the year. Total hotel and club revenue was HK$963 million. An 18% decline in the average room rate was the primary factor impacting overall performance. Consolidated occupancy in 2009 dropped to 82% (2008: 86%) as a result of a notable slowdown in inbound travel, particularly in the first half of 2009.

A new deluxe Marco Polo hotel in Jinjiang, Fujian opened in February 2010. Marco Polo is set to expand its footprint in Asia Pacific with six additional hotels. Additional Marco Polo hotels are planned for Changzhou, Chengdu, Suzhou and Wuxi in China; Manila in the Philippines and the first resort at Mission Beach in Australia.

Communication, Media and Entertainment

i-CABLE

i-CABLE has sharpened its business focus and exited marginal non-core businesses. Work processes have been streamlined and resources have been redeployed from support to content, marketing and sales. Renewed momentum together with effective cost control, reduced the loss after tax to HK$40 million, from HK$111 million in 2008. Turnover decreased by 16% to HK$1,754 million (2008: HK$2,080 million). The company's cash position remains strong with net cash of HK$531 million as at 31 December 2009.

Pay TV revenue bottomed out in mid-2009 and is on a course of firm rebound ahead of FIFA World Cup 2010 and the new Premier League season. Pay TV subscribers grew by 9% year-on-year to exceed the one million mark at the end of 2009. The company is investing in more content, HDTV, content protection and broadband upgrade. Steps are being taken to unlock the value hidden in i-CABLE's content capability including Free TV, outdoor media and new media.

Wharf T&T

Vindicating its deliberate 'Strictly Business' focus and ICT transformation over the past few years, Wharf T&T has made new history in 2009 and is very well positioned to take over as the up and coming leader for business customers. Buoyed by a noticeable rise in profits and cash flow, Wharf T&T outperformed the competition despite unfavourable market conditions. Both installed base and net revenue improved. Profit margin continued to widen and free cash flow expanded to HK$1 million a day. Total turnover rose slightly to HK$1,650 million (2008: HK$1,641 million). A record high net profit of HK$213 million (2008: HK$140 million) was reported.

FINANCIAL REVIEW

(I) Review of 2009 Results

Benefiting from the continuing rental revenue growth, a one-off profit on disposal of investment properties, the persistent low interest environment and a lower impairment provision for investments, the Group's profit before net investment property revaluation surplus increased by 94% to a record high of HK$4,442 million. Including the net investment property surplus, the Group's profit increased by 181% to HK$9,631 million over 2008.

Turnover and Operating Profit

Turnover fell by 16% to HK$18,957 million (2008: HK$22,583 million) as it was significantly affected by the absence of property completion by WPL, particularly in Singapore.

Operating profit increased by 1% to HK$9,507 million (2008: HK$9,420 million), with HK$8,554 million (2008: HK$7,543 million) contributed by Wharf and HK$691 million (2008: HK$1,767 million) by WPL.

Property Investment

Revenue and operating profit rose by 8% and 12% to HK$8,744 million (2008: HK$8,112 million) and HK$6,627 million (2008: HK$5,918 million) respectively. Wharf's Property Investment segment reported an increase of 8% and 12% in revenue and operating profit to HK$8,192 million and HK$6,191 million respectively, benefiting from the underlying strong rental reversion and consistently high occupancy for retail areas despite the persistent pressure on office rental rates since late 2008. 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 under review.

Property Development

Revenue decreased by 43% to HK$3,782 million (2008: HK$6,606 million) and operating profit was lower at HK$1,454 million (2008: HK$1,496 million). Wharf's revenue and profit rose by HK$2,355 million and HK$928 million to HK$3,065 million and HK$1,012 million respectively, as its China segment experienced strong growth. WPL reported revenue and profit of HK$568 million and HK$235 million respectively, primarily from the sales of 38 units of The Babington in Hong Kong. In 2008, The Sea View and The Cosmopolitan projects in Singapore were completed and contributed revenue and operating profit of HK$5,408 million and HK$1,271 million respectively.

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, under Hong Kong Financial Reporting Standards, the Group recognises revenue and profit on pre-sales of properties upon their completion. Accordingly, revenue and profits recognised by WPSL for the year under review in respect of its pre-sales of Ardmore II units, Scotts Square units and Orchard View units were reversed and excluded from the Group's consolidated results.

As at 31 December 2009, WPSL had pre-sold all the units at Ardmore II, 239 units (77% pre-sold) at Scotts Square and 3 units (10% pre-sold) at Orchard View. The accumulated sales revenue of HK$4,350 million and profit attributable to the Group of HK$920 million were reversed and excluded from the Group's consolidated results.

Logistics

Revenue and operating profit of HK$3,091 million (2008: HK$3,875 million) and HK$1,418 million (2008: HK$1,763 million) were reported respectively. This chiefly reflected the decrease in volume throughput handled by Modern Terminals.

CME

Revenue and operating profit of HK$3,404 million (2008: HK$3,722 million) and HK$163 million (2008: HK$64 million) were reported respectively. Wharf T&T's operating profit increased by 52% to HK$213 million while i-CABLE narrowed its operating loss to HK$48 million through effective cost control initiatives.

Investment and Others

Investment operating profit fell to HK$231 million (2008: HK$473 million), mainly due to the reduction in interest income in the prevailing exceptional low interest rate environment and decrease in dividend income.

Profit on Disposal of Investment Properties

Profit on disposal of investment properties of HK$1,236 million comprised profits of HK$1,110 million on sale of Beijing Capital Times Square ("BCTS") by Wharf and HK$126 million on sale of Fitfort by WPL. The net attributable disposal profit, after net tax credit released from the deferred tax previously provided for the revaluation surplus, amounted to HK$766 million.

Increase in Fair Value of Investment Properties

The Group's investment property portfolio was HK$126.8 billion with HK$123.1 billion stated at fair value, based on independent valuation as at 31 December 2009, which produced a revaluation surplus of HK$13,072 million (2008: HK$2,158 million). The attributable net revaluation surplus of HK$5,179 million (2008: HK$776 million), after deducting related deferred tax and minority interests in total of HK$7,893 million (2008: HK$1,382 million), was credited to the consolidated income statement.

Investment properties in the amount of HK$3.7 billion were not revalued, being under development and not carried at fair value until at the earlier of when their fair values first become reliably measurable and the dates of their respective completion in accordance with the revised accounting standard HKAS 40, which expands the definition of an investment to include an investment property under development.

Other Net Income

Other net income of HK$330 million (2008: HK$33 million) comprised mainly profit of HK$222 million on disposal of available-for-sale investments, certain subsidiaries and jointly controlled entities ("JCEs"), and net realised and unrealised exchange gain of HK$50 million arising from forward exchange contracts which entered into effectively to lock certain liabilities in Japanese Yen for financing its Renminbi assets in Mainland China at a significantly more favourable interest cost.

Net Other Charge

Net other charge of HK$176 million (2008: HK$1,229 million) represented mainly the further provision for investments in SC Global Developments Ltd and Hotel Properties Limited made by WPSL in its first quarter results, based on market prices as at 31 March 2009. The subsequent appreciation of such investments upto 31 December 2009 gave rise to a surplus of HK$1,189 million (of which HK$671 million is attributable to the Group) which has in accordance with the current accounting standards been dealt with in the statement of comprehensive income and will not be recognised in the income statement until the disposal of the investments.

Finance Costs

Finance costs reduced to HK$395 million (2008: HK$1,695 million), which included a mark-to-market unrealised gain of HK$45 million (2008: unrealised loss of HK$612 million) on the cross currency/ interest rate swaps in accordance with the prevailing accounting standards.

Excluding the impact of unrealised mark-to-market changes on the swaps, finance costs, after capitalisation of HK$233 million (2008: HK$235 million), were HK$440 million (2008: HK$1,083 million), a reduction of HK$643 million due to the persistent low interest rate in the prevailing market.

Share of Results after Tax of Associates and Jointly Controlled Entities

Share of profits of associates was HK$235 million (2008: HK$7 million), mainly attributable to the contributions from Modern Terminals' associates engaged in terminal operations in Mainland China. Profit contribution from JCEs increased by HK$70 million to HK$75 million (2008: HK$5 million), mainly attributable to property sales recognised by a JCE involved in properties development in Mainland China.

Income Tax

Taxation charge was HK$4,089 million (2008: HK$1,201 million), which included deferred taxation of HK$2,482 million (2008: HK$495 million) provided for the investment property revaluation surplus and a tax credit adjustment of HK$19 million in respect of a downward adjustment of the Group's deferred tax liabilities mainly on the investment property revaluation surplus, resulting from the 1% reduction in Singapore corporate income tax rate (2008: HK$812 million resulting from 1% reduction in Hong Kong profits tax rate).

Excluding the above deferred tax charge and credit adjustment, the tax charge was HK$1,626 million (2008: HK$1,518 million), including a tax provision of HK$194 million (2008: HK$292 million) made by Wharf for certain tax cases mainly concerning interest deductibility under discussion with the Inland Revenue Department.

Minority Interests

Profit shared by minority interests was HK$10,164 million (2008: HK$4,066 million), which was mainly attributable to the profit of Wharf and WPL.

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders increased by 181% to HK$9,631 million (2008: HK$3,432 million). Earnings per share were HK$4.74 (2008: HK$1.69).

Excluding the net attributable investment property revaluation surplus after deferred tax charge and the credit adjustment of HK$5,189 million (2008: HK$1,148 million), the Group's net profit attributable to equity shareholders was HK$4,442 million (2008: HK$2,284 million), an increase of 94% over that of 2008.

Further stripping out the attributable net profit of HK$766 million from the disposal of BCTS and Fitfort and the attributable impairment on investments of HK$71 million (2008: HK$811 million), the Group's net profit attributable to equity shareholders was HK$3,747 million (2008: HK$3,095 million), an increase of 21% over that of 2008.

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

Profit/(loss) attributable to	2009 HK$ Million	2008 HK$ Million
Wharf group	**3,098**	2,085
WPL group (excluded dividends from Wharf)	**467**	847
The Company and its other subsidiaries	**182**	163
Profit before exceptionals and net investment property surplus	**3,747**	3,095
Profit on disposal of BCTS/Fitfort	**766**	–
Impairment on investments	**(71)**	(811)
Profit before investment property surplus	**4,442**	2,284
Investment property surplus (after deferred tax)	**5,179**	776
Tax credit adjustment on reduction of tax rate	**10**	372
Profit attributable to equity shareholders	**9,631**	3,432

Wharf's profit for the year ended 31 December 2009 was HK$17,501 million (2008: HK$6,247 million). Excluding the net investment property surplus and related deferred tax, Wharf's net profit was HK$7,817 million (2008: HK$4,194 million), an increase of 86% over that of 2008.

WPL's profit for the year ended 31 December 2009 was HK$1,458 million (2008: HK$816 million). Excluding the net investment property surplus and related deferred tax, WPL's net profit was HK$815 million (2008: HK$455 million), an increase of 79% over that of 2008. During the year, WPL received a dividend of HK$155 million (2008: HK$155 million) from Wharf.

(II) Liquidity, Financial Resources and Capital Commitments

Shareholders' and Total Equity

The Group's shareholders' equity increased by HK$11.0 billion or 19% to HK$69.7 billion (2008: HK$58.7 billion), or HK$34.30 per share (2008: HK$28.91 per share) as at 31 December 2009.

Including minority interests, the Group's total equity increased by 17% to HK$144.1 billion (2008: HK$123.2 billion).

Management Discussion and Analysis

Total Assets

The Group's total assets increased by 13% to HK$224.8 billion (2008: HK$198.2 billion), mainly comprising investment properties of HK$126.8 billion, other properties and fixed assets of HK$18.5 billion, development properties for sale of HK$25.8 billion and interest in JCEs and associates (mainly for China property and port projects) of HK$13.1 billion. Other major assets included available-for-sale investments HK$4.9 billion and bank deposits and cash of HK$27.7 billion.

The Group's investment property portfolio, representing 56% of total assets, included Wharf's Harbour City and Times Square in Hong Kong together valued at HK$86.6 billion, representing 68% of the portfolio.

Geographically, the Group's assets in Mainland China, mainly properties and terminals, increased to HK$62.3 billion (2008: HK$52.1 billion), representing 28% of total assets.

In previous years, an investment property under development was not classified as investment property and was stated at cost. As a result of the change in the relevant accounting standard, such property has been classified as investment property and carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property.

Debts and Gearing

The Group's net debt decreased by HK$3.8 billion to HK$18.9 billion as at 31 December 2009 (2008: HK$22.7 billion), which was made up of HK$46.6 billion in debts and HK$27.7 billion in bank deposits and cash. Excluding Wharf's net debt of HK$21.4 billion, which is non-recourse to the Company and its wholly-owned subsidiaries, and WPL group's net cash of HK$5.6 billion, Wheelock's own net debt decreased to HK$3.1 billion (2008: HK$4.1 billion). Analysis of the net debt by group is as below:

Net debt/(cash)	2009 HK$ Million	2008 HK$ Million
Wheelock Group (excluding Wharf)	(2,554)	573
Wheelock/wholly-owned subsidiaries	3,125	4,052
WPL group	(2,777)	(1,514)
WPSL	(2,902)	(1,965)
Wharf group	21,432	22,123
Wharf (excluding below subsidiaries)	9,392	10,418
Modern Terminals	10,742	10,556
HCDL	1,829	1,807
i-CABLE	(531)	(658)
Group	18,878	22,696

The ratio of net debt to total equity reduced to 13.1% (2008: 18.4%) as at 31 December 2009.

Finance and Availability of Facilities

The Group's available loan facilities and debt securities amounting to HK$67.7 billion (2008: HK$66.8 billion), of which HK$46.6 billion were drawn, as at 31 December 2009 are analysed as below:

	Available Facility HK$ Billion	Total Debts HK$ Billion	Undrawn Facility HK$ Billion
Wheelock Group (excluding Wharf)	8.8	6.8	2.0
Wheelock/wholly-owned subsidiaries	6.4	5.5	0.9
WPSL	2.4	1.3	1.1
Wharf group	58.9	39.8	19.1
Wharf (excluding below subsidiaries)	37.1	25.7	11.4
Modern Terminals	16.8	11.1	5.7
HCDL	4.6	3.0	1.6
i-CABLE	0.4	–	0.4
	67.7	**46.6**	**21.1**

Of the above debts, HK$15.8 billion (2008: HK$15.3 billion) was secured by mortgage over certain properties under development, fixed assets and investments with total carrying value of HK$72.6 billion (2008: HK$41.1 billion).

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

The Group maintained a very strong financial position with ample surplus cash 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 2009 of HK$4.9 billion (2008: HK$2.3 billion), which is immediately available for liquidation for the Group's use.

Cash Flows for the Group's Operating and Investing Activities

For the year under review, the Group's net cash inflow before change in working capital increased to HK$10.5 billion (2008: HK$10.3 billion). The changes in working capital resulted in a net cash outflow of HK$1.1 billion (2008: HK$6.3 billion), primarily due to Wharf's payment for land and construction cost for trading properties under development in Mainland China which was partly offset by property sales proceeds received during the year. For investing activities, the Group reported a net cash outflow of HK$6.0 billion (2008: HK$6.2 billion), which mainly included HK$4.2 billion for placement of bank deposits with maturity over three months, HK$2.2 billion capital expenditure mainly for construction of Shanghai Wheelock Square and Chengdu International Finance Centre and HK$1.1 billion for net investments in JCEs involving in property development in Mainland China.

