WHEELOCK PROPERTIES LIMITED
會德豐地產有限公司

Stock Code 股份代號: 49

Annual Report 2008 二零零八年年報

WHEELOCK PROPERTIES

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CORPORATE INFORMATION

BOARD OF DIRECTORS
Peter K C Woo, *GBS, JP (Chairman)*
Joseph M K Chow, *OBE, JP*
Herald L F Lau*
Gonzaga W J Li
Roger K H Luk, *BBS, JP**
T Y Ng
Paul Y C Tsui
Ricky K Y Wong
Glenn S Yee*

* *Independent Non-executive Directors*

SECRETARY
Wilson W S Chan, *FCIS*

GENERAL MANAGERS
Wheelock Corporate Services Limited

REGISTERED OFFICE
23rd Floor, Wheelock House
20 Pedder Street
Hong Kong

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

PRINCIPAL BANKERS
The Hongkong and Shanghai Banking Corporation Limited

AUDITORS
KPMG

CHAIRMAN'S STATEMENT

The outbreak of the financial tsunami has weighed quite heavily on the main markets in which the Group operates. This necessarily affected 2008 results. However, the Group is in a solid financial position and will be well placed to benefit from investment opportunities and eventual recovery of the economy.

In Hong Kong, rapid moderation in economic growth started in the last quarter of 2008. With slower external and domestic demand, along with much tighter credit, GDP growth dropped from 6.4% in 2007 to 2.5% in 2008. Sentiment in the local property sector was accordingly dampened. Nevertheless, the retail and office markets held up reasonably well, despite some signs of softening in the later part of the year on worsening income prospects and business outlook.

Singapore also suffered from its worst economic crisis in years. This has further depressed the local residential and leasing markets.

The Group remains optimistic about the long-term outlook for the real estate market in China. Two excellent sites in the city of Foshan, Guangdong, were acquired for development in 2007. The Group will continue to seek good investment opportunities to broaden its asset and earnings base.

Wheelock Properties (Singapore) Limited ("WPSL")

Even with the prevailing weaker market sentiment and the challenging operating environment, WPSL continued to perform well. In property development, WPSL completed two residential projects - The Sea View and The Cosmopolitan. Its effort in conserving a neo-classical bungalow at The Sea View for the condominium clubhouse won an Architectural Heritage Award from the Urban Redevelopment Authority.

WPSL had successfully pre-sold various properties by the end of 2008, including 100% of Ardmore II and 77% of Scotts Square. In accordance with the current accounting standard, turnover and profits for these projects will not be recognised by the Group until project completion, presently scheduled for 2010 and 2011 respectively.

WPSL's investment property, Wheelock Place, continued to maintain high occupancy at satisfactory rental, even amidst weaker demand and consumer market as well as increasing competition among landlords for good retail concepts. WPSL's main focus is to attract and retain good tenants. It not only achieved high retention renewals of 66.5% in 2008, but also replaced the out-going tenants with good tenants at higher rents.

CHAIRMAN'S STATEMENT

RESULTS

The Company changed its financial year end date from 31 March to 31 December in the last financial period. Accordingly, the Group's financial year 2008 covered the twelve months ended 31 December 2008, whereas the previous financial period covered the nine months ended 31 December 2007.

Including the net investment property revaluation surplus, Group profit attributable to equity shareholders for the year ended 31 December 2008 was HK$816 million (2007: HK$1,540 million). A significant increase in operating profit mainly from the property development segment (upon recognition of profits on pre-sales of WPSL's The Sea View and The Cosmopolitan projects) was outweighed by WPSL's impairment losses on its investment in the listed SC Global Developments Ltd and Hotel Properties Limited, as well as a decrease in net investment property revaluation surplus.

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

Consolidated net asset value per share was HK$9.78 as at 31 December 2008 (2007: HK$12.02). The decrease was mainly due to the drop in market value of the Group's investment portfolio as a consequence of the current global financial turmoil.

A final dividend of 8.0 cents per share has been recommended to bring the total dividend for the twelve months ended 31 December 2008 to 10.0 cents per share (2007: 10.0 cents per share).

OUTLOOK

2009 is generally expected to be a very challenging year on mounting concerns over the deepening global crisis and its knock-on effects on Asia. Hong Kong is bound to be hit in a worsening global economy. Both external trade and domestic demand will remain subdued, with the Government expecting the economy to shrink by 2% to 3% in real terms. Despite the foreseeable challenges, Hong Kong, with its solid foundation and the staunch support from the Mainland, will strive to weather the storm. The recent measures introduced by the Central Government, including strengthening the financial and economic co-operation between Hong Kong and the Pearl River Delta, providing relief to Hong Kong enterprises based in the Mainland, and further facilitating Mainland visitors to Hong Kong will benefit the Hong Kong economy.

Despite the unfavourable economic environment, the Group is well poised to create a better future and continue to look for investment opportunities in Hong Kong and the Asia Pacific region to enhance value to Shareholders. On its new projects underway in China, the Group is confident they will reap a decent return in the next few years. Through close monitoring of market conditions, the Group will adjust the progress of development as appropriate. The projects involved will be funded both by equity and debt, as well as proceeds from operations and property pre-sales.

Peter K C Woo
Chairman

Hong Kong, 17 March 2009

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENT REVIEW

Given below is a review of the various segments of the Group.

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

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

The Group maintained its policy of disposing of non-core assets.

During the year under review, the Group acquired up to 98% of the interest in the property situate at 46 Belcher's Street for a total of HK$305 million. The property is planned for residential redevelopment.

By the end of December 2008, the Group had acquired up to 98% of the interest in the property at 211-215C Prince Edward Road West for residential re-development.

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

Wheelock Properties (Singapore) Limited (a 76%-owned Singapore listed subsidiary)

Profit for Wheelock Properties (Singapore) Limited ("WPSL") amounted to S$100.9 million for the financial year under review (2007: S$273.5 million) in accordance with the accounting standard in Singapore.

Development Properties

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

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

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

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

Investment Property

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

FINANCIAL REVIEW

(I) Results Review

The Company changed its financial year end date from 31 March to 31 December in the last financial period. Accordingly, the Group's financial year 2008 covered the twelve months ended 31 December 2008, whereas the previous financial period covered the nine months ended 31 December 2007.

Turnover and Operating profit

The Group's turnover for the year increased sharply to HK$6,269 million (2007: HK$840 million), reflecting higher property sales revenue recognised by the Property Development segment upon the completion of two projects in Singapore. Property Investment segment also reported rental revenue growth whilst Investment segment reported a decline in revenue.

The Group's operating profit correspondingly increased to HK$1,694 million (2007: HK$597 million).

Property Development

Revenue and operating profit from Property Development segment were HK$5,614 million (2007: HK$170 million) and HK$1,323 million (2007: HK$33 million) respectively, recognised on the completion of The Sea View and The Cosmopolitan projects. Other realised property sales included miscellaneous stock in Hong Kong.

WPSL recognises revenue and profit on pre-sales of properties under development by stages using the percentage of completion method in accordance with generally accepted accounting principles in Singapore. However, the Group prepares its consolidated financial statements under Hong Kong Financial Reporting Standards and recognises revenue and profit on pre-sales of properties upon their completion. Accordingly, revenue and profit from WPSL's The Sea View and The Cosmopolitan projects were not recognised until they were completed during the year under review and gave rise to an attributable profit of HK$800 million in 2008. On the same basis, profits recognised by WPSL in 2008 in respect of its pre-sales of Ardmore II units and Scotts Square units (still under development) were reversed and excluded from the Group's consolidated results for 2008. As at 31 December 2008, the cumulative reversed profits attributable to the Group amounted to HK$710 million.

As at 31 December 2008, WPSL had sold all the units at The Sea View, The Cosmopolitan and Ardmore II, and 238 residential units (77% sold) at Scotts Square.

Property Investment
Revenue and operating profit from Property Investment segment were HK$384 million (2007: HK$244 million) and HK$269 million (2007: HK$168 million) respectively. On an annualized basis, average rental increased by 18% in 2008 due to higher rental rates achieved by the Group's investment properties, which mainly comprised Wheelock House and Fitfort in Hong Kong and Wheelock Place in Singapore.

Investment and Others
Investment revenue, comprising mainly dividend income from the Group's long term investment portfolio and interest income, fell to HK$271 million (2007: HK$426 million) while operating profit fell to HK$122 million (2007: HK$410 million). The decrease in profit was mainly due to the inclusion in the 2007 results of a higher profit from the sale of available-for-sale investments and a non-recurrent special dividend received by WPSL from its 20% interest in Hotel Properties Limited ("HPL").

Increase in fair value of investment properties
The Group's investment properties were revalued by independent valuers as at 31 December 2008, which gave rise to a revaluation surplus of HK$527 million (2007: HK$1,446 million).

The attributable net surplus of HK$341 million (2007: HK$970 million), after deducting the related deferred tax and minority interests in total of HK$186 million (2007: HK$476 million), was credited to the consolidated profit and loss account.

Net other charge
Included in the Group's profit was a net other charge of HK$1,105 million, comprising WPSL's impairment losses of HK$663 million (of which HK$503 million is attributable to the Group) on its investment in SC Global Developments Ltd ("SC Global") and HK$442 million (of which HK$335 million is attributable to the Group) on its investment in HPL. There was no impairment loss recorded in 2007.

Finance costs
Finance costs of HK$12 million (2007: HK$16 million) charged to the profit and loss account was incurred by WPSL. The charge was after capitalisation of HK$35 million (2007: HK$55 million) in respect of WPSL's properties under development.

Share of results after tax of associates
Share of losses of associates was HK$71 million (2007: share of profits of HK$96 million), which included the Group's share of impairment provision of HK$103 million made by an associate for a China project.

Excluding the impairment provision, the share of associates' profit was down by HK$64 million to HK$32 million. The decrease was mainly attributable to lower development profit from sales of Bellagio units and Parc Palais units undertaken by associates.

Taxation

Taxation charge for the year was HK$27 million (2007: HK$329 million). The decrease in taxation charge was mainly due to the inclusion of a tax credit of HK$314 million (2007: HK$Nil) related to WPSL's write-back of the tax provided on disposal of Hamptons Group Limited following the ruling given by the Inland Revenue Authority of Singapore ("IRAS") that the disposal profit was capital in nature and utilization of tax losses, which has been agreed by IRAS, against prior years' tax paid.

Excluding the above tax credit, the Group's taxation charge was HK$341 million (2007: HK$329 million), which included deferred tax of HK$90 million (2007: HK$262 million) on the revaluation surplus of the Group's investment properties and a downward adjustment of deferred tax provision of HK$20 million (2007: HK$Nil) in respect of the Group's deferred tax liabilities previously provided on the investment property revaluation surplus, resulting from the 1% reduction in Hong Kong profits tax rate.

Minority interests

Profit shared by minority interests was HK$190 million (2007: HK$254 million), which related to the profit of WPSL.

Profit attributable to equity shareholders

Group's profit attributable to equity shareholders decreased by 47% to HK$816 million (2007: HK$1,540 million). The significant increase in operating profit was outweighed by impairment losses mainly on investments and decrease in net investment property revaluation surplus. Earnings per share were 39.4 cents (2007: 74.4 cents).

Excluding the net attributable investment property revaluation surplus after related deferred tax charge and the credit adjustment resulting from the 1% tax rate reduction and the above exceptional impairment losses, the Group's net profit attributable to equity shareholders actually rose by HK$826 million or 145% to HK$1,396 million (2007: HK$570 million).

