Wheelock and Company Limited
Annual Report 2010

WHEELOCK

Founded 1857

Stock code: 20
www.wheelockcompany.com

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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)*
Ricky K Y Wong

Independent Non-executive Directors

Alexander S K Au, OBE*
B M Chang*
Herald L F Lau
Kenneth W S Ting, SBS, JP*
Glenn S Yee

** Members of the Audit Committee*

SECRETARY

Wilson W S Chan, FCIS

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PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

AUDITORS

KPMG, Certified Public Accountants

Chairman's Statement

Asian economies displayed a broad-based rebound in 2010 as the world recovered from the global financial crisis. Hong Kong GDP grew by a robust 6.8% in 2010, while the Singapore economy expanded by 14.5%.

China continued its vibrant economic development with a 10.3% GDP growth rate in 2010 and is now the second largest economy in the world. The Mainland economy is shifting its growth focus to the stimulation of domestic consumption, offering new opportunities to local and foreign corporations.

BUSINESS PERFORMANCE

Wheelock Properties Limited ("WPL"), previously a listed subsidiary, became wholly owned in July 2010 by way of a scheme of arrangement. WPL will continue to spearhead the Group's property development in Hong Kong, building from its currently modest attributable land bank of 1.7 million square feet. This includes the 50:50 joint venture with New World Development for a 1.3 million-square-foot luxury residential project atop MTR Austin Station, in the heart of the West Kowloon transportation hub.

Wheelock Properties (Singapore) Limited ("WPSL"), a 75.8%-owned listed subsidiary, has been spearheading the Group's property development in Singapore. In 2010, WPSL contributed HK$3.6 billion of turnover and HK$1.3 billion of operating profit on completion of Ardmore II and Orchard View. Expanding from its Singapore base, WPSL has recently acquired five sites for the development of a residential project in Hangzhou, China, for RMB1.4 billion.

The Wharf (Holdings) Limited ("Wharf") celebrates its 125th anniversary in 2011 with a record performance in 2010, reporting new highs in turnover and net profit. Retail performance at Harbour City and Times Square continued to outperform the general market and in aggregate, they accounted for an unmatched 8.5% share of Hong Kong's total retail sales in 2010.

Wharf's strategy to increase its Mainland assets to 50% of Group assets is progressing well, with 34% of the business assets on its balance sheet based in China as at year end. The Mainland land bank increased to 12 million square metres in early 2011, moving closer to the interim target of 15 million square metres.

Wharf's recurrent income base in China expanded with the completion of Shanghai Wheelock Square, the tallest office development in Puxi. This recurrent base will be multiplied when the pipeline of five International Finance Centre developments rolls out between 2013 and 2016 to add about two million square metres. China property sales increased to RMB8.8 billion in 2010, 91% higher than 2009. 2011 sales is budgeted to increase over 2010.

To enhance its capital base for the rising business activities, Wharf raised HK$10 billion through a rights issue in March 2011, which the Company fully supported.

FINANCIAL RESULTS

Group turnover increased by 28% to HK$24,186 million with all businesses performing strongly.

Profit before attributable net investment properties revaluation surplus increased by 13% to HK$4,974 million. Including the net revaluation surplus, profit attributable to Shareholders reached HK$20,194 million, for an increase of 93%. Earnings per share were HK$9.94. Net asset value per share rose by 31% to HK$49.40.

Following the WPL privatisation, the Group's net debt, excluding debts of non wholly-owned subsidiaries, increased to HK$10 billion as at the end of 2010. This was increased by HK$5 billion when the Company subscribed to Wharf's rights issue in March but net operating cash inflow (including in particular the successful sales of One Island South) increased significantly. The net debt level is well within comfort given the asset base of the Group.

The Board recommends a final dividend of 10 cents per share to bring the total dividend for the year to 12.5 cents per share.

OUTLOOK

Hong Kong government is projecting a 4% to 5% economic growth rate in 2011, with the backing of external trade growth, rising domestic demand and tourism spending. This benefits the local property market. Favourable policies rolled out by the Central Government will cushion Hong Kong against global uncertainties. Indeed, the various policy initiatives of the 12th Five-Year Plan will provide advantageous opportunities for Hong Kong companies.

In Singapore, WPSL will benefit from the strong economy and solid property market. Its diversification into Mainland properties is part of the capital reinvestment process to tap into one of the fastest growing economies in the world.

China is moving into the next phase of economic development, and the high-speed rail network being rolled out will increase the pace of urbanisation, create new jobs, and spread the wealth across the country, generating continual economic maturity. The fundamentals of the Mainland real estate market remain strong given the strong urban housing demand.

All businesses of the Group in Hong Kong, China and Singapore are well positioned to benefit from the dynamic growth in the region.

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.

Peter K C Woo
Chairman

Hong Kong, 23 March 2011

Financial Highlights

RESULTS AND FINANCIAL POSITION

	2010 HK$ Million	2009 HK$ Million (restated)
Results		
Turnover	**24,186**	18,957
Operating profit before depreciation, amortisation, interest and tax	**12,716**	10,812
Profit before property revaluation surplus (Note 1)	**4,974**	4,408
Profit attributable to equity shareholders	**20,194**	10,459
Earnings per share		
– Reported	**HK$9.94**	HK$5.15
– Underlying (Note 2)	**HK$2.45**	HK$2.17
Dividends per share	**12.5¢**	12.5¢
Financial Position		
Total assets	**285,085**	224,806
Total business assets	**244,978**	189,841
Net debt	**38,142**	18,878
Shareholders' equity	**100,372**	76,898
Total equity	**193,076**	158,551
Net asset value per share	**HK$49.40**	HK$37.85
Net debt to total equity	**19.8%**	11.9%

	Group profit to equity shareholders					Earnings per share		
Financial year/period	After property revaluation HK$ Million	Before property revaluation HK$ Million	Total equity HK$ Million	Shareholders' equity HK$ Million	Net asset value per share HK$	Reported HK$	Underlying HK$	Dividends per share ¢
2001/02	547	547	32,215	26,485	13.04	0.27	0.27	7.5
2002/03	35	35	26,203	22,790	11.22	0.02	0.02	7.5
2003/04	2,303	2,303	30,637	26,544	13.06	1.13	1.13	9.0
2004/05	8,337	3,502	36,666	31,435	15.47	4.10	1.72	11.0
2005/06	10,316	3,313	47,368	41,016	20.19	5.08	1.63	12.5
2006/07	6,310	3,008	99,542	49,262	24.25	3.11	1.48	12.5
2007 (Note 3)	7,615	3,361	114,159	56,651	27.88	3.75	1.65	12.5
2008	3,432	2,284	135,902	65,108	32.04	1.69	1.12	12.5
2009	10,459	4,408	158,551	76,898	37.85	5.15	2.17	12.5
2010	**20,194**	**4,974**	**193,076**	**100,372**	**49.40**	**9.94**	**2.45**	**12.5**

Notes:

(1) Property revaluation surplus is after relevant deferred tax and non-controlling interests.

(2) The underlying earnings per share is calculated by reference to the profit before property revaluation surplus.

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

(4) Please refer to Ten-year Financial Summary on pages 130 to 131.

GROUP PROFIT AND ASSETS COMPOSITION

	Profit attributable to equity shareholders				Shareholders' equity			
	2010 HK$ Million	**%**	2009 HK$ Million (restated)	%	**2010 HK$ Million**	**%**	2009 HK$ Million (restated)	%
The Wharf (Holdings) Limited	**3,878**	**78**	3,769	85	**81,580**	**74**	61,978	80
Wheelock Properties (Singapore) Limited	**737**	**15**	29	1	**11,409**	**10**	6,949	9
Wheelock and other subsidiaries	**359**	**7**	610	14	**17,407**	**16**	8,319	11
	4,974	**100**	4,408	100	**110,396**	**100**	77,246	100
Investment property revaluation surplus	**15,220**		6,051		**–**		–	
Corporate items (Note)	**–**		–		**(10,024)**		(348)	
Profit to shareholders	**20,194**		10,459		**100,372**		76,898	
Per share	**HK$9.94**		HK$5.15		**HK$49.40**		HK$37.85	

Note:
Corporate items represent the net debt of the Company and other subsidiaries.

Business and Financial Review

BUSINESS REVIEW

Wheelock Properties Limited
("WPL", a 100%-owned subsidiary)

WPL, previously a listed subsidiary, became wholly owned by the Group in July 2010 by way of a scheme of arrangement.

Hong Kong

In March 2010, WPL acquired the development right of two land parcels atop the MTR Austin Station through a 50:50 joint venture with New World Development. The combined site has an area of 295,000 square feet, with 641,000 square feet of GFA attributable to the Group. The master layout plan and general building plan have been submitted for approval. Piling work is underway.

One Island South, the redevelopment at 2 Heung Yip Road in Aberdeen of a high-rise commercial building, has been certified for completion subsequently. Of the total GFA of 812,800 square feet, 275,200 square feet were pre-sold in prior years, with another 417,600 square feet sold in early 2011 at an average selling price of over HK$6,300 per square foot. The retail podium of 91,000 square feet will be held for investment.

Superstructure work for the residential development at 211-215C Prince Edward Road West, Homantin is on schedule. The development envisages a total GFA of 91,700 square feet. Premium for the lease modification has been agreed and execution of the relevant document is underway.

Wheelock House
Pedder Street, Hong Kong

Foundation work for the residential development at 46 Belcher's Street, Western District is underway. The development offers a total GFA of 89,000 square feet.

90% of The Babington in the Mid-Levels, with a total GFA of 51,900 square feet, had been sold to realise proceeds of HK$616 million.

On property investment, both properties in Central continued to perform well. Wheelock House was 99% leased. Crawford House was 99% and 95% leased for the office and retail areas respectively.

Southern China

WPL has four residential projects in Foshan in Guangdong Province undertaken through 50:50 joint ventures with China Merchants.

During 2010, more units were launched for Evian Town in Xincheng District (新城區), with 93% sold by year end at an average price of RMB13,000 per square metre of GFA for total attributable proceeds of RMB585 million. Pre-sales of some townhouses in early 2011 generated attributable proceeds of RMB164 million at an average price of over RMB59,000 per square metre of GFA. Phases One and Two of the development, with an attributable GFA of 126,400 square metres, have been completed, while construction of other phases, with an attributable GFA of 103,300 square metres, is underway. The entire development is scheduled for completion in 2013.

Evian Uptown in Chancheng District (禪城區) launched five residential towers during 2010, with 99% sold by year end for total attributable proceeds of RMB225 million at an average price of RMB9,200 per square metre of GFA. Construction is underway with full completion in 2014.

During 2010, three sites were acquired for the development of two projects by the 50:50 joint ventures with China Merchants. The first project, located in the centre of Shishan Town (獅山鎮) and offering an attributable GFA of 155,000 square metres, was a site acquired in January for RMB680 million. It is planned for an upscale residential development with full completion in 2015.

The other development comprises two sites located at the western side of Nanhai (南海區) and offers a combined attributable GFA of 112,200 square metres. They were acquired by the joint venture in July for RMB1.1 billion. Construction has commenced with full completion scheduled in 2015.

Wheelock Properties (Singapore) Limited ("WPSL", a 75.8%-owned listed subsidiary)

In accordance with Hong Kong Financial Reporting Standards, WPSL's profit contribution to the Group was HK$1,569 million (2009: HK$736 million).

Wheelock Place, the prime commercial development in Orchard Road, continues to produce steady recurrent income. It was fully leased and occupied at the end of 2010.

Ardmore II, a prime residential development, was completed in June 2010. All 118 apartments had been sold at an average price of over S$2,300 per square foot.

Orchard View, a luxury residential development comprising 30 four-bedroom apartments with private lift lobbies, was completed in May 2010. Nine units were sold by 31 December 2010 at an average price of over S$3,200 per square foot.

Scotts Square is a prime residential development atop a retail complex located near Orchard Road. Over 76% of the apartments had been pre-sold at an average price of close to S$4,000 per square foot as at 31 December 2010. The retail podium will be held for long term investment and pre-leasing has commenced, with a few key tenants including Hermès, already secured and others under negotiation. Main construction is underway with scheduled completion in 2011.

Ardmore Three, a luxury project along Ardmore Park, is planned for redevelopment and sale. It will be an international-standard luxury residential development. Design has been finalised and construction will commence in 2011. A show flat will be completed on site in late 2011.

In February 2011, WPSL acquired five sites for the development of one project in Fuyang District (富陽市), 22 kilometres from the city centre of Hangzhou, China, for RMB1.4 billion. It is developable into 358,000 square metres of GFA of high-end residences with a nice mountain view. Design planning will commence.

Wheelock Place
Orchard Road, Singapore

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

Wharf's profit attributable to shareholders for the year ended 31 December 2010 increased by 86% to HK$35,750 million. Earnings per share were HK$12.98.

Hong Kong

Harbour City

Harbour City (excluding hotels) turned over HK$4,756 million in 2010, 6% higher than 2009. Operating profit grew by 7% to HK$4,104 million. Excluding the three hotels which are stated at cost less accumulated depreciation, Harbour City was valued at HK$80 billion at the end of 2010 and represented 37% of the business assets of Wharf.

Total retail sales at Harbour City increased by 30% to reach HK$20.3 billion in 2010, with average sales per square foot in December surging to a record high of close to HK$3,000. The sales growth at Harbour City was 12 percentage points higher than general Hong Kong retail sales, increasing its market share to an exceptional 6.3%. Turnover of Harbour City's retail sector grew by 15% to HK$2,928 million in 2010. Occupancy was maintained at virtually 100%.

Office occupancy at Harbour City climbed to 94% at the end of 2010 and spot rents saw an upward trend throughout 2010. Turnover in 2010, however, registered a decrease of 7% to HK$1,553 million, reflecting the earlier market softness since the second half of 2008. Lease renewal retention held up well at 68%.

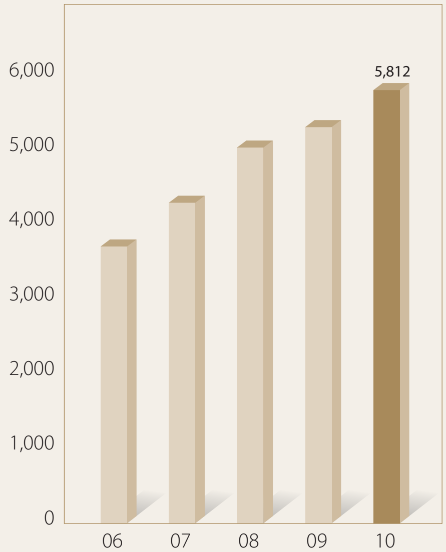
Turnover for the serviced apartments sector grew by 8% to HK$275 million. Occupancy at Gateway Apartments stood at 92% at year end.

Times Square

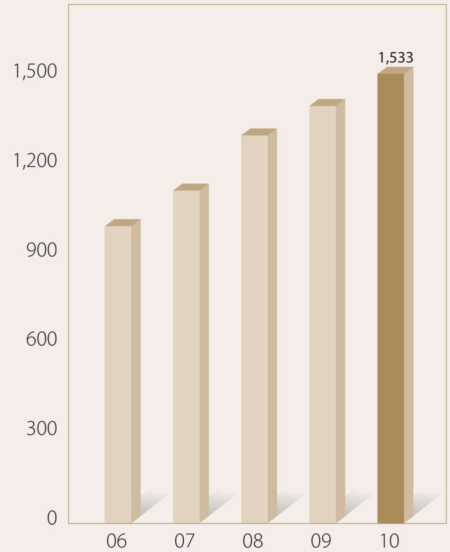
Turnover of Times Square increased by 8% to HK$1,533 million, and operating profit grew by 8% to HK$1,345 million. Times Square was valued at HK$30 billion at the end of 2010 and represented 14% of the business assets of Wharf.

Total retail sales at Times Square grew by over 20% in 2010, outperforming the market by two percentage points. Retail revenue rose by 13% to HK$1,076 million, with occupancy maintained at virtually 100% and favourable rental growth.

Harbour City
Revenue (HK$ Million)



Times Square
Revenue (HK$ Million)



Office occupancy at Times Square increased to 96% at year end with a continuous pick-up in spot rents. However, reflecting the earlier softness of the market, 2010 turnover dropped by 3% to HK$457 million. Lease renewal retention stood high at 74%.

Property Development

In July 2010, a 50:50 joint venture with Nan Fung group acquired the exclusive Mount Nicholson site for HK$10.4 billion. Mount Nicholson is itself a "location brand name" synonymous with the ultimate top social status and recognition, and its private half-mile road access provides the ultimate privacy. It is developable into a total GFA of 325,000 square feet of super deluxe residences. Construction will commence in 2011.

Cable TV Tower South in Tsuen Wan is being re-developed into a high-rise industrial/loft building, with a total GFA of 585,000 square feet. Superstructure works are underway.

Kowloon Godown in Kowloon Bay, with a site area of 166,000 square feet, was given approval for a residential and commercial development with a GFA of 829,000 square feet. Lease modification application is underway.

China

Wharf's strategy to increase Mainland assets to 50% of its business assets is progressing well. At the end of 2010, 34% of Wharf's business assets were in the Mainland. Including acquisitions in early 2011, its attributable land bank has increased to 12 million square metres, moving closer to the next milestone of 15 million square metres. This land bank was acquired at a combined cost of RMB61 billion, of which about RMB15 billion is not yet due for payment.

Turnover for China property development grew by 18% to HK$3,608 million in 2010. Operating profit increased by 22% to HK$1,234 million. Profits recognised during the year primarily included contributions from Chengdu Times Residences, Chengdu Crystal Park, Dalian Times No. 1 & 8, Wuxi Times City and No. 1 Xin Hua Road.

In 2010, turnover and operating profit of the China property investment segment decreased as a result of the sale of Beijing Capital Times Square in 2009 and the renovation of Chongqing Times Square during 2010. The investment properties were in aggregate valued at HK$18.1 billion at the end of 2010.

Property Development

Wharf's property sales in China continued to gain pace, with nearly 540,000 square metres of properties sold in 2010 that generated attributable sales proceeds of RMB8.8 billion, 91% higher than 2009. Five new projects were launched during 2010 and all met with solid response.

Changzhou Times Palace was launched in March 2010. In total, 98% of the 904 units offered in 2010 were sold by year end for total proceeds of RMB889 million.

Hangzhou Golf Landmark, a 50:50 joint venture development with Jindu, launched its first phase in April. 40% of the units offered in 2010 were sold for total attributable proceeds of RMB231 million.

Shanghai Xiyuan was launched in July 2010. 97% of the 264 units launched in 2010 were sold at an average selling price of RMB45,500 per square metre for total proceeds of RMB2.3 billion.

Suzhou Ambassador Villa was launched in August 2010, and 101 villas, or 91% of the units offered were sold by year end at an average selling price of over RMB41,000 per square metre of GFA for total proceeds of RMB1.5 billion. Wuxi Glory of Time was also launched in August 2010, with 70% of the units offered were sold for total proceeds of RMB248 million.

For projects previously launched, more phases were released for sales during 2010, including units at Chengdu Crystal Park, Chengdu Tian Fu Times Square and Wuxi Times City. All were met with good response.

Acquisitions

Wharf continued to expand its land bank during 2010 with acquisition of 11 sites for the development of 10 projects, with a total attributable GFA of 1.48 million square metres for RMB14.6 billion. Total land bank increased to 10.6 million square metres by year end.

Wharf further acquired five sites in early 2011 for the development of four projects, with an attributable GFA of 1.43 million square metres for RMB10 billion. This increased the land bank to 12 million square metres, moving closer to the next milestone of 15 million square metres.

In 2010, Wharf acquired wholly-owned sites in Chenghua District (成華區) in Chengdu, Xiacheng District (下城區) in Hangzhou, a site in Wuhan on the southern side of Han River (漢江), sites in Xinbei District (新北區) in Changzhou, and two sites in Shanghai, one in Songjiang District (松江區) and another in Pudong District (浦東新區).