Major Expenditure and Commitments

The major expenditure, substantially incurred by Wharf's core businesses, during the year under review and related commitments as at 31 December 2009 are analysed as follows:

	Expenditure for 2009	Commitments as at 31 December 2009	
		Authorised and Contracted for	Authorised but not Contracted for
Business Unit/Company	**HK$ Million**	**HK$ Million**	**HK$ Million**
(a) Capital expenditure			
(including investment properties)			
Wharf group			
Property Investments	1,586	6,264	11,212
Wharf T&T	287	92	141
i-CABLE (73.8%-owned)	261	45	90
Modern Terminals (67.6%-owned)	862	553	1,416
	2,996	6,954	12,859
WPL group and others	70	196	–
Total	**3,066**	**7,150**	**12,859**
(b) Programming and others	**87**	**2,226**	**139**
(c) Properties under development			
(other than investment properties)			
Wharf group	5,806	12,362	30,887
Subsidiaries (China/Hong Kong)	4,018	8,027	20,428
JCEs and associates (China)	1,788	4,335	10,459
WPL group/others	1,002	1,286	1,610
Subsidiaries (Singapore/Hong Kong)	1,002	1,054	539
Associates (China)	–	232	1,071
Total	**6,808**	**13,648**	**32,497**

The capital expenditure for Wharf's Property Investment segment was mainly for the construction of Shanghai Wheelock Square, Chengdu International Finance Centre and certain refurbishment and renovation work, in particular for Harbour City. For i-CABLE and Wharf T&T, the capital expenditures were incurred substantially for procurement of production and broadcasting equipment, network rollout and internet service equipment while those for Modern Terminals were mainly for construction of the Dachan 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, independently funded their own capital expenditure programmes.

In addition to the capital expenditure, the Group also incurred HK$6.8 billion (HK$5.8 billion by Wharf and HK$1.0 billion by WPL) for development of its properties.

As at 31 December 2009, Wharf's total commitments for development of properties for investment or trading purposes was about HK$60.7 billion, including attributable land cost of about HK$13.2 billion payable by instalments mainly from 2010 to 2013. These developments will be executed by stages in the forthcoming years. WPL's commitments to properties under development of HK$2.8 billion were mainly related to property development projects in Singapore, Hong Kong and Mainland China.

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.

Rights Issue by a Subsidiary

In May 2009, HCDL completed a rights issue and received net proceeds of about HK$935 million, of which HK$658 million was subscribed by Wharf.

(III) Disposal of Investment Properties

Disposal of 87.5% interest in Beijing Capital Times Square by Wharf

Wharf completed the disposal of its 87.5% interest in Beijing Capital Times Square Development Co., Ltd., which owns BCTS, at a total consideration of RMB2,708 million (equal to about HK$3,072 million) with 北京華融基礎設施投資有限責任公司. The disposal reflected a valuation of RMB3,188 million for the underlying property and enabled Wharf to realise a net profit of HK$1,393 million in 2009.

Disposal of Fitfort by WPL

WPL completed on 15 December 2009 the disposal of Fitfort for HK$935 million with a net profit of HK$126 million.

(IV) Events after the Reporting Date

In January and February 2010, Wharf acquired another two land parcels in Chengdu (100%-owned) and Tianjin (50%-owned) respectively with total attributable land cost payable of HK$2.7 billion. The sites will be developed into residential and commercial properties.

In January 2010, WPL acquired a site (50%-owned) in Nanhai Shishan Town (南海獅山鎮), Foshan with attributable land cost payable of about HK$387 million. The site will be developed into residential properties for sale.

In March 2010, WPL through a 50%-owned joint venture company succeeded in the tender for the development of site C and site D of the Austin Station Property Development. The total development and related costs of the project as payable by the joint venture company attributable to WPL is about HK$5.8 billion. The sites will be developed into residential properties for sale.

(V) Human Resources

The Group had approximately 13,400 employees as at 31 December 2009, including about 1,900 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective group's achievement and results.

Corporate Governance Report

(A) CORPORATE GOVERNANCE PRACTICES

During the financial year ended 31 December 2009, 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 Issuer (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 2009, 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 2009. The composition of the Board and attendance of the Directors are set out below:

Directors	Attendance/Number of Meetings
Chairman	
Peter K C Woo	4/4
Senior Deputy Chairman	
Gonzaga W J Li *(retiring as Senior Deputy Chairman & Director effective 1 April 2010)*	3/4
Deputy Chairman	
Stephen T H Ng	4/4
Executive Director & Group Chief Financial Officer	
Paul Y C Tsui	4/4
Independent Non-executive Directors	
Alexander S K Au	4/4
B M Chang	2/4
Kenneth W S Ting	3/4

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 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 Independent Non-executive Directors.

Three Remuneration Committee meetings were held during the financial year ended 31 December 2009. Attendance of the Members is set out below:

Members	Attendance/Number of Meetings
Peter K C Woo, *Chairman*	3/3
Alexander S K Au	3/3
Kenneth W S Ting	3/3

(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 2009 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 Deputy Chairman 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$18 million and HK$5 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 2009. Attendance of the Members is set out below:

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

(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);

(e) to discuss with the management the system of internal control including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget; and

(f) to review the audit programme of the internal audit function.

(ii) The work performed by the Audit Committee for the financial year ended 31 December 2009 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 of 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, including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget; and 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 2009. Based on the result of the review, in respect of the financial year ended 31 December 2009, 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 2009, 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 2009:

(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 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 114 to 117.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the financial year ended 31 December 2009 are set out in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income on pages 41 and 42 respectively.

Appropriations of profits and movements in reserves of the Group and of the Company during the financial year are set out in the Consolidated Statement of Changes in Equity and Note 30 to the Financial Statements on pages 46 and 92 respectively.

DIVIDENDS

An interim dividend of 2.5 cents per share was paid on 30 September 2009. The Directors have now recommended for adoption at the Annual General Meeting to be held on Thursday, 10 June 2010 the payment on 18 June 2010 to Shareholders on record as at 10 June 2010 of a final dividend of 10.0 cents per share in respect of the financial year ended 31 December 2009. This recommendation has been disclosed in the Financial Statements.

FIXED ASSETS

Movements in fixed assets during the financial year are set out in Note 11 to the Financial Statements on page 63.

DONATIONS

The Group made donations during the financial year totalling HK$8 million.

DIRECTORS

The Directors of the Company during the financial year were Messrs P K C Woo, G W J Li (who will retire and cease to be a director effective 1 April 2010), S T H Ng, P Y C Tsui, A S K Au, B M Chang and K W S Ting.

Mr S T H Ng is due to retire by rotation from the Board at the forthcoming Annual General Meeting in accordance with Article 103(A) of the Company's Articles of Association. Being eligible, he offers himself for re-election. Mr Ng does not have 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") on 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, 23 March 2010

SUPPLEMENTARY CORPORATE INFORMATION

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

(i) Directors

Peter K C WOO, *GBS, JP, Chairman (Age: 63)*

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, and is 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. Under the existing service contract between the Group and Mr Woo, his basic salary and various allowances for the year 2010, calculated on annualised basis, would be approximately HK$15.90 million per annum (2009: HK$15.06 million).

Stephen T H NG, *Deputy Chairman (Age: 57)*

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, the chairman and chief executive officer of i-CABLE Communications Limited ("i-CABLE") as well as the chairman of Harbour Centre Development Limited ("HCDL"), all being publicly-listed subsidiaries of the Company. Furthermore, he is the chairman of Modern Terminals Limited, the chairman and chief executive officer of Wharf T&T Limited, both of them being subsidiaries of the Company, and a director of certain other subsidiaries of the Company. He is also the chairman of publicly-listed Joyce Boutique Holdings Limited ("Joyce"). Under the existing service contract between the Group and Mr Ng, his basic salary and various allowances for the year 2010, calculated on annualised basis, would be approximately HK$4.70 million per annum (2009: HK$4.46 million).

Paul Y C TSUI, *Executive Director & Group Chief Financial Officer (Age: 63)*

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 HCDL, i-CABLE, WPL and WPSL, and a director of certain other subsidiaries of the Company. Furthermore, he is a director of Joyce. Under the existing service contract between the Group and Mr Tsui, his basic salary and various allowances for the year 2010, calculated on annualised basis, would be approximately HK$2.97 million per annum (2009: HK$2.60 million).

Report of the Directors

Alexander S K AU, *OBE, Director (Age: 63)*
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.

B M CHANG, *Director (Age: 81)*
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: 67)*
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. Mr Ting currently serves as the chairman of the Hong Kong Ethics Development Advisory Committee, ICAC, the president of HK Wuxi Trade Association Limited, and also the honorary president of the Federation of Hong Kong Industries, the Chinese Manufacturers' Association of Hong Kong, the Toys Manufacturers' Association of Hong Kong Limited and Hong Kong Plastics Manufacturers' Association Limited. He was formerly an independent non-executive director of publicly-listed Times Limited from June 2007 to January 2010.

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.

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 Management

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 2009, 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	194,000 (0.0070%)	Personal Interest
i-CABLE		
G W J Li	68,655 (0.0034%)	Personal Interest
S T H Ng	1,265,005 (0.0629%)	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 2009, 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	141,779,000 (6.98%)
(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 2009, there were no short position interests recorded in the Register.

(D) MAJOR CUSTOMERS & SUPPLIERS

For the financial year ended 31 December 2009:

(i) 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

(ii) 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 2009 which are repayable on demand or within a period not exceeding one year or after one year are set out in Note 24 to the Financial Statements on page 80.

(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 59.

(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 2009.

(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 the announcements of the Company dated 21 November 2008, 17 September 2009 and 3 November 2009 respectively and are required under the Listing Rules to be disclosed in the Annual Report and Financial Statements of the Company:

(i) Master Tenancy Agreement

Various tenancy agreements (the "Existing Tenancy Agreements") were previously entered into between certain subsidiaries of Wharf (which is a listed subsidiary of the Company) as landlords and certain subsidiaries and associates of Chesterland Group Limited (formerly known as The Lane Crawford Joyce Group (BVI) Limited) ("CGL") as tenants, for the purpose of the letting by the landlords to the tenants certain retail/commercial premises situate at Harbour City and/or Times Square for operating Lane Crawford stores, City Super stores, Ferragamo shop and Joyce Boutique shop.

On 21 November 2008, a master tenancy agreement (the "MTA") was entered into between Wharf and CGL for a term of three years from 1 January 2009 to 31 December 2011 to, among other things, provide for the maximum aggregate annual cap amount that will be payable by the tenants to the landlords under the Existing Tenancy Agreements and all further individual tenancy agreements from time to time during the three-year term of the MTA to be separately entered into between members of Wharf and subsidiaries and/or associates of CGL in respect of the leasing of premises by the former to the latter.

CGL is indirectly wholly-owned by a trust of which Mr P K C Woo, the Chairman of the Company, is the settler. Consequently, the entering into of the MTA and the relevant transactions regulated thereunder (the "MTA Transactions") constitute continuing connected transactions for the Company.

The aggregate amount of rental receivable by the Wharf group for the MTA is subject to an annual cap amount previously disclosed in the abovementioned announcement dated 21 November 2008 and the aggregate amount of rental receivable by Wharf group for the financial year ended 31 December 2009 was HK$301 million.

Report of the Directors

(ii) Tianjin Land Joint Venture by Wharf group

On 17 September 2009, Wharf group together with China Merchants Property Development Co., Ltd. ("CMP") group succeeded in bidding for a piece of land in Tianjin with a site area of approximately 511,558 square feet (the "Tianjin Land") at a price of RMB641 million (equal to about HK$728 million) (the "Tianjin Land Transaction"). Wharf group and CMP group will jointly develop the Tianjin Land, on a 50:50 ownership basis, into residential and commercial properties.

As CMP is a 54.1%-owned subsidiary of China Merchants Group Limited which in turn is an indirect substantial shareholder of a non-wholly owned subsidiary of the Company, CMP is regarded as a connected person of the Company. Therefore, the entering into of the Tianjin Land Transaction together with the joint development of the Tianjin Land constitute connected transactions for the Company under the Listing Rules.

(iii) Chongqing Land Joint Venture by Wharf group

On 29 October 2009, Wharf group together with China Overseas Land & Investment Ltd. ("COLI") group succeeded in bidding for two pieces of land in Chongqing with a total site area of approximately 2.85 million square feet (the "Chongqing Land") at a price of RMB4,100 million (equal to about HK$4,654 million) (the "Chongqing Land Transaction"). Wharf group and COLI group will jointly develop the Chongqing Land, on a 50:50 ownership basis, into residential and office/commercial properties.

As COLI is a substantial shareholder of a non-wholly owned subsidiary of the Company, COLI is regarded as a connected person of the Company. Therefore, the entering into of the Chongqing Land Transaction together with the joint development of the Chongqing Land constitute connected transactions for the Company under the Listing Rules.

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

(iv) With regard to the Related Party Transactions as disclosed under Note 33 to the Financial Statements on page 94, the transaction stated under paragraph (a) therein constitutes connected transaction (as defined under the Listing Rules) of the Company and the one under paragraph (b) does not constitute a connected transaction for the Company.

(v) Confirmation from Directors etc.

The Directors, including the independent Non-executive Directors, of the Company have reviewed the MTA Transactions mentioned under Section H(i) above and confirmed that the MTA 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 MTA 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 MTA 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 MTA Transactions was not entered into in accordance with the terms of the related agreements governing the MTA Transactions; and

(3) the relevant cap amounts, where applicable, have not been exceeded during the financial year ended 31 December 2009.

