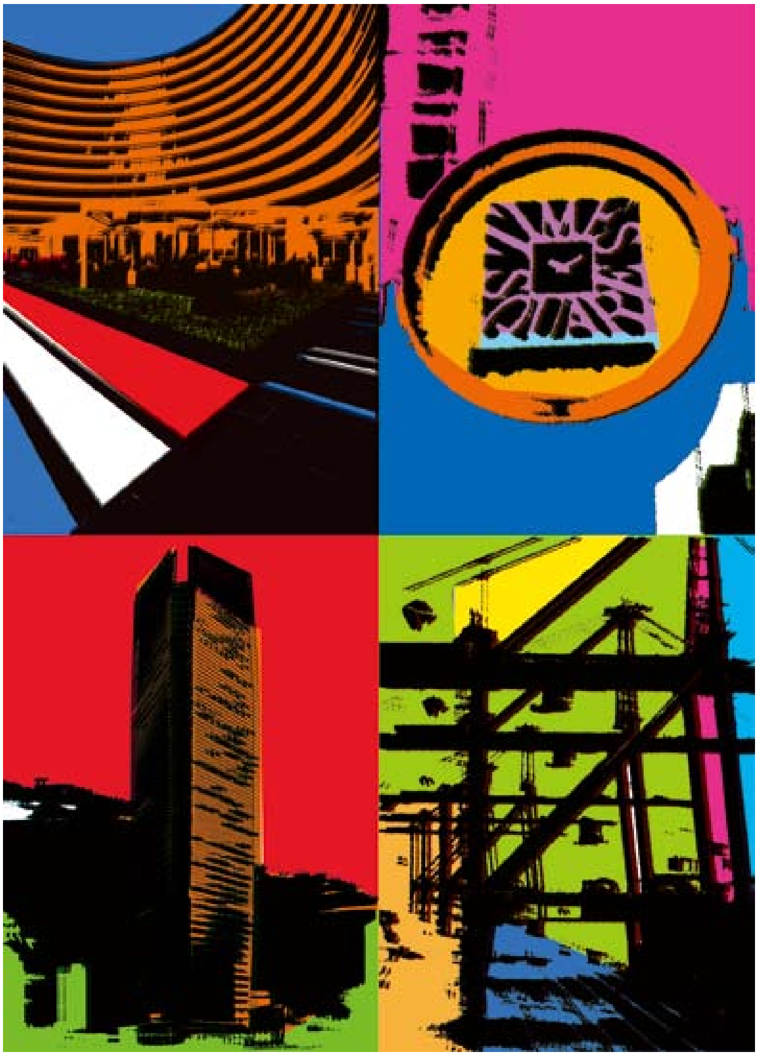
WHARF

Established 1886



The Wharf (Holdings) Limited

ANNUAL REPORT 2008

Stock Code: 4

Founded in 1886, **The Wharf (Holdings) Limited** is a premier company with HK$169 billion of consolidated assets and a strategic focus on property and infrastructure in Hong Kong and the Mainland.

The "Heart of the Group" is Harbour City and Times Square in Hong Kong. Together, they represent 46% of total Group assets and 63% of operating profit. Easily outperforming the general economy, 2008 operating profit rose by 20% over 2007 to nearly HK$5 billion. As "must visit" retail meccas for visitors, they accounted for 7% of total Hong Kong retail sales in full year 2008, and close to a phenomenal 10% in December 2008.

"Building for Tomorrow" is the Group's mission. The dependability of cashflow from the "Heart of the Group" has enabled the Group to re-invest to build a new "Tomorrow" for the future. That new "Tomorrow" is clearly in Mainland China.

Since 2005, the Group has acquired 19 sites in various Mainland cities for development. As at the end of 2008, total attributable landbank and investment properties came close to our interim target of 100 million square feet of gross floor area.

In particular, International Finance Centre in Chengdu, the Group's next flagship, will be comparable in significance, mix and scale to Harbour City in Hong Kong. Chengdu is the up and coming business hub at the heart of Western China and has a population of 11 million to trail only Beijing, Shanghai and Chongqing. The project, as the top location in the city's main commercial district, aims to quickly become the "Best of the West" as the new shopping hub for not only Chengdu but the entire Western region.

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

Contents

Corporate Information

Board of Directors	Mr Peter K C Woo, GBS, JP, *Chairman* Mr Gonzaga W J Li, *Senior Deputy Chairman* Mr Stephen T H Ng, *Deputy Chairman & Managing Director* Ms Doreen Y F Lee, *Executive Director* Mr Paul Y C Tsui, *Executive Director & Group Chief Financial Officer* Mr T Y Ng *Independent Non-executive Directors* Hon Paul M P Chan, JP* Professor Edward K Y Chen, GBS, CBE, JP Dr Raymond K F Ch'ien, GBS, CBE, JP Hon Vincent K Fang, SBS, JP* Mr Hans Michael Jebsen, BBS* Mr James E Thompson, GBS* * Members of the Audit Committee
Secretary	Mr Wilson W S Chan, FCIS
Auditors	KPMG
Principal Banker	The Hongkong and Shanghai Banking Corporation Limited
Registrars	Tricor Tengis Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai, Hong Kong
Registered Office	16th Floor, Ocean Centre, Harbour City Canton Road, Kowloon, Hong Kong Tel: (852) 2118 8118 Fax: (852) 2118 8018 Website: www.wharfholdings.com

Chairman's Statement

The Heart of the Group, Harbour City and Times Square in Hong Kong, together represent 46% of the Group's total assets and 63% of total operating profit. They easily outperformed the general economy. Operating profit rose by 20% from 2007 to nearly HK$5 billion to set a key corporate milestone.

Hong Kong's economy fell victim to the global financial tsunami and slowed markedly after September 2008. For full year 2008, real GDP grew by 2.5%, a rapid deceleration from the rate of 6.4% in 2007.

"Heart of the Group"

The Heart of the Group, Harbour City and Times Square in Hong Kong, together represent 46% of the Group's total assets and 63% of total operating profit. They easily outperformed the general economy. Operating profit rose by 20% from 2007 to nearly HK$5 billion to set a key corporate milestone.

In particular, total retail sales generated from these two prime retail properties accounted for 7% of total Hong Kong retail sales in full year 2008, and close to a phenomenal 10% in December 2008. It has significantly and consistently outperformed the general market in growth rate in both good times and bad, by up to 10 percentage points or more. Average sales per square foot reported for Harbour City in December was a record high of HK$1,900.

Lease reversion at Harbour City and Times Square has accordingly been brisk. 70% of the office space with leases expiring in the first half of 2009 have been secured and renewed at new rates which are on average 20% higher than those expiring. Attracted by our robust sales performance, there is a consistent waiting list of preferred retail tenants for the occasional space that becomes available. Both Canton Road and Times Square have become "must visit" retail meccas for visitors.

China Properties

"Building for Tomorrow" is the Group's mission. The dependability of cashflow from the "Heart of the Group" has enabled the Group to re-invest to build a new "Tomorrow" for the future. That new "Tomorrow" is clearly in Mainland China. Since 2005, the Group has acquired 19 sites in the Mainland for development in cities such as Chengdu, Hangzhou, Suzhou, Chongqing, Changzhou and Wuxi. As at the end of 2008, the Group's attributable landbank and investment properties totalled close to our interim target of 100 million square feet of gross floor area.

We have initiated earlier this year a deliberate process of localisation with a view to establishing a substantial local business organisation and base in the Mainland. We believe strongly this would empower us to compete more effectively in the future with leading local property developers there.

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

The International Finance Centre (IFC) project in Hongxing Road, Chengdu, the Group's next flagship, is comparable in significance to Harbour City and Times Square in Hong Kong. Chengdu is the up and coming business hub at the heart of Western China and has a population of 11 million, trailing only Beijing, Shanghai and Chongqing. Prime retail rental is comparable to that in Shanghai. Sitting at the top location in the city's main commercial district, the project links to the adjacent mass transit railway station where two major lines intersect. There are three leading department stores across the street. The scale of the development, also with retail, office, apartments and hotel, is comparable to Harbour City. It aims to quickly become the "Best of the West" as the new shopping hub for not only Chengdu but the entire Western region. A total project investment of RMB14 billion and an initial yield of 5 to 7% are envisaged. The project is targeted to be completed in phases from 2012.

Other projects are still at early stages of development but are already showing promising signs of investment logic. We will continue to monitor market conditions closely to fine tune the progress of development. We aim to avoid building on speculation and when the market is not yet there.

The Group has been achieving record or near record sales for its various residential projects in the respective cities. Recent pre-sales launches have met with very favourable response. For the project in Gaoxin District, Chengdu, about 77% of the units offered since last November have been presold at an average price of RMB6,000 per square metre. For the joint venture project in Danzishi District, Chongqing, about 70% of the units offered since last November have been presold at an average price that rose from RMB4,600 to RMB4,900 per square metre. At Dalian Times Square, Dalian, over half of the units offered in the second tower earlier in March were presold within one week, and before the public sale started, at an average price of RMB14,000 per square metre to match the record price achieved for the first tower in June 2008.

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

Capital Planning

Cashflow management and control are critical in today's tight credit market. This is expected to persist for some time to come. In that regard, the Group has built a solid foundation to meet not only existing commitments but also any new investment opportunities which may arise.

All of the Group's key Hong Kong assets are generating excellent recurring cashflow. Harbour City and Times Square alone produced free cashflow of about HK$4 billion in 2008. In addition, the Logistics and CME segments upstreamed a total of about HK$1 billion of cash after meeting their own development needs respectively.

Timely completion of committed facilities helped the Group to secure HK$14 billion of medium term debt capacity in 2007. This was followed by a rights issue at the beginning of 2008 to help the Group to raise HK$9 billion of additional equity in a good market. As at the end of 2008, the Group's net debt amounted to less than HK$10 billion, after excluding standalone credit and cashflow entities such as Modern Terminals and Harbour Centre Development, which are partly-owned subsidiaries of the Group. Committed facilities and cash in hand are more than adequate to meet planned capital expenditure. Even if none of the facilities maturing in 2009 is renewed, it is expected that HK$10 billion of committed facilities would still remain unutilised at the end of the year.

In addition, the Group continues to minimise and stabilise its cost of funding. One such initiative is to lock in an interest cost savings of over 3,000 basis points (amounting to US$123 million) by swapping a 10-year US$400 million debt to finance the Group's renminbi assets in the Mainland into Japanese yen to diversify funding. The Group stands to gain from it unless the dollar/yen exchange rate falls below the breakeven rate of 85 in 2017. This direct currency swap is not a speculative derivative. It is "marked to market" at the end of each accounting period in accordance with current accounting standards. This may give rise to unrealised and potentially volatile accounting gains or losses from year to year. Another initiative is to lock in fixed interest rates for 10 years in the exceptionally low interest rate environment of today.

2008 Financial Summary

Group turnover for 2008 slipped to HK$15,940 million (2007: HK$16,208 million) with strong recurrent rental income substantially covering the lower property sales recognised in the year. Operating profit decreased to HK$7,639 million (2007: HK$9,516 million) on account of lower profits of HK$84 million from Hong Kong and China property sales recognised (2007: HK$1,127 million) and an exceptionally large profit (HK$1,806 million) from investment disposal in 2007.

Profit attributable to Shareholders excluding the net investment property revaluation surplus was HK$4,194 million (2007: HK$5,947 million). Including a lower unrealised surplus from the revaluation of investment properties, profit attributable to Shareholders was HK$6,247 million (2007: HK$13,143 million). Earnings per share were HK$2.28 (2007: HK$5.17).

Revaluation of the Group's investment properties portfolio, underpinned by higher rentals, grew by 2% to HK$98,410 million as at the end of 2008. Gearing was 20.9%.

Including Logistics, 30% of our Group's assets were renminbi assets located in the Mainland as at the end of 2008.

A final dividend of 44 cents per share (2007: 44 cents) has been recommended to bring the total dividend for the year to 80 cents per share (2007: 80 cents).

Outlook

2009 is expected to be an interesting year. The Hong Kong economy is forecasted to contract by 2 to 3% in real terms. The near-term prospect for retailers will continue to be overshadowed by economic uncertainties. We see steady growth of the Mainland economy and the staunch supporting measures extended to Hong Kong should cushion Hong Kong in weathering the storm. Hong Kong will benefit from the Mainland's strong economic fundamentals. It is well-poised to turn this global financial crisis into opportunities while advancing its status as an international financial centre and a superb business service platform for the region. The medium and longer term economic prospects for Hong Kong remain promising.

On behalf of all Shareholders and my fellow Directors, I wish to express our heartfelt appreciation to all Staff for their dedication and contribution throughout the year.

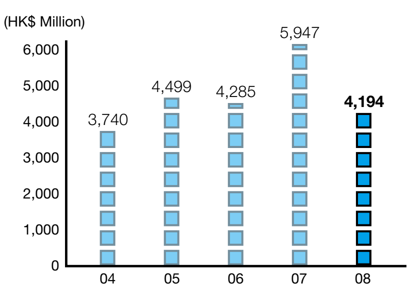
Peter K C Woo
Chairman
Hong Kong, 25 March 2009

Financial Highlights

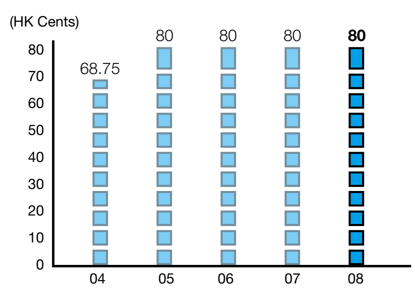
	2008 HK$ Million	2007 HK$ Million
Results		
Turnover	**15,940**	16,208
Operating profit before depreciation, amortisation, interest and tax	**9,031**	10,789
Profit before attributable property revaluation surplus	**4,194**	5,947
Profit attributable to equity shareholders	**6,247**	13,143
Earnings per share	**HK$2.28**	HK$5.17
Dividend per share	**80 cents**	80 cents
Financial Position		
Total assets	**168,554**	146,171
Net debt	**22,123**	23,565
Shareholders' equity	**99,494**	86,364
Total equity	**105,857**	92,002
Net asset value per share	**HK$36.13**	HK$35.28
Net debt to total equity	**20.9%**	25.6%

Group Profit Attributable to Equity Shareholders

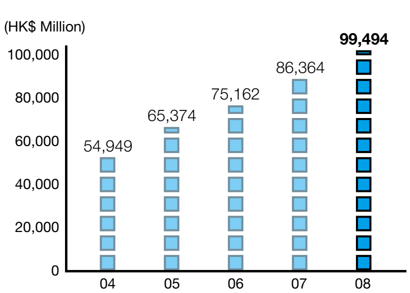
(before revaluation surplus)



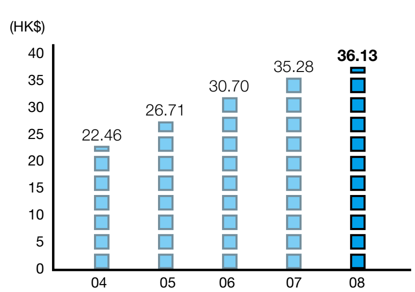
Dividend Per Share



Shareholders' Equity



Net Asset Value Per Share



Managing Director's Report

Business Review

Harbour City & Times Square

These two represent 46% of the Group's total assets and 63% of total operating profit to form the "Heart of the Group". As "must visit" retail meccas for visitors, they accounted for 7% of total Hong Kong retail sales in full year 2008, and close to a phenomenal 10% in December 2008.

China Properties

The International Finance Centre in Chengdu, the Group's next flagship, will be comparable in significance, mix and scale to Harbour City. Chengdu is the up and coming business hub at the heart of Western China and its population of 11 million trails only Beijing, Shanghai and Chongqing. Chengdu IFC aims to quickly become the "Best of the West" as the new shopping hub for not only Chengdu but the entire Western region.

Modern Terminals

Modern Terminals' throughput in Hong Kong grew by 3% to 5.9 million TEUs and maintained a market share of 33.3% in Kwai Tsing during 2008.

Other Businesses

Corporate Social Responsibility

Harbour City

Shoppers' foot traffic for the year grew by 7% to 80 million and total sales in 2008 set a new record at HK$13.4 billion. Average sales per square foot in December surged to a record high of over HK$1,900.

Harbour City

Balance Sheet (Extract)

As at 31 December 2008

	HK$ Million
Properties	56,268
Hotel and club (cost less depreciation)	260
Net current liabilities	(1,446)
Other non-current liabilities	(668)
*Net business assets (before debt)	54,414

* Excluding deferred tax on revaluation surplus for investment properties

Revenue

	2008 HK$ Million	2007 HK$ Million	Change (%)
Retail	**2,166**	1,775	+22
Office	**1,585**	1,336	+19
Serviced Apartments	**275**	245	+12
Hotel and Club	**1,042**	972	+7
	5,068	4,328	+17

Operating Profit

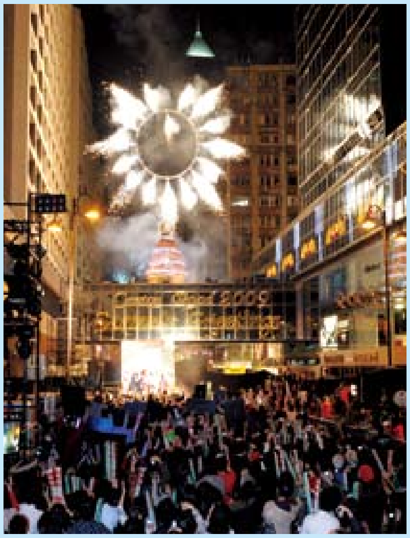
	2008 HK$ Million	2007 HK$ Million	Change (%)
Retail	**1,796**	1,441	+25
Office	**1,381**	1,139	+21
Serviced Apartments	**198**	167	+19
Hotel and Club	**351**	320	+10
	3,726	3,067	+21

A 40,000-square-foot outdoor terrace on Level 4 of Ocean Centre

Business Review

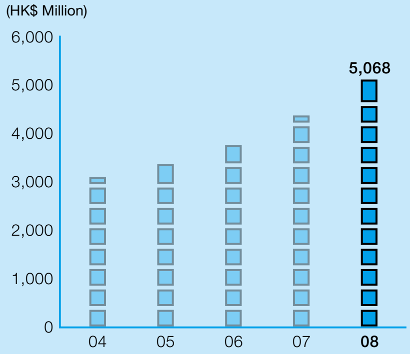
Harbour City

Gallery by the Harbour offers shoppers a unique in-mall cultural facility for art appreciation

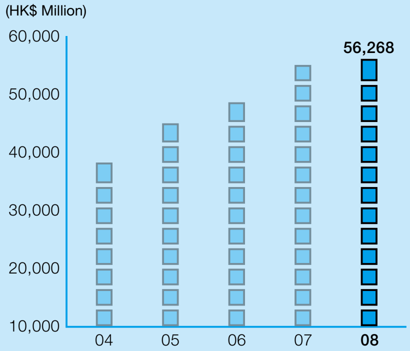


Canton Road Christmas street party 2008 attracted some 300,000 party goers

Revenue



Property Value
(hotel & club excluded)



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

Harbour City achieved a turnover of HK$5,068 million during the year for an increase of 17% over 2007, while its operating profit grew by 21% to HK$3,726 million. Excluding the three hotels which are stated at cost less accumulated depreciation, Harbour City was valued at HK$56,268 million at the end of 2008, which represented 33% of total Group assets.

Retail

The retail market held up well in the first half of 2008. However, worsening economic outlook started to depress the market in the second half. Inbound tourism also slowed towards the end of the year. Visitor arrivals grew mildly by 4.7% to 29.5 million for the year. Despite the adverse external environment, turnover of Harbour City's retail sector grew by 22% to HK$2,166 million.

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

Harbour City has been a hub for international luxury fashion brands in Hong Kong and remained one of the most sought-after shopping malls for retailers. In March 2008, Louis Vuitton expanded its store at Harbour City to three levels, which made it the second largest LV store in the world after the main store at Champs Elysees in Paris, France. Hermès boutique in December 2008 opened a store of 5,300 square feet along Canton Road. In addition to these notable recruitment and expansion, a host of new and international designers' labels such as Custo Barcelona, M Missoni, etc, were recruited during the year to enrich the tenant portfolio. Harbour City also attracted a series of celebrated

The Louis Vuitton store at Harbour City is the second largest LV store in the world

Harbour City: Retail Tenant Mix (by Rental and Area)

	% by Rental	% by Area
Fashion	35.7	25.2
Leather Goods - Shoes Bags & Related Trades	23.2	12.0
Department Stores, Confectionery Products	12.2	21.8
Jewellery, Beauty and Accessories	11.2	6.5
Restaurant, Fast Food, F&B	5.6	15.3
Children's Wear & Related Trades, Toys	3.3	7.2
Sports Wear	3.2	3.0
Electrical & Audio-visual Equipments	2.5	2.2
Others	3.1	6.8
Total	100.0	100.0

labels that are opening their respective first standalone shops in Hong Kong, such as, 45rpm, Burberry Kids, Stella McCartney, Stephen Webster, etc. The Food and Beverage sector at Harbour City has been further fine-tuned, with recruitment of New York Fries, Mazazu Crepe and BLT Steak which opened their respective first outlets in Hong Kong. The first two were opened in mid December 2008 while the latter in mid January 2009.

Riding on its excellent management, win-win tenant-landlord partnership concept and constant trade-mix enhancement, Harbour City performed solidly despite the deteriorating economic environment. Good clustering and segmenting review, together with powerful marketing and promotion programmes enabled Harbour City to continuously excel and stay ahead in the marketplace. Vibrant promotions at Harbour City, including the Christmas festive decorations and Chinese New Year decorations remained to be popular events for many locals and an attraction to tourists from the Mainland and overseas. Harbour City will continue to launch massive and sales-driven promotion activities and brand-mix revamp plan to fortify its competitive edge.

Harbour City

Display of art pieces at Harbour City's office lobbies brings art closer to people

Gateway Apartments recorded a 12% increase in turnover in 2008

Office Occupancy at Harbour City

	Gateway II	Gateway I	Others
Total GFA (sq ft)	1,570,000	1,128,000	1,737,000
Average Occupancy	96.2%	94.8%	92.5%

Office

The office leasing market held up firmly in the first half but turned sluggish towards the fourth quarter of 2008 on waning demand from banking and finance sectors following the deepened global financial turmoil. Nevertheless, the office sector at Harbour City on the back of the continuing strong rental reversion performed satisfactorily. Turnover grew by 19% to HK$1,585 million. Demand for office space during the year continued to be supported by business expansion and decentralisation.

Office occupancy at Harbour City was committed at 96% at the end of December 2008. About 55% of the new lettings during the year were in-house expansions, including AIA, All Nippon Airways, Coach, Estee Lauder, Zurich Life Insurance, etc.

In 2008, an increasing trend of decentralisation from core office areas to the Kowloon side was unveiled. Given its advantageous location, ideal transportation network and vicinity, Harbour City benefited from the trend and has attracted a host of commercial banks and airline companies, such as All Nippon Airways, Asiana Airlines, Mitsubishi UFJ and Taiwan Business Bank to relocate from the core district during the year. These newly recruited airline companies have formed a cluster with Cathay Pacific Airways, Japan Airlines and United Airlines at Harbour City. Recently, Sony Corporation relocated its three-floor office from The Lee Gardens to the Gateway, occupying approximately 48,000 square feet at Harbour City.

Despite the deteriorating economic outlook, lease renewal retention rate at Harbour City held up well at 73% during the year with favourable rental increment. This included a series of anchor tenants such as Hasbro, Mattel, Nike, Pioneer, Sun Life, etc. Harbour City continues to be a

The property's office lease renewal retention rate held up well at 73% during 2008 with favourable rental increment

Harbour City: Portfolio Information

	Gross Floor Area (sq ft)	Revenue (HK$ Million)	Average Occupancy (%)	Year-end Valuation (HK$ Million)
Retail	1,948,000	2,166	95	20,565
Office	4,435,000	1,585	95	29,933
Serviced Apartments	670,000	275	89	5,770
Hotel and Club (stated at amortised cost)	1,364,000	1,042	86	5,040

natural choice for multinational, Mainland and local enterprises. To stay ahead in the increasingly competitive marketplace, the leasing and property management teams will further improve the premises and be flexible to the market changes. Maintaining a healthy occupancy level will be of the Group's priority.