Wharf also acquired a site in Hebei District (河北區) in Tianjin through a 50:50 joint venture with COLI, a site in Jiangbei District (江北區) in Ningbo through a 50:50 joint venture with Youngor group of Ningbo and a site in Nanchang District (南長區) in Wuxi through a 40%-owned joint venture with Shanghai Forte and Shanghai Greenland.

In early 2011, Wharf acquired two sites in Wuzhong District (吳中區) in Suzhou, a site in Changsha, Hunan, and two sites in Hangzhou, one in Fuyang District (富陽市) and another in Yuhang District (余杭區).

Properties under Development

Wharf continues building a localised and sustainable organisation in the Mainland to manage the expanding property businesses. The Eastern China team has been fully localised and many of the successful projects launched in 2010 were handled by this team. Localisation of the Western China team continues. Wharf's strategy is to run its entire China property business locally in the Mainland in the medium term.

All projects under development are progressing according to plan.

Property Investment

Shanghai Wheelock Square, the tallest office building in Puxi overlooking Jing'an Park with a GFA of 114,000 square metres, was completed in May 2010. Over 60% of the space has been committed, and rental rates have increased strongly with the latest commitments at over RMB340 per square metre per month.

Unit retail sales at Dalian Times Square grew by 41% in 2010, with full occupancy at year end. Chongqing Times Square started to undergo substantial premises improvement work in July 2010 and will re-open in May 2011. This will transform the previous department store into a modern shopping mall in a bid to stay ahead of competition. Shanghai Times Square continued to perform satisfactorily.

Wharf has a pipeline of International Finance Centre (IFC) projects under development in the cities of Chengdu, Chongqing, Wuxi, Suzhou and Changsha, with a combined attributable GFA of two million square metres, to be rolled out between 2013 and 2016. This will multiply Wharf's recurrent income base in China.

Wheelock Square
Nanjing Xi Road, Shanghai, China

Chengdu IFC, with a GFA of 439,000 square metres, comprises retail, Grade A offices, a five-star hotel and luxury residences. Construction of Phase One, which includes a retail complex and an office tower, is underway with scheduled completion in 2013.

Chongqing IFC, a 50:50 joint venture development with China Overseas Land & Investment ("COLI"), offers an attributable GFA of 223,000 square metres. The development will have an iconic tower of 300 metres in height and four other towers atop a retail podium, comprising up-market retail, Grade A offices, a five-star hotel and serviced apartments. Construction is underway with full completion scheduled in 2015.

Wuxi IFC, with a GFA of 280,000 square metres, will comprise a tower of 340 metres in height, the tallest in Wuxi, and two other towers, offering Grade A offices, a five-star hotel and luxurious residences. Construction is underway with scheduled completion in 2015.

Suzhou IFC, a joint venture 80%-owned by Wharf, is a 450-metre high skyscraper landmark development with an attributable GFA of 351,000 square metres. It comprises Grade A offices, a five-star hotel and luxury apartments, and will be the tallest building in Suzhou. The development is scheduled for completion in 2016.

In January 2011, Wharf acquired a prime site in Changsha for the development of Changsha IFC. The development will have two towers in excess of 300 metres tall and another tower atop a 250,000 square metres retail podium, offering upscale retail, Grade A offices, a five-star hotel and luxury apartments, with a combined GFA of 700,000 square metres. The development is scheduled for completion in 2016.

Marco Polo Hotels

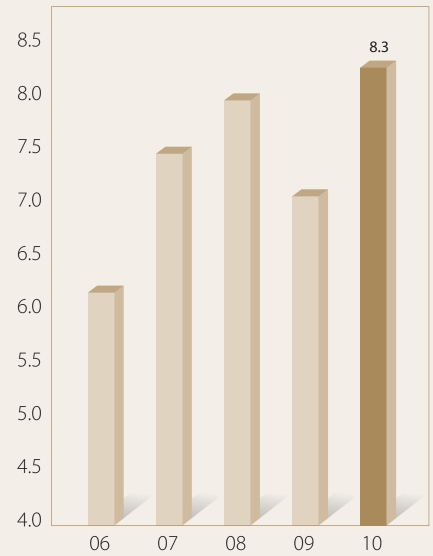
Wharf owns or manages 10 Marco Polo hotels in the Asia Pacific region. Total revenue for the hotels and club grew by 20% to HK$1,156 million in 2010. Consolidated occupancy of the three Marco Polo hotels in Hong Kong improved to 85%, with a 26% increase in average room rates. Marco Polo Hotels was awarded the "Best International Hotel Management Group of China" by China Hotel Starlight Awards in March 2011.

Other Businesses

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

Modern Terminals' consolidated revenue and operating profit increased by 15% to HK$3,252 million and 31% to HK$1,712 million respectively.

Modern Terminals: Throughput (attributable total)
(Million TEUs)



Modern Terminals' throughput in Hong Kong grew by 6% to 5.4 million TEUs. Container volume at Taicang International Gateway in Suzhou posted a robust growth of 44% to over 1.3 million TEUs. Da Chan Terminal One in Shenzhen put up a strong performance with a throughput growth of 189% to reach 671,000 TEUs.

i-CABLE

Turnover increased by 14% to HK$2,002 million. However, net loss rose to HK$267 million as a result of substantial non-recurrent content expenses incurred during 2010. Net cash at year end amounted to HK$447 million. The exclusive content offerings, including Barclays Premier League, 2010 FIFA World Cup, 2010 Winter Olympics, together with the High Definition initiatives, attracted a 10% growth in pay TV subscribers to a record-breaking 1,100,000 at the end of 2010.

Wharf T&T

Year 2010 was a busy but exciting year for Wharf T&T, as the first key milestone for Wharf T&T's +EN was achieved. The Company aims to bring 'Fibre-To-The-Desk' (FTTD) to 95% of the business customers in the territory by 2013. Total revenue rose by 2% to HK$1,680 million and a net profit of HK$201 million was reported, together with stable net cash inflow.

FINANCIAL REVIEW

(I) Review of 2010 Results

Group profit attributable to Shareholders increased by 93% over 2009 to an unprecedented level of HK$20,194 million, resulting from sustained rental revenue growth, higher property sales recognised in the Mainland and Singapore and a substantial surplus on revaluation of the investment property portfolio. Group profit excluding the revaluation surplus also set a new record of HK$4,974 million, for an increase of 13% over 2009.

Turnover and Operating Profit

Group turnover increased by 28% to a record of HK$24,186 million (2009: HK$18,957 million) as higher property sales were recognised on completion of development properties in the Mainland and Singapore. All other segments also reported increase in revenue.

Group operating profit increased by 20% to a record of HK$11,384 million (2009: HK$9,507 million), with HK$9,372 million (2009: HK$8,554 million) contributed by Wharf and HK$1,477 million (2009: HK$204 million) by WPSL.

Property Investment

Revenue and operating profit both increased by 5% to HK$9,206 million (2009: HK$8,744 million) and HK$6,970 million (2009: HK$6,627 million) respectively. This reflects the underlying solid rental reversion and high occupancy for the retail areas. Hotels also recorded favourable results with both occupancy and average room rate much improved from a depressed 2009.

Property Development

Revenue and operating profit increased by 103% and 88% to HK$7,676 million (2009: HK$3,782 million) and HK$2,740 million (2009: HK$1,454 million) respectively. In Singapore, the Ardmore II and Orchard View projects were completed to enable revenue of HK$3,629 million and operating profit of HK$1,279 million to be recognised. Revenue and operating profit from the Mainland increased by 18% and 22% to HK$3,608 million and HK$1,234 million respectively, with major completions including Chengdu Times Residences at Tian Fu Times Square, No. 1 Xin Hua Road in Shanghai, Wuxi Times City, Chengdu Crystal Park and Dalian Times No. 1 & 8.

Logistics

Revenue and operating profit increased by 11% and 26% to HK$3,426 million (2009: HK$3,091 million) and HK$1,792 million (2009: HK$1,418 million) respectively. This mainly reflected a 21% increase in consolidated volume throughput handled by Modern Terminals due partly to the global market recovery and partly to the building up of its developing port business in the Mainland.

Communications, Media and Entertainment ("CME")

Revenue increased by 8% to HK$3,682 million (2009: HK$3,404 million) but an operating loss of HK$62 million (2009: profit of HK$163 million) was reported. Wharf T&T's operating profit decreased by 6% to HK$201 million while i-CABLE's loss widened due to the substantial cost of mega sports events in 2010 including 2010 FIFA World Cup, 2010 Winter Olympics and 2010 Asian Games, as well as Barclays Premier League.

Investment and Others

Investment and other operating profit increased to HK$362 million (2009: HK$231 million), mainly due to an increase in dividend and interest income.

Increase in Fair Value of Investment Properties

The book value of the Group's investment property portfolio as at 31 December 2010 totaled HK$162.0 billion, with HK$156.0 billion thereof stated at fair value based on independent valuation as at that date. That resulted in a revaluation surplus of HK$30,839 million (2009: HK$13,072 million), reflecting the strong performance and improving quality of the portfolio against the back drop of a low interest rate and stronger economic environment. The attributable net revaluation surplus of HK$15,220 million (2009: HK$6,051 million), after deducting related deferred tax and non-controlling interests in total of HK$15,619 million (2009: HK$7,021 million), was credited to the consolidated income statement.

Investment properties in the amount of HK$6.0 billion which were not revalued were all 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.

Other Net Income

Other net income for the year amounted to HK$805 million (2009: HK$154 million), including a one-off surplus of HK$437 million from revaluation of the interests in Hong Kong Air Cargo Terminals Limited ("Hactl") on its becoming an associate of Wharf. Others mainly included profit on disposal of available-for-sale investments and write back of certain property provisions.

Finance Costs

Finance costs charged to the consolidated income statement were HK$1,089 million (2009: HK$395 million). That included an unrealised mark-to-market loss of HK$447 million (2009: unrealised gain of HK$45 million) on the cross currency/interest rate swaps as measured in compliance with the prevailing accounting standard.

Excluding the unrealised mark-to-market impact on the swaps, finance costs, after capitalisation of HK$299 million (2009: HK$233 million), were HK$642 million (2009: HK$440 million).

Share of Results after Tax of Associates and Jointly Controlled Entities

Share of profits of associates increased by 65% to HK$387 million (2009: HK$235 million), mainly attributable to the contribution from Hactl which became an associate during the year under review and profit recognised by an associate for property units sold in Foshan. Contribution from jointly controlled entities ("JCEs") was HK$9 million (2009: HK$75 million).

Income Tax

Taxation charge was HK$2,630 million (2009: HK$2,307 million), which included deferred taxation of HK$1,158 million (2009: HK$683 million) provided for the revaluation surplus of investment properties located in the Mainland.

Excluding the above deferred tax, the tax charge was HK$1,472 million (2009: HK$1,624 million), which was after a tax write back of HK$809 million by Wharf upon reaching a settlement with the Inland Revenue Department on various former tax disagreements.

Non-controlling Interests

Profit attributable to non-controlling interests was HK$19,511 million (2009: HK$11,072 million), which was mainly attributable to profit of Wharf and WPSL.

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders increased by 93% to HK$20,194 million (2009: HK$10,459 million). Earnings per share were HK$9.94 (2009: HK$5.15).

Excluding the net investment property revaluation surplus after the associated deferred tax of HK$15,220 million (2009: HK$6,051 million), the Group's profit attributable to shareholders for the year was HK$4,974 million (2009: HK$4,408 million), an increase of 13% over 2009.

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

Profit attributable to	2010 HK$ Million	2009 HK$ Million (restated)
Wharf group	3,878	3,769
WPSL group	737	29
Wheelock and other subsidiaries	359	610
Profit before investment property surplus	4,974	4,408
Investment property surplus (after deferred tax)	15,220	6,051
Profit attributable to equity shareholders	20,194	10,459

Wharf's profit for the year ended 31 December 2010 was HK$35,750 million (2009: HK$19,256 million). Excluding the net investment property surplus and related deferred tax, Wharf's net profit was HK$7,905 million (2009: HK$7,817 million), an increase of 1% over 2009.

WPSL's reported profit for the year ended 31 December 2010 was S$316.2 million (2009: S$262.3 million), based on the accounting standards accepted in Singapore. In accordance with Hong Kong Financial Reporting Standards, WPSL's contributed profit to the Group was HK$1,569 million (2009: HK$736 million), including the profits on pre-sales of Ardmore II and Orchard View recognised on their completion during the year under review.

Early Adoption of the Amendments to HKAS 12, Income Taxes

The Group has early adopted the amendments to HKAS 12, Income taxes, as detailed in note 34 to the financial statements. As a result of this change in accounting policy, deferred tax of HK$4,777 million on revaluation gain was not required in the current year's results. Apart from this, the relevant accumulated deferred tax in the amount of HK$14,402 million, including HK$1,782 million provided for in 2009, was written back as prior year adjustments with certain comparatives restated. Shareholders' equity as at 31 December 2009 has also been adjusted and restated with an increase of HK$7,207 million or HK$3.55 per share.

(II) Liquidity, Financial Resources and Capital Commitments

Shareholders' and Total Equity

The Group's shareholders' equity increased by HK$23.5 billion or 31% to HK$100.4 billion (2009: HK$76.9 billion), or HK$49.40 per share (2009: HK$37.85 per share) as at 31 December 2010.

Including the non-controlling interests, the Group's total equity increased by 22% to HK$193.1 billion (2009: HK$158.6 billion).

Total Assets

The Group's total assets increased by 27% to HK$285.1 billion (2009: HK$224.8 billion). Total business assets, excluding bank deposits and cash, held-to-maturity investments, available-for-sale investments, deferred tax assets and other derivative financial assets, increased by 29% to HK$245.0 billion (2009: HK$189.8 billion).

The Group's Investment Property portfolio was HK$162.0 billion, representing 66% of total business assets, which included Harbour City (excluding the three hotels) and Times Square in Hong Kong. Together, they valued at HK$110.1 billion, representing 68% of the value of the portfolio.

Other major business assets included other properties and fixed assets of HK$18.4 billion, interest in JCEs and associates (mainly for the Mainland property development and port projects) of HK$23.1 billion and properties under development and held for sale of HK$37.2 billion.

Geographically, the Group's business assets in the Mainland, mainly properties and terminals, increased to HK$76.6 billion (2009: HK$55.0 billion), representing 31% of the Group's total business assets.

Debts and Gearing

The Group's net debt increased by HK$19.2 billion to HK$38.1 billion (2009: HK$18.9 billion) as at 31 December 2010, which was made up of HK$65.7 billion in debts and HK$27.6 billion in bank deposits and cash. Excluding Wharf's net debt of HK$32.7 billion, which is non-recourse to the Company and its other subsidiaries, and WPSL's net cash of HK$4.6 billion, Wheelock's net debt was HK$10.0 billion (2009: HK$0.3 billion). Analysis of the net debt by group is as below:

Net debt/(cash)	**2010 HK$ Million**	2009 HK$ Million
Wharf (excludes below subsidiaries)	**23,376**	9,392
Modern Terminals	**9,932**	10,742
Harbour Centre Development Ltd.	**(172)**	1,829
i-CABLE	**(447)**	(531)
Wharf group	**32,689**	21,432
WPSL group	**(4,571)**	(2,902)
Wheelock and other subsidiaries	**10,024**	348
Group	**38,142**	18,878

The ratio of net debt to total equity was 19.8% (2009: 11.9%) as at 31 December 2010.

In March 2011, Wharf completed a rights issue and received net proceeds of HK$10.0 billion, of which HK$5.0 billion was paid by Wheelock for its subscription.

Finance and Availability of Facilities

The Group's available loan facilities and debt securities amounting to HK$87.0 billion (2009: HK$67.7 billion), of which HK$65.7 billion were drawn, as at 31 December 2010 are analysed as below:

	Available Facility HK$ Billion	**Total Debts HK$ Billion**	**Undrawn Facility HK$ Billion**
Wharf (excludes below subsidiaries)	48.3	36.1	12.2
Modern Terminals	14.9	10.1	4.8
Harbour Centre Development Ltd.	4.1	3.4	0.7
i-CABLE	0.3	–	0.3
Wharf group	67.6	49.6	18.0
WPSL group	1.3	0.6	0.7
Wheelock and other subsidiaries	18.1	15.5	2.6
Group	**87.0**	**65.7**	**21.3**

Of the above debts, HK$24.3 billion (2009: HK$15.8 billion) was secured by mortgage over certain properties under development, fixed assets and investments with total carrying value of HK$80.7 billion (2009: HK$72.6 billion).

The Group's debts were primarily denominated in Hong Kong dollars ("HKD"), United States dollars ("USD"), Renminbi ("RMB") and Singapore dollars ('SGD"). RMB and SGD borrowings were used to fund the Group's property development and port investments in the Mainland, 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 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 2010 of HK$10.7 billion (2009: HK$4.9 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 operating cash inflow before changes in working capital increased to HK$12.3 billion (2009: HK$10.5 billion). The changes in working capital resulted in net cash outflow of HK$7.1 billion (2009: HK$1.1 billion), primarily due to Wharf's payment for land and construction cost for trading properties under development in the Mainland. For investing activities, the Group reported a net cash outflow of HK$16.6 billion (2009: HK$6.0 billion), comprising HK$6.9 billion used for privatisation of WPL, HK$8.9 billion for investments in JCEs and associates and HK$5.0 billion for purchase of financial investments but offset by balance of proceeds from disposal of Beijing Capital Times Square received in 2010.

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 2010 are analysed as follows:

		Expenditure for 2010	Commitments as at 31 December 2010	
Business Unit/Company		HK$ Million	Authorised and Contracted for HK$ Million	Authorised but not Contracted for HK$ Million
a.	**Capital expenditure**			
	Wharf group	3,693	6,790	16,981
	Property Investments	2,830	6,071	15,352
	Wharf T&T	352	237	173
	i-CABLE (73.8%-owned)	251	8	112
	Modern Terminals (67.6%-owned)	260	474	1,344
	WPSL group	212	51	–
	Wheelock and other subsidiaries	53	2	–
	Total	3,958	6,843	16,981
b.	**Programming and others**	93	1,761	142
c.	**Trading properties under development**			
	Wharf group	21,130	15,571	54,062
	Subsidiaries (Mainland/Hong Kong)	13,394	10,980	37,060
	JCEs and associates (Mainland/Hong Kong)	7,736	4,591	17,002
	WPSL group			
	Subsidiaries (Singapore)	1,269	221	–
	Wheelock and other subsidiaries	2,657	1,105	4,819
	Subsidiaries (Hong Kong)	784	333	1,042
	JCEs and associates (Mainland/Hong Kong)	1,873	772	3,777
	Total	25,056	16,897	58,881

The capital expenditure incurred for Wharf's Property Investment segment was mainly for the construction of its Shanghai Wheelock Square and Chengdu International Finance Centre. 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 project in the Mainland.

In addition to the capital expenditure, the Group also incurred HK$25.1 billion of expenditures for the development of properties, of which HK$21.1 billion was incurred by Wharf.

As at 31 December 2010, Wharf's total commitments for the development of properties for investment or trading purposes was about HK$91.1 billion, including attributable land cost of HK$15.2 billion payable by installment mainly from 2011 to 2013. These developments will be executed in stages in the forthcoming years. Excluding Wharf's, the Group's commitments to properties under development was about HK$6.2 billion, mainly related to property development projects in Singapore, Hong Kong and the Mainland.

The above commitments will be funded by the respective groups' own internal financial resources including surplus cash, cash flow from operation as well as bank and other financings. Other available resources include available-for-sale investments and proceeds from sales and pre-sales of properties.

Subsequent to year end 2010, Wharf acquired another five sites for development of four projects in Changsha, Suzhou and Hangzhou in the Mainland for a total attributable land cost of HK$12.2 billion. WPSL also acquired five sites for development of one project in Hangzhou for a total attributable land cost of HK$1.7 billion.

