WHARF

Established 1886

THE WHARF (HOLDINGS) LIMITED

Annual Report 2010

Stock Code: 4

Contents

Corporate Profile

For 125 years, "Building for Tomorrow" has been the mission for Wharf. A distinguished track record culminated in a record financial performance in 2010.

While proud of its past achievements with Hong Kong as base, its strategic initiative of "Building for Tomorrow" in Mainland China pre-occupies the Group's asset expansion programme. That new base includes a land bank of 12 million square metres accumulated at a cost of over RMB60 billion, an emerging hotel business and valuable port assets. 34% of the Group's business assets are already based in the Mainland. The medium term target is 50%, including a land bank target of at least 15 million square metres.

With prime real estate as the Group's primary strategic focus, site acquisition, financing, development planning, design, construction and marketing are its core competencies. Mall management remains its strategic differentiation.

Landmarks Harbour City and Times Square form the backbone of Wharf's prime real estate in Hong Kong. They represent 51% of total business assets and 58% of the operating profit. They command a combined valuation of HK$110 billion, underpinned by compound annual growth rates in rental income of 12% and 9% respectively since 2003. With unique critical mass and shopper stickiness, they account for an exceptional 8.5% share of total retail sales throughout Hong Kong in 2010.

Real estate in the Mainland is the new growth initiative. The Group remains enthusiastic about the fundamentals for the Mainland property market. Continuation of urbanisation at a breakneck pace will stimulate demand not only quantitatively but also qualitatively. The current land bank of 12 million square metres comprises more than two million square metres of outstanding investment properties and nearly 10 million square metres of prime development properties across a dozen cities.

A new tomorrow being built in investment properties in the Mainland will be comparable in scale and significance to Harbour City and Times Square in Hong Kong. The portfolio in Shanghai is already as big as Times Square in Hong Kong. In Changsha, Chengdu, Chongqing, Suzhou and Wuxi, five International Finance Centres are being built based on the Harbour City model.

In development properties, sales and presales totaled nearly RMB9 billion in 2010. The Group opened 2011 with a net order book of over RMB8 billion and has budgeted to sell or pre sell an additional RMB14 billion in 2011. Recognition totaled a little over RMB3 billion (at a gross margin of over 34%) in 2010 and is budgeted to increase by over 50% in 2011.

The Group owns or manages 10 Marco Polo Hotels in Asia Pacific, principally in China. In addition, nine new hotels are in the pipeline to nearly double its scale by 2015. In March 2011, Marco Polo Hotels was awarded the "Best International Hotel Management Group of China" by China Hotel Starlight Awards in recognition of its commitment and quality of hotel services in China.

Also contributing to Wharf's presence in the Mainland are key port assets along the China coast, the most dynamic coast line in the world for cargo movement in the coming decades.

Building for Tomorrow also extends to Wharf's corporate social responsibility and organisational development. We will more than double our efforts going forward. Through our "Business-in-Community" initiative, the Group is committed to making a difference by promoting staff volunteerism, building a better Hong Kong and the sustainability of the community.

To recognise its stellar business performance, Wharf was presented the "Global Chinese Business 1000 — Best Performance Awards" by Yazhou Zhoukan in 2010. Wharf has also been awarded "Caring Company" status by the Hong Kong Council of Social Service in recognition of its good corporate citizenship.

Corporate Information

Board of Directors

Mr Peter K C Woo, GBS, JP, *Chairman*
Mr Stephen T H Ng, *Deputy Chairman & Managing Director*
Ms Doreen Y F Lee, *Executive Director*
Mr T Y Ng, *Executive Director*
Mr Paul Y C Tsui, *Executive Director & Group Chief Financial Officer*

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, Certified Public Accountants

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

Group Business Structure

WHARF
Established 1886

Peter Woo
Chairman

Stephen Ng
Deputy Chairman & Managing Director

INVESTMENT PROPERTIES

Doreen Lee
Senior Managing Director

HARBOUR CITY 海港城
時代廣場
Wharf China Estates

DEVELOPMENT PROPERTIES (CHINA)

Andrew Chow
Vice Chairman

T Y Ng
Senior Managing Director

Wharf China Development

LOGISTICS, COMMUNICATIONS, MEDIA & ENTERTAINMENT

Stephen Ng
Chairman

Modern Terminals
CABLE TV 有線電視
Wharf NewT&T & IT services subsidiary COL
有線寬頻 i-CABLE

Chairman's Statement

Hong Kong's economy rebounded strongly in 2010 with a robust 6.8% growth rate. Vibrant business activities resumed and tourist arrivals rose by 10% to a record high of more than 36 million. Among those arrivals, over 62% were from Mainland China, demonstrating the strength of the economic tie Hong Kong has with the vast hinterland.

Since the "open door" policy started in 1978, Hong Kong has benefitted much from Mainland China. Its role has evolved over the decades, from being a direct investor when Hong Kong's industries migrated to Guangdong to benefit from the low cost base, to becoming a servicing and financing platform for China. Today, as a major international financial hub, Hong Kong is the most attractive offshore platform for Chinese companies for commercial and financial activities, as well as an entrance platform for international companies investing into China.

The entrepreneurial spirit of Hong Kong companies and their ability to adapt to changing environment has contributed much to this success. In addition, the vital ingredients that Hong Kong possesses, including its free port, low and simple taxation regime, visible yet disciplined supervisory and regulatory system, have remained over these years and have nurtured an orderly, yet laissez-faire environment in which businesses to thrive. It is these factors that make Hong Kong a 'showcase' for China.

Economic development in China in 2010 continued with a 10.3% growth. The focus for growth is shifting to the stimulation of domestic consumption, as the country enters its next 30 years of economic development. The high-speed rail network, with its 4x4, NS–EW grid, will connect the country, accelerating urbanisation and dispersing wealth across the population. In addition to Beijing and Shanghai, mega cities and various metropolitan regions will emerge around China to house the booming middle class. This will generate economic maturity and sustainability for the Mainland.

Business Performance

The Group reported a record performance in 2010 on the strength of the property segments in both Hong Kong and the Mainland. Group profit increased by 86% to HK$35.8 billion.

Harbour City and Times Square in Hong Kong posted a 9% increase in recurring profit to HK$5.8 billion. They continued to command an unmatched 8.5% share of Hong Kong's total retail sales in 2010, reflecting the Group's leadership in retail property management. Harbour City's market value rose to HK$80 billion (excluding hotels) and Times Square's to HK$30 billion, underpinned by the CAGR in rental income of 12% and 9% respectively since 2003.

The Group's strategy to increase its Mainland assets to 50% of Group assets is progressing well, with 34% of the business assets on its balance sheet already in China at the end of 2010. The land bank was increased to 12 million square metres in early 2011, moving closer to the interim target of 15 million square metres. The land bank was accumulated at a cost of RMB61 billion, of which RMB15 billion is not yet due for payment.

The recurrent rental base in China was boosted by the completion of Shanghai Wheelock Square in 2010. This 270-metre office tower, the tallest building in Puxi, was valued at HK$6.2 billion compared with its original cost of HK$2.9 billion. The recurrent income base will be multiplied when the pipeline of International Finance Centre (IFC) developments in the cities of Chengdu, Chongqing, Wuxi, Suzhou and Changsha gradually rolls out between 2013 and 2016 to add about two million square metres.

Property sales in China are gathering pace. Nearly 540,000 square metres of properties were sold or presold in 2010 to generate attributable sales proceeds of RMB8.8 billion. Budgeted sales for 2011 is RMB14 billion, with actual sales in the first two months of the year meeting budget. While the current market is somewhat uncertain and may affect achievement of the full year budget, we remain confident about the underlying strength of the market in the medium term.

The drive to create a strong and sustainable localised management team in China continues, as the Group believes local execution knowhow and intelligence network ensure swift and accurate response to market changes. The fully localised China East team has already produced many successful project sales in 2010.

Financial Results

Group turnover for 2010 increased by 10% to HK$19.4 billion on account of strong recurrent rental income and China property sales. Operating profit increased by 10% to HK$9.4 billion.

Profit attributable to Shareholders excluding net investment property revaluation surplus increased marginally to HK$7.9 billion. Including the net unrealised surplus from the revaluation of investment properties, profit attributable to Shareholders rose by 86% to HK$35.8 billion. Earnings per share were HK$12.98.

Underpinned by sustainable higher rentals, valuation of the Group's investment property portfolio increased by 26% to HK$148 billion at the end of 2010. Gearing was 19.2%. Including Properties, Hotels and Logistics, 34% of the Group's business assets were Renminbi-based as at the year end.

Book net asset value as at 31 December 2010 increased to HK$59.22 per share. This reflects primarily only the revaluation of the Group's investment properties and listed investments.

To enhance the capital base for the rising business activities, the Group raised HK$10 billion through a rights issue in March 2011, which was 671% over-subscribed. This provides funding flexibility for the Group's China expansion, including the recently acquired Changsha IFC site, which will be a RMB15 billion project.

The Board is recommending a final dividend of 64 cents per share to bring the total dividend for the year to HK$1.00 per share.

Outlook

Outlook for Hong Kong is positive, with the government predicting a 4%-5% GDP growth in 2011. Trade growth, strong domestic consumptions and tourist arrivals will propel Hong Kong forward.

While there remains external uncertainties, Hong Kong will continue to benefit from the favourable policies implemented by the Central Government. The main theme of the 12th Five-Year Plan is to rapidly change China's economic growth model. Initiatives to drive domestic demand, increase the service industry content of GDP by four percentage points, and speed up urbanisation are positive policy initiatives that will provide advantageous opportunities for Hong Kong companies. Further development of offshore Renminbi products in Hong Kong will solidify its status as the offshore centre for RMB.

China is already the world's second largest economy after decades of blistering growth. Macro policies being rolled out indicate the government's desire to spread the growth across the country for long term sustainable development. The high-speed rail grid will consolidate, link up and optimise the cities and the markets, and develop an integrated and modern China. While there are internal and external challenges, the Group remains enthusiastic about the fundamentals of the Mainland economy.

2011 marks the 125^{th} anniversary for Wharf. While we are proud of our past achievements, we look forward passionately to accelerating our strategic initiative of "Building for Tomorrow" in Mainland China and enhancing our corporate social responsibility effort through the drive of "Business-in-Community" for a better Hong Kong.

On behalf of 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
23 March 2011

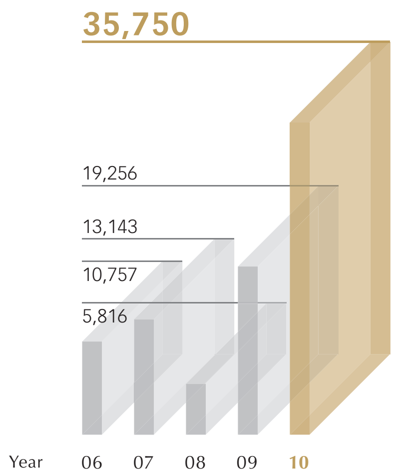
Financial Highlights

The Group's profit attributable to equity shareholders for the financial year ended 31 December 2010 increased by 86% to HK$35,750 million (2009: HK$19,256 million as restated). Basic earnings per share were HK$12.98 (2009: HK$6.99 as restated).

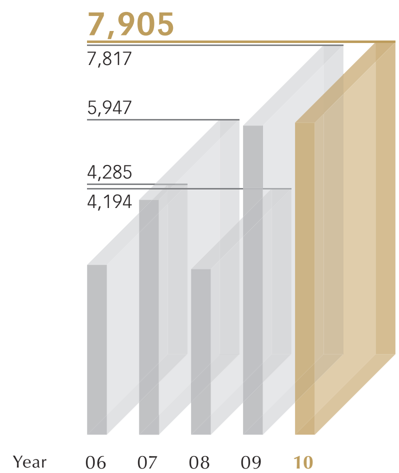
Excluding the investment property revaluation surplus, the Group's net profit for the year attributable to equity shareholders was HK$7,905 million (2009: HK$7,817 million).

	2010 HK$ Million	2009 HK$ Million (restated)
Results		
Turnover	**19,380**	17,553
Operating profit before depreciation, amortisation, interest and tax	**10,700**	9,855
Profit before property revaluation surplus (note a)	**7,905**	7,817
Profit attributable to equity shareholders	**35,750**	19,256
Earnings per share (note b)		
— Reported	**HK$12.98**	HK$6.99
— Underlying (note e)	**HK$2.87**	HK$2.84
Dividend per share (note c)	**HK$1.00**	HK$1.00
Financial position		
Total assets	**242,225**	190,461
Total business assets	**220,237**	168,576
Net debt	**32,689**	21,432
Shareholders' equity	**163,089**	128,546
Total equity	**170,649**	135,588
Net asset value per share (note d)	**HK$59.22**	HK$46.68
Net debt to total equity	**19.2%**	15.8%

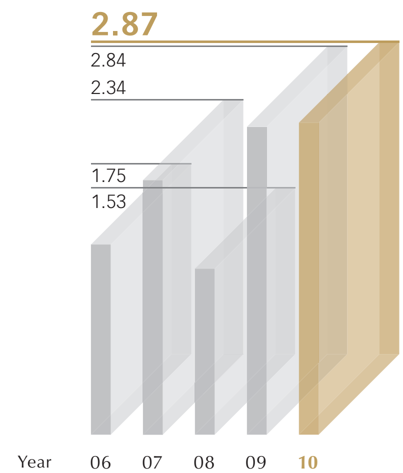
Group Profit to Shareholders (HK$ Million)
(after revaluation surplus)



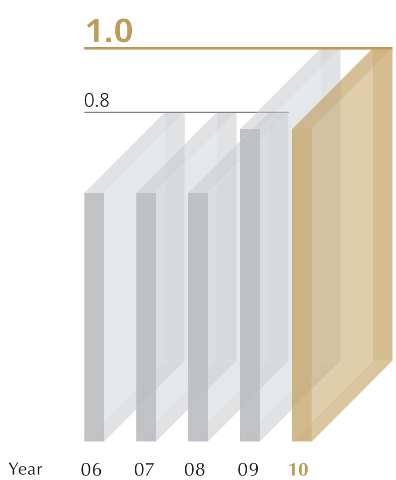
Group Profit to Shareholders (HK$ Million)
(before revaluation surplus)



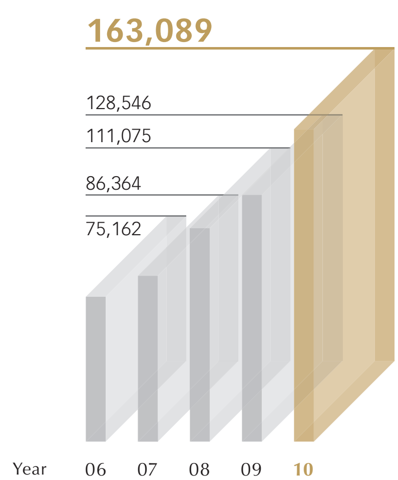
Earnings Per Share (HK$)
(before revaluation surplus)



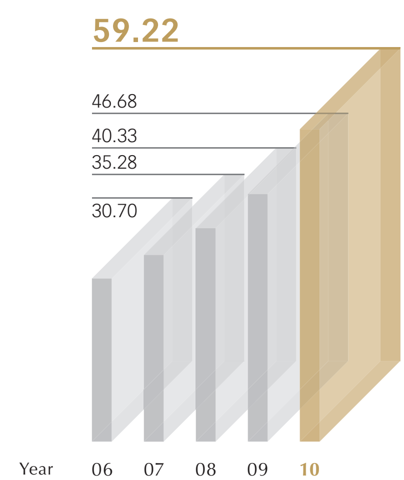
Dividend Per Share (HK$)



Shareholders' Equity (HK$ Million)



Net Asset Value Per Share (HK$)



Notes:

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

(b) Earnings per share for 2010 is calculated based on 2,754 million shares at 31 December 2010 which was before the rights issue completed in March 2011.

(c) Dividend per share for the final dividend 2010 is payable based on 3,029 million shares as enlarged by the rights issue completed in March 2011.

(d) Net asset value per share for 2010 is calculated based on 2,754 million shares.

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

Managing Director's Report

BUSINESS REVIEW

Harbour City

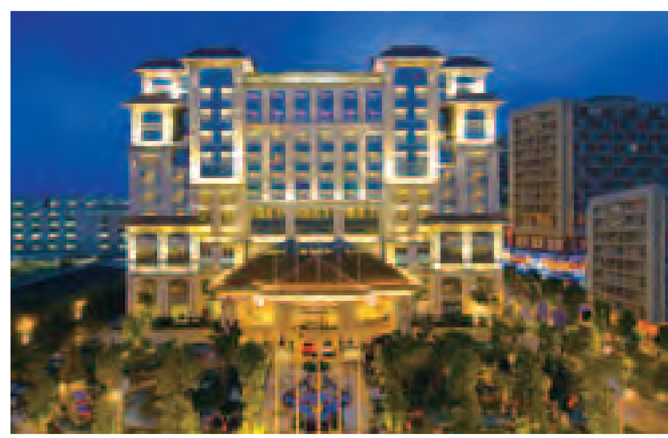
Times Square

Other Hong Kong Properties

China Properties

Modern Terminals

Marco Polo Hotels



Other Businesses


HARBOUR CITY
一個海港，只有一個 海港城

Harbour City

Harbour City

Total Business Assets

81,040

HK$ MILLION

Revenue

5,812

HK$ MILLION

Operating Profit

4,433

HK$ MILLION

Statement of Financial Position (Extract)

As at 31 December 2010

	HK$ Million
Properties	80,312
Hotel and Club (cost less depreciation)	234
Other assets	494
Total business assets	81,040

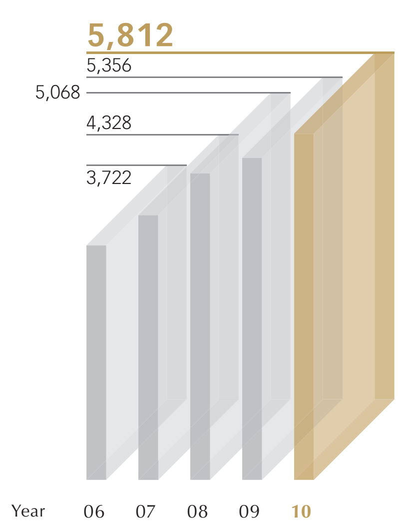
Gross Revenue

	2010 HK$ Million	2009 HK$ Million	Change (%)
Retail	2,928	2,550	+15
Office	1,553	1,662	-7
Serviced Apartments	275	255	+8
Hotel and Club	1,056	889	+19
	5,812	5,356	+9

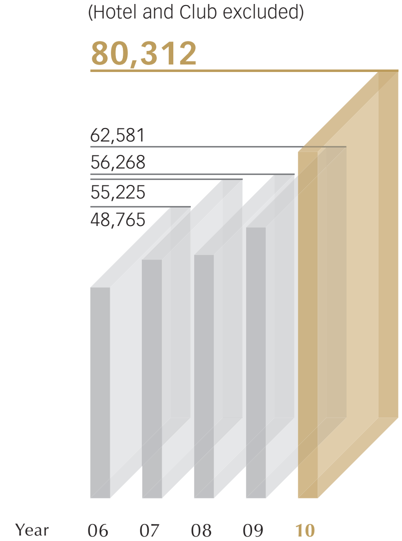
Operating Profit

	2010 HK$ Million	2009 HK$ Million	Change (%)
Retail	2,565	2,199	+17
Office	1,342	1,461	-8
Serviced Apartments	197	180	+9
Hotel and Club	329	231	+42
	4,433	4,071	+9

Revenue (HK$ Million)



Property Value (HK$ Million)
(Hotel and Club excluded)



The signature Canton Road
street party @ Harbour City

Harbour City

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

Retail

Hong Kong retail market continued its recovery in 2010 in the aftermath of the global financial crisis. Local consumption revived and tourism rebounded, with a record of over 36 million arrivals to Hong Kong in 2010. Total retail sales throughout Hong Kong grew by over 18% in value as a result.

Performance at Harbour City continued to outpace the market, with over 30% growth in total retail sales in 2010 to reach HK$20.3 billion, 12 percentage points higher than the market. Average sales per square foot in December surged to a record high of nearly HK$3,000. Harbour City represented an exceptional 6.3% of total Hong Kong retail sales in 2010, up from 5.6% a year ago, demonstrating its continued leadership in the marketplace.

Turnover of Harbour City's retail sector grew by 15% to HK$2,928 million in 2010. Occupancy was maintained at virtually 100%.

Harbour City is the largest retail complex in Hong Kong with its two million square feet of retail space that represents 75% of the retail area of Canton Road. The premier location, diversified trade-mix, captivating "shoppertainment" ambience and powerful marketing campaigns have contributed to its success.

Harbour City offers a comprehensive mix of stores across a finely-calibrated price point matrix of luxury, middle market and high street brands. Retail clusters such as KidX (the best of class selection for kids), Cosmetics (over 200 brands), SportX, Audio-visual Centre and Shoes (more than 100 brands) provide distinct and unique shopping experience for its patrons.

During 2010, new and celebrated labels including Baby Dior, Balenciaga, Christian Louboutin, J. Linderberg, Tory Burch were attracted to open their debut stores in Hong Kong at Harbour City. The world-renowned chef, Michael White, will open its first Hong Kong restaurant at Ocean Terminal in the first half of 2011 to strengthen the food and beverage offering.

On marketing, in addition to the annual iconic Christmas Eve's Canton Road street party, Harbour City has rolled out a series of fun and engaging events to boost foot traffic and retail sales. The popular mega "Chocolate Trail" proved to indulge shoppers with chocolate treats during the period of Valentine's Day and Chinese New Year Lantern Festival.

Harbour City has actively engaged in social media and built up a strong and vibrant community in online social networks through the launch of Harbour City Apps in various electronic gadgets. Other marketing initiatives included the rewarding campaigns with strategic partners such as Citibank and China Union Pay (CUP) for shopping privileges and excitement to locals and tourists. In 2010, total sales transacted using CUP at Harbour City reached HK$8.2 billion, 55% higher than in 2009.

Harbour City will continue to enhance its unrivalled position and fortify its competitive edge in the marketplace.

Louis Vuitton's store at Harbour City, the second largest flagship store in the world

Harbour City

Retail Tenant Mix (by Rental and Area)

	% by Rental	% by Area
Fashion	34.2	29.9
Leather Goods - Shoes Bags & Related Trades	24.6	11.3
Department Stores, Confectionery Products	12.0	17.6
Jewellery, Beauty and Accessories	15.1	7.8
Restaurant, Fast Food, F&B	4.5	14.0
Children's Wear & Related Trades, Toys	3.2	6.7
Sports Wear	2.3	3.5
Electrical & Audio-visual Equipments	2.1	2.4
Others	2.0	6.8
Total	100.0	100.0

Portfolio Information

	Gross Floor Area (sq ft)	Revenue (HK$ Million)	Average Occupancy (%)	Year-end Valuation (HK$ Million)
Retail	1,948,000	2,928	96	34,504
Office	4,435,000	1,553	91	38,368
Serviced Apartments	670,000	275	86	7,440
Hotel and Club (stated at amortised cost)	1,364,000	1,056	85	6,130

Above: Harbour City houses over 200 cosmetic brands

Below: Gucci is one of the most coveted luxury brands at Harbour City

Harbour City

Office

The global economic recovery boosted the Hong Kong office market in 2010. Occupancy and rental rates for Grade A offices trended up on the back of a revival of business activities.

Occupancy at Harbour City climbed to 94% at the end of 2010 and spot rents saw an upward trend throughout the year. Turnover, however, registered a decrease of 7% to HK$1,553 million, reflecting the earlier market softness since the second half of 2008.

Office demand was driven by business expansion, corporate upgrades and decentralisation. Major new lettings included Huawei Tech, Toray Industries and West Kowloon Cultural District Authority, each of which has taken a whole floor at The Gateway, along with in-house expansions from AIA, AXA, City Super, Fancl and GlaxoSmithKline etc. Lease renewal retention held up well at 68%, including renewal from anchor tenants such as AIA, Bank of China, Cathay Pacific, Citibank, Marks and Spencer, Newell Rubbermaid and United Airlines.

Harbour City continues to be a natural choice for multinationals, mainland and local enterprises. The convenient location, well-reputed property management services, together with features including the mega shopping mall, three Marco Polo hotels, fitness centre and private recreational club, have given Harbour City an unrivalled edge compared with other office locations. The property management team will continue to improve the premises and be flexible to market changes in the increasingly competitive marketplace.