Report of the Independent Auditor

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 41 to 117, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 2009 and of the Group's profit and cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

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

23 March 2010

Consolidated Income Statement

For the year ended 31 December 2009

	Note	2009 HK$ Million	2008 HK$ Million
Turnover	1	**18,957**	22,583
Direct costs and operating expenses		**(6,386)**	(10,004)
Selling and marketing expenses		**(777)**	(725)
Administrative and corporate expenses		**(982)**	(1,039)
Operating profit before depreciation, amortisation, interest and tax		**10,812**	10,815
Depreciation and amortisation	2	**(1,305)**	(1,395)
Operating profit	1 & 2	**9,507**	9,420
Profit on disposal of investment properties	3	**1,236**	–
Increase in fair value of investment properties		**13,072**	2,158
Other net income	4	**330**	33
Net other charge	5	**(176)**	(1,229)
		23,969	10,382
Finance costs	6	**(395)**	(1,695)
Share of results after tax of:			
Associates	14(d)	**235**	7
Jointly controlled entities	15(c)	**75**	5
Profit before taxation		**23,884**	8,699
Income tax	7	**(4,089)**	(1,201)
Profit for the year		**19,795**	7,498
Profit attributable to:			
Equity shareholders	8	**9,631**	3,432
Minority interests		**10,164**	4,066
		19,795	7,498
Earnings per share	10	**HK$4.74**	HK$1.69

The notes and principal accounting policies on pages 50 to 117 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 9.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	2009 HK$ Million	2008 HK$ Million
Profit for the year	**19,795**	7,498
Other comprehensive income		
Actuarial gain/(loss) on defined benefit pension schemes	**274**	(412)
Exchange difference	**108**	800
Exchange gain	**300**	800
Transferred to consolidated income statement:		
Disposal of an investment property	**(119)**	–
Others	**(73)**	–
Cash flow hedge: Transferred to consolidated income statement	**–**	(45)
Available-for-sale investments:		
Net movement in the investments revaluation reserves	**2,483**	(2,590)
Surplus/(deficit) on revaluation	**2,388**	(3,761)
Transferred to consolidated income statement:		
Disposal	**(31)**	(418)
Impairment	**126**	1,375
Deferred tax	**–**	214
Share of other comprehensive income of associates/ jointly controlled entities	**(10)**	187
Others	**(29)**	(2)
Other comprehensive income for the year	**2,826**	(2,062)
Total comprehensive income for the year	**22,621**	5,436
Total comprehensive income attributable to:		
Equity shareholders	**11,212**	2,336
Minority interests	**11,409**	3,100
	22,621	5,436

The notes and principal accounting policies on pages 50 to 117 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2009

	Note	2009 HK$ Million	2008 HK$ Million
Non-current assets			
Investment properties		**126,789**	108,830
Other property, plant and equipment		**14,734**	17,663
Leasehold land		**3,788**	4,203
Total fixed assets	11	**145,311**	130,696
Goodwill and other intangible assets	13	**297**	297
Interest in associates	14	**5,513**	5,438
Interest in jointly controlled entities	15	**7,551**	7,989
Available-for-sale investments	16	**4,885**	2,279
Long term receivables	17	**284**	411
Programming library		**113**	132
Employee retirement benefit assets	18	**139**	–
Deferred tax assets	26	**432**	484
Derivative financial assets	21	**318**	83
		164,843	147,809
Current assets			
Properties for sale	19	**25,824**	24,660
Inventories		**107**	112
Held-to-maturity investments	16	**824**	–
Trade and other receivables	20	**5,243**	2,686
Derivative financial assets	21	**209**	12
Bank deposits and cash	22	**27,756**	22,927
		59,963	50,397
Current liabilities			
Trade and other payables	23	**(6,457)**	(6,603)
Bank loans and other borrowings	24	**(9,049)**	(4,955)
Deposits from sale of properties	25	**(6,225)**	(3,537)
Derivative financial liabilities	21	**(101)**	(206)
Taxation payable	7(d)	**(1,653)**	(1,582)
		(23,485)	(16,883)
Net current assets		**36,478**	33,514
Total assets less current liabilities		**201,321**	181,323

Consolidated Statement of Financial Position

At 31 December 2009

	Note	**2009 HK$ Million**	2008 HK$ Million
Non-current liabilities			
Bank loans and other borrowings	24	**(37,585)**	(40,668)
Deferred tax liabilities	26	**(18,270)**	(16,258)
Other deferred liabilities	27	**(262)**	(262)
Derivative financial liabilities	21	**(1,055)**	(738)
Employee retirement benefit liabilities	18	**–**	(154)
		(57,172)	(58,080)
NET ASSETS		**144,149**	123,243
Capital and reserves			
Share capital	29	**1,016**	1,016
Reserves		**68,675**	57,717
Shareholders' equity		**69,691**	58,733
Minority interests		**74,458**	64,510
TOTAL EQUITY		**144,149**	123,243

The notes and principal accounting policies on pages 50 to 117 form part of these financial statements.

Peter K C Woo
Chairman

Paul Y C Tsui
Executive Director &
Group Chief Financial Officer

Company Statement of Financial Position

At 31 December 2009

	Note	2009 HK$ Million	2008 HK$ Million
Non-current assets			
Interest in subsidiaries	12	**10,055**	9,640
Current assets			
Receivables and prepayment		**44**	58
Bank deposits and cash	22	**–**	311
		44	369
Current liabilities			
Trade and other payables		**(6)**	(8)
Taxation payable		**–**	(4)
		(6)	(12)
Net current assets		**38**	357
Total assets less current liabilities		**10,093**	9,997
Non-current liabilities			
Bank loans	24	**(5,500)**	(5,500)
NET ASSETS		**4,593**	4,497
Capital and reserves			
Share capital	29	**1,016**	1,016
Reserves		**3,577**	3,481
SHAREHOLDERS' EQUITY	30(b)	**4,593**	4,497

The notes and principal accounting policies on pages 50 to 117 form part of these financial statements.

Peter K C Woo
Chairman

Paul Y C Tsui
Executive Director &
Group Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Shareholders' equity							
	Share capital HK$ Million	Share premium HK$ Million	Investments revaluation reserves HK$ Million	Exchange and other reserves* HK$ Million	Revenue reserves HK$ Million	Total Shareholders' equity HK$ Million	Minority interests HK$ Million	Total equity HK$ Million
At 1 January 2008	1,016	1,914	1,539	1,302	50,880	56,651	57,508	114,159
Total comprehensive income for the year	–	–	(1,380)	436	3,280	2,336	3,100	5,436
Shares issued by subsidiaries	–	–	–	–	–	–	5,487	5,487
Final dividend paid in respect of 2007	–	–	–	–	(203)	(203)	–	(203)
Interim dividend paid in respect of 2008 (Note 9)	–	–	–	–	(51)	(51)	–	(51)
Dividends paid to minority interests	–	–	–	–	–	–	(1,585)	(1,585)
At 31 December 2008 and 1 January 2009	**1,016**	**1,914**	**159**	**1,738**	**53,906**	**58,733**	**64,510**	**123,243**
Total comprehensive income for the year	**–**	**–**	**1,424**	**66**	**9,722**	**11,212**	**11,409**	**22,621**
Shares issued by subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**292**	**292**
Final dividend paid in respect of 2008 (Note 9)	**–**	**–**	**–**	**–**	**(203)**	**(203)**	**–**	**(203)**
Interim dividend paid in respect of 2009 (Note 9)	**–**	**–**	**–**	**–**	**(51)**	**(51)**	**–**	**(51)**
Dividends paid to minority interests	**–**	**–**	**–**	**–**	**–**	**–**	**(1,515)**	**(1,515)**
Disposal of an investment property	**–**	**–**	**–**	**–**	**–**	**–**	**(238)**	**(238)**
At 31 December 2009	**1,016**	**1,914**	**1,583**	**1,804**	**63,374**	**69,691**	**74,458**	**144,149**

* *Included in exchange and other reserves is capital redemption reserve of HK$19 million (2008: HK$19 million).*

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Note	2009 HK$ Million	2008 HK$ Million
Operating cash inflow	(a)	**10,547**	10,304
Changes in working capital	(a)	**(1,118)**	(6,292)
Cash generated from operations	(a)	**9,429**	4,012
Interest paid		**(695)**	(1,325)
Interest received		**75**	322
Dividends received from associates		**278**	235
Dividends received from jointly controlled entities		**14**	49
Dividends received from investments		**180**	222
Hong Kong profits tax paid		**(1,403)**	(1,391)
Overseas tax paid		**(496)**	(345)
Net cash generated from operating activities		**7,382**	1,779
Investing activities			
Purchase of fixed assets		**(2,228)**	(3,659)
Additions to programming library		**(87)**	(103)
Net increase in associates		**(120)**	(467)
Net increase in jointly controlled entities		**(1,068)**	(3,395)
Net proceeds from disposal of subsidiaries and a jointly controlled entity	(c)	**1,735**	–
Net proceeds from disposal of fixed assets		**82**	127
Purchase of financial investments		**(1,182)**	(282)
Proceeds from disposal of available-for-sale investments		**321**	1,520
Repayment of long term receivables		**127**	36
Uplift of pledged deposits		**605**	22
Placement of bank deposits with maturity greater than three months		**(4,200)**	–
Net cash used in investing activities		**(6,015)**	(6,201)
Financing activities			
Drawdown of long term bank loans and other borrowings		**7,791**	19,213
Repayment of short term bank loans and other borrowings		**(6,546)**	(8,600)
Issue of shares by subsidiaries to minority interests	(b)	**292**	5,487
Dividend paid to equity shareholders		**(254)**	(305)
Dividend paid to minority interests		**(1,515)**	(1,585)
Net cash (used in)/generated from financing activities		**(232)**	14,210
Net increase in cash and cash equivalents		**1,135**	9,788
Cash and cash equivalents at 1 January		**22,242**	12,372
Effect of foreign exchange rate changes		**97**	82
Cash and cash equivalents at 31 December	(d)	**23,474**	22,242

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

a) Reconciliation of operating profit to cash generated from operations

	2009 HK$ Million	2008 HK$ Million
Operating profit	**9,507**	9,420
Adjustments for:		
Interest income	**(92)**	(324)
Dividend income from investments	**(180)**	(220)
Depreciation	**1,109**	1,161
Amortisation	**196**	234
Loss on disposal of fixed assets	**7**	4
Impairment loss on fixed assets/programming library	**–**	29
Operating cash inflow before working capital changes	**10,547**	10,304
Increase in properties under development for sale	**(5,021)**	(9,327)
Decrease in completed properties for sale	**2,301**	4,956
Increase in inventories	**(4)**	(15)
Decrease/(increase) in trade and other receivables	**45**	(779)
Increase/(decrease) in deposits from sale of properties	**2,688**	(1,509)
(Decrease)/increase in trade and other payables	**(1,012)**	359
(Decrease)/increase in derivative financial liabilities	**(186)**	76
Exchange differences on working capital changes	**77**	(35)
Other non-cash items	**(6)**	(18)
Changes in working capital	**(1,118)**	(6,292)
Cash generated from operations	**9,429**	4,012

b) Issue of shares by subsidiaries to minority interests

Cash inflow from issues of shares by subsidiaries to minority interests in 2009 included proceeds of HK$277 million from minority shareholders of Harbour Centre Development Limited for their rights issues in May 2009.

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

c) Net proceeds from disposal of subsidiaries and a jointly controlled entity

The cash flow and the net assets of subsidiaries and a jointly controlled entity disposed of were as follows:

	2009 HK$ Million
Investment property	3,311
Fixed assets	172
Other non-current assets	1,568
Current assets	25
Current liabilities	(87)
Non-current liabilities	(314)
Minority interests	(238)
Net assets disposed of	4,437
Exchange gain realised	(119)
Profit on disposal (Note)	1,326
Total consideration	5,644
Satisfied by:	
Receivables	2,506
Cash received	1,735
Carrying value of net assets in lieu of cash	1,403
	5,644

Note: Profit on disposal included HK$1,236 million related to disposal of Wharf's entire 87.5% equity interests of its owning company of Beijing Capital Times Square and WPL's Fitfort.

d) Cash and cash equivalents

	2009 HK$ Million	2008 HK$ Million
Bank deposits and cash in the consolidated statement of financial position (Note 22)	27,756	22,927
Less: Bank deposits with maturity greater than three months	(4,200)	–
Pledged bank deposits	(82)	(685)
Cash and cash equivalents in the consolidated statement of cash flows	23,474	22,242

Notes to the Financial Statements

1. SEGMENT INFORMATION

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

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

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

CME segment comprises pay television, internet and multimedia and other businesses operated by the Group's non-wholly owned subsidiary, i-CABLE Communications Limited ("i-CABLE"). It also includes the telecommunication businesses operated by Wharf T&T Limited.

Logistics segment mainly includes the container terminal operations of Modern Terminals Limited ("Modern Terminals") and other public transport operations.

Investment and others segment includes activities for managing the Group's corporate assets and liabilities, available-for-sale investments, financial instruments and other treasury operations.

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

Segment assets principally comprise all tangible assets, intangible assets and current assets directly attributable to each segment with the exception of income tax assets.

a) Analysis of segment revenue and results

	Turnover HK$ Million	Operating profit HK$ Million	Profit on disposal of investment properties HK$ Million	Increase in fair value of investment properties HK$ Million	Net other (charge)/ income HK$ Million	Finance costs HK$ Million	Associates HK$ Million	Jointly controlled entities HK$ Million	Profit before taxation HK$ Million
For the year ended 2009									
Property investment	8,744	6,627	1,236	13,072	(39)	(341)	–	–	20,555
Hong Kong	6,951	5,870	126	10,854	11	(284)	–	–	16,577
China	592	319	1,110	1,536	(50)	(45)	–	–	2,870
Singapore	238	196	–	682	–	(3)	–	–	875
Hotels	963	242	–	–	–	(9)	–	–	233
Property development	3,782	1,454	–	–	44	(22)	18	41	1,535
Hong Kong	717	410	–	–	–	–	(1)	–	409
China	3,065	1,012	–	–	44	(22)	19	41	1,094
Singapore	–	32	–	–	–	–	–	–	32
CME	3,404	163	–	–	–	–	–	–	163
i-CABLE	1,754	(48)	–	–	–	–	–	–	(48)
Telecommunications	1,650	213	–	–	–	–	–	–	213
Others	–	(2)	–	–	–	–	–	–	(2)
Logistics	3,091	1,418	–	–	–	11	217	34	1,680
Terminals	2,840	1,307	–	–	–	11	217	34	1,569
Others	251	111	–	–	–	–	–	–	111
Investment and others	392	231	–	–	149	(43)	–	–	337
Inter-segment revenue	(456)	–	–	–	–	–	–	–	–
Segment total	18,957	9,893	1,236	13,072	154	(395)	235	75	24,270
Corporate expenses	–	(386)	–	–	–	–	–	–	(386)
Group total	18,957	9,507	1,236	13,072	154	(395)	235	75	23,884
For the year ended 2008									
Property investment	8,112	5,918	–	2,158	–	(702)	–	–	7,374
Hong Kong	6,336	5,206	–	1,287	–	(514)	–	–	5,979
China	514	254	–	392	–	(113)	–	–	533
Singapore	208	150	–	479	–	(12)	–	–	617
Hotels	1,054	308	–	–	–	(63)	–	–	245
Property development	6,606	1,496	–	–	228	(128)	(283)	(28)	1,285
Hong Kong	488	134	–	–	–	–	16	–	150
China	710	91	–	–	228	(128)	(299)	(28)	(136)
Singapore	5,408	1,271	–	–	–	–	–	–	1,271
CME	3,722	64	–	–	(3)	–	(17)	–	44
i-CABLE	2,080	(76)	–	–	(3)	–	(17)	–	(96)
Telecommunications	1,641	140	–	–	–	–	–	–	140
Others	1	–	–	–	–	–	–	–	–
Logistics	3,875	1,763	–	–	42	(248)	307	33	1,897
Terminals	3,446	1,608	–	–	42	(248)	307	33	1,742
Others	429	155	–	–	–	–	–	–	155
Investment and others	681	473	–	–	(1,463)	(617)	–	–	(1,607)
Inter-segment revenue	(413)	–	–	–	–	–	–	–	–
Segment total	22,583	9,714	–	2,158	(1,196)	(1,695)	7	5	8,993
Corporate expenses	–	(294)	–	–	–	–	–	–	(294)
Group total	22,583	9,420	–	2,158	(1,196)	(1,695)	7	5	8,699

Notes to the Financial Statements

b) Analysis of inter-segment revenue

	2009 Total Revenue HK$ Million	2009 Inter-segment revenue HK$ Million	2009 Group Revenue HK$ Million	2008 Total Revenue HK$ Million	2008 Inter-segment revenue HK$ Million	2008 Group Revenue HK$ Million
Property investment	**8,744**	**(173)**	**8,571**	8,112	(162)	7,950
Property development	**3,782**	**–**	**3,782**	6,606	–	6,606
CME	**3,404**	**(158)**	**3,246**	3,722	(153)	3,569
Logistics	**3,091**	**–**	**3,091**	3,875	–	3,875
Investment and others	**392**	**(125)**	**267**	681	(98)	583
	19,413	**(456)**	**18,957**	22,996	(413)	22,583

c) Analysis of total assets

	Total Assets 2009 HK$ Million	Total Assets 2008 HK$ Million
Property investment	**131,832**	115,315
Hong Kong	**108,649**	98,555
China	**16,316**	10,613
Singapore	**5,866**	4,939
Hotels	**1,001**	1,208
Property development	**41,554**	37,575
Hong Kong	**3,599**	3,359
China	**32,221**	28,561
Singapore	**5,734**	5,655
CME	**4,911**	5,222
i-CABLE	**2,287**	2,424
Telecommunications	**2,623**	2,789
Others	**1**	9
Logistics	**19,486**	18,895
Terminals	**19,149**	18,343
Others	**337**	552
Investment and others	**26,591**	20,715
Segment total	**224,374**	197,722
Unallocated	**432**	484
Group total	**224,806**	198,206

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

	2009 HK$ Million	2008 HK$ Million
Property development	**8,964**	9,180
CME	**38**	39
Logistics	**4,062**	4,208
Group total	**13,064**	13,427

Unallocated assets mainly comprise income tax assets.

d) *Other information*

	Capital expenditure		Increase in interests in associates and jointly controlled entities		Depreciation and amortisation	
	2009 HK$ Million	2008 HK$ Million	2009 HK$ Million	2008 HK$ Million	2009 HK$ Million	2008 HK$ Million
Property investment	**1,654**	1,038	**–**	–	**128**	131
Hong Kong	**191**	252	**–**	–	**21**	21
China	**1,387**	697	**–**	–	**25**	27
Singapore	**59**	65	**–**	–	**2**	1
Hotels	**17**	24	**–**	–	**80**	82
Property development						
China	**–**	–	**1,787**	4,079	**–**	–
CME	**548**	472	**–**	–	**756**	890
i-CABLE	**261**	144	**–**	–	**364**	504
Telecommunications	**287**	328	**–**	–	**392**	386
Logistics	**864**	2,226	**1**	4	**421**	374
Terminals	**862**	2,216	**1**	4	**414**	360
Others	**2**	10	**–**	–	**7**	14
Group total	**3,066**	3,736	**1,788**	4,083	**1,305**	1,395

All interest income was mainly attributable to the Investment and others segment. In addition, CME segment incurred HK$87 million (2008: HK$103 million) for its programming library. The Group has no significant non-cash expenses other than depreciation and amortisation.