Serviced Apartments

Turnover for the serviced apartments grew by 12% to HK$275 million with an increase in rental rates but partially offset by a drop in occupancy.

At the end of December 2008, committed occupancy at Gateway Apartments dropped to 87% (2007: over 90%) owing to the unfavourable economic conditions. Large units of two-bedroom and three-bedroom apartments continued to enjoy full occupancy.


serviced apartments

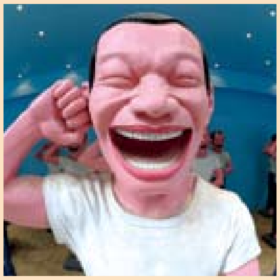
Times Square

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

Business Review

Times Square



Balance Sheet (Extract)

As at 31 December 2008

	HK$ Million
Properties	22,000
Net current liabilities	(381)
Other non-current liabilities	(294)
*Net business assets (before debt)	21,325

* Excluding deferred tax on revaluation surplus for investment properties

Revenue

	2008 HK$ Million	2007 HK$ Million	Change (%)
Retail	**871**	774	+13
Office	**440**	365	+21
	1,311	1,139	+15

Operating Profit

	2008 HK$ Million	2007 HK$ Million	Change (%)
Retail	**739**	658	+12
Office	**385**	310	+24
	1,124	968	+16

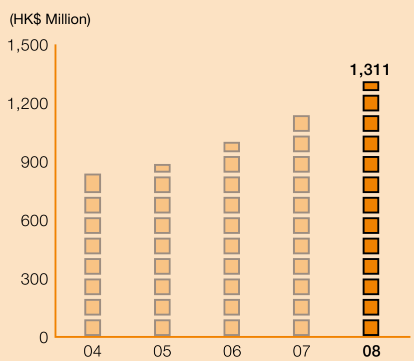
Renowned Chinese sculptor Sui Jianguo's master piece "Legacy Mantle series – Mao Jacket" was exhibited at Times Square, right in the heart of Causeway Bay in summer 2008

Times Square

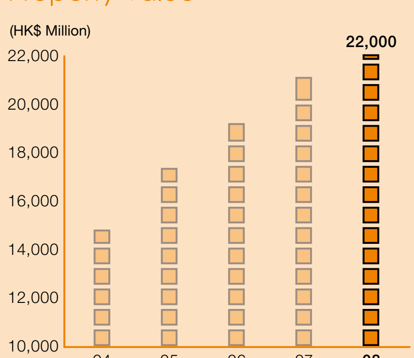
For 15 years in a row, tens of thousands of celebrators witnessed the ushering in of a new year at Times Square

Turnover for Times Square's office sector rose by 21% in 2008

Revenue



Property Value



Times Square, another core asset of the Group, turned over HK$1,311 million during 2008, for an increase of 15% over 2007. Operating profit increased by 16% to HK$1,124 million. Times Square was valued at HK$22,000 million at the end of 2008, which represented 13% of total Group assets.

Retail

Turnover from Times Square's retail sector was up by 13% to HK$871 million.

Average retail occupancy was maintained at 99%, with favourable rental growth. Leasing activities remained active during the year, with the recruitment of a host of international labels including Bottega Venetta, Burberry, Gucci and YSL and the expansion of a series of celebrated brands such as Agnès b., Montblanc and Vivienne Westwood. Trade-mix at the basement floor was further revamped resulting in a cluster of Fashion & Accessory and Cosmetics, in which a host of trendy brands such as 5 cm, CK Calvin Klein Watch & Jewelery, Crabtree & Evelyn, D-mop Denim, Fred Perry, etc were recruited.

Times Square: Retail Tenant Mix (by Rental and Area)

	% by Rental	% by Area
Fashion	30.4	18.7
Jewellery, Beauty and Accessories	23.0	10.7
Restaurant, Fast Food, F&B	11.0	26.4
Department Stores, Confectionery Products	13.3	20.8
Electrical & Audio-visual Equipment & Entertainment	10.7	12.6
Sports Wear	9.3	6.5
Others	2.3	4.3
	100.0	100.0

The expanded new Gucci at Times Square

The audio-visual cluster at Times Square was further fine-tuned with the opening of Chung Yuen Pro Shop and the expansion of DG Lifestyle. The Group, with a view to further strengthening the Food Forum, has also signed up two new restaurants, namely Agnès b. lpg / Agnès b. Delicès and Sen-ryo operated by Maxim's Group. The former opened in July 2008 while the latter in September 2008.

As a leading "shoppertainment" destination in Causeway Bay, Times Square strived to stay competitive in the marketplace through its constant trade-mix enhancement, strong branding and marketing programmes including its popular annual Apple Countdown. The Group also managed to achieve an even distribution of foot traffic around the retail mall through successful zoning. Times Square, over the years, supported and organised exhibitions of both local artists and world-renowned art masters including Ju Ming, Huang Yong Yu and Jimmy Liao and has evolved itself as an art and cultural hub. It will strive to strengthen its leading position as a must-visit shopping landmark in Hong Kong through continuous brand-mix refinement and providing shoppers with unique and all-round shopping experience.

Time Square: Portfolio Information

	Gross Floor Area (sq ft)	Revenue (HK$ Million)	Average Occupancy (%)	Year-end Valuation (HK$ Million)
Retail	936,000	871	99	13,411
Office	1,033,000	440	98	8,589

Office

Turnover for the office sector rose by 21% to HK$440 million on the back of strong rental reversion during the year. Committed office occupancy stood high at 98% at the end of 2008.

Times Square remained the preferred location for many multinationals engaged in the service or consumer goods sectors. Lease renewal retention rate stood high at 84%, with renewals including ABN Bank, Apple, Coca-Cola, Hitachi and Shell, despite the softening commercial market. New lettings during the year included in-house expansions such as Dennis Lau & Ng Chun Man Architects & Engineers (HK) Ltd.

China Properties

Since 2005, the Group has acquired 19 sites in various Mainland cities for development. As at the end of 2008, the Group's attributable landbank and investment properties totalled close to our interim target of 100 million square feet of gross floor area.

China Properties

Balance Sheet (Extract)

As at 31 December 2008

	HK$ Million
Investment properties	7,181
Other properties and fixed assets	2,691
Interest in associates/jointly controlled entities	7,679
Property inventory and development	16,455
	34,006
Net current liabilities	(2,495)
Other non-current liabilities	(1,783)
Net business assets (before debt)	29,728

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

Wuhan Times Square, comprising four residential towers and one office-apartment tower for sale and a hotel for investment purposes, was completed at the end of 2008. The new hotel – Marco Polo Wuhan ("MPW") opened on 15 September 2008 and provides premium accommodation and enhanced meeting services to travellers in Hankou, the commercial centre of Wuhan. Ideally located at the edge of an urban riverfront park with panoramic views of the Yangtze River and close to the Wuhan business district area, MPW is well positioned as a widely popular destination for both business and leisure travellers. Being part of the Times Square residential and commercial complex, MPW houses a number of international brand name flagship stores for Central China, including Ermenegildo Zegna, Glasstique, Louis Vuitton and Tod's.

Wheelock Square in Shanghai, comprising Grade A office tower and a retail annex, is scheduled for completion in the fourth quarter of 2009

China Properties

Pre-sales of residential units of Crystal Park (left) and Tian Fu Times Square (right) in Chengdu met with great success in 2008

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

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

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

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

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

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

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

Commanding a league of world-renowned brands, the retail podium of Dalian Times Square is destined to become a shopping landmark in the city

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

Other Projects under Development

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

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

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

The Group's sites in the Nanchang District (南長區), Wuxi, comprise two parcels of land, with a total attributable plot ratio GFA of 11.9 million square feet. One parcel is planned for an upscale residential project (8.9 million square feet) and the other is for a high-rise commercial development (3.0 million square feet). Construction for the first phase of residential developments will commence by the first quarter of 2009 and the whole residential development is scheduled for completion by 2015. The commercial development at Taihu Plaza comprises offices (including a 339-metre super tower), hotel and apartments. It is expected to be completed by 2014.

Ideally located on Hongxing Road (紅星路) in the prime Jinjiang District (錦江區), the Group's fourth site in Chengdu is right in the heart of Chengdu's vibrant business centre. With an attributable plot ratio GFA of 4.7 million square feet, the project will include Grade A offices, a five-star hotel, a mega retail complex and luxurious residences. Planning and design of the project is well underway.

The Group's first lot in Suzhou is superbly located between Jinji Lake (金雞湖) and Dushu Lake (獨墅湖) in the eastern side of the city next to a 27-hole golf club. It will be developed into premier deluxe low density residences with an attributable plot ratio GFA of 2.1 million square feet. Construction work is scheduled to commence by the first half of 2009.

China Properties

China Property List

	Project Nature	Attributable Plot Ratio GFA (sq ft)	Status	Effective % Owned
Beijing Capital Times Square	Office/Retail	1,114,000	For Lease	88
Shanghai Times Square	Office/Retail/Apartment	973,000	For Lease	100
Chongqing Times Square	Office/Retail	591,800	For Sale/Lease	100
Wellington Garden Tower 3 (Shanghai)	Residential	128,000	For Sale	59
Wuhan Times Square Tower 2	Retail/Hotel	413,000	For Lease	100
Wuhan Times Square Towers 1, 3, 4, 8 & 9	Residential	263,000	For Sale	100
Dalian Times Square	Retail/Residential	1,499,000#	For Lease/Sale	100
Wheelock Square	Office/Retail	1,228,000	Under Construction	98
No.1 Xin Hua Road (Shanghai)	Residential	206,000	Under Construction	85
Tian Fu Times Square (Chengdu)	Office/Retail/Residential	4,856,000#	Under Construction	100
Crystal Park (Chengdu)+	Office/Retail/Residential	4,425,000#	Under Construction	100
Hangzhou CBD Project	Retail/Hotel/Residential	1,255,000 (40%)##	Under Construction	28
Zhuantang Town Project (Hangzhou)	Retail/Residential	2,004,000 (50%)##	Under Construction	50
Wuxi Taihu Plaza Project				
Taihu Plaza Project (Wuxi)	Residential	8,949,000	Under Construction	100
Wuxi Super Tower	Office/Hotel/Residential	3,010,000	Under Construction	100
Danzishi Project (Chongqing)	Retail/Residential	9,038,000# (40%)##	Under Construction	40
Chengdu Shahe Project	Office/Retail/Hotel/Residential	4,046,000 (30%)##	Under Planning	30
Chengdu IFC (Chengdu)	Office/Retail/Hotel/Residential	4,724,000	Under Planning	100
Lot No. 68210 Suzhou Industrial Park	Residential	2,123,000	Under Planning	100
Shuangliu Development Zone (Chengdu)	Office/Retail/Residential	9,807,000**	Under Planning	100
Suzhou Industrial Park				
Xiandai Da Dao	Residential	9,765,000	Under Planning	56
Suzhou Super Tower	Office/Residential	3,780,000	Under Planning	56
Jingan Garden (Shanghai)	Residential	763,000	Under Planning	55
Suzhou Wei Ting Project, Suzhou Industrial Park	Residential	908,000 (50%)##	Under Planning	50
Changzhou Dinosaur Park Project	Hotel/Residential	8,681,000	Under Planning	70
Wuxi Old Canal Lot 71	Residential	2,551,000	Under Planning	100
Wuxi Old Canal Lot 72	Office/Residential	2,670,000	Under Planning	100
Wuxi Old Canal Lot 73	Residential	1,760,000 (50%)##	Under Planning	50
Jiangbei City Project (Chongqing)	Residential	2,524,000 (55%)##	Under Planning	39

For details of completion date of above properties, please refer to Schedule of Principal Properties on pages 132 to 137

** Retail includes 686,000-square-foot outlet mall expected to be completed in 2009

Partly pre-sold

Being attributable percentage held through jointly controlled entities/associates and the respective GFA are shown on an attributable basis

+ Formerly known as No. 10 Gaoxin District (Chengdu)

The Group's second site acquired in Suzhou is being jointly developed by the Group and the China Merchants Property group on a 50:50 ownership basis. Ideally located in the Suzhou Industrial Park (蘇州工業園區) next to Qing Jian Hu (青劍湖) and Wei Ting Sun Island Golf & Resorts (唯亭太陽島高爾夫俱樂部), the project will be a residential development with an attributable plot ratio GFA of 908,000 square feet.

The Group's first lot in Hangzhou comprises four land parcels jointly developed by the Group and Jindu group on a 50:50 ownership basis. Superbly located in a prime area in the Xihu District (西湖區), Zhuantang Town (轉塘鎮), and is in the proximity of Songcheng (宋城) next to West Lake International Golf & Country Club (西湖國際高爾夫俱樂部), the connected sites will offer an attributable plot ratio GFA of 2.0 million square feet and is scheduled for completion in phases by 2014.

The Group through Harbour Centre Development Limited ("HCDL") also acquired five valuable sites in the cities of Chongqing, Suzhou, Hangzhou and Changzhou during 2007. The first four sites were acquired through partnering with strong local property developers while the remaining site in Changzhou is wholly-owned by HCDL. Descriptions of these projects are as follows:

The Old Canal projects in Wuxi are planned for completion in phases from 2014 to 2015

A land lot in Jiangbei City (江北城) of Jiangbei District (江北區), Chongqing, is being jointly developed by HCDL and China Overseas group on a 55:45 ownership basis into a high end residential project. Superbly located in the eastern side of Jiangbei City, facing Yangtze River in the east and north and Jialing River (嘉陵江) in the south, the land lot offers a plot ratio GFA of 2.5 million square feet attributable to the Group. Completion is scheduled in phases by 2014.

Two land parcels on Xinghu Jie (星湖街) and Xiandai Da Dao (現代大道) in Suzhou Industrial Park (蘇州工業園區) are being developed by an 80:20 joint venture between HCDL and Genway Housing Development group. The parcels offer a plot ratio GFA of 13.5 million square feet attributable to the Group. A 400-metre skyscraper landmark will be built at the site of Xinghu Jie while the site at Xiandai Da Dao will house residential development. Planning and design are in progress.

Through a 40:60 joint venture with Greentown China Holdings, HCDL is developing a land parcel in Hangzhou that is superbly located in the new Hangzhou Central Business District (錢江新城) and

frontal to the Qiangtang Jiang (錢塘江). The site offers a plot ratio GFA of 1.3 million square feet attributable to the Group. The development comprises high end residences, apartments and a five-star hotel. The whole project is expected to be completed in phases by 2013.

HCDL's land parcel in Xinbei District (新北區) of Changzhou offers a plot ratio GFA of 8.7 million square feet. Ideally located in the prime area of Xinbei District, the parcel is just five kilometres away from the city centre, in the vicinity of China Changzhou Dinosaur Land theme park (中華恐龍園) and Xin Qu Park (新區公園). It boasts superb air-sea-land transportation links to Changzhou Airport and Huning Express Railway. The development comprises mainly high-end residences and a 5-star hotel. The whole project is scheduled for completion in phases by 2014.

New Acquisitions

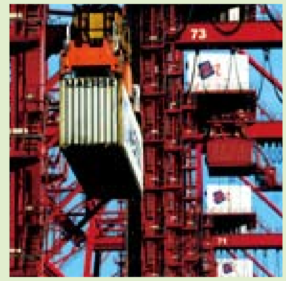
The Group, in January 2008, acquired three pieces of land parcels in Nanchang District (南長區) in Wuxi alongside the 2,500-year-old ancient canal (京杭運河), which offer a plot ratio GFA of 7.0 million square feet attributable to the Group. Two of these sites were wholly owned by the Group (plot ratio GFA: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

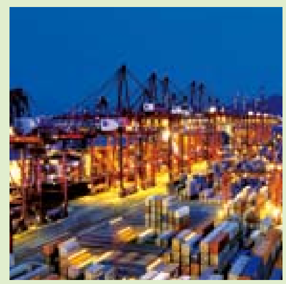
In July 2008, the Group entered into a joint venture agreement with Sun Hung Kai Properties and Henderson Land on a 30:40:30 ownership basis to jointly develop a prime commercial site in Dong Da Jie (東大街) in Chengdu into an integrated commercial complex comprising an office tower of over 280 metres,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

Modern Terminals

For 2008, Modern Terminals group's consolidated revenue grew by 7% to HK$3,446 million with a 3 % increase in its Hong Kong throughput.

Modern Terminals






Balance Sheet (Extract)

As at 31 December 2008

	HK$ Million
Fixed assets	13,448
Interest in associates/jointly controlled entities	4,208
Goodwill	297
Net current liabilities	(1,009)
Other non-current liabilities	(616)
Net business assets (before debt)*	16,328

* Modern Terminals has net debt of HK$10,556 million, which is non-recourse to the Company and other subsidiaries of the Group

South China saw positive growth in container throughput for the first three quarters of 2008. A net growth of 3% was recorded in 2008 as a whole, despite the impact of the global economic slowdown in the last quarter with a year-on-year drop of 7%. Shenzhen's and Hong Kong's market shares remained at about 55% and 45% respectively.

For 2008, Modern Terminals group's consolidated revenue grew by 7% to HK$3,446 million while operating profit slid by 10% to HK$1,651 million. The lower operating profit was mainly due to increase in depreciation charges and initial loss on operations of Da Chan Bay Terminal One.

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

For 2008, Modern Terminals group's consolidated revenue grew by 7% to HK$3,446 million

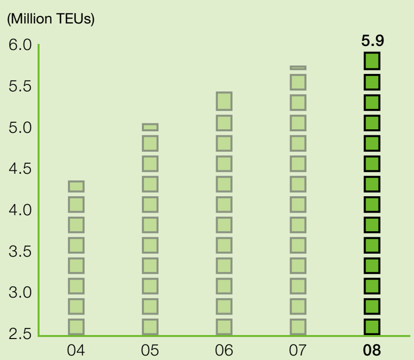
Business Review

Modern Terminals

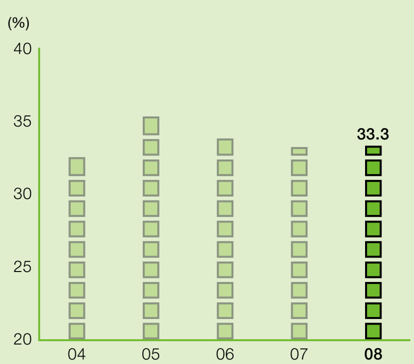
Da Chan Bay Terminal One commenced commercial operation in July 2008

Taicang International Gateway expanded from four to six container berths in 2008

Throughput (HK)



Market Share (HK)



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

Da Chan Bay Terminal One ("DCB") in Shenzhen (65%-owned) commenced commercial operation in July 2008 when the Customs office was finally commissioned, after diligent efforts with Central and Provincial Government. With its berths coming on stream in stages, DCB has since been building up its business steadily, achieving a throughput close to 90,000 TEUs in its initial year of operations.

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

Despite the global economic crisis, Modern Terminals' strong foothold and positioning in the two largest manufacturing regions (Pearl River Delta and Yangtze River Delta) in China through its Hong Kong business, its investments in Chiwan Container Terminal and Shekou Container Terminals (both in Shenzhen), and new terminal projects in Taicang (Suzhou) and Dachan Bay (Shenzhen) will help the company ride over the forthcoming difficulties in the medium term, given that Greater China should remain the trade growth engine for the world.

Other Businesses

Other Hong Kong Properties

Balance Sheet (Extract)

As at 31 December 2008

	HK$ Million
Properties	13,816
Interest in associates	59
Property inventory and development	817
Second mortgage debtors	9
Net current liabilities	(38)
Other non-current liabilities	(167)
*Net business assets (before debt)	14,496

* Excluding deferred tax on revaluation surplus for investment properties

Major Property List

	Project Nature	Attributable GFA (sq ft)	% Owned	Status
Plaza Hollywood	Retail	562,000	100	For Lease
Wharf T&T Square	Office/ Retail	395,000	100	For Lease
Delta House	Office	349,000	100	For Lease
1 Plantation Road	Residential	97,000	100	For Lease
Mountain Court	Residential	49,900	100	For Lease
Chelsea Court	Residential	43,000	100	For Lease
77 Peak Road	Residential	32,000	100	For Lease
Star House - various units	Retail	50,800	70	For Lease
Cable TV Tower - various units	Industrial	566,000	100	For Lease/Own Use
Strawberry Hill - various units	Residential	16,000	100	For Lease/Sale
Bellagio Towers 1,2,3 & 5	Retail/Residential	17,800	33	For Lease/Sale
Cable TV Tower South	Industrial	598,500	100	Under Construction
Kowloon Godown	Residential	994,900	100	Under Planning
Yau Tong Godown	Retail/Residential	255,700	100	Under Planning
Yau Tong JV Project	Retail/Residential	624,500	15.6	Under Planning

Other Businesses

Leasing activities for the Group's Peak property portfolio remained active in 2008

The deluxe Marco Polo Wuhan opened in September 2008

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

For our Peak property portfolio, leasing activities remained active during the year. 1 Plantation Road, Chelsea Court and Mountain Court were almost fully let during 2008, with favorable rental growth in new lettings and renewals. A record high unit rent of HK$75.7 per square foot has been achieved from the new letting of a penthouse unit of 1 Plantation Road in October 2008. In addition, a penthouse unit of Chelsea Court registered a 61% rental increment in August 2008.

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

Marco Polo Hotels

Marco Polo Hotels currently has a portfolio of nine operating hotels in the Asia Pacific Region.

The three hotels in Harbour City performed well during the year. Total hotel and club revenue was HK$1,042 million, and an 8% growth in average room rate was achieved. Despite a steady increase in average room rates, consolidated occupancy in 2008 slightly dropped to 86% (2007: 90%) on a slowdown in inbound tourism towards the year end, spurred by the global economic downturn.

A new deluxe Marco Polo hotel in Wuhan (at Wuhan Times Square) opened on 15 September 2008 and is wholly owned and developed by the Group. Located along the Yangtze River and within close proximity to the Wuhan International Airport, Marco Polo Wuhan ("MPW") is well positioned to tap the growing influx of travellers to Wuhan's trade and economic centre and to be the favoured hotel brand in the city. MPW houses a host of prestigious brands including Ermenegildo Zegna, Glasstique, Louis Vuitton and Tod's.

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

i-CABLE

Deteriorating economic conditions amidst the onslaught of the global financial turmoil, along with the harsh operating environment took toll on i-CABLE's financial performance in 2008. A special provision made for set-top-boxes to be replaced in 2009 upon the launch of a new conditional access system and a loss booked relating to film investments turned i-CABLE to a net loss after tax of HK$111 million from a net profit of HK$183 million in 2007. Nevertheless, thanks to its prudence in financial management, i-CABLE maintained a sound liquidity position, with net cash increasing to HK$690 million as at 31 December 2008 (2007: HK$642 million).

Despite the setback in profitability, i-CABLE's ongoing efforts in reinforcing and enhancing the fundamentals of the business are well on track, with steady progress being made during the year. Timely adjustments to service packages spurred the continued growth of Pay TV subscribers. The Pay TV subscriber base continuously grew to 917,000 by the end of 2008 (2007: 882,000). However, dilution from lower yield subscribers reduced total turnover and operating profit for this sector to HK$1,355 million (2007: HK$1,595 million) and HK$6 million (2007: HK$179 million) respectively.

With strong balance sheet and low cost base, i-CABLE is in a good position to stay competitive in a challenging environment

Wharf T&T continued to progress steadily in its business transformation in 2008

2008 was a bountiful year on the content front, with i-CABLE's sports platform making local broadcasting history, its news team winning accolades, and its entertainment platform enjoying a further boost in popularity. In the summer, i-CABLE, as the Beijing Olympics' Official New Media Broadcaster in Hong Kong, made history with its unprecedented online coverage of the event, which has met with overwhelming responses. i-CABLE also secured the exclusive media rights for the UEFA Champions League and UEFA Cup for three seasons starting 2009/10, the 2010 FIFA World Cup and the 16th Asian Games that will take place in Guangzhou in November 2010, and the London Olympics in 2012. Professionalism of i-CABLE's news team gained wide recognition in 2008, with its coverage on the Sichuan earthquake winning the prestigious TV (News) Prize granted by the Asia Pacific Broadcasting Union.