(III) Privatisation of WPL

The privatisation of WPL, at a cancellation price of HK$13 per share by way of a scheme of arrangement under Section 166 of the Companies Ordinance, became effective on 22 July 2010 and the total consideration of HK$6,905 million was paid. Gain arising from the privatisation of HK$1,088 million was recognised in equity in accordance with prevailing accounting standards.

(IV) Human Resources

The Group had approximately 13,800 employees as at 31 December 2010, including about 2,200 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective group's achievement and results.

Corporate Governance Report

A. CORPORATE GOVERNANCE PRACTICES

During the financial year ended 31 December 2010, all the code provisions as set out in the Code on Corporate Governance Practices (the "Code") in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") were met by the Company, with the exception of one deviation as set out under section D below. The application of the relevant principles, and the reasons for the abovementioned deviation from a Code provision, are stated in the following sections.

B. DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors of the Company who were in office during the financial year ended 31 December 2010, 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 2010. 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 *(retired as Senior Deputy Chairman & Director on 1 April 2010)*	0/1
Deputy Chairman	
Stephen T H Ng	4/4
Executive Director & Group Chief Financial Officer	
Paul Y C Tsui	4/4
Non-executive Director	
Ricky K Y Wong *(appointed on 1 September 2010)*	1/1

Directors	Attendance/Number of Meetings
Independent Non-executive Directors	
Alexander S K Au	4/4
B M Chang	2/4
Herald L F Lau *(appointed on 1 September 2010)*	1/1
Kenneth W S Ting	3/4
Glenn S Yee *(appointed on 1 September 2010)*	0/1

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 makes 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.

One Remuneration Committee meeting was held during the financial year ended 31 December 2010. Attendance of the Members is set out below:

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

(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 2010 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, nominating 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 for the financial year ended 31 December 2010 provided by KPMG, the external auditors of the Company, amounted to HK$21 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 2010. 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 2010 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. 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, and the adequacy of, inter alia, resources, qualifications, experience and training of staff of the Company's accounting and financial reporting function was conducted by the Audit Committee and subsequently reported to the Board during the financial year ended 31 December 2010. Based on the result of the review, in respect of the financial year ended 31 December 2010, 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 2010, 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 2010:

(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 performance and activities. Annual and interim reports are published/printed and printed copies of such reports or notifications of publication thereof on the Company's website are sent to all Shareholders. Such reports and press releases are posted and are available for download at the Company's corporate website www.wheelockcompany.com. The Company's corporate 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 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 for Shareholders 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 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 116 to 118.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the financial year ended 31 December 2010 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 29 to the Financial Statements on pages 46 and 90 respectively.

DIVIDENDS

An interim dividend of 2.5 cents per share was paid on 30 September 2010. The Directors have recommended for adoption at the Annual General Meeting to be held on Thursday, 9 June 2011 the payment on 16 June 2011 to Shareholders on record as at 9 June 2011 of a final dividend of 10.0 cents per share in respect of the financial year ended 31 December 2010. This recommendation has been disclosed in the Financial Statements.

FIXED ASSETS

Movements in fixed assets during the financial year are set out in Note 10 to the Financial Statements on page 61.

DONATIONS

The Group made donations during the financial year totalling HK$32 million.

DIRECTORS

The Directors of the Company during the financial year were Messrs Peter K C Woo, Gonzaga W J Li (retired on 1 April 2010), Stephen T H Ng, Paul Y C Tsui, Alexander S K Au, B M Chang, Herald L F Lau (appointed on 1 September 2010), Kenneth W S Ting, Ricky K Y Wong (appointed on 1 September 2010) and Glenn S Yee (appointed on 1 September 2010).

Messrs Herald L F Lau, Ricky K Y Wong and Glenn S Yee, being appointed as Directors of the Company after the last Annual General Meeting, are due to retire from the Board in accordance with Article 94 of the Company's Articles of Association, and Mr B M Chang is also due to retire from the Board by rotation in accordance with Article 103(A), at the forthcoming Annual General Meeting. Being eligible, they offer themselves for re-election. None of the retiring Directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

INTERESTS IN CONTRACTS

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

MANAGEMENT CONTRACTS

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the financial year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

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 2011

SUPPLEMENTARY CORPORATE INFORMATION

A. BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGERS ETC.

(i) Directors

Peter K C WOO, *GBS, JP, Chairman (Age: 64)*

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 two publicly-listed subsidiaries of the Company, namely, The Wharf (Holdings) Limited ("Wharf") and Wheelock Properties (Singapore) Limited ("WPSL"). Furthermore, he is the chairman of Wheelock Properties Limited ("WPL" , formerly a publicly-listed company until it became a wholly-owned subsidiary of the Company in July 2010) as well as 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 2011, calculated on annualised basis, would be approximately HK$16.45 million (2010: HK$15.90 million) per annum.

Stephen T H NG, *Deputy Chairman (Age: 58)*

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. Mr Ng 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 2011, calculated on annualised basis, would be approximately HK$4.77 million (2010: HK$4.70 million) per annum.

Paul Y C TSUI, *Executive Director & Group Chief Financial Officer (Age: 64)*
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 and WPSL, all being publicly-listed subsidiaries of the Company, and a director of certain other subsidiaries of the Company. Furthermore, he is the vice chairman of WPL as well as a director of publicly-listed Joyce. Under the existing service contract between the Group and Mr Tsui, his basic salary and various allowances for the year 2011, calculated on annualised basis, would be approximately HK$3.08 million (2010: HK$2.97 million) per annum.

Alexander S K AU, *OBE, Director (Age: 64)*
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, all of which are listed public companies. He is the chairman and non-executive director of Henderson Sunlight Asset Management Limited, the manager of the publicly-listed Sunlight Real Estate Investment Trust. He is also a member of the Court of the Hong Kong University of Science and Technology. An accountant by training, Mr Au is a Chartered Accountant as well as a fellow of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

B M CHANG, *Director (Age: 82)*
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.

Herald L F LAU, *Director (Age: 70)*
Mr Lau, *FCA, FCPA*, has been an Independent Non-executive Director of the Company since September 2010. Mr Lau has been practicing as a certified public accountant in Hong Kong for over 30 years and has extensive experience in auditing, finance, taxation and management. He was formerly a partner of a professional accountants firm PricewaterhouseCoopers, Hong Kong until his retirement from the firm in June 2001. He is also an independent non-executive director of publicly-listed Kerry Properties Limited. Mr Lau was formerly an independent non-executive director of two other publicly-listed companies, namely, Fairwood Holdings Limited (from August 1991 to August 2009) and China World Trade Center Company Ltd. (Beijing) (from December 2004 to December 2010), and was also a former independent non-executive director of WPL from September 2004 to July 2010.

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 chairman of publicly-listed Kader Holdings Company Limited and of Kader Industrial Company Limited. Mr Ting currently serves as 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 a non-executive director of publicly-listed New Island Printing Holdings Limited from September 2004 to October 2010 and formerly an independent non-executive director of Times Ltd from June 2007 to January 2010.

Mr Ting also serves as a member of a number of other trade organizations and public committees such as 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.

Ricky K Y WONG, *Director (Age: 46)*
Mr Wong has been a Director of the Company since September 2010. He is currently the managing director of WPL and Wheelock Properties (Hong Kong) Limited, both being wholly-owned subsidiaries of the Company, as well as a director of certain other subsidiaries of the Company, and is presently responsible for overseeing the property development and related business of the Group in Hong Kong. Mr Wong also serves as a member of the Real Estate and Infrastructure Committee of The Hong Kong General Chamber of Commerce and a member of the Legal Sub-committee of The Real Estate Developers Association of Hong Kong. In addition, he has been a part-time member of the Central Policy Unit – The Government of the Hong Kong Special Administrative Region since January 2009. Mr Wong graduated from University of Wisconsin in the United States with a Master Degree in Business Administration. Under the existing service contract between the Group and Mr Wong, his basic salary and various allowance for the year 2011, calculated on annualised basis, would be approximately HK$2.79 million (2010: HK$2.43 million) per annum.

Glenn S YEE, *Director (Age: 60)*
Mr Yee has been an Independent Non-executive Director of the Company since September 2010. He is a founding executive and managing director of Pacific Can group of companies, which is one of the leading beverage can manufacturers in China. Mr Yee obtained his Master of Business Administration Degree from Columbia University in the United States. He started his career in General Electric Company in New York and later on joined Continental Can Company ("CCC") in Stamford, Connecticut. In 1979, Mr Yee was transferred to Hong Kong office of CCC and was subsequently promoted to be the managing director of Continental Can Hong Kong Ltd. in 1988. He resigned from this company in 1991 to start his family business, namely, Pacific Can. He was formerly an independent non-executive director of WPL from May 2003 to July 2010.

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 Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited, and considers them independent.

(ii) Senior Managers

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

B. DIRECTORS' INTERESTS IN SHARES

At 31 December 2010, Directors of the Company had the following beneficial interests, all being long positions, in the securities of the Company, and of two subsidiaries of the Company, namely, Wharf and i-CABLE, and the percentages which the relevant shares represented to the issued share capitals of the three companies respectively are also set out below:

	No. of Ordinary Shares (percentage of issued capital)	**Nature of Interest**
The Company		
Peter 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
Stephen T H Ng	300,000 (0.0148%)	Personal Interest
B M Chang	8,629,575 (0.4247%)	Corporate Interest
Wharf		
Stephen T H Ng	731,314 (0.0266%)	Personal Interest
i-CABLE		
Stephen T H Ng	1,265,005 (0.0629%)	Personal Interest

Notes:

(1) *The 995,221,678 shares of the Company stated above as "Other Interest" against the name of Mr Peter 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 Peter K C Woo totalling 209,712,652 shares of the Company represented the same block of shares as that of the shareholding interest of Mrs Bessie P Y Woo stated under "Section C. Substantial Shareholders' Interests" below.*

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

(5) *Subsequent to the financial year end, Mr Stephen T H Ng fully subscribed for his pro rata rights entitlements under a recent 1-for-10 rights issue by Wharf and he was accordingly allotted 73,131 shares of Wharf on 18 March 2011. Consequently, Mr Ng was interested in 804,445 shares of Wharf following such allotment.*

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 as at 31 December 2010 by any 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 rights to subscribe for any shares, underlying shares or debentures of the Company held by any of them at any time during the financial year.

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 2010, 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 2010, there were no short position interests recorded in the Register.

D. MAJOR CUSTOMERS & SUPPLIERS

For the financial year ended 31 December 2010:

(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 2010 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 77.

F. INTEREST CAPITALISED

The amount of interest capitalised by the Group during the financial year is set out in Note 5 to the Financial Statements on page 57.

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 2010.

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 and 2 February 2010 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, associates and/or affiliates 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 owned by Wharf group for operating various retail businesses, including Lane Crawford stores and City Super stores.

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 Peter K C Woo, the Chairman of the Company, is the settlor. Consequently, the entering into of the MTA and the relevant transactions regulated thereunder (the "MTA Transactions") constitute continuing connected transactions for the Company under the Listing Rules.

The aggregate amount of rental receivable by Wharf group under the MTA is subject to an annual cap amount previously disclosed in the abovementioned announcement dated 21 November 2008 and the aggregate amount of rent received by Wharf group for the financial year ended 31 December 2010 was HK$343 million.

(ii) Tianjin Land Joint Venture by Wharf group

On 1 February 2010, Wharf group together with China Overseas Land & Investment Ltd. ("COLI") group succeeded in bidding for a piece of land in Tianjin with a site area of approximately 1.62 million square feet (the "Tianjin Land") at a total price of RMB2,700 million (equal to about HK$3,072 million) (the "Tianjin Land Transaction"). Wharf group and COLI group will jointly develop the Tianjin Land, on a 50:50 ownership basis, into residential and commercial properties. The acquisition of the Tianjin Land is for broadening the assets and earnings base of the Group.

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 Tianjin Land Transaction together with the joint development of the Tianjin Land constitute connected transactions for the Company under the Listing Rules.

(iii) With regard to the Related Party Transactions as disclosed under Note 33 to the Financial Statements on page 93, 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.

(iv) 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 were 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 2010.

Independent Auditor's Report

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") and its subsidiaries (together the "Group") set out on pages 41 to 119, which comprise the consolidated and company statements of financial position as at 31 December 2010, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

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

23 March 2011

Consolidated Income Statement

For the year ended 31 December 2010

	Note	**2010 HK$ Million**	2009 HK$ Million (restated)
Turnover	1	**24,186**	18,957
Direct costs and operating expenses		**(9,705)**	(6,386)
Selling and marketing expenses		**(830)**	(777)
Administrative and corporate expenses		**(935)**	(982)
Operating profit before depreciation, amortisation, interest and tax		**12,716**	10,812
Depreciation and amortisation	2	**(1,332)**	(1,305)
Operating profit	2	**11,384**	9,507
Profit on disposal of investment properties	3	**–**	1,190
Increase in fair value of investment properties		**30,839**	13,072
Other net income	4	**805**	154
		43,028	23,923
Finance costs	5	**(1,089)**	(395)
Share of results after tax of:			
Associates	13(e)	**387**	235
Jointly controlled entities	14(c)	**9**	75
Profit before taxation		**42,335**	23,838
Income tax	6	**(2,630)**	(2,307)
Profit for the year		**39,705**	21,531
Profit attributable to:			
Equity shareholders	7	**20,194**	10,459
Non-controlling interests		**19,511**	11,072
		39,705	21,531
Earnings per share	9		
Basic		**HK$9.94**	HK$5.15
Diluted		**HK$9.94**	HK$5.15

The notes and principal accounting policies on pages 49 to 119 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 8.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	2010 HK$ Million	2009 HK$ Million (restated)
Profit for the year	**39,705**	21,531
Other comprehensive income		
Exchange difference:	**2,426**	115
Exchange gain on translation of foreign operations	**2,426**	307
Transferred to consolidated income statement:		
– on disposal of an investment property	**–**	(119)
– others	**–**	(73)
Net revaluation reserves of available-for-sale investments:	**1,133**	2,483
Surplus on revaluation	**1,271**	2,388
Transferred to consolidated income statement:		
– on disposal	**(140)**	(31)
– on impairment	**2**	126
Actuarial (loss)/gain on defined benefit pension schemes	**(8)**	274
Acquisition of additional interest in a subsidiary	**24**	–
Share of other comprehensive income of associates/ jointly controlled entities	**335**	(10)
Others	**(8)**	(29)
Other comprehensive income for the year	**3,902**	2,833
Total comprehensive income for the year	**43,607**	24,364
Total comprehensive income attributable to:		
Equity shareholders	**22,640**	12,044
Non-controlling interests	**20,967**	12,320
	43,607	24,364

The notes and principal accounting policies on pages 49 to 119 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2010

	Note	2010 HK$ Million	2009 HK$ Million (restated)	2008 HK$ Million (restated)
Non-current assets				
Investment properties		**161,953**	126,789	108,830
Other property, plant and equipment		**14,692**	14,734	17,663
Leasehold land		**3,718**	3,788	4,203
Total fixed assets	10	**180,363**	145,311	130,696
Goodwill and other intangible assets	12	**297**	297	297
Interest in associates	13	**6,574**	5,513	5,438
Interest in jointly controlled entities	14	**16,485**	7,551	7,989
Available-for-sale investments	15	**10,676**	4,885	2,279
Long term receivables	16	**27**	284	411
Programming library		**113**	113	132
Employee retirement benefit assets	17	**17**	139	–
Deferred tax assets	25	**550**	432	484
Derivative financial assets	20	**587**	318	83
		215,689	164,843	147,809
Current assets				
Properties for sale	18	**37,233**	25,824	24,660
Inventories		**113**	107	112
Held-to-maturity investments	15	**–**	824	–
Trade and other receivables	19	**4,344**	5,243	2,686
Derivative financial assets	20	**166**	209	12
Bank deposits and cash	21	**27,540**	27,756	22,927
		69,396	59,963	50,397
Current liabilities				
Trade and other payables	22	**(7,449)**	(6,457)	(6,603)
Deposits from sale of properties	23	**(9,928)**	(6,225)	(3,537)
Derivative financial liabilities	20	**(244)**	(101)	(206)
Taxation payable	6(d)	**(1,423)**	(1,653)	(1,582)
Bank loans and other borrowings	24	**(16,362)**	(9,049)	(4,955)
		(35,406)	(23,485)	(16,883)
Net current assets		**33,990**	36,478	33,514
Total assets less current liabilities		**249,679**	201,321	181,323

Consolidated Statement of Financial Position

At 31 December 2010

	Note	**2010 HK$ Million**	2009 HK$ Million (restated)	2008 HK$ Million (restated)
Non-current liabilities				
Bank loans and other borrowings	24	**(49,320)**	(37,585)	(40,668)
Deferred tax liabilities	25	**(5,413)**	(3,868)	(3,599)
Other deferred liabilities	26	**(283)**	(262)	(262)
Derivative financial liabilities	20	**(1,587)**	(1,055)	(738)
Employee retirement benefit liabilities	17	**–**	–	(154)
		(56,603)	(42,770)	(45,421)
NET ASSETS		**193,076**	158,551	135,902
Capital and reserves				
Share capital	28	**1,016**	1,016	1,016
Reserves		**99,356**	75,882	64,092
Shareholders' equity		**100,372**	76,898	65,108
Non-controlling interests		**92,704**	81,653	70,794
TOTAL EQUITY		**193,076**	158,551	135,902

The notes and principal accounting policies on pages 49 to 119 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 2010

	Note	2010 HK$ Million	2009 HK$ Million
Non-current assets			
Interest in subsidiaries	11	**15,825**	10,055
Current assets			
Receivables and prepayments		**38**	44
Bank deposits and cash	21	**1,200**	–
		1,238	44
Current liabilities			
Trade and other payables		**(6)**	(6)
Bank loan	24	**(6,905)**	–
		(6,911)	(6)
Net current (liabilities)/assets		**(5,673)**	38
Total assets less current liabilities		**10,152**	10,093
Non-current liability			
Bank loan	24	**(5,500)**	(5,500)
NET ASSETS		**4,652**	4,593
Capital and reserves			
Share capital	28	**1,016**	1,016
Reserves		**3,636**	3,577
TOTAL EQUITY	29(a)	**4,652**	4,593

The notes and principal accounting policies on pages 49 to 119 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 2010

	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	Non-controlling interests HK$ Million	Total equity HK$ Million
At 1 January 2009	1,016	1,914	159	1,738	53,906	58,733	64,510	123,243
Impact of change in accounting policy	–	–	–	–	6,375	6,375	6,284	12,659
Restated at 1 January 2009	1,016	1,914	159	1,738	60,281	65,108	70,794	135,902
Changes in equity for 2009:								
Profit	–	–	–	–	10,459	10,459	11,072	21,531
Other comprehensive income	–	–	1,424	70	91	1,585	1,248	2,833
Total comprehensive income	–	–	1,424	70	10,550	12,044	12,320	24,364
Shares issued by subsidiaries	–	–	–	–	–	–	292	292
Final dividend paid for 2008	–	–	–	–	(203)	(203)	–	(203)
Interim dividend paid for 2009 (Note 8)	–	–	–	–	(51)	(51)	–	(51)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(1,515)	(1,515)
Disposal of an investment property	–	–	–	–	–	–	(238)	(238)
Restated at 31 December 2009 and 1 January 2010	**1,016**	**1,914**	**1,583**	**1,808**	**70,577**	**76,898**	**81,653**	**158,551**
Changes in equity for 2010:								
Profit	**–**	**–**	**–**	**–**	**20,194**	**20,194**	**19,511**	**39,705**
Other comprehensive income	**–**	**–**	**786**	**1,026**	**634**	**2,446**	**1,456**	**3,902**
Total comprehensive income	**–**	**–**	**786**	**1,026**	**20,828**	**22,640**	**20,967**	**43,607**
Shares issued by subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**49**	**49**
Privatisation of Wheelock Properties Limited (Note 30)	**–**	**–**	**–**	**–**	**1,088**	**1,088**	**(7,993)**	**(6,905)**
Acquisition of additional interest in a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**(86)**	**(86)**
Final dividend paid for 2009 (Note 8)	**–**	**–**	**–**	**–**	**(203)**	**(203)**	**–**	**(203)**
Interim dividend paid for 2010 (Note 8)	**–**	**–**	**–**	**–**	**(51)**	**(51)**	**–**	**(51)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(1,886)**	**(1,886)**
At 31 December 2010	**1,016**	**1,914**	**2,369**	**2,834**	**92,239**	**100,372**	**92,704**	**193,076**

* Included in exchange and other reserves is capital redemption reserve of HK$19 million (2009: HK$19 million).