Notes to the Financial Statements

e) Geographical information

	Revenue		Operating Profit	
	2009 HK$ Million	2008 HK$ Million	**2009 HK$ Million**	2008 HK$ Million
Hong Kong	**14,717**	15,324	**8,316**	7,857
China	**3,917**	1,510	**917**	55
Singapore	**323**	5,749	**274**	1,508
Group total	**18,957**	22,583	**9,507**	9,420

	Specified non-current Assets		Total Assets	
	2009 HK$ Million	2008 HK$ Million	**2009 HK$ Million**	2008 HK$ Million
Hong Kong	**118,632**	109,146	**142,285**	129,229
China	**34,621**	30,883	**62,324**	52,084
Singapore	**5,816**	4,934	**20,197**	16,893
Group total	**159,069**	144,963	**224,806**	198,206

Specified non-current assets represented non-current assets other than employee retirement benefit assets, deferred tax assets, available-for-sale investments and derivative financial assets.

2. OPERATING PROFIT

a) Operating profit

	2009 HK$ Million	2008 HK$ Million
Operating profit is arrived at after charging/(crediting):		
Depreciation:		
Assets held for use under operating leases	**97**	96
Other fixed assets	**1,012**	1,065
	1,109	1,161
Amortisation:		
Programming library	**106**	142
Leasehold land (Note 11)	**90**	87
Other intangible assets (Note 13)	**–**	5
Total depreciation and amortisation	**1,305**	1,395
Impairment losses on fixed assets/programming library	**–**	29
Impairment loss on trade receivables	**8**	84
Staff costs	**2,648**	2,813
including:		
Contributions to defined contribution pension schemes including MPF schemes (after a foreiture of HK$5 million (2008: HK$2 million))	**109**	112
Income recognised in respect of defined benefit pension schemes (Note 18)	**(6)**	(16)
Auditors' remuneration:		
Audit services	**18**	21
Other services	**5**	4
Cost of trading properties sold	**2,264**	4,989
Rental charges under operating leases in respect of telecommunications equipment and services	**90**	98
Rental income less direct outgoings	**(6,540)**	(5,712)
including contingent rentals	**(814)**	(632)
Interest income	**(92)**	(324)
Dividend income from listed investments	**(80)**	(126)
Dividend income from unlisted investments	**(100)**	(94)
Loss on disposal of fixed assets	**7**	4
Rental income under operating leases in respect of owned plant and machinery	**(24)**	(61)

Notes to the Financial Statements

b) *Directors' emoluments*

Directors' emoluments are as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Contributions to pension schemes HK$'000	2009 Total emoluments HK$'000	2008 Total emoluments HK$'000
Board of Directors						
Peter K C Woo	**231**	**15,059**	**10,500**	**24**	**25,814**	29,319
Gonzaga W J Li	**120**	**5,036**	**5,250**	**–**	**10,406**	12,045
Stephen T H Ng	**60**	**4,461**	**6,750**	**264**	**11,535**	13,806
Paul Y C Tsui	**60**	**2,603**	**2,000**	**12**	**4,675**	5,068
Independent Non-executive Directors						
Alexander S K Au	**80**(ii)	**–**	**–**	**–**	**80**	80
B M Chang	**80**(ii)	**–**	**–**	**–**	**80**	80
Kenneth W S Ting	**80**(ii)	**–**	**–**	**–**	**80**	80
	711	**27,159**	**24,500**	**300**	**52,670**	60,478
Total for 2008	719	27,059	32,400	300		60,478

Notes:

(i) *There were no compensation for loss of office and/or inducement for joining the Group paid/payable in respect of the years ended 31 December 2009 and 2008.*

(ii) *Includes Audit Committee Members' fee for the year ended 31 December 2009 of HK$20,000 (2008: HK$20,000) received/receivable by each of relevant Directors.*

c) ***Five highest paid employees***

For the year ended 31 December 2009, information regarding emoluments (excluding amounts, if any, paid or payable by way of commissions on sales generated by the employees concerned) of 2 (2008: 2) employees of the Group who, not being Directors of the Company, were among the top five highest paid individuals (including Directors of the Company and other employees of the Group) employed by the Group and has been set out below.

(i) Aggregate emoluments

	2009 HK$ Million	2008 HK$ Million
Salaries, allowances and benefits in kind	**20**	16
Discretionary bonuses	**24**	19
	44	35

(ii) Bandings

Bands (in HK$)	**2009 Number**	2008 Number
$11,000,001–$11,500,000	**–**	1
$18,000,001–$18,500,000	**1**	–
$23,500,001–$24,000,000	**–**	1
$25,500,001–$26,000,000	**1**	–
	2	2

Notes to the Financial Statements

3. PROFIT ON DISPOSAL OF INVESTMENT PROPERTIES

Profit on disposal of investment properties comprised profits of HK$1,110 million on disposal of its entire 87.5% equity interests of Beijing Capital Times Square ("BCTS") by Wharf and HK$126 million on disposal of Fitfort by WPL.

4. OTHER NET INCOME

	2009 HK$ Million	2008 HK$ Million
Net profit on disposals of available-for-sale investments (Note a), certain subsidiaries and jointly controlled entities	**222**	133
Net foreign exchange gain/(loss) (Note b)	**97**	(137)
Others	**11**	37
	330	33

Notes:

a) *Included in the net profit on disposal of available-for-sale investments is a net revaluation surplus, before deduction of minority interests, of HK$31 million (2008: HK$418 million) transferred from the investments revaluation reserves.*

b) *Net foreign exchange gain/(loss) included exchange gain of HK$50 million (2008: exchange loss of HK$220 million) arising from forward exchange contracts.*

5. NET OTHER CHARGE

Net other charge mainly represented impairment loss on available-for-sale investments.

6. FINANCE COSTS

	2009 HK$ Million	2008 HK$ Million
Interest charged on:		
Bank loans and overdrafts repayable within five years	**388**	965
Other borrowings repayable within five years	**9**	51
Bank loans repayable after five years	**56**	116
Other borrowings repayable after five years	**119**	119
Total interest charge	**572**	1,251
Other finance costs	**101**	67
Less: Amount capitalised	**(233)**	(235)
	440	1,083
Fair value cost/(gain):		
Cross currency interest rate swaps	**315**	508
Interest rate swaps	**(360)**	104
	395	1,695

a) Interest was capitalised at an average annual rate of approximately 0.9% (2008: 1.6%).

b) Included in total interest costs are amounts totalling HK$566 million (2008: HK$1,208 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. INCOME TAX

Taxation charged to the consolidated income statement represents:

	2009 HK$ Million	2008 HK$ Million
Current income tax		
Hong Kong		
Provision for the year	**1,144**	1,063
Underprovision in respect of prior years (Note 7(g))	**162**	254
Outside Hong Kong		
Provision for the year	**497**	422
Overprovision in respect of prior years (Note 7(h))	**(63)**	(241)
	1,740	1,498
Land appreciation tax ("LAT") in Mainland China	**235**	30
Deferred tax (Note 26)		
Change in fair value of investment properties	**2,482**	495
Origination and reversal of temporary differences	**171**	117
Effect on reduction in tax rate on deferred tax balances	**(19)**	(812)
Tax released on disposal of investment properties	**(510)**	–
Benefit of previously unrecognised tax losses now recognised	**(10)**	(127)
	2,114	(327)
	4,089	1,201

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% (2008: 16.5%).

b) Income tax on profits assessable outside Hong Kong is mainly China corporate income tax calculated at a rate of 25%, China withholding income tax at a rate of 10% and Singapore income tax calculated at a rate of 17%.

c) Under the Provisional Regulations on LAT, all gains arising from transfer of real estate property in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights, borrowings costs and all property development expenditures.

d) Taxation payable in the consolidated statement of financial position is expected to be settled within one year.

e) Tax attributable to associates and jointly controlled entities for the year ended 31 December 2009 of HK$54 million (2008: HK$30 million) is included in the share of results after tax of associates and jointly controlled entities.

f) The China tax law also imposes a withholding tax at 10% unless reduced by a treaty or agreement, for dividends distributed by a PRC-resident enterprise to its immediate holding company outside China for earnings generated beginning on 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. As at 31 December 2009, the Group has not provided for income taxes on accumulated earnings generated by its China subsidiaries for the years ended 31 December 2009 and 2008 since it is probable that they will not be distributed to its immediate holding company outside China in the foreseeable future. It is not practicable to estimate the amount of additional taxes that might be payable on such undistributed earnings.

g) Wharf group is currently in discussion with 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. 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 2009, a provision of HK$194 million (2008: HK$292 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.

h) Tax overprovision in 2008 was mainly attributable to Wheelock Properties (Singapore) Limited (“WPSL”)’s write back of the tax provided on the profit on disposal of Hamptons Group Limited following the ruling given by the Inland Revenue Authority of Singapore (“IRAS”) that such profit was capital in nature and the recognition of deferred tax assets of HK$104 million in respect of the tax losses agreed by the IRAS.

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

	2009 HK$ Million	2008 HK$ Million
Profit before taxation	**23,884**	8,699
Notional tax on profit before taxation calculated at applicable tax rates	**4,333**	1,628
Tax effect of non-deductible expenses	**117**	425
Tax effect of non-taxable income	**(476)**	(172)
Net underprovision in respect of prior years	**149**	13
Tax effect of tax losses not recognised	**67**	225
Tax effect of unrecognised tax losses utilised	**(111)**	(113)
Tax effect of previously unrecognised tax losses now recognised as deferred tax assets	**(10)**	(127)
Effect on reduction in tax rate on deferred tax balances	**(19)**	(812)
Tax released on disposal of investment properties	**(510)**	–
LAT on trading properties	**235**	30
Deferred LAT on change in fair value of investment properties	**314**	104
Actual total tax charge	**4,089**	1,201

8. 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$350 million (2008: HK$257 million).

9. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2009 HK$ Million	2008 HK$ Million
Interim dividend declared and paid of 2.5 cents (2008: 2.5 cents) per share	**51**	51
Final dividend of 10.0 cents (2008: 10.0 cents) per share proposed after the end of the reporting date	**203**	203
	254	254

a) The proposed final dividend after the end of the reporting date has not been recognised as a liability at the end of the reporting date.

b) The final dividend of HK$203 million for 2008 was approved and paid in 2009.

10. 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$9,631 million (2008: HK$3,432 million) and 2,032 million ordinary shares in issue throughout the years ended 31 December 2009 and 2008.

11. 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 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	2,158	–	–	–	–	–	2,158
Write off	–	–	(11)	–	–	–	(11)
At 31 December 2008 and 1 January 2009	**108,830**	**5,911**	**1,185**	**9,946**	**13,484**	**4,671**	**144,027**
Exchange differences	**153**	**1**	**–**	**–**	**3**	**2**	**159**
Additions	**1,607**	**465**	**1**	**459**	**262**	**272**	**3,066**
Disposals	**(67)**	**–**	**–**	**(204)**	**(60)**	**–**	**(331)**
Disposal of subsidiaries	**(3,311)**	**–**	**–**	**–**	**(239)**	**(147)**	**(3,697)**
Reclassification	**6,551**	**(4,386)**	**(1)**	**(2)**	**1,459**	**(491)**	**3,130**
Revaluation surplus	**13,072**	**–**	**–**	**–**	**–**	**–**	**13,072**
Write off	**(46)**	**–**	**–**	**–**	**(14)**	**–**	**(60)**
At 31 December 2009	**126,789**	**1,991**	**1,185**	**10,199**	**14,895**	**4,307**	**159,366**
Accumulated depreciation, amortisation and impairment losses							
At 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)
(Write off)/impairment loss	–	–	(11)	16	–	–	5
At 31 December 2008 and 1 January 2009	**–**	**–**	**574**	**6,929**	**5,360**	**468**	**13,331**
Charge for the year	**–**	**–**	**32**	**534**	**543**	**90**	**1,199**
Written back on disposals	**–**	**–**	**–**	**(198)**	**(55)**	**–**	**(253)**
Written back on disposal of subsidiaries	**–**	**–**	**–**	**–**	**(175)**	**(39)**	**(214)**
Write off	**–**	**–**	**–**	**–**	**(8)**	**–**	**(8)**
At 31 December 2009	**–**	**–**	**606**	**7,265**	**5,665**	**519**	**14,055**
Net book value							
At 31 December 2009	**126,789**	**1,991**	**579**	**2,934**	**9,230**	**3,788**	**145,311**
At 31 December 2008	108,830	5,911	611	3,017	8,124	4,203	130,696

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
2009 valuation	**123,058**	**–**	**–**	**–**	**–**	**–**	**123,058**
At cost less provision	**3,731**	**1,991**	**1,185**	**10,199**	**14,895**	**4,307**	**36,308**
	126,789	**1,991**	**1,185**	**10,199**	**14,895**	**4,307**	**159,366**
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

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 2009							
Held in Hong Kong							
Long term leases	**90,958**	**–**	**85**	**–**	**11**	**82**	**91,136**
Medium term leases	**16,102**	**–**	**–**	**–**	**2,826**	**1,073**	**20,001**
Short term leases	**1,110**	**–**	**–**	**–**	**–**	**–**	**1,110**
	108,170	**–**	**85**	**–**	**2,837**	**1,155**	**112,247**
Held outside Hong Kong							
Freehold	**1,424**	**–**	**–**	**–**	**–**	**–**	**1,424**
Long term leases	**4,386**	**–**	**–**	**–**	**–**	**–**	**4,386**
Medium term leases	**12,809**	**1,991**	**494**	**–**	**2,212**	**2,633**	**20,139**
	126,789	**1,991**	**579**	**–**	**5,049**	**3,788**	**138,196**
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

d) *Investment properties revaluation*

The Group's investment properties under development are stated at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Those investment properties stated at fair value as at 31 December 2009 were revalued by Knight Frank Petty Limited, Colliers International Consultancy & Valuation (Singapore) Pte Ltd and Associated Property Consultants Pte. Ltd., independent firms of professional surveyors, who have appropriate qualifications and experience in the valuation of properties in the relevant locations, on a market value basis, after taking into consideration the net rental income allowing for reversionary potential and the redevelopment potential of the properties where appropriate.