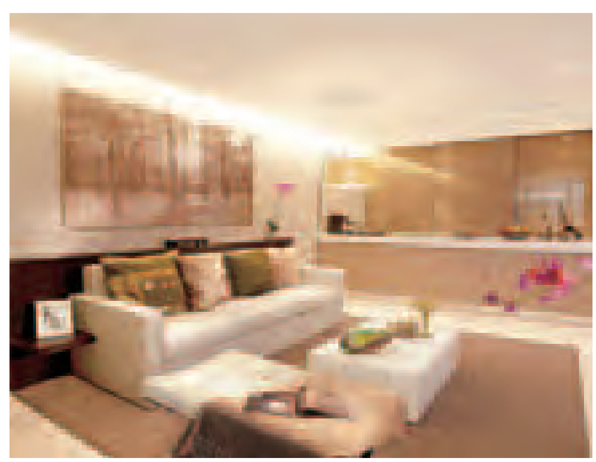
Serviced Apartments

With increased occupancy, turnover for the serviced apartments sector grew by 8% to HK$275 million. Occupancy at Gateway Apartments stood at 92% at the end of 2010.

Top and below left: Office lobby at Harbour City and the Gallery by the Harbour offer free art appreciation to the public

Below middle: Terrace dining with stunning seaview at Harbour City

Below right: The new Deluxe Studio at Gateway Apartments



時代 廣場

Times Square


Lane Crawford

Times Square

Total Business Assets
29,832
HK$ MILLION

Revenue
1,533
HK$ MILLION

Operating Profit
1,345
HK$ MILLION

Statement of Financial Position (Extract)

As at 31 December 2010

	HK$ Million
Properties	29,800
Other assets	32
Total business assets	29,832

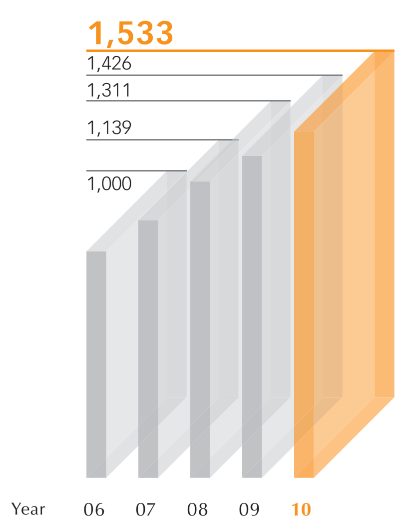
Gross Revenue

	2010 HK$ Million	2009 HK$ Million	Change (%)
Retail	1,076	956	+13
Office	457	470	-3
	1,533	1,426	+8

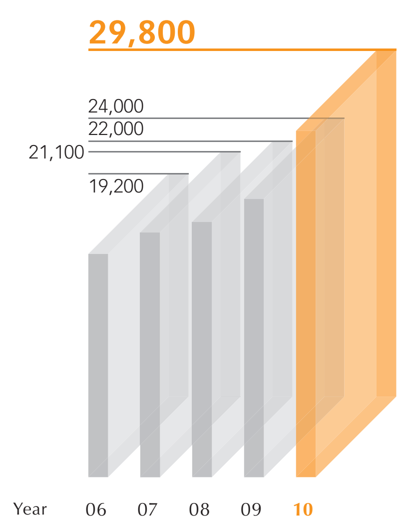
Operating Profit

	2010 HK$ Million	2009 HK$ Million	Change (%)
Retail	948	826	+15
Office	397	416	-5
	1,345	1,242	+8

Revenue (HK$ Million)



Property Value (HK$ Million)



Times Square, the most successful vertical mall in Hong Kong

Times Square

Times Square's turnover increased by 8% to HK$1,533 million in 2010, and operating profit by 8% to HK$1,345 million. The property was valued at HK$30 billion at the end of 2010 and represented 14% of the Group's business assets.

Retail

Times Square is the most successful vertical mall in Hong Kong and probably the only one with over HK$1 billion of annual retail rental turnover. Its success lies in an unique 16-level design, comprehensive and diverse trade-mix and direct link to the mass transit railway in the prime retail district on Hong Kong Island.

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

The sky escalators in the atrium have significantly improved vertical circulation and facilitated more distinctive retail-themed zoning to distribute foot traffic within the mall.

During 2010, existing tenants including Armani Exchange, iBlues and Max & Co. were relocated to the atrium to uplift the shopping atmosphere. New international brands recruited included Anna Sui, Cerrutti 1881, Gieves & Hawkes, IPSA, L'Occitane, Paul Smith and Red Valentino. Estée Lauder also set up its first beauty and training center in Asia in Times Square. The audio-visual cluster was strengthened with the opening of Coxell, Leica and LOEWE. Galerie, and the "Michelin"-awarded Lei Garden Group's Lei Bistro expanded the mall's food and beverage offering.

Strong branding and innovative marketing contribute to the success of Times Square. The New Year's Eve Apple Countdown continued to be a signature event that attracts regional attention. The Disney-Pixar Toy Story exhibition was a magnet attraction to families with children and the young-at-heart kidults. Support for art and cultural activities continued with acclaimed art exhibitions by world-renowned urban contemporary icon Michael Lau, as well as leading Korean artists Ji Yong Ho and Yi Hwan Kwon.

Times Square will continue to strengthen its market position through brand-mix refinement for an all-round shopping experience for shoppers.

Office

Times Square experienced a continuous pick-up in occupancy and rental rates during 2010 alongside the economic recovery. Occupancy increased to 96% at the end of 2010. However, reflecting the earlier softness of the market, turnover dropped by 3% to HK$457 million.

Times Square continues to be the preferred location for multinationals in the service and consumer goods industries. Lease renewal retention stood high at 74%, with renewal from key tenants including Boston Consulting, L'Oreal, MVCI, NCR, Pricoa and Standard Life. There were in-house expansions from Apple Computer, Avaya, Gucci Group, Jumma Watch, L'Oreal and Zara etc.

The New Year's Eve Countdown remains one of the most popular events in Hong Kong that attracts regional attention

Happy New Year
Times Square
2011
香港好
2011

Times Square

Above: New international brands recruitment continued in 2010

Below: Times Square is a big supporter of various art and cultural events

Retail Tenant Mix (by Rental and Area)

	% by Rental	% by Area
Fashion	35.3	21.4
Jewellery, Beauty and Accessories	23.3	10.6
Department Stores, Confectionery Products	13.0	20.8
Electrical & Audio-visual Equipment & Entertainment	10.1	13.0
Restaurant, Fast Food, F&B	9.6	25.8
Sports Wear	6.9	4.5
Others	1.8	3.9
Total	100.0	100.0

Portfolio Information

	Gross Floor Area (sq ft)	Revenue (HK$ Million)	Average Occupancy (%)	Year-end Valuation (HK$ Million)
Retail	936,000	1,076	100	19,549
Office	1,033,000	457	94	10,251


RED
VAL


X'MAS!
X'MAS!
CRAZY!
CRAZY!
CRAZY!
X'MAS!
X'MAS!

Other Hong Kong Properties

Other Hong Kong Properties

Leasing activities for the Peak Portfolio remained active with high occupancy and strong rental growth. Mountain Court and Chelsea Court were fully occupied at the end of 2010 while 1 Plantation Road was 93% let.

Plaza Hollywood registered a 4% growth in revenue to HK$353 million in 2010 on account of favourable rental growth. Average occupancy was maintained at over 99%.

In July 2010, a 50:50 joint venture with Nan Fung Group acquired the exclusive Mount Nicholson site at a consideration of HK$10.4 billion. Mount Nicholson itself is a "location brand name" synonymous with the ultimate social status and recognition, with its private half-mile road access providing the ultimate privacy. The total GFA of 325,000 square feet offers the scale for unique architectural designs and features, and each ultra-deluxe villa of the development will boast either a private swimming pool or lift access. Design is in progress and construction will commence in 2011.

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

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

Yau Tong Godown was given approval for a residential and commercial development with a GFA of 256,000 square feet. Negotiation on lease modification premium is underway.

The master layout plan for the Yau Tong joint venture project, in which the Group owns a 15% interest, has been submitted to the Town Planning Board.

Leasing activities for the Peak Portfolio remained active with high occupancy and strong rental growth

Statement of Financial Position (Extract)

As at 31 December 2010

	HK$ Million
Properties	**20,142**
Interest in associates/jointly controlled entities	**2,685**
Property inventory and development	**916**
Other assets	**15**
Total business assets	**23,758**

Other Hong Kong Properties Highlights

	Project Nature				Attributable GFA (sq ft)	% owned
	Retail	Office	Residential	Industrial		
Peak Portfolio						
1 Plantation Road			•		97,000	100
Mountain Court			•		49,900	100
Chelsea Court			•		43,000	100
77 Peak Road			•		42,200	100
Strawberry Hill - various units			•		13,000	100
Plaza Hollywood	•				562,000	100
Wharf T&T Square	•	•			395,000	100
Delta House		•			349,000	100
Cable TV Tower - various units				•	566,000	100
Kowloon Godown			•		829,000	100
Star House - various units	•				50,800	71
Cable TV Tower South*				•	585,000	100
Yau Tong Godown*	•		•		256,000	100
103 Mount Nicholson Road*			•		162,000	50
Yau Tong JV Project*	•		•		651,400	15

* *under development*

China Properties

China Properties

Total Business Assets

62,266

HK$ MILLION

Statement of Financial Position (Extract)

As at 31 December 2010

	HK$ Million
Investment properties	18,147
Property inventory and development	28,816
Interest in associates/jointly controlled entities	12,903
Other properties and fixed assets	606
Other assets	1,794
Total business assets	62,266

The strategy to increase Mainland assets to 50% of the Group's business assets is progressing smoothly and reached 34% as at the end of 2010.

The Group acquired 11 sites in 2010 for development of 10 projects with a total attributable GFA of 1.48 million square metres for RMB14.6 billion. Total land bank increased to 10.6 million square metres by year end.

In early 2011, the Group further acquired five sites in the cities of Changsha, Hangzhou and Suzhou for development of four projects with an attributable GFA of 1.43 million square metres for RMB10 billion. Total land bank increased to 12 million square metres. This puts the Group on course towards the next milestone of 15 million square metres.

Spanning across 12 cities, this land bank was accumulated at a combined cost of RMB61 billion, of which about RMB15 billion is not yet due for payment.

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

The Group's property sales in China continued to gather pace. A total of 540,000 square metres of properties were sold in 2010 which generated attributable sales proceeds of RMB8.8 billion, 91% higher than the RMB4.6 billion generated in 2009. All sales were met with solid response, reflecting the pent up demand locally for quality developments in sought-after locations.

Other regions

1.2 million sq. m.

City	%
Changsha	6
Others*	4
Total	10

* Others include Dalian, Tianjin and Wuhan

Western China

4.4 million sq. m.

City	%
Chengdu	23
Chongqing	14
Total	37

Eastern China

6.4 million sq. m.

City	%
Suzhou	16
Wuxi	15
Changzhou	9
Hangzhou	7
Shanghai	5
Ningbo	1
Total	53

Total land bank

12 million square metres

GFA (by Project Nature)

Residential	73%
Office	16%
Retail	8%
Hotel	3%
Total	100%

China Properties

The Group acquired 16 sites for development of 14 projects between 2010 to early 2011

In 2010, turnover and operating profit of the China property investment segment decreased as a result of the sale of Beijing Capital Times Square in 2009, and the renovation of Chongqing Times Square started in mid 2010. The investment properties were valued at HK$18.1 billion at the end of 2010, with Shanghai Wheelock Square valued at HK$6.2 billion compared with its original cost of HK$2.9 billion.

The Group has an outstanding investment property pipeline under development. The International Finance Centre (IFC) projects in the cities of Chengdu, Chongqing, Wuxi, Suzhou and Changsha, with a combined attributable GFA of 2.0 million square metres, will multiply the recurrent rental income base when they are completed between 2013 and 2016.

To manage the expanding property businesses, the Group continues to build a localised and sustainable organisation in the Mainland. Staff localisation is vital in providing local execution knowhow and intelligence network for swift and accurate response to market changes.

The Eastern China team has been fully localised and many of the successful projects launched in 2010 were handled by this team. Localisation of the Western China team continues. The Group's strategy is to run its China property business locally in the Mainland in the medium term.

China Properties

Property Development - Eastern China

Sales

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

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

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

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

Wuxi Glory of Time was also launched in August, with 70% of the units offered in 2010 sold for total proceeds of RMB248 million. Additional phases were launched for Wuxi Times City during 2010, which generated total sales proceeds of over RMB920 million.

Acquisitions

In 2010, the Group acquired another two sites in Changzhou, near Feng Huang Lake (鳳凰湖) in Xinbei District (新北區). The sites, with good transportation network and a breathtaking river view, are developable into 305,000 square metres of GFA for residential and commercial use. Planning is underway.

In Hangzhou, the Group acquired a site in Xiacheng District (下城區), less than two kilometers from the city centre of Wulin Square (武林廣場), with a breathtaking view over Shangtang River (上塘河) and close proximity to a future metro station. It is a

Left: Shanghai Xiyuan
Right: Show flat of Suzhou Ambassador Villa

residential development with a GFA of 82,000 square metres. Design planning is ongoing and construction will commence in 2011.

In Ningbo, the Group acquired a site in Jiangbei District (江北區) with a nice river view over Yao River (姚江). The project is being developed through a 50:50 joint venture with Youngor Group of Ningbo. The site is well connected from the city centre and offers an attributable GFA of about 39,000 square metres of high-end residences. Design planning is ongoing.

In Shanghai, the Group acquired two prime residential sites during 2010. The first site, situated in Songjiang District (松江區) near the Songjiang College Park (松江大學城區) and a Shanghai metro station, has a GFA of 82,000 square metres. The other site is located in the prime residential area of Pudong District (浦東新區) near Huangpu River (黃浦江), in close proximity with the Lujiazui (陸家嘴) financial centre. The project has a GFA of 136,000 square metres and is well-connected to local transport and a metro station. Both projects are under design planning.

The Group acquired a new site in Wuxi during 2010 through a 40%-owned joint venture with Shanghai Forte and Shanghai Greenland. The project, located in the matured Nanchang District (南長區) with a magnificent river view and established vicinity, is developable into an attributable GFA of 98,000 square metres of high-end residences. Design planning is ongoing.

China Properties

Property Development - Eastern China

Both: Changzhou Times Palace

In early 2011, the Group acquired two sites in Hangzhou. The first is in Fu Yang District (富陽市) at the intersection of Fuchun Road (富春道) and Yingbin North Road (迎賓北路). This residential site has attractive river and mountain views, and is developable into 129,000 square metres of GFA. The other site is in Yuhang District (余杭區) in the new Qianjiang Development Area. This residential site is near the touristy Chaoshan Scenic District (超山風景區) with magnificent views, and is developable into a GFA of 220,000 square metres. Design planning will commence.

The Group also acquired two sites in Suzhou next to Yin Shan Hu (尹山湖) in Wu Zhong District (吳中區), which is a focal development area by the Suzhou government over the next three years. This will be a high-end residential development of 385,000 square metres of GFA, with a future metro station nearby. Planning is underway.

Properties under Development

Phase One of the Changzhou project is scheduled for completion in 2011. The State Guest House is targeted to open in the third quarter of 2011, with the 271-room five-star hotel in the first half of 2012, both under the management of Marco Polo Hotels.

Construction of Shanghai Xiyuan, which offers 510 fitted-out residential units in 11 medium-rise towers and a club house, is progressing well with full completion targeted in 2012. Phase One construction of Suzhou Ambassador Villa situated next to the scenic Jinji Lake commenced in 2010.

Wuxi Times City is developable into 831,000 square metres of GFA. Construction of Phase One (97,000 square metres) was completed in 2010 and superstructure work for Phase Two (120,000 square metres) has commenced.

China Properties

Property Development - Western China

Sales

Additional phases were launched for Chengdu Crystal Park during 2010. In total, 87% of the units offered were sold by year end for total proceeds of over RMB1 billion.

Chengdu Tian Fu Times Square launched a residential tower named Times Riverside, and certain floors of its office tower named Times 8 during the year for sales, which generated total proceeds of close to RMB1 billion.

Acquisitions

In January 2010, the Group acquired a site in Chenghua District (成華區) in Chengdu, in close proximity with the local community facilities and a future metro station. The project offers a GFA of 318,000 square metres of upscale residence, set in a magnificent symmetry French garden with attractive architectural design, with most units enjoying a spectacular garden view. Construction commenced in October.

Properties under Development

The first nine residential towers of Chengdu Tian Fu Times Square have been completed, with the remaining three residential towers scheduled for completion in 2011 and the two 40-storey prime office towers in 2012 and 2013. The first eight residential towers of Crystal Park in Gaoxin District (高新區) were completed in 2010, and the remaining residential towers and one office tower will be fully completed by 2013. Other developments in Chengdu are on schedule.

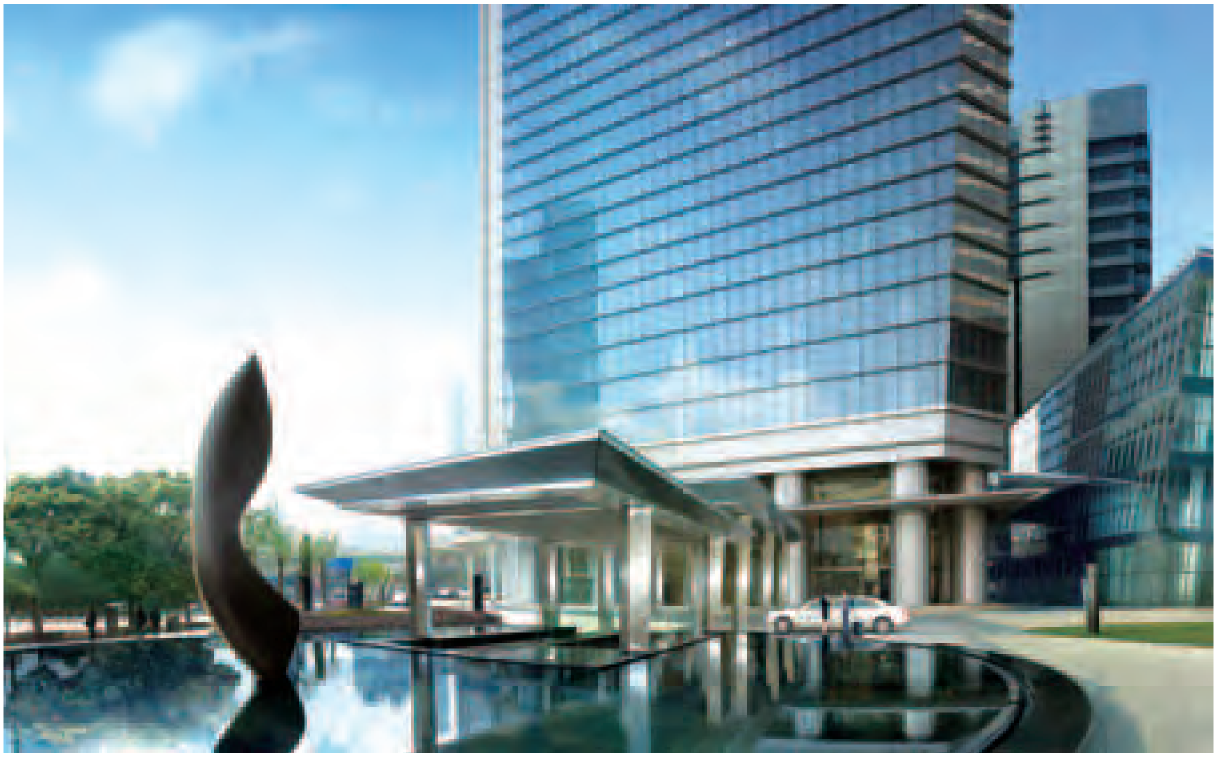
In Chongqing, the first phase of CBD International Community project in Danzishi (彈子石) has been completed. Construction of other phases is ongoing, with the whole project scheduled for completion by 2014. Construction of the Zone B residential site in Jiangbei City in Chongqing and excavation work of the Zone C residential site are in progress. These projects are developed through joint ventures with COLI, with the Group's shareholding ranging between 40% and 55%.

Elsewhere in China, the Group acquired a site in Tianjin in 2010, being developed with COLI on a 50:50 basis, with an attributable GFA of 241,000 square metres of residential and commercial space. Construction commenced in late 2010. The Group also acquired a site on the southern side of Han River (漢江) near Moon Lake (月湖) in Wuhan for a high-end residential development of 127,000 square metres of GFA. Planning is underway.

Chengdu Tian Fu Times Square (above) and Crystal Park (below) rolled out additional phases for sale during 2010 and recorded about RMB 2 billion sales proceeds

China Properties

Property Investment



Shanghai Wheelock Square, the newest office development of the Group, was completed in mid-2010. At 270 metre, it is the tallest building in Puxi overlooking Jing'an Park with a GFA of 114,000 square metres.

Leasing activities have progressed smoothly with over 60% of the space already committed. Rental rates have increased strongly with the latest commitments at over RMB340 per square metre per month. Higher rental rates will be achieved when the remaining space on the high floors of the building is released. As one of the premier-grade offices in town, Shanghai Wheelock Square has attracted a spate of multinationals and major corporations including Bank of China, DP architects, Keppel Land, Toyota Tsusho and Valqua.

Chongqing Times Square is undergoing substantial premises improvement and will re-open in May 2011. This will transform the previous department store into a modern shopping mall to stay ahead of the competition. Louis Vuitton will be among the first to open its debut and flagship store, along with other international brands including Burberry, Cartier, Dunhill, Emporio Armani, Ermenegildo Zegna, Ferragamo, Giorgio Armani, Tiffany and Tod's.

Retail performance at Dalian Times Square has been remarkable, with a 41% growth in retail sales per square metre in 2010. Full occupancy was maintained at year end. Celebrated labels Brioni and Brunello were added during 2010 as part of the trade mix refinement to maintain the leadership for high-end luxuries in the North-east Provinces. Shanghai Times Square continued to perform satisfactorily.

Above left and right: Shanghai Wheelock Square offers top modern office specifications and facilities rarely matched in the current market

Below: Dalian Times Square maintains its leadership for high-end luxuries in the northeast provinces

From left: Chengdu IFC, Chongqing IFC and Wuxi IFC are expected to complete during 2013 and 2015

China Properties

Property Investment

International Finance Centres

Among the outstanding investment properties in the pipeline, Chengdu IFC, located in the busiest pedestrian shopping area of the city, is the Group's next flagship investment property. The development, with a GFA of 439,000 square metres, comprises retail, Grade A offices, a 5-star hotel and luxury residences. Construction of Phase One, which includes a retail complex and an office tower, is underway with scheduled completion in mid 2013.

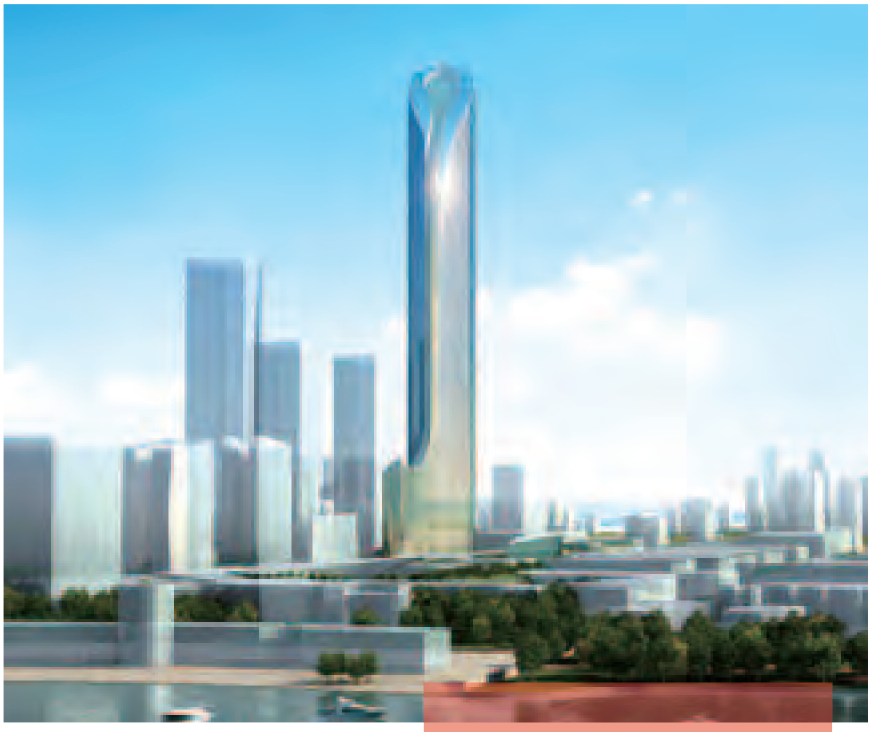
Chongqing IFC, a 50:50 joint venture development with COLI, is located in Jiangbei City (江北城), the new CBD of Chongqing, with an attributable GFA of 223,000 square metres. The development will become a landmark of Chongqing with its iconic 300-metre tower and four other towers atop a retail podium, comprising up-market retail, Grade A offices, a 5-star hotel and serviced apartments. Construction is underway with full completion scheduled in 2015.

Wuxi IFC, with a GFA of 280,000 square metres, will comprise a 340-metre tower, the tallest in Wuxi, and two other towers, offering Grade A offices, a five-star hotel and luxurious residences. It is located in Taihu Plaza in Nanchang (南長區), Wuxi's new CBD. Piling works have been completed and main construction is underway for full completion in 2015.