The notes and principal accounting policies on pages 49 to 119 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Note	2010 HK$ Million	2009 HK$ Million
Operating cash inflow	(a)	**12,310**	10,547
Changes in working capital	(a)	**(7,072)**	(1,118)
Cash generated from operations	(a)	**5,238**	9,429
Interest paid		**(1,035)**	(695)
Interest received		**200**	75
Dividends received from associates		**317**	278
Dividends received from jointly controlled entities		**–**	14
Dividends received from investments		**211**	180
Hong Kong profits tax paid		**(619)**	(1,403)
Overseas tax paid		**(921)**	(496)
Net cash generated from operating activities		**3,391**	7,382
Investing activities			
Purchase of fixed assets		**(3,946)**	(2,228)
Additions to programming library		**(93)**	(87)
Net increase in associates		**(205)**	(120)
Net increase in jointly controlled entities		**(8,689)**	(1,068)
Net proceeds from disposal of subsidiaries and a jointly controlled entity	(b)	**2,585**	1,735
Increase in interest in subsidiaries		**(6,967)**	–
Net proceeds from disposal of fixed assets		**19**	82
Purchase of financial investments		**(4,966)**	(1,182)
Proceeds from disposal of available-for-sale investments		**1,410**	321
Repayment of long term receivables		**16**	127
Uplift of pledged deposits		**63**	605
Release/(placement) of bank deposits with maturity greater than three months		**4,200**	(4,200)
Net cash used in investing activities		**(16,573)**	(6,015)
Financing activities			
Drawdown of bank loans and other borrowings		**29,501**	7,791
Repayment of bank loans and other borrowings		**(10,776)**	(6,546)
Issue of shares by subsidiaries to non-controlling interests		**49**	292
Dividend paid to equity shareholders		**(254)**	(254)
Dividend paid to non-controlling interests		**(1,886)**	(1,515)
Net cash generated from/(used in) financing activities		**16,634**	(232)
Net increase in cash and cash equivalents		**3,452**	1,135
Cash and cash equivalents at 1 January		**23,474**	22,242
Effect of foreign exchange rate changes		**588**	97
Cash and cash equivalents at 31 December	(c)	**27,514**	23,474

The notes and principal accounting policies on pages 49 to 119 form part of these financial statements.

NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

a. Reconciliation of operating profit to cash generated from operations

	2010 HK$ Million	2009 HK$ Million
Operating profit	**11,384**	9,507
Adjustments for:		
Interest income	**(185)**	(92)
Dividend income from investments	**(216)**	(180)
Depreciation and amortisation	**1,332**	1,305
(Profit)/loss on disposal of fixed assets	**(5)**	7
Operating cash inflow	**12,310**	10,547
Increase in properties under development for sale	**(15,449)**	(5,021)
Decrease in completed properties for sale	**4,795**	2,301
Increase in inventories	**(6)**	(4)
(Increase)/decrease in trade and other receivables	**(1,549)**	45
Increase in deposits from sale of properties	**3,703**	2,688
Increase/(decrease) in trade and other payables	**1,162**	(1,012)
Decrease in derivative financial instruments	**(90)**	(186)
Exchange differences on working capital changes	**228**	77
Other non-cash items	**134**	(6)
Changes in working capital	**(7,072)**	(1,118)
Cash generated from operations	**5,238**	9,429

b. Amount mainly represented balance of proceeds from disposal of The Wharf (Holdings) Limited's entire 87.5% equity interests of its owning company of Beijing Capital Times Square.

c. Cash and cash equivalents

	2010 HK$ Million	2009 HK$ Million
Bank deposits and cash in the consolidated statement of financial position (Note 21)	**27,540**	27,756
Less: Pledged bank deposits	**(26)**	(82)
Bank deposits with maturity greater than three months	**–**	(4,200)
Cash and cash equivalents in the consolidated statement of cash flows	**27,514**	23,474

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 four reportable operating segments for measuring performance and allocating resources. The segments are property investment, property development, logistics, and communications, media and entertainment ("CME"). No operating segments have been aggregated to form the following reportable segments.

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

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

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

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

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

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

Investment and others which was determined to be a segment in prior periods is no longer classified as a segment during the current year to conform to internal management reporting and comparative figures have been reclassified to conform to current year's presentation accordingly.

a. Analysis of segment revenue and results

	Turnover HK$ Million	Operating profit/ (loss) HK$ Million	Profit on disposal of investment properties HK$ Million	Increase in fair value of investment properties HK$ Million	Other net income HK$ Million	Finance costs HK$ Million	Associates HK$ Million	Jointly controlled entities HK$ Million	Profit before taxation HK$ Million
For the year ended 2010									
Property investment	9,206	6,970	–	30,839	87	(402)	–	–	37,494
Hong Kong	7,313	6,204	–	28,184	–	(293)	–	–	34,095
Mainland China	470	223	–	2,341	87	(101)	–	–	2,550
Singapore	267	212	–	314	–	–	–	–	526
Hotels	1,156	331	–	–	–	(8)	–	–	323
Property development	7,676	2,740	–	–	201	(95)	49	(39)	2,856
Hong Kong	439	224	–	–	138	–	18	–	380
Mainland China	3,608	1,234	–	–	63	(95)	31	(39)	1,194
Singapore	3,629	1,282	–	–	–	–	–	–	1,282
Logistics	3,426	1,792	–	–	447	(189)	379	48	2,477
Terminals	3,252	1,712	–	–	10	(189)	224	48	1,805
Others	174	80	–	–	437	–	155	–	672
CME	3,682	(62)	–	–	1	–	(41)	–	(102)
i-CABLE	2,002	(250)	–	–	1	–	(41)	–	(290)
Telecommunications	1,680	201	–	–	–	–	–	–	201
Others	–	(13)	–	–	–	–	–	–	(13)
Inter-segment revenue	(377)	–	–	–	–	–	–	–	–
Segment total	23,613	11,440	–	30,839	736	(686)	387	9	42,725
Investment and others	573	362	–	–	69	(403)	–	–	28
Corporate expenses	–	(418)	–	–	–	–	–	–	(418)
Group total	24,186	11,384	–	30,839	805	(1,089)	387	9	42,335
For the year ended 2009									
Property investment	8,744	6,627	1,190	13,072	(39)	(341)	–	–	20,509
Hong Kong	6,951	5,870	80	10,854	11	(284)	–	–	16,531
Mainland 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
Mainland China	3,065	1,012	–	–	44	(22)	19	41	1,094
Singapore	–	32	–	–	–	–	–	–	32
Logistics	3,091	1,418	–	–	–	11	217	34	1,680
Terminals	2,840	1,307	–	–	–	11	217	34	1,569
Others	251	111	–	–	–	–	–	–	111
CME	3,404	163	–	–	–	–	–	–	163
i-CABLE	1,754	(48)	–	–	–	–	–	–	(48)
Telecommunications	1,650	213	–	–	–	–	–	–	213
Others	–	(2)	–	–	–	–	–	–	(2)
Inter-segment revenue	(456)	–	–	–	–	–	–	–	–
Segment total	18,565	9,662	1,190	13,072	5	(352)	235	75	23,887
Investment and others	392	231	–	–	149	(43)	–	–	337
Corporate expenses	–	(386)	–	–	–	–	–	–	(386)
Group total	18,957	9,507	1,190	13,072	154	(395)	235	75	23,838

b. Analysis of inter-segment revenue

	2010 Total Revenue HK$ Million	2010 Inter-segment revenue HK$ Million	2010 Group Revenue HK$ Million	2009 Total Revenue HK$ Million	2009 Inter-segment revenue HK$ Million	2009 Group Revenue HK$ Million
Property investment	**9,206**	**(158)**	**9,048**	8,744	(173)	8,571
Property development	**7,676**	**–**	**7,676**	3,782	–	3,782
Logistics	**3,426**	**–**	**3,426**	3,091	–	3,091
CME	**3,682**	**(143)**	**3,539**	3,404	(158)	3,246
Investment and others	**573**	**(76)**	**497**	392	(125)	267
	24,563	**(377)**	**24,186**	19,413	(456)	18,957

c. Analysis of segment business assets

	2010 HK$ Million	2009 HK$ Million
Property investment	**163,699**	130,936
Hong Kong	**137,370**	108,629
Mainland China	**18,438**	15,503
Singapore	**6,905**	5,866
Hotels	**986**	938
Property development	**57,937**	35,530
Hong Kong	**7,827**	3,598
Mainland China	**45,156**	26,198
Singapore	**4,954**	5,734
Logistics	**19,210**	19,008
Terminals	**18,503**	18,736
Others	**707**	272
CME	**4,132**	4,367
i-CABLE	**1,510**	1,753
Telecommunications	**2,622**	2,613
Others	**–**	1
Total segment business assets	**244,978**	189,841
Unallocated corporate assets	**40,107**	34,965
Total assets	**285,085**	224,806

Unallocated corporate assets mainly comprise financial investments, deferred tax assets, bank deposits and cash and other derivative financial assets.

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

	2010 HK$ Million	2009 HK$ Million
Property development	**18,331**	8,964
Logistics	**4,728**	4,062
CME	**–**	38
Group total	**23,059**	13,064

d. Other information

	Capital expenditure		Increase in interests in associates and jointly controlled entities		Depreciation and amortisation	
	2010 HK$ Million	2009 HK$ Million	2010 HK$ Million	2009 HK$ Million	2010 HK$ Million	2009 HK$ Million
Property investment	**3,093**	1,654	**–**	–	**137**	128
Hong Kong	**565**	191	**–**	–	**19**	21
Mainland China	**2,215**	1,387	**–**	–	**23**	25
Singapore	**212**	59	**–**	–	**2**	2
Hotels	**101**	17	**–**	–	**93**	80
Property development	**–**	–	**9,592**	1,787	**–**	–
Hong Kong	**–**	–	**3,799**	–	**–**	–
Mainland China	**–**	–	**5,793**	1,787	**–**	–
Logistics	**262**	864	**17**	1	**460**	421
Terminals	**260**	862	**2**	1	**455**	414
Others	**2**	2	**15**	–	**5**	7
CME	**603**	548	**–**	–	**735**	756
i-CABLE	**251**	261	**–**	–	**347**	364
Telecommunications	**352**	287	**–**	–	**388**	392
Group total	**3,958**	3,066	**9,609**	1,788	**1,332**	1,305

In addition, CME segment incurred HK$93 million (2009: HK$87 million) for its programming library. The Group has no significant non-cash expenses other than depreciation and amortisation.

e. Geographical information

	Revenue		Operating Profit	
	2010 HK$ Million	2009 HK$ Million	**2010 HK$ Million**	2009 HK$ Million
Hong Kong	**15,474**	14,717	**8,469**	8,316
Mainland China	**4,711**	3,917	**1,228**	917
Singapore	**4,001**	323	**1,687**	274
Group total	**24,186**	18,957	**11,384**	9,507

	Specified non-current assets		Total business assets	
	2010 HK$ Million	2009 HK$ Million	**2010 HK$ Million**	2009 HK$ Million
Hong Kong	**151,338**	118,632	**156,515**	123,270
Mainland China	**45,616**	34,621	**76,604**	54,964
Singapore	**6,905**	5,816	**11,859**	11,607
Group total	**203,859**	159,069	**244,978**	189,841

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.

The geographical location of revenue and operating profit are analysed based on the location at which services are provided and in case of equity instruments, where they are listed. The geographical location of specified non-current assets and total business assets are based on the physical location of operations.

2. OPERATING PROFIT

a. Operating profit

	2010 HK$ Million	2009 HK$ Million
Operating profit is arrived at after charging/(crediting):		
Depreciation and amortisation on		
– assets held for use under operating leases	**118**	97
– other fixed assets	**1,029**	1,012
– leasehold land (Note 10)	**92**	90
– programming library	**93**	106
Total depreciation and amortisation	**1,332**	1,305
Impairment loss on trade receivables	**1**	8
Staff costs (Note i)	**2,704**	2,648
Auditors' remuneration		
– audit services	**21**	18
– other services	**5**	5
Cost of trading properties sold	**4,678**	2,264
Rental charges under operating leases in respect of telecommunications equipment and services	**98**	90
Rental income less direct outgoings (Note ii)	**(6,782)**	(6,540)
Interest income	**(185)**	(92)
Dividend income from listed investments	**(146)**	(80)
Dividend income from unlisted investments	**(70)**	(100)
(Profit)/loss on disposal of fixed assets	**(5)**	7
Rental income under operating leases in respect of owned plant and machinery	**(20)**	(24)

Notes:

(i) Staff costs included contributions to defined contribution pension schemes of HK$120 million (2009: HK$109 million) which including MPF schemes (after a forfeiture of HK$3 million (2009: HK$5 million)), and income recognised in respect of defined benefit pension schemes (Note 17) of HK$48 million (2009: HK$6 million).

(ii) Rental income included contingent rentals of HK$1,066 million (2009: HK$814 million).

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	2010 Total emoluments HK$'000	2009 Total emoluments HK$'000
Board of Directors						
Peter K C Woo	**198**	**15,906**	**16,000**	**15**	**32,119**	25,814
Stephen T H Ng	**60**	**4,646**	**9,000**	**276**	**13,982**	11,535
Paul Y C Tsui	**60**	**2,967**	**3,500**	**12**	**6,539**	4,675
Ricky K Y Wong (Note iii)	**20**	**806**	**–**	**120**	**946**	–
Independent Non-executive Directors						
Alexander S K Au (Note ii)	**80**	**–**	**–**	**–**	**80**	80
B M Chang (Note ii)	**80**	**–**	**–**	**–**	**80**	80
Herald L F Lau (Note iii)	**20**	**–**	**–**	**–**	**20**	–
Kenneth W S Ting (Note ii)	**80**	**–**	**–**	**–**	**80**	80
Glenn S Yee (Note iii)	**20**	**–**	**–**	**–**	**20**	–
Past Director						
Gonzaga W J Li (Note iv)	**30**	**1,189**	**14,000**	**–**	**15,219**	10,406
	648	**25,514**	**42,500**	**423**	**69,085**	52,670
Total for 2009	711	27,159	24,500	300		52,670

Notes:

(i) There were no compensation for loss of office and/or inducement for joining the Group paid/payable to the Directors of the Company in respect of the years ended 31 December 2010 and 2009.

(ii) Includes Audit Committee Members' fee for the year ended 31 December 2010 of HK$20,000 (2009: HK$20,000) received/receivable by each of relevant Directors.

(iii) Mr Ricky K Y Wong, Mr Herald L F Lau and Mr Glenn S Yee were appointed as Directors of the Company with effect from 1 September 2010.

(iv) Mr Gonzaga W J Li retired and ceased to be a Director of the Company with effect from 1 April 2010.

c. Five highest paid employees

For the year ended 31 December 2010, information regarding emoluments (excluding amounts, if any, paid or payable by way of commissions on sales generated by the employees concerned) of 2 (2009: 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

	2010 HK$ Million	2009 HK$ Million
Salaries, allowances and benefits in kind	**19**	20
Discretionary bonuses	**19**	24
	38	44

(ii) Bandings

Bands (in HK$)	**2010 Number**	2009 Number
$13,500,001 – $14,000,000	**1**	–
$18,000,001 – $18,500,000	**–**	1
$24,500,001 – $25,000,000	**1**	–
$25,500,001 – $26,000,000	**–**	1
	2	2

3. PROFIT ON DISPOSAL OF INVESTMENT PROPERTIES

The profit for the year 2009 was derived from the disposal of its entire 87.5% equity interests of Beijing Capital Times Square by The Wharf (Holdings) Limited and the disposal of Fitfort, a shopping mall, by Wheelock Properties Limited.

4. OTHER NET INCOME

Other net income for the year 2010 amounted to HK$805 million (2009: HK$154 million), mainly including:

a. A one-off surplus of HK$437 million (2009: HK$Nil) on revaluation of the interests in Hong Kong Air Cargo Terminals Limited on its becoming an associate of The Wharf (Holdings) Limited.

b. Net profit on disposal of available-for-sale investments of HK$178 million (2009: HK$134 million) which included a revaluation surplus, before deduction of non-controlling interests, of HK$140 million (2009: HK$31 million) transferred from the investments revaluation reserves.

c. Net foreign exchange loss of HK$63 million (2009: gain of HK$97 million) which included the impact of forward foreign exchange contracts.

d. A write-back of provision for properties of HK$138 million (2009: HK$Nil).

e. Impairment loss on available-for-sale investments of HK$2 million (2009: HK$126 million).

5. FINANCE COSTS

	2010 HK$ Million	2009 HK$ Million
Interest charged on:		
Bank loans and overdrafts		
– repayable within five years	**450**	388
– repayable after five years	**151**	56
Other borrowings		
– repayable within five years	**6**	9
– repayable after five years	**167**	119
Total interest charge	**774**	572
Other finance costs	**167**	101
Less: Amount capitalised	**(299)**	(233)
	642	440
Fair value cost/(gain):		
Cross currency interest rate swaps	**574**	315
Interest rate swaps	**(127)**	(360)
	1,089	395

a. Interest was capitalised at an average annual rate of approximately 0.8% (2009: 0.9%).

b. Included in total interest charge are amounts totalling HK$765 million (2009: HK$566 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.

6. INCOME TAX

Taxation charged to the consolidated income statement represents:

	2010 HK$ Million	2009 HK$ Million (restated)
Current income tax		
Hong Kong		
– provision for the year	**1,270**	1,144
– (over)/underprovision in respect of prior years (Note 6g)	**(809)**	162
Outside Hong Kong		
– provision for the year	**476**	497
– under/(over)provision in respect of prior years	**39**	(63)
	976	1,740
Land appreciation tax ("LAT") (Note 6c)	**302**	235
Deferred tax (Note 25)		
Change in fair value of investment properties	**1,158**	683
Origination and reversal of temporary differences	**243**	171
Effect on decrease in tax rate on deferred tax balances	**–**	(2)
Tax released on disposal of investment properties	**–**	(510)
Benefit of previously unrecognised tax losses now recognised	**(49)**	(10)
	1,352	332
	2,630	2,307

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% (2009: 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 up to 10% and Singapore income tax 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 2010 of HK$105 million (2009: HK$54 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 Mainland 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 2010, the Group has provided HK$79 million (2009: HK$Nil) for income taxes on accumulated earnings generated by its Mainland China subsidiaries which will be distributed to their immediate holding company outside Mainland China in the foreseeable future.

g. The Wharf (Holdings) Limited reached a settlement with the Inland Revenue Department of HKSAR on various tax disagreements in respect of the deductibility of interest expenses and the concerned over-provisions made in previous years totalling HK$809 million was written back.

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

	2010 HK$ Million	2009 HK$ Million (restated)
Profit before taxation	**42,335**	23,838
Notional tax on profit before taxation calculated at applicable tax rates	**7,373**	4,333
Tax effect of non-deductible expenses	**123**	117
Tax effect of non-taxable income	**(380)**	(493)
Tax effect of non-taxable fair value gain on investment properties	**(4,758)**	(1,782)
Net (over)/underprovision in respect of prior years	**(770)**	149
Tax effect of tax losses not recognised	**188**	67
Tax effect of unrecognised tax losses utilised	**(104)**	(111)
Tax effect of previously unrecognised tax losses now recognised as deferred tax assets	**(49)**	(10)
Effect on reduction in tax rate on deferred tax balances	**–**	(2)
Tax released on disposal of investment properties	**–**	(510)
LAT on trading properties	**302**	235
Withholding tax for the possible dividend distribution	**79**	–
Deferred LAT on change in fair value of investment properties	**626**	314
Actual total tax charge	**2,630**	2,307

7. 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$313 million (2009: HK$350 million).