The surplus or deficit arising on revaluation is recognised directly in the consolidated income statement.

Gross rental revenue from investment properties amounted to HK$7,745 million (2008: HK$7,021 million).

e) *Impairment of fixed assets*

The value of properties, other than investment properties which are revalued annually, is assessed at the end of each reporting 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. No provision was made or written back for 2009 and 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	
	2009 **HK$ Million**	2008 HK$ Million
Within 1 year	**5,316**	5,332
After 1 year but within 5 years	**5,710**	6,360
After 5 years	**301**	520
	11,327	12,212

12. INTEREST IN SUBSIDIARIES

	Company	
	2009 HK$ Million	2008 HK$ Million
Unlisted shares, at cost	**3,495**	3,495
Amounts due from subsidiaries	**6,560**	6,145
	10,055	9,640

Details of principal subsidiaries at 31 December 2009 are shown on pages 114 to 116.

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.

13. GOODWILL AND OTHER INTANGIBLE ASSETS

	Group		
	Goodwill HK$ Million	**Other intangible assets HK$ Million**	**Total HK$ Million**
Cost			
At 1 January 2008, 31 December 2008 and 31 December 2009	**297**	**12**	**309**
Accumulated amortisation			
At 1 January 2008	–	7	7
Charge for the year	–	5	5
At 31 December 2008 and 31 December 2009	**–**	**12**	**12**
Net carrying value			
At 31 December 2009	**297**	**–**	**297**
At 31 December 2008	297	–	297

Goodwill is mainly related to the Group's terminals business. As at 31 December 2009, 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.

14. INTEREST IN ASSOCIATES

	Group	
	2009	2008
	HK$ Million	HK$ Million
Share of net tangible assets	**2,678**	2,531
Goodwill	**1,790**	1,790
	4,468	4,321
Amounts due from associates	**1,136**	1,117
Amounts due to associates	**(91)**	–
	5,513	5,438

a) Details of principal associates at 31 December 2009 are shown on page 117.

b) Included in interest in associates is goodwill of HK$1,790 million (2008: HK$1,790 million) related to the acquisition of Mega Shekou Container Terminals Limited ("Mega SCT") which is held by 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") in 2007.

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, 2 and 3 were completed on 22 February 2007, 27 February 2008 and 5 March 2009 respectively resulting in Modern Terminals' equity interests in Mega SCT reducing from 27% as at 31 December 2008 to 25% as at 31 December 2009.

c) Amounts due from/(to) associates are unsecured, interest free with no fixed terms of repayment. The amounts are neither past due nor impaired.

Notes to the Financial Statements

d) Summary financial information on associates

	2009		2008	
	Total HK$ Million	Attributable interest HK$ Million	Total HK$ Million	Attributable interest HK$ Million
Statement of financial position				
Assets	**23,387**	**5,278**	21,622	4,539
Liabilities	**(7,623)**	**(2,600)**	(6,330)	(2,008)
Equity	**15,764**	**2,678**	15,292	2,531
Income statement				
Revenue	**3,141**	**712**	3,407	654
Profit before taxation	**1,431**	**266**	1,181	31
Income tax	**(158)**	**(31)**	(129)	(24)
Profit for the year	**1,273**	**235**	1,052	7

15. INTEREST IN JOINTLY CONTROLLED ENTITIES

	Group	
	2009 HK$ Million	2008 HK$ Million
Share of net assets	**728**	918
Goodwill	**54**	54
	782	972
Amounts due from jointly controlled entities	**6,769**	7,017
	7,551	7,989

a) Details of principal jointly controlled entities at 31 December 2009 are shown on page 117.

b) Amounts due from jointly controlled entities are unsecured, interest free and have no fixed terms of repayment. The amounts are neither 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	
	2009 HK$ Million	2008 HK$ Million
Statement of financial position		
Non-current assets	**1,684**	1,298
Current assets	**7,346**	7,514
Current liabilities	**(5,178)**	(7,772)
Non-current liabilities	**(3,124)**	(122)
Net assets	**728**	918
Income statement		
Revenue	**692**	180
Profit for the year	**75**	5

16. FINANCIAL INVESTMENTS

	Group	
	2009 HK$ Million	2008 HK$ Million
Available-for-sale investments		
Listed investments stated at market value		
– in Hong Kong	**294**	55
– outside Hong Kong	**4,485**	2,175
	4,779	2,230
Unlisted investments	**106**	49
	4,885	2,279
Unlisted held-to-maturity investments	**824**	–

Investments listed outside Hong Kong include the Group's 20% (2008: 20%) interest in Hotel Properties Limited ("HPL") and 17% (2008: 17%) 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.

Unlisted investments totalling HK$930 million (2008: HK$42 million) were stated at cost less impairment losses, if any.

As at 31 December 2009, the fair value of individually impaired available-for-sale investments amounted to HK$703 million (2008: HK$1,465 million) and impairment losses of HK$126 million (2008: HK$1,375 million) were recognised in the consolidated income statement for the year under review.

17. LONG TERM RECEIVABLES

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

18. EMPLOYEE RETIREMENT BENEFITS

a) *Defined benefit pension schemes*

The Group makes contributions to five 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 the recommendations made by actuaries based on their valuation of the schemes. The latest valuations of the schemes as at 31 December 2009 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 119%.

(i) The defined benefit pension scheme assets/(liabilities) recognised in the consolidated statement of financial position are as follows:

	2009 HK$ Million	2008 HK$ Million
Fair value of scheme assets	**860**	734
Present value of funded obligations	**(721)**	(888)
Net defined benefit pension scheme assets/(liabilities)	**139**	(154)

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$2 million in contribution to defined benefit pension schemes in 2010.

(ii) Scheme assets consist of the following:

	2009 HK$ Million	2008 HK$ Million
Equity securities	**127**	490
Debt securities	**624**	209
Deposits and cash	**109**	35
	860	734

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

	2009 HK$ Million	2008 HK$ Million
At 1 January	**888**	891
Benefits paid by the schemes	**(61)**	(56)
Current service cost	**33**	34
Employees' contribution	**1**	2
Interest cost	**12**	30
Disposal of a subsidiary	**(50)**	–
Actuarial gains	**(102)**	(13)
At 31 December	**721**	888

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

	2009 HK$ Million	2008 HK$ Million
At 1 January	**734**	1,130
Group's contributions paid to the schemes	**2**	3
Benefits paid by the schemes	**(61)**	(56)
Employees' contribution	**1**	2
Actuarial expected return on scheme assets	**51**	80
Disposal of a subsidiary	**(39)**	–
Actuarial gains/(losses)	**172**	(425)
At 31 December	**860**	734

(v) Income recognised in the consolidated income statement are as follows:

	2009 HK$ Million	2008 HK$ Million
Current service cost	**33**	34
Interest cost	**12**	30
Actuarial expected return on scheme assets	**(51)**	(80)
	(6)	(16)

All the income is recognised within direct costs and operating expenses in the consolidated income statement.

The actual return on scheme assets was a gain of HK$223 million (2008: loss of HK$345 million).

(vi) The principal actuarial assumptions used as at 31 December 2009 (expressed as a range) are as follows:

	2009	2008
Discount rate at 31 December	**2.0% – 2.6%**	1.2% – 1.65%
Expected rate of return on scheme assets	**3.0% – 8.0%**	7.0% – 8.0%
Future salary increases – 2009	**N/A**	0% – 4.0%
– 2010 thereafter	**0% – 3.5%**	0% – 4.0%

The expected long term rate of return on scheme assets is based on the portfolio as a whole and not on the sum of the returns on individual 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

	2009 HK$ Million	2008 HK$ Million	2007 HK$ Million	2006 HK$ Million
Fair value of scheme assets	**860**	734	1,130	1,005
Present value of the defined benefit obligations	**(721)**	(888)	(891)	(775)
Surplus/(deficit) in the scheme	**139**	(154)	239	230
Experience adjustments arising on:				
Scheme liabilities	**–3%**	14%	–6%	9%
Scheme assets	**20%**	–58%	10%	2%

(viii) The Group recognised an actuarial gain amounting to HK$274 million (2008: loss of HK$412 million) for the year ended 31 December 2009 directly in other comprehensive income. The cumulative amount of actuarial gain recognised amounted to HK$19 million (2008: loss of HK$265 million) as at 31 December 2009.

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.

19. PROPERTIES FOR SALE

	Group	
	2009 HK$ Million	2008 HK$ Million
Properties under development for sale	**25,113**	23,927
Completed properties for sale	**711**	733
	25,824	24,660

Notes to the Financial Statements

a) Properties under development for sale are expected to be substantially completed after more than one year.

b) Included in properties under development for sale are deposits of HK$3,494 million (2008: HK$5,233 million) paid for the acquisition for certain land sites/properties located in Mainland China.

c) Properties under development for sale and completed properties for sale are stated at the lower of cost and net realisable value. The total carrying value of properties stated at net realisable value at 31 December 2009 was HK$253 million (2008: HK$251 million).

d) Provision of HK$146 million previously made for a China project was written back in 2008. No such provision was made or written back for 2009.

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

	Group	
	2009 HK$ Million	2008 HK$ Million
Held in Hong Kong		
Long term leases	**1,392**	1,596
Medium term leases	**1,187**	1,241
	2,579	2,837
Held outside Hong Kong		
Freehold	**4,220**	4,115
Medium term leases	**13,766**	13,340
	17,986	17,455
	20,565	20,292

20. 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 based on invoice dates as at 31 December 2009 as follows:

	Group	
	2009 HK$ Million	2008 HK$ Million
Trade receivables		
0–30 days	**421**	517
31–60 days	**174**	180
61–90 days	**43**	57
Over 90 days	**110**	67
	748	821
Accrued sales receivables	**467**	806
Other receivables	**4,028**	1,059
	5,243	2,686

Other receivables at 31 December 2009 included the remaining instalments of proceeds in total amount of HK$2.5 billion in respect of the disposal of BCTS, which have all been received subsequent to the reporting date.

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

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

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

	Group	
	2009 HK$ Million	2008 HK$ Million
At 1 January	**114**	53
Impairment loss recognised	**8**	84
Uncollectible amounts written off	**(24)**	(23)
At 31 December	**98**	114

c) *Trade receivables that are not impaired*

As at 31 December 2009, 89% (2008: 94%) of the Group's trade receivables were not impaired, of which 82% (2008: 96%) 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 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.

21. DERIVATIVE FINANCIAL INSTRUMENTS

	2009		2008	
	Assets HK$ Million	**Liabilities HK$ Million**	Assets HK$ Million	Liabilities HK$ Million
At fair value through profit or loss				
Fixed-to-floating interest rate swaps	**102**	**35**	83	–
Floating-to-fixed interest rate swaps	**307**	**99**	–	126
Cross currency interest rate swaps	**102**	**1,020**	8	612
Forward foreign exchange contracts	**16**	**2**	4	206
Total	**527**	**1,156**	95	944
Analysis				
Current	**209**	**101**	12	206
Non-current	**318**	**1,055**	83	738
Total	**527**	**1,156**	95	944

Analysis of the remaining maturities at the end of reporting date of the above derivative financial instruments are as follows:

	2009		2008	
	Assets HK$ Million	Liabilities HK$ Million	Assets HK$ Million	Liabilities HK$ Million
Fixed-to-floating interest rate swaps				
Expiring within 1 year	**40**	**–**	8	–
Expiring after more than 1 year but not exceeding 5 years	**26**	**7**	37	–
Expiring after 5 years	**36**	**28**	38	–
	102	**35**	83	–
Floating-to-fixed interest rate swaps				
Expiring within 1 year	**–**	**6**	–	–
Expiring after 5 years	**307**	**93**	–	126
	307	**99**	–	126
Cross currency interest rate swaps				
Expiring after more than 1 year but not exceeding 5 years	**25**	**30**	8	11
Expiring after 5 years	**77**	**990**	–	601
	102	**1,020**	8	612
Forward foreign exchange contracts				
Expiring within 1 year	**16**	**2**	4	206
Total	**527**	**1,156**	95	944

Notes to the Financial Statements

a) The notional principal amounts of derivative financial instruments outstanding at the end of reporting date are as follows:

	2009 HK$ Million	2008 HK$ Million
Fixed-to-floating interest rate swaps	**4,800**	3,350
Floating-to-fixed interest rate swaps	**7,830**	2,500
Cross currency interest rate swaps	**10,117**	9,217
Forward foreign exchange contracts	**2,367**	1,619

The notional amount of cross currency interest rate swaps included the USD400 million swaps against JPY with the effect of converting the USD400 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 end of reporting date. Derivative financial instruments did not qualify for hedge accounting and their corresponding changes in fair values have been recognised in the consolidated income statement.

c) During the year, a gain of HK$50 million (2008: loss of HK$220 million) in respect of forward foreign exchange contracts was recognised to the consolidated income statement as follows:

	2009 HK$ Million	2008 HK$ Million
Gain/(loss) on forward foreign exchange contracts not qualified for hedge accounting	**50**	(262)
Gain on forward foreign exchange contracts under cash flow hedge	**–**	42
	50	(220)

d) During the year, fair value cost on cross currency interest rate swaps and gain on interest rate swaps in the amounts of HK$315 million (2008: HK$508 million) and HK$360 million (2008: loss of HK$104 million) respectively have been included under finance costs in the consolidated income statement.

22. BANK DEPOSITS AND CASH

	Group		Company	
	2009 HK$ Million	2008 HK$ Million	**2009 HK$ Million**	2008 HK$ Million
Bank deposits and cash				
Not pledged	**27,674**	22,242	**–**	311
Pledged	**82**	685	**–**	–
	27,756	22,927	**–**	311

Bank deposits and cash as at 31 December 2009 included HK$7,359 million equivalent (2008: HK$4,251 million) placed with banks in Mainland China that the remittance of which are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

At 31 December 2009, bank deposits and cash included bank deposits of RMB1,084 million (equivalent to HK$1,230 million) which are solely for certain designated property development projects in Mainland China and Singapore dollar balances in HK$1,823 million equivalent (2008: HK$1,543 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 for the respective property development projects.

23. TRADE AND OTHER PAYABLES

Included in this item are trade payables with an ageing analysis as at 31 December 2009 as follows:

	Group	
	2009 HK$ Million	2008 HK$ Million
Amounts payable in the next:		
0–30 days	**229**	228
31–60 days	**63**	109
61–90 days	**31**	33
Over 90 days	**80**	54
	403	424
Rental and customer deposits	**1,771**	1,761
Construction costs payable	**1,512**	1,387
Other payables	**2,771**	3,031
	6,457	6,603

The amount of trade and other payables that is expected to be settled after more than one year is HK$1,119 million (2008: HK$1,207 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 or recognised as income within one year or are payable on demand.