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

i-CABLE, though sustaining minor bruises, has withstood the first wave of the financial tsunami on relatively sound financial position. In a bid to be better equipped, i-CABLE has acquired new premier and attractive contents; is building up a new defence system against piracy and gearing up for delivering new service such as High Definition Television. i-CABLE's strong balance sheet and low cost base will put themselves in a good position to stay competitive in a harsh environment.

Wharf T&T

Wharf T&T, despite the devastating financial tsunami, continued to progress steadily in its business transformation and gained ground in both the telecom and IT sectors. Attributable to a recovery in the voice business and the robust performance of the data business Wharf T&T posted double-digit top line growth with earnings well exceeding expectations for 2008.

In 2008, the stable voice market enabled Wharf T&T to meet its yield improvement objective. Bandwidth appetite and the synergy between data and system integration strengthened the growth momentum for both services. The residential IDD business performed as planned and increased contribution to the overall profitability of Wharf T&T. Investment continued to build the 'Strictly Business' ICT brand. With this unique market position in place, Wharf T&T worked ever harder on service quality.

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

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

Corporate Social Responsibility

The worldwide financial meltdown has hit countries around the globe hard. Concerns on worsening job prospects and gloomy economic outlook have cast a long shadow on the entire community. As a caring and responsible corporate citizen, Wharf is committed to stepping up our corporate social responsibility efforts further despite this challenging economic environment.

Serving the Community

Apart from its own initiatives, the Group has through financial and other support actively participated in a wide array of philanthropic and community projects led by cherished non-profit-making organisations to help sustain their growth and uphold the values they promote. Among others, complimentary event venue in shopping malls and piers, free media exposure and publicity support, and sponsorship of communication services are just a few year-round activities rendered by the Group's subsidiaries in support of worthy community causes.

Sichuan Earthquake

Immediately following the devastating Sichuan Earthquake in May 2008, the Group and its subsidiaries initiated and rendered support to a myriad of fund-raising and related activities with an aim to provide timely relief to survivors of the disaster. Participating Group members included Harbour City, Hong Kong Tramways, i-CABLE, Marco Polo Hotels, Modern Terminals, Plaza Hollywood, Times Square, The "Star" Ferry, Wharf T&T and more. Other than Chairman's personal donation of his 2007 director's bonus in Wheelock and Company Limited, corporate and staff donations, a spate of activities in support of relief efforts was staged by our subsidiaries in their own areas of expertise from charity sale activities in shopping malls, sponsorship of broadband to participating in a territory-wide fund-raising variety show. i-CABLE news team members, meanwhile, reached out to the community, making use of their knowledge, experience and connections to provide concrete help. Frontline team members inspired students and other members of the public upon their return from Sichuan as speakers at numerous speaking engagements to help galvanise their supports for the relief works.

The Community Chest

The Community Chest, one of the most important charities in Hong Kong, has been our long-term beneficiary and partner for more than a decade. During the year, Wharf was recognised with a Distinguished Award under the Corporate and Employee Contribution Programme 2007/2008 ("CECP") and additionally a President's Award for the significant overall contribution by the Group and its members during the same period. Meanwhile, participation in the Dress Special Day has been popular among our subsidiaries. Wharf became the event's Overall Fourth Top Fund Raiser and clinched the Highest Donation Increment Award in the Companies & Organisations Category of Dress Special Day 2008. The Group's other contributions included the numerous charitable initiatives undertaken by our shopping malls and other subsidiaries around the year for The Chest. For year 2008/2009, the Wharf Group has pledged to make a donation to the CECP again to support the work of The Chest in local social welfare.

Caring Company

A number of business units under Wharf were awarded the "Caring Company" logo 2008/2009 by the Hong Kong Council of Social Service in recognition of their demonstration of good corporate

citizenship, namely Harriman Management Services, Harriman Property Management, Hong Kong Tramways, i-CABLE, LCX, Modern Terminals, Pacific Club, The "Star" Ferry and Wharf T&T. Among these awardees, The "Star" Ferry was recognised with the "5 Years Plus Logo" whilst Harriman Management Services received the "5 Consecutive Years Logo" in appreciation of their sustainable commitment.

Youth Development

The youth are our future. To build a better tomorrow, the Group and its subsidiaries have been supporting a wide spectrum of youth development programmes. Summer placement opportunities are available to local tertiary institution students in various operating units and departments of our Group. Moreover, on top of offering management trainee programmes and participating in internship programmes, our hotels have engaged in a mentorship programme with The Hong Kong Polytechnic University. Under the programme, hotel executives will act as advisors, coaches and counsellors to the mentees by sharing work and life experiences with them. The "Star" Ferry continued its engagement with the Hong Kong Young Ambassador Scheme jointly organised by the Tourism Commission and The Hong Kong Federation of Youth Groups whereby training will be provided to young ambassadors to facilitate their stationing at the "Star" Ferry's Central and Tsim Sha Tsui Piers to introduce Hong Kong to visitors.

We Care

The Group and its subsidiaries encourage staff's participation in voluntary social services. With the hope to build a caring community, voluntary service teams of Group companies participated in a number of social service activities for the youth, the elderly and the less privileged in the year. Among others, The "Star" Ferry has enrolled as a Heart to Heart Company organised by The Hong Kong Federation of Youth Groups to help promote youth volunteering. Furthermore, Modern Terminals volunteers were recognised with a Certificate of Appreciation from Agency for Volunteer Service for their dedication in volunteering work.

Apart from motivating community involvement among our staff, the Group also helps spread the message to the wider public. As the venues for a great number of fundraising and charitable activities, our shopping malls always encourage their shoppers to support worthy community causes. Harbour City, for instance, has been an ardent supporter of Hong Kong Blood Cancer Foundation and helped raise more than HK$1.74 million during the year to support blood cancer patients. Other beneficiaries during the year included End Child Sexual Abuse Foundation, Joyful (Mental Health) Foundation, Caring for Children Foundation and more.

Meanwhile, The "Star" Ferry remains the only public transport operator in Hong Kong offering complimentary rides to senior citizens aged 65 or above with a senior citizen card. Fare concessions are also offered to ferry passengers with disabilities. Over to the island side, elderly holding a senior citizen card are also eligible for concessionary fare for tram rides.

Art and Culture

Art and culture enrich life. The Group sees art and cultural experience as an essential part of a quality lifestyle and hence is dedicated to help promote art and culture with an aim to bring that to a wider audience.

Corporate Social Responsibility

Executive Director Doreen Lee (right) receives the President's Award from The Community Chest's President Mrs Selina Tsang

Modern Terminals actively supports City University of Hong Kong's Co-operative Education Scheme

Harbour City's Gallery by the Harbour showcases works by artists from around the globe

Art Exhibitions

Harbour City has devoted a 1,000-square-foot prime retail space on Level 2 of Ocean Centre for the establishment of a unique art gallery – the Gallery by the Harbour since 2007. Commanding unrivalled views of the Victoria Harbour, this admission-free gallery showcases to shoppers works by artists from around the world. From its inception till end of 2008, 20 art exhibitions have been held, bringing 68 artists' collections to the people of Hong Kong. Other than art exhibitions, art talks were given to Fine Art students from local tertiary institutions on European antique painting, Chilean painting, Japanese gold-plated artwork and Japanese mixed-media painting, enabling them a wider exposure on various art origins, forms and styles.

Similarly, Times Square spares no efforts in bringing world-class art and cultural activities to the people of Hong Kong. Following the hugely successful art exhibitions of world-renowned art masters Huang Yong Yu and Ju Ming in previous years, during the year, six major art exhibitions were presented. Through this series of exhibitions staged in the mall, works of contemporary Chinese artists Carrie Chau, Huang Chihyang, Hung Tunglu, Jimmy Liao, Sui Jianguo and Yue Minjun were presented to the public in a lively environment.

Fostering Art

In support of art and music performance in Hong Kong, the Group has been sponsoring Hong Kong Philharmonic Orchestra's Club Maestro since 2003 as a Platinum member. During the year, other forms of sponsorships were also provided by the Group's members to various art groups from complimentary hotel accommodation for performance groups, harbour tour trip for a visiting youth orchestra to media and publicity support to art events.

Environmental Protection

With parent company Wheelock and Company Limited being a founding member of the Business Environment Council, the Group has long been aware of the critical importance of environmental protection in Hong Kong as well as the pivotal role of the private sector in helping to conserve the environment. With eagerness to preserve the long-term economic, social and environmental interests of the Harbour, the Group has joined the Harbour Business Forum as a Patron member since its launch in 2005. Moreover, Wharf and its various business units have endorsed the Clean Air Charter initiated by the Hong Kong General Chamber of Commerce and the Hong Kong Business Coalition on the Environment to make a contribution to combat air pollution and improve air quality in the Greater Pearl River Delta. Green initiatives by Wharf and its members are multi-facetted and covering a spectrum of programmes.

Green Policy and Practice

The Group has established environmental policy and practice throughout its diversified operations. Green construction principles are in place, covering aspects right from design, development, maintenance to property management. Regular monitor and review of the environmental protection performance is conducted. Harbour City Gateway II, for instance, has added green elements into its air-conditioning system by replacing titanium condenser tubes for chillers with copper tubes. A total of 2.24 million kWH or HK$1.84 million was saved from this campaign last year. As a Carbon Audit • Green Partner by signing the Carbon Reduction Charter, our property management subsidiaries have pledged to carry out activities to support the reduction of greenhouse gas emission. For Modern Terminals, among others, with the adoption of a cleaner fuel "Ultra-Low Sulphur Diesel" for all container handling equipment, yard vehicles and contractor tractors in early 2008, sulphur dioxide emission has been reduced by 99%. Other operating units, including Marco Polo Hotels and others, have also actively participated in a wide range of energy conservation, anti-pollution, recycling (of used toner/inkjet cartridges, fluorescent lamp, paper, glass, aluminium cans, PET bottle and more) initiatives.

Partnering with Green Groups

The Group teams up with green advocates to more effectively promote environmental conservation. Wharf is a long-time

Times Square offers a folksy rendezvous for art appreciation for the public

The Group adopts a vintage tree in Kowloon Park to show its support for conservation

Recreational activities help staff achieve work-life balance

supporter of World Wide Fund for Nature Hong Kong ("WWFHK"). The Group has been a WWFHK corporate member since 2001 and is currently a Double Diamond member. Additionally, Modern Terminals, a subsidiary of the Group, also supports WWFHK as a Silver member. During the year, the Group also supported programmes organised by other green groups including Friends of the Earth's "Dim It" campaign in June 2008. External lights of the Groups' shopping malls Harbour City, Times Square and Plaza Hollywood were switched off during a designated period of time to demonstrate our commitment to green awareness.

Promoting Green Awareness

The Group does not only think green for itself, it also helps promote environmental awareness to the public. During the year, our shopping malls sponsored venue for various promotional activities held by green organisations or the government to help spread the eco messages. Further, The "Star" Ferry is a co-organiser of One Tonne Challenge Carnival, which is held regularly at its Central Pier with an aim to call upon Hong Kong people to reduce carbon dioxide emissions. Meanwhile, Modern Terminals' volunteers participated in the Hong Kong Reef Check 2008 organised by the Agriculture, Fisheries and Conservation Department to help promote sustainable management of coral reefs.

Green Recognitions

Green efforts by the Group's various operating units are duly recognised. Honours, certificates of appreciation and more were received from Environmental Protection Department, Water Supplies Department, Environmental Campaign Committee, Hong Kong Quality Assurance Association and more by Group members during the year in recognition of their zealous engagement in maintaining high standards of indoor air quality, water quality, hygiene control, source separation of waste and waste reduction.

Staff Development

Human resources are the most valuable asset of the Group. Training and development opportunities are provided to upgrade skill sets of staff members for achieving operational excellence. Recreational and sports activities are organised for our staff to help ensure work-life balance.

Staff Training

During the year, the Group and its members provided some 200 in-house training programmes to more than 6,700 staff members. A comprehensive array of training programmes are available which includes foreign language learning, Putonghua training, stress management, negotiation skills, leadership training, first aid, team building and communications, problem-solving and decision-making workshops, health talks and more. Orientation programme and on-the-job training are offered to new staff to assist them to adapt to new job and work environment. Continuing education is encouraged. During the year, more than 900 staff received education or training subsidies for taking external courses to upgrade their work skills.

Intra-Group Communications

To keep staff from various business sectors updated of the latest development within the Group, a bilingual staff bulletin The Link is published regularly. Featured story, business updates, community involvements and staff activity snapshots from various operating units plus personality interviews are featured.

Balanced Life

To ensure the health and wellness of the staff, a wide range of interest classes, sports and recreational activities were organised for the staff and their families during the year. These included visits to outlying island, squash and bowling competitions, yoga classes, cooking classes and more.

As at 31 December 2008, the Group has approximately 12,900 employees.

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(I) REVIEW OF 2008 RESULTS

Turnover

Strong growth in recurrent rental income substantially covered the decline in property sales in the year. As a result, Group turnover for 2008 slipped by 2% to HK$15,940 million (2007: HK$16,208 million).

Property Investment reported a 16% growth to another record high at HK$7,606 million. Turnover from Hong Kong properties (excluding hotels) increased by HK$887 million or 17% to HK$6,038 million while that from China properties increased by HK$98 million or 24% to HK$514 million.

Property Development declined by HK$1,626 million or 70% to HK$710 million, which was mainly derived from the sales of residential units at Wellington Garden in Shanghai and Wuhan Times Square in China.

Logistics increased by 7% to HK$3,875 million, mainly reflecting the increase in throughput handled in Hong Kong and China by Modern Terminals.

CME slipped by 1% to HK$3,751 million. A strong performance from Wharf T&T nearly fully compensated for the decline reported by i-CABLE.

Operating Profit

The Group's operating profit decreased by HK$1,877 million or 20% to HK$7,639 million (2007: HK$9,516 million), of which HK$1,399 million decrease was attributable to the Investment segment which had reported an exceptionally large profit in 2007.

Property Investment benefited from the continuing strong rental reversion and high occupancy and reported a robust increase in operating profit of 18% to a record high at HK$5,551 million.

Property Development reported a significantly lower HK$84 million (2007: HK$1,127 million), primarily due to the decrease in property sales recognised in both Hong Kong and China.

Logistics' operating profit dropped by 8% to HK$1,763 million, primarily due to start-up losses reported by Modern Terminals for its China subsidiaries. However, together with the contribution from its joint-ventures in the Mainland, Modern Terminals' net profit was virtually unchanged from last year.

CME reported a 33% decrease in operating profit before unallocated expenses at HK$244 million. Wharf T&T reported a 198% increase to HK$140 million while i-CABLE reported a decline of 57% to HK$154 million, partly due to non-recurring charges booked in the year.

Investment and Others reported a significant decrease to HK$407 million (2007: HK$1,806 million). This was mainly due to exceptionally large profit recognised on disposal of certain available-for-sale investments in 2007.

Increase in Fair Value of Investment Properties

The Group's investment properties were revalued by an independent valuer as at the end of the year, which produced a revaluation surplus of HK$1,793 million (2007: HK$9,352 million).

The attributable net revaluation surplus of HK$1,363 million (2007: HK$7,196 million), after deducting related deferred tax and minority interests, was credited to the profit and loss account of the Group.

Net Other (Charge)/Credit
Net other charge for the year amounted to HK$145 million against net other credit of HK$134 million in 2007. Net other charge in 2008 represented impairment loss on available-for-sale investments. Included in the net other credit in 2007 was a write-back of provision for properties of HK$184 million.

Finance Costs
Finance costs charged to the consolidated profit and loss account were HK$1,521 million for the year under review (2007: HK$1,142 million). The charge was after capitalisation of HK$200 million (2007: HK$187 million) for the Group's related assets.

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

Share of Results (after tax) of Associates and Jointly Controlled Entities
The share of results of associates decreased to HK$136 million (2007: HK$322 million). Profit contribution from Modern Terminals' investment in Shekou increased. However, the share of losses in China property development increased after impairment provisions.

Taxation
Taxation charge for the year was HK$1,189 million (2007: HK$4,247 million), which included deferred taxation of HK$433 million (2007: HK$2,259 million) provided for the current year's investment properties revaluation surplus and a downward adjustment of HK$768 million in respect of the Group's previous years' deferred tax liabilities with HK$690 million related to net investment properties revaluation surplus, resulting from the 1% reduction in Hong Kong profits tax rate.

Excluding the above deferred tax charge and tax credit, the tax charge was HK$1,524 million, which included a provision of HK$292 million (2007: HK$336 million) made for certain tax cases primarily relating to interest deductibility under discussion with the Inland Revenue Department.

Minority Interests
Minority interests decreased by HK$348 million to HK$471 million reflecting the decrease in net profits of certain non-wholly-owned subsidiaries, including Harbour Centre Development Limited and i-CABLE.

Profit Attributable to Equity Shareholders
The Group's profit attributable to equity shareholders decreased by 52% to HK$6,247 million (2007: HK$13,143 million). Earnings per share were HK$2.28, based on weighted average of 2,745 million shares after taking the effect of the Rights Issue (2007: HK$5.17 based on 2,543 million shares as restated for the Rights Issue).

Excluding the net investment property revaluation surplus after deferred tax of HK$1,363 million (2007: HK$7,196 million) and the credit adjustment of HK$690 million resulting from the 1% reduction in Hong Kong profits tax rate, the Group's net profit attributable to equity shareholders would be HK$4,194 million (2007: HK$5,947 million), a decrease of 29% over 2007.

(II) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL COMMITMENTS

Rights Issue

In January 2008, the Company completed an issue of 306 million new ordinary shares at HK$30.00 each by way of rights to raise net proceeds of HK$9.1 billion.

Shareholders' and Total Equity

As at 31 December 2008, the Group's shareholders' equity increased by HK$13,130 million or 15% to HK$99,494 million, equivalent to an increase of 2% to HK$36.13 per share, based on 2,754 million shares after the Rights Issue (2007: HK$35.28 per share, based on 2,448 million shares).

Including the minority interests, the Group's total equity increased by 15% to HK$105,857 million (2007: HK$92,002 million).

Total Assets

The Group's total assets increased by 15% to HK$168.6 billion (2007: HK$146.2 billion), which included HK$5.0 billion for investment properties and container terminals assets, HK$11.6 billion for China property projects undertaken solely or through joint ventures, and HK$8.2 billion of bank deposits and cash.

Included in the Group's total fixed assets is the Investment Property portfolio valued at HK$98.4 billion, representing 58% of total assets. The core assets in this portfolio are Harbour City and Times Square in Hong Kong, which are valued at HK$56.3 billion (excluding the 3 hotels) and HK$22.0 billion, respectively. Together, they represent 80% of the value of the Investment Property portfolio and 46% of total assets. Other major assets included other properties and fixed assets of HK$21.2 billion, interest in jointly controlled entities and associates (mainly for China property and port projects) of HK$12.0 billion and bank deposits and cash of HK$15.9 billion.

Debts and Gearing

The Group's net debt decreased by HK$1.5 billion to HK$22.1 billion as at 31 December 2008 (2007: HK$23.6 billion), which was made up of HK$38.0 billion in debts and HK$15.9 billion in bank deposits and cash. Included in the Group's net debts were HK$10.6 billion and HK$1.8 billion (2007: HK$9.6 billion and HK$1.3 billion respectively) attributable to its non-wholly-owned subsidiaries, Modern Terminals and Harbour Centre Development Limited respectively, which are without recourse to the Company and other subsidiaries of the Group. Excluding these non-recourse debts, the Group's net debt was HK$9.7 billion (2007: HK$12.7 billion).

As at 31 December 2008, the ratio of net debt to total equity was 20.9% (2007: 25.6%).

Finance and Availability of Facilities

During the year, the Group took advantage of market opportunities before the devastating financial tsunami and increased its available loan facilities and debt securities aggregating to HK$56.5 billion, of which HK$38.0 billion were drawn and the undrawn facilities as at 31 December 2008 are analysed as below:

	31 December 2008			
	Available Facility *HK$ Billion*	**Total Debts** *HK$ Billion*		**Undrawn Facility** *HK$ Billion*
Company/wholly-owned subsidiaries				
Committed facilities	31.9	22.7	60%	9.2
Uncommitted facilities	1.7	0.5	1%	1.2
	33.6	23.2	61%	10.4
Non-wholly-owned subsidiaries				
Committed and uncommitted				
– Modern Terminals Limited	16.5	10.6	28%	5.9
– Harbour Centre Development Limited	4.1	3.1	8%	1.0
– i-CABLE Communications Limited	0.6	–	0%	0.6
– Others	1.7	1.1	3%	0.6
	56.5	38.0	100%	18.5

Of the above debts, HK$8,160 million (2007: HK$4,189 million) was secured by mortgage over certain properties under development, fixed assets, available-for-sale investments and bank deposits with total carrying value of HK$15,915 million (2007: HK$11,253 million).

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

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

The Group maintained ample surplus cash, which was denominated principally in HKD and RMB and undrawn committed facilities to facilitate the Group's business and investment activities. As at 31 December 2008, the Group also maintained a portfolio of available-for-sale investments with an aggregate market value of HK$0.7 billion (2007: HK$2.9 billion), which is available for liquidation for the Group's use.

Cash Flows for the Group's Operating and Investing Activities

For the year under review, the Group generated a net operating cash inflow before changes in working capital of HK$8.5 billion (2007: HK$8.7 billion). The changes in working capital for 2008 resulting in a net cash outflow of HK$6.9 billion (2007: HK$3.0 billion), primarily due to payment for land and construction cost for trading properties under development in China. For investing activities, the Group utilised a net cash of HK$5.7 billion, mainly consisting of HK$3.4 billion for investment in jointly controlled entities involved in property development projects in China, HK$3.6 billion for capital expenditure mainly for berth construction and purchase of operating equipment by Modern Terminals for its China port projects and HK$1.2 billion proceeds from disposal of available-for-sale investments.

Major Expenditure and Commitments

The major expenditure incurred by the Group's core businesses during the year and related commitment as at 31 December 2008 are analysed as follows:

Business Unit/Company	Expenditure for 2008 *HK$ Million*	Commitments as at 31 December 2008 Authorised and Contracted for *HK$ Million*	Commitments as at 31 December 2008 Authorised but not Contracted for *HK$ Million*
a. Capital expenditure			
Property Investments/Others	961	803	679
Wharf T&T	324	57	142
Modern Terminals (67.6%-owned)	2,216	1,356	1,583
i-CABLE (73.8%-owned)	144	56	44
	3,645	2,272	2,448
b. Programming and others	103	783	71
c. Properties under development			
Subsidiaries (China/Hong Kong)	8,243	10,600	35,090
Jointly controlled entities/associates (China)	3,543	3,538	8,178
	11,786	14,138	43,268

For the Property Investment segment, the capital expenditure incurred mainly related to the construction cost of Shanghai Wheelock Square, Wuhan Times Square and Dalian Times Square, and certain refurbishment and renovation work for Harbour City and others. For i-CABLE and Wharf T&T, the capital expenditures were incurred substantially for procurement of production and broadcasting equipment, network rollout and internet service equipment while that for Modern Terminals was mainly incurred for construction of the Dachan Bay Phase I and Taicang Phase II ports. i-CABLE and Modern Terminals, respectively 73.8% and 67.6%-owned by the Group, independently funded their own capital expenditure programmes.

In addition to the capital expenditure, the Group also incurred HK$11.8 billion in respect of its trading properties under development in China, including projects undertaken through associates and jointly controlled entities.

As at 31 December 2008, commitments to properties under development by the Group's subsidiaries, associates and jointly controlled entities included land cost of HK$11.6 billion payable by installments mainly in 2009 and 2010. These developments will be executed in stages in the forthcoming years and funded by the Group's internal financial resources including its surplus cash of HK$15.9 billion, as well as bank and other financings. Other available resources include proceeds from sales and pre-sales of properties.

(III) HUMAN RESOURCES

The Group had approximately 12,900 employees as at 31 December 2008 (2007: 12,600). 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$2,553 million, compared to HK$2,408 million for 2007.