8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2010 HK$ Million	2009 HK$ Million
Interim dividend declared and paid of 2.5 cents (2009: 2.5 cents) per share	**51**	51
Final dividend of 10.0 cents (2009: 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 2009 was approved and paid in 2010.

9. EARNINGS PER SHARE

The calculation of earnings per share is based on profit attributable to equity shareholders for the year of HK$20,194 million (2009: HK$10,459 million as restated) and 2,032 million ordinary shares in issue throughout the years ended 31 December 2010 and 2009.

There were no potential diluted ordinary shares in existence during the years ended 31 December 2010 and 2009.

10. 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 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 and 1 January 2010	**126,789**	**1,991**	**1,185**	**10,199**	**14,895**	**4,307**	**159,366**
Exchange differences	**1,006**	**–**	**18**	**–**	**72**	**20**	**1,116**
Additions	**2,913**	**178**	**3**	**514**	**350**	**–**	**3,958**
Disposals	**–**	**–**	**–**	**(155)**	**(177)**	**–**	**(332)**
Reclassification	**406**	**(412)**	**–**	**(1)**	**408**	**4**	**405**
Revaluation surplus	**30,839**	**–**	**–**	**–**	**–**	**–**	**30,839**
At 31 December 2010	**161,953**	**1,757**	**1,206**	**10,557**	**15,548**	**4,331**	**195,352**
Accumulated depreciation, amortisation and impairment losses							
At 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 and 1 January 2010	**–**	**–**	**606**	**7,265**	**5,665**	**519**	**14,055**
Exchange differences	**–**	**–**	**1**	**–**	**10**	**2**	**13**
Charge for the year	**–**	**–**	**35**	**539**	**573**	**92**	**1,239**
Written back on disposals	**–**	**–**	**–**	**(153)**	**(165)**	**–**	**(318)**
At 31 December 2010	**–**	**–**	**642**	**7,651**	**6,083**	**613**	**14,989**
Net book value							
At 31 December 2010	**161,953**	**1,757**	**564**	**2,906**	**9,465**	**3,718**	**180,363**
At 31 December 2009	126,789	1,991	579	2,934	9,230	3,788	145,311

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
2010 valuation	**155,925**	**–**	**–**	**–**	**–**	**–**	**155,925**
At cost less provision	**6,028**	**1,757**	**1,206**	**10,557**	**15,548**	**4,331**	**39,427**
	161,953	**1,757**	**1,206**	**10,557**	**15,548**	**4,331**	**195,352**
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

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 2010							
Held in Hong Kong							
Long term leases	**116,652**	**–**	**78**	**–**	**1**	**82**	**116,813**
Medium term leases	**19,557**	**–**	**1**	**–**	**2,814**	**1,040**	**23,412**
Short term leases	**700**	**–**	**–**	**–**	**–**	**–**	**700**
	136,909	**–**	**79**	**–**	**2,815**	**1,122**	**140,925**
Held outside Hong Kong							
Freehold	**1,763**	**–**	**–**	**–**	**–**	**–**	**1,763**
Long term leases	**5,134**	**–**	**–**	**–**	**–**	**–**	**5,134**
Medium term leases	**18,147**	**1,757**	**485**	**–**	**2,569**	**2,596**	**25,554**
	161,953	**1,757**	**564**	**–**	**5,384**	**3,718**	**173,376**
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

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 2010 were revalued by Knight Frank Petty Limited, Colliers International Consultancy & Valuation (S) 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$8,015 million (2009: HK$7,745 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 2010 and 2009.

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	
	2010 HK$ Million	2009 HK$ Million
Within 1 year	**5,685**	5,316
After 1 year but within 5 years	**6,461**	5,710
After 5 years	**118**	301
	12,264	11,327

11. INTEREST IN SUBSIDIARIES

	Company	
	2010 **HK$ Million**	2009 HK$ Million
Unlisted shares, at cost	**10,400**	3,495
Amounts due from subsidiaries	**5,425**	6,560
	15,825	10,055

Details of principal subsidiaries at 31 December 2010 are shown on pages 116 to 118.

Amounts due from subsidiaries are unsecured and 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.

12. GOODWILL AND OTHER INTANGIBLE ASSETS

	Group		
	Goodwill HK$ Million	**Other intangible assets HK$ Million**	**Total HK$ Million**
Cost			
At 1 January 2009, 31 December 2009 and 31 December 2010	**297**	**12**	**309**
Accumulated amortisation			
At 1 January 2009, 31 December 2009 and 31 December 2010	**–**	**12**	**12**
Net carrying value			
At 31 December 2010	**297**	**–**	**297**
At 31 December 2009	297	–	297

Goodwill is mainly related to the Group's terminals business. As at 31 December 2010, 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.

13. INTEREST IN ASSOCIATES

	Group	
	2010 **HK$ Million**	2009 HK$ Million
Share of net tangible assets	**4,031**	2,678
Goodwill	**1,853**	1,790
	5,884	4,468
Amounts due from associates	**1,841**	1,136
Amounts due to associates	**(1,151)**	(91)
	6,574	5,513

a. Details of principal associates at 31 December 2010 are shown on page 119.

b. Amounts due from associates are unsecured, interest free and have no fixed terms of repayment, except for an advance of HK$371 million (2009: HK$Nil) made by the Group to an associate which is interest bearing. Amounts due from associates are not expected to be recoverable within the next twelve months. The amounts are neither past due nor impaired.

Amounts due to associates are unsecured, interest free and have no fixed terms of repayment.

c. On 25 May 2010, The Wharf (Holdings) Limited entered into an agreement with independent third parties in relation to the acquisition of additional equity interests in Hong Kong Air Cargo Terminals Limited ("Hactl") and increased its effective interests in Hactl from 12.5% to 20.83% for a consideration of HK$533 million. Accordingly, the financial results of Hactl have been accounted for as an associate of the Group since then.

d. Included in interest in associates is goodwill of HK$1,853 million (2009: HK$1,790 million) related to the acquisition of Mega Shekou Container Terminals Limited which is held by Modern Terminals, a 67.6%-owned subsidiary of the Group, under an agreement with China Merchants Holdings (International) Company Limited following the rationalisation of interests in Shekou Container Terminals Phases I, II and III in 2007.

e. Summary financial information on associates

	2010 Total HK$ Million	2010 Attributable interest HK$ Million	2009 Total HK$ Million	2009 Attributable interest HK$ Million
Statement of financial position				
Assets	**37,278**	**9,031**	23,387	5,278
Liabilities	**(16,001)**	**(5,000)**	(7,623)	(2,600)
Equity	**21,277**	**4,031**	15,764	2,678
Income statement				
Revenue	**5,784**	**1,226**	3,141	712
Profit before taxation	**2,598**	**471**	1,431	266
Income tax	**(416)**	**(84)**	(158)	(31)
Profit for the year	**2,182**	**387**	1,273	235

14. INTEREST IN JOINTLY CONTROLLED ENTITIES

	Group 2010 HK$ Million	Group 2009 HK$ Million
Share of net assets	**6,115**	728
Goodwill	**54**	54
	6,169	782
Amounts due from jointly controlled entities	**10,316**	6,769
	16,485	7,551

a. Details of principal jointly controlled entities at 31 December 2010 are shown on page 119.

b. Amounts due from jointly controlled entities are unsecured, interest free and have no fixed terms of repayment, except for advances of HK$3,797 million (2009: HK$Nil) made by the Group to certain jointly controlled entities which are interest bearing. Amounts due from jointly controlled entities are not expected to be recoverable within the next twelve months. 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	
	2010 HK$ Million	2009 HK$ Million
Statement of financial position		
Non-current assets	**1,019**	1,684
Current assets	**23,238**	7,346
Current liabilities	**(3,927)**	(5,178)
Non-current liabilities	**(14,215)**	(3,124)
Net assets	**6,115**	728
Income statement		
Revenue	**299**	692
Profit for the year	**9**	75

15. FINANCIAL INVESTMENTS

	Group	
	2010 HK$ Million	2009 HK$ Million
Available-for-sale investments		
Listed investments stated at market value		
– in Hong Kong	**4,682**	294
– outside Hong Kong	**5,961**	4,485
Unlisted investments	**33**	106
	10,676	4,885
Unlisted held-to-maturity investments	**–**	824

Investments listed outside Hong Kong include the Group's 20% (2009: 20%) interest in Hotel Properties Limited ("HPL") and 16% (2009: 17%) interest in SC Global Developments Ltd, 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.

Available-for-sale investments totalling HK$33 million (2009: HK$106 million) are stated at cost less impairment losses, if any.

As at 31 December 2010, the fair value of individually impaired available-for-sale investments amounted to HK$826 million (2009: HK$703 million) and impairment losses of HK$2 million (2009: HK$126 million) were recognised in the consolidated income statement for the year.

16. LONG TERM RECEIVABLES

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

17. EMPLOYEE RETIREMENT BENEFITS

a. Defined benefit pension schemes

The Group makes contributions to three defined benefit pension schemes that provide pension benefits for employees upon retirement with one significant scheme terminated and replaced by mandatory provident scheme during the year under review. 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 2010 were performed by Towers Watson Hong Kong Limited, who is independent qualified actuaries, using the projected unit credit method. The aggregate funding ratio of the schemes was 111%.

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

	2010 HK$ Million	2009 HK$ Million
Fair value of scheme assets	**173**	860
Present value of funded obligations	**(156)**	(721)
Net defined benefit pension scheme assets	**17**	139

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$1 million in contribution to defined benefit pension schemes in 2011.

(ii) Scheme assets consist of the following:

	2010 HK$ Million	2009 HK$ Million
Equity securities	**111**	127
Debt securities	**56**	624
Deposits and cash	**6**	109
	173	860

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

	2010 HK$ Million	2009 HK$ Million
At 1 January	**721**	888
Benefits paid by the schemes	**(43)**	(61)
Current service cost	**16**	33
Employees' contribution	**1**	1
Interest cost	**12**	12
Disposal of a subsidiary	**–**	(50)
Gain on curtailment	**(72)**	–
Liabilities extinguished on settlement	**(487)**	–
Actuarial losses/(gains)	**8**	(102)
At 31 December	**156**	721

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

	2010 HK$ Million	2009 HK$ Million
At 1 January	**860**	734
Group's contributions paid to the schemes	**1**	2
Benefits paid by the schemes	**(43)**	(61)
Employees' contribution	**1**	1
Actuarial expected return on scheme assets	**23**	51
Disposal of a subsidiary	**–**	(39)
Refunds	**(163)**	–
Assets distributed on settlement	**(506)**	–
Actuarial gains	**–**	172
At 31 December	**173**	860

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

	2010 HK$ Million	2009 HK$ Million
Current service cost	**16**	33
Interest cost	**12**	12
Actuarial expected return on scheme assets	**(23)**	(51)
Gain on curtailment	**(72)**	–
Loss on settlement	**19**	–
	(48)	(6)

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$23 million (2009: HK$223 million).

(vi) The principal actuarial assumptions used as at 31 December 2010 (expressed as a range) are as follows:

	2010	2009
Discount rate at 31 December	**2.3% – 3.0%**	2.0% – 2.6%
Expected rate of return on scheme assets	**7.0% – 8.0%**	3.0% – 8.0%
Future salary increases – 2010	**N/A**	0% – 3.5%
– 2011 thereafter	**0% – 3.5%**	0% – 3.5%

The expected long term rate of return on scheme assets is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The expected return is determined based on market expectation, at the beginning of the period, for returns net of administration costs, over the entire period of the defined benefit obligation.

(vii) Historical information

	2010 HK$ Million	2009 HK$ Million	2008 HK$ Million	2007 HK$ Million	2006 HK$ Million
Fair value of scheme assets	**173**	860	734	1,130	1,005
Present value of the defined benefit obligations	**(156)**	(721)	(888)	(891)	(775)
Surplus/(deficit) in the scheme	**17**	139	(154)	239	230
Experience adjustments arising on:					
Scheme liabilities	**1%**	-3%	14%	-6%	9%
Scheme assets	**0%**	20%	-58%	10%	2%

(viii) The Group recognised an actuarial loss amounting to HK$8 million (2009: gain of HK$274 million) for the year ended 31 December 2010 directly in other comprehensive income. The cumulative amount of actuarial gain recognised amounted to HK$11 million (2009: HK$19 million) as at 31 December 2010.

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.

18. PROPERTIES FOR SALE

	Group	
	2010	2009
	HK$ Million	HK$ Million
Properties under development for sale	**35,730**	25,113
Completed properties for sale	**1,503**	711
	37,233	25,824

a. Properties under development for sale in the amount of HK$29,467 million (2009: HK$19,552 million) are expected to be completed after more than one year.

b. Included in properties under development for sale are deposits of HK$8,175 million (2009: HK$3,494 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 2010 was HK$393 million (2009: HK$253 million).

d. In 2010, net provisions totalling HK$138 million (2009: HK$Nil) charged to the consolidated income statement in prior years for properties under development for sale were written back as a result of the increase in net realisable value of certain properties.

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

	Group	
	2010	2009
	HK$ Million	HK$ Million
Held in Hong Kong		
Long term leases	**1,860**	1,392
Medium term leases	**1,244**	1,187
	3,104	2,579
Held outside Hong Kong		
Freehold	**2,787**	4,220
Medium term leases	**23,933**	13,766
	26,720	17,986
	29,824	20,565

19. 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 2010 as follows:

	Group	
	2010 HK$ Million	2009 HK$ Million
Trade receivables		
0 – 30 days	**592**	421
31 – 60 days	**113**	174
61 – 90 days	**52**	43
Over 90 days	**61**	110
	818	748
Accrued sales receivables	**655**	467
Other receivables	**2,871**	4,028
	4,344	5,243

Accrued sales receivables mainly represent property sales consideration to be billed or received after the reporting 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	
	2010	2009
	HK$ Million	HK$ Million
At 1 January	**98**	114
Impairment loss recognised	**1**	8
Uncollectible amounts written off	**(11)**	(24)
At 31 December	**88**	98

c. Trade receivables that are not impaired

As at 31 December 2010, 91% (2009: 89%) of the Group's trade receivables were not impaired, of which 82% (2009: 82%) 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 of the customers and the balances are still considered to be fully recoverable. The Group does not hold any collateral over these balances.

20. DERIVATIVE FINANCIAL INSTRUMENTS

	2010		2009	
	Assets	**Liabilities**	Assets	Liabilities
	HK$ Million	**HK$ Million**	HK$ Million	HK$ Million
At fair value through profit or loss				
Fixed-to-floating interest rate swaps	**111**	**23**	102	35
Floating-to-fixed interest rate swaps	**561**	**192**	307	99
Cross currency interest rate swaps	**77**	**1,570**	102	1,020
Forward foreign exchange contracts	**4**	**46**	16	2
Total	**753**	**1,831**	527	1,156
Analysis				
Current	**166**	**244**	209	101
Non-current	**587**	**1,587**	318	1,055
Total	**753**	**1,831**	527	1,156

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

	2010		2009	
	Assets HK$ Million	**Liabilities HK$ Million**	Assets HK$ Million	Liabilities HK$ Million
Fixed-to-floating interest rate swaps				
Expiring within 1 year	**11**	**–**	40	–
Expiring after more than 1 year but not exceeding 5 years	**17**	**11**	26	7
Expiring after 5 years	**83**	**12**	36	28
	111	**23**	102	35
Floating-to-fixed interest rate swaps				
Expiring within 1 year	**–**	**–**	–	6
Expiring after 5 years	**561**	**192**	307	93
	561	**192**	307	99
Cross currency interest rate swaps				
Expiring within 1 year	**–**	**8**	–	–
Expiring after more than 1 year but not exceeding 5 years	**17**	**11**	25	30
Expiring after 5 years	**60**	**1,551**	77	990
	77	**1,570**	102	1,020
Forward foreign exchange contracts				
Expiring within 1 year	**4**	**46**	16	2
Total	**753**	**1,831**	527	1,156

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

	2010 HK$ Million	2009 HK$ Million
Forward foreign exchange contracts	**1,974**	2,367
Fixed-to-floating interest rate swaps	**8,202**	4,800
Floating-to-fixed interest rate swaps	**8,230**	7,830
Cross currency interest rate swaps	**10,117**	10,117

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 loss of HK$226 million (2009: gain of HK$50 million) in respect of forward foreign exchange contracts was recognised in the consolidated income statement.

d. During the year, fair value cost on cross currency interest rate swaps and gain on interest rate swaps in the amounts of HK$574 million (2009: HK$315 million) and HK$127 million (2009: HK$360 million) respectively have been included under finance costs in the consolidated income statement.

21. BANK DEPOSITS AND CASH

	Group		Company	
	2010 HK$ Million	2009 HK$ Million	**2010 HK$ Million**	2009 HK$ Million
Bank deposits and cash				
Not pledged	**27,514**	27,674	**1,200**	–
Pledged	**26**	82	**–**	–
	27,540	27,756	**1,200**	–

Bank deposits and cash as at 31 December 2010 included HK$12,745 million equivalent (2009: HK$7,359 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 People's Republic of China government.

At 31 December 2010, bank deposits and cash included bank deposits of RMB2,216 million equivalent to HK$2,605 million (2009: 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 of HK$1,379 million (2009: HK$1,823 million) equivalent 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 projects.

22. TRADE AND OTHER PAYABLES

Included in this item are trade payables with an ageing analysis as at 31 December 2010 as follows:

	Group	
	2010	2009
	HK$ Million	HK$ Million
Amounts payable in the next:		
0 – 30 days	**260**	229
31 – 60 days	**139**	63
61 – 90 days	**45**	31
Over 90 days	**147**	80
	591	403
Rental and customer deposits	**1,943**	1,771
Construction costs payable	**2,197**	1,512
Other payables	**2,718**	2,771
	7,449	6,457

The amount of trade and other payables that is expected to be settled after more than one year is HK$1,140 million (2009: HK$1,119 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 remaining payables are expected to be settled or recognised as income within one year or are payable on demand.

23. DEPOSITS FROM SALE OF PROPERTIES

Deposits from sale of properties in the amount of HK$5,388 million (2009: HK$1,636 million) are expected to be recognised as income in the consolidated income statement after more than one year.