24. BANK LOANS AND OTHER BORROWINGS

	Group	
	2009 HK$ Million	2008 HK$ Million
Bonds and notes (Unsecured)		
HK dollar fixed rate notes due 2009	**–**	308
HK dollar fixed rate notes due 2011	**210**	214
HK dollar fixed rate notes due 2016	**271**	289
HK dollar fixed rate notes due 2019	**713**	–
HK dollar floating rate notes due 2009	**–**	100
HK dollar floating rate notes due 2010	**200**	200
HK dollar floating rate notes due 2013	**300**	300
HK dollar floating rate notes due 2014	**200**	–
US dollar fixed rate notes due 2017	**3,120**	3,120
	5,014	4,531
Bank loans (Secured)		
Due within 1 year	**1,454**	536
Due after 1 year but within 2 years	**1,176**	2,294
Due after 2 years but within 5 years	**10,169**	9,328
Due after 5 years	**2,987**	3,104
	15,786	15,262
Bank loans (Unsecured)		
Due within 1 year	**7,395**	4,011
Due after 1 year but within 2 years	**4,200**	6,942
Due after 2 years but within 5 years	**13,239**	14,077
Due after 5 years	**1,000**	800
	25,834	25,830
Total bank loans and other borrowings	**46,634**	45,623
Analysis of maturities of the above borrowings		
Current borrowings		
Due within 1 year	**9,049**	4,955
Non-current borrowings		
Due after 1 year but within 2 years	**5,586**	9,436
Due after 2 years but within 5 years	**23,908**	23,919
Due after 5 years	**8,091**	7,313
	37,585	40,668
Total bank loans and other borrowings	**46,634**	45,623

Notes to the Financial Statements

	Company 2009 HK$ Million	Company 2008 HK$ Million
Bank loans (Secured)		
Due after 2 years but within 5 years	**5,500**	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 28(b)):

	Group 2009 HK$ Million	Group 2008 HK$ Million
HKD	**38,318**	36,295
RMB	**3,517**	3,743
USD	**389**	351
JPY	**3,120**	3,120
SGD	**1,290**	2,114
	46,634	45,623

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 Note 28(a) and (b) respectively) are as follows:

	2009 Effective interest rate %	2009 HK$ Million	2008 Effective interest rate %	2008 HK$ Million
Group				
Fixed rate borrowings				
Bonds and notes	**3.1**	**3,120**	3.1	3,120
Floating rate borrowings				
Bonds and notes	**1.3**	**1,894**	2.5	1,411
Bank loans	**1.0**	**41,620**	2.4	41,092
		43,514		42,503
Total borrowings		**46,634**		45,623
Company				
Floating rate borrowings				
Bank loans	**0.6**	**5,500**	0.9	5,500

c) Included in the Group's total loans are bank loans borrowed by Wharf and WPSL of HK$39,844 million and HK$1,290 million (2008: HK$38,009 million and HK$2,114 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$954 million (2008: HK$911 million) which are carried at their fair values. None of the non-current interest bearing borrowings are expected to be settled within one year.

e) At 31 December 2009, certain banking facilities of the Group are secured by mortgages over certain properties under development, fixed assets and investments with an aggregate carrying value of HK$72,555 million (2008: HK$41,063 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.

25. DEPOSITS FROM SALE OF PROPERTIES

Deposits from sale of properties in the amount of HK$1,636 million (2008: HK$2,180 million) are expected to be recognised as income in the consolidated income statement after more than one year.

26. DEFERRED TAXATION

a) Net deferred tax (assets)/liabilities recognised in the consolidated statement of financial position:

	Group	
	2009 HK$ Million	2008 HK$ Million
Deferred tax liabilities	**18,270**	16,258
Deferred tax assets	**(432)**	(484)
Net deferred tax liabilities	**17,838**	15,774

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

	Revaluation of investment properties HK$ Million	Revaluation of investments HK$ Million	Depreciation allowances in excess of the related depreciation HK$ Million	Others HK$ Million	Future benefit of tax losses HK$ Million	Total HK$ Million
At 1 January 2008	14,437	216	2,254	(18)	(671)	16,218
Exchange differences	83	(2)	12	1	3	97
Charged/(credited) to the consolidated income statement	495	–	112	(25)	(97)	485
Credited to reserves	–	(214)	–	–	–	(214)
Effect of change in tax rate	(739)	–	(112)	–	39	(812)
At 31 December 2008 and 1 January 2009	**14,276**	**–**	**2,266**	**(42)**	**(726)**	**15,774**
Exchange differences	**9**	**–**	**1**	**–**	**(1)**	**9**
Charged to the consolidated income statement	**2,482**	**–**	**89**	**4**	**68**	**2,643**
Disposal of an investment property	**(365)**	**–**	**(145)**	**–**	**–**	**(510)**
Disposal of a subsidiary	**(46)**	**–**	**(13)**	**–**	**–**	**(59)**
Effect of change in tax rate	**(17)**	**–**	**(2)**	**–**	**–**	**(19)**
At 31 December 2009	**16,339**	**–**	**2,196**	**(38)**	**(659)**	**17,838**

b) *Deferred tax assets not recognised*

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

	Group	
	2009 HK$ Million	2008 HK$ Million
Deductible temporary differences	**(49)**	(13)
Future benefit of tax losses	**(1,253)**	(1,151)
Net deferred tax assets not recognised	**(1,302)**	(1,164)

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 2009. The tax losses arising from Hong Kong and Singapore 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.

27. OTHER DEFERRED LIABILITIES

	Group	
	2009	2008
	HK$ Million	HK$ Million
Club debentures issued (non-interest bearing)	**215**	217
Deferred revenue	**47**	45
	262	262

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

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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 uses derivatives, principally forward currency 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 rates 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$930 million (2008: HK$850 million) into floating rates 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$3,630 million with maturity of 10 years together with another HK$3,630 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 3.6% for certain portion of its floating rate loan portfolio for a period of 8 years from 2010 and 2011 onwards.

As at 31 December 2009, after taking into account of IRS, approximately 93% (2008: 93%) of the Group's borrowings were at floating rates and the remaining 7% (2008: 7%) were at fixed rates (see Note 24(b)).

Based on the sensitivity analysis performed as at 31 December 2009, it was estimated that a general increase/decrease of 1% (2008: 1%) in interest rates, with all other variables held constant, would increase/ decrease the post-tax profit and total equity of the Group by approximately HK$8 million (2008: decrease/ increase of HK$122 million) and decrease/increase the post-tax profit and total equity of the Company by approximately HK$54 million (2008: HK$51 million). This takes into account the effect of interest bearing bank deposits.

The sensitivity analysis above indicates the instantaneous change in the Group's post-tax profit and total equity that would arise assuming that the change in interest rates had occurred at the end of reporting date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of reporting date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of reporting date, the impact on the Group's post-tax profit and total equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2008.

b) Foreign currency risk

The Group owns assets and conducts its businesses primarily in Hong Kong and secondarily in Mainland 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 Mainland 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 Mainland 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 the consolidated income statement.

The following table details the Group's exposure at the end of reporting 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.

	2009				2008			
	USD Million	**RMB Million**	**JPY Million**	**EURO Million**	USD Million	RMB Million	JPY Million	EURO Million
Bank deposits and cash	**162**	**146**	**–**	**2**	53	87	–	–
Available-for-sale investments	**336**	**–**	**–**	**2**	179	–	–	2
Held-to-maturity investments	**106**	**–**	**–**	**–**	–	–	–	–
Trade and other receivables	**86**	**33**	**–**	**3**	27	38	–	2
Trade and other payables	**(15)**	**(232)**	**–**	**–**	(26)	(388)	–	–
Bank loans and other borrowings	**(1,298)**	**–**	**–**	**–**	(1,182)	–	–	–
Inter-company balances	**111**	**490**	**–**	**–**	104	906	–	–
Gross exposure arising from recognised assets and liabilities	**(512)**	**437**	**–**	**7**	(845)	643	–	4
Notional amount of forward foreign exchange contracts at fair value through profit or loss	**216**	**600**	**(19,800)**	**–**	194	–	(19,800)	–
Notional amount of cross currency IRS	**1,298**	**–**	**(45,764)**	**–**	1,182	–	(45,764)	–
Highly probable forecast purchase	**(271)**	**–**	**–**	**(10)**	(78)	–	–	(2)
Overall net exposure	**731**	**1,037**	**(65,564)**	**(3)**	453	643	(65,564)	2

At 31 December 2009, the China 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, trade and other payables, bank loans and inter-company borrowings in the amount of HK$1,235 million, HK$69 million, HK$883 million and HK$1,779 million respectively (2008: HK$654 million, HK$Nil, HK$1,408 million and HK$1,249 million respectively).

The following indicates the instantaneous change in the Group's post-tax profit and total equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of reporting date had changes at that date, assuming all other risk variables remained 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.

– a 5% (2008: 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$286 million (2008: HK$277 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 performed in the above represents the aggregation of the instantaneous effects on each of the Group entities' post-tax profit and total equity measured in the respective functional currencies, translated into HKD at the exchange rate ruling at the end of reporting date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of reporting date, including balances between group companies which are denominated in a currency other than the functional currencies of the Group's entities to which they relate. The analysis excludes the differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed at the same basis for 2008.

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 as at 31 December 2009, it is estimated that an increase/decrease of 10% (2008: 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$478 million (2008: HK$222 million). The analysis is performed on the same basis for 2008.

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.

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The following tables detail the remaining contractual maturities at the end of reporting 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 end of reporting date and carried at exchange rate prevailing at the end of reporting 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 2009						
Bank loans and other borrowings	**(46,634)**	**(49,783)**	**(9,608)**	**(6,029)**	**(25,222)**	**(8,924)**
Trade and other payables	**(6,457)**	**(6,457)**	**(5,338)**	**(569)**	**(490)**	**(60)**
Club debentures issued	**(215)**	**(215)**	**–**	**–**	**–**	**(215)**
Forward foreign exchange contracts	**(2)**	**(2)**	**(2)**	**–**	**–**	**–**
Cross currency interest rate swaps	**(918)**	**(33)**	**105**	**99**	**254**	**(491)**
Interest rate swaps	**275**	**(489)**	**(5)**	**(52)**	**(190)**	**(242)**
	(53,951)	**(56,979)**	**(14,848)**	**(6,551)**	**(25,648)**	**(9,932)**
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)
Company						
At 31 December 2009						
Bank loans	**(5,500)**	**(5,596)**	**(32)**	**(32)**	**(5,532)**	**–**
Trade and other payables	**(6)**	**(6)**	**(6)**	**–**	**–**	**–**
	(5,506)	**(5,602)**	**(38)**	**(32)**	**(5,532)**	**–**
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)	–

The Company on its own is exposed to liquidity risk that arose from financial guarantees given by the Company on behalf of subsidiaries. The guarantees are callable if the respective subsidiary is unable to meet its obligation. As at 31 December 2009, none of the above mentioned banking facilities was utilised by the subsidiaries; accordingly, the maximum amount callable as at 31 December 2009 was HK$Nil (2008: HK$Nil).

e) Credit risk

The Group's credit risk is primarily attributable to rental, trade and other receivables, cash and cash equivalents, held-to-maturity investments 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 banks, 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 statement of financial position. Except for the financial guarantees given by the Company as set out in note 31, the Group does not provide any other guarantee which would expose the Group or the Company to material credit risk.

f) Fair value

(i) Fair value estimation

The fair values of financial instruments are determined as follows:

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 held-to-maturity investments, 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 end of reporting 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 end of reporting 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 2009 and 2008. Amounts due from subsidiaries are unsecured, interest free and have no fixed repayment terms. Given these terms it is not meaningful to disclose fair values.

(ii) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of reporting date across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

– Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

At 31 December 2009	**Group**		
	Level 1 HK$ Million	**Level 2 HK$ Million**	**Total HK$ Million**
Assets			
Available-for-sale investments:			
– Listed	4,779	–	4,779
Derivative financial instruments:			
– Interest rate swaps	–	409	409
– Cross currency interest rate swaps	–	102	102
– Forward foreign exchange contracts	–	16	16
	4,779	527	5,306
Liabilities			
Derivative financial instruments:			
– Interest rate swaps	–	(134)	(134)
– Cross currency interest rate swaps	–	(1,020)	(1,020)
– Forward foreign exchange contracts	–	(2)	(2)
	–	(1,156)	(1,156)

During the year there were no significant transfers between instruments in Level 1 and Level 2.

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 bank 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 2009 and 2008 were as follows:

	Group	
	2009 HK$ Million	2008 HK$ Million
Total bank loans and other borrowings (Note 24)	**46,634**	45,623
Less: Bank deposits and cash (Note 22)	**(27,756)**	(22,927)
Net debt	**18,878**	22,696
Shareholders' equity	**69,691**	58,733
Total equity	**144,149**	123,243
Net debt-to-shareholders' equity ratio	**27.1%**	38.6%
Net debt-to-total equity ratio	**13.1%**	18.4%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

29. SHARE CAPITAL

	2009 No. of shares Million	2008 No. of shares Million	**2009 HK$ Million**	2008 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

30. CAPITAL AND RESERVES

a) The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

The Group's investments 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) Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

Company	**Share capital HK$ Million**	**Share premium HK$ Million**	**Exchange and other reserves HK$ Million**	**Revenue reserves HK$ Million**	**Total HK$ Million**
At 1 January 2008	1,016	1,914	96	1,468	4,494
Total comprehensive income for the year	–	–	–	257	257
Final dividend paid in respect of 2007	–	–	–	(203)	(203)
Interim dividend paid in respect of 2008 (Note 9)	–	–	–	(51)	(51)
At 31 December 2008 and 1 January 2009	**1,016**	**1,914**	**96**	**1,471**	**4,497**
Total comprehensive income for the year	**–**	**–**	**–**	**350**	**350**
Final dividend paid in respect of 2008 (Note 9)	**–**	**–**	**–**	**(203)**	**(203)**
Interim dividend paid in respect of 2009 (Note 9)	**–**	**–**	**–**	**(51)**	**(51)**
At 31 December 2009	**1,016**	**1,914**	**96**	**1,567**	**4,593**

(i) Reserves of the Company available for distribution to equity shareholders of the Company at 31 December 2009 amounted to HK$1,567 million (2008: HK$1,471 million).

(ii) Included in exchange and other reserves is capital redemption reserve of HK$19 million (2008: HK$19 million).

(iii) 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.

31. CONTINGENT LIABILITIES

a) At 31 December 2009, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to banking facilities up to HK$370 million (2008: HK$1,670 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.

32. COMMITMENTS

The Group's outstanding commitments on expenditures as at the end of reporting date included below:

		2009				2008			
		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	**333**	**6,624**	**193**	**7,150**	375	1,903	3	2,281
	Authorised but not contracted for	**1,148**	**11,711**	**–**	**12,859**	1,144	1,304	–	2,448
		1,481	**18,335**	**193**	**20,009**	1,519	3,207	3	4,729
b)	***Programming and others***								
	Authorised and contracted for	**2,226**	**–**	**–**	**2,226**	783	–	–	783
	Authorised but not contracted for	**139**	**–**	**–**	**139**	71	–	–	71
		2,365	**–**	**–**	**2,365**	854	–	–	854
c)	***Properties under development***								
	Authorised and contracted for	**396**	**8,022**	**663**	**9,081**	513	10,634	1,241	12,388
	Authorised but not contracted for	**220**	**20,747**	**–**	**20,967**	–	35,341	–	35,341
		616	**28,769**	**663**	**30,048**	513	45,975	1,241	47,729
d)	***Properties under development undertaken by jointly controlled entities and associates***								
	Authorised and contracted for	**–**	**4,567**	**–**	**4,567**	–	3,662	–	3,662
	Authorised but not contracted for	**–**	**11,530**	**–**	**11,530**	–	9,666	–	9,666
		–	**16,097**	**–**	**16,097**	–	13,328	–	13,328
e)	***Expenditure for operating leases***								
	Within one year	**29**	**–**	**–**	**29**	50	–	–	50
	After one year but within five years	**41**	**–**	**–**	**41**	51	–	–	51
	Over five years	**58**	**–**	**–**	**58**	65	–	–	65
		128	**–**	**–**	**128**	166	–	–	166

(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$13.2 billion payable by instalments from 2010 to 2013. Other commitments under the categories are mainly construction cost for the forthcoming years.