(II) Liquidity and Financial Resources

Shareholders' and total equity

The Group's shareholders' equity decreased by 19% to HK$20,246 million or HK$9.78 per share as at 31 December 2008, compared to HK$24,874 million or HK$12.02 per share as at 31 December 2007. The decrease was mainly due to the drop in market value of the Group's investment portfolio as a consequence of the current global financial turmoil.

The Group's total equity, including minority interests, was HK$22,716 million (2007: HK$27,470 million).

Net cash

The Group's net cash increased by HK$894 million to HK$3,479 million as at 31 December 2008, which was made up of bank deposits and cash of HK$5,593 million and debts of HK$2,114 million, compared to net cash of HK$2,585 million as at 31 December 2007.

Excluding WPSL, the Company and its other subsidiaries together had net cash of HK$1,514 million (2007: HK$2,291 million). The major cash outflow for the year mainly included the payment of HK$646 million for the subscription of Wharf's rights shares. Other cash outflows comprised the payment for acquisition of properties at 46 Belcher's Street and contribution to associates for land cost payment.

WPSL's net cash amounted to HK$1,965 million (2007: HK$294 million). WPSL's major cash inflow was mainly attributable to proceeds received from sale of properties.

Finance and availability of facilities

(a) The Group's available loan facilities totalled HK$3.4 billion, of which HK$2.1 billion was drawn. The debt maturity profile of the Group as at 31 December 2008 is analysed below:

	2008 HK$Million	2007 HK$Million
Within 1 year	**512**	–
After 1 year but within 2 years	**1,043**	790
After 2 years but within 3 years	**559**	1,377
After 3 years but within 4 years	**–**	562
	2,114	2,729
Undrawn facilities	**1,272**	2,400
Total loan facilities	**3,386**	5,129

(b) The following assets of the Group have been pledged for securing bank loan facilities:

	2008 HK$Million	2007 HK$Million
Properties under development for investment	**670**	622
Properties under development for sale	**2,803**	4,544
	3,473	5,166

(c) As at 31 December 2008, WPSL's borrowings for financing its properties in Singapore were primarily denominated in Singapore dollars. The Group entered into certain forward exchange contracts primarily for management of its foreign currency assets and related interest rate exposures. These contracts were marked to market value at the balance sheet date to result in a net liability of HK$40 million. The Group has no other significant exposure to foreign exchange fluctuation except for the net investments in its Singapore subsidiaries and China associates.

(d) *Available-for-sale investments*
The Group maintained a portfolio of available-for-sale investments with an aggregate market value of HK$5,643 million as at 31 December 2008 (2007: HK$11,849 million), which primarily comprised a 7% interest in Wharf, WPSL's 20% interest in HPL and 17% interest in SC Global, and other blue chip securities. The cumulative attributable surplus of the investments as at 31 December 2008 amounted to HK$462 million (2007: HK$5,686 million) and is retained in reserves until the related investments are sold.

(III) Acquisition of Property/Investment

46 Belcher's Street

During the year under review, the Group acquired a 98% interest in the property situate at 46 Belcher's Street for a total consideration of approximately HK$305 million. The property is planned for re-development into residential properties for sale.

Investment in Wharf shares

Pursuant to Wharf's rights issue in January 2008, the Group was allotted, on a pro-rata basis, 21,542,128 rights shares of Wharf at HK$30 per share for a total consideration of HK$646 million.

(IV) Human Resources

The Group had 105 employees as at 31 December 2008 (2007: 110). Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective groups' achievement and results. Total staff costs for the year ended 31 December 2008 amounted to HK$79 million.

CORPORATE GOVERNANCE REPORT

(A) CORPORATE GOVERNANCE PRACTICES

During the financial year ended 31 December 2008, all the code provisions as set out in the Code on Corporate Governance Practices in Appendix 14 (the "Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") were met by the Company, with the exception of one deviation as set out under section (D) below. The application of the relevant principles, and the reasons for the abovementioned deviation from a Code provision, are stated in the following sections.

(B) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors of the Company who were in office during the financial year ended 31 December 2008, they have confirmed that they have complied with the Model Code during the financial year.

(C) BOARD OF DIRECTORS

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

The Company's Board has a balance of skills and experience and a balance composition of executive and non-executive directors. Four Board meetings were held during the financial year ended 31 December 2008. The composition of the Board and attendance of the Directors are set out below:

Directors	Attendance at Meetings
Chairman	
Peter K C Woo	4
Non-executive Directors	
Joseph M K Chow	3
Gonzaga W J Li	0
T Y Ng	3
Paul Y C Tsui	4
Ricky K Y Wong	4
Independent Non-executive Directors	
Herald L F Lau	4
David T C Lie-A-Cheong (resigned on 25 February 2008)	0
Roger K H Luk (appointed on 25 February 2008)	3
Glenn S Yee	4

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

(ii) Operation of the Board

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

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

(D) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr Peter K C Woo serves as the Chairman and also as the *de facto* chief executive officer of the Company. This is a deviation from the Code provision with respect to the roles of chairman and chief executive officer to be performed by different individuals. Such deviation is deemed appropriate as it is considered to be more efficient to have one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive officer. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals, a substantial proportion thereof being independent Non-executive Directors.

(E) NON-EXECUTIVE DIRECTORS

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

(F) REMUNERATION OF DIRECTORS

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

One Remuneration Committee meeting was held during the financial year ended 31 December 2008. Attendance of the Members is set out below:

Members	**Attendance at Meeting**
Peter K C Woo, *Chairman*	1
David T C Lie-A-Cheong (resigned on 25 February 2008)	0
Roger K H Luk (appointed on 25 February 2008)	1
Glenn S Yee	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 2008 is summarised below:

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

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

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

The basis of determining the emoluments payable to its Directors and senior management by the Company is by reference to the level of emoluments normally paid by a listed company in Hong Kong to directors and senior executives of comparable calibre and job responsibilities so as to ensure a fair and competitive remuneration package as is fit and appropriate. The basis of determining the Directors' fees, currently at the rate of HK$40,000 per annum per Director, payable to Directors of the Company, and the Audit Committee Members' fees, currently at the rate of HK$20,000 per annum per Member, payable to those Directors of the Company who are also Members of the Audit Committee of the Company is by reference to the level of fees of similar nature normally paid by a listed company in Hong Kong to its directors.

(G) NOMINATION OF DIRECTORS

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

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

(H) AUDITORS' REMUNERATION

The fees in relation to the audit and other services provided by KPMG, the external auditors of the Company, amounted to HK$3 million and HK$1 million respectively.

(I) AUDIT COMMITTEE

The Audit Committee of the Company consists of one Non-executive Director and two 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 Herald L F Lau has the appropriate professional qualifications and experience in financial matters.

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

Members	**Attendance at Meetings**
Glenn S Yee, *Chairman*	2
Joseph M K Chow	2
Herald L F Lau	2

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

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

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

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

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

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

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

(ii) The work performed by the Audit Committee for the financial year ended 31 December 2008 is summarised below:

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

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

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

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

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

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

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

(J) INTERNAL CONTROL

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

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

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

A review of the effectiveness of the Group's internal control system and procedures covering all controls, including financial, operational and compliance and risk management, was conducted by the Audit Committee and subsequently reported to the Board during the financial year ended 31 December 2008. Based on the result of the review, in respect of the financial year ended 31 December 2008, the Directors considered that the internal control system and procedures of the Group were effective and adequate.

(K) DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of financial statements for the financial year ended 31 December 2008, which give a true and fair view of the affairs of the Company and of the Group and of the Group's results and cash flows for the year then ended and in compliance with the requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

In preparing the financial statements for the financial year ended 31 December 2008:

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

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

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

(L) COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

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

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on page 75.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the financial year ended 31 December 2008 are set out in the Consolidated Profit and Loss Account on page 29.

Appropriations of profits and movements in reserves during the financial year are set out in Note 25 to the Financial Statements on page 53.

DIVIDENDS

An interim dividend of 2.0 cents per share was paid on 26 September 2008. The Directors have now recommended for adoption at the Annual General Meeting to be held on Monday, 1 June 2009 the payment on 4 June 2009 to Shareholders on record as at 1 June 2009 of a final dividend of 8.0 cents per share in respect of the financial year ended 31 December 2008. This recommendation has been disclosed in the Financial Statements.

FIXED ASSETS

Movements in fixed assets during the financial year are set out in Note 12 to the Financial Statements on page 43.

DONATIONS

The Group made donations during the financial year totalling HK$2 million.

DIRECTORS

The Directors of the Company during the financial year were Mr P K C Woo, Dr J M K Chow, Mr H L F Lau, Mr G W J Li, Mr D T C Lie-A-Cheong (resigned on 25 February 2008), Mr R K H Luk (appointed on 25 February 2008), Mr T Y Ng, Mr P Y C Tsui, Mr R K Y Wong and Mr G S Yee.

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

INTERESTS IN CONTRACTS

No contract of significance in relation to the Company's business to which the Company, its subsidiaries or its ultimate holding company or any subsidiary of that ultimate holding company 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

There was in existence during the financial year an agreement dated 31 March 1992 between the Company and Wheelock Corporate Services Limited ("WCSL"), whereby WCSL were appointed the General Managers of the Company. The said appointment has become effective since 31 March 1992 and, subject to certain terms and conditions as stipulated in a Master Services Agreement dated 22 December 2004 between the Company and Wheelock and Company Limited as revised by a supplemental agreement dated 7 February 2007 (relevant details thereof are set out on page 26 of this Annual Report), shall continue in force until it is terminated by WCSL by the giving of six months' prior notice in writing. Messrs P Y C Tsui and T Y Ng are directors of WCSL and are accordingly regarded as interested in the said agreement.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the financial year was the Company, its subsidiaries or its ultimate holding company or any subsidiary of that ultimate holding company 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, 17 March 2009

SUPPLEMENTARY CORPORATE INFORMATION

(A) Biographical Details of Directors and Senior Managers

(I) Directors

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

Mr Woo has resumed the role of Chairman of the Company since May 2006 after having also served in that capacity from 1985 to 1990. He also serves as a member and the chairman of the Company's Remuneration Committee. He is the chairman and a substantial shareholder of the Company's ultimate holding company, namely, Wheelock and Company Limited ("Wheelock"), and also the chairman of a fellow subsidiary of the Company, namely, The Wharf (Holdings) Limited ("Wharf"), both publicly listed in Hong Kong. Furthermore, he is the chairman of the Company's publicly-listed subsidiary in Singapore, namely, Wheelock Properties (Singapore) Limited ("WPSL"). 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.

Joseph M K CHOW, *OBE, JP, Director* (Age: 67)

Dr Chow, *RPE, FHKIE, FICE, FIStructE, FICT, MIHT*, has been a Director of the Company since 2003. He also serves as a member of the Company's Audit Committee. Dr Chow is a professional civil and structural engineer. He is the chairman of the Hong Kong Construction Workers Registration Authority, a member of Chinese People's Political Consultative Conference of Shanghai and a Hon. Senior Superintendent of the Hong Kong Auxiliary Police Force. Dr Chow is also the chairman of Joseph Chow & Partners Limited as well as an independent non-executive director of publicly-listed Chevalier International Holdings Limited, Build King Holdings Limited, Road King Infrastructure Limited and PYI Corporation Limited.

Herald L F LAU, *Director* (Age: 68)
Mr Lau, *FCA, FCPA*, has been an independent Non-executive Director of the Company since 2004. He also serves as a member of the Company's Audit Committee. 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 Fairwood Holdings Limited, Kerry Properties Limited and China World Trade Center Company Ltd. (Beijing).