Suzhou IFC, a 80:20 joint venture development by the Group and Genway Housing Development, is a 450-metre skyscraper landmark development with an attributable GFA of 351,000 square metres. It comprises Grade A offices, a 5-star hotel and luxury apartments, and will be the tallest building in Suzhou with a panoramic view over Jinji Lake (金雞湖) and the city skyline. Foundation is in progress and the development is scheduled for completion in 2016.

China Properties

Property Investment



From left: Suzhou IFC and Changsha IFC (right) are scheduled for completion in 2016

In January 2011, the Group acquired a prime site in Changsha for the development of Changsha IFC. Changsha is the provincial capital and economic hub of Hunan, a province of 70 million people, as well as the transportation hub of central and southern China with links to three high-speed rail lines. Its GDP grew by 15.5% in 2010, ahead of the national average.

Changsha IFC is located at the junction of Jiefang Road West (解放路西) and Huangxing Road (黃興路) in the heart of the city centre. The project, with a site area of 74,300 square metres, will have two towers in excess of 300 metres in height and another tower atop a 250,000 square metres retail podium, offering upscale retail, Grade A offices, a five-star hotel and luxury apartments, with a combined GFA of 700,000 square metres. The retail complex, equivalent to three times the retail area of Times Square in Hong Kong, will be among the largest malls in Changsha to capture its growing consumption demand. The development is scheduled for completion in 2016.

China Properties

China Property List

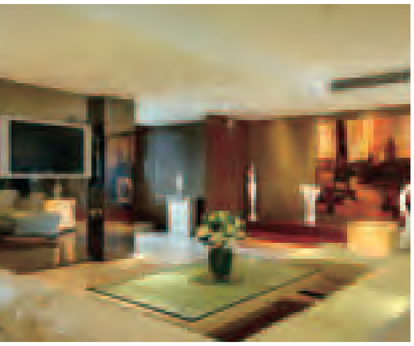
	Project Nature				Attributable GFA (sq m)		Status			Effective % Owned
	retail	office	residential	hotel			Completed	under construction	under planning	
Eastern China - Changzhou										
Changzhou Times Palace (previously named Changzhou Dinosaur Park Project)			•	•	798,000*			•		71
Changzhou Feng Huang Hu Project			•		305,000				•	100
Eastern China - Hangzhou										
Hangzhou Hangyimian Lot C/D			•		225,000				•	100
Hangzhou Yuhang District			•		220,000				•	100
Golf Landmark (Previously named Hangzhou Zhuantang Town Project)	•		•		186,000*	(50%)**		•		50
Hangzhou Fu Yang District			•		129,000				•	100
Hangzhou Wenhui Road Project			•		82,000				•	100
Eastern China - Ningbo										
Ningbo Xin Cheng			•		49,000	(50%)**			•	50
Ningbo Baoqingsi Project			•		39,000	(50%)**			•	50
Eastern China - Shanghai										
Shanghai Pudong Huangpujiang Project			•		136,000				•	100
Wheelock Square	•	•			114,000		•			98
Shanghai Xi Yuan (previously named Shanghai Xinjiangwancheng)			•		100,000*			•		71
Shanghai Times Square	•	•	•		90,000		•			100
Shanghai Songjiang Xianhe Road Project			•		82,000				•	100
Jingan Garden			•		71,000				•	55
No.1 Xin Hua Road			•		11,000		•			85
Eastern China - Suzhou										
Suzhou Industrial Park										
Suzhou IFC (previously named Suzhou Super Tower)		•	•	•	351,000			•		57
Xiandai Da Dao			•		907,000			•		57
Suzhou Yin Shan Hu			•		385,000				•	100
Suzhou Ambassador Villa (formerly known as Lot No. 68210 Suzhou Industrial Park)			•		197,000*			•		100
Suzhou Wei Ting Project, Suzhou Industrial Park			•		84,000	(50%)**			•	50
Eastern China - Wuxi										
Wuxi Taihu Plaza Project										
Wuxi IFC (formerly known as Wuxi Super Tower)		•	•	•	280,000			•		100
Wuxi Times City (formerly known as Taihu Plaza, Nanchang District, Wuxi)			•		730,000*			•		100
Wuxi Glory of Time (formerly known as Wuxi Old Canal Lot 72)		•	•		248,000*			•		100
Wuxi Old Canal Lot 71			•		237,000			•		100
Wuxi Old Canal Lot 73			•		183,000	(50%)**			•	50
Wuxi Wu Ai Bei Project			•		98,000	(40%)**			•	40

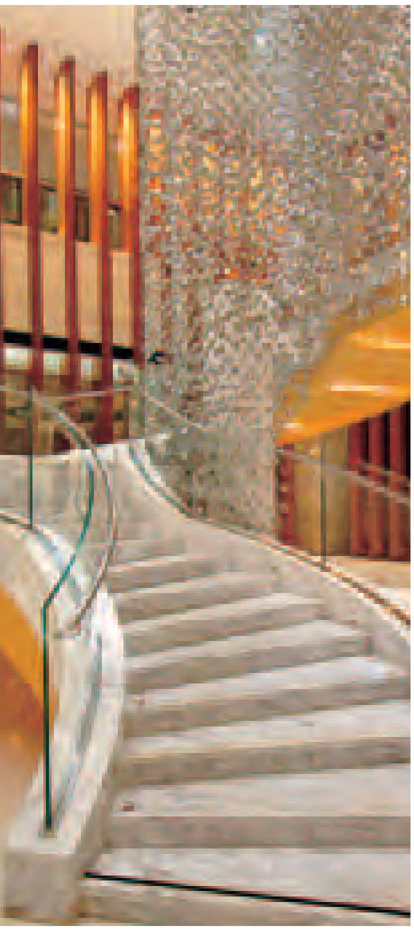
	Project Nature				Attributable GFA (sq m)		Status			Effective % Owned
	retail	office	residential	hotel			Completed	under construction	under planning	
Western China - Chengdu										
Shuangliu Development Zone										
Times Outlets	•				63,000		•			100
Shuangliu Development Zone	•	•	•		848,000				•	100
Chengdu IFC	•	•	•	•	439,000			•		100
Chengdu Shahe Project	•	•	•	•	376,000	(30%)**			•	30
Le Palais (previously named Chengdu Chuan Mian Chang Project)	•		•		318,000			•		100
Crystal Park	•	•	•		308,000*			•		100
Tian Fu Times Square	•	•	•		278,000*			•		100
The Orion (previously named Chengdu Jinjiang District Yixinqiao St Project)			•		59,000			•		100
Western China - Chongqing										
International Community (previously named The CBD International Community Project)	•		•		724,000*	(40%)**		•		40
Jiangbei City Project, Zone C			•		442,000	(50%)**		•		50
Jiangbei City Project, Zone B			•		234,000	(55%)**		•		39
Chongqing IFC (previously named Jiangbei City Project, Zone A)	•	•	•	•	223,000	(50%)**		•		50
Chongqing Times Square	•	•			55,000		•			100
Other Regions										
Changsha IFC	•	•	•	•	700,000				•	100
Dalian Times Square	•		•		34,000		•			100
Peaceland Cove, Tianjin			•		241,000*	(50%)**		•		50
Tianjin Jin Jiang Lu Project	•		•		60,000	(50%)**			•	50
Wuhan Moon Lake Site B			•		127,000				•	100
Wuhan Times Square Tower 2	•			•	38,000		•			100
Wuhan Times Square Tower 1, 3, 4, 8 & 9			•		8,000		•			100

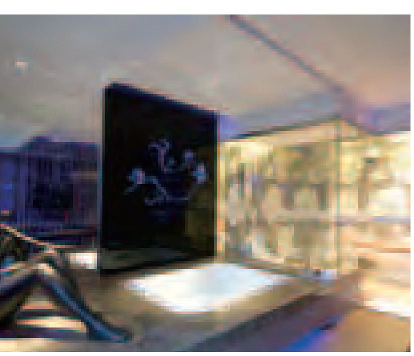
For details of completion date of above properties, please refer to Schedule of Principal Properties on pages 184 to 193

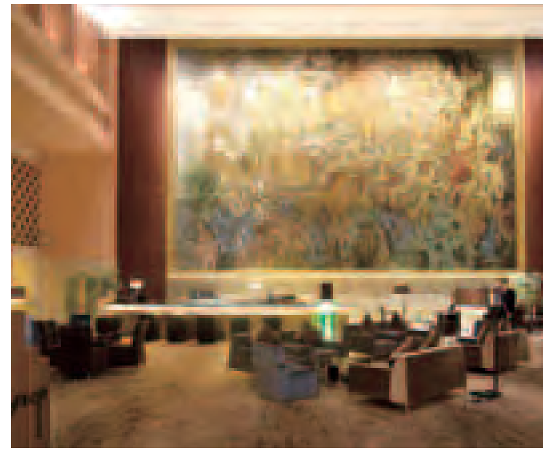
* Partly pre-sold

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









Marco Polo Hotels has been awarded the "Best International Hotel Management Group of China" by China Hotel Starlight Awards in March 2011

Marco Polo Hotels

The Group owns or manages 10 Marco Polo hotels in the Asia Pacific region. A pipeline of nine new hotels will nearly double Marco Polo's scale by 2015. Additions in 2011 will include a State Guest House in Changzhou, Jiangsu and a hotel owned by Shui On Land named Foshan Lingnan Tiandi in Guangdong.

Cities where other new Marco Polo hotels will be opened from 2012 onwards include Changsha, Chengdu, Chongqing, Manila, Queensland, Suzhou and Wuxi.

Vibrant business travel and strong inbound tourism have supported the hospitality industry in the region. Total revenue for the hotels and club grew by 20% to HK$1,156 million in 2010.

All Marco Polo hotels performed strongly in their respective locations during 2010. Consolidated occupancy of the three Marco Polo hotels in Hong Kong soared to 85%, with a 26% increase in average room rates. Marco Polo Wuhan, the Group's flagship hotel on the Wuhan Bund overlooking the Yangtze River, has achieved a dominant market position in the local market.

In March 2011 Marco Polo Hotels was awarded "Best International Hotel Management Group of China" by China Hotel Starlight Awards, in recognition of its commitment and quality of hotel services in China.

MARCO POLO
HOTELS
馬哥孛羅酒店集團

Marco Polo Hotels' Network (existing)

Country	City	Hotels
China	Hong Kong	Marco Polo Hong Kong Hotel
		Gateway, Hong Kong
		Prince, Hong Kong
	Beijing	Marco Polo Parkside, Beijing
	Jinjiang	Marco Polo JinJiang
	Shenzhen	Marco Polo Shenzhen
	Wuhan	Marco Polo Wuhan
	Xiamen	Marco Polo Xiamen
Philippines	Cebu	Marco Polo Plaza Cebu
	Davao	Marco Polo Davao

Modern Terminals

Modern Terminals

Modern Terminals

Total Business Assets

18,503

HK$ MILLION

Statement of Financial Position (Extract)

As at 31 December 2010

	HK$ Million
Fixed assets	13,770
Interest in associates/jointly controlled entities	4,050
Goodwill	297
Other assets	386
Total business assets	18,503

Global trade flows rebounded firmly in 2010 following the global financial crisis in 2009. Trade growth in Asia was particularly robust, together with a gradual revival in trade demand from the developed economies.

Cargo movements in South China displayed a notable upturn throughout 2010, with container throughput in South China and Shenzhen growing by 18% and 22% respectively. Kwai Tsing's throughput likewise posted a 13% growth. Market share of the Shenzhen ports and the Kwai Tsing container terminals were 57% and 43% respectively.

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

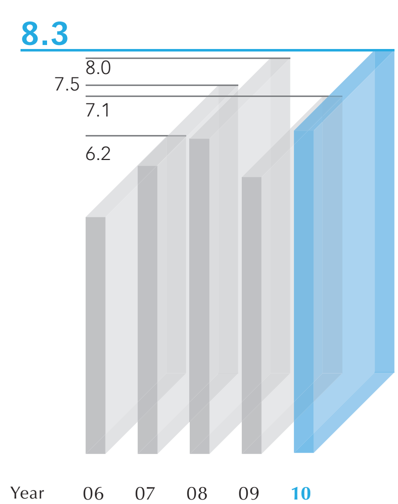
Modern Terminals' throughput in Hong Kong grew by 6% to 5.4 million TEUs. The growth rate was affected by the dredging work carried out during 2010 in one of Modern Terminals' berths.

In China, container volume at Taicang International Gateway in Suzhou, comprising six container berths, posted a robust growth of 44% to over 1.3 million TEUs. Da Chan Bay Terminal One in Shenzhen put up a strong performance with a throughput growth of 189% to reach 671,000 TEUs. Shekou Container Terminals in Shenzhen, in which Modern Terminals holds a 20% stake, handled 4.0 million TEUs for a 19% growth in throughput, while Chiwan Container Terminal, in which Modern Terminals holds an 8% attributable stake, handled 3.8 million TEUs, 27% higher than 2009.

Modern Terminals has an established foothold in the Pearl River Delta and Yangtze River Delta, the two largest manufacturing regions in China. The Group will continue to seek business expansion opportunities, in line with China's "Master Plan" for port development.

Throughput (attributable total)

(Million TEUs)



Modern Terminals has a strong foothold in Pearl River Delta and Yangtze River Delta

Other Businesses

i-CABLE's TV business reported strong subscription and airtime sales growth notwithstanding the competitive wide environment

Left: i-CABLE actively participates in various community activities

Right: Wharf T&T reported a record-high net gain in business broadband installed base

Wharf NewT&T COL & IT services subsidiary

The Group's other businesses include i-CABLE, Wharf T&T, The "Star" Ferry Company, Limited ("The Star Ferry") and Hong Kong Air Cargo Terminals Limited ("Hactl").

i-CABLE

i-CABLE's TV business reported strong subscription and airtime sales growth notwithstanding the challenging environment. Operating margin, however, came under pressure partly due to significant non-recurrent costs.

Turnover increased by 14% to HK$2,002 million. Net loss, however, rose to HK$267 million as a result of substantial content expenses incurred during 2010. Nevertheless, the financial position remains sound, with net cash of HK$447 million at year end.

The exclusive content offerings, including Barclays Premier League, 2010 FIFA World Cup, 2010 Winter Olympics, together with the High Definition initiatives, generated a strong recovery in high-yield subscriber base in 2010. Pay TV subscribers grew by 10% to a record-breaking 1,100,000 at the end of 2010. The group has expanded its HD platform to entertainment programmes, and investment in content protection and broadband upgrade continued.

Wharf T&T

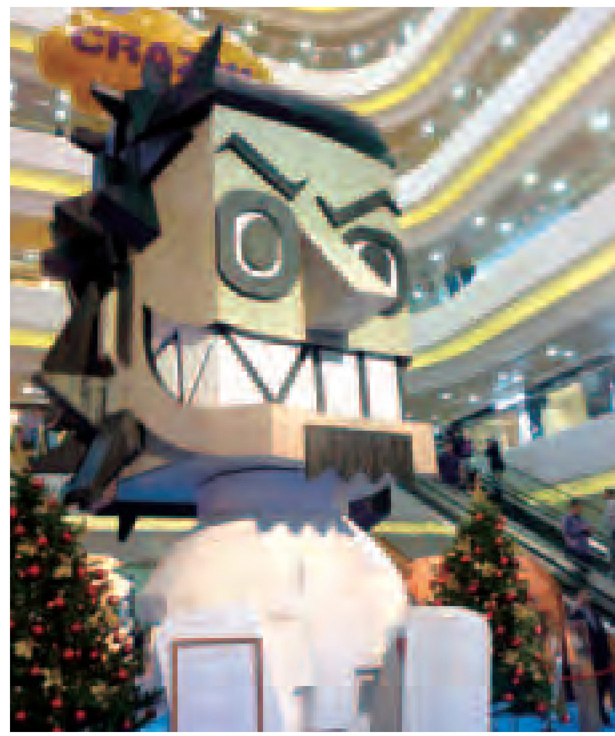
Year 2010 was a busy but exciting year for Wharf T&T, with its first key milestone for Wharf T&T's +EN achieved. Wharf T&T aims to bring 'Fibre-To-The-Desk' (FTTD) to 95% of the business customers in the territory by 2013. The company reported a record-high net gain in business broadband installed base, with respectable progress made in network rollout, corporate branding and product competitiveness. Total revenue rose by 2% to HK$1,680 million and a net profit of HK$201 million was reported, together with stable net cash inflow.

The ferry crossings of **The Star Ferry** at Victoria Harbour are acclaimed as an important part of the commuter system between Hong Kong Island and Kowloon. The National Geographic Traveler has named the Star Ferry ride as one of "50 places of a lifetime", and the ferry ride is also well known as one of the world's most value-for-money sightseeing trips. In 2010, The Star Ferry operated four inner harbour ferry services, including Tsim Sha Tsui - Central, Tsim Sha Tsui-Wanchai, Central-Hung Hom and Wanchai- Hung Hom, with a daily patronage of 62,700 passengers.

Hactl became an associate of the Group in May 2010. Throughput volume grew by 25% to 2.9 million tonnes in 2010, reflecting a gradual recovery of the global economy.


HARBOUR CITY


Earth Hour
@ Shanghai Times Square
Hand by Hand! You and Me
@ Shanghai Times Square
60




Wharf T&T
Social Club


SAY YES FOR
CHILDREN
LOVE

Corporate Social Responsibility

商界展關懷
caringcompany 2010/11
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

"Through our "Business-in-Community" initiative, Wharf is committed to making a difference by promoting staff volunteerism, building a better Hong Kong and fostering sustainability of the community."

2011 marks the 125th anniversary for Wharf. Over the years, "Building for Tomorrow" has been the mission for Wharf. A distinguished track record culminated not just in financial performance but also corporate citizenship.

While we are proud of our past achievements, we look forward passionately to continuing to grow with Hong Kong and to realise our vision of "Building for Tomorrow". We shall spearhead our "Business in Community" work with clear objectives of balancing the corporate, social and economic responsibilities, instigating fundamental dignity and value of all citizens, and building a better Hong Kong.

As a responsible corporate citizen, the Group is committed to fulfilling its CSR as and when it deems appropriate. Its diversified businesses, from property development, logistics, hotels, communications, media and entertainment to public transportation, adopt the best practices with a view to maintain a high level of ethical standard.

Any CSR vision would not have been meaningful without engaging stakeholders including customers, partners, society, governments, regulators and investors. At Wharf a set of policies and practices are in place to ensure our CSR initiatives are implemented properly by our staff, business associates and the chain of supply across our business units.

The Group's CSR pursuit deals with four key dimensions – Social, Environment, Workplace Practices and Corporate Governance – taking into consideration social welfare, art and culture; efficient use of resources such as energy, water, emissions and effluents and policies; staff development and communications; stakeholders' expectations, compliance with legislation, international standards and practices, etc., and is backed by strong support from senior management. Various channels such as corporate website, annual and interim reports, announcements, press releases, Internet, internal circulars, staff newsletters, training and seminars are used to effectively communicate the Group's related efforts and policies.

A Caring Company

The Group continues to support a wide variety of charitable and community programmes through various means. In 2010 alone, the Group and its business units together supported more than 150 charitable events through cash donations or venue sponsorships and promotional opportunities. Staff members are encouraged and have performed volunteer service throughout the year.

In recognition of their good corporate citizenship, Wharf along with its subsidiaries and fellow subsidiaries have been awarded the "Caring Company 2010/2011" status by The Hong Kong Council of Social Service (HKCSS). Among them, The "Star" Ferry received the "8th Consecutive Years Logo", whilst i-CABLE Communications, Harriman Management Services and Harriman Property Management were repeatedly complimented for more than five years. We are particularly proud of The "Star" Ferry which remains the only public transport operator in Hong Kong to offer complimentary rides to holders of a valid senior citizen card in addition to providing concessionary fare to the physically-challenged. This initiative brought the company a recognition award in the Age-friendly Hong Kong Measure 2010 by HKCSS.

Wharf T&T and Modern Terminals' contributions to the well-being of the community and the sustainability of the industry has also been recognised by the Hong Kong Quality Assurance Agency ("HKQAA"), with Wharf T&T being awarded for the second year in a row the HKQAA-HSBC CSR Index Advocate Mark in 2010 while Modern Terminals is the first local terminal operator in Hong Kong receiving such accolade.

Social

We at Wharf believe in the fundamental value and dignity of individuals. Supporting the communities in which we operate is integral to running a successful business. Key areas supported over the years include helping the underprivileged, providing immediate disaster relief for the needy, promoting art and culture, fostering youth development, encouraging volunteering and more.

Staff Volunteering

Community service through volunteering is a critical component of CSR at Wharf. To walk the talk of being a good corporate citizen, we encourage employees from all levels and members of the community to support organisations and initiatives that cultivate meaningful opportunities for civic engagement.

Various business units have established their own volunteering teams with regular community services organised. The types of community services include but are not limited to home visits and sending goodies bags for the underprivileged children and the senior citizens, supporting the elderly with gate oil painting before Chinese New Year, festive gathering, accompanying the elderly and mentally challenged people for day trips, as well as promotions of road safety.

Partnerships

Over the years, the Group has been supporting numerous charitable organisations in good and challenging times. The Group has been supporting The Community Chest, one of the leading NGOs in Hong Kong, for more than a decade. In the 2009/2010 campaign year, the Group was named Top Donor and among the top 10 donors. The Group was recognised with a Distinguished Award for its support for the Corporate and Employee Contribution Programme ("CECP"). Our subsidiaries have been actively supporting the annual Dress Special Day for which the Group clinched the Overall Third Top Fund Raiser award in the Companies & Organisations Category of Dress Special Day. In 2011, the Group has again pledged a donation to the CECP to support The Chest's work in local social welfare.

The Group and its subsidiaries have supported numerous initiatives of different charitable nature throughout the year working with dozens of other NGOs including Art in Hospital, Caring for Children Foundation, Children's Cancer Foundation, Christian Action, Crossroads Foundation, End Child Sexual Abuse Foundation, Heep Hong Society, Hong Kong Blood Cancer Foundation, Hong Kong Federation of Youth Group, Hong Kong Red Cross, ORBIS Hong Kong, Po Leung Kuk, St. James Settlement, Suicide Prevention, The Salvation Army, UNICEF and World Vision etc.

Emergency Relief

The Group extends its helping hands beyond the geography of Hong Kong by providing immediate relief support for emergency, enabling victims and people affected to recover and resume normal course of lives from tragedies or natural disasters such as earthquakes, floods and health hazards. In April 2010, the catastrophic 7.1-magnitude earthquake striking Yushu, Qinghai caused immense casualties. The Group's shopping malls – Harbour City, Times Square and Plaza Hollywood promptly kicked-start a series of donation appeals and co-organised charity concerts, sales events and auctions with various NGOs for fund raising. More than HK$2 million in total were collected within one month.

Art & Culture

Art and culture form a vital part of a quality life. The Group strives to promote people's interest in and appreciation for art and culture by way of bringing masterpieces of international standards to Hong Kong and nurturing opportunities for young talents.

Located at the heart of the city with unmatched neighbourhood and high foot traffic, the Group's landmarks Harbour City and Times Square play a leading role in bringing and enabling first-class art exhibitions and events by turning some of their spaces into platforms for free art appreciation among wider audience. The Group has achieved a few firsts on this front for example, by staging "The Skirt Story" sculpture series by Taiwan's best known sculptor Ju Ming as well as Japanese artist, Yayoi Kusama's works in Hong Kong for the first time. Other internationally-renowned artists include Chinese artist Huang Yong-yu, Jimmy Liao from Taiwan and local talents such as Michael Lau and Carrie Chau etc.

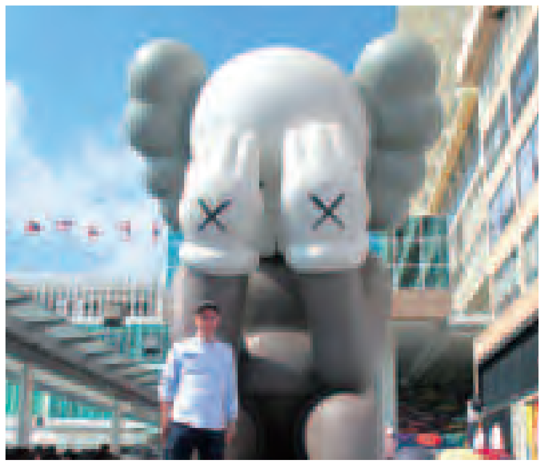
Harbour City is among the first malls in Hong Kong to incorporate art elements into the mall events, making art appreciation part of people's daily lives. Among others, the annual "Chocolate Trail" exhibition started in early 2010 created much interest among both chocolate fan and the general public. The 2011 exhibition proved to be a marvelous fusion of art and culture with realms of contemporary fashion design and world cultural heritage made in jumbo size of chocolate. Other popular art events included American artist KAWS' exhibition where a five-metre tall giant figure namely "COMPANION" was prominently staged.