(ii) Commitments for capital expenditure in Mainland China are mainly related to land and construction cost for investment property under development and Modern Terminal's port expenditure for the Dachan 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$2.8 billion mainly related to properties under development undertaken by WPL group or through its associates, are substantially attributable to Wharf group.

33. 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 2009:

a) In respect of the year ended 31 December 2009, the Group earned rental income totalling HK$517 million (2008: HK$495 million) from various tenants which are companies whose controlling shareholder is 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 2(b) and (c).

34. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), amendments to HKFRSs and interpretations that are first effective for the current accounting period of the Group and the Company:

HKAS 1 (Revised)	Presentation of financial statements
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
Improvements to HKFRSs (2008)	Amendments to HKAS 40 investment property

The "Principal accounting policies" set out on pages 97 to 113 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.

Except as described below, the adoption of the above new or revised standards, amendments and interpretations had no significant impact on the financial information of the Group.

a) ***HKAS 1 (Revised) – Presentation of financial statements***

As a result of the adoption of HKAS 1 (Revised), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation.

This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

b) ***HKFRS 7 (Amendment) – Improving disclosures about financial instruments***

As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosure in note 28(f) about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

c) ***HKFRS 8 – Operating segments***

HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's top management, and has resulted in amended disclosure being presented. Corresponding amounts have been restated on a basis consistent with the revised segment information.

d) ***Improvements to HKFRSs (2008) – Amendments to HKAS 40 investment property***

As a result of the amendments to HKAS 40, investment property which is under construction will be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any gain or loss will be recognised in profit or loss. Previously such property was carried at cost until the construction was completed, at which time it was fair valued with any gain or loss being recognised in profit or loss. This amendment is applied prospectively and the corresponding amounts have not been restated. As a result of this amendment, the profit attributable to equity shareholders increased by HK$1,282 million for the year ended 31 December 2009.

35. 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 2009.

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 2009 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 of comparative amounts in the first period of adoption:

	Effective for accounting periods beginning on or after
HKFRS 3 (Revised), Business combinations	1 July 2009
Amendments to HKAS 27, Consolidated and separate financial statements	1 July 2009
Amendments to HKAS 39, Financial instruments: Recognition and measurement – Eligible hedged items	1 July 2009
Improvements to HKFRSs 2009	1 July 2009 or 1 January 2010

36. EVENTS AFTER THE REPORTING DATE

In January and February 2010, Wharf acquired another two land parcels in Chengdu (100%-owned) and Tianjin (50%-owned) respectively with total attributable land cost payable of HK$2.7 billion. The sites will be developed into residential and commercial properties.

In January 2010, WPL acquired a site (50%-owned) in Nanhai Shishan Town (南海獅山鎮), Foshan with attributable land cost payable of about HK$387 million. The site will be developed into residential properties for sale.

In March 2010, WPL through a 50%-owned joint venture company succeeded in the tender for the development of site C and site D of the Austin Station Property Development. The total development and related costs of the project as payable by the joint venture company attributable to WPL is about HK$5.8 billion. The sites will be developed into residential properties for sale.

37. COMPARATIVE FIGURES

As a result of the application of HKAS 1 (Revised), Presentation of financial statements and HKFRS 8, Operating segments, certain comparative figures have been reclassified to conform to current year's presentation. Further details of these developments are disclosed in note 34.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Directors on 23 March 2010.

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 34 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 35).

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 uncertainty are discussed in note (z).

Principal Accounting Policies

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 presently are 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 statement of financial position 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 income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income 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 statement of financial position, 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 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, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment 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 and any impairment loss relating to the investment (see notes (c)(iii) and (k)(ii)). The Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or 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 investee. For this purpose, the Group's interest in the associate or 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 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 investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated income statement.

In the individual company's statement of financial position, investments 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 arising on a business combination 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 and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (see note (k)(ii)).

Principal Accounting Policies

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 income statement.

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 and property that is being constructed or developed for future use as investment property.

Investment properties are stated in the statement of financial position at fair value, unless they are still in the course of construction or development at the end of reporting date and their fair value cannot be reliably determined at that time. 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 income statement. 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).

(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 income statement 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 unexpired period of leases or estimated useful life whichever is shorter.

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 fair value, 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 income statement as incurred. At the end of each reporting date the fair value is remeasured, with any resultant gain or loss being recognised in the consolidated income statement. The net gain or loss recognised in the consolidated income statement does not include any dividends or interest earned as these are recognised in accordance with the policies 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 statement of financial position 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 statement of financial position at cost less impairment losses.

Principal Accounting Policies

(iv) Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the investments revaluation reserve, 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 income statement. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the consolidated income statement. When these investments are derecognised or impaired, the cumulative gain or loss is reclassified from equity to the consolidated income statement.

(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 income statement. 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 income statement. 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 income statement.

(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 other comprehensive income and accumulated separately in equity. The ineffective portion of any gain or loss is recognised immediately in the consolidated income statement.

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 income statement in the same period or periods during which the asset acquired or liability assumed affects the consolidated income statement (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 income statement in the same period or periods during which the hedged forecast transaction affects the consolidated income statement.

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 income statement 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 other comprehensive income and accumulated separately in equity in the exchange reserve until the disposal of the foreign operation, at which time the cumulative gain or loss is reclassified from equity to the consolidated income statement. The ineffective portion is recognised immediately in the consolidated income statement.

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 income statement 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 income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the consolidated income statement 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 statement of financial position 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)).

Principal Accounting Policies

(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 income statement 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 income statement 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 statement of financial position at cost less accumulated amortisation (where the estimated useful life is other than indefinite) and any impairment losses. Amortisation is charged to consolidated income statement 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 year'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) 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 the end of each reporting 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 investments in associates and jointly controlled entities recognised using the equity method (see note (c)(ii)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note (k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note (k)(ii).

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 carried at cost 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 income statement. 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 investments revaluation reserve is reclassified to the consolidated income statement. The amount of the cumulative loss that is recognised in the consolidated income statement 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 income statement.

Impairment losses recognised in the consolidated income statement in respect of available-for-sale equity investments are not reversed through the consolidated income statement. Any subsequent increase in the fair value of such assets is recognised directly in other comprehensive income.

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 income statement.

(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 the end of each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

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 the 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).

Principal Accounting Policies

Recognition of impairment losses

An impairment loss is recognised as an expense in the consolidated income statement 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 income statement 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 in other comprehensive income and not in the consolidated income statement.

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 borrowing 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 income statement 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 income statement 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 the end of each reporting date the fair value is remeasured and any change in fair value is recognised in the consolidated income statement.

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 income statement 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 statement of cash flows.

Principal Accounting Policies

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 statements of financial position of foreign operations are translated into Hong Kong dollars at the exchange rates ruling at the end of reporting date. The income statement of foreign operations 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 foreign operations are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve and those 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 income statement. On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is reclassified from equity to the consolidated income statement and 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*

Revenue is measured at the fair value of the consideration received or receivable. 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 income statement 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 the 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 later of the execution of the formal sale and purchase agreement or the issue of occupation permit/completion certificate by the relevant government authorities, which 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 statement of financial position 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 that are 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 are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

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 income statement except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of reporting 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 end of reporting date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting 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.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Principal Accounting Policies

(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.

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

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's top management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

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 end of reporting 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 income statement 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 income statement.

Any actuarial gains and losses are fully recognised in other comprehensive income 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.

Principal Accounting Policies

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 income statement 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 income statement when incurred.

z) Significant accounting estimates and judgements

Key sources of estimation uncertainty

Notes 18 and 21 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 statement of financial position at their market value, unless they are still in the course of construction or development at the end of reporting date and their fair value cannot be reliably determine at that time. The market value of investment properties 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 end of reporting 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 held under development and 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 2009

	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
	Plaza Hollywood Limited	Hong Kong	10,000 HK$1 shares	48%	Property
	Wharf Development Limited (formerly Wharf Estates Development Limited)	Hong Kong	2 HK$1 shares	48%	Holding company
	Wharf China Holdings Limited	British Virgin Islands	2,564,102,500 US$1 shares	48%	Holding company
	Wharf China Estates Limited	British Virgin Islands	500 US$1 shares	48%	Holding company
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	Long Qing Property Development (Chongqing) Company Limited	The People's Republic of China	RMB194,000,000	48%	Property
i	Shanghai Wheelock Square Development Limited	The People's Republic of China	US$179,900,000	47%	Property
ii	龍昌綜合開發(成都)有限公司	The People's Republic of China	HK$330,000,000	48%	Property
ii	龍錦綜合開發(成都)有限公司	The People's Republic of China	US$387,593,812	48%	Property
ii	成都時代奧特萊斯商業有限公司	The People's Republic of China	HK$170,000,000	48%	Property
	Wharf China Development Limited (formerly Wharf Estates China Limited)	British Virgin Islands	500 US$1 shares	48%	Holding company
ii	Han Long Development (Wuhan) Company Limited	The People's Republic of China	US$33,100,000	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
ii	Wharf Estates (Wuxi) Company Limited	The People's Republic of China	US$192,580,000	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	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	無錫港龍置業有限公司	The People's Republic of China	US$105,400,000	48%	Property
ii	無錫河畔置業有限公司	The People's Republic of China	US$84,700,000	48%	Property
ii	港盈房地產(杭州)有限公司	The People's Republic of China	US$99,990,000	48%	Property
ii	九龍倉(杭州)置業有限公司	The People's Republic of China	US$99,980,000	48%	Property
*	**Harbour Centre Development Limited**	Hong Kong	708,750,000 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	RMB3,097,596,772	27%	Property
ii	九龍倉(常州)置業有限公司	The People's Republic of China	US$229,800,000	34%	Property
ii	上海綠源房地產開發有限公司	The People's Republic of China	RMB770,000,000	34%	Property

Principal Subsidiaries, Associates and Jointly Controlled Entities

At 31 December 2009

	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
	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
	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
	CME				
	Wharf Communications Limited	Hong Kong	1,000,000 HK$10 shares	48%	Holding company
*	i-CABLE Communications Limited	Hong Kong	2,011,512,400 HK$1 shares	36%	Holding company
	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 Entertainment Limited	Hong Kong	10,000,000 HK$1 shares	36%	Programme production and channel operation
	i-CABLE News Limited	Hong Kong	10,000,000 HK$1 shares	36%	Programme production and channel operation
	i-CABLE Sports Limited	Hong Kong	10,000,000 HK$1 shares	36%	Programme production and channel operation
	i-CABLE Network Limited	Hong Kong	100 HK$1 shares 2 HK$1 non-voting deferred shares	36%	Network operation
	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
	Wharf T&T Limited	Hong Kong	100,000,000 HK$1 shares	48%	Telecommunication
	EC Telecom Limited	Hong Kong	2 HK$1 shares	48%	Telecommunication
	COL Limited	Hong Kong	40,000 HK$500 shares	48%	Computer services

Principal Subsidiaries, Associates and Jointly Controlled Entities

At 31 December 2009

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital (except otherwise stated)/ registered and paid up capital	Effective equity interest to the Company	Principal activities
Investment and others				
Wharf Limited	Hong Kong	2 HK$10 shares	48%	Management services
Wharf Finance Limited	Hong Kong	2 HK$1 shares	48%	Finance
Wharf Finance (BVI) Limited	British Virgin Islands	500 US$1 shares	48%	Finance
Wharf Hong Kong Limited	Cayman Islands	500,000,000 US$1 shares	48%	Holding company
Wharf China Finance Limited	Hong Kong	5,000,000 HK$1 shares	48%	Finance
Wharf Finance (No.1) Limited	Hong Kong	2 HK$1 shares	48%	Finance
Wharf Finance (BVI) No.1 Limited	British Virgin Islands	500 US$1 shares	48%	Finance
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
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
* **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
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
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
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$96,000,000	100%	Property

Principal Subsidiaries, Associates and Jointly Controlled Entities

At 31 December 2009

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	8%	Holding company
Wharf – Properties				
蘇州雙湖房地產有限公司	The People's Republic of China	Ordinary	24%	Property
天津港威房地產開發有限公司	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
Empire Land Investments Limited	Hong Kong	Ordinary	24%	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
重慶嘉益房地產開發有限公司	The People's Republic of China	Ordinary	24%	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 2009

	Approximate Gross Floor Areas (sq. ft.)					
Address	**Total**	**Office**	**Retail**	**Residential**	**Others**	**(Remarks)**
Investment Properties in Hong Kong						
Harbour City , Tsimshatsui						
Ocean Terminal	658,000	–	658,000	–	–	
Ocean Centre	901,000	677,000	224,000	–	–	
Wharf T&T Centre	257,000	257,000	–	–	–	
World Commerce Centre	257,000	257,000	–	–	–	
World Finance Centre	512,000	512,000	–	–	–	
Ocean Galleries	386,000	–	386,000	–	–	
Gateway I	1,236,000	1,128,000	108,000	–	–	
Gateway II	2,640,000	1,570,000	400,000	670,000	–	
The Marco Polo Hongkong Hotel (Commercial Section)	206,000	34,000	172,000	–	–	
Times Square						
Sharp Street East, Causeway Bay	1,969,000	1,033,000	936,000	–	–	
Others						
Plaza Hollywood, 3 Lung Poon Street, Diamond Hill	562,000	–	562,000	–	–	
Wharf T&T Square, Hoi Bun Road, Kwun Tong	395,000	330,000	65,000	–	–	
Delta House, 3 On Yiu Street, Shatin	349,000	349,000	–	–	–	
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	13,000	–	–	13,000	–	
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	–	
Cable TV Tower South, Chai Wan Kok Street, Tsuen Wan	585,000	–	–	–	585,000	(Industrial)
Kowloon Godown, 1-5 Kai Hing Road, Kowloon Bay	924,000	–	–	924,000	–	
Units at Star House, 3 Salisbury Road, Kowloon	50,800	–	50,800	–	–	
Crawford House, 64-70A Queens' Road Central, Central	189,000	105,600	83,400	–	–	
3/F-24/F, Wheelock House, 20 Pedder Street, Central	197,900	197,900	–	–	–	
	13,075,600	6,450,500	3,645,200	1,828,900	1,151,000	
Investment Properties in China						
Shanghai Times Square 93-111 Huai Hai Zhong Road, Shanghai	973,000	331,000	447,000	195,000*	–	
Shanghai Wheelock Square 1717 Nan Jing Xi Road, Jingan District, Shanghai	1,228,000	1,149,000	79,000	–	–	
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	188,000	–	188,000	–	–	
Chengdu Times Outlet No. 633 Shuangnan Avenue (Middle Section) Shuangliu County, Chengdu	680,000	–	680,000	–	–	
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 304-room hotel)
Suzhou Industrial Park Project Suzhou Super Tower, Xing Hu Jie	3,780,000	1,890,000	–	1,890,000	–	
	12,172,800	5,609,800	3,228,000	2,575,000	760,000	