Gonzaga W J LI, *Director* (Age: 79)
Mr Li has been a Director of the Company since 1997. He was elected the Chairman of the Company in 1997 and stepped down as the Chairman in May 2006. He is also the senior deputy chairman of Wheelock and Wharf, the chairman of a publicly-listed fellow subsidiary of the Company, namely, Harbour Centre Development Limited ("HCDL"), and the chief executive officer and a director of Wharf China Limited as well as a director of certain subsidiaries of the Company. Mr Li was formerly a director of publicly-listed Joyce Boutique Holdings Limited ("Joyce") from 2000 to 2008.

Roger K H LUK, *BBS, JP, Director* (Age: 57)
Mr Luk, *FHKIB, FHKIoD*, has been an independent Non-executive Director of the Company since 2008. He also serves as a member of the Company's Remuneration Committee. Mr Luk has over 30 years of comprehensive experience in accounting and financial management. He joined Hang Seng Bank in 1975, became the bank's director and deputy chief executive in 1994 and then became managing director and deputy chief executive of the bank in 1996 until his retirement in May 2005. Currently, Mr Luk is an independent non-executive director of three companies publicly-listed in Hong Kong, namely, China Properties Group Limited, Computime Group Limited and Hung Hing Printing Group Limited, of AXA General Insurance Hong Kong Limited, and also of Wharf T&T Limited, which is a fellow subsidiary of the Company. He also serves as a council member and the treasurer of The Chinese University of Hong Kong, a member of the Barristers Disciplinary Tribunal Panel and a non-official member of the Operations Review Committee of ICAC. Mr Luk also served in the past on the Court and Council of Hong Kong Baptist University, the Advisory Committee on New Broad-based Taxes, the Personal Data (Privacy) Advisory Committee, the Central Policy Unit of the Hong Kong Government, the Statistics Advisory Board, the Broadcasting Authority, and the Advisory Committee and the Investor Education Advisory Committee of the Securities and Futures Commission. He was an appointed member of the Hong Kong Legislative Council from 1992 to 1995, and also a member of the first Election Committee of the Legislative Council. Mr Luk is a fellow of the Hong Kong Institute of Bankers.

He is also a Non-official Justice of the Peace and was awarded the honour of Bronze Bauhinia Star in 2004 in recognition of his contributions to public services.

T Y NG, *Director* (Age: 61)
Mr Ng, *ACPA, ACMA*, has been a Director of the Company since 1998. He is also a director of Wharf, HCDL, Wheelock Corporate Services Limited ("WCSL") and certain subsidiaries of the Company. Mr Ng was formerly a director of Joyce from 2000 to 2008.

Paul Y C TSUI, *Director* (Age: 62)
Mr Tsui, *FCCA, FCPA, FCMA, FCIS, CGA-Canada*, has been a Director of the Company since 2005. He is also an executive director and the group chief financial officer of Wheelock and Wharf, and a director of WPSL and Joyce. Furthermore, he is the managing director of WCSL and a director of Myers Investments Limited ("Myers") and certain subsidiaries of the Company.

Ricky K Y WONG, *Director* (Age: 44)
Mr Wong has been a Director of the Company since 2006. He joined the Wharf group in 1989. He has been in continuous employment of the Wheelock and Wharf group since 1989 and has been responsible for various property-related matters of the Wheelock and Wharf group. He is currently the executive director of Wheelock Properties (Hong Kong) Limited, which is a wholly-owned subsidiary of Wheelock, and is presently responsible for overseeing the property development and related business of the Wheelock and Wharf group. Mr Wong graduated from University of Wisconsin in the United States with a Master Degree in Business Administration.

Glenn S YEE, *Director* (Age: 58)
Mr Yee has been an independent Non-executive Director of the Company since 2003. He also serves as a member and the chairman of the Company's Audit Committee and a member of the Company's Remuneration Committee. Mr Yee is the managing director of Pacific Can Company Limited.

Notes:

(1) Wheelock, WCSL and Myers (of which one or more of Mr P K C Woo, Mr G W J Li, Mr T Y Ng and Mr P Y C Tsui is/are director(s)) have interests in the share capital of the Company discloseable to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO").

(2) 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 (the "Stock Exchange"), and considers them independent.

(II) Senior Managers

During the financial year, the senior management responsibilities of the Group were vested with the General Managers of the Company, namely, WCSL (as referred to in the Report of the Directors under the section headed "Management Contracts" on page 19), and none of the employees of the Group are regarded as Senior Managers.

(B) Directors' Interests in Shares

At 31 December 2008, Directors of the Company had the following beneficial interests, all being long positions, in the share capitals of the Company, the Company's parent company, namely, Wheelock, and two subsidiaries of Wheelock, namely, Wharf and i-CABLE Communications Limited ("i-CABLE"), and the percentages which the relevant shares represented to the issued share capitals of the four companies respectively are also set out below:

	No. of Ordinary Shares (percentage of issued capital)	**Nature of Interest**
The Company		
G W J Li	2,900 (0.0001%)	Personal Interest
Wheelock		
P K C Woo	1,204,934,330 (59.3023%)	Personal Interest in 8,847,510 shares, Corporate Interest in 200,865,142 shares and Other Interest in 995,221,678 shares
G W J Li	1,486,491 (0.0732%)	Personal Interest
T Y Ng	70,000 (0.0034%)	Personal Interest
Wharf		
G W J Li	772,367 (0.0280%)	Personal Interest
T Y Ng	200,268 (0.0073%)	Personal Interest
i-CABLE		
G W J Li	68,655 (0.0034%)	Personal Interest
T Y Ng	17,801 (0.0009%)	Personal Interest

Notes:

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

(b) The shareholdings classified as "Corporate Interest" in which the Director concerned was taken to be interested as stated above were interests of corporations at respective general meetings of which the Director was 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.

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

(C) Substantial Shareholders' Interests

Given below are the names of all parties which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company as at 31 December 2008, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register") and the percentages which the shares represented to the issued share capital of the Company:

Names	No. of Ordinary Shares (percentage of issued capital)
(i) Myers Investments Limited	1,536,058,277 (74.22%)
(ii) Wheelock Corporate Services Limited	1,536,058,277 (74.22%)
(iii) Wheelock and Company Limited	1,536,058,277 (74.22%)
(iv) HSBC Trustee (Guernsey) Limited	1,536,058,277 (74.22%)

Note: For the avoidance of doubt and double counting, it should be noted that duplication occurs in respect of all of the above-stated shareholdings to the extent that the shareholdings stated against parties (i) to (iv) above represent the same block of shares.

All the interests stated above represented long positions and as at 31 December 2008, there were no short position interests recorded in the Register.

(D) Pension Schemes

As at 31 December 2008, no pension scheme of the Group was operated for any employee of the Group. The retirement benefit scheme in which the Group's employees, all being employees of WPSL and/or its subsidiaries, participated was the Central Provident Fund in Singapore.

The employers' pension cost charged to the profit and loss account during the financial year ended 31 December 2008 in respect of the above retirement benefit scheme amounted to HK$2 million.

(E) Directors' Interests in Competing Business

Set out below is information disclosed pursuant to Rule 8.10 of the Listing Rules.

Five Directors of the Company, namely, Messrs P K C Woo, G W J Li, T Y Ng, P Y C Tsui and R K Y Wong, being also directors of the Company's parent company, namely, Wheelock, and/or certain subsidiaries of Wheelock, are considered as having an interest in Wheelock under Rule 8.10 of the Listing Rules.

The ownership of commercial premises by Wheelock group for rental purposes is considered as competing with the commercial premises owned by the Group for letting. Since the Group's commercial premises are not in close proximity to those owned by the Wheelock group and the customers and tenants for the Group's properties are somewhat different from those for the properties owned by the Wheelock group, the Group considers that its interest regarding the business of owning and letting of commercial premises is adequately safeguarded.

For safeguarding the interests of the Group, the independent Non-executive Directors and the Audit Committee of the Company would on a regular basis review the business and operational results of the Group to ensure, *inter alia*, that the Group's property leasing business is and continues to be run on the basis that it is independent of, and at arm's length from, that of the Wheelock group.

(F) Major Customers & Suppliers

For the financial year ended 31 December 2008:

(a) the aggregate amount of purchases (not including the purchases of items which are of a capital nature) attributable to the Group's five largest suppliers represented 38% of the Group's total purchases; and

(b) the largest supplier accounted for 12% of the Group's total purchases;

(c) none of the Directors of the Company or their associates holds, nor does any Shareholder owning (to the knowledge of the Directors) more than 5% of the Company's equity capital hold, any interests in any of the Group's five largest suppliers; and

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

(G) Bank Loans, Overdrafts and Other Borrowings

Particulars of any and all bank loans, overdrafts and/or other borrowings of the Company and of the Group as at 31 December 2008 which are repayable on demand or within a period not exceeding one year or after one year are set out in Note 21 to the Financial Statements on page 50.

(H) Interest Capitalised

The amount of interest capitalised by the Group during the financial year is set out in Note 6 to the Financial Statements on page 40.

(I) Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules throughout the financial year ended 31 December 2008.

(J) 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 7 February 2007 and 20 August 2007 respectively and are required under the Listing Rules to be disclosed in the Annual Report and Financial Statements of the Company:

(i) Master Services Agreement with Wheelock and Company Limited

During the financial year under review, there existed a master services agreement dated 22 December 2004 as supplemented by a supplemental agreement dated 7 February 2007 (the "Supplemental Agreement") between the Company and Wheelock for the provision by the latter of general managerial and/or administrative services, including legal, secretarial, human resources, accounting and financial and information technology services (the "General Management Services"), and property management and/or leasing and other property related services (the "Property Services"). The provision of the services to the Group under such arrangements are needed for the running of the Group's business operations, particularly given that the Group itself has no employees in Hong Kong.

As the Company is a 74%-owned subsidiary of Wheelock, the transactions (the "MS Transactions") constitute continuing connected transactions for the Company under the Listing Rules.

Under the Supplemental Agreement, the aggregate amount of remuneration payable by the Group for the General Management Services and for the Property Services are subject to annual cap amounts previously disclosed in an announcement dated 7 February 2007. The remuneration paid by the Group for the General Management Services and for the Property Services were HK$36.3 million and HK$9.4 million respectively for the financial year ended 31 December 2008.

(ii) Tenancy Agreement with Wheelock Properties (Hong Kong) Limited

During the financial year under review, there existed a tenancy agreement dated 20 August 2007 in respect of the tenancy renewal of the whole of 5th Floor, Wheelock House, 20 Pedder Street, Hong Kong (the "Property") for a term of three years from 1 September 2007 to 31 August 2010 between Marnav Holdings Limited ("Marnav"), a wholly-owned subsidiary of the Company, as the landlord, and Wheelock Properties (Hong Kong) Limited ("WPHK"), a wholly-owned subsidiary of Wheelock, as the tenant (the "Renewal Tenancy Agreement"). The letting of the Property to WPHK by the Group is for the purpose of earning rental revenue.

As the Company is a 74%-owned subsidiary of Wheelock, the transaction (the "WH Transaction") constitutes a continuing connected transaction for the Company under the Listing Rules.

The rental receivable by Marnav from WPHK under the Renewal Tenancy Agreement is subject to a fixed monthly rent previously disclosed in an announcement dated 20 August 2007 and the rent received by Marnav for the financial year ended 31 December 2008 was HK$4.5 million.

(iii) With regard to the Related Party Transactions as disclosed under Note 29 to the Financial Statements on page 59, the transaction stated under paragraph (d) therein does not constitute a connected transaction for the Company under the Listing Rules.

(iv) Confirmation from Directors etc.