24. BANK LOANS AND OTHER BORROWINGS

	Group	
	2010	2009
	HK$ Million	HK$ Million
Bonds and notes (Unsecured)		
Due within 1 year	**202**	200
Due after 1 year but within 2 years	**–**	210
Due after 2 years but within 5 years	**500**	500
Due after 5 years	**5,468**	4,104
	6,170	5,014
Bank loans (Secured)		
Due within 1 year	**951**	1,454
Due after 1 year but within 2 years	**629**	1,176
Due after 2 years but within 5 years	**20,750**	10,169
Due after 5 years	**1,935**	2,987
	24,265	15,786
Bank loans (Unsecured)		
Due within 1 year	**15,209**	7,395
Due after 1 year but within 2 years	**5,791**	4,200
Due after 2 years but within 5 years	**11,427**	13,239
Due after 5 years	**2,820**	1,000
	35,247	25,834
Total bank loans and other borrowings	**65,682**	46,634
Analysis of maturities of the above borrowings		
Current borrowings		
Due within 1 year	**16,362**	9,049
Non-current borrowings		
Due after 1 year but within 2 years	**6,420**	5,586
Due after 2 years but within 5 years	**32,677**	23,908
Due after 5 years	**10,223**	8,091
	49,320	37,585
Total bank loans and other borrowings	**65,682**	46,634

	Company	
	2010	2009
	HK$ Million	HK$ Million
Bank loan (Unsecured)		
Due within 1 year	**6,905**	–
Bank loan (Secured)		
Due after 2 years but within 5 years	**5,500**	5,500
Total bank loans	**12,405**	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 27b):

	Group	
	2010	2009
	HK$ Million	HK$ Million
HKD	**57,116**	38,318
RMB	**4,818**	3,517
USD	**–**	389
JPY	**3,120**	3,120
SGD	**628**	1,290
	65,682	46,634

b. The interest rate profile of the Group's and the Company's borrowings (after the effects of interest rate swaps and cross currency interest rate swaps as detailed in notes 27a and b respectively) are as follows:

	2010 Effective interest rate %	2010 HK$ Million	2009 Effective interest rate %	2009 HK$ Million
Group				
Fixed rate borrowings				
Bonds and notes	**3.1**	**3,120**	3.1	3,120
Bank loans	**2.5**	**2,500**	–	–
		5,620		3,120
Floating rate borrowings				
Bonds and notes	**2.1**	**3,050**	1.3	1,894
Bank loans	**1.6**	**57,012**	1.0	41,620
		60,062		43,514
Total borrowings		**65,682**		46,634
Company				
Floating rate borrowings				
Bank loans	**0.9**	**12,405**	0.6	5,500

c. All the interest bearing borrowings are carried at amortised cost except for loans in an amount of HK$2,060 million (2009: HK$954 million) which are carried at their fair values. None of the non-current interest bearing borrowings are expected to be settled within one year.

d. Included in the Group's total loans are bank loans of HK$49,589 million and HK$628 million (2009: HK$39,844 million and HK$1,290 million) borrowed by Wharf and WPSL respectively. The loans are without recourse to the Company and its other subsidiaries.

e. At 31 December 2010, 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$80,698 million (2009: HK$72,555 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. DEFERRED TAXATION

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

	Group		
	2010 HK$ Million	2009 HK$ Million (restated)	2008 HK$ Million (restated)
Deferred tax liabilities	**5,413**	3,868	3,599
Deferred tax assets	**(550)**	(432)	(484)
Net deferred tax liabilities	**4,863**	3,436	3,115

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

	Depreciation allowances in excess of the related depreciation HK$ Million	**Revaluation of investment properties HK$ Million**	**Others HK$ Million**	**Future benefit of tax losses HK$ Million**	**Total HK$ Million**
Restated at 1 January 2009	2,267	1,616	(42)	(726)	3,115
Charged to the consolidated income statement (restated)	89	683	4	68	844
Exchange differences	1	2	–	(1)	2
Disposal of an investment property	(145)	(365)	–	–	(510)
Disposal of a subsidiary	(13)	–	–	–	(13)
Effect of change in tax rate	(2)	–	–	–	(2)
Restated at 31 December 2009 and 1 January 2010	**2,197**	**1,936**	**(38)**	**(659)**	**3,436**
Charged to the consolidated income statement	**192**	**1,158**	**7**	**(5)**	**1,352**
Exchange differences	**17**	**66**	**(1)**	**(7)**	**75**
At 31 December 2010	**2,406**	**3,160**	**(32)**	**(671)**	**4,863**

b. Deferred tax assets not recognised

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

	Group	
	2010	2009
	HK$ Million	HK$ Million
Deductible temporary differences	**(50)**	(49)
Future benefit of tax losses	**(1,291)**	(1,253)
Net deferred tax assets not recognised	**(1,341)**	(1,302)

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 2010. The tax losses arising from Hong Kong and Singapore operations do not expire under current tax legislation. The tax losses arising from Mainland China operations expire five years after the relevant accounting year end date.

26. OTHER DEFERRED LIABILITIES

	Group	
	2010	2009
	HK$ Million	HK$ Million
Club debentures issued (non-interest bearing)	**215**	215
Deferred revenue	**68**	47
	283	262

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

27. 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 dollars ("HKD"), United States dollars ("USD"), Renminbi ("RMB") and Singapore dollars ("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$1,981 million (2009: HK$930 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$8,230 million with maturity of 10 to 15 years together with another HK$8,230 million fixed-to-floating IRS with maturity of 2 years. Effectively, this arrangement has locked in fixed interest rates ranging from 2.1% to 3.6% for a certain portion of the Group's floating rate loan portfolio for a period of 8 to 13 years from 2010 to 2012 onwards.

As at 31 December 2010, after taking into account of IRS, approximately 91% (2009: 93%) of the Group's borrowings were at floating rates and the remaining 9% (2009: 7%) were at fixed rates (see Note 24b).

Based on the sensitivity analysis performed as at 31 December 2010, it was estimated that a general increase/decrease of 1% (2009:1%) in interest rates, with all other variables held constant, would decrease/ increase the post-tax profit and total equity of the Group and the Company by approximately HK$159 million (2009: increase/decrease of HK$8 million) and HK$111 million (2009: HK$54 million) respectively. 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 2009.

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 in 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.

	2010				2009			
	USD Million	**RMB Million**	**JPY Million**	**EURO Million**	USD Million	RMB Million	JPY Million	EURO Million
Bank deposits and cash	**23**	**478**	**–**	**–**	162	146	–	2
Available-for-sale investments	**458**	**–**	**–**	**–**	336	–	–	2
Held-to-maturity investments	**–**	**–**	**–**	**–**	106	–	–	–
Trade and other receivables	**87**	**62**	**–**	**–**	86	33	–	3
Trade and other payables	**(14)**	**(170)**	**–**	**–**	(15)	(232)	–	–
Bank loans and other borrowings	**(1,298)**	**–**	**–**	**–**	(1,298)	–	–	–
Inter-company balances	**57**	**231**	**–**	**–**	111	490	–	–
Gross exposure arising from recognised assets and liabilities	**(687)**	**601**	**–**	**–**	(512)	437	–	7
Notional amount of forward foreign exchange contracts								
– at fair value through profit or loss	**238**	**–**	**(19,800)**	**2**	216	600	(19,800)	–
– at cashflow hedge	**–**	**68**	**–**	**–**	–	–	–	–
Notional amount of cross currency IRS	**1,298**	**–**	**(45,764)**	**–**	1,298	–	(45,764)	–
Highly probable forecast purchase	**(212)**	**–**	**–**	**(7)**	(271)	–	–	(10)
Overall net exposure	**637**	**669**	**(65,564)**	**(5)**	731	1,037	(65,564)	(3)

At 31 December 2010, Mainland 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$441 million, HK$71 million, HK$883 million and HK$1,337 million respectively (2009: HK$1,235 million, HK$69 million, HK$883 million and HK$1,779 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 HKD and the USD would be materially unaffected by any changes movement in value of the USD against other currencies.

– a 5% (2009: 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$327 million (2009: HK$286 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 an 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 end of the 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 2009.

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 2010, it is estimated that an increase/decrease of 10% (2009: 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$1,065 million (2009: HK$478 million). The analysis is performed on the same basis for 2009.

d. Liquidity risk

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

Certain non-wholly-owned subsidiaries are responsible for their own cash management, including the short term investment of cash surpluses with creditworthy financial institutions and the raising of loans to cover expected cash demands, in accordance with the established policies and strategies with the concurrence by the Company.

The following tables detail the remaining contractual maturities at the 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 2010						
Bank loans and other borrowings	**(65,682)**	**(69,761)**	**(16,142)**	**(7,788)**	**(34,392)**	**(11,439)**
Trade and other payables	**(7,449)**	**(7,449)**	**(6,310)**	**(539)**	**(545)**	**(55)**
Club debentures issued	**(215)**	**(215)**	**–**	**–**	**–**	**(215)**
Forward foreign exchange contracts	**(42)**	**(42)**	**(42)**	**–**	**–**	**–**
Cross currency interest rate swaps	**(1,493)**	**(784)**	**99**	**77**	**179**	**(1,139)**
Interest rate swaps	**457**	**(1,349)**	**(105)**	**(119)**	**(385)**	**(740)**
	(74,424)	**(79,600)**	**(22,500)**	**(8,369)**	**(35,143)**	**(13,588)**
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	14	14	14	–	–	–
Cross currency interest rate swaps	(918)	(33)	105	99	254	(491)
Interest rate swaps	275	(489)	(5)	(52)	(190)	(242)
	(53,935)	(56,963)	(14,832)	(6,551)	(25,648)	(9,932)
Company						
At 31 December 2010						
Bank loans	**(12,405)**	**(12,535)**	**(6,994)**	**(41)**	**(5,500)**	**–**
Trade and other payables	**(6)**	**(6)**	**(6)**	**–**	**–**	**–**
	(12,411)	**(12,541)**	**(7,000)**	**(41)**	**(5,500)**	**–**
At 31 December 2009						
Bank loan	(5,500)	(5,596)	(32)	(32)	(5,532)	–
Trade and other payables	(6)	(6)	(6)	–	–	–
	(5,506)	(5,602)	(38)	(32)	(5,532)	–

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. The maximum amount callable as at 31 December 2010 was HK$3,060 million (2009: HK$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 Group or 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 value 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 2010 and 2009. 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.

	Group					
	2010			2009		
	Level 1 HK$ Million	**Level 2 HK$ Million**	**Total HK$ Million**	Level 1 HK$ Million	Level 2 HK$ Million	Total HK$ Million
Assets						
Available-for-sale investments:						
– Listed	**10,643**	**–**	**10,643**	4,779	–	4,779
Derivative financial instruments:						
– Interest rate swaps	**–**	**672**	**672**	–	409	409
– Cross currency interest rate swaps	**–**	**77**	**77**	–	102	102
– Forward foreign exchange contracts	**–**	**4**	**4**	–	16	16
	10,643	**753**	**11,396**	4,779	527	5,306
Liabilities						
Derivative financial instruments:						
– Interest rate swaps	**–**	**(215)**	**(215)**	–	(134)	(134)
– Cross currency interest rate swaps	**–**	**(1,570)**	**(1,570)**	–	(1,020)	(1,020)
– Forward foreign exchange contracts	**–**	**(46)**	**(46)**	–	(2)	(2)
	–	**(1,831)**	**(1,831)**	–	(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 non-controlling interests.

The net debt-to-equity ratios as at 31 December 2010 and 2009 were as follows:

	Group	
	2010 HK$ Million	2009 HK$ Million (restated)
Total bank loans and other borrowings (Note 24)	**65,682**	46,634
Less: Bank deposits and cash (Note 21)	**(27,540)**	(27,756)
Net debt	**38,142**	18,878
Shareholders' equity	**100,372**	76,898
Total equity	**193,076**	158,551
Net debt-to-shareholders' equity ratio	**38.0%**	24.5%
Net debt-to-total equity ratio	**19.8%**	11.9%

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

28. SHARE CAPITAL

	2010 No. of shares Million	2009 No. of shares Million	2010 HK$ Million	2009 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

29. 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.

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:

	Share capital HK$ Million	Share premium HK$ Million	Exchange and other reserves HK$ Million	Revenue reserves HK$ Million	Total HK$ Million
Company					
At 1 January 2009	1,016	1,914	96	1,471	4,497
Profit	–	–	–	350	350
Final dividend paid for 2008	–	–	–	(203)	(203)
Interim dividend paid for 2009 (Note 8)	–	–	–	(51)	(51)
At 31 December 2009 and 1 January 2010	**1,016**	**1,914**	**96**	**1,567**	**4,593**
Profit	**–**	**–**	**–**	**313**	**313**
Reclassification	**–**	**–**	**(77)**	**77**	**–**
Total comprehensive income	**–**	**–**	**(77)**	**390**	**313**
Final dividend paid for 2009 (Note 8)	**–**	**–**	**–**	**(203)**	**(203)**
Interim dividend paid for 2010 (Note 8)	**–**	**–**	**–**	**(51)**	**(51)**
At 31 December 2010	**1,016**	**1,914**	**19**	**1,703**	**4,652**

b. Reserves of the Company available for distribution to equity shareholders of the Company at 31 December 2010 amounted to HK$1,703 million (2009: HK$1,567 million).

c. Included in exchange and other reserves is capital redemption reserve of HK$19 million (2009: HK$19 million).

d. 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.

30. PRIVATISATION OF WHEELOCK PROPERTIES LIMITED

The privatisation of Wheelock Properties Limited (previously a 74%-owned listed subsidiary) at a cancellation price of HK$13 per share, was completed on 22 July 2010 and total consideration of HK$6,905 million was paid. Gain arising from the privatisation of HK$1,088 million, representing the excess of the Group's interest in the net assets acquired from non-controlling interests over the consideration paid, was recognised in equity with details as follows:

	2010 HK$ Million
Acquisition of non-controlling interests	**7,993**
Consideration paid	**(6,905)**
Gain on privatisation	**1,088**

Expenses of HK$12 million incurred for the privatisation were charged to the consolidated income statement.

31. CONTINGENT LIABILITIES

	Group		**Company**	
	2010 HK$ Million	2009 HK$ Million	**2010 HK$ Million**	2009 HK$ Million
a. Guarantees given in respect of banking facilities available to:				
Subsidiaries	**–**	–	**5,170**	370
Jointly controlled entities	**8,100**	–	**4,500**	–

Of the banking facilities available to jointly controlled entities which are guaranteed by the Group, HK$5,607 million (2009: HK$Nil) had been drawn at the end of reporting date.

b. Wheelock Properties Limited and New World Development Company Limited as guarantors (on a several basis) have provided a guarantee in favour of MTR Corporation Limited to guarantee the performance and fulfilment of all obligations of Fast New Limited, a 50%-owned jointly controlled entity, under or arising out of or in connection with an agreement dated 23 March 2010 for the development of Site C and Site D of the Austin Station Property Development project.

c. The Company has not recognised any deferred income for the guarantees given in respect of borrowings and other banking facilities for subsidiaries and jointly controlled entities 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:

		2010				2009			
		Hong Kong HK$ Million	Mainland China HK$ Million	Singapore HK$ Million	Total HK$ Million	Hong Kong HK$ Million	Mainland China HK$ Million	Singapore HK$ Million	Total HK$ Million
a.	**Capital expenditure**								
	(including investment properties)								
	Authorised and contracted for	939	5,853	51	6,843	333	6,624	193	7,150
	Authorised but not contracted for	739	16,242	–	16,981	1,148	11,711	–	12,859
		1,678	22,095	51	23,824	1,481	18,335	193	20,009
b.	**Programming and others**								
	Authorised and contracted for	1,761	–	–	1,761	2,226	–	–	2,226
	Authorised but not contracted for	142	–	–	142	139	–	–	139
		1,903	–	–	1,903	2,365	–	–	2,365
c.	**Properties under development**								
	(other than investment properties)								
	Authorised and contracted for	337	10,976	221	11,534	396	8,022	663	9,081
	Authorised but not contracted for	706	37,396	–	38,102	220	20,747	–	20,967
		1,043	48,372	221	49,636	616	28,769	663	30,048
d.	**Properties under development undertaken by jointly controlled entities and associates**								
	Authorised and contracted for	92	5,271	–	5,363	–	4,567	–	4,567
	Authorised but not contracted for	2,813	17,966	–	20,779	–	11,530	–	11,530
		2,905	23,237	–	26,142	–	16,097	–	16,097
e.	**Expenditure for operating leases**								
	Within one year	24	–	–	24	29	–	–	29
	After one year but within five years	33	–	–	33	41	–	–	41
	Over five years	59	–	–	59	58	–	–	58
		116	–	–	116	128	–	–	128

(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$15.5 billion payable by instalments from 2011 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 costs for investment property under development and Modern Terminal's port expenditure for the Dachan Bay project.

(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$6.2 billion mainly related to properties under development undertaken by Wheelock and its other subsidiaries or through its associates and WPSL group, 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 2010:

a. In respect of the year ended 31 December 2010, the Group earned rental income totalling HK$564 million (2009: HK$517 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 2b and c.

34. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued revised HKFRSs, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

HKFRS 3 (revised 2008)	Business combinations
Amendments to HKAS 27	Consolidated and separate financial statements
Amendment to HKAS 39	Financial instruments: Recognition and measurement – Eligible hedged items
Improvements to HKFRSs (2009)	
HK(Int) 5	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, with the exception of the amendments to HKAS 12, Income taxes, in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40, Investment property. The amendments are effective for annual periods beginning on or after 1 January 2012, but as permitted by the amendments, the Group has decided to adopt the amendments early.

The "Principal accounting policies" set out on pages 98 to 115 summarises the accounting policies of the Group and the Company after the adoption of these policies to the extent that they are relevant to the Group and the Company.

The Group has applied the below new accounting standards, which have material financial impacts on the current or previous periods:

a. Early adoption of the amendments to HKAS 12, Income taxes

The change in policy arising from the amendments to HKAS 12 had a material impact on the current or comparative periods. As a result of this change in policy, the Group now measures any deferred tax liability in respect of its investment properties with reference to the tax liability that would arise if the properties were disposed of at their carrying amounts at the reporting date. Previously, where these properties were held under leasehold interests, deferred tax was generally measured using the tax rate that would apply as a result of recovery of the asset's value through use.

This change in policy has been applied retrospectively by restating the opening balances at 1 January 2009 and 2010, with consequential adjustments to comparatives for the year ended 31 December 2009. This has resulted in a reduction in the amount of deferred tax provided on valuation gain as follows:

	As previously reported HK$ million	Effect of adoption of amendments to HKAS 12 HK$ million	As restated HK$ million
Consolidated income statement for the year ended 31 December 2009:			
Profit on disposal of investment properties	(1,236)	46	(1,190)
Income tax expense	4,089	(1,782)	2,307
Profit attributable to:			
Non-controlling interests	10,164	908	11,072
Equity shareholders	9,631	828	10,459
Basic earnings per share	HK$4.74	HK$0.41	HK$5.15
Diluted earnings per share	HK$4.74	HK$0.41	HK$5.15
Consolidated statement of financial position as at 31 December 2009:			
Deferred tax liabilities	18,270	(14,402)	3,868
Revenue reserves	63,374	7,203	70,577
Exchange and other reserves	1,804	4	1,808
Non-controlling interests	74,458	7,195	81,653
Consolidated statement of financial position as at 1 January 2009:			
Deferred tax liabilities	16,258	(12,659)	3,599
Revenue reserves	53,906	6,375	60,281
Non-controlling interests	64,510	6,284	70,794

b. The HKFRS 3 (revised 2008) ("revised HKFRS 3") introduces a number of changes to the accounting for business combinations, including the requirement that where a business combination is achieved in stages, the existing interest in the acquiree should be re-measured at fair value at the acquisition date and any resulting gain or loss recognised in the consolidated income statement. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

In accordance with the transitional provisions in revised HKFRS 3, these new accounting policies will be applied prospectively to any business combinations in the current or future periods.

The acquisition of additional equity interests in Hong Kong Air Cargo Terminals Limited ("Hactl") by The Wharf (Holdings) Limited in May 2010 has been accounted for in accordance with the revised HKFRS 3 and the HKAS 27 (amended 2008) ("revised HKAS 27"). This has resulted in the remeasurement of its previously held interests in Hactl to fair value and the recognition of a gain of HK$437 million in the consolidated income statement for the year ended 31 December 2010 (Note 4).

c. As a result of the adoption of revised HKAS 27 which is applied as from 1 January 2010, the Group accounts for any changes in a parent company's interest in subsidiaries that do not result in changes of control to be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised or remeasured as a result of such transactions. A gain or loss on disposal will be recognised in the consolidated income statement only if the disposal results in a loss of control of a subsidiary. Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.

The privatisation of Wheelock Properties Limited has been accounted for in accordance with the revised HKAS 27. This has resulted in the recognition of a gain of HK$1,088 million directly in equity for the year ended 31 December 2010 (Note 30).