It has also devoted a 1,000-square-foot prime retail space on Level Two of Ocean Centre for the establishment of a unique art gallery. Commanding an unrivalled view of the Victoria Harbour, Gallery by the Harbour is an admission-free gallery showcasing a wide variety of world-renowned artists' collections. In 2010 alone, 18 art exhibitions such as glass painting exhibition by Italian artist Massimo Cruciani, painting exhibition by German artist Juergen Wolf and art exhibition by Japanese artist Yoko Furusho. Complimentary art talks were given to Fine Art students from local tertiary institutions, enabling them a wider exposure on various art origins, forms and styles.

"Apart from visual art, Harbour City initiated Music In the City providing a platform for singers and musicians alike to perform."

Similarly, Times Square spares no efforts in bringing art and cultural activities to the people of Hong Kong. In 2010, Times Square collaborated with local and internationally-acclaimed artists and brought a dozen of exciting art exhibitions and events to the public. Among them were "In Between Imagination and Reality" art exhibition by Korean contemporary artists Ji Yong Ho and Yi Hwan Kwon as well as Michael Lau Gardener 10th Anniversary Exhibition.

Shanghai Times Square held a variety of art and cultural activities including "Fashion Meets Art", "The 9th German Week" as well as an exhibition of conceptual Chinese calligraphy and seal cutting artworks throughout the year to promote appreciation of art among people's in the Mainland China.


The Group has been a Platinum member of the Hong Kong Philharmonic Orchestra's Club Maestro since 2003 to further its support for art and culture. Other forms of support provided include complimentary hotel accommodation for performance groups by Marco Polo Hotels, free advertising space and complimentary harbour tour trips by The "Star" Ferry for the Hong Kong Repertory Theatre and Asian Youth Orchestra respectively. The Group's fellow subsidiary Wheelock Properties (Hong Kong) Limited sponsored an annual charity auction organised by Asia Art Archive for the fourth year in 2010. Proceeds generated are used for promoting contemporary Asian art.

Environmental Protection

The Group is devoted to contributing to the sustainability and long term development of the environment for the many generations to come. A set of environmental policies and practices have been set across various business units with an aim of minimising the impact on environment when as they conduct their businesses. The policies and practices are well extended to all business associates and the chain of supply.

Numerous internal and external initiatives supporting the sustainable use and protection of natural resources have been implemented. Wherever possible, our business units strive to manage their environmental impacts through the use of an environmental management system (EMS) and proper procedures to measure the performance and effectiveness against targets. Green initiatives by Wharf and its members are multi-facetted. They are on top of our associates' active participation in community activities in support for protecting biological diversity and integrity of restoration and conservation projects.

With parent company Wheelock and Company Limited ("Wheelock"), a founding member of the Business Environment Council, the Group embraces the importance of environmental protection in Hong Kong as well as the pivotal role of private sector in helping to conserve the environment. To support the preservation of the long-term economic, social and environmental interests of the Harbour, the Group has been a Patron member of the Harbour Business Forum since its launch in 2005. 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 in an effort to combat air pollution and improve air quality in the Greater Pearl River Delta. The Woo Wheelock Green Fund ("WWGF") has pledged its support to the Environment and Conservation Fund since 1994 and provided monetary support for result-oriented research projects amounted nearly HK$1 million in 2010.

Green Policies and Practices

The Group has established a set of green policies and practices throughout its diversified operations with green committees or task forces led by senior management established.

Where appropriate, our business units extend their green policies to their suppliers through guidelines, terms and conditions in contracts to ensure that suppliers are in full compliance with the Group's stringent requirements. For example, a Purchasing Policy has been in place to ensure that the procurement practices of our business units are carried out taking into considerations factors like green, health and safety.

Energy Saving and Carbon Reduction

During the year, the Group made encouraging achievements in reducing the usage of energy, fuel, water and paper as well as the emission of greenhouse gas.

Led by Wheelock, the Group together with its subsidiaries and fellow subsidiaries participated and attained "gold status" in the Take a "Brake" Low Carbon Action, co-organised by Friends of the Earth, Green Power and World Wide Fund Hong Kong ("WWF") to promote green driving practices. The recognition reflects the Group's substantial achievement in fuel consumption with about 6% reduction in the average fuel usage and an increase of more than 8% in the overall fuel efficiency for the Group's vehicle fleet during the one-month designated campaign period in 2010.

Our business units have also been aggressive in reducing the use of energy and other resources. In particular, i-CABLE successfully reduced its annual energy usage by 5% and water and paper usage by 21% when compared with 2009. Our shopping malls and Gateway Apartments as a whole lowered their usage in energy, water and paper by around 3.5%, 5.4% and 4.3%, respectively. In 2011, the Group and its business units supported the World Water Day 2011 by encouraging staff and tenants to reduce fresh water consumption.

In terms of energy saving, we spread the message among our tenants by encouraging them, especially those occupying entire floors, to switch off the air conditioning on weekends. The 10-block office


complex received recognition in 2010 for its efforts. In China, our newly launched Wheelock Square in Shanghai has integrated environmental-friendly architecture with state-of-the-art specifications and advanced facilities. The low-emissivity glass façade maximises the natural light penetration into the building and helps prevent heat loss. Other green design elements include water-saving taps, independent fresh air intake on all floors, and a 24/7 building management system that controls the efficiency of lighting, air-conditioning and energy usage. Green gardens are also designed to improve the workplace environment. With these eco-conscious features, one of its tenants was recently awarded a gold certificate in the Leadership in Energy and Environmental Design ("LEED") by the US Green Building Council.

Reduction in greenhouse gas emission is one of the Group's major targets. Our subsidiaries and fellow subsidiaries including Gateway Apartments, Gateway Hotel, Harbour City, Harriman Management Services, Harriman Property Management, i-CABLE, Marco Polo Hongkong Hotel, Marco Polo Hotels, Pacific Club, Plaza Hollywood, Prince Hotel and Times Square, have become a Carbon Audit • Green Partner by signing the Carbon Reduction Charter and pledged to carry out activities to support the reduction of greenhouse gas emission.

It is worth-noting that in 2010 our shopping malls reduced more than 4,500 tons, or 3.4% of greenhouse gas emission after implementing a number of green initiatives in the likes of recycling programmes for paper, toner, used computer devices and equipment, plastic products and glass bottle; collecting and properly disposing of used cooking oil and spent mercury-containing lamp; as well as promoting environmental protection and green living among tenants through seminars and green tips.

Harbour City in particular made big strides to reduce its carbon footprint in 2010. After enrolling to the Conscientious Recycling Charter organised by Friends of the Earth, it gathered more than 733,000 kg of waste paper and 17,000 kg of plastic waste for recycling, while almost 5,000 kg of used fluorescent tubes and 300 pieces of used computer devices and equipment were disposed safely. Times Square on the other hand collected and properly handled about 9,500 litres of wasted cooking oil, 6,200 kg of spent mercury-containing lamp and 4,300 kg of plastic waste in the year. Compared with 2009, it reduced more than 900 tons, or 3%, of greenhouse gas emission in 2010.

The three shopping malls also introduced a water saving initiative in 2010. After replacing traditional flushing tanks with sensor-based units, a total of nearly 47 million litres of flushing water is saved per year.

To support the use of electric-powered vehicles, Harbour City, Times Square and Plaza Hollywood installed electric vehicle charging stations at their parking lots in 2010 with a target of having 100 stations in total to be in service in 2012.

The iconic "Star" Ferry in the meantime continues its effort to keep air clean with its collaboration with the University of Hong Kong to study ways to further improve the emission level of its fleet.

Promoting Green Awareness

The Group teams up with green advocates to promote environmental conservation. Wharf is a long-time supporter of WWF and has been its corporate member since 2001, and in recent years a Double-Diamond member. The Group's subsidiary Modern Terminals also supports WWF as a Silver member. In addition to cash donation, the Group actively participated in WWF's events such as Earth Hour for which the Group and its business units render full support for the event by switching off external lights of the various shopping malls and properties during the designated time, offering advertising opportunities and promoting it to customers and staff. Besides, eco tours with WWF were arranged every year for our staff to promote nature conservation and enrich their knowledge about Hong Kong's landscape.

The Group also supported Friends of the Earth's Power Smart Energy Saving Contest 2010 with 14 properties managed by the Group's fellow subsidiary Harriman Property Management were complimented for achieving a substantial reduction in energy consumption during a designated period of time in 2010. The "Star" Ferry has been a long-time supporting company offering free advertising spaces at the piers to help promote the event. The "Star" Ferry is also 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.

Our shopping malls were venue sponsors for various promotional activities held by green organisations or the government to help spread the eco messages.

The Group believes that nature conservation begins with every individual. The Group supported the Conservancy Association's Walk for the Environment to help promote green awareness among staff. In addition to monetary aid, more than 100 staff and their family members participated in the Walk. Modern Terminals supported the CS4Schools programme organised by Business Environment Council as a Corporate Partner and hosted a visit for students to convey the corporate sustainability message as far as the company is concerned. Modern Terminals' volunteers also participated in the Hong Kong Reef Check 2010 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. Modern Terminals was awarded ISO14001 accreditation for its EMS again in 2010, demonstrating the effectiveness and comprehensiveness of the system to constantly improve the company's environmental performance.

In 2010, Wharf T&T became Hong Kong's first ICT service provider awarded the Gold Label in the Low-Carbon Office Operation Programme (known as "LOOP") Labelling Scheme organised by WWF. This accolade signified Wharf T&T's achievements and commitment to environmental sustainability.

Most recently, One Island South, the brand new commercial project under the Group's fellow subsidiary Wheelock Properties (Hong Kong) was awarded the Certificate of Registration – Code of Practice for Energy Efficiency of Lighting Installations by Electrical and Mechanical Services Department in 2010.

Furthermore, a number of honours, certificates of appreciation and more are obtained across various business units from governmental departments and various organisations such as Environmental Protection Department, Water Supplies Department, Hong Kong Productivity Council, Environmental Campaign Committee, Hong Kong Awards for Environmental Excellence throughout the year in recognition of their zealous engagement in maintaining high standards of resource practice such as indoor air quality, water quality, hygiene control, source separation of waste and waste reduction.

Workplace Practices

People Development & Diversity

Human resources are the most valuable asset of the Group. Wharf and its subsidiaries have demonstrated their respect for human rights by implementing appropriate procedures and frameworks in our business process. The Group is an equal opportunity employer where a policy on equal opportunities is in place to ensure non-discrimination against gender, disability, family, age and race etc. We promote equal opportunities to job applicants and existing employees, scrutinising staff promotion and development in accordance with individual performance and the genuine job requirements, support with ongoing training programmes and development opportunities.

The Group's shopping malls launched the "Bright Senior Ambassador Programme" in 2010. Backed by six half-day training, this ongoing programme offers re-employment opportunities for the retired senior citizens from all walks of life who wish to continue their contributions to the society.

Staff Training

The Group encourages life-long learning. A proper appraisal process is in place where training needs of each staff member will be discussed and planned for staff member's continued improvement. In 2010, the Group and its members provided more than 300 in-house training for their staff, covering language learning, business writing, PC software, law and regulations, business ethics, occupational safety and health, first aid, health talks, stress management, lateral thinking, negotiation skills, problem-solving, customer service, leadership training, team building, mentor programme and more. Orientation programme and on-the-job training are offered to new staff to enable them to adapt to the new work environment as easy as possible. Subsidies for external training courses are also provided. In total, more than 12,000 participants received nearly 66,000 hours of in-house and external training in 2010.

People development efforts are well extended to outsourced staff. Supported by full-time trainers, Wharf Institute of Service Excellence (WISE) serves as an in-house training academy offering regular core competence programmes and refresher courses for the malls' direct employed and outsourced staff. The programme aims to train and shape staff's service attitudes, service delivery standards and technical skills, ensuring a premier property management service is maintained.

Occupational Safety and Health

Occupational safety and health ("OSH") are among our key concerns for staff. Policies, manuals, guidelines, procedures and circulars are issued with training held regularly to continuously promote workplace safety among staff. OSH committees constituted of staff from all levels have been established at various business units to review OSH policies, formulate safety management plans, monitor OSH performance and implement new preventive measures with clear targets and objectives set. Where applicable, regular site inspections and independent or internal audits are conducted to ensure workplace safety.

Among others, our shopping malls have appointed a Safety Coordinator at each property to look after OSH matters as well as coordinate training on site. Apart from weekly safety tips, a Safety Day is held annually with an aim to raise awareness on workplace safety among staff. In 2010, additional effort was made by our shopping malls and Gateway Apartments who took the lead to pledge with 40 contractors by signing an "Occupational Safety Charter" to pursue "zero accident", with support by Labour Department and Occupational Safety and Health Council.

Staff Communications

To foster better understanding of corporate strategy and happenings among staff across the board, the Group makes use of various channels to keep staff from different business units abreast of the latest developments of the Group. A wealth of information ranging from the Group's latest happenings, code of ethics, policies and practices, rules and procedures, to health tips are made available on company's Intranet. A bilingual staff bulletin The Link is another important channel for internal communications with featured stories, business updates, news on community involvements, awards and recognitions and staff activities etc.

Respective business units also communicate with their staff through various means and regularity. Modern Terminals for instance, maintained open communications with its staff through 16 sessions of Town Hall meeting, "Monthly Get Together" and bi-monthly staff newsletter in 2010. Employee Satisfaction Surveys are conducted by various business units on a regular basis to solicit staff opinions about further improvement of work environment, procedures, services, etc.

Work-life Balanced

The Group encourages staff to pursue a balanced work life. To ensure staff wellness, Wharf Staff Recreation Committee has been set up since 20 years ago. The Committee is charged to provide a variety of activities for staff and their families meeting different interests and needs. In 2010, the Committee organised 13 interest classes, sports and recreational activities such as firefly tour, round Hong Kong Island tour, bowling and badminton competitions, photography, glass making and cooking classes etc. Numerous staff activities were also held by various business units throughout the year.

Corporate Governance

Policies and Code of Business Conduct

Wharf is committed to full compliance of code of conduct across our businesses. Each and every associate is required to conduct their business in an ethically responsible manner and behave in accordance with Wharf's norms and values as well as regulatory requirements. Staff is well-briefed on the code of conduct with a set of documents including Statement of Business Integrity and Code of Conduct, Insider Dealing in Listed Securities, Non-disclosure of Confidential Information and Central Purchasing Procedures, etc provided on the date of appointment. Policies in a range of subjects like Safety and Security Alertness, Office Safety and Health Regulations, Equal Opportunities, Office Harassment, Privacy, Purchasing policy and holiday gifting etc are circulated among our staff in addition to regular communication via training and in written form to promote awareness of Group's standards and requirements across all business units, suppliers and contractors. These internal documents are also available in the Intranet and are reviewed on a regular basis.

The management has been closely involved in the Group's Business Conduct & Ethics, Risk Management, Audit and Compliance as well as Shareholder Rights & Reporting. The Group has instituted a sound internal control system. The Group's Board of Directors, through the Audit Committee, conducts annual review of the effectiveness of the system and reports to Shareholders. Involving executives of each business units and corporate units, the internal control system presents a well-defined organisational structure with specific limits of authority in place, while areas of responsibility of each business and operational units are also clearly defined to ensure effective checks and balances.

A full Corporate Governance Report is available from page 81 to 95 of The Wharf (Holdings) Limited Annual Report 2010.

Financial Review

(I) Review of 2010 Results

The Group achieved robust financial results in 2010 in a stronger global economy. Benefitting largely from its unique investment property portfolio in Hong Kong and a rising asset base in the Mainland, the Group continued to grow revenue and profits. A substantial surplus arose on the revaluation of investment properties and helped to produce record earnings of HK$35,750 million for an 86% increase over 2009. Both Group turnover and operating profit reached new height. Underlying profit before the revaluation gain increased by only 1% due to an exceptional profit of HK$1,393 million in 2009 on disposal of the Beijing Capital Times Square.

Turnover

Group turnover increased by 10% to a record high of HK$19,380 million (2009: HK$17,553 million) as higher Mainland property sales were recognised apart from the continuous growth in rental revenue and the rebound in income from Modern Terminals and CME.

Investment Property revenue from Hong Kong increased by 6% to HK$7,043 million despite a fall in office revenue, reflecting the strong underlying retail sales recorded by the Group's shopping malls. Revenue from the Mainland decreased by 21% to HK$470 million following the disposal of Beijing Capital Times Square in late 2009 and while the newly completed Shanghai Wheelock Square was still not yet generating significant rental income. Hotel revenue increased by 20% to HK$1,156 million. In aggregate, the Property Investment segment reported a net increase in turnover of 6% to HK$8,669 million.

Property Development contracted new sales of HK$10.3 billion (2009: HK$5.3 billion), including attributable shares of joint ventures. Reporting sales increased by 18% to HK$3,609 million on recognition of completed projects, mainly including Chengdu Tian Fu Times Square, No. 1 Xin Hua Road in Shanghai, Wuxi Times City, Chengdu Crystal Park and Dalian Times No. 1 & 8.

Logistics revenue recorded an increase of 11% to HK$3,426 million. Modern Terminals' revenue improved by 15%, reflecting a strong rebound in consolidated throughput by 21% due partly to the gradual recovery of the global market and partly to the building up of the Group's port business in the Mainland.

CME revenue increased by 8% to HK$3,682 million, chiefly due to a 14% revenue increase reported by i-CABLE with its Pay TV subscriber base expanding by 10%. Wharf T&T also reported a small growth in total revenue.

Operating Profit

Group operating profit increased by 10% to HK$9,372 million, a record high.

Property Investment remained the core profit contributor with a 6% increase to HK$6,545 million. Contributions from Harbour City (excluding hotels) and Times Square increased by 7% and 8%, respectively, despite the pressure on office rental and occupancy between late 2008 and mid-2010. Profit contribution from the Mainland decreased by 30%, chiefly due to the disposal of Beijing Capital Times Square in late 2009.

Hotel contribution increased by 37% to HK$331 million with overall occupancy and average room rates both much improved.

Property Development's operating profit increased by 22% to HK$1,235 million as more Mainland property sales were recognised at respectable margins upon phased completion.

Logistics' contribution rose by 26% to HK$1,792 million, primarily reflecting the strong recovery of Modern Terminals' operating results.

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

Investment and others operating profit increased to HK$188 million (2009: HK$90 million), mainly due to an increase in interest income.

Increase in Fair Value of Investment Properties

The book value of the Group's investment property portfolio as at 31 December 2010 totalled HK$148.2 billion, with HK$142.2 billion thereof stated at fair value based on an independent valuation as at that date. That resulted in a revaluation surplus of HK$29,249 million (2009: HK$12,204 million), reflecting the strong performance and improving quality of the Group's investment properties against the backdrop of a low interest rate and stronger economic environment. The attributable net revaluation surplus of HK$27,845 million (2009: HK$11,439 million as restated), after deducting related deferred tax and non-controlling interests, was credited to the consolidated income statement.

Investment properties in the amount of HK$6.0 billion which were not revalued were all under development and not carried at fair value until the earlier of when their fair values first become reliably measurable or the dates of their respective completion.

Other Net Income

Other net income for the year amounted to HK$813 million (2009: HK$175 million), including a one-off surplus of HK$437 million from revaluation of the interests in Hactl in accordance with prevailing accounting standard on its becoming an associate. Others mainly included profit on disposal of available-for-sale investments and a write-back of property provision.

Finance Costs

Finance costs charged to the consolidated income statement were HK$996 million (2009: HK$338 million). That included an unrealised mark-to-market loss of HK$448 million (2009: unrealised gain of HK$46 million) on the cross currency/interest rate swaps in compliance with prevailing accounting standard.

Excluding the unrealised mark-to-market impact on the swaps, finance cost after capitalisation was HK$548 million (2009: HK$384 million), representing an increase of HK$164 million mainly as a result of the increase in gross borrowings.

Finance cost was stated after capitalisation of HK$279 million (2009: HK$212 million) in respect of the Group's related assets.

Share of Results (after tax) of Associates and Jointly Controlled Entities

The share of profit of associates increased by 34% to HK$376 million (2009: HK$281 million), mainly due to contribution from Hactl, which became an associate in the year under review. Profit from the jointly controlled entities decreased to HK$9 million (2009: HK$75 million), reflecting lower contribution from property development undertaken through joint-ventures in the Mainland in the absence of any major property completion.

Income Tax

Taxation charge for the year was HK$2,358 million (2009: HK$2,207 million as restated), which included deferred taxation of HK$1,158 million (2009: HK$683 million as restated) provided for the current year's revaluation gain mainly attributable to investment properties in the Mainland.

Excluding the above deferred tax, the tax charge decreased to HK$1,200 million (2009: HK$1,524 million as restated) after a tax write back of HK$809 million upon reaching a settlement on various prolonged tax disagreements with the Inland Revenue Department.

Non-controlling Interests

Profit attributable to non-controlling interests increased by HK$117 million to HK$715 million, reflecting the increase in net profits of certain non-wholly-owned subsidiaries.

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders for the year ended 31 December 2010 amounted to HK$35,750 million (2009: HK$19,256 million as restated), representing an increase of HK$16,494 million or 86%. Earnings per share were HK$12.98 (2009: HK$6.99 as restated), based on 2,754 million issued shares.

Excluding the net investment property revaluation surplus of HK$27,845 million (2009: HK$11,439 million as restated), the Group's profit attributable to shareholders for the year was HK$7,905 million (2009: HK$7,817 million), representing an increase of 1% over last year.

Early Adoption of the Amendments to HKAS 12, Income Taxes

The Group has early adopted the amendments to HKAS 12, Income taxes as detailed in the Note 33 to the financial statements. As a result of this change in accounting policy, deferred tax of HK$4,513 million on investment properties revaluation gain was not required in the current year's results. Apart from this, the relevant accumulated deferred tax in the amount of HK$13,424 million, including HK$1,766 million provided for in 2009, was written back as prior year adjustments with certain comparatives restated. Shareholders' equity as at 31 December 2009 has also been adjusted and restated with an increase of HK$13,336 million or HK$4.84 per share.

(II) Liquidity, Financial Resources and Capital Commitments

Shareholders' and Total Equity

As at 31 December 2010, the Group's shareholders' equity increased by HK$34,543 million to HK$163,089 million, equivalent to an increase of 27% to HK$59.22 per share (2009: HK$46.68 per share as restated).

Including the non-controlling interests, the Group's total equity increased by 26% to HK$170,649 million (2009: HK$135,588 million as restated).

Rights Issue

On 10 February 2011, the Company announced that it proposed to issue about 275 million new ordinary shares of HK$1.0 each by way of a rights issue in the proportion of one rights share for every ten existing ordinary shares then held by qualifying shareholders at a subscription price of HK$36.5 per rights share ("Rights Issue"). The Rights Issue has been completed in March 2011 with net proceeds of approximately HK$9,980 million received, which will be used by the Group to finance additional property and related investment in the Mainland.

Total Assets

The Group's total assets increased by 27% to HK$242.2 billion (2009: HK$190.5 billion). Total business assets, excluding bank deposit and cash, held-to-maturity investment, available-for-sale investments, deferred tax assets and other derivative financial assets, increased by 31% to HK$220.2 billion (2009: HK$168.6 billion).

Included in the Group's total assets is the Investment Property portfolio of HK$148.2 billion, representing 67% of total business assets. The core assets in this portfolio are Harbour City and Times Square in Hong Kong, which are valued at HK$80.3 billion (excluding the 3 hotels) and HK$29.8 billion, respectively. Together, they represent 74% of the total value of the portfolio.

Other major business assets included other properties and fixed assets of HK$18.4 billion, interest in jointly controlled entities and associates (mainly for Mainland property and port projects) of HK$20.3 billion and properties under development and held for sale (mainly in the Mainland) of HK$29.7 billion.

Geographically, the Group's business assets in the Mainland, mainly properties and terminals, increased to HK$74.8 billion (2009: HK$53.4 billion), representing 34% of the Group's total business assets.

Debts and Gearing

The Group's net debt increased by HK$11.3 billion to HK$32.7 billion as at 31 December 2010 (2009: HK$21.4 billion), which was made up of HK$49.6 billion in debts and HK$16.9 billion in bank deposits and cash. Included in the Group's net debt were HK$9.3 billion (2009: HK$12.0 billion) attributable to Modern Terminals, Harbour Centre Development Limited ("HCDL") and other subsidiaries, which are without recourse to the Company and its other subsidiaries. Excluding these non-recourse debts, the Group's net debt was HK$23.4 billion (2009: HK$9.4 billion). Analysis of the net debt is as below:

Net debt/(cash)	**31 December 2010** ***HK$ Million***	31 December 2009 *HK$ Million*
Wharf (excluding below subsidiaries)	**23,376**	9,392
Modern Terminals	**9,932**	10,742
HCDL	**(172)**	1,829
i-CABLE	**(447)**	(531)
	32,689	21,432

As at 31 December 2010, the ratio of net debt to total equity was 19.2% (2009: 15.8% as restated).