The Directors, including the independent Non-executive Directors, of the Company have reviewed the MS Transactions and the WH Transaction (collectively, the "Transactions") mentioned under Section J(i) and J(ii) above and confirmed that the Transactions were entered into:

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

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

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

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

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

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

(3) the relevant cap amounts have not been exceeded during the financial year ended 31 December 2008.

REPORT OF THE INDEPENDENT AUDITOR

KPMG

To the Shareholders of Wheelock Properties Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Wheelock Properties Limited (the "Company") set out on pages 29 to 76, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated profit and loss account, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

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

17 March 2009

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2008

	Note	Year ended 31/12/2008 HK$Million	Period from 1/4/2007 to 31/12/2007 HK$Million
Turnover	2	**6,269**	840
Other net income	4	**23**	123
		6,292	963
Direct costs and operating expenses		**(4,469)**	(246)
Selling and marketing expenses		**(13)**	(8)
Administrative and corporate expenses		**(116)**	(112)
Operating profit	3	**1,694**	597
Increase in fair value of investment properties	12	**527**	1,446
Net other charge	5	**(1,105)**	–
		1,116	2,043
Finance costs	6	**(12)**	(16)
Share of results after tax of associates	7	**(71)**	96
Profit before taxation		**1,033**	2,123
Taxation	8	**(27)**	(329)
Profit for the year/period		**1,006**	1,794
Profit attributable to:			
Equity shareholders	9	**816**	1,540
Minority interests		**190**	254
		1,006	1,794
Dividends attributable to equity shareholders	10		
Interim dividend declared		**41**	41
Final dividend proposed		**166**	166
		207	207
Earnings per share	11	**HK$0.39**	HK$0.74

The notes and principal accounting policies on pages 35 to 76 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Note	2008 HK$Million	2007 HK$Million
Non-current assets			
Investment properties		**7,478**	6,964
Other property, plant and equipment		**676**	718
Total fixed assets	12	**8,154**	7,682
Interest in associates	14	**1,480**	1,079
Available-for-sale investments	15	**5,643**	11,849
Deferred tax assets	23	**101**	–
Deferred debtors	16	**12**	15
		15,390	20,625
Current assets			
Properties under development for sale	17	**6,889**	9,947
Properties held for sale	17	**102**	234
Trade and other receivables	18	**850**	329
Bank deposits and cash	19	**5,593**	5,314
		13,434	15,824
Current liabilities			
Trade and other payables	20	**(744)**	(571)
Bank loans	21	**(512)**	–
Deposits from sale of properties	22	**(2,208)**	(4,472)
Amounts due to fellow subsidiaries		**(40)**	(34)
Taxation payable	8(c)	**(314)**	(304)
Dividend payable		**–**	(41)
		(3,818)	(5,422)
Net current assets		**9,616**	10,402
Total assets less current liabilities		**25,006**	31,027
Non-current liabilities			
Bank loans	21	**(1,602)**	(2,729)
Deferred taxation	23	**(688)**	(828)
		(2,290)	(3,557)
NET ASSETS		**22,716**	27,470
Capital and reserves			
Share capital	24	**414**	414
Reserves		**19,832**	24,460
Shareholders' equity	25	**20,246**	24,874
Minority interests	25	**2,470**	2,596
TOTAL EQUITY	25	**22,716**	27,470

The notes and principal accounting policies on pages 35 to 76 form part of these financial statements.

Peter K C Woo
Chairman

Paul Y C Tsui
Director

COMPANY BALANCE SHEET

At 31 December 2008

	Note	2008 HK$Million	2007 HK$Million
Non-current assets			
Interest in subsidiaries	13	**1,816**	2,053
Current assets			
Bank deposits and cash		**–**	1
Current liabilities			
Trade and other payables		**(4)**	(3)
Dividend payable		**–**	(41)
		(4)	(44)
Net current liabilities		**(4)**	(43)
NET ASSETS		**1,812**	2,010
Capital and reserves			
Share capital	24	**414**	414
Reserves		**1,398**	1,596
SHAREHOLDERS' EQUITY	25	**1,812**	2,010

The notes and principal accounting policies on pages 35 to 76 form part of these financial statements.

Peter K C Woo
Chairman

Paul Y C Tsui
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Note	**Year ended 31/12/2008 HK$Million**	Period from 1/4/2007 to 31/12/2007 HK$Million
Total equity at 1 January 2008/1 April 2007			
Attributable to equity shareholders		**24,874**	21,216
Attributable to minority interests		**2,596**	2,376
		27,470	23,592
(Deficit)/surplus on revaluation of available-for-sale investments		**(6,443)**	1,923
Exchange difference on translation of financial statements of foreign entities		**(30)**	521
Net (loss)/gains not recognised in the consolidated profit and loss account		**(6,473)**	2,444
Profit for the year/period		**1,006**	1,794
Reserves transferred to the consolidated profit and loss account on:			
Disposal of available-for-sale investments		**(91)**	(113)
Impairment on available-for-sale investments		**1,105**	–
Total recognised (loss)/income for the year/period			
Attributable to equity shareholders		**(4,421)**	3,865
Attributable to minority interests		**(32)**	260
		(4,453)	4,125
Final dividend attributable to the previous period/year	10	**(166)**	(166)
Interim dividend declared in respect of the current year/period	10	**(41)**	(41)
Dividends paid to minority interests	25	**(94)**	(40)
Total equity at 31 December		**22,716**	27,470
Total equity attributable to:			
Equity shareholders		**20,246**	24,874
Minority interests		**2,470**	2,596
		22,716	27,470

The notes and principal accounting policies on pages 35 to 76 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	Note	Year ended 31/12/2008 HK$Million	Period from 1/4/2007 to 31/12/2007 HK$Million
Cash generated from operations (Note)		**1,986**	602
Interest received		**38**	114
Interest paid		**(43)**	(70)
Dividends received from listed investments		**233**	337
Dividends received from associates		**77**	108
Hong Kong profits tax paid		**(27)**	(2)
Overseas profits tax paid		**(14)**	(18)
Net cash generated from operating activities		**2,250**	1,071
Investing activities			
Proceeds from disposal of available-for-sale investments		**302**	190
Proceeds from disposal of properties		**121**	–
Purchase of available-for-sale investments		**(881)**	(1,047)
Purchase of fixed assets		**(73)**	(38)
Decrease in deferred debtors		**3**	9
Net increase in associates		**(484)**	(709)
Net cash used in investing activities		**(1,012)**	(1,595)
Financing activities			
Net repayment of short term loans		**–**	(540)
Net repayment of long term loans		**(600)**	(19)
Pledged bank deposits		**(59)**	(21)
Dividends paid to equity shareholders		**(248)**	(166)
Dividends paid to minority shareholders		**(94)**	(40)
Net cash used in financing activities		**(1,001)**	(786)
Net increase/(decrease) in cash and cash equivalents		**237**	(1,310)
Cash and cash equivalents at 1 January 2008/1 April 2007		**5,293**	6,433
Effect of foreign exchange rate changes		**(17)**	170
Cash and cash equivalents at 31 December		**5,513**	5,293
Analysis of the balances of cash and cash equivalents at 31 December			
Bank deposits and cash	19	**5,513**	5,293

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

Note to the consolidated cash flow statement

Reconciliation of profit before taxation to cash generated from operations

	Year ended 31/12/2008 HK$Million	Period from 1/4/2007 to 31/12/2007 HK$Million
Profit before taxation	**1,033**	2,123
Adjustments for:		
Share of results after tax of associates	**71**	(96)
Interest income	**(38)**	(113)
Interest expenses	**12**	16
Depreciation	**1**	2
Dividend income from listed investments	**(233)**	(313)
Net loss/(profit) on disposal of available-for-sale investments	**2**	(118)
Increase in fair value of investment properties	**(527)**	(1,446)
Impairment losses on available-for-sale investments	**1,105**	–
Net profit on disposal of properties	**(19)**	–
Exchange differences	**(35)**	239
Operating profit before working capital changes	**1,372**	294
Increase in properties under development for sale	**(1,045)**	(1,551)
Decrease in properties held for sale	**4,266**	156
Increase in trade and other receivables	**(521)**	(110)
Increase in amounts due to fellow subsidiaries	**6**	2
Increase in trade and other payables	**172**	52
(Decrease)/increase in deposits from sale of properties	**(2,264)**	1,759
Cash generated from operations	**1,986**	602

1. FINANCIAL YEAR END DATE

The Company changed its financial year end date from 31 March to 31 December in the last financial period. Accordingly, the Group's financial year 2008 covered the twelve months ended 31 December 2008, whereas the previous financial period covered the nine months ended 31 December 2007. As a result, the comparative figures may not be entirely comparable with those of the year under review.

2. SEGMENT INFORMATION

(a) Business segments

	Revenue		Results	
(i) Revenue and results	**Year ended 31/12/2008 HK$Million**	Period from 1/4/2007 to 31/12/2007 HK$Million	**Year ended 31/12/2008 HK$Million**	Period from 1/4/2007 to 31/12/2007 HK$Million
Property development	**5,614**	170	**1,323**	33
Property investment	**384**	244	**269**	168
Investment and others	**271**	426	**122**	410
	6,269	840	**1,714**	611
Unallocated expenses			**(20)**	(14)
Operating profit			**1,694**	597
Increase in fair value of investment properties			**527**	1,446
Net other charge				
Investment and others			**(1,105)**	–
			1,116	2,043
Finance costs			**(12)**	(16)
Associates				
Property development			**(71)**	96
Profit before taxation			**1,033**	2,123
Taxation			**(27)**	(329)
Profit for the year/period			**1,006**	1,794

(ii) *Assets and liabilities*	Assets 2008 HK$Million	Assets 2007 HK$Million	Liabilities 2008 HK$Million	Liabilities 2007 HK$Million
Property development	**7,827**	10,495	**2,666**	4,778
Property investment	**8,165**	7,609	**270**	235
Investment and others	**5,658**	11,952	**16**	30
Segment assets and liabilities	**21,650**	30,056	**2,952**	5,043
Associates				
Property development	**1,480**	1,079	**–**	–
Unallocated items	**5,694**	5,314	**3,156**	3,936
Group total	**28,824**	36,449	**6,108**	8,979

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

During the year ended 31 December 2008, the Group incurred capital expenditure of HK$73 million (2007: HK$38 million) mainly in respect of development costs for property under development and other fixed assets. The Group has no significant depreciation and amortisation.

(b) Geographical segments

	Revenue Year ended 31/12/2008 HK$Million	Revenue Period from 1/4/2007 to 31/12/2007 HK$Million	Operating profit Year ended 31/12/2008 HK$Million	Operating profit Period from 1/4/2007 to 31/12/2007 HK$Million
Hong Kong	**558**	507	**179**	233
Singapore	**5,711**	333	**1,515**	364
Group total	**6,269**	840	**1,694**	597

	Assets 2008 HK$Million	Assets 2007 HK$Million
Hong Kong	**11,096**	14,903
Singapore	**16,298**	20,476
China	**1,430**	1,070
Group total	**28,824**	36,449

3. OPERATING PROFIT

(a) Operating profit

	Year ended 31/12/2008 HK$Million	Period from 1/4/2007 to 31/12/2007 HK$Million
Operating profit is arrived at after charging/(crediting):		
Staff costs, including contributions to defined contribution retirement schemes of HK$2 million (2007: HK$1 million)	**50**	42
Cost of trading properties sold	**4,270**	129
Depreciation	**1**	2
Net loss on forward foreign exchange contracts	**96**	25
Auditors' remuneration:		
Audit services	**3**	3
Other services	**1**	1
Rental income from operating leases less outgoings	**(280)**	(173)
Dividend income from listed investments	**(233)**	(313)
Interest income	**(38)**	(113)

In addition to the above staff costs charged directly to the consolidated profit and loss account, staff costs of HK$29 million (2007: HK$26 million) were capitalised as part of the costs of properties under development for sale.