Schedule of Principal Properties

At 31 December 2009

Site Area (sq. ft.)	Lot Number	Lease Expiry	Year of 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	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. & S.F.	2028	2002	N/A	48%
66,000	TWIL 36	2047	2012	Foundation completed	48%
165,809	NKIL 5805, 5806 & 5982	2047	N/A	Planning stage	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%

148,703	N/A	2043	1999	N/A	48%
136,432	N/A	2049	2010	Near to final completion	47%
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%
(e)	N/A	2047	2009	N/A	48%
590,481	N/A	2047	2013	Excavation work in progress	48%
229,069	N/A	2047/77	2016	Planning stage	27%

Schedule of Principal Properties

At 31 December 2009

	Approximate Gross Floor Areas (sq. ft.)					
Address	Total	Office	Retail	Residential	Others	(Remarks)
Investment Property in Singapore						
Wheelock Place, 501 Orchard Road	464,800	229,300	235,500	–	–	
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 370-room hotel)
Development Properties in Hong Kong						
Yau Tong Godown, 5 Tung Yuen Street, Kowloon	255,700	–	42,600	213,100	–	
2 Heung Yip Road, Wong Chuk Hang, Aberdeen	737,200	737,200	–	–	–	(224,900 sq. ft. office area pre-sold)
211-215C Prince Edward Road West	91,700	–	–	91,700	–	
46 Belcher's Street, Kennedy Town	91,400	–	–	91,400	–	
Bellagio, 33 Castle Peak Road, Sham Tseng	29,400	–	29,400	–	–	
	1,205,400	737,200	72,000	396,200	–	
Development Property in Hong Kong (undertaken by associates)						
Various Lots at Yau Tong Bay, Yau Tong, Kowloon	651,400	–	20,100	631,300	–	(Attributable to the Group – Note f)
Development Properties in China						
Wuhan Times Square, 160 Yan Jiang Da Dao, Jiangan District, Wuhan – Towers 1, 3, 4, 8 & 9	177,000	–	–	177,000*	–	
Dalian Times Square 50 Ren Min Road, Zhongshan District, Dalian	330,000	–	–	330,000	–	
No.1 Xin Hua Road 176 Huai Hai Xi Road, Changning District, Shanghai	200,000	–	–	200,000	–	(80,000 sq. ft. residential area pre-sold)
Jingan Garden 398 Wanhangdu Road, Jingan District, Shanghai	763,000	–	–	763,000*	–	
Shanghai Xinjiangwancheng D1 of Xinjiangwancheng of Yangpu District, Shanghai	1,074,000	–	–	1,074,000	–	
Tian Fu Times Square, Chengdu Junction of Dong Da Jie & Fu He, Jinjiang District	4,156,000	1,981,000	76,000	2,099,000	–	(1,036,000 sq. ft. residential area pre-sold)
Crystal Park, No.10 Gaoxin District Chengdu Junction of Zhan Hua Road and Fu Cheng Avenue	3,807,000	–	94,000	3,713,000*	–	(566,000 sq. ft. residential area pre-sold)
Suzhou Industrial Park Lot No. 68210 Suzhou Industrial Park	2,123,000	–	–	2,123,000	–	
Wuxi Taihu Plaza project						
Wuxi Super Tower	3,013,000	1,583,000	–	1,028,000*	402,000	(Other represents a 243-room hotel)
Taihu Plaza, Nanchang District, Wuxi	8,949,000	–	–	8,949,000	–	(583,000 sq. ft. residential area pre-sold)

Schedule of Principal Properties

At 31 December 2009

Site Area (sq. ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity interest to the Company
N/A	N/A	2089	1993	N/A	56%
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%
42,625	YTIL 4SA & adjoining Government land	2047	N/A	Planning stage	48%
49,000	AIL 374	2121	2010	Superstructure in progress	74%
18,338	KIL 2340 R.P.	2080	2013	Foundation work in progress	74%
11,125	IL 953 R.P.	2891	2014	Planning stage	74%
566,090	Lot no. 269 R.P. in DD 390	2051	N/A	Completed	74%
673,055	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	7.2%
(c)	N/A	2053/73	2007/08	Completed	48%
(d)	N/A	2069	2009	Completed	48%
118,220	N/A	2070	2010	Superstructure in progress	41%
170,825	N/A	2043/63	2013	Planning stage	27%
638,000	N/A	2077	2012	Superstructure in progress	34%
761,520	N/A	2045/75	2012	Superstructure in progress	48%
884,459	N/A	2046/76	2013	Superstructure in progress	48%
3,654,152	N/A	2076	2012	Planning stage	48%
313,867	N/A	2047/57	2016	Substructure in progress	48%
3,314,418	N/A	2078	2015	Superstructure in progress	48%

Schedule of Principal Properties

At 31 December 2009

	Approximate Gross Floor Areas (sq. ft.)					
Address	**Total**	**Office**	**Retail**	**Residential**	**Others**	**(Remarks)**
Shuangliu Development Zone, Chengdu Junction of Shuang Nan Avenue and Guang Hua Avenue, Shuangliu County	9,127,000	3,922,800	1,281,400	3,922,800	–	
Chengdu Jinjiang District Yixinqiao St Project Bounded by Dongdajie south, Jinhua Nan Lu east and Datiankan Jie north, Jinjiang District	639,000	–	24,000	615,000	–	
Changzhou Xinbei District Project China Dinosaur Park, Xinbei District, Changzhou, Jiangsu Province	8,590,000	–	–	8,073,000	517,000	(Other represents a 305-room hotel)
Suzhou Industrial Park Project 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	–	
Hangzhou Hangyimian Lot C/D Gongshu District Gongchen Bridge West	2,422,000	–	–	2,422,000	–	
Dongfenglu Project Lot no. S2, Dong Feng Lu, Guangzhou	357,600	–	113,900	243,700	–	
	60,713,600	8,132,800	1,589,300	50,072,500	919,000	
Development Properties 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	–	(Attributable to the Group – Note f)
Tianjin Jin Jiang Lu Project Junction of Weiguo Road & Jingjiang Road, Hedong District	646,900	–	173,000	473,900	–	(Attributable to the Group – Note f)
Foshan Xincheng Project South of Tian Hong Lu and North of Yu He Lu, Xincheng District	2,297,000	–	140,000	2,157,000	–	(Attributable to the Group – Note f) (678,000 sq. ft. residential area pre-sold)
Foshan Chancheng Project North side of Kin Jin Lu, Chancheng District	1,428,700	–	115,200	1,313,500	–	(Attributable to the Group – Note f) (52,000 sq. ft. residential area pre-sold)
	5,280,600	–	428,200	4,852,400	–	
Development Properties 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	–	(Attributable to the Group – Note f)
Wuxi Old Canal Lot#73 Nanchang District and abutting on Jinhang Canal	1,760,000	–	–	1,760,000	–	(Attributable to the Group – Note f)

Schedule of Principal Properties

At 31 December 2009

Site Area (sq. ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity interest to the Company
(e)	N/A	2047/77	2013	Planning stage	48%
160,000	N/A	2079	2012	Planning stage	48%
4,427,804	N/A	2047/77	2016	Planning stage	34%
5,425,454	N/A	2077	2017	Planning stage	27%
1,416,822	N/A	2078	2015	Planning stage	48%
1,276,142	N/A	2078	2014	Planning stage	48%
914,000	N/A	2080	2014	Planning stage	48%
60,020	N/A	2059/79	2012	Planning stage	100%
1,976,237	N/A	2077	2014	Planning stage	24%
511,560	N/A	2079	2014	Planning stage	24%
2,867,600	N/A	2047/77	2014	Superstructure in progress	37%
1,155,000	N/A	2048/78	2014	Superstructure in progress	37%
2,046,685	N/A	2047/77	2014	Superstructure in progress	24%
2,121,662	N/A	2048/78	2015	Planning stage	24%

Schedule of Principal Properties

At 31 December 2009

Address	Total	Office	Retail	Residential	Others	(Remarks)
	Approximate Gross Floor Areas (sq. ft.)					
Chongqing Danzishi Project Zone C of Danzishi, Nanan District	7,908,000	–	1,470,000	6,438,000	–	(Attributable to the Group – Note f) (72,000 sq. ft. residential and 3,000 sq. ft. retail 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) (Attributable to the Group – Note f)
Chongqing Jiangbei City Project Zone B of Jiangbei City, Jiang Bei District, Chongqing	2,524,000	–	–	2,524,000	–	(Attributable to the Group – Note f)
Chongqing Jiangbei City Project Zones A&C of Jiangbei City, Jiang Bei District, Chongqing	7,166,000	–	–	4,763,000	2,403,000	(Others GFAs include all commercial use GFAs of Zones A&C) (Attributable to the Group – Note f)
	25,408,000	484,500	2,037,500	20,322,000	2,564,000	
Development Properties in Singapore						
Orchard View, 29 Angullia Park	75,900	–	–	75,900	–	(7,590 sq. ft. residential area pre-sold)
Ardmore II, 1 & 2 Ardmore Park	238,700	–	–	238,700	–	(All residential units pre-sold)
Scotts Square, 6 & 8 Scotts Road	423,300	–	130,600	292,700	–	(226,600 sq. ft. residential area pre-sold)
Ardmore 3, 3 Ardmore Park	149,200	–	–	149,200	–	
	887,100	–	130,600	756,500	–	
TOTAL	**121,628,300**	**21,644,100**	**11,386,400**	**81,434,800**	**7,163,000**	

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) *Components of Chengdu Shuangliu Development Zone which has a total site area of 3,900,589 sq. ft.*

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

g) *Subsequent to 2009, the Group acquired three more sites in China:*

(i) *Chengdu (川棉廠) (100%-owned) with attributable GFA 3.5 million sq. ft. by Wharf.*

(ii) *Tianjin Tie Dong Lu (50%-owned) with attributable GFA 2.6 million sq. ft. by Wharf.*

(iii) *Foshan Nanhai Shishan (50%-owned) with attributable GFA 1.7 million sq. ft. by WPL.*

* *Residential includes office-apartments*

Schedule of Principal Properties

At 31 December 2009

Site Area (sq. ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity interest to the Company
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%
2,851,556	N/A	2050/60	2018	Planning stage	24%

29,078	N/A	Freehold	2010	Superstructure in progress	56%
89,630	N/A	Freehold	2010	Superstructure in progress	56%
71,137	N/A	Freehold	2011	Superstructure in progress	56%
54,981	N/A	Freehold	2014	Piling works to commence in 2010	56%

Ten-year Financial Summary

HK$ Million	**2009**	2008	2007	2006/07	2005/06
			(Note b)		
Consolidated Income Statement					
Turnover	**18,957**	22,583	17,915	16,096	4,235
Profit before investment property surplus	**4,442**	2,284	3,361	3,008	3,313
Investment property surplus (Note a)	**5,189**	1,148	4,254	3,302	7,003
Profit attributable to shareholders	**9,631**	3,432	7,615	6,310	10,316
Dividends attributable to shareholders	**254**	254	254	254	254
Consolidated Statement of Financial Position					
Fixed assets	**145,311**	130,696	125,390	111,256	8,665
Interest in associates	**5,513**	5,438	5,096	531	32,012
Interest in jointly controlled entities	**7,551**	7,989	4,555	788	–
Available-for-sale investments	**4,885**	2,279	7,622	7,088	2,187
Properties for sale	**25,824**	24,660	19,805	15,386	9,169
Bank deposits and cash	**27,756**	22,927	13,079	10,235	4,518
Other assets	**7,966**	4,217	3,578	3,743	1,627
Total assets	**224,806**	198,206	179,125	149,027	58,178
Bank loans/other borrowings	**(46,634)**	(45,623)	(34,991)	(25,806)	(7,205)
Other liabilities	**(34,023)**	(29,340)	(29,975)	(23,679)	(3,605)
Net assets	**144,149**	123,243	114,159	99,542	47,368
Share capital	**1,016**	1,016	1,016	1,016	1,016
Reserves	**68,675**	57,717	55,635	48,246	40,000
Shareholders' equity	**69,691**	58,733	56,651	49,262	41,016
Minority interests	**74,458**	64,510	57,508	50,280	6,352
Total equity	**144,149**	123,243	114,159	99,542	47,368
Financial Data					
Per share data					
Earnings per share (HK$)	**4.74**	1.69	3.75	3.11	5.08
Net assets per share (HK$)	**34.30**	28.91	27.88	24.25	20.19
Dividends per share (Cents)	**12.5**	12.5	12.5	12.5	12.5
Financial ratios					
Net debt to shareholders' equity (%)	**27.1%**	38.6%	38.7%	31.6%	6.6%
Net debt to total equity (%)	**13.1%**	18.4%	19.2%	15.6%	5.7%
Return on shareholders' equity (%)	**15.0%**	5.9%	14.4%	14.0%	28.5%
Dividend cover (Times)	**37.9**	13.5	30.0	24.8	40.6

Ten-year Financial Summary

HK$ Million	2004/05	2003/04	2002/03	2001/02	2000/01
Consolidated Income Statement					
Turnover	4,521	7,116	9,868	7,165	3,762
Profit before investment property surplus	3,502	2,303	35	547	523
Investment property surplus (Note a)	4,835	–	–	–	–
Profit attributable to shareholders	8,337	2,303	35	547	523
Dividends attributable to shareholders	224	183	152	152	152
Consolidated Statement of Financial Position					
Fixed assets	5,326	4,011	3,886	4,935	5,352
Interest in associates	26,562	24,528	20,488	23,379	24,733
Interest in jointly controlled entities	–	–	–	–	–
Available-for-sale investments	1,488	1,167	753	3,728	3,335
Properties for sale	10,204	7,251	10,600	17,163	22,939
Bank deposits and cash	3,502	2,017	3,183	3,451	1,299
Other assets	1,673	1,905	3,092	2,011	818
Total assets	48,755	40,879	42,002	54,667	58,476
Bank loans/other borrowings	(8,023)	(8,132)	(11,981)	(16,626)	(16,964)
Other liabilities	(4,066)	(2,110)	(3,818)	(5,826)	(6,975)
Net assets	36,666	30,637	26,203	32,215	34,537
Share capital	1,016	1,016	1,016	1,016	1,015
Reserves	30,419	25,528	21,774	25,469	27,404
Shareholders' equity	31,435	26,544	22,790	26,485	28,419
Minority interests	5,231	4,093	3,413	5,730	6,118
Total equity	36,666	30,637	26,203	32,215	34,537
Financial Data					
Per share data					
Earnings per share (HK$)	4.10	1.13	0.02	0.27	0.26
Net assets per share (HK$)	15.47	13.06	11.22	13.04	13.99
Dividends per share (Cents)	11.0	9.0	7.5	7.5	7.5
Financial ratios					
Net debt to shareholders' equity (%)	14.4%	23.0%	38.6%	49.7%	55.1%
Net debt to total equity (%)	12.3%	20.0%	33.6%	40.9%	45.4%
Return on shareholders' equity (%)	28.8%	9.3%	0.14%	2.0%	1.9%
Dividend cover (Times)	37.2	12.6	0.2	3.6	3.4

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

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

A Chinese version of this Annual Report is available from the Company upon request.
如有需要，可向本公司索取本年報之中文版本。

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