Corporate Governance Report

(A) CORPORATE GOVERNANCE PRACTICES

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

(B) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors of the Company who were in office during the 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	
Mr Peter K C Woo, *GBS, JP*	4
Senior Deputy Chairman	
Mr Gonzaga W J Li	4
Deputy Chairman & Managing Director	
Mr Stephen T H Ng	4
Executive Director	
Ms Doreen Y F Lee	4
Executive Director & Group Chief Financial Officer	
Mr Paul Y C Tsui (appointed on 16 June 2008)	2
Non-executive Director	
Mr T Y Ng	4
Independent Non-executive Directors	
Hon Paul M P Chan, *JP*	2
Professor Edward K Y Chen, *GBS, CBE, JP*	3
Dr Raymond K F Ch'ien, *GBS, CBE, JP*	2
Hon Vincent K Fang, *SBS, JP*	1
Mr Hans Michael Jebsen, *BBS*	2
Mr James E Thompson, *GBS*	3

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

(ii) Operation of the Board

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

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

(D) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

(E) NON-EXECUTIVE DIRECTORS

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

(F) REMUNERATION OF DIRECTORS

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

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

Members	Attendance at Meetings
Mr Peter K C Woo, *GBS, JP, Chairman*	2
Mr Hans Michael Jebsen, *BBS*	1
Mr James E Thompson, *GBS*	2

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

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

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

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

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

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

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

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

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

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

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

(G) NOMINATION OF DIRECTORS

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

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

(H) AUDITORS' REMUNERATION

The fees in relation to the audit and other services for the financial year ended 31 December 2008 provided by KPMG, the external auditors of the Company, amounted to HK$16 million and HK$3 million respectively.

(I) AUDIT COMMITTEE

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

All Members have sufficient experience in reviewing audited financial statements as aided by the auditors of the Group whenever required. In addition, Hon Paul M P Chan has the appropriate professional qualifications and experience in financial matters.

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

Members	**Attendance at Meetings**
Hon Vincent K Fang, *SBS, JP, Chairman*	1
Hon Paul M P Chan, *JP*	4
Mr Hans Michael Jebsen, *BBS*	2
Mr James E Thompson, *GBS*	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 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:

(i) any changes in accounting policies and practices;
(ii) major judgmental areas;
(iii) significant adjustments resulting from the audit;
(iv) the going concern assumption;
(v) compliance with accounting standards; and
(vi) 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 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 of the internal audit function;

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

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

(J) INTERNAL CONTROL

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

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

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

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

(K) DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

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

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

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

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

(L) COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

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

Report of the Directors

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 129 to 131.

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 67.

Appropriations of profits and movements in reserves during the financial year are set out in Note 28 to the Financial Statements on pages 107 to 109.

DIVIDENDS

An interim dividend of 36 cents per share was paid on 30 September 2008. The Directors now recommended for adoption at the Annual General Meeting to be held on Friday, 5 June 2009 the payment on 10 June 2009 to Shareholders on record as at 5 June 2009 of a final dividend of 44 cents per share in respect of the financial year ended 31 December 2008. This recommendation has been disclosed in the Financial Statements.

SHARE CAPITAL

During the financial year, a total of 305,984,578 ordinary shares of HK$1.00 each of the Company, credited as fully paid, were allotted and issued by the Company as a result of a 1-for-8 rights issue by the Company.

FIXED ASSETS

Movements in fixed assets during the financial year are set out in Note 10 to the Financial Statements on pages 83 to 85.

DONATIONS

The Group made donations during the financial year totalling HK$8.0 million.

DIRECTORS

The Directors of the Company during the financial year were Mr P K C Woo, Mr G W J Li, Mr S T H Ng, Ms D Y F Lee, Mr P Y C Tsui (appointed on 16 June 2008), Hon P M P Chan, Professor E K Y Chen, Dr R K F Ch'ien, Hon V K Fang, Mr Hans Michael Jebsen, Mr T Y Ng and Mr J E Thompson.

Mr P Y C Tsui, being appointed as Executive Director and Group Chief Financial Officer of the Company after the last Annual General Meeting, is due to retire from the Board in accordance with Article 94 of the Company's Articles of Association, and Mr P K C Woo, Mr S T H Ng, Ms D Y F Lee, Mr Hans Michael Jebsen and Mr J E Thompson are also 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 the financial year.

MANAGEMENT CONTRACTS

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the financial year was the Company, its subsidiaries, its ultimate holding company or any subsidiary of such 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, with the exception that there existed certain outstanding options to subscribe for ordinary shares of i-CABLE Communications Limited ("i-CABLE") granted under i-CABLE's Share Option Scheme (the "i-CABLE Scheme") to certain executives/employees of i-CABLE or its subsidiaries, one of whom was a Director of the Company during the financial year. Under the rules of the i-CABLE Scheme (subject to any such restrictions or alterations as may be prescribed or provided under the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from time to time in force), shares of i-CABLE would be issued at such prices, not being less than 80% of i-CABLE's average closing prices on the Stock Exchange for the five trading days immediately preceding the date of offer of the options, and the relevant options would be exercisable during such periods, not being beyond the expiration of 10 years from the date of grant, as determined by the board of directors of i-CABLE. During the financial year, no share of i-CABLE was issued to any Director of the Company under the i-CABLE Scheme.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the financial year.

AUDITORS

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

By Order of the Board
Wilson W S Chan
Secretary

Hong Kong, 25 March 2009

SUPPLEMENTARY CORPORATE INFORMATION

(A) Biographical Details of Directors and Senior Managers etc.

(i) Directors

Peter Kwong Ching Woo, *GBS, JP, Chairman* (Age: 62)
Mr Woo has resumed the role of Chairman of the Company since 2002 after having also served in that capacity from 1986 to 1994. He also serves as a member and the chairman of the Company's Remuneration Committee. He is also the chairman and a substantial shareholder of the Company's ultimate holding company, namely, Wheelock and Company Limited ("Wheelock"), and chairman of a fellow subsidiary of the Company, namely, Wheelock Properties Limited ("WPL"), both publicly listed in Hong Kong. Furthermore, he is the chairman of another fellow subsidiary of the Company, namely, Wheelock Properties (Singapore) Limited ("WPSL"), which is publicly listed in Singapore. He is also a director of certain subsidiaries of the Company. He has for many years been actively engaged in community and related services, both locally and in the international arena, and has held various Government appointments.

Mr Woo serves as a member of the Standing Committee of the Eleventh National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He was appointed a Justice of the Peace in 1993 and awarded the Gold Bauhinia Star in 1998 by the Hong Kong SAR Government. He has been appointed a non-official member of the Commission on Strategic Development since June 2007. He had served as the chairman of Hospital Authority from 1995 to 2000, the council chairman of Hong Kong Polytechnic University from 1993 to 1997 and the Government-appointed chairman of the Hong Kong Trade Development Council from 2000 to 2007. He was the chairman of the Hong Kong Environment and Conservation Fund Committee set up in 1994 which he co-funded with the Government. He also served as a deputy chairman in 1991 to Prince of Wales Business Leaders Forum, and as a member of the International Advisory Council of JPMorgan Chase & Co., National Westminster Bank, Banca Nazionale del Lavoro, Elf Aquitaine of France and General Electric of America. He has received Honorary Doctorates from various universities in Australia, Hong Kong and the United States.

Gonzaga Wei Jen Li, *Senior Deputy Chairman* (Age: 79)
Mr Li joined the Company in 1980 as a Director and was appointed as the general manager in 1982. He became Deputy Chairman and Managing Director in 1989, appointed Chief Executive in 1992 and became Chairman in 1994. He relinquished the title of Chairman and Chief Executive and has assumed the title of Senior Deputy Chairman of the Company since 2002. He is also the senior deputy chairman of Wheelock, and the chairman of a publicly-listed subsidiary of the Company, namely, Harbour Centre Development Limited ("HCDL"). Furthermore, Mr Li is a director of WPL. He is also the chief executive officer and a director of Wharf China Limited, a wholly-owned subsidiary of the Company. He is also a director of certain other subsidiaries of the Company. Mr Li was formerly a director of publicly-listed Joyce Boutique Holdings Limited ("Joyce") from 2000 to 2008.

Stephen Tin Hoi Ng, *Deputy Chairman & Managing Director* (Age: 56)
Mr Ng joined the Company in 1981 and became Managing Director in 1989. He is also the deputy chairman of Wheelock and chairman and chief executive officer of i-CABLE Communications Limited ("i-CABLE"), which is a publicly-listed subsidiary of the Company. He is also the chairman of Modern Terminals Limited, the chairman and chief executive officer of Wharf T&T Limited, and the chairman of Joyce. He is also a director of certain other subsidiaries of the Company.

Doreen Yuk Fong Lee, *Executive Director* (Age: 52)
Ms Lee joined the Company in 1984. She has been a Director of the Company since 2003 and became an Executive Director in March 2007. She is also the managing director of Harbour City Estates Limited, Times Square Limited, Wharf Estates Limited and Wharf Estates China Limited ("WECL"), all being wholly-owned subsidiaries of the Company. She is also a director of certain other subsidiaries of the Company. She is responsible for overseeing the investment properties of the Group, particularly, two core properties of the Group, namely, Harbour City and Times Square in Hong Kong, and also the Group's Times Square developments in Beijing, Shanghai, Chongqing, Wuhan and Dalian. Ms Lee is also a director of Joyce. She is a graduate of The University of Hong Kong where she obtained her bachelor's degree in Arts (Hon).

Paul Yiu Cheung Tsui, *Executive Director & Group Chief Financial Officer* (Age: 62)
Mr Tsui, *FCCA, FCPA, FCMA, FCIS, CGA-Canada*, is an Executive Director & Group Chief Financial Officer of both Wheelock and the Company. He joined Wheelock/Wharf group in 1996 and became Wheelock's director in 1998. He is presently also a director of WPL, WPSL and Joyce. He is also a director of certain other subsidiaries of the Company.

Hon Paul Mo Po Chan, *JP, Director* (Age: 54)
Mr Chan, *FCPA, FCCA (Practising), FCPA (Australia), FCIS, FCS, FTIHK*, has been an independent Non-executive Director of the Company since September 2004. He also serves as a member of the Company's Audit Committee. He is the chairman of PCP CPA Limited. He is also an independent non-executive director of three companies publicly listed in Hong Kong, namely, Kingmaker Footwear Holdings Limited, Hong Kong Economic Times Holdings Limited and China Communications Services Corporation Limited. He has been appointed the chairman of the Legal Aid Services Council since September 2006.

Mr Chan is a graduate of The Chinese University of Hong Kong where he obtained both his bachelor's and master's degrees in Business Administration.

Mr Chan has over 30 years' experience in accounting and finance field and is a former president of the Hong Kong Institute of Certified Public Accountants. He is also a former chairman of The Association of Chartered Certified Accountants – Hong Kong. In 2007, he was appointed a Justice of the Peace. In 2008, he was appointed a member of Shanghai City's Chinese People's Political Consultative Conference. Mr Chan was elected in September 2008 as a member of Legislative Council representing the Accountancy Functional Constituency.

Edward Kwan Yiu Chen, *GBS, CBE, JP, Director* (Age: 64)
Professor Chen has been an independent Non-executive Director of the Company since 2002. He was the president of Lingnan University in Hong Kong from September 1995 to August 2007. He is an honorary professor and a distinguished fellow of the Centre of Asian Studies at the University of Hong Kong. He was a member of the Legislative Council of Hong Kong from 1991 to 1992, and a member of the Executive Council of Hong Kong from 1992 to 1997. He was also a member of the Hong Kong SAR Basic Law Consultative Committee from 1985 to 1990. He is a director of two companies publicly listed in Hong Kong, namely, First Pacific Company Limited and Asia Satellite Telecommunications Holdings Limited.

Professor Chen was educated at The University of Hong Kong (Bachelor of Arts and Master of Social Science) and Oxford University (Doctor of Philosophy). He was appointed a Justice of the Peace in 1993 and awarded a CBE in 1995. In 2003, he was awarded the Gold Bauhinia Star Medal by the Hong Kong SAR Government.

Raymond Kuo Fung Ch'ien, *GBS, CBE, JP, Director* (Age: 57)
Dr Ch'ien has been an independent Non-executive Director of the Company since 2002. He is chairman of CDC Corporation and its subsidiary, China.com Inc, publicly listed in Hong Kong, and chairman of two companies publicly listed in Hong Kong, namely, MTR Corporation Limited and Hang Seng Bank Limited. Dr Ch'ien also serves on the boards of The Hongkong and Shanghai Banking Corporation Limited, Inchcape plc, publicly-listed Convenience Retail Asia Limited and Swiss Reinsurance Company Ltd.

In public service, Dr Ch'ien is chairman of the Hong Kong/European Union Business Cooperation Committee and is a Hong Kong member of the APEC Business Advisory Council. Dr Ch'ien is an honorary president and past chairman of the Federation of Hong Kong Industries and a Trustee of the University of Pennsylvania. From 1992 to 1997, Dr Ch'ien was a member of the Executive Council of Hong Kong, then under British administration. He was appointed a member of the Executive Council of the Hong Kong SAR on 1 July 1997 and served until June 2002.

Dr Ch'ien received a doctoral degree in Economics from the University of Pennsylvania in 1978 and became a Trustee of the University in 2006. He was appointed a Justice of the Peace in 1993 and a Commander in the Most Excellent Order of the British Empire in 1994. In 1999, he was awarded the Gold Bauhinia Star Medal by the Hong Kong SAR Government. In 2008, he was awarded the honour of Chevalier de l'Ordre du Merite Agricole of France.

Hon Vincent Kang Fang, *SBS, JP, Director* (Age: 65)
Mr Fang has been an independent Non-executive Director of the Company since 1993. He also serves as a member and chairman of the Company's Audit Committee. He is the chief executive officer of Toppy Company (Hong Kong) Limited and managing director of Fantastic Garments Limited.

He currently serves as a member of Legislative Council representing Wholesale and Retail in Functional Constituency. He is a member of the Hospital Authority and Hong Kong Tourism Board. He is also a member of the Operations Review Committee of the Independent Commission Against Corruption ("ICAC") and a board member of the Airport Authority. He is the chairman of Hospital Governing Committee of Princess Margaret Hospital and Kwai Chung Hospital and the Quality Tourism Services Association. He is an honorary advisor of Hong Kong Retail Management Association and a director of The Federation of Hong Kong Garment Manufacturers.

Mr Fang is a graduate of North Carolina State University where he obtained both his bachelor's and master's degrees in Science of Textiles Engineering. Mr Fang was awarded the Silver Bauhinia Star by the Hong Kong SAR Government in 2008. He is also a Justice of the Peace.

Hans Michael Jebsen, *BBS, Director* (Age: 52)
Mr Jebsen has been an independent Non-executive Director of the Company since 2001. He also serves as a member of the Company's Audit Committee and Remuneration Committee. He is the chairman of Jebsen and Company Limited and also a non-executive director of publicly-listed Hysan Development Company Limited as well as vice chairman and a Board Member of Danfoss A/S, Denmark. He currently holds a number of public offices, namely, the vice-president and a trustee of World Wide Fund for Nature Hong Kong, the chairman of the Friend's Committee of the Asian Cultural Council Hong Kong, a Board Member of the Asian Cultural Council Board of Trustees, affiliate of the Rockefeller Brothers Fund, New York, an honorary fellow and a council member of the Hong Kong University of Science & Technology, as well as a member of the Advisory Council for the Environment, Hong Kong European Union Business Co-operation Committee of the Hong Kong Trade Development Council, Advisory Council as well as Board of Trustees of Asia Society Hong Kong Center and Advisory Board of the Hong Kong Red Cross. He is also an Honorary Citizen and Municipal Economic Advisor as well as a Committee Member of the CPPCC Jilin City, China.

After schooling in Germany and Denmark, he received a two-year banking education in Germany and the UK and studied Business Administration at the University of St. Gallen in Switzerland from 1978 to 1981.

Mr Jebsen was awarded the Bronze Bauhinia Star by the Hong Kong SAR Government in 2001, made a Knight of the Dannebrog by receiving the Silver Cross of the Order of Dannebrog by H. M. the Queen of Denmark in 2006 and was awarded the Merit Cross of the Order of the Merit of the Federal Republic of Germany in 2008.

Tze Yuen Ng, *Director* (Age: 61)
Mr Ng, *ACPA, ACMA*, joined the Company in 1985 and has been a Director of the Company since 1998. He is also a director of HCDL and of WPL, and also the managing director of WECL. Mr Ng was formerly a director of Joyce from 2000 to 2008. He is also a director of certain other subsidiaries of the Company.

James Edward Thompson, *GBS, Director* (Age: 69)
Mr Thompson has been an independent Non-executive Director of the Company since 2001. He also serves as a member of the Company's Audit Committee and Remuneration Committee. He established his company, Crown Worldwide, in Japan in 1965. He is a member of the American Chamber of Commerce ("ACC") in Hong Kong and was appointed as the chairman of ACC in 2003. He also serves on Hong Kong – United States Business Council, the Hong Kong Japan Business Co-operation Committee, and the Hong Kong Korea Business Roundtable. Mr Thompson has lived in Hong Kong for 31 years and has served on the Trade Development Council, the ICAC Advisory Committee as well as other government and charitable committees. He was awarded the Gold Bauhinia Star by the Hong Kong SAR Government in 2003.

Notes:

(1) Wheelock, WF Investment Partners Limited, Wheelock Corporate Services Limited, Myers Investments Limited, WPL, Star Attraction Limited and Lynchpin Limited (of which one or more of Mr P K C Woo, Mr G W J Li, Mr S T H Ng, Mr P Y C Tsui and Mr T Y Ng 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 Listing Rules, and considers them independent.

(ii) Senior Management
Various businesses of the Group are respectively under the direct responsibility of the Chairman, the Senior Deputy Chairman, and the Deputy Chairman & Managing Director, as named under (A) (i) above. Only those three Directors are regarded as members of the Group's senior management.

(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 and a fellow subsidiary, namely, Wheelock and WPL, and two subsidiaries of the Company, namely, i-CABLE and Modern Terminals, and the percentages which the shares represented to the issued share capitals of the five companies respectively are also set out below:

	No. of Ordinary Shares (Percentage of Issued Capital)	Nature of Interest
The Company		
Mr Gonzaga W J Li	772,367 (0.0280%)	Personal Interest
Mr Stephen T H Ng	731,314 (0.0266%)	Personal Interest
Mr T Y Ng	200,268 (0.0073%)	Personal Interest
Wheelock		
Mr Peter K C Woo	1,204,934,330 (59.3023%)	Personal Interest in 8,847,510 shares, Corporate Interest in 200,865,142 shares and Other Interest in 995,221,678 shares
Mr Gonzaga W J Li	1,486,491 (0.0732%)	Personal Interest
Mr Stephen T H Ng	300,000 (0.0148%)	Personal Interest
Mr T Y Ng	70,000 (0.0034%)	Personal Interest
WPL		
Mr Gonzaga W J Li	2,900 (0.0001%)	Personal Interest
i-CABLE		
Mr Gonzaga W J Li	68,655 (0.0034%)	Personal Interest
Mr Stephen T H Ng	1,065,005 (0.0529%)	Personal Interest
Mr T Y Ng	17,801 (0.0009%)	Personal Interest
Modern Terminals		
Mr Hans Michael Jebsen	3,787 (5.40%)	Corporate Interest

Notes:

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

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

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 the 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)	Lynchpin Limited	193,879,157	(7.04%)
(ii)	Star Attraction Limited	193,879,157	(7.04%)
(iii)	Wheelock Properties Limited	193,879,157	(7.04%)
(iv)	Myers Investments Limited	193,879,157	(7.04%)
(v)	Wheelock Corporate Services Limited	193,879,157	(7.04%)
(vi)	WF Investment Partners Limited	1,183,652,306	(42.98%)
(vii)	Wheelock and Company Limited	1,377,531,463	(50.02%)
(viii)	HSBC Trustee (Guernsey) Limited	1,377,531,463	(50.02%)

Note: For the avoidance of doubt and double counting, it should be noted that duplication occurs in respect of the shareholdings stated against parties (i) to (viii) above to the extent that the shareholding stated against party (i) above was entirely duplicated or included in that against party (ii) above, with the same duplication of the shareholdings in respect of (ii) in (iii), (iii) in (iv), (iv) in (v), (v) in (vi), (vi) in (vii) and (vii) in (viii).

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

(D) Directors' Interests in Competing Business

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

Six Directors of the Company, namely, Mr P K C Woo, who is also the chairman and a substantial shareholder of the Company's substantial shareholder, Wheelock, and Mr G W J Li, Mr S T H Ng, Ms D Y F Lee, Mr P Y C Tsui and Mr T Y Ng, being also directors of Wheelock and/or certain subsidiaries of Wheelock, are considered as having an interest in Wheelock under Rule 8.10 of the Listing Rules.

Ownership of property for letting and development of properties for sale and/or investment carried on by Wheelock and subsidiaries of Wheelock (the "Wheelock Group") constitute competing businesses of the Group.

The ownership of commercial premises by the Wheelock Group for rental purposes is considered as competing with the commercial premises owned by the Group. Since the Group's commercial premises are not in the vicinity of those owned by the Wheelock Group, and are targeted at different customers and would attract different tenants compared to those of the Wheelock Group, the Group considers that its interest regarding the business of owning and letting of commercial premises is adequately safeguarded.

The development of properties for sale and/or investment purposes by the Wheelock Group is also considered as a competing business of the Group. However, the Group itself has adequate experience in property development and is therefore capable of carrying on its property development business independently of the Wheelock Group.

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 development of properties for sale and/or investment and property leasing businesses are and continue to be run on the basis that they are independent of, and at arm's length from, those of the Wheelock Group.

(E) Major Customers and Suppliers

For the financial year ended 31 December 2008:

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

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

(F) 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 are set out in Note 23 to the Financial Statements on pages 97 and 98. Those which would fall due for repayment after a period of one year are particularised in Note 23 to the Financial Statements on pages 97 and 98.

Set out below is information regarding certain borrowings of the Group outstanding as at 31 December 2008, all in the form of debt securities issued by wholly-owned subsidiaries of and guaranteed by the Company:

Name of Subsidiary/Borrower	Description of Debt Securities Issued	Outstanding Principal Amount
(1) Wharf Finance (BVI) Limited	HK$ Guaranteed Fixed Rate Note due 2009	HK$300 Million
	HK$ Guaranteed Floating Rate Notes due 2009	HK$100 Million
	HK$ Guaranteed Floating Rate Notes due 2010	HK$200 Million
	HK$ Guaranteed Fixed Rate Notes due 2011	HK$200 Million
	HK$ Guaranteed Floating Rate Notes due 2013	HK$300 Million
	HK$ Guaranteed Fixed Rate Notes due 2016	HK$250 Million
(2) Wharf Finance Limited	US$ Guaranteed Fixed Rate Notes due 2017	US$400 Million

(G) Interest Capitalised

The amount of interest (all being borrowing costs) capitalised by the Group during the financial year is set out in Note 5 to the Financial Statements on page 80.

(H) Public Float

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

(I) Disclosure of Connected Transactions

Set out below is information in relation to certain connected transactions involving the Company and/or its subsidiaries, particulars of which were previously disclosed in the announcements of the Company dated 5 January 2005, 16 January 2006 and 18 January 2006 respectively and are required under the Listing Rules to be disclosed in the Annual Report and Financial Statements of the Company:

(i) *Tenancy Agreements with City Super Limited*

During the financial year under review, there existed certain tenancy arrangements (the "City Super Transactions") respectively made by two wholly-owned subsidiaries of the Company as the landlords with City Super Limited ("City Super") as the tenant. The City Super Transactions are for the purpose of earning rental revenue for the Group. The amount of rent received by the Group for the year ended 31 December 2008 and certain particulars are as follows:

Location of the City Super Store Premises	*HK$ Million*
1. Tenancy agreement in respect of B101-B109, Basement 1, Times Square, Causeway Bay, Hong Kong	35.93
2. Tenancy agreement in respect of Shops 3001-3002 and 3103-4, Level 3, Gateway Arcade, Harbour City, Kowloon, Hong Kong	32.61

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

The rentals receivable by the Group from the City Super Transactions are subject to annual cap amounts previously disclosed in the abovementioned announcement dated 5 January 2005.

(ii) *Tenancy Agreement with Joyce Boutique Limited*

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

Location of the JBL shop	*HK$ Million*
G106 Ground Floor, No. 17-19 Canton Road, Harbour City, Kowloon, Hong Kong	14.97

The JBL Transaction is regarded as a continuing connected transaction under the Listing Rules by reason of the fact that JBL is indirectly 51.9%-owned by the Trust.