Finance and Availability of Facilities

The Group's total available loan facilities and debt securities as at 31 December 2010 amounting to HK$67.6 billion, of which HK$49.6 billion were drawn, are analysed as below:

	31 December 2010		
	Available Facility ***HK$ Billion***	**Total Debts** ***HK$ Billion***	**Undrawn Facility** ***HK$ Billion***
Company/wholly-owned subsidiaries			
Committed facilities	**44.4**	**32.7**	**11.7**
Uncommitted facilities	**0.5**	**—**	**0.5**
	44.9	**32.7**	**12.2**
Non-wholly-owned subsidiaries			
Committed and uncommitted			
— Modern Terminals	**14.9**	**10.1**	**4.8**
— HCDL	**4.1**	**3.4**	**0.7**
— i-CABLE	**0.3**	**—**	**0.3**
— Others	**3.4**	**3.4**	**—**
	67.6	**49.6**	**18.0**

Of the above debts, HK$18,137 million (2009: HK$8,996 million) was secured by mortgage over certain properties under development, fixed assets and shares with total carrying value of HK$18,360 million (2009: HK$22,474 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 investments in the Mainland.

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 continued to maintain a strong financial position with ample surplus cash denominated principally in HKD and RMB and undrawn committed facilities to facilitate the Group's expanding business and investment activities. As at 31 December 2010, the Group also maintained a portfolio of available-for-sale investments with an aggregate market value of HK$3.4 billion (2009: HK$1.3 billion), which is immediately available for liquidation for the Group's use.

Cash Flows for the Group's Operating and Investing Activities

For the year under review, the Group's net cash inflow before change in working capital increased to HK$10.4 billion (2009: HK$9.7 billion). The changes in working capital resulted in net cash outflow of HK$7.2 billion (2009: HK$2.1 billion), primarily due to payment for land and construction cost for trading properties under development in the Mainland. For investing activities, the Group recorded a net cash outflow of HK$7.0 billion (2009: HK$5.4 billion), mainly for additions to investment properties and investments in jointly controlled entities involved in property development projects in Hong Kong and the Mainland, which was partly compensated by the balance of the proceeds received from the disposal of Beijing Capital Times Square in 2009.

Major Expenditure and Commitments

The major expenditure incurred by the Group's core businesses during the year and related commitments at 31 December 2010 are analysed as follows:

			Commitments as at 31 December 2010	
Business Unit/Company		**Expenditure for 2010** *HK$ Million*	**Authorised and Contracted for** *HK$ Million*	**Authorised but not Contracted for** *HK$ Million*
a.	**Capital expenditure**			
	Property Investments	2,830	6,071	15,352
	Wharf T&T	352	237	173
	i-CABLE (73.8%-owned)	251	8	112
	Modern Terminals (67.6%-owned)	260	474	1,344
		3,693	**6,790**	**16,981**
b.	**Programming and others**	**93**	**1,761**	**142**
c.	**Trading properties under development**			
	Subsidiaries (Mainland/Hong Kong)	13,394	10,980	37,060
	Jointly controlled entities/associates (Mainland/Hong Kong)	7,736	4,591	17,002
		21,130	**15,571**	**54,062**

For the Property Investment segment, the capital expenditure incurred during the year under review was mainly for the construction of Shanghai Wheelock Square and Chengdu International Finance Centre. For i-CABLE and Wharf T&T, the capital expenditures were incurred substantially for procurement of production and broadcasting equipment, network rollout and internet service equipment while those for Modern Terminals were mainly for the construction of the Dachan Bay project in Mainland. 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$21.1 billion of expenditures for the development of its trading properties in Hong Kong and the Mainland, either wholly-owned or undertaken through associates or jointly controlled entities.

As at 31 December 2010, the total outstanding commitment for the development of properties for investment or trading purposes was about HK$91.1 billion, including attributable land cost of HK$15.2 billion payable by installment mainly from 2011 to 2013. These developments will be executed in stages in the forthcoming years and funded by the Group's internal financial resources including its surplus cash of HK$16.9 billion, cashflow from operation, as well as bank and other financings. Other available resources include proceeds from sales and pre-sales of properties and the proceeds of HK$10.0 billion from the Rights Issue completed in March 2011.

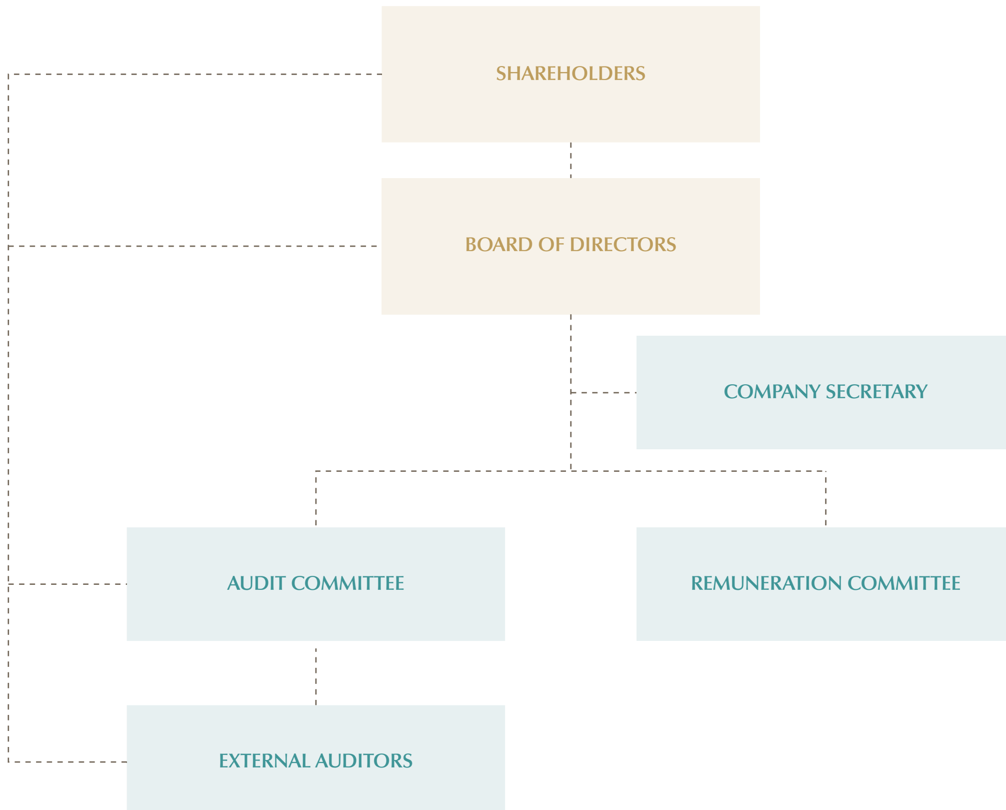
Subsequent to 31 December 2010, the Group acquired another five sites for development of four projects in Changsha, Suzhou and Hangzhou for a total attributable land cost of HK$12.2 billion.

(III) Human Resources

The Group had approximately 13,100 employees as at 31 December 2010, including about 2,200 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective group's achievement and results.

Corporate Governance Report

CORPORATE GOVERNANCE STRUCTURE



During the financial year ended 31 December 2010, 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 A.2.1 below. The application of the relevant principles, and the reasons for the abovementioned deviation from a Code provision, are stated in the following sections.

Key corporate governance principles and corporate governance practices of the Company are summarised below:

I. Code Provisions

Code Ref.	Code Provisions
A.	**DIRECTORS**
A.1	**The Board** *Corporate Governance Principle* *The Board should assume responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs. Directors should take decisions objectively in the interests of the Company.*
Compliance Status	**Corporate Governance Practices**
✓ Comply with Requirement	Four Board meetings were held during the financial year ended 31 December 2010. The records of the Directors' attendance are set out below:

Directors	Attendance/Number of Meeting(s) held
Chairman	
Mr Peter K C Woo	4/4
Senior Deputy Chairman	
Mr Gonzaga W J Li *(retired as Senior Deputy Chairman & Director effective 1 April 2010)*	0/1
Deputy Chairman & Managing Director	
Mr Stephen T H Ng	4/4
Executive Director	
Ms Doreen Y F Lee	3/4
Executive Director	
Mr T Y Ng	2/4
Executive Director & Group Chief Financial Officer	
Mr Paul Y C Tsui	4/4
Independent Non-executive Directors	
Hon Paul M P Chan	4/4
Professor Edward K Y Chen	2/4
Dr Raymond K F Ch'ien	4/4
Hon Vincent K Fang	3/4
Mr Hans Michael Jebsen	3/4
Mr James E Thompson	3/4

The Directors may attend meetings in person, by phone or through other means of electronic communication in accordance with the Company's Articles of Association.

All Directors are consulted as to whether they may want to include any matter in the agenda before the agenda for each regular Board meeting is issued.

At least 14 days formal notice would be given before each regular meeting and reasonable notices are given for all other ad hoc meetings.

All Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that procedures are followed and that all applicable laws and regulations are complied with. The Company Secretary is also a source of advice to the Chairman and to the Board on corporate governance and the implementation of the Code. Draft and final versions of minutes of Board Meetings and meetings of Board Committees are sent to all Directors or Committee members respectively for their comments and record. All minutes of Board Meetings and meetings of Board Committees are kept by the Company Secretary and are open for inspection by any Director.

The Company Secretary prepares minutes and/or written resolutions and keeps records of matters discussed and decisions resolved at all Board and Board Committee meetings.

Board and Board Committee minutes/resolutions are sent to all Directors/Board Committee members within a reasonable time after each Board and Board Committee meeting.

Board and Board Committee minutes/resolutions are available for inspection by Directors/Board Committee members.

Minutes record in sufficient detail the matters considered by the Board/Board Committees and decisions reached.

Directors are given an opportunity to comment on draft Board minutes.

Final version of Board minutes is placed on record within a reasonable time after the Board meeting.

The Company Secretary can arrange independent professional advice at the expense of the Company should such advice be considered necessary by any Director.

Important matters are usually dealt with by way of written resolutions so that all Directors (including Independent Non-executive Directors) can note and comment, as appropriate, the matters before approval is granted.

Under the Company's Articles of Association, a Director shall not vote or be counted in the quorum in respect of any contract or arrangement in which he or any of his associate is/are materially interested.

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent Board committee will be set up to deal with the matter.

Code Ref.	Code Provisions
A.2	**Chairman and Chief Executive Officer** *Corporate Governance Principle* *There should be a clear division of responsibilities at the board level to ensure a balance of power and authority, so that power is not concentrated in any one individual.*
Compliance Status	**Corporate Governance Practices**
✓ Comply with Requirement	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 Deputy Chairman and Managing Director together with other executive directors/senior executives 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. With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information on a timely basis. The Board meeting agenda documents including supporting analysis and related background information are normally sent to the Directors at least three days before Board meetings. Communications between Independent Non-executive Directors on the one hand, and the Company Secretary as co-ordinator for the other business units of the Group on the other, is a dynamic and interactive process to ensure that queries raised and clarification sought by the Directors are dealt with and further supporting information and/or documentation is provided if appropriate.

Code Ref.	Code Provisions
A.2.1	**The roles of chairman and chief executive officer should be separate and should not be performed by the same individual.**
Compliance Status	**Corporate Governance Practices**
X Not Comply with Requirement	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.

Code Ref.	Code Provisions
A.3	**Board composition** *Corporate Governance Principle* *The Board should have a balance of skills and experience appropriate for the requirements of the business of the Company and should include a balanced composition of Executive and Non-executive Directors so that independent judgement can effectively be exercised.*
Compliance Status	**Corporate Governance Practices**
✓✓ Exceed Requirement	The composition of the Board, by category and position of Directors including the names of the Chairman, the Executive Directors, the Independent Non-executive Directors, is disclosed in all corporate communications. The Board consists of a total of eleven Directors, comprising five Executive Directors, and six Independent Non-executive Directors. Six out of eleven of the Directors (exceeding the one-third requirement under the Code) are Independent Non-executive Directors of which at least one have appropriate professional qualifications, or accounting or related financial management expertise. Details of the composition of the Board are set out on page 82. The Directors' biographical information is set out on pages 98 to 102. The structure, size and composition of the Board are reviewed from time to time to ensure the Board has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company. The independence of the Independent Non-executive Directors is assessed according to the relevant rules and requirements under the Listing Rules. Each of the Independent Non-executive Directors makes an annual confirmation of independence pursuant to the requirements of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in the relevant requirements of the Listing Rules and are independent in accordance with the terms of the guidelines. Review of the Board composition is made regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

Code Ref.	Code Provisions
A.4	**Appointments, re-election and removal** *Corporate Governance Principle* *There should be a formal, considered and transparent procedure for the appointment of new Directors and plans in place for orderly succession for appointments to the Board. All Directors should be subject to re-election at regular intervals.*

Compliance Status	Corporate Governance Practices
✓ Comply with Requirement	All Directors are subject to retirement once every three years and are subject to re-election. The Board as a whole is responsible for the appointment of new Directors and Directors' nomination for re-election by shareholders at the general meeting of the Company. Under the Company's Articles of Association, the Board may from time to time appoint a Director either to fill a casual vacancy or as an addition to the Board. Any such new Director shall hold office until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and shall then be eligible for re-election at the same general meeting.

Code Ref.	Code Provisions
A.5	**Responsibilities of directors** *Corporate Governance Principle* *Every Director is required to keep abreast of his/her responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.*

Compliance Status	Corporate Governance Practices
✓ Comply with Requirement	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. The Independent Non-executive Directors exercise their independent judgement and advise on the future business direction and strategic plans of the Company. The Independent Non-executive Directors review the financial information and operational performance of the Company on a regular basis. The Independent Non-executive Directors are invited to serve on the Audit and Remuneration Committees of the Company. There is satisfactory attendance at Board meetings during the year. Please refer to A.1 above for details of attendance records. Every Executive Director has hands-on knowledge and expertise in the areas and operation in which he/she is charged with. Appropriate attention to the affairs of the Company is measured in terms of time as well as the quality of such attention and the ability of the Directors to contribute with reference to his/her necessary knowledge and expertise.

	The Company had adopted the model code for securities transactions by directors of listed issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions effective from 31 March 2004. A revised Model Code has been adopted by the Company to comply with the new requirements set out in Appendix 10 to the Listing Rules effective from 1 April 2009. Confirmation has been received from all Directors that they have complied with the required standards set out in the Model Code for the year ended 31 December 2010.
Code Ref.	Code Provisions
A.6	**Supply of and access to information** *Corporate Governance Principle* *Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company.*
Compliance Status	**Corporate Governance Practices**
✓ Comply with Requirement	Board papers are circulated not less than three days before the regular Board meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings. The Company Secretary and the Group Financial Controller of the Accounts Department attend all regular Board meetings to advise on corporate governance, statutory compliance, and accounting and financial matters, as appropriate. Communications between Directors on the one hand, and the Company Secretary, who acts as co-ordinator for the other business units of the Group on the other, is a dynamic and interactive process to ensure that queries raised and clarification sought by the Directors are dealt with and that further supporting information is provided if appropriate.
Code Ref.	Code Provisions
B. **B.1**	**REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT** **The level and make-up of remuneration and disclosure** *Corporate Governance Principle* *There should be a formal and transparent procedure for setting policy on Executive Directors' remuneration and for fixing the remuneration packages for all Directors.*
Compliance Status	**Corporate Governance Practices**
✓ Comply with Requirement	In accordance with the Code, the Company has set up a remuneration committee ("Remuneration Committee") on 1 August 2001 with a majority of the members being Independent Non-executive Directors. The Remuneration Committee comprises the Chairman of the Board, Mr Peter K C Woo (Chairman of the Remuneration Committee), and two Independent Non-executive Directors, namely, Mr Hans Michael Jebsen and Mr James E Thompson.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of Directors and senior management, and reviewing the specific remuneration packages of all Executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.

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.

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

Members	Attendance/Number of Meeting(s) held
Mr Peter K C Woo, *Chairman*	1/1
Mr Hans Michael Jebsen	1/1
Mr James E Thompson	1/1

The work performed by the Remuneration Committee for the financial year ended 31 December 2010 is summarised below:

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

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

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

The Remuneration Committee has consulted the Chairman and/or the Managing Director about proposals relating to the remuneration packages and other human resources issues of the Directors and senior management, including, without limitation, succession plan and key personnel movements as well as policies for recruiting and retaining qualified personnel.

	The basis of determining the emoluments payable to its Directors and senior management by the Company is by reference to the level of emoluments normally paid by a listed company in Hong Kong to directors and senior executives of comparable calibre and job responsibilities so as to ensure a fair and competitive remuneration package as is fit and appropriate. The basis of determining the Directors' fees, currently at the rate of HK$60,000 per annum per Director, payable to Directors of the Company, and the Audit Committee Members' fees, currently at the rate of HK$20,000 per annum per Member, payable to those Directors of the Company who are also Members of the Audit Committee of the Company is by reference to the level of fees of similar nature normally paid by a listed company in Hong Kong to its directors. To enable it to better advise on the Group's future remuneration policy and related strategies, the Remuneration Committee has been advised of the Group's existing remuneration policy and succession plan, such as guidelines on designing employees' remuneration packages and related market trends and information. The Personnel Department provides administrative support and implements the approved remuneration packages and other human resources related decisions approved by the Remuneration Committee.

Code Ref.	Code Provisions
C.	**ACCOUNTABILITY AND AUDIT**
C.1	**Financial reporting** *Corporate Governance Principle* *The Board should present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects.*

Compliance Status	Corporate Governance Practices
✓ Comply with Requirement	Directors are provided with a review of the Group's major business activities and key financial information on a quarterly basis. The Directors are responsible for overseeing the preparation of financial statements for the financial year ended 31 December 2010, which give a true and fair view of the affairs of the Company and of the Group and of the Group's results and cash flow for the year then ended and in compliance with the requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules. In preparing the financial statements for the financial year ended 31 December 2010: (i) appropriate accounting policies are selected, applied consistently and in accordance with the Hong Kong Financial Reporting Standards; (ii) prudent and reasonable judgements and estimates are made; and (iii) the reasons for any significant departure from applicable accounting standards are stated, if applicable.

	The Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern as referred to in C.1.2 of the Code. With the assistance of the Company's Accounts Department which is under the supervision of the Group Financial Controller who is a professional accountant, the Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the publication of the financial statements of the Group is in a timely manner. The statement by the external auditors of the Company regarding its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 109. The Board aims to present a clear, balanced and understandable assessment of the Group's performance and position in all shareholder communications. The Board is aware of the requirements under the applicable rules and regulations about timely disclosure of price-sensitive information or matters regarding the Company and will authorise the publication of such announcements as and when the occasion arises. The Company Secretary works closely and in consultation with legal advisers to review the materiality and sensitivity of transactions and proposed transactions and advise the Board accordingly.
Code Ref.	Code Provisions
C.2	**Internal controls** *Corporate Governance Principle* *The Board should ensure that the Company maintains sound and effective internal controls to safeguard the shareholders' investment and the Company's assets.*
Compliance Status	**Corporate Governance Practices**
✓ Comply with Requirement	The Directors are ultimately responsible for the internal control system of the Group and, through the Audit Committee, have reviewed the effectiveness of the system including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting functions, and their training programmes and budget. The internal control system comprises a well-defined organisational structure with specified limits of authority in place. Areas of responsibility of each business and operational units are also clearly defined to ensure effective checks and balances. Procedures have been designed for safeguarding assets against unauthorised use or disposition, maintenance of proper accounting records, assurance of the reliability of financial information for internal use or publication and compliance with relevant legislation and regulations. Such procedures are designed to manage risks of failure in operational systems and can provide reasonable assurance against material errors, losses or fraud. The internal audit function monitors compliance with policies and standards and the effectiveness of internal control structures across the whole Group. Findings regarding internal control matters are reported to the Audit Committee. The external auditors have access to 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, and the adequacy of, *inter alia*, resources, qualifications, experience and training of staff of the Company's accounting and financial reporting function was conducted by the Audit Committee and subsequently reported to the Board during the financial year ended 31 December 2010. Based on the result of the review, in respect of the financial year ended 31 December 2010, the Directors considered that the internal control system and procedures of the Group were effective and adequate.

Code Ref.	Code Provisions
C.3	**Audit Committee** *Corporate Governance Principle* *The Board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors.*
Compliance Status	**Corporate Governance Practices**
✓ Comply with Requirement	Minutes drafted by the Company Secretary are circulated to members of the Audit Committee within a reasonable time after each meeting. 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 2010. Attendance of the Members is set out below:

Members	Attendance/Number of Meeting(s) held
Hon Vincent K Fang, *Chairman*	3/4
Hon Paul M P Chan	1/4
Mr Hans Michael Jebsen	1/4
Mr James E Thompson	3/4

No member of the Audit Committee is a former partner of the existing auditing firm of the Company during the one year after he/she ceases to be a partner of the auditing firm.

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);

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

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

The work performed by the Audit Committee for the financial year ended 31 December 2010 is summarised below:

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

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

(c) review of the half-year and annual financial statements before submission to the Board, with particular consideration of the points mentioned C.3(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.

The Audit Committee recommended to the Board that, subject to shareholders' approval at the forthcoming annual general meeting, KPMG be re-appointed as the Company's external auditors for 2011.

For the financial year ended 31 December 2010, the external auditors of the Company received approximately HK$15 million for audit services and HK$3 million for tax and other services.

The Company Secretary can arrange independent professional advice at the expense of the Company should the seeking of such advice be considered necessary by the Audit Committee.

Code Ref.	Code Provisions
D.	**DELEGATION BY THE BOARD**
D.1	**Management functions** *Corporate Governance Principle* *The Company should have a formal schedule of matters specifically reserved to the Board and those delegated to management.*
Compliance Status	**Corporate Governance Practices**
✓ Comply with Requirement	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.

Code Ref.	Code Provisions
D.2	**Board Committees** *Corporate Governance Principle* *Board Committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.*
Compliance Status	**Corporate Governance Practices**
✓ Comply with Requirement	Two Board Committees, namely, Audit Committee and Remuneration Committee, have been established with specific terms of reference as mentioned in C.3 and B.1 of above. Board Committees report to the Board of their decisions and recommendations at the Board meetings.

Code Ref.	Code Provisions
E.	**COMMUNICATION WITH SHAREHOLDERS**
E.1	**Effective communication** *Corporate Governance Principle* *The Board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.*
Compliance Status	**Corporate Governance Practices**
✓ Comply with Requirement	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 Company's notice to Shareholders for the 2010 Annual General Meeting of the Company was sent at least 20 clear business days before the meeting. Separate resolutions are proposed at the general meetings of the Company on each substantially separate issue, including the election of individual directors. The Board and external auditors attend the Annual General Meetings to answer Shareholders' questions. The Company recognises the fundamental importance of transparency and accountability. Management believes that Shareholders' value can best be enhanced by articulating the corporate strategies, business strengths and weaknesses, growth opportunities and threats, and future prospects through a continuous and active dialogue with the investment community, the media and the public. To achieve this, the Company is committed to providing Shareholders and the general public access to key information that is reasonably required to make an investment decision on a fair and timely basis. The Company is aware of its obligations under the Listing Rules in relation to the disclosure of price-sensitive information and has established procedures to ensure that all communications with the public, including the investment community and the media, are fair; and that material non-public information is not disseminated on a selective basis. The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities. Annual and interim reports are published/printed and printed copies of such reports or notifications of publication thereof on the Company's website are sent to all Shareholders. Press releases are posted and available for download at the Company's corporate website www.wharfholdings.com. In addition, the Company makes full use of the Internet to make information broadly available to Shareholders. 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.

Code Ref.	Code Provisions
E.2	**Voting by poll** *Corporate Governance Principle* *The Company should ensure that shareholders are familiar with the detailed procedures for conducting a poll.*
Compliance Status	**Corporate Governance Practices**
✓ Comply with Requirement	Shareholders have the opportunity to participate effectively and vote in general meetings and are informed of the rules, including voting procedures, that govern general meetings: (a) Shareholders are furnished with sufficient and timely information concerning the date, location and agenda of general meetings, as well as full and timely information regarding the issues to be decided at the meetings; (b) Shareholders have the opportunity to ask questions to the Board, including questions relating to the annual external audit, to place items on the agenda of general meetings, and to propose resolutions, subject to reasonable limitations; (c) Effective shareholder participation in key corporate governance decisions; (d) Shareholders can make their view known on the remuneration policy for Board members and key executives; and (e) Shareholders can vote in person or by proxy, and equal effect is given to votes whether cast in person or by proxy. The Company has the following procedures to Shareholders to vote by poll: (a) All resolutions put to Shareholders in general meetings are voted by a poll demanded by the Chairman at the beginning of the meetings. The circulars and notices of the general meetings express the Chairman's intention to call for voting by poll. (b) The Chairman or the Company Secretary explains the procedures for voting by poll to Shareholders and answer any questions from Shareholders before a poll is required to be conducted at the meetings. (c) The Company ensures votes cast are properly counted and recorded. Independent scrutineers are appointed to count the number of votes cast at general meetings. (d) Poll results are announced on the same day and also published on the Company's and the Stock Exchange's websites not later than the business day following the general meetings. Pursuant to the Hong Kong Companies Ordinance, on requisition of one or more Shareholders in aggregate holding not less than 5% of the paid-up capital of the Company carrying the right to vote at general meetings, the Directors of the Company must convene an extraordinary general meeting.