(b) Directors' emoluments

Directors' emoluments, all in the form of Directors' fees, paid/payable to the Company's Directors in respect of the year ended 31 December 2008 are as follows:

	Year ended 31/12/2008 HK$000	Period from 1/4/2007 to 31/12/2007 HK$000
Board of Directors		
Peter K C Woo	**64**	34
Joseph M K Chow	**71**(ii)	34
Gonzaga W J Li	**48**	22
T Y Ng	**48**	22
Paul Y C Tsui	**64**	34
Ricky K Y Wong	**48**	22
Independent Non-executive Directors		
Herald L F Lau	**71**(ii)	34
Roger K H Luk	**34**	–
Glenn S Yee	**71**(ii)	34
Past Director		
David T C Lie-A-Cheong	**13**	22
	532	258

Notes:

(i) Except the above Directors' fees, there were no other emoluments paid/payable to, nor were there any housing or other allowances, benefits in kind, or contributions to pension scheme paid/payable by the Group for, the Company's Directors in respect of the year ended 31 December 2008 and the nine months ended 31 December 2007.

(ii) Includes Audit Committee Member's fee for the year ended 31 December 2008 of HK$23,750 (2007: HK$11,250) received/receivable by each of relevant Directors.

(c) **Five highest paid employees**

Set out below are analyses of the emoluments (excluding amounts paid or payable by way of commissions on sales generated by the employees concerned) for the year ended 31 December 2008 of the five highest paid employees of the Group.

(i) Aggregate emoluments

	Year ended 31/12/2008 HK$Million	Period from 1/4/2007 to 31/12/2007 HK$Million
Basic salaries, housing and other allowances, and benefits in kind	**13**	10
Discretionary bonuses and/or performance related bonuses	**23**	17
	36	27

(ii) Bandings

Bands (in HK$)	**Year ended 31/12/2008 Number**	Period from 1/4/2007 to 31/12/2007 Number
$1,000,001 - $1,500,000	**1**	3
$2,000,001 - $2,500,000	**–**	1
$2,500,001 - $3,000,000	**2**	–
$4,000,001 - $4,500,000	**1**	–
$21,000,001 - $21,500,000	**–**	1
$23,500,001 - $24,000,000	**1**	–
	5	5

4. OTHER NET INCOME

	Year ended 31/12/2008 HK$Million	Period from 1/4/2007 to 31/12/2007 HK$Million
Net (loss)/profit on disposal of available-for-sale investments	**(2)**	118
Net profit on disposal of properties	**19**	–
Others	**6**	5
	23	123

Included in the net (loss)/profit on disposal of available-for-sale investments is a net revaluation surplus, before deduction of minority interests, of HK$91 million (2007: HK$113 million) transferred from the investment revaluation reserves.

5. NET OTHER CHARGE

Included in the Group's profit was a net other charge of HK$1,105 million (2007: HK$Nil), comprising Wheelock Properties (Singapore) Limited's ("WPSL") impairment losses of HK$663 million (of which HK$503 million is attributable to the Group) on its investment in SC Global Developments Ltd ("SC Global") and HK$442 million (of which HK$335 million is attributable to the Group) on its investment in Hotel Properties Limited ("HPL").

6. FINANCE COSTS

	Year ended 31/12/2008 HK$Million	Period from 1/4/2007 to 31/12/2007 HK$Million
Interest on bank loans and overdrafts	**43**	68
Other finance costs	**4**	3
	47	71
Less: Amount capitalised	**(35)**	(55)
	12	16

Interest was capitalised at an average annual rate of approximately 1.7% (2007: 3.0%).

7. SHARE OF RESULTS AFTER TAX OF ASSOCIATES

Included in the share of losses of associates was the Group's share of impairment provision of HK$103 million (2007: HK$Nil) for a China project undertaken by an associate.

8. TAXATION

Taxation charged to the consolidated profit and loss account represents:

	Year ended 31/12/2008 HK$Million	Period from 1/4/2007 to 31/12/2007 HK$Million
Current income tax		
Hong Kong profits tax	**20**	13
Overseas taxation	**244**	51
Overprovision in respect of prior years (Note 8e)	**(210)**	–
	54	64
Deferred tax (Note 23)		
Change in fair value of investment properties	**90**	262
Origination and reversal of temporary differences	**8**	3
Reversal on disposal of investment properties	**(1)**	–
Benefit of previously unrecognised tax losses now recognised (Note 8e)	**(104)**	–
Effect of change in tax rate	**(20)**	–
	(27)	265
	27	329

(a) The provisions for Hong Kong and Singapore profits taxes are based on the profit for the year as adjusted for tax purposes at the rates of 16.5% (2007: 17.5%) and 18% (2007: 18%) respectively.

In 2008, the Hong Kong SAR Government enacted a reduction in the profits tax rate from 17.5% to 16.5% for the fiscal year 2008/09.

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

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

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

(d) Tax attributable to associates for the year ended 31 December 2008 of HK$7 million (2007: HK$20 million) is included in the share of results after tax of associates.

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

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

	Year ended 31/12/2008 HK$Million	Period from 1/4/2007 to 31/12/2007 HK$Million
Profit before taxation	**1,033**	2,123
Notional tax on profit before taxation calculated at applicable tax rates	**202**	377
Notional tax on share of results after tax of associates	**(7)**	(17)
Tax effect of non-deductible expenses	**224**	31
Tax effect of non-taxable revenue	**(56)**	(61)
Tax effect of tax losses not recognised	**24**	6
Tax effect of prior year's tax losses utilised	**(26)**	(7)
Overprovision in respect of prior years	**(210)**	–
Tax effect of previously unrecognised tax losses now recognised	**(104)**	–
Effect of change in tax rate on deferred tax balances	**(20)**	–
Actual total tax charge	**27**	329

9. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS

Profit attributable to equity shareholders for the year is dealt with in the financial statements of the Company to the extent of a profit of HK$9 million (2007: HK$10 million).

10. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	Year ended 31/12/2008 HK$Million	Period from 1/4/2007 to 31/12/2007 HK$Million
Interim dividend declared and paid of 2.0 cents (2007: 2.0 cents) per share	**41**	41
Final dividend of 8.0 cents (2007: 8.0 cents) per share proposed after the balance sheet date	**166**	166
	207	207

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

(b) The final dividend of HK$166 million for period ended 31 December 2007 was approved and paid in 2008.

11. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on profit attributable to equity shareholders for the year of HK$816 million (2007: HK$1,540 million) and 2,070 million ordinary shares in issue throughout the year ended 31 December 2008 and nine months ended 31 December 2007.

12. FIXED ASSETS

	Investment properties HK$Million	Property under development HK$Million	Other properties HK$Million	Other fixed assets HK$Million	Total HK$Million
Group					
(a) **Cost or valuation**					
At 1 April 2007	5,392	560	85	12	6,049
Exchange differences	126	27	3	1	157
Additions	–	35	1	2	38
Revaluation surplus	1,446	–	–	–	1,446
At 31 December 2007 and 1 January 2008	**6,964**	**622**	**89**	**15**	**7,690**
Exchange differences	**(21)**	**(3)**	**(1)**	**–**	**(25)**
Additions	**16**	**51**	**3**	**3**	**73**
Disposals	**(8)**	**–**	**(91)**	**(4)**	**(103)**
Revaluation surplus	**527**	**–**	**–**	**–**	**527**
At 31 December 2008	**7,478**	**670**	**–**	**14**	**8,162**
Accumulated depreciation					
At 1 April 2007	–	–	1	5	6
Charge for the period	–	–	–	2	2
At 31 December 2007 and 1 January 2008	**–**	**–**	**1**	**7**	**8**
Charge for the year	**–**	**–**	**–**	**1**	**1**
Written back on disposals	**–**	**–**	**(1)**	**–**	**(1)**
At 31 December 2008	**–**	**–**	**–**	**8**	**8**
Net book value					
At 31 December 2008	**7,478**	**670**	**–**	**6**	**8,154**
At 31 December 2007	6,964	622	88	8	7,682

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

	Investment properties HK$Million	Property under development HK$Million	Other properties HK$Million	Other fixed assets HK$Million	Total HK$Million
2008 valuation	**7,478**	**–**	**–**	**–**	**7,478**
At cost	**–**	**670**	**–**	**14**	**684**
	7,478	**670**	**–**	**14**	**8,162**
2007 valuation	6,964	–	–	–	6,964
At cost	–	622	89	15	726
	6,964	622	89	15	7,690

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

	2008 HK$Million	2007 HK$Million
Investment properties		
Held in Hong Kong – Long lease	**3,220**	3,170
Held outside Hong Kong – Long lease	**4,258**	3,794
	7,478	6,964
Property under development held outside Hong Kong – Freehold	**670**	622
Other properties held outside Hong Kong – Medium lease	**–**	88

(d) **Properties revaluation**

The Group's investment properties in Hong Kong and Singapore have been revalued as at 31 December 2008 by Knight Frank Petty Limited and CB Richard Ellis (Pte) Ltd, respectively, independent firms of property consultants, who have appropriate qualifications and experience in the valuation of properties in the relevant locations, on a market value basis, after taking into consideration the net rental income allowing for reversionary potential and the redevelopment potential of the properties where appropriate.

The surplus arising on revaluation is dealt with in the consolidated profit and loss account.

(e) The gross amount of fixed assets of the Group held for use in operating leases was HK$7,478 million (2007: HK$6,964 million).

(f) The Group leases out properties under operating leases, which generally run for an initial period of one to six 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:

	2008 HK$Million	2007 HK$Million
Within 1 year	**345**	259
After 1 year but within 5 years	**517**	281
After 5 years	**–**	4
	862	544

(h) Property under development amounting to HK$670 million (2007: HK$622 million) has been pledged as security to obtain bank loans.

13. INTEREST IN SUBSIDIARIES

	Company 2008 HK$Million	Company 2007 HK$Million
Unlisted shares, at cost	**2,545**	2,545
Amounts due to subsidiaries	**(729)**	(492)
	1,816	2,053

Details of principal subsidiaries as at 31 December 2008 are shown on page 75.

Amounts due to subsidiaries are unsecured, non-interest bearing and classified as non-current as these are not expected to be payable within the next twelve months.

14. INTEREST IN ASSOCIATES

	Group 2008 HK$Million	Group 2007 HK$Million
Share of net assets	**498**	581
Amounts due from associates	**1,040**	569
Amount due to an associate	**(58)**	(71)
	1,480	1,079

(a) Details of principal associates as at 31 December 2008 are shown on page 76.

(b) Amounts due from associates are unsecured, interest free and have no fixed terms of repayment, except a loan of HK$56 million (2007: HK$119 million) made by the Group to an associate involved in the Bellagio project, which is interest bearing, unsecured and has no fixed terms of repayment.

(c) Certain entities classified as jointly controlled entities in the previous year have been reclassified as associates to reflect more appropriately the substance of the arrangements with the other shareholder in these entities. Accordingly, the comparative figure for interest in associates in the amount of HK$943 million has been reclassified to conform to the current year's presentation.