The rental receivable by the Group from the JBL Transaction is subject to an annual cap amount previously disclosed in the abovementioned announcement dated 16 January 2006.

(iii) Tenancy Agreement with Ferragamo Retail HK Limited

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

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

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

The rental receivable by the Group from the Ferragamo Transaction is subject to an annual cap amount previously disclosed in the abovementioned announcement dated 18 January 2006.

(iv) Confirmation from the Directors etc.

(i) The Directors, including the independent Non-executive Directors, of the Company have reviewed the City Super Transactions, the JBL Transaction and the Ferragamo Transaction (collectively, the "Transactions") mentioned under Sections I(i) to I(iii) above and confirmed that the Transactions were entered into:

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

(2) 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

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

(ii) 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; and

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

Report of the Independent Auditor

TO THE SHAREHOLDERS OF THE WHARF (HOLDINGS) LIMITED
(INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)

We have audited the consolidated financial statements of The Wharf (Holdings) Limited (the "Company") set out on pages 67 to 131, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated profit and loss account, the consolidated statement of recognised income and expense and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

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

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

25 March 2009

Consolidated Profit and Loss Account

For the year ended 31 December 2008

	Note	**2008** **HK$ Million**	2007 HK$ Million
Turnover	1	**15,940**	16,208
Other net income	3	**137**	1,684
		16,077	17,892
Direct costs and operating expenses		**(5,400)**	(5,610)
Selling and marketing expenses		**(695)**	(721)
Administrative and corporate expenses		**(951)**	(772)
Operating profit before depreciation, amortisation, interest and tax		**9,031**	10,789
Depreciation and amortisation	2	**(1,392)**	(1,273)
Operating profit	2	**7,639**	9,516
Increase in fair value of investment properties		**1,793**	9,352
Net other (charge)/credit	4	**(145)**	134
		9,287	19,002
Finance costs	5	**(1,521)**	(1,142)
Share of results after tax of:			
Associates	13(d)	**136**	322
Jointly controlled entities	14	**5**	27
Profit before taxation		**7,907**	18,209
Taxation	6	**(1,189)**	(4,247)
Profit for the year		**6,718**	13,962
Profit attributable to:			
Equity shareholders	7	**6,247**	13,143
Minority interests		**471**	819
		6,718	13,962
Dividends attributable to equity shareholders	8		
Interim dividend paid		**991**	881
Final dividend proposed		**1,212**	1,212
		2,203	2,093
Earnings per share	9		
Basic		**HK$2.28**	HK$5.17
Diluted		**HK$2.28**	HK$5.17

The notes and principal accounting policies on pages 74 to 131 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		**98,410**	95,782
Leasehold land		**4,203**	3,775
Other property, plant and equipment		**16,980**	15,056
Total fixed assets	10	**119,593**	114,613
Goodwill and other intangible assets	12	**297**	302
Interest in associates	13	**4,009**	4,182
Interest in jointly controlled entities	14	**7,989**	4,555
Available-for-sale investments	15	**706**	2,858
Long term receivables	16	**357**	362
Programming library		**132**	184
Employee retirement benefit assets	17	**–**	239
Deferred tax assets	24(a)	**383**	360
Derivative financial assets	20	**83**	17
		133,549	127,672
Current assets			
Properties for sale	18	**17,272**	9,235
Inventories		**112**	97
Trade and other receivables	19	**1,727**	1,396
Derivative financial assets	20	**8**	54
Bank deposits and cash	21	**15,886**	7,717
		35,005	18,499
Current liabilities			
Trade and other payables	22	**(6,924)**	(5,678)
Bank loans and other borrowings	23	**(4,443)**	(6,720)
Derivative financial liabilities	20	**(166)**	(107)
Taxation payable	6(e)	**(1,259)**	(1,420)
		(12,792)	(13,925)
Net current assets		**22,213**	4,574
Total assets less current liabilities		**155,762**	132,246

	Note	**2008** **HK$ Million**	2007 HK$ Million
Non-current liabilities			
Bank loans and other borrowings	23	**(33,566)**	(24,562)
Deferred tax liabilities	24(a)	**(15,185)**	(15,325)
Other deferred liabilities	25	**(262)**	(261)
Derivative financial liabilities	20	**(738)**	(96)
Employee retirement benefit liabilities	17	**(154)**	–
		(49,905)	(40,244)
NET ASSETS		**105,857**	92,002
Capital and reserves			
Share capital	27	**2,754**	2,448
Reserves		**96,740**	83,916
Shareholders' equity	28(a)	**99,494**	86,364
Minority interests	28(a)	**6,363**	5,638
TOTAL EQUITY		**105,857**	92,002

The notes and principal accounting policies on pages 74 to 131 form part of these financial statements.

Peter K C Woo
Chairman

Stephen T H Ng
Deputy Chairman & Managing Director

Company Balance Sheet

At 31 December 2008

	Note	**2008** *HK$ Million*	2007 *HK$ Million*
Non-current assets			
Interest in subsidiaries	11	**14,362**	9,595
Long term receivables	16	**347**	347
		14,709	9,942
Current assets			
Trade and other receivables		**2**	1
Bank deposits and cash	21	**9,309**	3,844
		9,311	3,845
Current liability			
Trade and other payables		**(20)**	(81)
Net current assets		**9,291**	3,764
NET ASSETS		**24,000**	13,706
Capital and reserves			
Share capital	27	**2,754**	2,448
Reserves		**21,246**	11,258
SHAREHOLDERS' EQUITY	28(b)	**24,000**	13,706

The notes and principal accounting policies on pages 74 to 131 form part of these financial statements.

Peter K C Woo
Chairman

Stephen T H Ng
Deputy Chairman & Managing Director

Consolidated Statement of Recognised Income and Expense

For the year ended 31 December 2008

	Note	**2008** **HK$ Million**	2007 HK$ Million
(Deficit)/surplus on revaluation of available-for-sale investments	28(a)	**(777)**	443
Actuarial loss on defined benefit pension schemes	28(a)	**(412)**	(5)
Exchange difference	28(a)	**891**	542
Cash flow hedge:			
Effective portion of changes in fair value		**–**	45
Transfer from equity to the consolidated profit and loss account	28(a)	**(45)**	–
Others	28(a)	**(3)**	(2)
Investments revaluation reserves transferred to the consolidated profit and loss account:			
On disposal of available-for-sale investments	28(a)	**(326)**	(894)
On impairment of available-for-sale investments	28(a)	**145**	50
Share of reserves of associates/jointly controlled entities	28(a)	**122**	45
Net (expense)/income recognised directly in equity		**(405)**	224
Profit for the year	28(a)	**6,718**	13,962
Total recognised income for the year			
Attributable to equity shareholders		**6,212**	13,160
Attributable to minority interests		**101**	1,026
Total		**6,313**	14,186

The notes and principal accounting policies on pages 74 to 131 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 HK$ Million	2007 HK$ Million
Operating cash inflow	(a)	**8,516**	8,684
Changes in working capital	(a)	**(6,877)**	(2,981)
Cash generated from operations	(a)	**1,639**	5,703
Interest paid		**(1,117)**	(1,240)
Interest received		**272**	136
Dividends received from associates/jointly controlled entities		**264**	191
Dividends received from investments		**139**	253
Hong Kong profits tax paid		**(1,297)**	(887)
Overseas tax paid		**(331)**	(71)
Net cash (used in)/generated from operating activities		**(431)**	4,085
Investing activities			
Purchase of fixed assets		**(3,568)**	(3,623)
Additions to programming library		**(103)**	(130)
Net decrease/(increase) in interest in associates		**133**	(3,255)
Net increase in interest in jointly controlled entities		**(3,395)**	(3,709)
Purchase of available-for-sale investments		**(17)**	(4,295)
Proceeds from disposal of fixed assets		**6**	40
Proceeds from disposal of investment properties		**–**	695
Proceeds from sale of available-for-sale investments		**1,205**	5,579
Repayment of long term receivables		**5**	9
Refund/(placing) of pledged deposits		**81**	(686)
Net cash used in investing activities		**(5,653)**	(9,375)
Financing activities			
Proceeds from the Rights issue of shares		**9,121**	–
Net drawdown of long term bank loans and other borrowings		**12,552**	11,766
Net repayment of short term bank loans and other borrowings		**(5,859)**	(1,153)
Issue of shares by subsidiaries to minority interests	(b)	**950**	197
Dividends paid to equity shareholders of the Company		**(2,203)**	(1,958)
Dividends paid to minority interests		**(326)**	(341)
Net cash generated from financing activities		**14,235**	8,511
Increase in cash and cash equivalents		**8,151**	3,221
Cash and cash equivalents at 1 January		**7,031**	3,769
Effect of exchange rate changes		**99**	41
Cash and cash equivalents at 31 December		**15,281**	7,031
Analysis of the balance of cash and cash equivalents			
Bank deposits and cash	(c)	**15,281**	7,031

The notes and principal accounting policies on pages 74 to 131 form part of these financial statements.

NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2008 **HK$ Million**	2007 HK$ Million
Operating profit	**7,639**	9,516
Interest income	**(272)**	(136)
Dividends receivable from investments	**(139)**	(253)
Depreciation	**1,158**	1,091
Amortisation	**234**	182
Loss/(profit) on disposal of fixed assets	**4**	(32)
Other net income	**(137)**	(1,684)
Impairment loss on fixed assets/programming library	**29**	–
Operating cash inflow	**8,516**	8,684
Increase in properties under development for sale	**(8,243)**	(4,751)
Decrease in completed properties for sale	**528**	1,100
Increase in inventories	**(15)**	(13)
(Increase)/decrease in trade and other receivables	**(331)**	4
Increase in trade and other payables	**1,142**	584
Increase in derivative financial instruments	**60**	106
Other non-cash items	**(18)**	(11)
Changes in working capital	**(6,877)**	(2,981)
Cash generated from operations	**1,639**	5,703

(b) Issue of shares by subsidiaries to minority interests

Cash inflow from issues of shares by subsidiaries to minority interests in 2008 included proceeds of HK$453 million from minority shareholders of Harbour Centre Development Limited ("HCDL") on completion of its rights issue in March 2008. Accordingly, the Group increased its interest in HCDL from 66.8% to 70.4%.

(c) Cash and cash equivalents

	2008 **HK$ Million**	2007 HK$ Million
Bank deposits and cash in the consolidated balance sheet	**15,886**	7,717
Less: Pledged bank deposits	**(605)**	(686)
Cash and cash equivalents in the consolidated cash flow statement	**15,281**	7,031

1. SEGMENT INFORMATION

a. Business segments

i. Revenue and results	Revenue 2008 HK$ Million	Revenue 2007 HK$ Million	Results 2008 HK$ Million	Results 2007 HK$ Million
Property investment	**7,606**	6,539	**5,551**	4,701
Hong Kong	**6,038**	5,151	**4,989**	4,184
China	**514**	416	**254**	197
Hotels	**1,054**	972	**308**	320
Communications, media and entertainment ("CME")	**3,751**	3,797	**244**	365
Pay television	**1,355**	1,595	**6**	179
Internet and multimedia	**576**	588	**148**	180
Telecommunications	**1,641**	1,460	**140**	47
Others	**179**	154	**(50)**	(41)
Logistics	**3,875**	3,625	**1,763**	1,914
Terminals	**3,446**	3,216	**1,608**	1,764
Others	**429**	409	**155**	150
Property development	**710**	2,336	**84**	1,127
Hong Kong/others	**–**	717	**(7)**	409
China	**710**	1,619	**91**	718
	15,942	16,297	**7,642**	8,107
Investment and others	**328**	272	**407**	1,806
Inter-segment revenue (Note)	**(330)**	(361)	**–**	–
	15,940	16,208	**8,049**	9,913
Unallocated items			**(410)**	(397)
Operating profit			**7,639**	9,516
Increase in fair value of investment properties			**1,793**	9,352
Net other (charge)/credit			**(145)**	134
Investment and others			**(145)**	(50)
Property development			**–**	184
			9,287	19,002
Finance costs			**(1,521)**	(1,142)
Share of results after tax of associates			**136**	322
Property development			**(154)**	86
Terminals			**307**	236
CME			**(17)**	–
Share of results after tax of jointly controlled entities			**5**	27
Property development			**(28)**	–
Terminals			**33**	27
Profit before taxation			**7,907**	18,209

Note: Inter-segment revenue eliminated on consolidation includes:

	2008 **HK$ Million**	2007 *HK$ Million*
Property investment	**148**	137
CME	**182**	224
Group total	**330**	361

ii. Assets and liabilities	**Assets** **2008** **HK$ Million**	2007 *HK$ Million*	**Liabilities** **2008** **HK$ Million**	2007 *HK$ Million*
Property investment	**102,721**	99,289	**2,461**	2,335
Hong Kong	**92,337**	90,613	**1,848**	1,716
China	**9,363**	8,149	**389**	322
Hotels	**1,021**	527	**224**	297
CME	**4,347**	4,647	**1,033**	965
Pay television	**1,052**	1,160	**362**	354
Internet and multimedia	**474**	509	**129**	129
Telecommunications	**2,775**	2,853	**541**	480
Others	**46**	125	**1**	2
Logistics	**18,445**	16,876	**1,278**	1,095
Terminals	**18,241**	16,686	**1,211**	1,045
Others	**204**	190	**67**	50
Property development	**25,165**	13,762	**2,069**	1,305
Hong Kong/others	**883**	1,035	**22**	65
China	**24,282**	12,727	**2,047**	1,240
	150,678	134,574	**6,841**	5,700
Unallocated	**17,876**	11,597	**55,856**	48,469
Group total	**168,554**	146,171	**62,697**	54,169

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

	2008 **HK$ Million**	2007 *HK$ Million*
CME	**39**	59
Logistics	**4,208**	4,310
Property development	**7,751**	4,368
Group total	**11,998**	8,737

Unallocated assets and liabilities mainly comprise financial assets and liabilities, corporate cash, available for sale investments and bank loans and other borrowings.

iii. Other information	Capital expenditure 2008 HK$ Million	Capital expenditure 2007 HK$ Million	Increase in interests in associates and jointly controlled entities 2008 HK$ Million	Increase in interests in associates and jointly controlled entities 2007 HK$ Million	Depreciation and amortisation 2008 HK$ Million	Depreciation and amortisation 2007 HK$ Million
Property investment	**947**	583	**–**	–	**128**	122
Hong Kong	**226**	214	**–**	–	**19**	20
China	**697**	149	**–**	–	**27**	21
Hotels	**24**	220	**–**	–	**82**	81
CME	**472**	451	**–**	59	**890**	890
Pay television	**70**	62	**–**	–	**328**	318
Internet and multimedia	**63**	68	**–**	–	**120**	144
Telecommunications	**324**	276	**–**	–	**386**	385
Others	**15**	45	**–**	59	**56**	43
Logistics	**2,226**	2,763	**4**	2,911	**374**	261
Terminals	**2,216**	2,757	**4**	2,911	**360**	248
Others	**10**	6	**–**	–	**14**	13
Property development (China)	**–**	–	**3,543**	4,230	**–**	–
Group total	**3,645**	3,797	**3,547**	7,200	**1,392**	1,273

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

b. Geographical segments

	Revenue 2008 HK$ Million	Revenue 2007 HK$ Million	Operating profit 2008 HK$ Million	Operating profit 2007 HK$ Million
Hong Kong	**14,392**	13,924	**7,438**	8,445
China	**1,510**	2,096	**111**	876
Singapore	**38**	188	**90**	195
Group total	**15,940**	16,208	**7,639**	9,516

	Assets 2008 HK$ Million	Assets 2007 HK$ Million
Hong Kong	**117,544**	110,495
China	**50,415**	34,348
Singapore	**595**	1,328
Group total	**168,554**	146,171

	Capital expenditure 2008 HK$ Million	Capital expenditure 2007 HK$ Million	Increase in interests in associates and jointly controlled entities 2008 HK$ Million	Increase in interests in associates and jointly controlled entities 2007 HK$ Million
Hong Kong	**871**	1,092	**–**	61
China	**2,774**	2,705	**3,547**	7,139
Group total	**3,645**	3,797	**3,547**	7,200

2. OPERATING PROFIT

a. Operating profit is arrived at:

	2008 HK$ Million	2007 HK$ Million
After charging/(crediting):		
Depreciation		
– assets held for use under operating leases	**96**	91
– other fixed assets	**1,062**	1,000
	1,158	1,091
Amortisation		
– programming library	**142**	131
– leasehold land (Note 10)	**87**	47
– other intangible assets (Note 12)	**5**	4
Total depreciation and amortisation	**1,392**	1,273
Impairment losses on fixed assets/programming library	**29**	–
Impairment loss on trade receivables	**84**	26
Staff costs	**2,553**	2,408
including:		
– Contributions to defined contribution pension schemes including MPF schemes (after a forfeiture of HK$2 million (2007: HK$5 million))	**101**	87
– Income recognised in respect of defined benefit pension schemes (Note 17)	**(16)**	(11)
Auditors' remuneration		
– audit services	**16**	16
– other services	**3**	3
Cost of trading properties sold	**557**	1,096
Net foreign exchange loss, including impact of forward foreign exchange contracts	**41**	13
Rental charges under operating leases in respect of telecommunications equipment and services	**98**	101
Rental income less direct outgoings	**(5,335)**	(4,441)
including:		
– contingent rentals	**(628)**	(457)
Interest income	**(272)**	(136)
Dividend income from listed investments	**(45)**	(136)
Dividend income from unlisted investments	**(94)**	(117)
Loss/(profit) on disposal of fixed assets	**4**	(32)
Rental income under operating leases in respect of owned plant and machinery	**(61)**	(81)

Apart from the above net exchange differences, there was a total exchange gain of HK$1,013 million (2007: HK$587 million) arising mainly from the translation of the net investments in certain China subsidiaries, associates and jointly controlled entities, which has been dealt with as an equity movement.

b. Directors' emoluments

Directors' emoluments are as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Contributions to pension schemes HK$'000	2008 Total emoluments HK$'000	2007 Total emoluments HK$'000
Board of Directors						
Peter K C Woo	100	10,486	9,000	12	19,598	18,106
Gonzaga W J Li	60	4,925	7,000	–	11,985	10,777
Stephen T H Ng	60	4,482	9,000	264	13,806	12,508
Doreen Y F Lee	60	3,567	4,320	396	8,343	7,111
Paul Y C Tsui (i)	33	1,055	–	5	1,093	–
T Y Ng	60	1,951	1,528	9	3,548	1,772
Independent Non-executive Directors						
Paul M P Chan	80(iii)	–	–	–	80	80
Edward K Y Chen	60	–	–	–	60	60
Raymond K F Ch'ien	60	–	–	–	60	60
Vincent K Fang	80(iii)	–	–	–	80	80
Hans Michael Jebsen	80(iii)	–	–	–	80	80
James E Thompson	80(iii)	–	–	–	80	80
	813	26,466	30,848	686	58,813	50,714
Total for 2007	780	23,209	26,125	600		50,714

(i) Mr. Paul Y C Tsui was appointed as director of the Company with effect from 16 June 2008.

(ii) There were no compensation for loss of office and/or inducement for joining the Group paid/payable in respect of the years ended 31 December 2008 and 2007.

(iii) Includes Audit Committee Member's fee for the year ended 31 December 2008 of HK$20,000 (2007: HK$20,000) received by each of relevant Directors.

c. **Emoluments of the highest paid employees**

For the year ended 31 December 2008, emolument (excluding amounts, if any, paid or payable by way of commissions on sales generated by the employees concerned) of one employee (2007: one) of the Group who, not being a Director of the Company, was among the top five highest paid individuals (including Directors of the Company and other employees of the Group) employed by the Group and has been set out below.

Aggregate emoluments	**2008** ***HK$ Million***	2007 *HK$ Million*
Salaries, allowances and benefits in kind	**9**	9
Contributions to pension schemes	**–**	–
Discretionary bonuses	**2**	2
Compensation for loss of office	**–**	–
Inducement for joining the Group	**–**	–
Total	**11**	11

Bands *(in HK$)*	**2008** ***Number***	2007 *Number*
$10,500,001 – $11,000,000	**–**	1
$11,000,001 – $11,500,000	**1**	–

3. OTHER NET INCOME

Other net income mainly represents net profit on disposal of available-for-sale investments of HK$137 million (2007: HK$1,672 million) which included a revaluation surplus of HK$326 million (2007: HK$894 million) transferred from the investments revaluation reserves of the Group. Included in other net income in 2007 was a net profit on disposal of investment and other properties of HK$12 million.

4. NET OTHER (CHARGE)/CREDIT

	2008 ***HK$ Million***	2007 *HK$ Million*
Write-back of provisions for properties	**–**	184
Impairment loss on available-for-sale investments	**(145)**	(50)
	(145)	134

5. FINANCE COSTS

	2008 HK$ Million	2007 HK$ Million
Interest charged on:		
Bank loans and overdrafts repayable within five years	777	887
Other borrowings repayable within five years	51	158
Bank loans repayable after five years	116	88
Other borrowings repayable after five years	119	55
Total interest charge	1,063	1,188
Fair value cost on cross currency interest rate swaps	508	96
Fair value cost on interest rate swaps	104	–
Other finance costs	46	45
	1,721	1,329
Less: Amount capitalised	(200)	(187)
	1,521	1,142

a. Interest was capitalised at an average annual rate of approximately 1.6% (2007: 2.0%).

b. Included in total interest costs are amounts totalling HK$1,020 million (2007: HK$1,048 million) in respect of interest bearing borrowings that are stated at amortised cost.

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

6. TAXATION

Taxation charged to consolidated profit and loss account represents:

	2008 HK$ Million	2007 HK$ Million
Current income tax		
Hong Kong profits tax		
– provision for the year	1,017	1,203
– underprovision in respect of prior years (Note 6(g))	254	352
Overseas taxation		
– provision for the year	178	175
– overprovision in respect of prior years	(31)	–
	1,418	1,730
Land appreciation tax (“LAT”) in the People’s Republic of China (“PRC”)	30	239
Deferred tax		
Change in fair value of investment properties	433	2,259
Origination and reversal of temporary differences	99	248
Effect on decrease in tax rate on deferred tax balances	(768)	(201)
Benefit of previously unrecognised tax losses now recognised	(23)	(28)
	(259)	2,278
	1,189	4,247

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

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

c. In March 2007, the new Corporate Income Tax Law was enacted in the PRC whereby the standard PRC Corporate Income Tax ("CIT") rate was reduced from 33% to 25%.

d. Under the Provisional Regulations on LAT implemented upon the issuance of the Provisional Regulations of PRC on 27 January 1995, all gains arising from transfer of real estate property in the PRC effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including borrowings costs and all property development expenditures.

e. Taxation payable in the balance sheet is expected to be settled within one year.

f. Tax attributable to associates and jointly controlled entities for the year ended 31 December 2008 of HK$35 million (2007: HK$35 million) is included in the share of results of associates and jointly controlled entities.

g. The Group is currently in the process of providing information to the Inland Revenue Department of HKSAR in respect of tax enquiries from a Group perspective primarily relating to certain interest expenses deductibility as claimed by some property investment owning companies. In view of the fact that these enquiries are at the stage of collecting information, provisions have been made only to the extent that the estimated tax assessments have been issued and the tax risk that can be reliably estimated. In 2008, a provision of HK$292 million (2007: HK$336 million) was made for the disputes as part of the underprovision for income tax. However, the final outcomes are subject to uncertainties and resulting liabilities may or may not exceed the provisions.

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

	2008 ***HK$ Million***	2007 *HK$ Million*
Profit before taxation	**7,907**	18,209
Notional tax on profit before taxation calculated at applicable tax rates	**1,466**	3,357
Tax effect of non-deductible expenses	**152**	122
Tax effect of non-taxable income	**(111)**	(193)
Net underprovision in respect of prior years	**223**	352
Tax effect of tax losses not recognised	**201**	68
Tax effect of unrecognised tax losses utilised	**(85)**	(86)
Tax effect of previously unrecognised tax losses now recognised as deferred tax assets	**(23)**	(28)
Effect of change in tax rate on deferred tax balances	**(768)**	(201)
LAT on trading properties	**30**	239
Deferred LAT on change in fair value of investment properties	**104**	617
Actual total tax charge	**1,189**	4,247

7. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS

Profit attributable to equity shareholders for the year is dealt with in the financial statements of the Company to the extent of HK$3,376 million (2007: HK$1,958 million).