The other developments resulted in changes in accounting policies but none of these changes in policy have a material impact on the current or previous periods, as described below:

a. The impact of the revised HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and the revised HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

b. The amendment to HKAS 39 ("HKAS 39 (amended)") provides additional guidance on when a financial item can be designated as a hedged item and on assessing hedge effectiveness. The adoption of HKAS 39 (amended) had no significant impact on the financial statements of the Group.

c. The amendment to HKAS 17, Leases, arising from the "Improvements to HKFRSs (2009)" omnibus standard classifies interests in leasehold land as operating or finance lease using the general principles of whether, the lease transfers substantially all the risks and rewards of ownership of the land to the lessee. The amendment has no financial impact on the Group's results or net asset.

d. As a result of the adoption of HK(Int) 5, Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause ("HK(Int) 5"), liability which may be callable by the lender at any time without cause (an overriding right of demand), must be classified as a current liability in accordance with HKAS 1. The issuance of HK(Int) 5 has had no material impact on the Group's financial position.

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 are not yet effective for the year ended 31 December 2010 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Revised HKAS 24, Related party disclosures	1 January 2011
HKFRS 9, Financial instruments	1 January 2013
Improvements to HKFRSs 2010	1 July 2010 or 1 January 2011

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that apart from Improvements to HKFRSs 2010 which may have some impact, the adoption of the new standards is unlikely to have a significant impact on the Group's results of operations and financial position.

36. EVENT AFTER THE REPORTING DATE

In March 2011, The Wharf (Holdings) Limited completed a rights issue by issuing 275,386,120 new ordinary shares of HK$1 each at a subscription price of HK$36.50 per rights share, and received net proceeds of approximately HK$10.0 billion, of which HK$5.0 billion was paid by Wheelock for its subscription. The Group's equity interest in The Wharf (Holdings) Limited remained unchanged at 50.02% after the rights issue.

37. COMPARATIVE FIGURES

As a result of the adoption of the amendments to HKAS 12, Income taxes, certain comparative figures have been adjusted to reflect the decrease in accrual of deferred tax liabilities related to investment properties carried at fair value. 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 2011.

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), with the exception of the amendments to HKAS 12, Income taxes, in respect of the recognition of deferred tax on investment properties carried at fair values under HKAS 40, in the consolidated financial statements for the year ended 31 December 2010. The effects of the early adoption of HKAS 12 (amended) are set out in note 34.

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).

C. BASIS OF CONSOLIDATION

(i) Subsidiaries and non-controlling 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, so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

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.

Non-controlling interests (previously known as "minority interests") represent the equity in a subsidiary not attributable directly or indirectly to the Company, 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. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling 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 non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes (o) or (p) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note (f)) or when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity (see note (c)(ii)).

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, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes (c)(iii)). Any acquisition-date excess over cost, 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.

When the Group ceases to have significant influence over an associate or joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note (f)) or, when appropriate, the cost on initial recognition of an investment in an associate.

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

(a) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(b) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (b) is greater than (a), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note (k)).

On disposal of a cash-generating unit 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 lives 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.

(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.

(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 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 subsidiaries, associates and jointly controlled entities (including those recognised using the equity method (see note (c)(ii))), the impairment loss is measured by comparing the recoverable amount of the investment 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).

– 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.

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 subsidiaries 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 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.

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

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

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

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

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

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).

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note (d)(i), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, 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 will probably arise from the distribution of dividends are recognised when the related dividends are payable in the foreseeable future.

(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 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.

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

Notes 17 and 27 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 2010

	Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital (except otherwise stated)/ registered and paid up capital	Percentage of equity attributable to the Shareholders	Principal activities
	A) Wharf				
*	**The Wharf (Holdings) Limited**	Hong Kong	2,753,861,207 HK$1 shares	50.02%	Holding company
	Properties				
	Wharf Estates Limited	Hong Kong	2 HK$1 shares	50.02%	Holding company
	Harbour City Estates Limited	Hong Kong	20,000 HK$10 shares	50.02%	Property
	Wharf Realty Limited	Hong Kong	2 HK$1 shares	50.02%	Property
	Times Square Limited	Hong Kong	2 HK$10 shares	50.02%	Property
	Plaza Hollywood Limited	Hong Kong	10,000 HK$1 shares	50.02%	Property
	Wharf Development Limited	Hong Kong	2 HK$1 shares	50.02%	Holding company
	HKRT Peak Properties Limited	Hong Kong	3,000,000 HK$10 shares	50.02%	Property
	Hong Tai Yuen Limited	Hong Kong	500,000 HK$1 shares	50.02%	Property
	Olinda Limited	Hong Kong	2 HK$10 shares	50.02%	Property
	New Tech Centre Limited	Hong Kong	10,000 HK$1 shares	50.02%	Property
	Wharf China Holdings Limited	British Virgin Islands	2,564,102,500 US$1 shares	50.02%	Holding company
	Wharf China Estates Limited	British Virgin Islands	500 US$1 shares	50.02%	Holding company
iii	Shanghai Long Xing Property Development Company Limited	The People's Republic of China	US$45,000,000	50.02%	Property
ii	Dalian Times Square Development Company Limited	The People's Republic of China	RMB420,000,000	50.02%	Property
ii	Long Qing Property Development (Chongqing) Company Limited	The People's Republic of China	RMB194,000,000	50.02%	Property
i	Shanghai Wheelock Square Development Limited	The People's Republic of China	US$240,000,000	49%	Property
ii	龍昌綜合開發(成都)有限公司	The People's Republic of China	HK$330,000,000	50.02%	Property
ii	龍錦綜合開發(成都)有限公司	The People's Republic of China	US$666,000,000	50.02%	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	50.02%	Property
	Wharf China Development Limited	British Virgin Islands	500 US$1 shares	50.02%	Holding company
ii	漢龍實業綜合開發(武漢)有限公司	The People's Republic of China	US$33,100,000	50.02%	Property
iii	上海九洲物業發展有限公司	The People's Republic of China	US$30,000,000	43%	Property
i	上海龍申房地產發展有限公司	The People's Republic of China	US$22,330,000	28%	Property
ii	九龍倉(無錫)置業有限公司	The People's Republic of China	US$267,580,000	50.02%	Property
ii	龍茂房地產開發(成都)有限公司	The People's Republic of China	HK$1,233,000,000	50.02%	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	50.02%	Property
ii	龍悦房地產開發(成都)有限公司	The People's Republic of China	US$240,000,000	50.02%	Property
ii	蘇州蘇龍地產發展有限公司	The People's Republic of China	US$166,800,000	50.02%	Property
ii	無錫港龍置業有限公司	The People's Republic of China	US$140,900,000	50.02%	Property
ii	無錫河畔置業有限公司	The People's Republic of China	US$111,400,000	50.02%	Property
ii	港盈房地產(杭州)有限公司	The People's Republic of China	US$146,990,000	50.02%	Property
ii	九龍倉(杭州)置業有限公司	The People's Republic of China	US$249,950,000	50.02%	Property
ii	堡盈房地產(杭州)有限公司	The People's Republic of China	US$310,000,000	50.02%	Property
*	**Harbour Centre Development Limited**	Hong Kong	708,750,000 HK$0.5 shares	36%	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	29%	Property
ii	九龍倉(常州)置業有限公司	The People's Republic of China	US$229,800,000	36%	Property
ii	上海綠源房地產開發有限公司	The People's Republic of China	RMB770,000,000	36%	Property

Principal Subsidiaries, Associates and Jointly Controlled Entities

At 31 December 2010

	Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital (except otherwise stated)/ registered and paid up capital	Percentage of equity attributable to the Shareholders	Principal activities
	Logistics				
	Wharf Transport Investments Limited	Hong Kong	2 HK$1 shares	50.02%	Holding company
	The "Star" Ferry Company, Limited	Hong Kong	1,440,000 HK$5 shares	50.02%	Public transport
	Modern Terminals Limited	Hong Kong	70,116 HK$1,000 shares	34%	Container terminal
i	Shenzhen Dachan Bay Modern Port Development Company, Limited	The People's Republic of China	RMB2,475,550,000	22%	Container terminal
i	Suzhou Modern Terminals Limited	The People's Republic of China	RMB822,500,000	24%	Container terminal
	Hotels				
	Marco Polo Hotels Limited	Cayman Islands	500,000,000 US$1 shares	50.02%	Holding company
	Marco Polo Hotels Management Limited	Hong Kong	2 HK$10 shares	50.02%	Hotel management
	The Hongkong Hotel Limited	Hong Kong	100,000 HK$1 shares	36%	Hotel and property
	The Marco Polo Hotel (Hong Kong) Limited	Hong Kong	1,000 HK$1 shares	50.02%	Hotel operation
	The Prince Hotel Limited	Hong Kong	2 HK$1 shares	50.02%	Hotel operation
ii	武漢馬哥孛羅酒店有限公司	The People's Republic of China	US$3,850,000	50.02%	Hotel management
	CME				
	Wharf Communications Limited	Hong Kong	1,000,000 HK$10 shares	50.02%	Holding company
*	i-CABLE Communications Limited	Hong Kong	2,011,512,400 HK$1 shares	37%	Holding company
	Hong Kong Cable Enterprises Limited	Hong Kong	2 HK$1 shares	37%	Advertising airtime and programming licensing
	Hong Kong Cable Television Limited	Hong Kong	750,000,000 HK$1 shares	37%	Pay television, Internet and multimedia
	i-CABLE Entertainment Limited	Hong Kong	10,000,000 HK$1 shares	37%	Programme production and channel operation
	i-CABLE News Limited	Hong Kong	10,000,000 HK$1 shares	37%	Programme production and channel operation
	i-CABLE Sports Limited	Hong Kong	10,000,000 HK$1 shares	37%	Programme production and channel operation
	i-CABLE Network Limited	Hong Kong	100 HK$1 shares 2 HK$1 non-voting deferred shares	37%	Network operation
	i-CABLE Network Operations Limited	Hong Kong	500,000 HK$1 shares	37%	Network operation
	Sundream Motion Pictures Limited	Hong Kong	10,000,000 HK$1 shares	37%	Film production
	Wharf T&T Limited	Hong Kong	100,000,000 HK$1 shares	50.02%	Telecommunication
	EC Telecom Limited	Hong Kong	2 HK$1 shares	50.02%	Telecommunication
	COL Limited	Hong Kong	40,000 HK$500 shares	50.02%	Computer services
	Investment and others				
	Wharf Limited	Hong Kong	2 HK$10 shares	50.02%	Management services
	Wharf Finance Limited	Hong Kong	2 HK$1 shares	50.02%	Finance
	Wharf Finance (BVI) Limited	British Virgin Islands/Hong Kong	500 US$1 shares	50.02%	Finance
	Wharf Hong Kong Limited	Cayman Islands	500,000,000 US$1 shares	50.02%	Holding company
	Wharf China Finance Limited	Hong Kong	5,000,000 HK$1 shares	50.02%	Finance
	Wharf Finance (No.1) Limited	Hong Kong	2 HK$1 shares	50.02%	Finance
	Wharf Finance (BVI) No.1 Limited	British Virgin Islands/Hong Kong	500 US$1 shares	50.02%	Finance

Principal Subsidiaries, Associates and Jointly Controlled Entities

At 31 December 2010

	Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital (except otherwise stated)/ registered and paid up capital	Percentage of equity attributable to the Shareholders	Principal activities
	B) Wheelock (other than Wharf)				
*	**Wheelock Properties (Singapore) Limited**	Singapore	398,853,292 S$1 shares & 797,706,584 shares issued at S$0.825 per share	76%	Holding company/Property
	Actbilt Pte Limited	Singapore	1,000,000 S$1 shares	76%	Property
	Ardesia Developments Pte. Ltd.	Singapore	2 S$1 shares	76%	Investment
	Bestbilt Pte. Ltd.	Singapore	1,000,000 S$1 shares	76%	Property
	Botanica Pte. Ltd.	Singapore	1,000,000 S$1 shares	76%	Property
	Everbilt Developers Pte Ltd	Singapore	160,000,000 S$1 shares	76%	Property
	Nassim Developments Pte. Ltd.	Singapore	2 S$1 shares	76%	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 HK$10 non-voting shares	75%	Letting agent
	Janeworth Company Limited	Hong Kong	550,000,000 HK$1 shares	100%	Property
	Marnav Holdings Limited	Hong Kong	1,000,000 HK$1 shares	100%	Property
	Max Bloom International Development Limited	Hong Kong	1 HK$1 share	100%	Investment
	Ridge Limited	Hong Kong	2 HK$1 shares	100%	Property
	Salisburgh Company Limited	Hong Kong	2 HK$1 shares	83%	Property
	Samover Company Limited	Hong Kong	2 HK$1 shares	100%	Property
	Titano Limited	Hong Kong	2 HK$1 shares	100%	Property
	Universal Sight Limited	Hong Kong	1 HK$1 share	100%	Property
	Wheelock China Limited (held directly)	Hong Kong	2 HK$1 shares	100%	Holding company
	Wheelock Corporate Services Limited (held directly)	Hong Kong	10,000,000 HK$1 shares	100%	Management services
	Wheelock Finance Limited	Hong Kong	2 HK$1 shares	100%	Finance
	Wheelock Finance (BVI) Limited	British Virgin Islands/Hong Kong	500 US$1 shares	100%	Finance
	Wheelock Finance (No. 1) Limited	Hong Kong	2 HK$1 shares	100%	Finance
	Wheelock Properties Limited	Hong Kong	2,069,637,125 HK$0.2 shares	100%	Holding company
	Wheelock Properties (China) Limited	British Virgin Islands	500 US$1 shares	100%	Holding company
	Wheelock Properties (Hong Kong) Limited (held directly)	Hong Kong	10 HK$100 shares	100%	Property services and management
	Wheelock Travel Limited	Hong Kong	50,000 HK$10 shares	100%	Travel agency
i	廣州市廣隆房地產有限公司	The People's Republic of China	HK$150,000,000	100%	Property

Principal Subsidiaries, Associates and Jointly Controlled Entities

At 31 December 2010

Associates	Place of incorporation/ operation	Class of shares	Percentage of equity attributable to the Shareholders	Principal activities
Wharf – Properties				
Start Treasure Limited	Hong Kong	Ordinary	8%	Property
蘇州雙湖房地產有限公司	The People's Republic of China	Registered	25%	Property
天津港威房地產開發有限公司	The People's Republic of China	Registered	25%	Property
Wharf – Logistics				
Hong Kong Air Cargo Terminals Limited	Hong Kong	Ordinary	11%	Air Cargo
Mega Shekou Container Terminals Limited	British Virgin Islands	Ordinary	7%	Holding company
Wheelock – Properties				
佛山信捷房地產有限公司	The People's Republic of China	Registered	50%	Property
佛山鑫城房地產有限公司	The People's Republic of China	Registered	50%	Property
佛山招商會德豐房地產有限公司	The People's Republic of China	Registered	50%	Property
佛山依雲房地產有限公司	The People's Republic of China	Registered	50%	Property

Jointly controlled entities	Place of incorporation/ operation	Class of shares	Percentage of equity attributable to the Shareholders	Principal activities
Wharf – Properties				
Market Prospect Limited	Hong Kong	Ordinary	25%	Property
重慶嘉江房地產開發有限公司	The People's Republic of China	Registered	20%	Property
重慶嘉益房地產開發有限公司	The People's Republic of China	Registered	25%	Property
浙江金盈置業有限公司	The People's Republic of China	Registered	25%	Property
無錫都會置業有限公司	The People's Republic of China	Registered	25%	Property
無錫地久置業有限公司	The People's Republic of China	Registered	20%	Property
祥寶投資(成都)有限公司	The People's Republic of China	Registered	15%	Property
天津贏超房地產開發有限公司	The People's Republic of China	Registered	25%	Property
寧波姚景房地產開發有限公司	The People's Republic of China	Registered	25%	Property
重慶豐盈房地產開發有限公司	The People's Republic of China	Registered	20%	Property
Wharf – Logistics				
Taicang International Container Terminals Company Limited	The People's Republic of China	Registered	17%	Container terminal
Wheelock – Property				
Fast New Limited	Hong Kong	Ordinary	50%	Property

Notes:

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

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

* *Listed companies*

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 2010

Address	Total	Office	Retail	Residential	Others	(Remarks)
	Approximate Gross Floor Areas (sq.ft.)					
Investment Properties in Hong Kong						
Harbour City, Tsimshatsui						
Ocean Terminal	658,000	–	658,000	–	–	
Ocean Centre	901,000	677,000	224,000	–	–	
Wharf T & T Centre	257,000	257,000	–	–	–	
World Commerce Centre	257,000	257,000	–	–	–	
World Finance Centre	512,000	512,000	–	–	–	
Ocean Galleries	386,000	–	386,000	–	–	
Gateway I	1,236,000	1,128,000	108,000	–	–	
Gateway II	2,640,000	1,570,000	400,000	670,000	–	
The Marco Polo Hongkong Hotel (Commercial Section)	206,000	34,000	172,000	–	–	
Times Square						
Sharp Street East, Causeway Bay	1,969,000	1,033,000	936,000	–	–	
Others						
Plaza Hollywood, 3 Lung Poon Street, Diamond Hill	562,000	–	562,000	–	–	
Wharf T&T Square, Hoi Bun Road, Kwun Tong	395,000	330,000	65,000	–	–	
Delta House, 3 On Yiu Street, Shatin	349,000	349,000	–	–	–	
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	–	
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	–	
77 Peak Road, The Peak	42,200	–	–	42,200	–	
Kowloon Godown, 1-5 Kai Hing Road, Kowloon Bay	829,000	–	–	829,000	–	
Cable TV Tower South, Chai Wan Kok Street, Tsuen Wan	585,000	–	–	–	585,000	(Industrial)
Units at Star House, 3 Salisbury Road, Kowloon	50,800	–	50,800	–	–	
Crawford House, 64-70A Queen's Road Central, Central	191,400	105,700	85,700	–	–	
3/F-24/F, Wheelock House, 20 Pedder Street, Central	198,300	198,300	–	–	–	
	12,993,600	6,451,000	3,647,500	1,744,100	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	–	
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	–	–	
Times Outlets No. 633 Shuangnan Avenue (Middle Section) Shuangliu County, Chengdu	680,000	–	680,000	–	–	
Wheelock Square 1717 Nan Jing Xi Road, Jingan District, Shanghai	1,228,000	1,149,000	79,000	–	–	
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	(A 305-room hotel)
Wuxi IFC Taihu Plaza, Nanchang District, Wuxi	3,013,000	1,583,000	–	1,028,000	402,000	(A 243-room hotel)
Suzhou IFC Xing Hu Jie, Suzhou Industrial Park, Suzhou	3,780,000	1,890,000	–	1,407,000	483,000	(A 250-room hotel)
	15,185,800	7,192,800	3,228,000	3,120,000	1,645,000	

Schedule of Principal Properties

At 31 December 2010

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	50.02%
126,488	KML 11 S.A.	2880	1977	N/A	50.02%
(a)	KML 11 S.B.	2880	1981	N/A	50.02%
(a)	KML 11 S.B.	2880	1981	N/A	50.02%
(a)	KML 11 S.D.	2880	1983	N/A	50.02%
(a)	KML 11 S.B. & D.	2880	1981/83	N/A	50.02%
(a)	KML 11 R.P.	2880	1994	N/A	50.02%
(a)	KML 11 S.B. & D.	2880	1998/99	N/A	50.02%
(b)	KML 91 S.A. & KML 10 S.B.	2863	1969	N/A	36%
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	50.02%
280,510	NKIL 6160	2047	1997	N/A	50.02%
48,438	KTIL 713	2047	1991	N/A	50.02%
70,127	STTL 422	2047	1999	N/A	50.02%
N/A	TWTL 218	2047	1992	N/A	50.02%
N/A	RBL 512 & 1004	2027/28	1974/77	N/A	50.02%
29,640	RBL 556 R.P.S.A. & S.B.	2035	2001	N/A	50.02%
32,145	RBL 522, 639, 661	2027	2001	N/A	50.02%
97,670	RBL 534 S.E. & S.F.	2028	2002	N/A	50.02%
76,728	RBL 836	2029	1951	Planning for redevelopment	50.02%
165,809	NKIL 5805, 5806 & 5982	2047	1984	Planning for redevelopment	50.02%
66,000	TWIL 36	2047	2012	Superstructure in progress	50.02%
N/A	KML 10 S.A.	2863	1966	N/A	36%
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	100%
148,703	N/A	2043	1999	N/A	50.02%
95,799	N/A	2050	2004	N/A	50.02%
(c)	N/A	2053	2008	N/A	50.02%
(d)	N/A	2039	2008	N/A	50.02%
(e)	N/A	2047	2009	N/A	50.02%
136,432	N/A	2049	2010	N/A	49%
590,481	N/A	2047	2014	Superstructure in progress	50.02%
313,867	N/A	2047/57	2015	Substructure in progress	50.02%
229,069	N/A	2047/77	2016	Foundation in progress	29%