(d) **Summary financial information on associates:**

	2008 Total HK$Million	2008 Attributable interest HK$Million	2007 Total HK$Million	2007 Attributable interest HK$Million
Balance sheets				
Properties under development for sale in China	**2,947**	**1,473**	2,064	1,032
Properties held for sale in Hong Kong	**325**	**103**	519	164
Other assets	**624**	**245**	728	215
Total assets	**3,896**	**1,821**	3,311	1,411
Liabilities	**(2,805)**	**(1,323)**	(1,947)	(830)
Equity	**1,091**	**498**	1,364	581
Profit and loss accounts				
Revenue	**428**	**127**	1,104	327
Profit before taxation	**(43)**	**(64)**	430	116
Taxation	**(28)**	**(7)**	(74)	(20)
Profit after taxation	**(71)**	**(71)**	356	96

15. AVAILABLE-FOR-SALE INVESTMENTS

	Group 2008 HK$Million	Group 2007 HK$Million
Equity securities, at market value		
Listed in Hong Kong	**4,122**	7,563
Listed outside Hong Kong	**1,521**	4,286
	5,643	11,849

(a) Included in the above equity securities is the Group's 7% interest in The Wharf (Holdings) Limited ("Wharf"), a fellow subsidiary of the Company, the carrying value of which constituted more than 10% of the Group's total assets at 31 December 2008. Details of Wharf are shown as follows:

Name of company	**Place of incorporation**	**Percentage of total issued ordinary shares held**
The Wharf (Holdings) Limited	Hong Kong	7.0

In January 2008, the Group was alloted, on a pro-rata basis, 21,542,128 rights shares of Wharf at HK$30 per rights share for a total consideration of HK$646 million.

(b) Equity securities listed outside Hong Kong include WPSL's 20% (2007: 20%) interest in HPL and 17% (2007: 12%) interest in SC Global, which are incorporated and listed in Singapore. The equity interest in HPL is not classified as an associate as the Group does not have significant influence in HPL. The Group does not have representation on the board of directors and does not participate in the policy-making processes of HPL.

(c) An impairment loss of HK$1,105 million (2007: Nil) in respect of WPSL's interest in HPL and SC Global was recognised in 2008 due to significant or prolonged decline in the fair value of the investments.

16. DEFERRED DEBTORS

Deferred debtors represent receivables due after more than one year.

17. PROPERTIES UNDER DEVELOPMENT FOR SALE AND PROPERTIES HELD FOR SALE

(a) The amount of properties under development for sale and held for sale carried at net realisable value is HK$204 million (2007: HK$204 million).

(b) Properties under development for sale in the amount of HK$6,581 million (2007: HK$6,054 million) are expected to be substantially completed and recovered after more than one year.

(c) Properties under development for sale with a carrying value of HK$2,803 million (2007: HK$4,544 million) are pledged as security for banking facilities made available to the Group.

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

	Group	
	2008 HK$Million	2007 HK$Million
Held in Hong Kong		
Long lease	**1,596**	1,330
Medium lease	**212**	216
	1,808	1,546
Held outside Hong Kong		
Freehold	**4,115**	6,584
	5,923	8,130

18. TRADE AND OTHER RECEIVABLES

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

	Group	
	2008	2007
	HK$Million	HK$Million
Trade receivables		
Current	**804**	209
Past due:		
0 – 30 days	**8**	5
31 – 60 days	**3**	5
Over 90 days	**–**	1
	815	220
Deposits paid for properties acquisition	**11**	97
Other receivables	**24**	12
	850	329

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

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

At 31 December 2008 and 2007, all trade receivables of the Group were neither past due nor impaired. These receivables relate to a wide range of customers for whom there was no recent history of default.

19. BANK DEPOSITS AND CASH

	Group 2008 HK$Million	Group 2007 HK$Million
Bank deposits and cash		
Not pledged	**5,513**	5,293
Pledged	**80**	21
	5,593	5,314

Included in bank deposits and cash is an amount of HK$1,543 million (2007: HK$1,706 million) in respect of certain proceeds received from the pre-sale of properties in Singapore held under the "Project Account Rules-1997 Ed", withdrawals from which are restricted to payments for expenditure incurred for the respective projects.

20. TRADE AND OTHER PAYABLES

Included in this item are trade payables with an ageing analysis as at 31 December 2008 as follows:

	Group 2008 HK$Million	Group 2007 HK$Million
Amounts payable in the next:		
0 – 30 days	**121**	70
31 – 60 days	**36**	50
61 – 90 days	**12**	19
Over 90 days	**215**	109
	384	248
Rental deposits	**113**	93
Derivative financial liabilities (Note 26b)	**40**	24
Other payables	**207**	206
	744	571

The amount of trade and other payables that is expected to be settled after more than one year is HK$92 million (2007: HK$72 million), which is mainly for rental deposits. The Group considers the effect of discounting these would be immaterial. All of the other trade and other payables are expected to be settled within one year or are payable on demand.

21. BANK LOANS

	Group 2008 HK$Million	Group 2007 HK$Million
Current liabilities		
Unsecured bank loans	**512**	–
Non-current liabilities		
Secured bank loans	**1,602**	2,106
Unsecured bank loans	**–**	623
	1,602	2,729
Total bank loans	**2,114**	2,729
Maturity of bank loans		
Within 1 year	**512**	–
After 1 year but within 2 years	**1,043**	790
After 2 years but within 3 years	**559**	1,377
After 3 years but within 4 years	**–**	562
Total bank loans	**2,114**	2,729

(a) The above bank loans were borrowed by WPSL and denominated in Singapore dollar. The loans are non-recourse to the Company and its wholly-owned subsidiaries.

(b) The interest rate profile of the Group's bank loans was as follows:

	2008 Effective interest rates	2008 HK$Million	2007 Effective interest rates	2007 HK$Million
Floating rate bank loans				
Secured	**1.53-1.55%**	**1,602**	2.18-2.35%	2,106
Unsecured	**1.91%**	**512**	2.38%	623
		2,114		2,729

(c) The following assets of the Group have been pledged for securing bank loan facilities:

	2008 HK$Million	2007 HK$Million
Properties under development for investment	**670**	622
Properties under development for sale	**2,803**	4,544
	3,473	5,166

22. DEPOSITS FROM SALE OF PROPERTIES

Deposits from sale of properties in the amount of HK$2,180 million (2007: HK$1,702 million) are expected to be recognised as income in the consolidated profit and loss account after more than one year.

23. DEFERRED TAXATION

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

	Group 2008 HK$Million	Group 2007 HK$Million
Deferred tax liabilities	**688**	828
Deferred tax assets	**(101)**	–
Net deferred tax liabilities	**587**	828

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

	Revaluation of investment properties HK$Million	Revaluation of investments HK$Million	Depreciation allowances in excess of the related depreciation HK$Million	Future benefit of tax losses HK$Million	Total HK$Million
Group					
At 1 April 2007	283	280	61	–	624
Exchange differences	1	14	2	–	17
Charged to the profit and loss account	262	–	3	–	265
Credited to reserves	–	(78)	–	–	(78)
At 31 December 2007 and 1 January 2008	**546**	**216**	**66**	**–**	**828**
Exchange differences	**(1)**	**(2)**	**–**	**3**	**–**
Charged/(credited) to the profit and loss account	**69**	**–**	**8**	**(104)**	**(27)**
Credited to reserves	**–**	**(214)**	**–**	**–**	**(214)**
At 31 December 2008	**614**	**–**	**74**	**(101)**	**587**

(b) Deferred tax assets unrecognised

The Group has not accounted for deferred tax assets in respect of accumulated tax losses of HK$772 million (2007: HK$695 million) and certain deductible temporary differences of HK$38 million (2007: HK$Nil), with details below.

	Group	
	2008 HK$Million	2007 HK$Million
Future benefit of tax losses	**127**	122
Deductible temporary differences	**7**	–
	134	122

Deferred tax assets have not been recognised as the Directors consider it is not probable that taxable profits will be available against which the tax losses and the deductible temporary differences can be utilised. The deductible temporary differences and tax losses do not expire under current tax legislation.

24. SHARE CAPITAL

	2008 No. of shares Million	2007 No. of shares Million	**2008 HK$Million**	2007 HK$Million
Authorised:				
Ordinary shares of HK$0.2 each	**3,000**	3,000	**600**	600
Issued and fully paid:				
Ordinary shares of HK$0.2 each	**2,070**	2,070	**414**	414

25. TOTAL EQUITY

	Shareholders' equity						
	Share capital HK$Million	Investment revaluation reserves HK$Million	Exchange and other reserves HK$Million	Revenue reserves HK$Million	Total HK$Million	Minority interests HK$Million	Total equity HK$Million
Group							
At 1 April 2007	414	3,759	595	16,448	21,216	2,376	23,592
Final dividend approved in respect of the previous year	–	–	–	(166)	(166)	–	(166)
Dividends paid to minority interests	–	–	–	–	–	(40)	(40)
Revaluation surplus/(deficit)	–	2,040	–	–	2,040	(117)	1,923
Realised on disposal	–	(113)	–	–	(113)	–	(113)
Exchange differences	–	–	398	–	398	123	521
Profit for the period retained	–	–	–	1,540	1,540	254	1,794
Interim dividend paid (Note 10)	–	–	–	(41)	(41)	–	(41)
At 31 December 2007 and 1 January 2008	414	5,686	993	17,781	24,874	2,596	27,470
Final dividend approved in respect of the previous period (Note 10)	–	–	–	(166)	(166)	–	(166)
Dividends paid to minority interests	–	–	–	–	–	(94)	(94)
Revaluation deficit	–	(5,971)	–	–	(5,971)	(472)	(6,443)
Realised on disposal	–	(91)	–	–	(91)	–	(91)
Impairment on investments	–	838	–	–	838	267	1,105
Exchange differences	–	–	(13)	–	(13)	(17)	(30)
Profit for the year retained	–	–	–	816	816	190	1,006
Interim dividend paid (Note 10)	–	–	–	(41)	(41)	–	(41)
At 31 December 2008	414	462	980	18,390	20,246	2,470	22,716
Company							
At 1 April 2007	414	–	55	1,738	2,207	–	2,207
Final dividend approved in respect of the previous year	–	–	–	(166)	(166)	–	(166)
Profit for the period retained	–	–	–	10	10	–	10
Interim dividend paid (Note 10)	–	–	–	(41)	(41)	–	(41)
At 31 December 2007 and 1 January 2008	414	–	55	1,541	2,010	–	2,010
Final dividend approved in respect of the previous period (Note 10)	–	–	–	(166)	(166)	–	(166)
Profit for the year retained	–	–	–	9	9	–	9
Interim dividend paid (Note 10)	–	–	–	(41)	(41)	–	(41)
At 31 December 2008	414	–	55	1,343	1,812	–	1,812

(a) Reserves of the Company available for distribution to equity shareholders at 31 December 2008 amount to HK$1,343 million (2007: HK$1,541 million). The application of the capital redemption reserve account is governed by section 49H of the Hong Kong Companies Ordinance. The investment revaluation reserves have been set up and will be dealt with in accordance with the accounting policies adopted for the valuation of available-for-sale investments. The exchange and other reserves mainly comprise exchange differences arising from the translation of the financial statements of foreign operations.

(b) Included in exchange and other reserves is capital redemption reserve of HK$5 million (2007: HK$5 million).

26. FINANCIAL RISK MANAGEMENT

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

The Group cautiously uses derivatives, principally forward foreign exchange contracts as appropriate for financing, 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 bank deposits and loans from banks. Interest rates on bank deposits and loans are determined based on prevailing market rates and expose the Group to cash flow interest rate risk. The Group manages its interest rate risk exposures in accordance with defined policies through regular review with a focus on reducing the Group's overall cost of funding. The Group does not use derivative financial instruments to hedge interest rate risk.