Report of the Directors

The Directors have pleasure in submitting their Report and the Audited Financial Statements for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 180 to 183.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the financial year ended 31 December 2010 are set out in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income on pages 110 to 111.

Appropriations of profits and movements in reserves during the financial year are set out in the Consolidated Statement of Changes in Equity on page 115 and Note 29 to the Financial Statements on pages 154 to 155.

DIVIDENDS

An interim dividend of 36 cents per share was paid on 30 September 2010. The Directors have recommended for adoption at the Annual General Meeting to be held on Tuesday, 7 June 2011 the payment on 15 June 2011 to Shareholders on record as at 7 June 2011 of a final dividend of 64 cents per share in respect of the financial year ended 31 December 2010. This recommendation has been disclosed in the Financial Statements.

FIXED ASSETS

Movements in fixed assets during the financial year are set out in Note 10 to the Financial Statements on pages 129 to 131.

DONATIONS

The Group made donations during the financial year totalling HK$31 million.

DIRECTORS

The Directors of the Company during the financial year were Mr P K C Woo, Mr G W J Li (who retired effective 1 April 2010), Mr S T H Ng, Ms D Y F Lee, Mr T Y Ng, Mr P Y C Tsui, Hon P M P Chan, Professor E K Y Chen, Dr R K F Ch'ien, Hon V K Fang, Mr Hans Michael Jebsen and Mr James E Thompson.

Hon P M P Chan and Hon V K Fang are due to retire from the Board by rotation at the forthcoming Annual General Meeting. Being eligible, they offer themselves for re-election. None of the retiring Directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

INTERESTS IN CONTRACTS

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

MANAGEMENT CONTRACTS

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 or 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.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

AUDITORS

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

By Order of the Board
Wilson W S Chan
Secretary

Hong Kong, 23 March 2011

SUPPLEMENTARY CORPORATE INFORMATION

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

(i) *Directors*

Peter Kwong Ching Woo, *GBS, JP, Chairman* (Age: 64)
Mr Woo has resumed the role of Chairman of the Company since 2002 after having also served in that capacity from 1986 to 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"), a publicly listed company in Hong Kong, and chairman of a fellow subsidiary of the Company, namely, Wheelock Properties (Singapore) Limited ("WPSL"), which is publicly listed in Singapore. Furthermore, he is the chairman of Wheelock Properties Limited ("WPL") (formerly a publicly-listed company until it was privatised and became a wholly-owned subsidiary of Wheelock in July 2010) as well as 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. Under the existing service contract between the Group and Mr Woo, his basic salary and various allowances for the year 2011, calculated on annualised basis, would be approximately HK$11.43 million per annum (2010: HK$11.10 million).

Stephen Tin Hoi Ng, *Deputy Chairman & Managing Director* (Age: 58)
Mr Ng joined the Company in 1981. He has been the Managing Director of the Company since 1989 and became the Deputy Chairman in 1994. He is also the deputy chairman of Wheelock as well as the chairman and chief executive officer of i-CABLE Communications Limited ("i-CABLE") and the chairman of Harbour Centre Development Limited ("HCDL"), both being publicly-listed subsidiaries of the Company. Furthermore, Mr Ng is the chairman of Modern Terminals Limited ("Modern Terminals") (a subsidiary of the Company), the chairman and chief executive officer of Wharf T&T Limited (a wholly-owned subsidiary of the Company), and a director of certain other subsidiaries of the Company. Mr Ng is also the chairman of publicly-listed Joyce Boutique Holdings Limited ("Joyce"). Under the existing service contract between the Group and Mr Ng, his basic salary and various allowances for the year 2011, calculated on annualised basis, would be approximately HK$4.77 million per annum (2010: HK$4.70 million).

Doreen Yuk Fong Lee, *Executive Director* (Age: 54)
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 a director of HCDL. She is the senior managing director of Harbour City Estates Limited, Times Square Limited and Wharf China Estates Limited, and the managing director of Wharf Estates Limited, all being wholly-owned subsidiaries of the Company, as well as a director of certain other subsidiaries of the Company. Ms Lee is responsible for overseeing the investment properties of the Group in Hong Kong and the Mainland China, 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 Shanghai, Chongqing, Wuhan and Dalian respectively. 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). Under the existing service contract between the Group and Ms Lee, her basic salary and various allowances for the year 2011, calculated on annualised basis, would be approximately HK$3.90 million per annum (2010: HK$3.75 million).

Tze Yuen Ng, *Executive Director* (Age: 63)
Mr Ng, *ACPA, ACMA*, joined the Company in 1985 and has been a Director of the Company since 1998. He was re-designated as an Executive Director in June 2009. He is also a director of HCDL, the senior managing director of Wharf China Development Limited (a wholly-owned subsidiary of the Company), and a director of certain other subsidiaries of the Company. Furthermore, Mr Ng was formerly a director of Joyce from 2000 to 2008 and of WPL from 1999 to 2010. Under the existing service contract between the Group and Mr Ng, his basic salary and various allowances for the year 2011, exclusive of the amounts which would be borne by Wheelock and/or its wholly-owned subsidiary(ies) and calculated on annualised basis, would be approximately HK$3.58 million per annum (2010: HK$2.91 million).

Paul Yiu Cheung Tsui, *Executive Director and Group Chief Financial Officer* (Age: 64)
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 also a director of HCDL and i-CABLE, and a director of certain other subsidiaries of the Company. Furthermore, Mr Tsui is a director of WPSL and the vice chairman of WPL, as well as a director of Joyce. Under the existing service contract between the Group and Mr Tsui, his basic salary and various allowances for the year 2011, exclusive of the amounts which would be borne by Wheelock and/or its wholly-owned subsidiary(ies) and calculated on annualised basis, would be approximately HK$2.31 million per annum (2010: HK$2.23 million).

Hon Paul Mo Po Chan, *JP, Director* (Age: 56)
Mr Chan, *FCPA, FCCA, 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 Crowe Horwath (HK) CPA Ltd. He is also an independent non-executive director of three other 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 was formerly an independent non-executive director of China Resources Land Limited from 2006 to 2009, being a publicly-listed company.

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. Apart from the foregoing, Mr Chan also holds membership in other professional bodies in the accounting, company secretary and taxation fields. 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: 66)
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 of the Open University of Hong Kong 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, Asia Satellite Telecommunications Holdings Limited and First Pacific Company 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: 59)
Dr Ch'ien has been an Independent Non-executive Director of the Company since 2002. He is chairman of CDC Corporation (listed on NASDAQ Stock Market) as well as chairman and a director respectively of its publicly-listed subsidiaries China.com Inc. (listed on Growth Enterprise Market), and CDC Software Corporation (listed on NASDAQ Stock Market). Dr Ch'ien is also the chairman of MTR Corporation Limited and Hang Seng Bank Limited as well as an independent non-executive director of China Resources Power Holdings Company Limited and Convenience Retail Asia Limited, all being companies publicly listed in Hong Kong. Dr Ch'ien also serves on the boards of The Hongkong and Shanghai Banking Corporation Limited, Hong Kong Mercantile Exchange Limited and Swiss Reinsurance Company Ltd which is listed in Switzerland. Dr Ch'ien was formerly an independent non-executive director of publicly-listed VTech Holdings Limited, HSBC Holdings plc and Inchcape Inc.

In public service, Dr Ch'ien is chairman of the Hong Kong/European Union Business Cooperation Committee and a member of the Standing Committee of the Tianjin Municipal Committee of the Chinese People's Political Consultative Conference. Dr Ch'ien is an honorary president and past chairman of the Federation of Hong Kong Industries. 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 conferred the honour of Chevalier de l'Ordre du Merite Agricole of France.

Hon Vincent Kang Fang, *SBS, JP, Director* (Age: 67)
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.

Mr Fang currently serves as a member of Legislative Council representing Wholesale and Retail in Functional Constituency. He is a member of the Hospital Authority, Hong Kong Tourism Board and the Operations Review Committee of the Independent Commission Against Corruption ("ICAC"). He is also 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, 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: 54)
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 the 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, was awarded the Merit Cross of the Order of the Merit of the Federal Republic of Germany in 2008 and received the title "Hofjægermester" by H. M. the Queen of Denmark in January 2011.

James Edward Thompson, *GBS, Director* (Age: 71)
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 and Hong Kong-EU Business Co-operation Committee. Mr Thompson has lived in Hong Kong for over 32 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 Mr P K C Woo, Mr S T H Ng, Mr P Y C Tsui and/or 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*

Peter K C Woo, *Chairman*

Stephen T H Ng, *Deputy Chairman & Managing Director*

Doreen Y F Lee, *Executive Director*

Andrew O K Chow, *Vice Chairman — Wharf China Development Limited* (Age: 60)
Mr Chow joined the Group in 2006. He is the vice chairman of Wharf China Development Limited, which is a wholly-owned subsidiary of the Company. Mr Chow has extensive experience in banking, finance, trading, investment as well as property investment in Mainland China. He is responsible for overseeing all of the Group's property development and related businesses in Mainland China. Mr Chow is also an independent non-executive director of Hong Kong Economic Times Holdings Limited, a company publicly-listed in Hong Kong. He formerly held senior executive position in Tian An China Investment Limited and Next Media Limited before he joined the Group. Mr Chow is a graduate of The University of Hong Kong where he obtained his bachelor's degree in Social Science.

T Y Ng, *Executive Director*

Paul Y C Tsui, *Executive Director & Group Chief Financial Officer*

(B) Directors' Interests in Shares

At 31 December 2010, Directors of the Company had the following beneficial interests, all being long positions, in the share capitals of the Company, Wheelock (which is the Company's parent company), and two subsidiaries of the Company, namely, i-CABLE and Modern Terminals, and the percentages which the relevant shares represented to the issued share capitals of the four companies respectively are also set out below:

	No. of Ordinary Shares (percentage of issued capital)	**Nature of Interest**
The Company		
Stephen T H Ng	731,314 (0.0266%)	Personal Interest
T Y Ng	200,268 (0.0073%)	Personal Interest
Wheelock		
Peter K C Woo	1,204,934,330 (59.3023%)	Personal Interest in 8,847,510 shares, Corporate Interest in 200,865,142 shares and Other Interest in 995,221,678 shares
Stephen T H Ng	300,000 (0.0148%)	Personal Interest
T Y Ng	70,000 (0.0034%)	Personal Interest
i-CABLE		
Stephen T H Ng	1,265,005 (0.0629%)	Personal Interest
T Y Ng	17,801 (0.0009%)	Personal Interest
Modern Terminals		
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.

(iii) Subsequent to the financial year end, Mr Stephen T H Ng and Mr T Y Ng fully subscribed for their pro rata rights entitlements under a 1-for-10 rights issue by the Company and they were accordingly allotted 73,131 shares and 20,026 shares of the Company respectively on 18 March 2011. Consequently, Mr Stephen T H Ng and Mr T Y Ng were interested in 804,445 shares and 220,294 shares of the Company respectively following such allotments.

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

(C) Substantial Shareholders' Interests

Given below are the names of all parties which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company (i) as at 31 December 2010, and (ii) 18 March 2011, being the date of allotment of rights shares under a 1-for-10 rights issue by the Company, respectively, 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:

		No. of Ordinary Shares (percentage of issued capital)			
Names		**As at 31 December 2010**		**As at 18 March 2011**	
(i)	Lynchpin Limited	**193,879,157**	**(7.04%)**	213,267,072	(7.04%)
(ii)	Star Attraction Limited	**193,879,157**	**(7.04%)**	213,267,072	(7.04%)
(iii)	Wheelock Properties Limited	**193,879,157**	**(7.04%)**	213,267,072	(7.04%)
(iv)	Myers Investments Limited	**193,879,157**	**(7.04%)**	213,267,072	(7.04%)
(v)	Wheelock Corporate Services Limited	**193,879,157**	**(7.04%)**	213,267,072	(7.04%)
(vi)	WF Investment Partners Limited	**1,183,652,306**	**(42.98%)**	1,302,017,536	(42.98%)
(vii)	Wheelock and Company Limited	**1,377,531,463**	**(50.02%)**	1,515,284,608	(50.02%)
(viii)	HSBC Trustee (Guernsey) Limited	**1,377,531,463**	**(50.02%)**	1,515,284,608	(50.02%)
(ix)	JPMorgan Chase & Co.	**157,336,506**	**(5.71%)**	152,256,394	(5.03%)

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

(D) Directors’ Interests in Competing Business

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

Four Directors of the Company, namely, Mr P K C Woo, who is also the chairman and a substantial shareholder of Wheelock, and Mr S T H Ng, Mr T Y Ng and Mr P Y C Tsui, being also directors of Wheelock and/or certain wholly-owned 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 for rental purposes and the development of properties for sale and/or investment purposes by the Wheelock Group are considered as competing businesses for the Group. However, the Group itself has adequate experience in property leasing and property development and is therefore capable of carrying on its property leasing and 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 2010:

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

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

(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 2010 which are repayable on demand or within a period not exceeding one year are set out in Note 24 to the Financial Statements on pages 143 and 144. Those which would fall due for repayment after a period of one year are particularised in Note 24 to the Financial Statements on pages 143 and 144.

Set out below is information regarding certain borrowings of the Group outstanding as at 31 December 2010, 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 Notes due 2011	HK$200 Million
	HK$ Guaranteed Floating Rate Notes due 2013	HK$300 Million
	HK$ Guaranteed Fixed Rate Notes due 2016	HK$250 Million
(2) Wharf Finance Limited	HK$ Guaranteed Floating Rate Notes due 2014	HK$200 Million
	US$ Guaranteed Fixed Rate Notes due 2017	US$400 Million
	HK$ Guaranteed Zero Coupon Callable Notes due 2019	HK$338 Million
	HK$ Guaranteed Zero Coupon Callable Notes due 2019	HK$169 Million
	HK$ Guaranteed Fixed Rate Notes due 2040	HK$250 Million
(3) Wharf Finance (No. 1) Limited	HK$ Guaranteed Fixed Rate Notes due 2019	HK$240 Million
	HK$ Guaranteed Fixed Rate Notes due 2020	HK$550 Million
	HK$ Guaranteed Fixed Rate Notes due 2020	HK$200 Million
	HK$ Guaranteed Fixed Rate Notes due 2020	HK$180 Million
	HK$ Guaranteed Fixed Rate Notes due 2020	HK$100 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 125.

(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 2010.

(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 announcements of the Company dated 21 November 2008 and 2 February 2010 and are required under the Listing Rules to be disclosed in the Annual Report and Financial Statements of the Company:

(i) *Master Tenancy Agreement*

Various tenancy agreements (the "Existing Tenancy Agreements") were previously entered into between certain subsidiaries of the Company as landlords and certain subsidiaries, associates and/or affiliates of Chesterland Group Limited (formerly known as The Lane Crawford Joyce Group (BVI) Limited) ("CGL") as tenants, for the purpose of the letting by the landlords to the tenants certain retail/commercial premises owned by the Group for operating various retail businesses, including Lane Crawford stores and City Super stores.

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

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

The aggregate amount of rental receivable by the Group under the MTA is subject to an annual cap amount previously disclosed in the abovementioned announcement dated 21 November 2008 and the aggregate amount of rent received by the Group for the financial year ended 31 December 2010 was HK$342.7 million.

(ii) *Tianjin Land Joint Venture*

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

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

(iii) *Confirmation from the Directors etc.*

(i) The Directors, including the Independent Non-executive Directors, of the Company have reviewed the MTA Transactions mentioned under Section (I)(i) above and confirmed that the MTA 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 MTA 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 MTA Transactions had been approved by the Company's Board of Directors;

(2) nothing came to the attention of the auditors of the Company that caused them to believe that the MTA Transactions were not entered into in accordance with the terms of the related agreements governing the MTA Transactions; and

(3) the relevant cap amounts, where applicable, have not been exceeded during the financial year ended 31 December 2010.

Independent Auditor's Report

TO THE SHAREHOLDERS OF 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") and its subsidiaries (together "the Group") set out on pages 110 to 183, which comprise the consolidated and company statements of financial position as at 31 December 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
23 March 2011

Consolidated Income Statement

For the year ended 31 December 2010

	Note	**2010 *HK$ Million***	2009 *HK$ Million* (restated)
Turnover	1	**19,380**	17,553
Direct costs and operating expenses		**(7,072)**	(6,069)
Selling and marketing expenses		**(774)**	(722)
Administrative and corporate expenses		**(834)**	(907)
Operating profit before depreciation, amortisation, interest and tax		**10,700**	9,855
Depreciation and amortisation	2	**(1,328)**	(1,301)
Operating profit	2	**9,372**	8,554
Profit on disposal of an investment property	3	**—**	1,110
Increase in fair value of investment properties		**29,249**	12,204
Other net income	4	**813**	175
		39,434	22,043
Finance costs	5	**(996)**	(338)
Share of results after tax of:			
Associates	13(d)	**376**	281
Jointly controlled entities	14	**9**	75
Profit before taxation		**38,823**	22,061
Income tax	6	**(2,358)**	(2,207)
Profit for the year		**36,465**	19,854
Profit attributable to:			
Equity shareholders	7	**35,750**	19,256
Non-controlling interests		**715**	598
		36,465	19,854
Earnings per share	9		
Basic		**HK$12.98**	HK$6.99
Diluted		**HK$12.98**	HK$6.99

The notes and principal accounting policies on pages 118 to 183 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 8.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	2010 HK$ Million	2009 HK$ Million (restated)
Profit for the year	**36,465**	19,854
Other comprehensive income		
Exchange difference	**1,197**	(155)
Exchange gain on translation of foreign operations	**1,197**	37
Transferred to consolidated income statement:		
— on disposal of an investment property	**—**	(119)
— others	**—**	(73)
Net revaluation reserves of available-for-sale investments:	**280**	555
Surplus on revaluation	**371**	573
Transferred to consolidated income statement:		
— on disposal	**(93)**	(18)
— on impairment	**2**	—
Actuarial (loss)/gain on defined benefit pension schemes	**(8)**	274
Acquisition of additional interest in a subsidiary	**24**	—
Share of other comprehensive income of associates/ jointly controlled entities	**276**	(12)
Others	**(20)**	(26)
Other comprehensive income for the year	**1,749**	636
Total comprehensive income for the year	**38,214**	20,490
Total comprehensive income attributable to:		
Equity shareholders	**37,297**	19,674
Non-controlling interests	**917**	816
	38,214	20,490

The notes and principal accounting policies on pages 118 to 183 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2010

	Note	**2010 *HK$ Million***	2009 *HK$ Million* (restated)	2008 *HK$ Million* (restated)
Non-current assets				
Investment properties		**148,241**	115,492	98,410
Other property, plant and equipment		**14,679**	14,722	16,980
Leasehold land		**3,718**	3,788	4,203
Total fixed assets	10	**166,638**	134,002	119,593
Goodwill and other intangible assets	12	**297**	297	297
Interest in associates	13	**4,967**	4,238	4,009
Interest in jointly controlled entities	14	**15,350**	7,551	7,989
Available-for-sale investments	15	**3,362**	1,331	706
Long term receivables	16	**4**	249	357
Programming library		**113**	113	132
Employee retirement benefit assets	17	**17**	139	—
Deferred tax assets	25	**463**	366	383
Derivative financial assets	20	**587**	318	83
		191,798	148,604	133,549
Current assets				
Properties for sale	18	**29,732**	17,797	17,272
Inventories		**113**	107	112
Held-to-maturity investments	15	**—**	794	—
Trade and other receivables	19	**3,518**	4,554	1,727
Derivative financial assets	20	**164**	193	8
Bank deposits and cash	21	**16,900**	18,412	15,886
		50,427	41,857	35,005
Current liabilities				
Trade and other payables	22	**(6,539)**	(5,632)	(5,685)
Deposits from sale of properties	23	**(6,855)**	(2,608)	(1,239)
Derivative financial liabilities	20	**(244)**	(100)	(166)
Taxation payable	6(d)	**(1,242)**	(1,581)	(1,259)
Bank loans and other borrowings	24	**(7,829)**	(8,328)	(4,443)
		(22,709)	(18,249)	(12,792)
Net current assets		**27,718**	23,608	22,213
Total assets less current liabilities		**219,516**	172,212	155,762

	Note	**2010 HK$ Million**	2009 HK$ Million (restated)	2008 HK$ Million (restated)
Non-current liabilities				
Bank loans and other borrowings	24	**(41,760)**	(31,516)	(33,566)
Deferred tax liabilities	25	**(5,237)**	(3,791)	(3,527)
Other deferred liabilities	26	**(283)**	(262)	(262)
Derivative financial liabilities	20	**(1,587)**	(1,055)	(738)
Employee retirement benefit liabilities	17	**—**	—	(154)
		(48,867)	(36,624)	(38,247)
NET ASSETS		**170,649**	135,588	117,515
Capital and reserves				
Share capital	28	**2,754**	2,754	2,754
Reserves		**160,335**	125,792	108,321
Shareholders' equity		**163,089**	128,546	111,075
Non-controlling interests		**7,560**	7,042	6,440
TOTAL EQUITY		**170,649**	135,588	117,515

The notes and principal accounting policies on pages 118 to 183 form part of these financial statements.

Peter K C Woo
Chairman

Stephen T H Ng
Deputy Chairman & Managing Director

Company Statement of Financial Position

At 31 December 2010

	Note	**2010** **HK$ Million**	2009 HK$ Million
Non-current assets			
Interest in subsidiaries	11	**25,466**	23,107
Amount due from an associate	13	**417**	—
Long term receivables	16	**—**	241
		25,883	23,348
Current assets			
Receivables		**1**	1
Bank deposits and cash	21	**2**	1
Taxation recoverable	6(d)	**2**	1
		5	3
Current liabilities			
Trade and other payables		**(28)**	(24)
Amount due to an associate	13	**(533)**	—
		(561)	(24)
Net current liabilities		**(556)**	(21)
NET ASSETS		**25,327**	23,327
Capital and reserves			
Share capital	28	**2,754**	2,754
Reserves		**22,573**	20,573
TOTAL EQUITY	29(a)	**25,327**	23,327

The notes and principal accounting policies on pages 118 to 183 form part of these financial statements.

Peter K C Woo
Chairman

Stephen T H Ng
Deputy Chairman & Managing Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Shareholders' equity								
	Share capital *HK$ Million*	Share premium *HK$ Million*	Capital redemption reserves *HK$ Million*	Investments revaluation reserves *HK$ Million*	Exchange and other reserves *HK$ Million*	Revenue reserves *HK$ Million*	Total Shareholders' equity *HK$ Million*	Non-controlling interests *HK$ Million*	Total equity *HK$ Million*
At 1 January 2009	2,754	16,566	7	101	1,708	78,358	99,494	6,363	105,857
Impact of change in accounting policy	—	—	—	—	—	11,581	11,581	77	11,658
Restated at 1 January 2009	2,754	16,566	7	101	1,708	89,939	111,075	6,440	117,515
Change in equity for 2009:									
Profit	—	—	—	—	—	19,256	19,256	598	19,854
Other comprehensive income	—	—	—	395	(166)	189	418	218	636
Total comprehensive income	—	—	—	395	(166)	19,445	19,674	816	20,490
Shares issued by subsidiaries	—	—	—	—	—	—	—	292	292
Final dividends paid for 2008	—	—	—	—	—	(1,212)	(1,212)	—	(1,212)
Interim dividends paid for 2009 (Note 8)	—	—	—	—	—	(991)	(991)	—	(991)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(268)	(268)
Disposal of an investment property	—	—	—	—	—	—	—	(238)	(238)
Restated at 31 December 2009 and 1 January 2010	**2,754**	**16,566**	**7**	**496**	**1,542**	**107,181**	**128,546**	**7,042**	**135,588**
Changes in equity for 2010:									
Profit	**—**	**—**	**—**	**—**	**—**	**35,750**	**35,750**	**715**	**36,465**
Other comprehensive income	**—**	**—**	**—**	**181**	**1,345**	**21**	**1,547**	**202**	**1,749**
Total comprehensive income	**—**	**—**	**—**	**181**	**1,345**	**35,771**	**37,297**	**917**	**38,214**
Shares issued by subsidiaries	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**49**	**49**
Acquisition of additional interest in a subsidiary	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(86)**	**(86)**
Final dividends paid for 2009 (Note 8)	**—**	**—**	**—**	**—**	**—**	**(1,763)**	**(1,763)**	**—**	**(1,763)**
Interim dividends paid for 2010 (Note 8)	**—**	**—**	**—**	**—**	**—**	**(991)**	**(991)**	**—**	**(991)**
Dividends paid to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(362)**	**(362)**
At 31 December 2010	**2,754**	**16,566**	**7**	**677**	**2,887**	**140,198**	**163,089**	**7,560**	**170,649**

The notes and principal accounting policies on pages 118 to 183 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Note	2010 HK$ Million	2009 HK$ Million
Operating cash inflow	(a)	**10,415**	9,660
Changes in working capital	(a)	**(7,218)**	(2,053)
Cash generated from operations	(a)	**3,197**	7,607
Interest paid		**(926)**	(615)
Interest received		**169**	59
Dividends received from associates/jointly controlled entities		**348**	347
Dividends received from investments		**119**	131
Hong Kong profits tax paid		**(530)**	(1,357)
Overseas tax paid		**(910)**	(239)
Net cash generated from operating activities		**1,467**	5,933
Investing activities			
Purchase of fixed assets		**(3,681)**	(2,158)
Additions to programming library		**(93)**	(87)
Net decrease/(increase) in interest in associates		**25**	(286)
Net increase in interest in jointly controlled entities		**(7,554)**	(1,068)
Net proceeds from disposal of subsidiaries and a jointly controlled entity	(b)	**2,585**	812
Net proceeds from disposal of fixed assets		**19**	82
Purchase of financial investments		**(2,140)**	(881)
Acquisition of additional interest in a subsidiary		**(62)**	—
Proceeds from disposal of available-for-sale investments		**1,242**	130
Repayment of long term receivables		**4**	108
Uplift of pledged deposits		**—**	605
Release/(Placement) of bank deposits with maturity greater than three months		**2,700**	(2,700)
Net cash used in investing activities		**(6,955)**	(5,443)
Financing activities			
Drawdown of bank loans and other borrowings		**19,031**	7,769
Repayment of bank loans and other borrowings		**(9,487)**	(5,649)
Issue of shares by subsidiaries to non-controlling interests		**49**	292
Dividends paid to equity shareholders		**(2,754)**	(2,203)
Dividends paid to non-controlling interests		**(362)**	(268)
Net cash generated from/(used in) financing activities		**6,477**	(59)
Increase in cash and cash equivalents		**989**	431
Cash and cash equivalents at 1 January		**15,712**	15,281
Effect of exchange rate changes		**199**	—
Cash and cash equivalents at 31 December		**16,900**	15,712
Analysis of the balance of cash and cash equivalents			
Bank deposits and cash	(c)	**16,900**	15,712

The notes and principal accounting policies on pages 118 to 183 form part of these financial statements.

NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

a. Reconciliation of operating profit to cash generated from operations

	2010 HK$ Million	2009 HK$ Million
Operating profit	**9,372**	8,554
Adjustments for:		
Interest income	**(159)**	(71)
Dividends receivable from investments	**(121)**	(131)
Depreciation and amortisation	**1,328**	1,301
(Profit)/loss on disposal of fixed assets	**(5)**	7
Operating cash inflow	**10,415**	9,660
Increase in properties under development for sale	**(13,394)**	(4,018)
Decrease in completed properties for sale	**2,156**	1,916
Increase in inventories	**(6)**	(2)
Increase in trade and other receivables	**(1,398)**	(243)
Increase/(decrease) in trade and other payables	**1,147**	(935)
Increase in deposits from sale of properties	**4,247**	1,369
Decrease in derivative financial instruments	**(104)**	(134)
Other non-cash items	**134**	(6)
Changes in working capital	**(7,218)**	(2,053)
Cash generated from operations	**3,197**	7,607

b. Amount mainly represented balance of proceeds from disposal of the Group's entire 87.5% equity interests of the owning company of Beijing Capital Times Square.

c. Cash and cash equivalents

	2010 HK$ Million	2009 HK$ Million
Bank deposits and cash in the consolidated statement of financial position (Note 21)	**16,900**	18,412
Less: Bank deposits with maturity greater than three months	**—**	(2,700)
Cash and cash equivalents in the consolidated statement of cash flows	**16,900**	15,712

Notes to the Financial Statements

1. SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

a. Analysis of segment revenues and results

For the year ended 2010	Turnover HK$ Million	Operating profit HK$ Million	Profit on disposal of an investment property HK$ Million	Increase in fair value of investment properties HK$ Million	Other net income HK$ Million	Finance costs HK$ Million	Associates HK$ Million	Jointly controlled entities HK$ Million	Profit before taxation HK$ Million
Property investment	**8,669**	**6,545**	**—**	**29,249**	**87**	**(390)**	**—**	**—**	**35,491**
Hong Kong	**7,043**	**5,991**	**—**	**26,908**	**—**	**(281)**	**—**	**—**	**32,618**
Mainland China	**470**	**223**	**—**	**2,341**	**87**	**(101)**	**—**	**—**	**2,550**
Hotels	**1,156**	**331**	**—**	**—**	**—**	**(8)**	**—**	**—**	**323**
Property development	**3,609**	**1,235**	**—**	**—**	**162**	**(95)**	**38**	**(39)**	**1,301**
Hong Kong	**1**	**1**	**—**	**—**	**99**	**—**	**45**	**—**	**145**
Mainland China	**3,608**	**1,234**	**—**	**—**	**63**	**(95)**	**(7)**	**(39)**	**1,156**
Logistics	**3,426**	**1,792**	**—**	**—**	**447**	**(189)**	**379**	**48**	**2,477**
Terminals	**3,252**	**1,712**	**—**	**—**	**10**	**(189)**	**224**	**48**	**1,805**
Others	**174**	**80**	**—**	**—**	**437**	**—**	**155**	**—**	**672**
CME	**3,682**	**(62)**	**—**	**—**	**1**	**—**	**(41)**	**—**	**(102)**
i-CABLE	**2,002**	**(250)**	**—**	**—**	**1**	**—**	**(41)**	**—**	**(290)**
Telecommunications	**1,680**	**201**	**—**	**—**	**—**	**—**	**—**	**—**	**201**
Others	**—**	**(13)**	**—**	**—**	**—**	**—**	**—**	**—**	**(13)**
Inter-segment revenue	**(297)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Segment total	**19,089**	**9,510**	**—**	**29,249**	**697**	**(674)**	**376**	**9**	**39,167**
Investment and others	**291**	**188**	**—**	**—**	**116**	**(322)**	**—**	**—**	**(18)**
Corporate expenses	**—**	**(326)**	**—**	**—**	**—**	**—**	**—**	**—**	**(326)**
Group total	**19,380**	**9,372**	**—**	**29,249**	**813**	**(996)**	**376**	**9**	**38,823**
For the year ended 2009									
Property investment	8,192	6,191	1,110	12,204	(39)	(332)	—	—	19,134
Hong Kong	6,637	5,630	—	10,668	11	(278)	—	—	16,031
Mainland China	592	319	1,110	1,536	(50)	(45)	—	—	2,870
Hotels	963	242	—	—	—	(9)	—	—	233
Property development	3,065	1,012	—	—	44	(22)	64	41	1,139
Hong Kong	—	—	—	—	—	—	65	—	65
Mainland China	3,065	1,012	—	—	44	(22)	(1)	41	1,074
Logistics	3,091	1,418	—	—	—	11	217	34	1,680
Terminals	2,840	1,307	—	—	—	11	217	34	1,569
Others	251	111	—	—	—	—	—	—	111
CME	3,404	163	—	—	—	—	—	—	163
i-CABLE	1,754	(48)	—	—	—	—	—	—	(48)
Telecommunications	1,650	213	—	—	—	—	—	—	213
Others	—	(2)	—	—	—	—	—	—	(2)
Inter-segment revenue	(317)	—	—	—	—	—	—	—	—
Segment total	17,435	8,784	1,110	12,204	5	(343)	281	75	22,116
Investment and others	118	90	—	—	170	5	—	—	265
Corporate expenses	—	(320)	—	—	—	—	—	—	(320)
Group total	17,553	8,554	1,110	12,204	175	(338)	281	75	22,061

b. Analysis of inter-segment revenue

	2010 Total Revenue *HK$ Million*	2010 Inter-segment revenue *HK$ Million*	2010 Group Revenue *HK$ Million*	2009 Total Revenue *HK$ Million*	2009 Inter-segment revenue *HK$ Million*	2009 Group Revenue *HK$ Million*
Property investment	**8,669**	**(143)**	**8,526**	8,192	(159)	8,033
Property development	**3,609**	**—**	**3,609**	3,065	—	3,065
Logistics	**3,426**	**—**	**3,426**	3,091	—	3,091
CME	**3,682**	**(143)**	**3,539**	3,404	(158)	3,246
Investment and others	**291**	**(11)**	**280**	118	—	118
	19,677	**(297)**	**19,380**	17,870	(317)	17,553

c. Analysis of segment business assets

	2010 *HK$ Million*	2009 *HK$ Million*
Property investment	**149,964**	119,563
Hong Kong	**130,540**	103,122
Mainland China	**18,438**	15,503
Hotels	**986**	938
Property development	**46,931**	25,638
Hong Kong	**3,614**	909
Mainland China	**43,317**	24,729
Logistics	**19,210**	19,008
Terminals	**18,503**	18,736
Others	**707**	272
CME	**4,132**	4,367
i-CABLE	**1,510**	1,753
Telecommunications	**2,622**	2,613
Others	**—**	1
Total segment business assets	**220,237**	168,576
Unallocated corporate assets	**21,988**	21,885
Total assets	**242,225**	190,461

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

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

	2010 *HK$ Million*	2009 *HK$ Million*
Property development	**15,589**	7,689
Logistics	**4,728**	4,062
CME	**—**	38
Group total	**20,317**	11,789

d. Other information

	Capital expenditure		Increase in interests in associates and jointly controlled entities		Depreciation and amortisation	
	2010 *HK$ Million*	2009 *HK$ Million*	**2010 *HK$ Million***	2009 *HK$ Million*	**2010 *HK$ Million***	2009 *HK$ Million*
Property investment	**2,828**	1,584	**—**	—	**133**	124
Hong Kong	**512**	180	**—**	—	**17**	19
Mainland China	**2,215**	1,387	**—**	—	**23**	25
Hotels	**101**	17	**—**	—	**93**	80
Property development	**—**	—	**7,719**	1,787	**—**	—
Hong Kong	**—**	—	**2,664**	—	**—**	—
Mainland China	**—**	—	**5,055**	1,787	**—**	—
Logistics	**262**	864	**17**	1	**460**	421
Terminals	**260**	862	**2**	1	**455**	414
Others	**2**	2	**15**	—	**5**	7
CME	**603**	548	**—**	—	**735**	756
i-CABLE	**251**	261	**—**	—	**347**	364
Telecommunications	**352**	287	**—**	—	**388**	392
Group total	**3,693**	2,996	**7,736**	1,788	**1,328**	1,301

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

e. Geographical information

	Revenue		Operating Profit	
	2010 *HK$ Million*	2009 *HK$ Million*	**2010 *HK$ Million***	2009 *HK$ Million*
Hong Kong	**14,635**	13,605	**7,977**	7,605
Mainland China	**4,711**	3,917	**1,228**	918
Singapore	**34**	31	**167**	31
Group total	**19,380**	17,553	**9,372**	8,554

	Specified non-current assets		Total business assets	
	2010 *HK$ Million*	2009 *HK$ Million*	**2010 *HK$ Million***	2009 *HK$ Million*
Hong Kong	**143,336**	113,115	**145,472**	115,222
Mainland China	**44,033**	33,335	**74,765**	53,354
Group total	**187,369**	146,450	**220,237**	168,576

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

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

2. OPERATING PROFIT

a. Operating profit is arrived at:

	2010 HK$ Million	2009 HK$ Million
After charging/(crediting):		
Depreciation and amortisation on		
— assets held for use under operating leases	**118**	97
— other fixed assets	**1,025**	1,008
— leasehold land (Note 10)	**92**	90
— programming library	**93**	106
Total depreciation and amortisation	**1,328**	1,301
Impairment loss on trade receivables	**1**	8
Staff costs	**2,449**	2,411
including:		
— contributions to defined contribution pension schemes including MPF schemes (after a forfeiture of HK$3 million (2009: HK$5 million))	**111**	98
— income recognised in respect of defined benefit pension schemes (Note 17)	**(48)**	(6)
Auditors' remuneration		
— audit services	**15**	13
— other services	**3**	4
Cost of trading properties sold during the year	**2,196**	1,916
Rental charges under operating leases in respect of telecommunications equipment and services	**98**	90
Rental income less direct outgoings	**(6,351)**	(6,097)
including:		
— contingent rentals	**(1,063)**	(813)
Interest income	**(159)**	(71)
Dividend income from listed investments	**(51)**	(31)
Dividend income from unlisted investments	**(70)**	(100)
(Profit)/loss on disposal of fixed assets	**(5)**	7
Rental income under operating leases in respect of owned plant and machinery	**(20)**	(24)

b. Directors' emoluments

Directors' emoluments are as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Contributions to pension schemes HK$'000	2010 Total emoluments HK$'000	2009 Total emoluments HK$'000
Board of Directors						
Peter K C Woo	**100**	**14,670**	**16,000**	**12**	**30,782**	17,349
Stephen T H Ng	**60**	**4,646**	**9,000**	**276**	**13,982**	11,535
Doreen Y F Lee	**60**	**3,748**	**5,000**	**414**	**9,222**	7,829
T Y Ng	**60**	**3,636**	**4,000**	**12**	**7,708**	4,480
Paul Y C Tsui	**87**	**2,781**	**3,500**	**11**	**6,379**	2,839
Independent Non-executive Directors						
Paul M P Chan (Note ii)	**80**	**—**	**—**	**—**	**80**	80
Edward K Y Chen	**60**	**—**	**—**	**—**	**60**	60
Raymond K F Ch'ien	**60**	**—**	**—**	**—**	**60**	60
Vincent K Fang (Note ii)	**80**	**—**	**—**	**—**	**80**	80
Hans Michael Jebsen (Note ii)	**80**	**—**	**—**	**—**	**80**	80
James E Thompson (Note ii)	**80**	**—**	**—**	**—**	**80**	80
Past Director						
Gonzaga W J Li (Note iii)	**15**	**1,189**	**14,000**	**—**	**15,204**	10,346
	822	**30,670**	**51,500**	**725**	**83,717**	54,818
Total for 2009	840	28,360	24,925	693		54,818

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

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

iii. Mr. Gonzaga W J Li retired and ceased to be a director of the Company with effect from 1 April 2010.

c. Emoluments of the highest paid employees

For the year ended 31 December 2010, information regarding emoluments (excluding amounts, if any, paid or payable by way of commissions on sales generated by the employees concerned) of two employees (2009: one) of the Group who, not being a Director of the Company, were among the top five highest paid individuals (including Directors of the Company and other employees of the Group) employed by the Group is set out below.

Aggregate emoluments	**2010** ***HK$ Million***	2009 *HK$ Million*
Salaries, allowances and benefits in kind	**16**	10
Contributions to pension schemes	**—**	—
Discretionary bonuses	**8**	8
Compensation for loss of office	**—**	—
Inducement for joining the Group	**—**	—
Total	**24**	18

Bands (in HK$)	**2010** ***Number***	2009 *Number*
$10,500,001 – $11,000,000	**1**	—
$13,500,001 – $14,000,000	**1**	—
$18,000,001 – $18,500,000	**—**	1

3. PROFIT ON DISPOSAL OF AN INVESTMENT PROPERTY

The profit for the year 2009 was derived from the disposal of the Group's entire 87.5% equity interests of the owning company of Beijing Capital Times Square.

4. OTHER NET INCOME

Other net income for the year 2010 amounted to HK$813 million (2009: HK$175 million) mainly includes:

a. A one-off surplus of HK$437 million on revaluation of the interests in Hactl on its becoming the Group's associate.

b. Net profit on disposal of available-for-sale investments of HK$133 million (2009: HK$50 million) which includes a revaluation surplus of HK$93 million (2009: HK$18 million) transferred from the investments revaluation reserves of the Group.

c. Net foreign exchange gain of HK$17 million (2009: HK$77 million) which included the impact of forward foreign exchange contracts.

d. Write-back of provision for properties of HK$99 million (2009: HK$Nil).

5. FINANCE COSTS

	2010 HK$ Million	2009 HK$ Million
Interest charged on:		
Bank loans and overdrafts		
— repayable within five years	**372**	334
— repayable after five years	**151**	56
Other borrowings		
— repayable within five years	**6**	9
— repayable after five years	**167**	119
Total interest charge	**696**	518
Other finance costs	**131**	78
Less: Amount capitalised	**(279)**	(212)
	548	384
Fair value cost/(gain):		
Cross currency interest rate swaps	**574**	315
Interest rate swaps	**(126)**	(361)
	996	338

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

b. Included in total interest charge are amounts totalling HK$687 million (2009: HK$512 million) in respect of interest bearing borrowings that are stated at amortised cost.

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

6. INCOME TAX

Taxation charged to consolidated income statement represents:

	2010 *HK$ Million*	2009 *HK$ Million* (restated)
Current income tax		
Hong Kong		
— provision for the year	**1,208**	1,069
— (over)/underprovision in respect of prior years (Note 6(g))	**(809)**	162
Outside Hong Kong		
— provision for the year	**319**	462
— underprovision in respect of prior years	**59**	—
	777	1,693
Land appreciation tax ("LAT") (Note 6(c))	**302**	235
Deferred tax		
Change in fair value of investment properties	**1,158**	683
Origination and reversal of temporary differences	**156**	116
Tax released on disposal of an investment property	**—**	(510)
Benefit of previously unrecognised tax losses now recognised	**(35)**	(10)
	1,279	279
	2,358	2,207

a. The provision for Hong Kong profits tax is based on the profit for the year as adjusted for tax purposes at the rate of 16.5% (2009: 16.5%).

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

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

d. Taxation recoverable/payable in the statement of financial position is expected to be recovered/settled within one year.

e. Tax attributable to associates and jointly controlled entities for the year ended 31 December 2010 of HK$94 million (2009: HK$63 million) is included in the share of results of associates and jointly controlled entities.

f. The China tax law also imposes a withholding tax at 10% unless reduced by a treaty or agreement, for dividends distributed by a PRC-resident enterprise to its immediate holding company outside Mainland China for earnings generated beginning on 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. As at 31 December 2010, the Group has provided HK$79 million (2009: Nil) for income taxes on accumulated earnings generated by its Mainland China subsidiaries which will be distributed to its immediate holding company outside Mainland China in the foreseeable future.

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

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

	2010 **_HK$ Million_**	2009 _HK$ Million_ (restated)
Profit before taxation	**38,823**	22,061
Notional tax on profit before taxation calculated at applicable tax rates	**6,773**	4,025
Tax effect of non-deductible expenses	**103**	73
Tax effect of non-taxable income	**(335)**	(304)
Tax effect of non-taxable fair value gain on investment properties	**(4,494)**	(1,766)
Net (over)/underprovision in respect of prior years	**(750)**	162
Tax effect of tax losses not recognised	**174**	66
Tax effect of unrecognised tax losses utilised	**(88)**	(78)
Tax effect of previously unrecognised tax losses now recognised as deferred tax assets	**(35)**	(10)
Effect of temporary differences not recognised	**3**	—
Tax released on disposal of an investment property	**—**	(510)
LAT on trading properties	**302**	235
Withholding tax for the possible dividend distribution	**79**	—
Deferred LAT on change in fair value of investment properties	**626**	314
Actual total tax charge	**2,358**	2,207

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$4,754 million (2009: HK$1,530 million).

8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2010 HK$ Million	2009 HK$ Million
Interim dividend declared and paid of 36 cents (2009: 36 cents) per share	**991**	991
Final dividend of 64 cents (2009: 64 cents) per share proposed after the end of the reporting date	**1,939**	1,763
	2,930	2,754

a. The proposed final dividend based on 3,029 million issued ordinary shares (2009: 2,754 million shares) after the end of the reporting date has not been recognised as a liability at the end of the reporting date.

b. The final dividend of HK$1,763 million for 2009 was approved and paid in 2010.

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$35,750 million (2009: HK$19,256 million as restated) and the weighted average of 2,754 million (2009: 2,754 million) ordinary shares in issue during the year.

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

10. FIXED ASSETS

	Group						
	Investment properties *HK$ Million*	Properties under or held for redeve-lopment *HK$ Million*	Hotel and club properties *HK$ Million*	Broad-casting & commun-ications equipment *HK$ Million*	Other properties and fixed assets *HK$ Million*	Leasehold land *HK$ Million*	Total *HK$ Million*
a. Cost or valuation							
At 1 January 2009	98,410	5,241	1,185	9,946	13,452	4,671	132,905
Exchange adjustment	11	1	—	—	2	2	16
Additions	1,539	465	1	459	260	272	2,996
Disposals	(67)	—	—	(204)	(59)	—	(330)
Disposals of subsidiaries	(2,440)	—	—	—	(239)	(147)	(2,826)
Reclassification	5,881	(3,716)	(1)	(2)	1,459	(491)	3,130
Revaluation surpluses	12,204	—	—	—	—	—	12,204
Write off	(46)	—	—	—	(14)	—	(60)
At 31 December 2009 and 1 January 2010	**115,492**	**1,991**	**1,185**	**10,199**	**14,861**	**4,307**	**148,035**
Exchange adjustment	**441**	**—**	**18**	**—**	**71**	**20**	**550**
Additions	**2,653**	**178**	**3**	**514**	**345**	**—**	**3,693**
Disposals	**—**	**—**	**—**	**(155)**	**(170)**	**—**	**(325)**
Reclassification	**406**	**(412)**	**—**	**(1)**	**408**	**4**	**405**
Revaluation surpluses	**29,249**	**—**	**—**	**—**	**—**	**—**	**29,249**
At 31 December 2010	**148,241**	**1,757**	**1,206**	**10,557**	**15,515**	**4,331**	**181,607**
Accumulated depreciation and impairment losses							
At 1 January 2009	—	—	574	6,929	5,341	468	13,312
Charge for the year	—	—	32	534	539	90	1,195
Written back on disposals	—	—	—	(198)	(54)	—	(252)
Written back on disposals of subsidiaries	—	—	—	—	(175)	(39)	(214)
Write off	—	—	—	—	(8)	—	(8)
At 31 December 2009 and 1 January 2010	**—**	**—**	**606**	**7,265**	**5,643**	**519**	**14,033**
Exchange adjustment	**—**	**—**	**1**	**—**	**9**	**2**	**12**
Charge for the year	**—**	**—**	**35**	**539**	**569**	**92**	**1,235**
Written back on disposals	**—**	**—**	**—**	**(153)**	**(158)**	**—**	**(311)**
At 31 December 2010	**—**	**—**	**642**	**7,651**	**6,063**	**613**	**14,969**
Net book value							
At 31 December 2010	**148,241**	**1,757**	**564**	**2,906**	**9,452**	**3,718**	**166,638**
At 31 December 2009	115,492	1,991	579	2,934	9,218	3,788	134,002

	Group						
	Investment properties HK$ Million	Properties under or held for redeve-lopment HK$ Million	Hotel and club properties HK$ Million	Broad-casting & commun-ications equipment HK$ Million	Other properties and fixed assets HK$ Million	Leasehold land HK$ Million	Total HK$ Million
b. The analysis of cost or valuation of the above assets is as follows:							
2010 valuation	**142,213**	**—**	**—**	**—**	**—**	**—**	**142,213**
Cost less provisions	**6,028**	**1,757**	**1,206**	**10,557**	**15,515**	**4,331**	**39,394**
	148,241	**1,757**	**1,206**	**10,557**	**15,515**	**4,331**	**181,607**
2009 valuation	111,761	—	—	—	—	—	111,761
Cost less provisions	3,731	1,991	1,185	10,199	14,861	4,307	36,274
	115,492	1,991	1,185	10,199	14,861	4,307	148,035
c. Tenure of title to properties:							
At 31 December 2010							
Held in Hong Kong							
Long term leases	**109,837**	**—**	**78**	**—**	**1**	**82**	**109,998**
Medium term leases	**19,557**	**—**	**1**	**—**	**2,814**	**1,040**	**23,412**
Short term leases	**700**	**—**	**—**	**—**	**—**	**—**	**700**
	130,094	**—**	**79**	**—**	**2,815**	**1,122**	**134,110**
Held outside Hong Kong							
Medium term leases	**18,147**	**1,757**	**485**	**—**	**2,569**	**2,596**	**25,554**
	148,241	**1,757**	**564**	**—**	**5,384**	**3,718**	**159,664**
At 31 December 2009							
Held in Hong Kong							
Long term leases	85,471	—	85	—	11	82	85,649
Medium term leases	16,102	—	—	—	2,826	1,073	20,001
Short term leases	1,110	—	—	—	—	—	1,110
	102,683	—	85	—	2,837	1,155	106,760
Held outside Hong Kong							
Medium term leases	12,809	1,991	494	—	2,212	2,633	20,139
	115,492	1,991	579	—	5,049	3,788	126,899

d. Investment properties revaluation

The Group's investment properties under development are stated at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Those investment properties stated at fair value as at 31 December 2010 were revalued by Knight Frank Petty Limited ("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 a 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 income statement.