8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2008 **HK$ Million**	2007 HK$ Million
Interim dividend declared and paid of 36 cents (2007: 36 cents) per share	**991**	881
Final dividend of 44 cents (2007: 44 cents) per share proposed after the balance sheet date	**1,212**	1,212
	2,203	2,093

a. The amount of the proposed final dividend in respect of 2008 is based on 2,754 million shares (2007: 2,754 million shares) which was enlarged by the Rights issue completed by the Company in January 2008. 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$1,212 million for 2007 was approved and paid in 2008.

9. EARNINGS PER SHARE

The calculation of earnings per share is based on the earnings attributable to ordinary equity shareholders for the year of HK$6,247 million (2007: HK$13,143 million) and the weighted average of 2,745 million ordinary shares in issue during the year (2007: 2,543 million ordinary shares after adjusting for the rights issue which was completed in January 2008), calculated as follows:

Weighted average number of ordinary shares

	2008 **No. of shares** ***Million***	2007 No of shares *Million*
Issued ordinary shares at 1 January	**2,448**	2,448
Effect of rights issue (Note 27)	**297**	95
Weighted average number of ordinary shares at 31 December	**2,745**	2,543

There were no potential diluted ordinary shares in existence during the years ended 31 December 2008 and 2007.

10. FIXED ASSETS

		Group						
		Investment properties *HK$ Million*	Properties under or held for redeve-lopment *HK$ Million*	Hotel and club properties *HK$ Million*	Broad-casting & communi-cations equipment *HK$ Million*	Other properties and fixed assets *HK$ Million*	Leasehold land *HK$ Million*	Total *HK$ Million*
a.	**Cost or valuation**							
	At 1 January 2007	86,684	2,348	661	9,515	10,453	3,995	113,656
	Exchange adjustment	225	53	–	–	73	73	424
	Additions	196	2,436	13	313	737	102	3,797
	Disposals	(683)	–	–	(140)	(224)	–	(1,047)
	Reclassification	8	166	–	(1)	366	(15)	524
	Revaluation surpluses/write back/ (write off)	9,352	157	–	–	(2)	–	9,507
	At 31 December 2007 and 1 January 2008	**95,782**	**5,160**	**674**	**9,687**	**11,403**	**4,155**	**126,861**
	Exchange adjustment	**369**	**88**	**–**	**–**	**71**	**67**	**595**
	Additions	**166**	**2,394**	**–**	**350**	**393**	**342**	**3,645**
	Disposals	**–**	**–**	**–**	**(91)**	**(112)**	**–**	**(203)**
	Reclassification	**300**	**(2,401)**	**522**	**–**	**1,697**	**107**	**225**
	Revaluation surpluses/(write off)	**1,793**	**–**	**(11)**	**–**	**–**	**–**	**1,782**
	At 31 December 2008	**98,410**	**5,241**	**1,185**	**9,946**	**13,452**	**4,671**	**132,905**
	Accumulated depreciation, amortisation and impairment losses							
	At 1 January 2007	–	–	517	5,869	4,739	333	11,458
	Exchange adjustment	–	–	–	–	8	–	8
	Charge for the year	–	–	32	638	421	47	1,138
	Written back on disposals	–	–	–	(135)	(221)	–	(356)
	At 31 December 2007 and 1 January 2008	**–**	**–**	**549**	**6,372**	**4,947**	**380**	**12,248**
	Exchange adjustment	**–**	**–**	**–**	**–**	**6**	**1**	**7**
	Charge for the year	**–**	**–**	**36**	**626**	**496**	**87**	**1,245**
	Written back on disposals	**–**	**–**	**–**	**(85)**	**(108)**	**–**	**(193)**
	(Write off)/impairment loss	**–**	**–**	**(11)**	**16**	**–**	**–**	**5**
	At 31 December 2008	**–**	**–**	**574**	**6,929**	**5,341**	**468**	**13,312**
	Net book value							
	At 31 December 2008	**98,410**	**5,241**	**611**	**3,017**	**8,111**	**4,203**	**119,593**
	At 31 December 2007	95,782	5,160	125	3,315	6,456	3,775	114,613

	Investment properties HK$ Million	Properties under or held for redevelopment HK$ Million	Hotel and club properties HK$ Million	Broadcasting & communications equipment HK$ Million	Other properties and fixed assets HK$ Million	Leasehold land HK$ Million	Total HK$ Million
	Group						
b. The analysis of cost or valuation of the above assets is as follows:							
2008 valuation	**98,410**	**–**	**–**	**–**	**–**	**–**	**98,410**
Cost less provisions	**–**	**5,241**	**1,185**	**9,946**	**13,452**	**4,671**	**34,495**
	98,410	**5,241**	**1,185**	**9,946**	**13,452**	**4,671**	**132,905**
2007 valuation	95,782	–	–	–	–	–	95,782
Cost less provisions	–	5,160	674	9,687	11,403	4,155	31,079
	95,782	5,160	674	9,687	11,403	4,155	126,861
c. Tenure of title to properties:							
At 31 December 2008							
Held in Hong Kong							
Long term leases	**77,068**	**–**	**92**	**–**	**11**	**82**	**77,253**
Medium term leases	**12,961**	**680**	**–**	**–**	**2,939**	**1,215**	**17,795**
Short term leases	**1,200**	**–**	**–**	**–**	**–**	**–**	**1,200**
	91,229	**680**	**92**	**–**	**2,950**	**1,297**	**96,248**
Held outside Hong Kong							
Medium term leases	**7,181**	**4,561**	**519**	**–**	**1,539**	**2,906**	**16,706**
	98,410	**5,241**	**611**	**–**	**4,489**	**4,203**	**112,954**
At 31 December 2007							
Held in Hong Kong							
Long term leases	75,312	–	125	–	2	82	75,521
Medium term leases	13,055	608	–	–	2,955	1,251	17,869
Short term leases	1,320	–	–	–	–	–	1,320
	89,687	608	125	–	2,957	1,333	94,710
Held outside Hong Kong							
Medium term leases	6,095	4,552	–	–	505	2,442	13,594
	95,782	5,160	125	–	3,462	3,775	108,304

d. Properties revaluation

The Group's investment properties have been revalued as at 31 December 2008 by Knight Frank Petty Limited ("Knight Frank"), an independent firm of professional surveyors who have among their staff Fellows of the Hong Kong Institute of Surveyors with extensive experience in valuing properties in Hong Kong and the PRC. Knight Frank has valued the investment properties on an open market value basis and has taken into account the net income of the respective properties and allowing for reversionary potential.

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

Property investment revenue includes gross rental income from investment properties of HK$5,472 million (2007: HK$4,618 million).

e. Impairment of fixed assets

The value of properties, other than investment properties which are revalued annually, is assessed at each balance sheet date for indications of impairment with reference to valuations undertaken by management. Such valuations assess the recoverable amount of each property based on its value in use (using relevant discount rates) or on its net selling price (by reference to market prices), depending upon the anticipated future plans for the property. As a consequence of this exercise, as at 31 December 2007, a deficit of HK$157 million previously recognised in the consolidated profit and loss account was reversed due to the anticipated increase in the recoverable amount of the properties primarily to reflect the prevailing property market conditions. No such provision was made or written back for 2008.

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

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

	Group	
	2008	2007
	HK$ Million	*HK$ Million*
Within 1 year	**4,887**	4,072
After 1 year but within 5 years	**5,578**	4,306
After 5 years	**520**	172
	10,985	8,550

11. INTEREST IN SUBSIDIARIES

	Company 2008 HK$ Million	Company 2007 HK$ Million
Unlisted shares, at cost less provision	**7,765**	7,765
Amounts due from subsidiaries, less provision	**34,704**	26,569
	42,469	34,334
Amounts due to subsidiaries	**(28,107)**	(24,739)
	14,362	9,595

Details of principal subsidiaries at 31 December 2008 are shown on pages 129 to 130.

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

12. GOODWILL AND OTHER INTANGIBLE ASSETS

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

Goodwill is mainly related to the Group's terminals business. As at 31 December 2008, an impairment test was performed by comparing the attributable carrying amount of the business with the recoverable amount. The recoverable amount of the terminals business is based on fair value less costs to sell, which is determined by the latest transaction price. No impairment was recorded.

13. INTEREST IN ASSOCIATES

	Group 2008 HK$ Million	2007 HK$ Million
Share of net tangible assets	**2,039**	2,159
Goodwill	**1,790**	1,790
Amounts due from associates	**189**	241
Amounts due to associates	**(9)**	(8)
	4,009	4,182

a. Details of principal associates at 31 December 2008 are shown on page 131.

b. Included in the amounts due from associates are loans totalling HK$56 million (2007: HK$120 million) advanced to an associate involved in the Bellagio property development project, which is interest bearing. The loans are unsecured and are repayable as may from time to time be agreed among the shareholders. Amounts due from associates are neither past due nor impaired.

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

Under the Rationalisation Agreement, CMH and Modern Terminals initially held 70% and 30% equity interests in the Mega SCT respectively. CMH is responsible for financing and will bear the construction and development costs of the berths to be developed. Subject to satisfaction of the relevant conditions therein, the completion of the Rationalisation Agreement is to take place in four stages. In consideration of the construction and development of berths by CMH, the equity interests held by Modern Terminals in Mega SCT will gradually decrease from 30% upon stage 1 completion to 20% upon stage 4 completion. Stage 1 was completed on 22 February 2007 and Stage 2 was completed on 27 February 2008 resulting in Modern Terminals' equity interests in Mega SCT reducing from 30% to 27% as at 31 December 2008.

d. Summary financial information on associates

	2008		2007	
	Total HK$ Million	**Attributable interest HK$ Million**	Total HK$ Million	Attributable interest HK$ Million
Assets	**18,782**	**3,039**	17,438	3,012
Liabilities	**(4,558)**	**(1,000)**	(3,677)	(853)
Equity	**14,224**	**2,039**	13,761	2,159
Revenue	**3,597**	**737**	4,110	883
Profit before taxation	**1,424**	**164**	1,715	352
Taxation	**(134)**	**(28)**	(85)	(30)
Profit for the year	**1,290**	**136**	1,630	322

14. INTEREST IN JOINTLY CONTROLLED ENTITIES

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

Details of principal jointly controlled entities at 31 December 2008 are shown on page 131.

The amounts due from jointly controlled entities are unsecured, interest free and have no fixed terms of repayment. The amounts are neither past due nor impaired.

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

	2008	2007
	HK$ Million	*HK$ Million*
Non-current assets	**1,298**	1,343
Current assets	**7,514**	3,147
Current liabilities	**(122)**	(42)
Non-current liabilities	**(7,772)**	(3,648)
Net assets	**918**	800
Revenue	**180**	160
Profit for the year	**5**	27

15. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2008	2007
	HK$ Million	*HK$ Million*
Listed investments stated at market value		
– in Hong Kong	**42**	1,347
– outside Hong Kong	**622**	1,454
Unlisted investments	**42**	57
	706	2,858

Unlisted investments include HK$35 million (2007: HK$35 million) stated at cost less impairment losses, if any.

Fair value of individually impaired available-for-sale investments amounted to HK$665 million (2007: HK$173 million). These were determined to be impaired on the basis of material decline in their fair value below cost and there are indications that these may not be recovered. Impairment losses were recognised in consolidated profit and loss account.

16. LONG TERM RECEIVABLES

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

17. EMPLOYEE RETIREMENT BENEFITS

a. Defined benefit pension schemes

The Group makes contributions to six defined benefit pension schemes that provide pension benefits for employees upon retirement. The assets of the schemes are held separately by independently administered funds. The schemes are funded by contributions both from employers and employees, which are in accordance with recommendations made by actuaries based on their valuation of the schemes. The latest valuations of the schemes as at 31 December 2008 were performed either by HSBC Life (International) Limited or Watson Wyatt Hong Kong Limited, who are independent qualified actuaries, using the projected unit credit method. The aggregate funding ratio of the schemes was 83%.

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

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

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amount payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group expects to pay HK$3 million in contribution to defined benefit pension schemes in 2009.

(ii) Scheme assets consist of the following:

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

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

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

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

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

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

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

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

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

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

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

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

(vii) *Historical information*

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

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

b. Defined contribution pension schemes

A number of defined contribution pension schemes (including the Mandatory Provident Fund) administered by independent trustees are available to the employees of the Group not covered by the defined benefit pension schemes. For defined contribution pension schemes, both the Group and the employees contribute respectively to the schemes sums which represent percentages of the employees' salaries as defined under the relevant trust deeds. The contributions by the Group are expensed as incurred and may be reduced by contributions forfeited for those employees who have left the scheme prior to full vesting of the related contributions.

18. PROPERTIES FOR SALE

	Group	
	2008	2007
	HK$ Million	*HK$ Million*
Properties under development for sale	**16,866**	8,865
Completed properties for sale	**406**	370
	17,272	9,235

a. The properties under development for sale are expected to be substantially completed and recovered after more than one year.

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

c. Properties under development for sale and completed properties for sale are stated at the lower of cost and net realisable value. The total carrying value of properties stated at net realisable value at 31 December 2008 was HK$47 million (2007: HK$45 million).

d. In 2007, net provisions totalling HK$27 million charged to the consolidated profit and loss account in prior years for properties under development for sale and completed properties for sale were written back as a result of the increase in net realisable value of certain properties. No such provision was made or written back for 2008.

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

	Group	
	2008	2007
	HK$ Million	*HK$ Million*
Held in Hong Kong		
Medium term leases	**941**	941
Held outside Hong Kong		
Medium term leases	**13,340**	7,251
	14,281	8,192

19. TRADE AND OTHER RECEIVABLES

a. Ageing analysis

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

	Group 2008 HK$ Million	2007 HK$ Million
Trade receivables		
Current	501	505
Past due:		
0 – 30 days	177	222
31 – 60 days	57	35
Over 60 days	67	59
	802	821
Other receivables	925	575
	1,727	1,396

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

b. Impairment of trade receivables

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

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

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

c. Trade receivables that are not impaired

As at 31 December 2008, 88% (2007: 75%) of the Group's trade receivables were not impaired, of which 92% (2007: 85%) was either not past due or less than two months past due.

Based on past experience of the Group, it is determined that no impairment allowance is necessary in respect of these past due balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group does not hold any collateral over these balances.

20. DERIVATIVE FINANCIAL INSTRUMENTS

	2008 Assets HK$ Million	2008 Liabilities HK$ Million	2007 Assets HK$ Million	2007 Liabilities HK$ Million
Cash flow hedges				
Forward foreign exchange contracts	–	–	45	–
At fair value through profit or loss				
Fixed-to-floating interest rate swaps	83	–	26	1
Floating-to-fixed interest rate swaps	–	126	–	–
Cross currency interest rate swaps	8	612	–	96
Forward foreign exchange contracts	–	166	–	106
Total	91	904	71	203
Analysis				
Current	8	166	54	107
Non-current	83	738	17	96
Total	91	904	71	203

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

	2008 Assets HK$ Million	2008 Liabilities HK$ Million	2007 Assets HK$ Million	2007 Liabilities HK$ Million
Fixed-to-floating interest rate swaps				
Expiring within 1 year	8	–	9	1
Expiring after more than 1 year but not exceeding 5 years	37	–	11	–
Expiring after 5 years	38	–	6	–
	83	–	26	1
Floating-to-fixed interest rate swaps				
Expiring after 5 years	–	126	–	–
Cross currency interest rate swaps				
Expiring after more than 1 year but not exceeding 5 years	8	11	–	–
Expiring after 5 years	–	601	–	96
	8	612	–	96
Forward foreign exchange contracts				
Expiring within 1 year	–	166	45	106
Total	91	904	71	203

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

	2008 *HK$ Million*	2007 *HK$ Million*
Forward foreign exchange contracts	**942**	2,372
Fixed-to-floating interest rate swaps	**3,350**	2,050
Floating-to-fixed interest rate swaps	**2,500**	–
Cross currency interest rate swaps	**9,217**	3,120

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

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

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

During the year, a loss of HK$124 million (2007: HK$199 million) in respect of forward foreign exchange contracts was recognised and charged to the consolidated profit and loss account as follows:

	2008 *HK$ Million*	2007 *HK$ Million*
Loss on forward foreign exchange contracts not qualified for hedge accounting	**166**	199
Gain on forward foreign exchange contracts under cash flow hedge	**(42)**	–
	124	199

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

21. BANK DEPOSITS AND CASH

	Group		Company	
	2008	2007	**2008**	2007
	HK$ Million	*HK$ Million*	***HK$ Million***	*HK$ Million*
Bank deposits and cash				
– not pledged	**15,281**	7,031	**9,309**	3,844
– pledged	**605**	686	**–**	–
	15,886	7,717	**9,309**	3,844

Bank deposits and cash as at 31 December 2008 include HK$4,188 million equivalent (2007: HK$2,694 million) placed with banks in the PRC, the remittance of which are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

22. TRADE AND OTHER PAYABLES

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

	Group	
	2008	2007
	HK$ Million	*HK$ Million*
Trade payables		
0 – 30 days	**206**	194
31 – 60 days	**100**	76
61 – 90 days	**32**	13
Over 90 days	**54**	52
	392	335
Rental and customer deposits	**2,951**	1,476
Other payables	**3,581**	3,867
	6,924	5,678

The amount of trade and other payables that is expected to be settled after more than one year is HK$1,093 million (2007: HK$975 million), which is mainly for rental and customer deposits. The Group considers the effect of discounting these would be immaterial. All of the other trade and other payables are expected to be settled or recognised as income within one year or are payable on demand.

23. BANK LOANS AND OTHER BORROWINGS

	Group 2008 HK$ Million	2007 HK$ Million
Bonds and notes (unsecured)		
HK dollar fixed rate notes due 2008	**–**	1,209
HK dollar fixed rate notes due 2009	**308**	304
HK dollar fixed rate notes due 2011	**214**	206
HK dollar fixed rate notes due 2016	**289**	256
HK dollar floating rate notes due 2008	**–**	100
HK dollar floating rate notes due 2009	**100**	101
HK dollar floating rate notes due 2010	**200**	200
HK dollar floating rate notes due 2013	**300**	300
US dollar fixed rate notes due 2017	**3,120**	3,120
	4,531	5,796
Bank loans (secured)		
Due within 1 year	**536**	619
Due after more than 1 year but not exceeding 2 years	**1,251**	–
Due after more than 2 years but not exceeding 5 years	**3,269**	1,621
Due after more than 5 years	**3,104**	1,949
	8,160	4,189
Bank loans (unsecured)		
Due within 1 year	**3,499**	4,792
Due after more than 1 year but not exceeding 2 years	**6,942**	3,185
Due after more than 2 years but not exceeding 5 years	**14,077**	12,520
Due after more than 5 years	**800**	800
	25,318	21,297
Total bank loans and other borrowings	**38,009**	31,282
Analysis of maturities of the above borrowings		
Current borrowings		
Due within 1 year	**4,443**	6,720
Non-current borrowings		
Due after more than 1 year but not exceeding 5 years	**26,253**	18,137
Due after more than 5 years	**7,313**	6,425
	33,566	24,562
Total bank loans and other borrowings	**38,009**	31,282

a. The Groups' borrowings are considered by the management to be effectively denominated in the following currencies (after the effects of cross currency interest rate swaps arrangements as detailed in Note 26(b)):

	2008 *HK$ Million*	2007 *HK$ Million*
HKD	**30,795**	25,617
RMB	**3,743**	2,295
USD	**351**	250
JPY	**3,120**	3,120
	38,009	31,282

b. The interest rate profile of the Group's borrowings (after the effects of interest rate swaps and cross currency interest rate swaps as detailed in Note 26(a) and 26(b)) were as follows:

	2008		2007	
	Effective interest rate %	*HK$ Million*	Effective interest rate %	*HK$ Million*
Fixed rate borrowings				
Bonds and notes	**3.1**	**3,120**	3.1	3,120
Floating rate borrowings				
Bonds and notes	**2.5**	**1,411**	4.4	2,676
Bank loans	**2.7**	**33,478**	4.1	25,486
		34,889		28,162
Total borrowings		**38,009**		31,282

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

d. Included in the Group's total loans are bank loans totalling HK$13,712 million (2007: HK$11,582 million) borrowed by non-wholly-owned subsidiaries, Modern Terminals and HCDL. The loans are without recourse to the Company and its other subsidiaries.

e. As at 31 December 2008, certain banking facilities of the Group are secured by mortgages over properties under development, certain fixed assets, certain available-for-sale investments and certain bank deposits with an aggregate carrying value of HK$15,915 million (2007: HK$11,253 million).

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

24. 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	**15,185**	15,325
Deferred tax assets	**(383)**	(360)
Net deferred tax liabilities	**14,802**	14,965

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

	Depreciation allowances in excess of the related depreciation *HK$ Million*	Revaluation of investment properties *HK$ Million*	Others *HK$ Million*	Future benefit of tax losses *HK$ Million*	Total *HK$ Million*
At 1 January 2007	2,126	11,341	(2)	(778)	12,687
Charged to the consolidated profit and loss account	113	2,259	–	107	2,479
Effect of change in tax rate	(52)	(149)	–	–	(201)
At 31 December 2007 and 1 January 2008	**2,187**	**13,451**	**(2)**	**(671)**	**14,965**
Charged/(credited) to the consolidated profit and loss account	**103**	**433**	**(40)**	**13**	**509**
Effect of change in tax rate	**(112)**	**(694)**	**–**	**38**	**(768)**
Exchange adjustment	**12**	**84**	**–**	**–**	**96**
At 31 December 2008	**2,190**	**13,274**	**(42)**	**(620)**	**14,802**

b. **Deferred tax assets not recognised**

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

	Group 2008 HK$ Million	Group 2007 HK$ Million
Deductible temporary differences	**(5)**	(1)
Future benefit of tax losses	**(1,021)**	(962)
Net deferred tax assets not recognised	**(1,026)**	(963)

The Group has not recognised the deferred tax assets attributable to the future benefit of tax losses sustained in the operations of certain subsidiaries as the availability of future taxable profits against which the assets can be utilised is uncertain at 31 December 2008. The tax losses arising from Hong Kong operations do not expire under current tax legislation. The tax losses arising from Mainland China operations expire five years after the relevant accounting year end date.

25. OTHER DEFERRED LIABILITIES

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

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

26. FINANCIAL RISK MANAGEMENT

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

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

a. Interest rate risk

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

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

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

As at 31 December 2008, after taking into account of IRS, approximately 92% (2007: 90%) of the Group's borrowings were at floating rates and the remaining 8% (2007: 10%) were at fixed rates (see Note 23(b)).

Based on the sensitivity analysis performed as at 31 December 2008, it was estimated that a general increase/decrease of 1% (2007:1%) in interest rates would decrease/increase the Group's post-tax profit and total equity by approximately HK$120 million (2007: HK$152 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, is held constant for the whole year and the change in interest rate is compared to the rates applicable at the balance sheet date and is applied to both derivative and non-derivative financial instruments in existence at that date. The analysis is performed on the same basis for 2007.

b. Foreign currency risk

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

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

The Group's borrowings are predominantly denominated in the functional currency of the entity taking out the borrowings. In the case of group companies whose functional currencies are in HKD, their borrowings will be either in HKD or USD. For managing the overall financing costs of existing and future capital requirements for the projects in China, the Group has adopted a diversified funding approach and entered into certain cross currency interest rate swaps and forward foreign exchange contracts. Some of the cross currency interest rate swaps have the financial effect of converting certain USD borrowings into JPY borrowings, taking the advantage of lower interest rate for the JPY borrowings but exposing the Group to exchange rate risk with respect to JPY. The swaps entered into under this arrangement have effectively converted the US$400 million ten-year fixed-rate notes issued in 2007 into JPY borrowings, which has and is anticipated going forward to save the Group interest of approximately 3% per annum for and over the tenure of the notes. Concurrently, the swaps expose the Group to fluctuation in the JPY exchange rate. Based on the prevailing accounting standard, such swaps need to be marked to market with the valuation movement recognised to profit and loss account.