Based on the sensitivity analysis performed on 31 December 2008, it was estimated that a general increase/decrease of 1% in interest rates would increase/decrease the Group's post-tax profit and total equity by approximately HK$38 million (2007: HK$25 million). This takes into account the effect of interest bearing bank deposits.

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

(b) **Foreign currency risk**

The Group owns assets and conducts its businesses in Hong Kong, Singapore and China with its cash flows denominated substantially in Hong Kong dollar ("HKD"), Singapore dollar ("SGD") and Renminbi ("RMB"), and is exposed to foreign currency risk with respect to SGD and RMB related to its investments in subsidiaries and associates operating in Singapore and China respectively.

The Group uses forward foreign exchange contracts and local currency borrowings to hedge its foreign currency risk except its net investments in Singapore subsidiaries and China associates. For managing the overall financing costs of existing and future capital requirements for the projects in China, the Group has adopted a diversified funding approach and entered into certain forward foreign exchange contracts with the financial effect as if taking Japanese yen ("JPY") borrowings, taking the advantage of lower interest rate for the JPY but exposing the Group to exchange rate risk with respect to JPY. Based on the prevailing accounting standard, these JPY exchange contracts have to be marked to market with the differences recognised to profit and loss account.

The notional amount of the outstanding forward foreign exchange contracts at 31 December 2008 is HK$606 million (2007: HK$566 million). The net fair value of forward foreign exchange contracts at 31 December 2008 is HK$40 million (2007: HK$24 million) recognised as derivative financial liabilities. The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.

Based on the sensitivity analysis performed on 31 December 2008, it was estimated that a 1% increase/decrease in the exchange rate of JPY against United States dollar ("USD") will decrease/increase the Group's post-tax profit and total equity by approximately HK$6 million (2007: HK$6 million).

On consolidation as at 31 December 2008, the Group's net investments subject to foreign translation exposure were approximately HK$7,755 million (2007: HK$8,150 million) for its net investments in Singapore subsidiaries and HK$1,430 million (2007: HK$943 million) for its net investments in China associates. With this translation exposure, a 1% increase/decrease in the exchange rate of SGD and RMB against HKD will increase/decrease the Group's equity by approximately HK$78 million (2007: HK$82 million) and HK$14 million (2007: HK$9 million) respectively.

The above sensitivity analysis is determined assuming that the change in foreign exchange rates are compared to the rates applicable at the balance sheet date and are applied to each of the Group's entities' exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. In this respect, it is assumed that the pegged rate between the HKD and the USD would be materially unaffected by any changes in movement in value of the USD against other currencies. The analysis is performed on the same basis for 2007.

(c) **Equity price risk**

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

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

Based on the sensitivity analysis performed on 31 December 2008, it is estimated that an increase/decrease of 5% 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$282 million (2007: HK$573 million). Since WPSL's investments in HPL and SC Global were considered to be impaired as at 31 December 2008, further decrease in market value of the investments may be required to be charged to the profit and loss account, subject to impairment tests at the respective reporting balance sheet dates. The analysis is performed on the same basis for 2007.

(d) Liquidity risk

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

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

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

		Contractual undiscounted cashflow				
	Carrying amount HK$Million	Total HK$Million	Within 1 year or on demand HK$Million	More than 1 year but less than 2 years HK$Million	More than 2 years but less than 5 years HK$Million	More than 5 years HK$Million
At 31 December 2008						
Trade and other payables	**744**	**744**	**652**	**27**	**65**	**–**
Bank loans	**2,114**	**2,172**	**541**	**1,070**	**561**	**–**
Amounts due to fellow subsidiaries	**40**	**40**	**40**	**–**	**–**	**–**
	2,898	**2,956**	**1,233**	**1,097**	**626**	**–**
At 31 December 2007						
Trade and other payables	571	571	499	32	37	3
Bank loans	2,729	2,888	62	842	1,984	–
Amounts due to fellow subsidiaries	34	34	34	–	–	–
Dividend payable	41	41	41	–	–	–
	3,375	3,534	636	874	2,021	3

(e) Credit risk

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

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

The Group has no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet. Except for the financial guarantees given by the Company as set out in Note 27, the Group does not provide any other guarantee which would expose the Group or the Company to material credit risk.

(f) Fair value estimation

Listed investments are stated at quoted market prices.

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

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2008 and 2007. Amounts due (to)/from subsidiaries and associates are unsecured, interest free or at prevailing market rates, and have no fixed repayment terms. Given these terms it is not meaningful to disclose fair values.

(g) Capital management

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

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher 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 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 ratio and cash flow requirements, taking into account of its future financial obligations and commitments. For this purpose, the Group defines net debt as total loans less deposits and cash. Shareholders' equity comprises issued share capital and reserves attributable to equity shareholders of the Company. Total equity comprises shareholders' equity and minority interests.

As at 31 December 2008, the Group had net cash of HK$3,479 million (2007: HK$2,585 million).

27. CONTINGENT LIABILITIES

(a) At 31 December 2008, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to banking facilities up to HK$225 million (2007: HK$225 million).

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

28. COMMITMENTS

The Group's outstanding commitments on expenditures as at 31 December 2008 included below:

	Group	
	2008 HK$Million	2007 HK$Million
(a) **Properties under development**		
Authorised and contracted for:		
Hong Kong	**498**	266
Singapore	**1,241**	1,609
Authorised but not contracted for:		
Hong Kong	**–**	580
	1,739	2,455
(b) **Properties under development in China through associates**		
Authorised and contracted for	**124**	322
Authorised but not contracted for	**1,488**	1,420
	1,612	1,742
(c) **Other capital expenditure**		
Authorised and contracted for	**9**	–

29. MATERIAL RELATED PARTY TRANSACTIONS

Except for the transactions noted below, the Group and the Company have not been a party to any material related party transactions during the year ended 31 December 2008:

(**a**) Included in interest in associates is a loan of HK$56 million (2007: HK$119 million) made by the Group to an associate involved in the Bellagio project. The loan bears interest at rates as determined by shareholders of the associate with reference to prevailing market rates which were between 1.5 % and 3.9% (2007: 3.8% and 6.1%) per annum for the current financial year. Interest income in respect of the loan to the associate for the year ended 31 December 2008 amounted to HK$2 million (2007: HK$8 million). The loan is unsecured and has no fixed terms of repayment.

The above is considered to be a related party transaction and also constitutes a connected transaction as defined under the Listing Rules. A waiver from complying with the relevant connected transaction requirements was granted by the Stock Exchange in 1994.

(**b**) The Group paid to a related party General Managers' Commission of HK$36 million (2007: HK$28 million) for the provision of management services to the Group during the year under review. The payment of such an amount to the General Managers was in accordance with an agreement dated 31 March 1992.

The above is considered to be a related party transaction and also constitutes a continuing connected transaction as defined under the Listing Rules.

(**c**) The Group paid to certain related parties property management and agency fees totalling HK$9 million (2007: HK$7 million) for the provision of property management and property leasing and related services to the Group during the year under review. The payment of such property managing and agency fees were in accordance with various agreements previously entered into between the Group and certain related companies.

The above are considered to be related party transactions and also constitute continuing connected transactions as defined under the Listing Rules.

(**d**) The Group received dividend income in the amount of HK$155 million (2007: HK$138 million) during the year ended 31 December 2008 in respect of its 7% interest in Wharf.

30. CHANGES IN ACCOUNTING POLICIES

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

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

The "Principal accounting policies" set out on pages 61 to 74 summarises the accounting policies of the Group and the Company after the adoption of these policies to the extent that they are relevant to the Group and the Company.

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

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 31).

31. FUTURE CHANGES IN ACCOUNTING POLICIES

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations, which have not been adopted since they are only effective after 31 December 2008.

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

In addition, the following developments may result in new or amended disclosures in the financial statements, including possible restatement of comparative amounts in the first period of adoption:

	Effective for accounting periods beginning on or after
HKAS 1 (Revised), Presentation of financial statements	1 January 2009
HKFRS 8, Operating segments	1 January 2009
HKAS 27 (Revised), Consolidated and separate financial statements	1 July 2009

32. PARENT AND ULTIMATE HOLDING COMPANY

The Directors consider the parent and ultimate holding company at 31 December 2008 to be Wheelock and Company Limited, incorporated and listed in Hong Kong. Wheelock and Company Limited produces financial statements available for public use.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 17 March 2009.

PRINCIPAL ACCOUNTING POLICIES

(a) STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards 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 30 to the Financial Statements provides information on the changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(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.

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

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

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

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

(c) BASIS OF CONSOLIDATION

(i) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, to govern the financial and operating policies of an entity, so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently 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.

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

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

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

(ii) **Associates**

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.

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

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate 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.

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

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

(iii) Goodwill

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

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

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

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

(d) PROPERTIES

(i) Investment properties

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

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

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

(ii) Other properties held for own use

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

(iii) 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 selling price that can ultimately be achieved, based on prevailing market conditions and the anticipated costs to completion and costs to be incurred in selling the property.

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

(iv) Properties held for sale

Properties held 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. Costs of completed properties held for sale comprise all costs of purchase, costs of conversion and costs incurred in bringing the properties to their present location and condition.

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

(e) OTHER FIXED ASSETS

Other fixed assets are stated at cost less accumulated depreciation and impairment losses (see note (k)(ii)).

(f) 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) Other properties held for own use

Depreciation is provided on the cost of other properties held for own use over the unexpired period of the lease of 50 years.

(iii) Other fixed assets

Depreciation is provided on a straight line basis on the cost of other fixed assets at rates determined by the estimated useful lives of these assets of between 3 to 10 years.

(g) INVESTMENTS IN DEBT AND EQUITY SECURITIES

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

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

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

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

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

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

(h) DERIVATIVE FINANCIAL INSTRUMENTS

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

(i) HEDGING

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

(ii) Cash flow hedge

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

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

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

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

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

(iii) Hedge of net investment in a foreign operation

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

(j) LEASED ASSETS

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

(i) Classification of leased assets

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

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

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

(ii) Assets held under operating leases

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

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

(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 (f). Impairment losses are accounted for in accordance with the accounting policy as set out in note (k)(ii). Finance charges implicit in the lease payments are charged to the consolidated profit and loss account over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to the consolidated profit and loss account in the accounting period in which they are incurred.

(k) IMPAIRMENT OF ASSETS

(i) Impairment of financial assets

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

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

For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets) where the effect of discounting is material. If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the consolidated profit and loss account. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

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

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

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

(ii) **Impairment of other assets**

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

Recoverable amount

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

Recognition of impairment losses

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

Reversals of impairment losses

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

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

(l) 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.

(m) INTEREST-BEARING BORROWINGS

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

(n) TRADE AND OTHER PAYABLES

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

(o) CASH AND CASH EQUIVALENTS

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

(p) FOREIGN CURRENCIES

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary foreign currency balances and the balance sheets of overseas subsidiaries and associates are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The profit and loss accounts of overseas subsidiaries and associates are translated into Hong Kong dollars at the average exchange rates for the year. Differences arising from the translation of the financial statements of overseas subsidiaries and associates, and those arising from foreign currency borrowings used to hedge a net investment in a foreign operation, are dealt with in a separate component of equity. The exchange differences arising from the financing of properties under development by foreign currency borrowings are capitalised as part of the development costs. All other exchange differences are dealt with in the consolidated profit and loss account. On disposal of an overseas subsidiary or associate, the cumulative amount of the exchange differences recognised in equity which relate to that overseas subsidiary or associate 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.

(q) RECOGNITION OF REVENUE

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

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

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

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

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

(r) BORROWING COSTS

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

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

(s) INCOME TAX

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

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

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

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

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

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

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

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

(t) RELATED PARTIES

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

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

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

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

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

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

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

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

(u) 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 the consolidated profit and loss account 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.