Schedule of Principal Properties

At 31 December 2010

Address	Total	Office	Retail	Residential	Others	(Remarks)
	Approximate Gross Floor Areas (sq.ft.)					
Investment Property in Singapore						
Wheelock Place, 501 Orchard Road	464,800	226,400	238,400	–	–	
Hotels and Clubs in Hong Kong						
Harbour City, Tsimshatsui						
The Marco Polo Hongkong Hotel	553,000	–	–	–	553,000	(A 664-room hotel)
Gateway	313,000	–	–	–	313,000	(A 433-room hotel)
Prince	359,000	–	–	–	359,000	(A 393-room hotel)
Pacific Club Kowloon	139,000	–	–	–	139,000	(Club House)
	1,364,000	–	–	–	1,364,000	
Hotel and Club in China						
Marco Polo Wuhan 160 Yan Jiang Da Dao, Jiangan District, Wuhan	405,000	–	–	–	405,000	(A 370-room hotel)
Development Properties in Hong Kong						
Yau Tong Godown, 5 Tung Yuen Street, Yau Tong	256,000	–	43,000	213,000	–	
One Island South, 2 Heung Yip Road, Wong Chuk Hang	812,800	722,300	90,500	–	–	(275,200 sq. ft. office area pre-sold)
211-215C Prince Edward Road West, Homantin	91,700	–	–	91,700	–	
46 Belcher's Street, Kennedy Town	89,000	–	–	89,000	–	
Bellagio, 33 Castle Peak Road, Sham Tseng	37,000	–	37,000	–	–	
	1,286,500	722,300	170,500	393,700	–	
Development Property in Hong Kong (undertaken by associates)						
Various Lots at Yau Tong Bay, Yau Tong	651,400	–	20,100	631,300	–	(Attributable – Note f)
Development Properties in Hong Kong (undertaken by jointly controlled entities)						
103 Mount Nicholson Road, The Peak	162,000	–	–	162,000	–	(Attributable – Note f)
Austin Station Property Developments Sites C and D, West Kowloon	641,000	–	–	641,000	–	(Attributable – Note f)
	803,000	–	–	803,000	–	

Schedule of Principal Properties

At 31 December 2010

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	76%
58,814	KML 91 S.A. & KML 10 S.B.	2863	1969	N/A	36%
(a)	KML 11 S.B.	2880	1981	N/A	50.02%
(a)	KML 11 S.D.	2880	1983	N/A	50.02%
48,309	KIL 11179	2021	1990	N/A	50.02%
(c)	N/A	2053	2008	N/A	50.02%
42,625	YTIL 4SA & adjoining Government land	2047	2015	Planning stage	50.02%
49,000	AIL 374	2121	2011	Superstructure in progress	100%
18,338	KIL 2340 R.P.	2080	2012	Superstructure in progress	100%
10,949	IL 953 R.P.	2891	2014	Foundation in progress	100%
495,370	Lot no. 269 R.P. in DD 390	2051	2005	N/A	83%
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%
250,930	IL9007	2060	2014	Demolition in progress	25%
295,181	KIL 11126 and KIL 11129	2060	2015	Demolition in progress	50%

Schedule of Principal Properties

At 31 December 2010

	Approximate Gross Floor Areas (sq.ft.)					
Address	**Total**	**Office**	**Retail**	**Residential**	**Others**	**(Remarks)**
Development Properties in China						
The Orion Bounded by Dongdajie South, Jinhua Nan Lu East and Datiankan Jie North, Jinjiang District, Chengdu	633,000	–	–	633,000	–	
Tian Fu Times Square Junction of Dong Da Jie & Fu He, Jinjiang District, Chengdu	2,997,000	1,940,000	74,000	983,000	–	(198,000 s.f. residential & 418,000 s.f. office areas pre-sold)
Shuangliu Development Zone Junction of Shuang Nan Avenue and Guang Hua Avenue, Shuangliu County, Chengdu	9,127,000	3,922,800	1,281,400	3,922,800	–	
Le Palais Lot No. 8 along Section 3 of the 2nd Ring Road East, Chenghua District, Chengdu	3,424,000	–	70,000	3,354,000	–	
Crystal Park, No.10 Gaoxin District Junction of Zhan Hua Road and Fu Cheng Avenue, Chengdu	3,318,000	443,000	5,000	2,870,000	–	(1,286,000 s.f. residential area pre-sold)
Changzhou Feng Huang Hu Xin Bei District and abutting Han Jiang Lu and Yu Long Lu, Changzhou	3,283,000	–	–	3,283,000	–	
Changzhou Times Palace China Dinosaur Park, Xinbei District, Changzhou, Jiangsu Province	8,590,000	–	–	8,073,000	517,000	(A 304-room hotel and a State Guest House) (1,065,000 s.f. residential area pre-sold)
Hangzhou Hangyimian Lot C/D Gongshu District Gongchen Bridge West, Hangzhou	2,422,000	–	–	2,422,000	–	
Hangzhou Wenhui Road Lot#FG05 of Wenhui Road, Hangzhou	883,000	–	–	883,000	–	
No.1 Xin Hua Road 176 Huai Hai Xi Road, Changning District, Shanghai	117,000	–	–	117,000	–	
Shanghai Xi Yuan D1 of Xinjiangwancheng of Yangpu District, Shanghai	1,074,000	–	–	1,074,000	–	(543,000 s.f. pre-sold)
Jingan Garden 398 Wanhangdu Road, Jingan District, Shanghai	763,000	–	–	763,000	–	
Shanghai Pudong Huangpujiang Site #E18 of Pudong Huangpujiang Riverside, Shanghai	1,464,000	–	–	1,464,000	–	
Shanghai Songjiang Xianhe Road Site #2 of Songjiang Xianhe Road, Shanghai	878,000	–	–	878,000	–	
Suzhou Ambassador Villa Lot No. 68210 Suzhou Industrial Park, Suzhou	2,123,000	–	–	2,123,000	–	(382,000 s.f. pre-sold)
Suzhou Industrial Park Project Xiandai Da Dao, Suzhou Industrial Park, Suzhou	9,765,000	–	–	9,765,000	–	
Wuxi Glory of Time Nanchang District and abutting on Jinhang Canal, Wuxi	2,670,000	646,000	–	2,024,000	–	(229,000 s.f. residential area pre-sold)
Wuxi Times City Taihu Plaza, Nanchang District, Wuxi	7,861,000	–	–	7,861,000	–	(693,000 s.f. pre-sold)
Wuxi Old Canal Lot#71 Nanchang District and abutting on Jinhang Canal, Wuxi	2,551,000	–	–	2,551,000	–	
Wuhan Times Square 160 Yan Jiang Da Dao, Jiangan District, Wuhan	84,000	–	–	84,000	–	
Wuhan Moon Lake Site B Hanyang District, Qintai Road, Wuhan	1,362,000	–	–	1,362,000	–	
Dalian Times Square 50 Ren Min Road, Zhongshan District, Dalian	178,000	–	–	178,000	–	
Dongfenglu Project Lot No. S2, Dong Feng Lu, Guangzhou	357,600	–	113,900	243,700	–	
	65,924,600	6,951,800	1,544,300	56,911,500	517,000	

Schedule of Principal Properties

At 31 December 2010

Site Area (sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
160,000	N/A	2079	2012	Superstructure in progress	50.02%
761,520	N/A	2045/75	2013	Superstructure in progress	50.02%
(e)	N/A	2047/77	2013	Planning stage	50.02%
1,130,000	N/A	2050/80	2013	Foundation in progress	50.02%
884,459	N/A	2046/76	2013	Superstructure in progress	50.02%
2,563,134	N/A	2050/80	2014	Planning stage	50.02%
4,427,804	N/A	2047/77	2016	Superstructure in progress	36%
914,000	N/A	2080	2014	Planning stage	50.02%
258,358	N/A	2080	2014	Planning stage	50.02%
118,220	N/A	2070	2010	N/A	43%
638,000	N/A	2077	2012	Superstructure in progress	36%
170,825	N/A	2043/63	2013	Planning stage	28%
585,723	N/A	2081	2014	Planning stage	50.02%
877,772	N/A	2081	2014	Planning stage	50.02%
3,654,152	N/A	2076	2012	Superstructure in progress	50.02%
5,425,454	N/A	2077	2017	Foundation in progress	29%
1,276,142	N/A	2078	2014	Superstructure in progress	50.02%
3,314,418	N/A	2078	2015	Superstructure in progress	50.02%
1,416,822	N/A	2078	2015	Superstructure in progress	50.02%
(c)	N/A	2053/73	2007/08	N/A	50.02%
454,000	N/A	2080	2015	Planning stage	50.02%
(d)	N/A	2069	2009	N/A	50.02%
60,020	N/A	2059/79	2013	Planning stage	100%

Schedule of Principal Properties

At 31 December 2010

Address	Total	Office	Retail	Residential	Others	(Remarks)
	Approximate Gross Floor Areas (sq.ft.)					
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 – Note f)
Tianjin Jin Jiang Lu Project Junction of Weiguo Road & Jingjiang Road, Hedong District	646,900	–	173,000	473,900	–	(Attributable – Note f)
Evian Town South of Tian Hong Lu and North of Yu He Lu Xincheng District, Foshan	1,938,000	–	140,000	1,798,000	–	(Attributable – Note f) (768,600 s.f. residential area pre-sold)
Evian Uptown North side of Kin Jin Lu, Chancheng District, Foshan	1,428,700	–	115,200	1,313,500	–	(Attributable – Note f) (316,400 s.f. residential area pre-sold)
Foshan Nanhai District Shishan County Project	1,653,500	–	163,800	1,489,700	–	(Attributable – Note f)
Foshan Nanhai District Guicheng A18 and A21 Project	1,197,500	–	97,200	1,100,300	–	(Attributable – Note f)
	7,772,600	–	689,200	7,083,400	–	
Development Properties in China (undertaken by jointly controlled entities)						
Chengdu Shahe Project South of Shuanggui Road, North of Niusha Road, East of Erhuan Road, West of Shahe, Jinjiang District, Chengdu	4,046,000	1,242,000	508,000	2,176,000	120,000	(Attributable – Note f)
International Community Zone C of Danzishi, Nanan District, Chongqing	7,788,000	–	1,437,000	6,351,000	–	(Attributable – Note f) (359,000 s.f. residential area pre-sold)
Chongqing Jiangbei City Project Zone B of Jiangbei City, Jiang Bei District, Chongqing	2,524,000	–	–	2,524,000	–	(Attributable – Note f)
Chongqing IFC Zone A of Jiangbei City, Jiang Bei District, Chongqing	2,403,000	1,499,000	411,000	307,000	186,000	(A 250-room hotel) (Attributable – Note f)
Chongqing Jiangbei City Project Zone C of Jiangbei City, Jiang Bei District, Chongqing	4,763,000	–	–	4,763,000	–	(Attributable – Note f)
Golf Landmark Zhuantang Town, Zhijiang National Tourist Holiday Resort, Xihi District, Hangzhou	2,004,000	–	83,000	1,921,000	–	(Attributable – Note f) (89,000 s.f. residential area pre-sold)
Wuxi Wu Ai Bei	1,060,000	–	–	1,060,000	–	(Attributable – Note f)
Wuxi Old Canal Lot#73 Nanchang District and abutting on Jinhang Canal, Wuxi	1,973,000	–	–	1,973,000	–	(Attributable – Note f)
Ningbo Baoqingsi Site 3#-2 of Baoqingsi, Ningbo	419,000	–	–	419,000	–	(Attributable – Note f)
Peaceland Cove Tiedonglu, Hebei District, Tianjin	2,599,000	–	–	1,790,000	809,000	(Others for commercial use) (Attributable – Note f)
	29,579,000	2,741,000	2,439,000	23,284,000	1,115,000	

Schedule of Principal Properties

At 31 December 2010

Site Area (sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
1,976,237	N/A	2077	2014	Planning stage	25%
511,560	N/A	2079	2014	Planning stage	25%
2,867,600	N/A	2047/77	2013	Superstructure in progress	50%
1,155,000	N/A	2048/78	2014	Superstructure in progress	50%
1,526,900	N/A	2070	2015	Planning stage	50%
603,900	N/A	2080	2015	Planning stage	50%
2,212,128	N/A	2048/78	2013 and beyond	Planning stage	15%
6,080,656	N/A	2047/57	2014	Superstructure in progress	20%
1,002,408	N/A	2057	2014	Excavation work in progress	20%
516,021	N/A	2050/60	2015	Excavation work in progress	25%
2,335,535	N/A	2050/60	2018	Excavation work in progress	25%
2,046,685	N/A	2047/77	2014	Superstructure in progress	25%
1,471,613	N/A	2080	2014	Planning stage	20%
2,121,662	N/A	2048/78	2015	Planning stage	25%
524,250	N/A	2080	2014	Planning stage	25%
1,619,360	N/A	2050/80	2013	Superstructure in progress	25%

Schedule of Principal Properties

At 31 December 2010

	Approximate Gross Floor Areas (sq.ft.)					
Address	**Total**	**Office**	**Retail**	**Residential**	**Others**	**(Remarks)**
Development Properties in Singapore						
Scotts Square, 6 & 8 Scotts Road	423,300	–	130,600	292,700	–	(223,500 sq. ft. residential area pre-sold)
Ardmore Three, 3 Ardmore Park	149,200	–	–	149,200	–	
Units at Orchard View, 29 Angullia Park	53,100	–	–	53,100	–	
	625,600	–	130,600	495,000	–	
TOTAL	**137,055,900**	**24,285,300**	**12,107,600**	**94,466,000**	**6,197,000**	

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 2010, the Group acquired ten sites for development of five projects in Mainland China with details below:*

   (i) *Two sites in Suzhou Yin Shan Hu (wholly-owned by Wharf) with GFA 4.1 million sq.ft.*

   (ii) *Changsha IFC (wholly-owned by Wharf) with GFA 7.5 million sq.ft.*

   (iii) *Hangzhou Fuyang District Yingbin North Road (wholly-owned by Wharf) with GFA 1.4 million sq.ft.*

   (iv) *Hangzhou Yuhang District (wholly-owned by Wharf) with GFA 2.4 million sq.ft.*

   (v) *Five sites in Hangzhou Fuyang District (wholly-owned by WPSL) with GFA 3.9 million sq.ft.*

Schedule of Principal Properties

At 31 December 2010

Site Area (sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
71,137	N/A	Freehold	2011	Superstructure in progress	76%
54,981	N/A	Freehold	2015	Piling work in progress	76%
29,078	N/A	Freehold	2010	N/A	76%

Ten-year Financial Summary

HK$ Million	2010	2009	2008	2007	2006/07	2005/06	2004/05	2003/04	2002/03	2001/02
				(Note e)						
Consolidated Income Statement										
Turnover	**24,186**	18,957	22,583	17,915	16,096	4,235	4,521	7,116	9,868	7,165
Profit before investment property surplus	**4,974**	4,408	2,284	3,361	3,008	3,313	3,502	2,303	35	547
Investment property surplus (Note a)	**15,220**	6,051	1,148	4,254	3,302	7,003	4,835	–	–	–
Profit attributable to shareholders	**20,194**	10,459	3,432	7,615	6,310	10,316	8,337	2,303	35	547
Dividends attributable to shareholders	**254**	254	254	254	254	254	224	183	152	152
Consolidated Statement of Financial Position										
Fixed assets	**180,363**	145,311	130,696	125,390	111,256	8,665	5,326	4,011	3,886	4,935
Interest in associates	**6,574**	5,513	5,438	5,096	531	32,012	26,562	24,528	20,488	23,379
Interest in jointly controlled entities	**16,485**	7,551	7,989	4,555	788	–	–	–	–	–
Available-for-sale investments	**10,676**	4,885	2,279	7,622	7,088	2,187	1,488	1,167	753	3,728
Properties for sale	**37,233**	25,824	24,660	19,805	15,386	9,169	10,204	7,251	10,600	17,163
Bank deposits and cash	**27,540**	27,756	22,927	13,079	10,235	4,518	3,502	2,017	3,183	3,451
Other assets	**6,214**	7,966	4,217	3,578	3,743	1,627	1,673	1,905	3,092	2,011
Total assets	**285,085**	224,806	198,206	179,125	149,027	58,178	48,755	40,879	42,002	54,667
Bank loans/other borrowings	**(65,682)**	(46,634)	(45,623)	(34,991)	(25,806)	(7,205)	(8,023)	(8,132)	(11,981)	(16,626)
Other liabilities	**(26,327)**	(19,621)	(16,681)	(29,975)	(23,679)	(3,605)	(4,066)	(2,110)	(3,818)	(5,826)
Net assets	**193,076**	158,551	135,902	114,159	99,542	47,368	36,666	30,637	26,203	32,215
Share capital	**1,016**	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016
Reserves	**99,356**	75,882	64,092	55,635	48,246	40,000	30,419	25,528	21,774	25,469
Shareholders' equity	**100,372**	76,898	65,108	56,651	49,262	41,016	31,435	26,544	22,790	26,485
Non-controlling interests	**92,704**	81,653	70,794	57,508	50,280	6,352	5,231	4,093	3,413	5,730
Total equity	**193,076**	158,551	135,902	114,159	99,542	47,368	36,666	30,637	26,203	32,215
Financial Data										
Per share data										
Earnings per share (HK$)										
– Reported	**9.94**	5.15	1.69	3.75	3.11	5.08	4.10	1.13	0.02	0.27
– Underlying (Note b)	**2.45**	2.17	1.12	1.65	1.48	1.63	1.72	1.13	0.02	0.27
Net asset value per share (HK$)	**49.40**	37.85	32.04	27.88	24.25	20.19	15.47	13.06	11.22	13.04
Dividends per share (¢)	**12.5**	12.5	12.5	12.5	12.5	12.5	11.0	9.0	7.5	7.5
Financial ratios										
Net debt to Shareholders' equity (%)	**38.0%**	24.5%	34.9%	38.7%	31.6%	6.6%	14.4%	23.0%	38.6%	49.7%
Net debt to total equity (%)	**19.8%**	11.9%	16.7%	19.2%	15.6%	5.7%	12.3%	20.0%	33.6%	40.9%
Return on Shareholders' equity (%) (Note c)	**22.8%**	14.7%	5.6%	14.4%	14.0%	28.5%	28.8%	9.3%	0.14%	2.0%
Dividend cover (Times)										
– Reported	**79.5**	41.2	13.5	30.0	24.8	40.6	37.2	12.6	0.2	3.6
– Underlying (Note b)	**19.6**	17.4	9.0	13.2	11.8	13.0	15.6	12.6	0.2	3.6
Interest cover (Times) (Note d)	**19.8**	24.6	10.0	10.5	8.8	8.3	15.6	10.4	3.5	2.6

Notes:

a. *Investment property surplus on revaluation is after relevant deferred tax and non-controlling interests.*

b. *The underlying earnings per share and dividend cover are calculated by reference to the profit before investment property surplus.*

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

d. *Interest cover is based on operating profit (before depreciation, amortisation, interest and tax) over finance costs (after capitalisation but before fair value cost/gain).*

e. *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.*

f. *The Company changed its accounting policy on consolidation as explained in note 2a 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.*

g. *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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