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

	2008				2007			
	USD Million	***RMB Million***	***JPY Million***	***EURO Million***	*USD Million*	*RMB Million*	*JPY Million*	*AUD Million*
The Group								
Bank deposits and cash	**14**	**51**	**–**	**–**	80	34	–	–
Available-for-sale investments	**80**	**–**	**–**	**2**	–	–	–	–
Trade and other receivables	**27**	**38**	**–**	**2**	–	–	–	–
Trade and other payables	**(26)**	**(388)**	**–**	**–**	(21)	(277)	–	–
Bank loans and other borrowings	**(1,182)**	**–**	**–**	**–**	(400)	–	–	–
Inter-company balances	**104**	**906**	**–**	**–**	–	5	–	–
Gross exposure arising from recognised assets and liabilities	**(983)**	**607**	**–**	**4**	(341)	(238)	–	–
Notional amount of forward foreign exchange contracts,								
– at fair value through profit or loss	**121**	**–**	**(12,772)**	**–**	76	–	(12,772)	39
– cash flow hedge	**–**	**–**	**–**	**–**	–	1,088	–	–
Notional amount of cross currency IRS	**1,182**	**–**	**(45,764)**	**–**	400	–	(45,764)	–
Highly probable forecast purchase	**(78)**	**–**	**–**	**(2)**	–	–	–	–
Overall net exposure	**242**	**607**	**(58,536)**	**2**	135	850	(58,536)	39

In addition, the PRC subsidiaries of the Group with RMB as their functional currency are exposed to foreign currency risk with respect to HKD/USD by holding HKD/USD denominated bank deposits and cash, bank loans and inter-company borrowings in the amount of HK$654 million, HK$1,408 million and HK$1,249 million respectively, as at 31 December 2008 (2007: HK$983 million, HK$1,325 million and HK$1,795 million respectively).

As at 31 December 2008, the Company with HKD as its functional currency is exposed to foreign currency risk related to its USD bank deposits and amounted to US$12 million (2007: US$22 million).

Based on the sensitivity analysis performed as at 31 December 2008, it is estimated that the approximate changes in the Group's post-tax profit and total equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date are as follows:

– a 5% (2007: 5%) increase/decrease in the exchange rate of JPY against USD will decrease/increase the Group's post-tax profit and total equity by approximately HK$247 million (2007: HK$210 million).

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

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

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

In this respect, it is assumed that the pegged rate between the HKD and the USD would be materially unaffected by any changes in movement in value of the USD against other currencies. Results of the analysis as presented above represent an aggregation of the effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into HKD at exchange rate ruling at the balance sheet date for presentation purposes. The analysis is performed on the same basis for 2007.

c. Equity price risk

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

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

Based on the sensitivity analysis performed as at 31 December 2008, it is estimated that an increase/decrease of 10% in the market value of the Group's listed available-for-sale investments, with all other variables held constant, would not affect the Group's post-tax profit unless there are impairments but would increase/decrease the Group's total equity by HK$66 million (2007: HK$280 million). The analysis is performed on the same basis for 2007.

d. Liquidity risk

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

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

The following tables detail the remaining contractual maturities at the balance sheet date of the Group's derivative and non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates at the balance sheet date and carried at exchange rate prevailing at the balance sheet date) and the earliest date the Group can be required to pay:

		Contractual undiscounted cash flow				
	Carrying amount *HK$ Million*	Total *HK$ Million*	Within 1 year or on demand *HK$ Million*	More than 1 year but less than 2 years *HK$ Million*	More than 2 years but less than 5 years *HK$ Million*	More than 5 years *HK$ Million*
At 31 December 2008						
Bank loans and other borrowings	**(38,009)**	**(41,117)**	**(5,044)**	**(6,568)**	**(21,387)**	**(8,118)**
Trade and other payables	**(6,924)**	**(6,924)**	**(5,831)**	**(505)**	**(430)**	**(158)**
Other deferred liabilities (club debentures issued)	**(217)**	**(217)**	**–**	**–**	**–**	**(217)**
Forward foreign exchange contracts	**(166)**	**(166)**	**(166)**	**–**	**–**	**–**
Cross currency interest rate swaps	**(604)**	**(228)**	**59**	**58**	**179**	**(524)**
Interest rate swaps	**(43)**	**(167)**	**7**	**1**	**(57)**	**(118)**
	(45,963)	**(48,819)**	**(10,975)**	**(7,014)**	**(21,695)**	**(9,135)**
At 31 December 2007						
Bank loans and other borrowings	(31,282)	(36,379)	(7,870)	(4,574)	(16,321)	(7,614)
Trade and other payables	(5,678)	(5,678)	(4,703)	(599)	(360)	(16)
Other deferred liabilities (club debentures issued)	(219)	(219)	–	–	–	(219)
Forward foreign exchange contracts	(106)	(106)	(106)	–	–	–
Cross currency interest rate swaps	(96)	909	97	97	290	425
Interest rate swaps	25	33	14	5	8	6
	(37,356)	(41,440)	(12,568)	(5,071)	(16,383)	(7,418)

e. Credit risk

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

Cash at bank, deposits placed with financial institutions, and investments and transactions involving derivative financial instruments are with counter parties with sound credit ratings to minimise credit exposure.

The Group has no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet. Except for the financial guarantees given by the Company as set out in Note 30, the Group does not provide any other guarantee which would expose the Group or the Company to material credit risk.

f. Fair value estimation

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

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

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

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

g. Capital management

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

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

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

The net debt-to-equity ratios as at 31 December 2008 and 2007 were as follows:

	Group	
	2008	2007
	HK$ Million	*HK$ Million*
Bank loans and other borrowings (Note 23)	**38,009**	31,282
Less: Bank deposits and cash (Note 21)	**(15,886)**	(7,717)
Net debt	**22,123**	23,565
Shareholders' equity	**99,494**	86,364
Total equity	**105,857**	92,002
Net debt-to-shareholders' equity ratio	**22.2%**	27.3%
Net debt-to-total equity ratio	**20.9%**	25.6%

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

27. SHARE CAPITAL

	2008	2007		
	No. of shares	No. of shares	**2008**	2007
	Million	*Million*	***HK$ Million***	*HK$ Million*
Authorised				
Ordinary shares of HK$1 each	**3,600**	3,600	**3,600**	3,600
Issued and fully paid				
Ordinary shares of HK$1 each				
At 1 January	**2,448**	2,448	**2,448**	2,448
Rights issue	**306**	–	**306**	–
At 31 December	**2,754**	2,448	**2,754**	2,448

Rights issue

On 16 January 2008, the Company completed its Rights issue for 306 million new ordinary shares at face value of HK$1 each for HK$30.00 each which were allotted and were fully paid. Of the total consideration of HK$9,121 million received, HK$306 million has been credited to share capital and the balance HK$8,815 million has been credited to the share premium account.

28. CAPITAL AND RESERVES

	Share capital HK$ Million	Share premium HK$ Million	Capital redemption reserve HK$ Million	Investments revaluation reserves HK$ Million	Exchange and other reserves HK$ Million	Revenue reserves HK$ Million	Total shareholders' equity HK$ Million	Minority interests HK$ Million	Total equity HK$ Million
	Shareholders' equity								
a. The Group									
Balance at 1 January 2007	2,448	7,751	7	1,272	252	63,432	75,162	4,756	79,918
Surplus on revaluation of available-for-sale investments	–	–	–	301	–	–	301	142	443
Actuarial (loss)/gains on defined benefit pension schemes	–	–	–	–	–	(9)	(9)	4	(5)
Exchange difference	–	–	–	–	489	–	489	53	542
Cash flow hedge:									
Effective portion of changes in fair value	–	–	–	–	29	–	29	16	45
Transfer to the consolidated profit and loss account:									
On disposal of available-for-sale investments	–	–	–	(853)	–	–	(853)	(41)	(894)
On impairment of available-for-sale investments	–	–	–	43	–	–	43	7	50
Share of reserves of associates/ jointly controlled entities	–	–	–	–	30	–	30	15	45
Others	–	–	–	–	(9)	(4)	(13)	11	(2)
Net (expense)/income recognised directly in equity	–	–	–	(509)	539	(13)	17	207	224
Profit for the year	–	–	–	–	–	13,143	13,143	819	13,962
Total recognised income and expenses	–	–	–	(509)	539	13,130	13,160	1,026	14,186
Dividends approved in respect of the previous year	–	–	–	–	–	(1,077)	(1,077)	–	(1,077)
Dividends declared in respect of the current year (Note 8)	–	–	–	–	–	(881)	(881)	–	(881)
Shares issued by a subsidiary	–	–	–	–	–	–	–	197	197
Dividends paid to minority interests	–	–	–	–	–	–	–	(341)	(341)
Balance at 31 December 2007	2,448	7,751	7	763	791	74,604	86,364	5,638	92,002

	Share capital HK$ Million	Share premium HK$ Million	Capital redemption reserve HK$ Million	Investments revaluation reserves HK$ Million	Exchange and other reserves HK$ Million	Revenue reserves HK$ Million	Total shareholders' equity HK$ Million	Minority interests HK$ Million	Total equity HK$ Million
	Shareholders' equity								
Balance at 1 January 2008	2,448	7,751	7	763	791	74,604	86,364	5,638	92,002
Deficit on revaluation of available-for-sale investments	–	–	–	(574)	–	–	(574)	(203)	(777)
Actuarial loss on defined benefit pension schemes	–	–	–	–	–	(285)	(285)	(127)	(412)
Exchange difference	–	–	–	–	828	–	828	63	891
Cash flow hedge:									
Transfer from equity to profit and loss account	–	–	–	–	(29)	–	(29)	(16)	(45)
Transfer to the consolidated profit and loss account:									
On disposal of available-for-sale investments	–	–	–	(219)	–	–	(219)	(107)	(326)
On impairment of available-for-sale investments	–	–	–	131	–	–	131	14	145
Share of reserves of associates/ jointly controlled entities	–	–	–	–	108	–	108	14	122
Others	–	–	–	–	10	(5)	5	(8)	(3)
Net (expense)/income recognised directly in equity	–	–	–	(662)	917	(290)	(35)	(370)	(405)
Profit for the year	–	–	–	–	–	6,247	6,247	471	6,718
Total recognised income and expenses	–	–	–	(662)	917	5,957	6,212	101	6,313
Rights issue	306	8,815	–	–	–	–	9,121	–	9,121
Dividends approved in respect of the previous year (Note 8)	–	–	–	–	–	(1,212)	(1,212)	–	(1,212)
Dividends declared in respect of the current year (Note 8)	–	–	–	–	–	(991)	(991)	–	(991)
Shares issued by subsidiaries	–	–	–	–	–	–	–	950	950
Dividends paid to minority interests	–	–	–	–	–	–	–	(326)	(326)
Balance at 31 December 2008	2,754	16,566	7	101	1,708	78,358	99,494	6,363	105,857

		Share capital *HK$ Million*	Share premium *HK$ Million*	Capital redemption reserve *HK$ Million*	Revenue reserves *HK$ Million*	Total *HK$ Million*
b.	**The Company**					
	Balance at 1 January 2007	2,448	7,751	7	3,500	13,706
	Profit for the year	–	–	–	1,958	1,958
	Dividends approved in respect of the previous year	–	–	–	(1,077)	(1,077)
	Dividends declared in respect of the current year (Note 8)	–	–	–	(881)	(881)
	Balance at 31 December 2007 and 1 January 2008	**2,448**	**7,751**	**7**	**3,500**	**13,706**
	Profit for the year	**–**	**–**	**–**	**3,376**	**3,376**
	Rights issue	**306**	**8,815**	**–**	**–**	**9,121**
	Dividends approved in respect of the previous year (Note 8)	**–**	**–**	**–**	**(1,212)**	**(1,212)**
	Dividends declared in respect of the current year (Note 8)	**–**	**–**	**–**	**(991)**	**(991)**
	Balance at 31 December 2008	**2,754**	**16,566**	**7**	**4,673**	**24,000**

c. Reserves of the Company available for distribution to equity shareholders of the Company at 31 December 2008 amounted to HK$4,673 million (2007: HK$3,500 million).

d. The application of the share premium account and capital redemption reserve are governed by Section 48B and Section 49H of the Hong Kong Companies Ordinance respectively. The investments revaluation reserves have been set up and will be dealt with in accordance with the accounting policy adopted for the revaluation of available-for-sale investments. The exchange and other reserves mainly comprise exchange differences arising from the translation of the financial statements of foreign operations.

e. After the balance sheet date the Directors proposed a final dividend of 44 cents per share (2007: 44 cents per share) amounting to HK$1,212 million (2007: HK$1,212 million). This dividend has not been recognised as a liability at the balance sheet date.

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. As disclosed in Note 13, loans totalling HK$56 million (2007: HK$120 million) advanced by the Group to an associate involved in the Bellagio property development project are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules. Waivers were granted by the Stock Exchange in 1997 and 1994 from complying with the relevant connected transaction requirements. The net interest earned by the Group from these loans during the year is not material in the context of these financial statements.

b. In respect of the year ended 31 December 2008, the Group earned rental income totalling HK$490 million (2007: HK$405 million) from various tenants which are wholly-owned by, or are non wholly-owned subsidiaries of, companies which in turn are wholly-owned by the family interests of, or by a trust the settlor of which is, the Chairman of the Company. Such transactions are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules.

c. Remuneration for key management personnel of the Group, including amounts paid to the Directors of the Company and the five highest paid employees are disclosed in Notes 2(b) and 2(c).

30. CONTINGENT LIABILITIES

As at 31 December 2008, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to overdrafts, short term loans and credit facilities, bonds and notes of up to HK$36,969 million (2007: HK$33,616 million). The Company has not recognised any deferred income for the guarantees given in respect of borrowings and other banking facilities for subsidiaries as their fair value cannot be reliably measured and their transaction price was HK$Nil.

As at the balance sheet date, the Directors do not consider it is probable that a claim will be made against the Company under any of the guarantees.

31. COMMITMENTS

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

		Group				
	2008			2007		
	Hong Kong HK$ Million	**China HK$ Million**	**Total HK$ Million**	Hong Kong HK$ Million	China HK$ Million	Total HK$ Million
a. Capital expenditure						
Authorised and contracted for	**369**	**1,903**	**2,272**	243	2,544	2,787
Authorised but not contracted for	**1,144**	**1,304**	**2,448**	704	1,870	2,574
	1,513	**3,207**	**4,720**	947	4,414	5,361
b. Programming and others						
Authorised and contracted for	**783**	**–**	**783**	744	–	744
Authorised but not contracted for	**71**	**–**	**71**	77	–	77
	854	**–**	**854**	821	–	821
c. Properties under development						
Authorised and contracted for	**8**	**10,592**	**10,600**	–	15,272	15,272
Authorised but not contracted for	**–**	**35,090**	**35,090**	–	32,155	32,155
	8	**45,682**	**45,690**	–	47,427	47,427
d. Properties under development undertaken by jointly controlled entities and associates attributable to the Group						
Authorised and contracted for	**–**	**3,538**	**3,538**	–	5,759	5,759
Authorised but not contracted for	**–**	**8,178**	**8,178**	–	8,290	8,290
	–	**11,716**	**11,716**	–	14,049	14,049
e. Expenditure for operating leases						
Within one year	**50**	**–**	**50**	72	–	72
After one year but within five years	**51**	**–**	**51**	56	–	56
Over five years	**65**	**–**	**65**	68	–	68
	166	**–**	**166**	196	–	196

(i) Commitments for properties under development by the Group's subsidiaries or through jointly controlled entities and associates included outstanding land cost attributable to the Group of HK$11,560 million payable by instalments in 2009 and 2010. Other commitments under the categories are mainly construction cost for the forthcoming years.

(ii) Commitment for capital expenditure in China are mainly related to Modern Terminal's port expenditure for the Dachan Bay and Taicang projects.

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

32. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following interpretations and an amendment to HKFRSs that are first effective for the current accounting period of the Group and the Company:

HK(IFRIC)-11, HKFRS 2 – Group and treasury share transactions
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 HKAS39, Financial instruments: Recognition and measurement, and HKFRS 7, Financial instruments: Disclosures – Reclassification of financial assets

The "Principal accounting policies" set out on pages 114 to 128 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 years ended 31 December 2007 and 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 33).

33. FUTURE CHANGES IN ACCOUNTING POLICIES

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

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

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

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

34. POST BALANCE SHEET EVENTS

After the balance sheet date the Directors proposed a final dividend. Further details are disclosed in Note 8.

35. COMPARATIVE FIGURES

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

36. 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.

37. APPROVAL OF THE FINANCIAL STATEMENTS

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

Principal Accounting Policies

a. Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 32 to the Financial Statements provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (note 33).

b. Basis of preparation of the financial statements

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

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

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note (z).

c. Basis of consolidation

i. Subsidiaries and 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 presently are exercisable are taken into account.

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

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

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

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

ii. *Associates and jointly controlled entities*

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

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

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

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

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

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

iii. *Goodwill*

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

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

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

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

d. Fixed assets

i. *Investment properties*

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

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

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

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

ii. *Hotel and club properties*

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

iii. *Broadcasting and communications equipment*

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

iv. *Other properties and fixed assets held for own use*

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

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

e. Depreciation of fixed assets

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

i. *Investment properties*
No depreciation is provided on investment properties.

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

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

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

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

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

f. Investments in debt and equity securities

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

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in the consolidated 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. The net gain or loss recognised in the consolidated profit and loss account does not include any dividends or interest earned as there are recognised in accordance with the policy set out in note s(iv).

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

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.

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.

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

g. Derivative financial instruments

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

h. Hedging

i. Fair value hedge

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

ii. Cash flow hedge

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

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

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

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

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

iii. Hedge of net investment in a foreign operation

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

i. Leased assets

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

i. Classification of leased assets

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

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

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

ii. Assets held under operating leases

(a) 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.

(b) The cost of acquiring land held under an operating lease is recognised as interest in leasehold land in the balance sheet and amortised on a straight line basis over the period of the lease term except where the property is classified as an investment property (see note (d)(i)) or is held for development for sale (see note l).

iii. Assets held under finance leases

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

j. Programming library

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

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

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

Both the period and method of amortisation are reviewed annually.

k. Impairment of assets

i. Impairment of investments in debt and equity securities and other receivables

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

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

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

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

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

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

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

ii. *Impairment of other assets*

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

– Recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

– Interim financial reporting and impairment

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

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

l. Properties for sale

i. Completed properties for sale

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

The amount of any write down of or provision for 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.

ii. Properties under development for sale

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

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

m. Inventories

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

n. Trade and other receivables

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

o. Interest-bearing borrowings

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

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

p. Trade and other payables

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

q. Cash and cash equivalents

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

r. Foreign currencies

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

s. Recognition of revenue

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 in the accounting period in which they are earned.

ii. Income arising from the sale of properties held for sale is recognised upon the execution of the formal sale and purchase agreement or the issue of occupation permit/completion certificate by the relevant government authorities, whichever is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under other payables.

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

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

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

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

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

t. Borrowing costs

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

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

u. Income tax

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

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

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

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

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

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

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

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

v. Related parties

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

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

ii. the Group and the party are subject to common control;

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

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

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

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

w. Financial guarantees issued, provisions and contingent liabilities

i. Financial guarantees issued

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

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

ii. Other provisions and contingent liabilities

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

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

x. Segment reporting

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 assets and liabilities, corporate cash, available for sale investments, bank loans and other borrowings, corporate and financing expenses.

y. Employee benefits

i. Defined benefit pension schemes

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

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

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

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

ii. Shared based payments

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

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

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

z. Significant accounting estimates and judgements

Key sources of estimation uncertainty
Notes 17 and 26 contain information about the assumptions and their risk relating to defined benefit retirement obligations and financial instruments. Other key sources of estimation uncertainty are as follows:

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

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

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

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

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

– Assessment of provision for properties 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.

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

Principal Subsidiaries, Associates and Jointly Controlled Entities

At 31 December 2008

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital (except otherwise stated)/registered and paid up capital	Percentage of equity attributable to the Group	Principal activities
Properties				
# **Wharf Estates Limited**	Hong Kong	2 HK$1 shares	100	Holding company
Harbour City Estates Limited	Hong Kong	20,000 HK$10 shares	100	Property
Wharf Realty Limited	Hong Kong	2 HK$1 shares	100	Property
Times Square Limited	Hong Kong	2 HK$10 shares	100	Property
# **Wharf Estates Development Limited**	Hong Kong	2 HK$1 shares	100	Holding company
Plaza Hollywood Limited	Hong Kong	10,000 HK$1 shares	100	Property
Delta Realty Limited	Hong Kong	2 HK$1 shares	100	Property
Feckenham Limited	Hong Kong	2 HK$10 shares	100	Property
Framenti Company Limited	Hong Kong	2 HK$1 shares	100	Property
HKRT Peak Properties Limited	Hong Kong	3,000,000 HK$10 shares	100	Property
Hong Tai Yuen Limited	Hong Kong	500,000 HK$1 shares	100	Property
New Tech Centre Limited	Hong Kong	10,000 HK$1 shares	100	Property
Olinda Limited	Hong Kong	2 HK$10 shares	100	Property
Spring Wealth Investments Limited	British Virgin Islands	500 US$1 shares	100	Holding company
# **Wharf China Holdings Limited**	British Virgin Islands	500 US$1 shares	100	Holding company
Wharf Estates China Limited	British Virgin Islands	500 US$1 shares	100	Holding company
i Beijing Capital Times Square Development Company Limited	The People's Republic of China	US$59,000,000	88	Property
iii Shanghai Long Xing Property Development Company Limited	The People's Republic of China	US$45,000,000	100	Property
ii Dalian Times Square Development Company Limited	The People's Republic of China	RMB420,000,000	100	Property
ii Han Long Development (Wuhan) Company Limited	The People's Republic of China	US$33,100,000	100	Property
ii Long Qing Property Development (Chongqing) Company Limited	The People's Republic of China	RMB194,000,000	100	Property
iii Shanghai Jiu Zhou Property Development Company Limited	The People's Republic of China	US$30,000,000	85	Property
i Shanghai Long Shen Real Estate Development Company Limited	The People's Republic of China	US$22,330,000	55	Property
i Shanghai Wellington Garden Estate Development Company Limited	The People's Republic of China	US$16,666,666	59	Property
i Shanghai Wheelock Square Development Limited	The People's Republic of China	US$80,000,000	98	Property
ii Wharf Estates (Wuxi) Company Limited	The People's Republic of China	US$146,280,000	100	Property
ii 龍茂房地產開發(成都)有限公司	The People's Republic of China	HK$750,000,000	100	Property
ii 龍潤房地產開發(成都)有限公司	The People's Republic of China	HK$820,000,000	100	Property
ii 龍昌綜合開發(成都)有限公司	The People's Republic of China	HK$405,000,000	100	Property
ii 蘇州蘇龍地產發展有限公司	The People's Republic of China	US$166,800,000	100	Property
ii 龍錦綜合開發(成都)有限公司	The People's Republic of China	US$288,593,812	100	Property
ii 無錫港龍置業有限公司	The People's Republic of China	US$77,200,000	100	Property
ii 無錫河畔置業有限公司	The People's Republic of China	US$36,200,000	100	Property
* **Harbour Centre Development Limited**	Hong Kong	472,500,000 HK$0.5 shares	70	Holding company
i 蘇州高龍房產發展有限公司	The People's Republic of China	RMB3,082,260,891	56	Property
ii 九龍倉(常州)置業有限公司	The People's Republic of China	US$199,800,000	70	Property
Logistics				
Wharf Transport Investments Limited	Hong Kong	2 HK$1 shares	100	Holding company
The "Star" Ferry Company, Limited	Hong Kong	1,440,000 HK$5 shares	100	Public transport
Hong Kong Tramways, Limited	Hong Kong	21,937,500 HK$5 shares	100	Public transport
Modern Terminals Limited	Hong Kong	70,116 HK$1,000 shares	68	Container terminal
i Shenzhen Dachan Bay Modern Port Development Company, Limited	The People's Republic of China	RMB2,475,550,000	44	Container terminal
i Suzhou Modern Terminals Limited	The People's Republic of China	RMB822,500,000	48	Container terminal