(v) SEGMENT REPORTING

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

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

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

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

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

(w) EMPLOYEE BENEFITS

(i) **Defined contribution retirement schemes**
Contributions to the schemes are expensed as incurred and may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the Group in independently administered funds.

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

(iii) Salaries, annual bonuses, paid annual leave, leave passage 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.

(x) SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty
Note 26 contains information about the assumptions and their risk relating to financial instruments. Other key sources of estimation uncertainty are as follows:

(i) **Valuation of investment properties**

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

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

(ii) **Assessment of useful economic lives for depreciation of fixed assets**

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

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

(iii) **Assessment of impairment of non-current assets**

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

(iv) **Assessment of provision for properties held under development and for sale**

Management determines the net realisable value of properties held 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 AND ASSOCIATES

At 31 December 2008

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital (except otherwise stated)	Effective equity interest to the Company	Principal activities
Fine Super Holdings Limited	Hong Kong	1 HK$1 share	100%	Holding company
Janeworth Company Limited	Hong Kong	550,000,000 HK$1 shares	100%	Property
Lynchpin Limited	British Virgin Islands/ International	500 US$1 shares	100%	Investment
Main Light Holdings Limited	Hong Kong	1 HK$1 share	100%	Holding company
Marnav Holdings Limited	Hong Kong	1,000,000 HK$1 shares	100%	Property
Mega Full Holdings Limited	Hong Kong	1 HK$1 share	100%	Holding company
NART Finance Limited	Hong Kong	3 HK$10 shares	100%	Finance
Pachino Limited	Hong Kong	2 HK$10 shares	100%	Property
Pizzicato Limited	Hong Kong	2 HK$10 shares	100%	Property
Realty Development Corporation Limited (held directly)	Hong Kong	1,151,389,640 HK$0.2 shares	100%	Holding company
Samover Company Limited	Hong Kong	2 HK$1 shares	100%	Property
Sunny Point Holdings Limited	Hong Kong	1 HK$1 share	100%	Holding company
Titano Limited	Hong Kong	2 HK$1 shares	100%	Property
Total Up International Limited	Hong Kong	1 HK$1 share	100%	Holding company
Universal Sight Limited	Hong Kong	1 HK$1 share	100%	Property
Utmost Success Limited	Hong Kong	2 HK$1 shares	100%	Holding company
Wheelock Properties (China) Limited (held directly)	British Virgin Islands	500 US$1 shares	100%	Holding company
Wheelock WPL China Investments Limited	Hong Kong	2 HK$1 shares	100%	Investment
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
Belgravia Properties Pte. Ltd.	Singapore	1,000,000 S$1 shares	76%	Property
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
Mer Vue Developments Pte. Ltd.	Singapore	1,000,000 S$1 shares	76%	Property
Nassim Developments Pte. Ltd.	Singapore	2 S$1 shares	76%	Investment

PRINCIPAL SUBSIDIARIES AND ASSOCIATES

At 31 December 2008

Associates	Place of incorporation/ operation	Class of shares	Effective equity interest to the Company	Principal activities
Salisburgh Company Limited	Hong Kong	Ordinary	33%	Property
Grace Sign Limited (Note a)	Hong Kong	Ordinary	20%	Property
Harpen Company Limited (Note a)	Hong Kong	Ordinary	50%	Holding company
佛山信捷房地產有限公司 (Note a)	People Republic of China	Ordinary	50%	Property
佛山鑫城房地產有限公司 (Note a)	People Republic of China	Ordinary	50%	Property

Notes:

(a) The financial statements of these associates have been audited by a firm of accountants other than KPMG.

(b) Unless otherwise stated, the subsidiaries and associates were held indirectly by the Company.

(c) The above list gives the principal subsidiaries and associates of the Group which, in the opinion of the Directors, principally affected the profit and assets of the Group.

(d) The associates are unlisted corporate entities.

SCHEDULE OF PRINCIPAL PROPERTIES

At 31 December 2008

Address	Approx. gross floor area (sq.ft.)	Type/usage	Lease expiry	Lot number	Year of completion	Stage of completion	Effective equity interest to the Company
Investment Properties in Hong Kong							
3/F-24/F, Wheelock House, 20 Pedder Street, Central	194,700	Office	2854	ML99 Sec. A,C, R.P. & ML 100 Sec. A,B, R.P.	1984	N/A	100%
Fitfort, Basement - 3/F, Healthy Gardens Podium, 560 King's Road, North Point	125,400 & 353 car parks	Shopping arcade & car parks	2086	IL 3546	1979	N/A	100%
Investment Property in Singapore							
Wheelock Place, 501 Orchard Road	232,700 232,100	Office Shopping arcade	2089	–	1993	N/A	76%

Address	Approx. gross floor area (sq.ft.)	Type/usage	Site area (sq.ft.)	Lot number	Expected year of completion	Stage of completion	Effective equity interest to the Company
Property Developments in Hong Kong							
The Babington, Mid-Levels	51,900 (4,900 s.f. pre-sold)	Residential	5,837	IL609C R.P. & Sec. D R.P.	2010	Superstructure in progress	100%
2 Heung Yip Road, Wong Chuk Hang, Aberdeen	737,200 (224,900 s.f. pre-sold)	Office	49,000	AIL 374	2010	Superstructure in progress	100%
211-215C Prince Edward Road West	91,700	Residential	18,338	KIL 2340 R.P.	2012	Planning stage	100%
46 Belcher's Street, Kennedy Town	91,400	Residential	11,125	IL953 R.P.	2013	Planning stage	100%
Units of World Tech Centre, 95 How Ming Street, Kwun Tong	52,800	Industrial	37,341	KTIL 195 R.P.	–	Completed	100%

SCHEDULE OF PRINCIPAL PROPERTIES

At 31 December 2008

Address	Approx. gross floor area (sq.ft.)	Type/usage	Site area (sq.ft.)	Lot number	Expected year of completion	Stage of completion	Effective equity interest to the Company
Property Developments in Singapore							
Orchard View, 29 Angullia Park	75,900	Residential	29,078	–	2010	Superstructure in progress	76%
Ardmore II, 1 & 2 Ardmore Park	238,700 (all units pre-sold)	Residential	89,630	–	2010	Superstructure in progress	76%
Scotts Square, 6 Scotts Road	292,700 (226,000 s.f. pre-sold) 130,700	Residential Shopping arcade	71,145	–	2011	Superstructure in progress	76%
Ardmore 3, 3 Ardmore Park	146,175	Residential	54,981	–	2014	Planning stage	76%
Property Developments in Hong Kong (undertaken by associates)							
Units at Bellagio, 33 Castle Peak Road, Sham Tseng	7,400 10,400	Residential Shopping arcade	566,090	Lot No. 269 R.P. in DD 390	–	Completed	33%
Units of Parc Palais, 18 Wylie Road, King's Park, Homantin	3,400	Residential	387,569	KIL 11118	–	Completed	20%
Property Developments in China (undertaken by associates)							
Foshan Xincheng Project South of Tian Hong Lu and North of Yu He Lu Xincheng District	2,313,000 (113,000 s.f. pre-sold) 140,000	Residential Retail	2,867,600	–	2012	Superstructure in progress	50%
Foshan Chancheng Project North side of Kin Jin Lu, Chancheng District	1,313,500 115,200	Residential Retail	1,155,000	–	2013	Substructure in progress	50%

Notes:

(a) The gross floor area of completed properties for sale represents unsold area of the respective properties.

(b) The gross floor area of properties held through associates are shown on an attributable basis.

TEN-YEAR FINANCIAL SUMMARY

HK$ Million	2008	2007	2006/07	2005/06	2004/05	2003/04	2002/03	2001/02	2000/01	1999/00
		(Note b)								
Consolidated Profit and Loss Account										
Turnover	**6,269**	840	1,314	1,788	2,189	1,602	1,999	3,330	1,933	3,038
Profit/(loss) before investment property surplus	**455**	570	1,169	1,161	1,377	1,054	(793)	86	243	670
Investment property surplus (Note a)	**361**	970	281	1,073	465	–	–	–	–	–
Profit/(loss) attributable to shareholders	**816**	1,540	1,450	2,234	1,842	1,054	(793)	86	243	670
Dividends attributable to shareholders	**207**	207	207	186	166	145	145	145	145	145
Consolidated Balance Sheet										
Fixed assets	**8,154**	7,682	6,043	5,655	4,365	3,274	3,163	3,912	4,232	4,730
Interest in associates	**1,480**	1,079	363	957	1,550	1,758	3,443	4,314	4,973	4,595
Available-for-sale investments	**5,643**	11,849	9,025	7,079	5,701	5,166	3,307	4,468	4,656	3,740
Properties for sale	**6,991**	10,181	8,734	7,060	4,890	3,918	2,669	3,753	10,043	9,578
Bank deposits and cash	**5,593**	5,314	6,433	4,498	3,485	1,982	2,795	2,980	869	1,364
Other assets	**963**	344	268	682	420	597	308	137	266	657
Total assets	**28,824**	36,449	30,866	25,931	20,411	16,695	15,685	19,564	25,039	24,664
Bank loans	**(2,114)**	(2,729)	(3,137)	(3,909)	(3,115)	(2,094)	(3,806)	(3,831)	(4,061)	(4,708)
Other liabilities	**(3,994)**	(6,250)	(4,137)	(2,164)	(766)	(703)	(968)	(1,403)	(5,759)	(5,336)
Net assets	**22,716**	27,470	23,592	19,858	16,530	13,898	10,911	14,330	15,219	14,620
Share capital	**414**	414	414	414	414	414	414	414	414	414
Reserves	**19,832**	24,460	20,802	17,745	14,564	12,129	9,259	11,070	11,861	11,203
Shareholders' equity	**20,246**	24,874	21,216	18,159	14,978	12,543	9,673	11,484	12,275	11,617
Minority interests	**2,470**	2,596	2,376	1,699	1,552	1,355	1,238	2,846	2,944	3,003
Total equity	**22,716**	27,470	23,592	19,858	16,530	13,898	10,911	14,330	15,219	14,620

TEN-YEAR FINANCIAL SUMMARY

HK$ Million	2008	2007	2006/07	2005/06	2004/05	2003/04	2002/03	2001/02	2000/01	1999/00
		(Note b)								
Financial Data										
Per share data										
Earnings/(loss) per share (HK$)	**0.39**	0.74	0.70	1.08	0.89	0.51	(0.38)	0.04	0.12	0.32
Net assets per share (HK$)	**9.78**	12.02	10.25	8.77	7.24	6.06	4.67	5.55	5.93	5.61
Dividend per share (Cents)	**10.0**	10.0	10.0	9.0	8.0	7.0	7.0	7.0	7.0	7.0
Financial ratios										
Net debt to shareholders' equity (%)	**N/A**	N/A	N/A	N/A	N/A	0.9%	10.5%	7.4%	26.0%	28.8%
Net debt to total equity (%)	**N/A**	N/A	N/A	N/A	N/A	0.8%	9.3%	5.9%	21.0%	22.9%
Return on shareholders' equity (%)	**3.6%**	6.7%	7.4%	13.5%	13.4%	9.5%	(7.5%)	0.7%	2.0%	6.0%
Dividend cover (Times)	**3.9**	7.4	7.0	12.0	11.1	7.3	N/A	0.6	1.7	4.6

Notes:

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

(b) The Company changed its financial year end date from 31 March to 31 December at the ended of 2007. Accordingly, the financial period for 2007 covered the nine months ended 31 December 2007.

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

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