Principal Subsidiaries, Associates and Jointly Controlled Entities

	Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital (except otherwise stated)/registered and paid up capital	Percentage of equity attributable to the Group	Principal activities
	Hotels				
#	**Marco Polo Hotels Limited**	Cayman Islands	500,000,000 US$1 shares	100	Holding company
	Marco Polo Hotels Management Limited	Hong Kong	2 HK$10 shares	100	Hotel management
	The Hongkong Hotel Limited	Hong Kong	100,000 HK$1 shares	70	Hotel and property
	The Marco Polo Hotel (Hong Kong) Limited	Hong Kong	1,000 HK$1 shares	100	Hotel operation
	The Prince Hotel Limited	Hong Kong	2 HK$1 shares	100	Hotel operation
ii	Wuhan Marco Polo Hotels Company Limited	The People's Republic of China	US$3,850,000	100	Hotel management
	CME				
#	**Wharf Communications Limited**	Hong Kong	1,000,000 HK$10 shares	100	Holding company
	COL Limited	Hong Kong	40,000 HK$500 shares	100	Computer services
	Hong Kong Cable Enterprises Limited	Hong Kong	2 HK$1 shares	74	Advertising airtime and programming licensing
	Hong Kong Cable Television Limited	Hong Kong	750,000,000 HK$1 shares	74	Pay television and internet and multimedia
*	i-CABLE Communications Limited	Hong Kong	2,012,340,400 HK$1 shares	74	Holding company
	i-CABLE Network Limited	Hong Kong	100 HK$1 shares 2 HK$1 non-voting deferred shares	74	Network operation
	i-CABLE Satellite Television Limited	Hong Kong	2 HK$1 shares	74	Non-domestic television services
	i-CABLE Network Operations Limited	Hong Kong	500,000 HK$1 shares	74	Network operation
	Sundream Motion Pictures Limited	Hong Kong	10,000,000 HK$1 shares	74	Film production
	Rediffusion Satellite Services Limited	Hong Kong	1,000 HK$10 shares	74	Satellite television systems
	EC Telecom Limited	Hong Kong	2 HK$1 shares	100	Telecommunication
	Wharf T&T Limited	Hong Kong	100,000,000 HK$1 shares	100	Telecommunication
	Investment and others				
	Wharf Limited	Hong Kong	2 HK$10 shares	100	Management services
	Wharf Finance Limited	Hong Kong	2 HK$1 shares	100	Finance
	Wharf Finance (BVI) Limited	British Virgin Islands	500 US$1 shares	100	Finance
#	Wharf Hong Kong Limited	Cayman Islands	500,000,000 US$1 shares	100	Holding company

Associates	Place of incorporation/ operation	Class of shares	Percentage of equity attributable to the Group	Principal activities
Logistics				
Mega Shekou Container Terminals Limited	British Virgin Islands	Ordinary	20	Holding company
Shekou Container Terminals Limited	The People's Republic of China	Ordinary	20	Container terminal
Shekou Container Terminals (Phase II) Limited	The People's Republic of China	Ordinary	20	Container terminal
Shekou Container Terminals (Phase III) Limited	The People's Republic of China	Ordinary	20	Container terminal
蘇州雙湖房地產有限公司	The People's Republic of China	Ordinary	50	Property

Jointly controlled entities	Place of incorporation/ operation	Class of shares	Percentage of equity attributable to the Group	Principal activities
Property				
Elite Mind International Limited	Hong Kong	Ordinary	40	Holding company
Show All Limited	Hong Kong	Ordinary	50	Holding company
Tartar Investments Limited	British Virgin Islands	Ordinary	30	Holding company
Speedy Champ Investments Limited	Hong Kong	Ordinary	39	Holding company
重慶嘉江房地產開發有限公司	The People's Republic of China	Ordinary	40	Property
浙江金盈置業有限公司	The People's Republic of China	Ordinary	50	Property
無錫都會置業有限公司	The People's Republic of China	Ordinary	50	Property
祥寶投資(成都)有限公司	The People's Republic of China	Ordinary	30	Property
重慶豐盈房地產開發有限公司	The People's Republic of China	Ordinary	39	Property
杭州綠城海企房地產開發有限公司	The People's Republic of China	Ordinary	28	Property
Logistics				
Taicang International Container Terminals Company Limited	The People's Republic of China	Ordinary	34	Container terminal

Notes:

(a) All the subsidiaries listed above were, as at 31 December 2008, indirect subsidiaries of the Company except where marked #.

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

Subsidiaries held directly
* Listed companies
i This entity is registered as a sino-foreign joint venture company under PRC law
ii This entity is registered as a wholly foreign owned enterprise under PRC law
iii This entity is registered as a foreign owned enterprise under PRC law

Schedule of Principal Properties

At at 31 December 2008

	Approximate Gross Floor Areas (sq.ft.)					
Address	**Total**	**Office**	**Retail**	**Residential**	**Others**	**(Remarks)**
Investment Properties in Hong Kong						
Harbour City, Tsimshatsui						
Ocean Terminal	658,000	–	658,000	–	–	
Ocean Centre	901,000	677,000	224,000	–	–	
Wharf T&T Centre	257,000	257,000	–	–	–	
World Commerce Centre	257,000	257,000	–	–	–	
World Finance Centre	512,000	512,000	–	–	–	
Ocean Galleries	386,000	–	386,000	–	–	
Gateway I	1,236,000	1,128,000	108,000	–	–	
Gateway II	2,640,000	1,570,000	400,000	670,000	–	
The Marco Polo Hongkong Hotel (Commercial Section)	206,000	34,000	172,000	–	–	
Times Square						
Sharp Street East, Causeway Bay	1,969,000	1,033,000	936,000	–	–	
Others						
Plaza Hollywood, 3 Lung Poon Street, Diamond Hill	562,000	–	562,000	–	–	
Wharf T&T Square, Hoi Bun Road, Kwun Tong	395,000	330,000	65,000	–	–	
Delta House, 3 On Yiu Street, Shatin	349,000	349,000	–	–	–	
26-27/F, World-Wide House, Central	21,000	21,000	–	–	–	
Units at Cable TV Tower, Hoi Shing Road, Tsuen Wan	566,000	–	–	–	566,000	(Industrial)
Units at Strawberry Hill, 8 Plunkett's Road, The Peak	16,000	–	–	16,000	–	
77 Peak Road, The Peak	32,000	–	–	32,000	–	
Chelsea Court, 63 Mount Kellett Road, The Peak	43,000	–	–	43,000	–	
Mountain Court, 11-13 Plantation Road, The Peak	49,900	–	–	49,900	–	
1 Plantation Road, The Peak	97,000	–	–	97,000	–	
Units at Star House, 3 Salisburg Road, Kowloon	50,800	–	50,800	–	–	
	11,203,700	6,168,000	3,561,800	907,900	566,000	
Investment Properties in China						
Beijing Capital Times Square 88 West Changan Avenue, Beijing	1,114,000	724,000	390,000	–	–	
Shanghai Times Square 93-111 Huai Hai Zhong Road, Shanghai	973,000	331,000	447,000	195,000	–	
Chongqing Times Square, 100 Zou Rong Road, Yuzhong District, Chongqing	591,800	13,800	578,000	–	–	
Wuhan Times Square 160 Yan Jiang Da Dao, Jiangan District, Wuhan	8,000	–	8,000	–	–	
Dalian Times Square 50 Ren Min Road, Zhongshan District, Dalian	186,000	–	186,000	–	–	
	2,872,800	1,068,800	1,609,000	195,000	–	

Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/Expected Completion	Stage of Completion	Effective Equity Interest to the Company
346,719	KPP 83	2012	1966	N/A	100%
126,488	KML 11 S.A.	2880	1977	N/A	100%
(a)	KML 11 S.B.	2880	1981	N/A	100%
(a)	KML 11 S.B.	2880	1981	N/A	100%
(a)	KML 11 S.D.	2880	1983	N/A	100%
(a)	KML 11 S.B. & D.	2880	1981/83	N/A	100%
(a)	KML 11 R.P.	2880	1994	N/A	100%
(a)	KML 11 S.B. & D.	2880	1998/99	N/A	100%
(b)	KML 91 S.A. & KML 10 S.B.	2863	1969	N/A	70%
112,441	IL 731, IL 728, IL 727, IL 725 S.A. & R.P., IL 724 S.A., B & R.P., IL 722 & IL 718	2850/60/80	1993	N/A	100%
280,510	NKIL 6160	2047	1997	N/A	100%
48,438	KTIL 713	2047	1991	N/A	100%
70,127	STTL 422	2047	1999	N/A	100%
N/A	IL 8432	2053	1979	N/A	100%
N/A	TWTL 218	2047	1992	N/A	100%
N/A	RBL 512 & 1004	2027/28	1974/77	N/A	100%
76,728	RBL 836	2029	1951	N/A	100%
29,640	RBL 556 R.P.S.A. & S.B.	2035	2001	N/A	100%
32,145	RBL 522, 639, 661	2027	2001	N/A	100%
97,670	RBL 534 S.E. & F.	2028	2002	N/A	100%
N/A	KML 10 S.A.	2863	1966	N/A	70%
141,007	N/A	2044	1999	N/A	88%
148,703	N/A	2043	1999	N/A	100%
95,799	N/A	2050	2004	N/A	100%
(c)	N/A	2053	2008	N/A	100%
(d)	N/A	2039	2008	N/A	100%

Schedule of Principal Properties

	Approximate Gross Floor Areas (sq.ft.)					
Address	**Total**	**Office**	**Retail**	**Residential**	**Others**	**(Remarks)**
Hotels and Clubs in Hong Kong						
Harbour City, Tsimshatsui						
The Marco Polo Hongkong Hotel	553,000	–	–	–	553,000	(Other represents a 664-room hotel)
Gateway	313,000	–	–	–	313,000	(Other represents a 433-room hotel)
Prince	359,000	–	–	–	359,000	(Other represents a 393-room hotel)
Pacific Club Kowloon	139,000	–	–	–	139,000	(Club House)
	1,364,000	–	–	–	1,364,000	
Hotels and Clubs in China						
Marco Polo Wuhan 160 Yan Jiang Da Dao, Jiangan District, Wuhan	405,000	–	–	–	405,000	(Other represents a 380-room hotel)
	405,000	–	–	–	405,000	
Property Developments in Hong Kong						
Cable TV Tower South, Chai Wan Kok Street, Tsuen Wan	598,500	–	–	–	598,500	(Industrial)
Kowloon Godown, 1-5 Kai Hing Road, Kowloon Bay	994,900	–	–	994,900	–	
Yau Tong Godown, 5 Tung Yuen Street, Kowloon	255,700	–	42,600	213,100	–	
	1,849,100	–	42,600	1,208,000	598,500	
Property Developments in Hong Kong (undertaken by associates)						
Bellagio, 33 Castle Peak Road, Sham Tseng, Towers 1, 2, 3 & 5	17,800	–	10,400	7,400	–	(33 $^{1}/_{3}$% attributable to the Group – Note e)
Various Lots at Yau Tong Bay, Yau Tong, Kowloon	624,500	–	21,100	599,200	4,200	(15.6% attributable to the Group – Note e)
	642,300	–	31,500	606,600	4,200	
Property Developments in China						
Wellington Garden – Tower 3 183 Huai Hai Xi Road, Xuhui District, Shanghai	128,000	–	–	128,000*	–	
Wuhan Times Square, 160 Yan Jiang Da Dao, Jiangan District, Wuhan – Towers 1, 3, 4, 8 & 9	263,000	–	–	263,000*	–	
Dalian Times Square 50 Ren Min Road, Zhongshan District, Dalian	1,313,000	–	–	1,313,000	–	(441,000 sq.ft. residential area pre-sold)
No.1 Xin Hua Road 176 Huai Hai Xi Road, Changning District, Shanghai	206,000	–	–	206,000	–	
Shanghai Wheelock Square 1717 Nan Jing Xi Road, Jingan District, Shanghai	1,228,000	1,149,000	79,000	–	–	
Jingan Garden 398 Wanhangdu Road, Jingan District, Shanghai	763,000	–	–	763,000*	–	
Tian Fu Times Square, Chengdu Junction of Dong Da Jie & Fu He, Jinjiang District	4,856,000	1,903,000	140,000	2,813,000	–	(704,000 sq.ft. residential area pre-sold)
Crysta Park, No.10 Gaoxin District Chengdu Junction of Zhan Hua Road and Fu Cheng Avenue	4,425,000	494,000	56,000	3,875,000	–	(95,000 sq.ft. residential area pre-sold)
Suzhou Industrial Park Lot No. 68210 Suzhou Industrial Park	2,123,000	–	–	2,123,000	–	
Wuxi Taihu Plaza project						
Wuxi Super Tower	3,010,000	2,002,000	–	405,000*	603,000	(Other represents a 350-room hotel)
Taihu Plaza, Nanchang District, Wuxi	8,949,000	–	–	8,949,000	–	
Shuangliu Development Zone, Chengdu Junction of Shuang Nan Avenue and Guang Hua Avenue, Shuangliu Country	9,807,000	3,922,800	1,961,400	3,922,800	–	(Retail includes an outlet mall of 686,000 sq.ft.)

Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/Expected Completion	Stage of Completion	Effective Equity Interest to the Company
58,814	KML 91 S.A. & KML 10 S.B.	2863	1969	N/A	70%
(a)	KML 11 S.B.	2880	1981	N/A	100%
(a)	KML 11 S.D.	2880	1983	N/A	100%
48,309	KIL 11179	2021	1990	N/A	100%
(c)	N/A	2053	2008	N/A	100%
66,000	TWIL 36	2047	2011	Substructure in progress	100%
165,809	NKIL 5805, 5806 & 5982	2047	N/A	Planning stage	100%
42,625	YTIL 4 s.A & adjoining Government land	2047	N/A	Planning stage	100%
N/A	Lot 266 in DD 390	2051	2005	Completed	33 1/3%
759,276	R.P. of YTML 22 & ext., YTML 28 & ext., YTML 29 & ext., and YTML 12, 32 and 33 together with adjoining lots at Yau Tong Bay	2047	N/A	Planning stage	15.6%
80,482	N/A	2045	2007	Completed	59%
(c)	N/A	2053/73	2007/08	Completed	100%
(d)	N/A	2069	2009	Superstructure in progress	100%
118,220	N/A	2064	2009	Superstructure in progress	85%
136,432	N/A	2049	2009	Superstructure in progress	98%
170,825	N/A	2043/63	2013	Planning stage	55%
761,520	N/A	2045/75	2012	Superstructure in progress	100%
884,459	N/A	2046/76	2013	Superstructure in progress	100%
3,654,152	N/A	2076	2012	Planning stage	100%
313,867	N/A	2047/57	2014	Substructure in progress	100%
3,314,418	N/A	2078	2015	Substructure in progress	100%
3,900,589	N/A	2047/77	2013 Outlet mall: 2009	Planning stage Superstructure in progress	100%

Schedule of Principal Properties

	Approximate Gross Floor Areas (sq.ft.)					
Address	Total	Office	Retail	Residential	Others	(Remarks)
Chengdu IFC Junction of Hongxing Road and Da Ci Si Road,Jinjiang District	4,724,000	2,226,000	1,248,000	490,000	760,000	(Other represents a 600-room hotel)
Changzhou Xinbei District Project China Dinosaur Park, Xinbei District, Changzhou, Jiangsu Province	8,681,000	–	–	7,838,000	843,000	(Other represents a 405-room hotel)
Suzhou Industrial Park Project						
Suzhou Super Tower, Xing Hu Jie,	3,780,000	1,890,000	–	1,890,000	–	
Xiandai Da Dao, Suzhou Industrial Park, Suzhou	9,765,000	–	–	9,765,000	–	
Wuxi Old Canal Lot #71 Nanchang District and abutting on Jinhang Canal	2,551,000	–	–	2,551,000	–	
Wuxi Old Canal Lot #72 Nanchang District and abutting on Jinhang Canal	2,670,000	646,000	–	2,024,000	–	
	69,242,000	14,232,800	3,484,400	49,318,800	2,206,000	
Property Development in China (undertaken by associates)						
Suzhou Industrial Park Lot B24 – Wei Ting Project South of Lin Hu Road,East & West sides of Ying Hu Road	908,000	–	–	908,000	–	(50% attributable to the Group – Note e)
	908,000	–	–	908,000	–	
Property Development in China (undertaken by jointly controlled entities)						
Hangzhou Zhuantang Town Project Zhuantang Town, Zhijiang National Tourist Holiday Resort, Xihi District, Hangzhou	2,004,000	–	83,000	1,921,000	–	(50% attributable to the Group – Note e)
Wuxi Old Canal Lot #73 Nanchang District and abutting on Jinhang Canal	1,760,000	–	–	1,760,000	–	(50% attributable to the Group – Note e)
Chongqing Danzishi Project Zone C of Danzishi, Nanan District	9,038,000	–	1,490,000	7,548,000	–	(40% attributable to the Group – Note e) (136,000 sq.ft. residential area pre-sold)
Chengdu Shahe Project South of Shuanggui Road, North of Niusha Road, East of Erhuan Road, West of Shahe, Jinjiang District, Chengdu	4,046,000	484,500	484,500	2,916,000	161,000	(Other represents hotel) (30% attributable to the Group – Note e)
Chongqing Jiangbei City Project Zone B of Jiangbei City, Jiang Bei District, Chongqing	2,524,000	–	–	2,524,000	–	(55% attributable to the Group – Note e)
Hangzhou CBD Project Qianjiang New City, Shangcheng District, Hangzhou	1,255,000	–	44,000	1,035,000	176,000	(Other represents a 128-room hotel) (40% attributable to the Group – Note e)
	20,627,000	484,500	2,101,500	17,704,000	337,000	
TOTAL	**109,113,900**	**21,954,100**	**10,830,800**	**70,848,300**	**5,480,700**	

* Residential includes office-apartments

Notes:
(a) Part of Harbour City, total site area is 428,719 sq.ft.
(b) Part of The Marco Polo Hongkong Hotel building.
(c) Components of Wuhan Times Square which has a total site area of 188,090 sq.ft.
(d) Components of Dalian Times Square which has a total site area of 171,356 sq.ft.
(e) The floor areas of properties held through jointly controlled entities and associates are shown on an attributable basis.

Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/Expected Completion	Stage of Completion	Effective Equity Interest to the Company
590,481	N/A	2047	2012	Planning stage	100%
4,427,804	N/A	2047/77	2014	Planning stage	70%
229,069	N/A	2047/77	2013	Planning stage	56%
5,425,454	N/A	2077	2013	Planning stage	56%
1,416,822	N/A	2078	2015	Planning stage	100%
1,276,142	N/A	2078	2014	Planning stage	100%
1,976,237	N/A	2077	2013	Planning stage	50%
2,046,685	N/A	2047/77	2014	Substructure in progress	50%
2,121,662	N/A	2048/78	2015	Planning stage	50%
6,080,656	N/A	2047/57	2014	Superstructure in progress	40%
2,212,128	N/A	2048/78	2011 and beyond	Planning stage	30%
1,002,408	N/A	2057	2014	Planning stage	39%
906,921	N/A	2047/77	2013	Substructure in progress	28%

Ten-year Financial Summary

	Year ended 31/12/2008 *HK$ Million*	Year ended 31/12/2007 *HK$ Million*	Year ended 31/12/2006 *HK$ Million*	Year ended 31/12/2005 *HK$ Million*	Year ended 31/12/2004 *HK$ Million*
Consolidated Profit and Loss account					
Turnover	**15,940**	16,208	13,364	12,543	11,953
Profit before investment property surplus	**4,194**	5,947	4,285	4,499	3,740
Investment properties surplus (Note a)	**2,053**	7,196	6,472	9,389	8,937
Profit attributable to shareholders	**6,247**	13,143	10,757	13,888	12,677
Dividends attributable to shareholders	**2,203**	2,093	1,958	1,958	1,683
Consolidated Balance Sheet					
Fixed assets	**119,593**	114,613	102,198	90,658	78,916
Interest in associates	**4,009**	4,182	781	1,638	1,583
Interest in jointly controlled entities	**7,989**	4,555	788	896	348
Available-for-sale investments	**706**	2,858	2,921	1,677	1,654
Properties for sale	**17,272**	9,235	5,784	4,370	2,915
Bank deposits and cash	**15,886**	7,717	3,769	2,508	2,209
Other assets	**3,099**	3,011	3,036	2,745	2,513
Total assets	**168,554**	146,171	119,277	104,492	90,138
Bank loan/other borrowings	**(38,009)**	(31,282)	(20,670)	(18,558)	(16,442)
Other liabilities	**(24,688)**	(22,887)	(18,689)	(17,408)	(15,072)
Net assets	**105,857**	92,002	79,918	68,526	58,624
Share capital	**2,754**	2,448	2,448	2,448	2,447
Reserves	**96,740**	83,916	72,714	62,926	52,502
Shareholders' equity	**99,494**	86,364	75,162	65,374	54,949
Minority interests	**6,363**	5,638	4,756	3,152	3,675
Total equity	**105,857**	92,002	79,918	68,526	58,624
Financial Data					
Per share data					
Earnings per share (HK$) (Note b)	**2.28**	5.17	4.39	5.67	5.18
Net assets per share (HK$)	**36.13**	35.28	30.70	26.71	22.46
Dividends per share (Cents)	**80.00**	80.00	80.00	80.00	68.80
Financial ratios					
Net debt to shareholders' equity (%)	**22.2%**	27.3%	22.5%	24.6%	25.9%
Net debt to total equity (%)	**20.9%**	25.6%	21.1%	23.4%	24.3%
Return on shareholders' equity (%) (Note c)	**6.7%**	16.3%	15.3%	23.1%	23.8%
Dividend cover (Times)	**2.9**	6.5	5.5	7.1	7.5

	Year ended 31/12/2003 *HK$ Million*	Year ended 31/12/2002 *HK$ Million*	Year ended 31/12/2001 *HK$ Million*	Year ended 31/12/2000 *HK$ Million*	Year ended 31/12/1999 *HK$ Million*
Consolidated Profit and Loss Account					
Turnover	11,253	11,333	11,725	12,023	10,521
Profit before investment property surplus	3,043	2,259	2,519	2,494	3,511
Investment properties surplus (Note a)	N/A	N/A	N/A	N/A	N/A
Profit attributable to shareholders	3,043	2,259	2,519	2,494	3,511
Dividends attributable to shareholders	1,487	1,370	1,908	1,908	1,881
Consolidated Balance Sheet					
Fixed assets	71,120	69,044	74,445	77,237	73,362
Interest in associates	2,075	3,367	3,389	4,972	5,197
Interest in jointly controlled entities	–	–	–	–	–
Available-for-sale investments	1,392	1,178	1,088	1,901	5,258
Properties for sale	2,589	2,776	2,747	3,139	3,005
Bank deposits and cash	1,512	1,518	3,140	3,194	8,175
Other assets	2,474	3,239	3,655	2,060	2,437
Total assets	81,162	81,122	88,464	92,503	97,434
Bank loans/other borrowings	(18,674)	(22,653)	(23,893)	(22,698)	(29,750)
Other liabilities	(6,839)	(7,054)	(6,196)	(7,829)	(7,904)
Net assets	55,649	51,415	58,375	61,976	59,780
Share capital	2,447	2,447	2,447	2,446	2,446
Reserves	49,181	45,287	52,198	55,504	51,966
Shareholders' equity	51,628	47,734	54,645	57,950	54,412
Minority interests	4,021	3,681	3,730	4,026	5,368
Total equity	55,649	51,415	58,375	61,976	59,780
Financial Data					
Per share data					
Earnings per share (HK$) (Note b)	1.24	0.92	1.03	1.02	1.51
Net assets per share (HK$)	21.09	19.50	22.33	23.69	22.24
Dividends per share (Cents)	60.80	56.00	78.00	78.00	78.00
Financial ratios					
Net debt to shareholders' equity (%)	33.2%	44.3%	38.1%	33.7%	39.7%
Net debt to total equity (%)	30.8%	41.1%	35.6%	31.5%	36.1%
Return on shareholders' equity (%) (Note c)	6.1%	4.4%	4.5%	4.4%	6.6%
Dividend cover (Times)	2.0	1.6	1.3	1.3	1.9

Notes:

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

(b) Number of shares as at 31 December 2007 have been restated for rights issue.

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

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

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

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