Gross rental revenue from investment properties amounted to HK$7,513 million (2009: HK$7,229 million).

e. Impairment of fixed assets

The value of properties, other than investment properties which are revalued annually, is assessed at the end of each reporting date for indications of impairment with reference to valuations undertaken by management. Such valuations assess the recoverable amount of each property based on its value in use (using relevant discount rates) or on its net selling price (by reference to market prices), depending upon the anticipated future plans for the property. No such provision was made or written back for 2010 and 2009.

f. The Group leases out properties under operating leases, which generally run for an initial period of two to three 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	
	2010	2009
	HK$ Million	*HK$ Million*
Within 1 year	**4,992**	4,895
After 1 year but within 5 years	**5,631**	5,107
After 5 years	**118**	301
	10,741	10,303

11. INTEREST IN SUBSIDIARIES

	Company	
	2010 **HK$ Million**	2009 *HK$ Million*
Unlisted shares, at cost less provision	**27,765**	27,765
Amounts due from subsidiaries, less provision	**28,272**	30,451
	56,037	58,216
Amounts due to subsidiaries	**(30,571)**	(35,109)
	25,466	23,107

Details of principal subsidiaries at 31 December 2010 are shown on pages 180 to 183.

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 and non-interest bearing with no fixed terms of payment.

12. GOODWILL AND OTHER INTANGIBLE ASSETS

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

Goodwill is mainly related to the Group's terminals business. As at 31 December 2010, an impairment test was performed by comparing the attributable carrying amount of the business with the recoverable amount. The recoverable amount of the terminals business is based on fair value less costs to sell, which is determined by the latest transaction price. No impairment was recorded.

13. INTEREST IN ASSOCIATES

	Group		Company	
	2010	2009	**2010**	2009
	HK$ Million	*HK$ Million*	***HK$ Million***	*HK$ Million*
Share of net tangible assets	**3,020**	2,176	**—**	—
Goodwill	**1,853**	1,790	**—**	—
	4,873	3,966	**—**	—
Amounts due from associates	**637**	278	**417**	—
Amounts due to associates	**(543)**	(6)	**(533)**	—
	4,967	4,238	**(116)**	—

a. Details of principal associates at 31 December 2010 are shown on page 182.

Included in amounts due from associates are advances totalling HK$371 million which are interest bearing. Amounts due from associates are unsecured and have no fixed terms of repayment. The amounts are neither past due nor impaired.

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

b. On 25 May 2010, the Group entered into an agreement with independent third parties in relation to the acquisition of additional equity interests in Hactl and increased its effective interests in Hactl from 12.5% to 20.83% for a consideration of HK$533 million. Accordingly, the financial results of Hactl have been accounted for as an associate of the Group since then.

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

d. Summary financial information on associates

	2010		2009	
	Total	**Attributable interest**	Total	Attributable interest
	HK$ Million	***HK$ Million***	*HK$ Million*	*HK$ Million*
Assets	**29,390**	**5,099**	19,316	3,225
Liabilities	**(10,196)**	**(2,079)**	(4,603)	(1,049)
Equity	**19,194**	**3,020**	14,713	2,176
Revenue	**5,312**	**977**	2,953	600
Profit before taxation	**2,552**	**449**	1,690	321
Income tax	**(395)**	**(73)**	(200)	(40)
Profit for the year	**2,157**	**376**	1,490	281

14. INTEREST IN JOINTLY CONTROLLED ENTITIES

	Group	
	2010	2009
	HK$ Million	*HK$ Million*
Share of net assets	**6,114**	728
Goodwill	**54**	54
	6,168	782
Amounts due from jointly controlled entities	**9,182**	6,769
	15,350	7,551

Details of principal jointly controlled entities at 31 December 2010 are shown on page 182.

Included in amounts due from jointly controlled entities are advances totalling HK$2,663 million which are interest bearing. The amounts due from jointly controlled entities are unsecured and have no fixed terms of repayment. It is not expected to be recovered within the next twelve months. 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:

	2010	2009
	HK$ Million	*HK$ Million*
Non-current assets	**1,019**	1,684
Current assets	**19,146**	7,346
Current liabilities	**(3,918)**	(5,178)
Non-current liabilities	**(10,133)**	(3,124)
Net assets	**6,114**	728
Revenue	**296**	692
Profit for the year	**9**	75

15. FINANCIAL INVESTMENTS

	Group	
	2010 **HK$ Million**	2009 HK$ Million
Available-for-sale investments		
Listed investments stated at market value		
— in Hong Kong	**1,891**	91
— outside Hong Kong	**1,445**	1,141
Unlisted investments	**26**	99
	3,362	1,331
Unlisted held-to-maturity investments	**—**	794

Available-for-sale investments totalling HK$26 million (2009: HK$99 million) are stated at cost less impairment losses, if any.

As at 31 December 2010, the fair value of individually impaired available-for-sale investments amounted to HK$104 million (2009: HK$64 million) and impairment losses of HK$2 million (2009: HK$2 million) were recognised in the consolidated income statement for the year.

16. LONG TERM RECEIVABLES

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

17. EMPLOYEE RETIREMENT BENEFITS

a. Defined benefit pension schemes

The Group makes contributions to three defined benefit pension schemes that provide pension benefits for employees upon retirement with one significant scheme terminated and replaced by mandatory provident fund scheme during the year under review. The assets of the schemes are held separately by independently administered funds. The schemes are funded by contributions both from employers and employees, which are in accordance with the recommendations made by actuaries based on their valuation of the schemes. The latest valuations of the schemes as at 31 December 2010 were performed by Towers Watson Hong Kong Limited, who is independent qualified actuaries, using the projected unit credit method. The aggregate funding ratio of the schemes was 111%.

i. *The defined benefit pension scheme assets recognised in the consolidated statement of financial position is as follows:*

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

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amount payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group expects to pay HK$1 million in contribution to defined benefit pension schemes in 2011.

ii. *Scheme assets consist of the following:*

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

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

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

iv. *Movements in the scheme assets are as follows:*

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

v. *Income recognised in the consolidated income statement is as follows:*

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

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

The actual return on scheme assets was a gain of HK$23 million (2009: HK$223 million).

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

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

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

vii. *Historical information*

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

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

b. Defined contribution pension schemes

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

18. PROPERTIES FOR SALE

	Group	
	2010	2009
	HK$ Million	*HK$ Million*
Properties under development for sale	**28,851**	17,423
Completed properties for sale	**881**	374
	29,732	17,797

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

b. Included in properties under development for sale are deposits of HK$8,175 million (2009: HK$3,494 million) paid for the acquisition of certain land sites/properties located in Mainland China.

c. Properties under development for sale and completed properties for sale are stated at the lower of cost and net realisable value. The total carrying value of properties stated at net realisable value at 31 December 2010 was HK$147 million (2009: HK$48 million).

d. In 2010, net provisions totalling HK$99 million (2009: Nil) charged to the consolidated income statement in prior years for properties under development for sale were written back as a result of the increase in net realisable value of certain properties.

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

	Group	
	2010	2009
	HK$ Million	*HK$ Million*
Held in Hong Kong		
Medium term leases	**941**	941
Held outside Hong Kong		
Medium term leases	**23,933**	13,766
	24,874	14,707

19. TRADE AND OTHER RECEIVABLES

a. Ageing analysis

Included in this item are trade receivables (net of allowance for bad and doubtful debts) with an ageing analysis based on invoice date as at 31 December 2010 as follows:

	Group	
	2010	2009
	HK$ Million	*HK$ Million*
Trade receivables		
0–30 days	**583**	417
31–60 days	**108**	170
61–90 days	**52**	43
Over 90 days	**50**	68
	793	698
Other receivables	**2,725**	3,856
	3,518	4,554

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	
	2010	2009
	HK$ Million	*HK$ Million*
At 1 January	**98**	114
Impairment loss recognised	**1**	8
Uncollectible amounts written off	**(11)**	(24)
At 31 December	**88**	98

c. Trade receivables that are not impaired

As at 31 December 2010, 91% (2009: 89%) of the Group's trade receivables were not impaired, of which 83% (2009: 86%) was either not past due or less than two months past due.

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

20. DERIVATIVE FINANCIAL INSTRUMENTS

	2010		2009	
	Assets	**Liabilities**	Assets	Liabilities
	HK$ Million	***HK$ Million***	*HK$ Million*	*HK$ Million*
At fair value through profit or loss				
Fixed-to-floating interest rate swaps	**111**	**23**	102	35
Floating-to-fixed interest rate swaps	**561**	**192**	307	98
Cross currency interest rate swaps	**77**	**1,570**	102	1,020
Forward foreign exchange contracts	**2**	**46**	—	2
Total	**751**	**1,831**	511	1,155
Analysis				
Current	**164**	**244**	193	100
Non-current	**587**	**1,587**	318	1,055
Total	**751**	**1,831**	511	1,155

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

	2010		2009	
	Assets	**Liabilities**	Assets	Liabilities
	HK$ Million	***HK$ Million***	*HK$ Million*	*HK$ Million*
Fixed-to-floating interest rate swaps				
Expiring within 1 year	**11**	**—**	40	—
Expiring after more than 1 year but not exceeding 5 years	**17**	**11**	26	7
Expiring after 5 years	**83**	**12**	36	28
	111	**23**	102	35
Floating-to-fixed interest rate swaps				
Expiring within 1 year	**—**	**—**	—	5
Expiring after 5 years	**561**	**192**	307	93
	561	**192**	307	98
Cross currency interest rate swaps				
Expiring within 1 year	**—**	**8**	—	—
Expiring after more than 1 year but not exceeding 5 years	**17**	**11**	25	30
Expiring after 5 years	**60**	**1,551**	77	990
	77	**1,570**	102	1,020
Forward foreign exchange contracts				
Expiring within 1 year	**2**	**46**	—	2
	2	**46**	—	2
Total	**751**	**1,831**	511	1,155

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

	2010	2009
	HK$ Million	*HK$ Million*
Forward foreign exchange contracts	**1,279**	1,755
Fixed-to-floating interest rate swaps	**8,202**	4,800
Floating-to-fixed interest rate swaps	**8,230**	6,330
Cross currency interest rate swaps	**10,117**	10,117

The notional amount of cross currency interest rate swaps included the USD400 million swaps against JPY with the effect of converting the USD400 million ten-year fixed-rate notes issued in 2007 into JPY borrowings.

b. Derivative financial assets represented the amounts the Group would receive whilst derivative financial liabilities represented the amounts the Group would pay if the position were closed at the end of reporting date. Derivative financial instruments did not qualify for hedge accounting and their corresponding changes in fair values have been recognised in the consolidated income statement.

c. During the year, a loss of HK$146 million (2009: gain of HK$31 million) in respect of forward foreign exchange contracts was recognised in the consolidated income statement.

d. During the year, fair value cost on cross currency interest rate swaps and gain on interest rate swaps in the amounts of HK$574 million (2009: HK$315 million) and HK$126 million (2009: HK$361 million) respectively have been included under finance costs in the consolidated income statement.

21. BANK DEPOSITS AND CASH

	Group		Company	
	2010 **HK$ Million**	2009 *HK$ Million*	**2010** **HK$ Million**	2009 *HK$ Million*
Bank deposits and cash	**16,900**	18,412	**2**	1

Bank deposits and cash as at 31 December 2010 include HK$12,710 million equivalent (2009: HK$7,181 million) placed with banks in Mainland China, the remittance of which are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

At 31 December 2010, bank deposits and cash included bank deposits of RMB2,216 million equivalent to HK$2,605 million (2009: RMB1,084 million equivalent to HK$1,230 million) which are solely for certain designated property development projects in Mainland China.

22. TRADE AND OTHER PAYABLES

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

	Group	
	2010 **HK$ Million**	2009 *HK$ Million*
Trade payables		
0–30 days	**242**	200
31–60 days	**133**	53
61–90 days	**44**	25
Over 90 days	**146**	72
	565	350
Rental and customer deposits	**1,790**	1,638
Construction costs payable	**1,746**	1,123
Other payables	**2,438**	2,521
	6,539	5,632

The amount of trade and other payables that is expected to be settled after more than one year is HK$1,023 million (2009: HK$999 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. DEPOSITS FROM SALE OF PROPERTIES

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

24. BANK LOANS AND OTHER BORROWINGS

	Group	
	2010 *HK$ Million*	2009 *HK$ Million*
Bonds and notes (unsecured)		
Due within 1 year	**202**	200
Due after more than 1 year but not exceeding 2 years	**—**	210
Due after more than 2 years but not exceeding 5 years	**500**	500
Due after more than 5 years	**5,468**	4,104
	6,170	5,014
Bank loans (secured)		
Due within 1 year	**323**	733
Due after more than 1 year but not exceeding 2 years	**629**	607
Due after more than 2 years but not exceeding 5 years	**15,250**	4,669
Due after more than 5 years	**1,935**	2,987
	18,137	8,996
Bank loans (unsecured)		
Due within 1 year	**7,304**	7,395
Due after more than 1 year but not exceeding 2 years	**5,791**	4,200
Due after more than 2 years but not exceeding 5 years	**9,367**	13,239
Due after more than 5 years	**2,820**	1,000
	25,282	25,834
Total bank loans and other borrowings	**49,589**	39,844
Analysis of maturities of the above borrowings:		
Current borrowings		
Due within 1 year	**7,829**	8,328
Non-current borrowings		
Due after more than 1 year but not exceeding 5 years	**31,537**	23,425
Due after more than 5 years	**10,223**	8,091
	41,760	31,516
Total bank loans and other borrowings	**49,589**	39,844

a. The Group's borrowings are considered by the management to be effectively denominated in the following currencies (after the effects of cross currency interest rate swaps arrangements as detailed in Note 27(b)):

	2010 *HK$ Million*	2009 *HK$ Million*
HKD	**41,651**	32,818
RMB	**4,818**	3,517
USD	**—**	389
JPY	**3,120**	3,120
	49,589	39,844

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 Notes 27(a) and (b)) were as follows:

	2010 Effective interest rate %	***HK$ Million***	2009 Effective interest rate %	*HK$ Million*
Fixed rate borrowings				
Bonds and notes	**3.1**	**3,120**	3.1	3,120
Bank loans	**2.5**	**2,500**	—	—
		5,620		3,120
Floating rate borrowings				
Bonds and notes	**2.1**	**3,050**	1.3	1,894
Bank loans	**1.8**	**40,919**	1.1	34,830
		43,969		36,724
Total borrowings		**49,589**		39,844

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

d. Included in the Group's total loans are bank loans totalling HK$14,193 million (2009: HK$14,809 million) borrowed by certain subsidiaries in Mainland China, Modern Terminals and HCDL. The loans are without recourse to the Company and its other subsidiaries.

e. As at 31 December 2010, certain banking facilities of the Group are secured by mortgages over certain properties under development, fixed assets and shares with an aggregate carrying value of HK$18,360 million (2009: HK$22,474 million).

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

25. DEFERRED TAXATION

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

	Group		
	2010	2009	2008
	HK$ Million	*HK$ Million* (restated)	*HK$ Million* (restated)
Deferred tax liabilities	**5,237**	3,791	3,527
Deferred tax assets	**(463)**	(366)	(383)
Net deferred tax liabilities	**4,774**	3,425	3,144

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 2009 (restated)	2,190	1,616	(42)	(620)	3,144
Charged to the consolidated income statement (restated)	75	683	4	27	789
Exchange adjustment	—	2	—	—	2
Disposal of an investment property	(145)	(365)	—	—	(510)
At 31 December 2009 and 1 January 2010 (restated)	**2,120**	**1,936**	**(38)**	**(593)**	**3,425**
Charged to the consolidated income statement	**105**	**1,158**	**7**	**9**	**1,279**
Exchange adjustment	**5**	**66**	**(1)**	**—**	**70**
At 31 December 2010	**2,230**	**3,160**	**(32)**	**(584)**	**4,774**

b. **Deferred tax assets not recognised**

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

	Group	
	2010 ***HK$ Million***	2009 *HK$ Million*
Deductible temporary differences	**(42)**	(42)
Future benefit of tax losses	**(1,069)**	(1,016)
Net deferred tax assets not recognised	**(1,111)**	(1,058)

The Group has not recognised the deferred tax assets attributable to the future benefit of tax losses sustained in the operations of certain subsidiaries as the availability of future taxable profits against which the assets can be utilised is uncertain at 31 December 2010. The tax losses arising from Hong Kong operations do not expire under current tax legislation. The tax losses arising from Mainland China operations expire five years after the relevant accounting year end date.

26. OTHER DEFERRED LIABILITIES

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

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

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

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

a. Interest rate risk

The Group's main exposure to interest rate risk relates principally to the Group's long term borrowings denominated in HKD, USD 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$1,981 million (2009: HK$930 million) into floating rates borrowings. For each of the IRS entered into by the Group, the tenor and timing of the IRS cash flows matches with those of the notes interest expenses.

For ensuring the certainty for a proportion of funding costs in the forthcoming years, the Group has entered into various floating-to-fixed IRS with the notional amounts totalling HK$8,230 million with maturity of 10 to 15 years together with another HK$8,230 million fixed-to-floating IRS with maturity of 2 years. Effectively, this arrangement has locked in fixed interest rates ranging from 2.1% to 3.6% for a certain portion of the Group's floating rate loan portfolio for a period of eight to thirteen years from 2010 to 2012 onwards.

As at 31 December 2010, after taking into account of IRS, approximately 89% (2009: 92%) of the Group's borrowings were at floating rates and the remaining 11% (2009: 8%) were at fixed rates. (see Note 24(b)).

Based on the sensitivity analysis performed as at 31 December 2010, it was estimated that a general increase/decrease of 1% (2009: 1%) in interest rates, with all other variables held constant, would decrease/increase the Group's post-tax profit and total equity by approximately HK$124 million (2009: HK$28 million). This takes into account the effect of interest bearing bank deposits.

The sensitivity analysis above indicates the instantaneous change in the Group's post-tax profit and total equity that would arise assuming that the change in interest rates had occurred at the end of reporting date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of reporting date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of reporting date, the impact on the Group's post-tax profit and total equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2009.

b. Foreign currency risk

The Group owns assets and conducts its businesses primarily in Hong Kong and secondarily in Mainland China, with its cash flows denominated substantially in HKD 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 Mainland 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 Mainland China, the Group has adopted a diversified funding approach and entered into certain cross currency interest rate swaps and forward foreign exchange contracts. Some of the cross currency interest rate swaps have the financial effect of converting certain USD borrowings into JPY borrowings, taking the advantage of lower interest rate for the JPY borrowings but exposing the Group to exchange rate risk with respect to JPY. The swaps entered into under this arrangement have effectively converted the USD400 million ten-year fixed-rate notes issued in 2007 into JPY borrowings, which has and is anticipated going forward to save the Group interest of approximately 3% per annum for and over the tenure of the notes. Concurrently, the swaps expose the Group to fluctuation in the JPY exchange rate. Based on the prevailing accounting standard, such swaps need to be marked to market with the valuation movement recognised to the consolidated income statement.

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

	2010				2009			
	USD *Million*	**RMB *Million***	**JPY *Million***	**EURO *Million***	USD *Million*	RMB *Million*	JPY *Million*	EURO *Million*
The Group								
Bank deposits and cash	**23**	**72**	**—**	**—**	72	22	—	2
Available-for-sale investments	**185**	**—**	**—**	**—**	146	—	—	2
Held-to-maturity investments	**—**	**—**	**—**	**—**	102	—	—	—
Trade and other receivables	**87**	**62**	**—**	**—**	86	33	—	3
Trade and other payables	**(14)**	**(170)**	**—**	**—**	(15)	(232)	—	—
Bank loans and other borrowings	**(1,298)**	**—**	**—**	**—**	(1,298)	—	—	—
Inter-company balances	**57**	**231**	**—**	**—**	111	490	—	—
Gross exposure arising from recognised assets and liabilities	**(960)**	**195**	**—**	**—**	(796)	313	—	7
Notional amount of forward foreign exchange contracts								
— at fair value through profit or loss	**151**	**—**	**(12,772)**	**2**	138	600	(12,772)	—
— at cashflow hedge	**—**	**68**	**—**	**—**	—	—	—	—
Notional amount of cross currency IRS	**1,298**	**—**	**(45,764)**	**—**	1,298	—	(45,764)	—
Highly probable forecast purchase	**(212)**	**—**	**—**	**(7)**	(271)	—	—	(10)
Overall net exposure	**277**	**263**	**(58,536)**	**(5)**	369	913	(58,536)	(3)

At 31 December 2010, 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, trade and other payables, bank loans and inter-company borrowings in the amount of HK$441 million, HK$71 million, HK$883 million and HK$1,255 million respectively (2009: HK$1,198 million, HK$69 million, HK$883 million and HK$1,709 million respectively).

As at 31 December 2010, the Company with HKD as their functional currency is not exposed to any foreign currency risk.

The following indicates the instantaneous change in the Group's post-tax profit and total equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of reporting date had changes at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between HKD and the USD would be materially unaffected by any changes movement in value of the USD against other currencies.

— a 5% (2009: 5%) increase/decrease in the exchange rate of JPY against USD will decrease/increase the Group's post-tax profit and total equity by approximately HK$292 million (2009: HK$256 million).

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

The sensitivity analysis performed in the above represents an aggregation of the instantaneous effects on each of the Group entities' post-tax profit and total equity measured in the respective functional currencies, translated into HKD at the exchange rate ruling at the end of the reporting date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting date, including balances between Group companies which are denominated in a currency other than the functional currencies of the Group's entities to which they relate. The analysis excludes the differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed at the same basis for 2009.

c. Equity price risk

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

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

Based on the sensitivity analysis performed as at 31 December 2010, it is estimated that an increase/decrease of 10% 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$334 million (2009: HK$123 million). The analysis is performed on the same basis for 2009.

d. Liquidity risk

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

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

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

		Contractual undiscounted cash flow				
	Carrying amount *HK$ Million*	**Total** *HK$ Million*	**Within 1 year or on demand** *HK$ Million*	**More than 1 year but less than 2 years** *HK$ Million*	**More than 2 years but less than 5 years** *HK$ Million*	**More than 5 years** *HK$ Million*
At 31 December 2010						
Bank loans and other borrowings	**(49,589)**	**(53,453)**	**(7,495)**	**(7,727)**	**(26,792)**	**(11,439)**
Trade and other payables	**(6,539)**	**(6,539)**	**(5,516)**	**(498)**	**(473)**	**(52)**
Other deferred liabilities (Club debentures issued)	**(215)**	**(215)**	**—**	**—**	**—**	**(215)**
Forward foreign exchange contracts	**(44)**	**(44)**	**(44)**	**—**	**—**	**—**
Cross currency interest rate swaps	**(1,493)**	**(784)**	**99**	**77**	**179**	**(1,139)**
Interest rate swaps	**457**	**(1,349)**	**(105)**	**(119)**	**(385)**	**(740)**
	(57,423)	**(62,384)**	**(13,061)**	**(8,267)**	**(27,471)**	**(13,585)**
At 31 December 2009						
Bank loans and other borrowings	(39,844)	(42,878)	(8,842)	(5,422)	(19,690)	(8,924)
Trade and other payables	(5,632)	(5,632)	(4,633)	(516)	(423)	(60)
Other deferred liabilities (Club debentures issued)	(215)	(215)	—	—	—	(215)
Forward foreign exchange contracts	(2)	(2)	(2)	—	—	—
Cross currency interest rate swaps	(918)	(33)	105	99	254	(491)
Interest rate swaps	276	(486)	(2)	(52)	(190)	(242)
	(46,335)	(49,246)	(13,374)	(5,891)	(20,049)	(9,932)

The Company is expected on its own to expose to liquidity risk that arise from financial guarantees given by the Company on behalf of subsidiaries. The guarantees are callable if the respective subsidiary is unable to meet its obligation and the maximum amount callable as at 31 December 2010 was HK$38.5 billion (2009: HK$25.1 billion).

e. Credit risk

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

Cash at 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 statement of financial position. Except for the financial guarantees given by the Company as set out in Note 31, the Group does not provide any other guarantee which would expose the Group or the Company to material credit risk.

f. Fair value

i. *Fair value estimation*

The fair value of financial instruments are determined as follows:

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

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

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

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2010 and 2009. Amounts due (to)/from subsidiaries are unsecured, interest free and have no fixed repayment terms. Given these terms it is not meaningful to disclose fair values.

ii. *Financial instruments carried at fair value*

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

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

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

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

	Group					
	At 31 December 2010			At 31 December 2009		
	Level 1 *HK$ Million*	**Level 2 *HK$ Million***	**Total *HK$ Million***	Level 1 *HK$ Million*	Level 2 *HK$ Million*	Total *HK$ Million*
Assets						
Available-for-sale investments:						
— Listed	**3,336**	**—**	**3,336**	1,232	—	1,232
Derivative financial instruments:						
— Interest rate swaps	**—**	**672**	**672**	—	409	409
— Cross currency interest rate swaps	**—**	**77**	**77**	—	102	102
— Forward foreign exchange contracts	**—**	**2**	**2**	—	—	—
	3,336	**751**	**4,087**	1,232	511	1,743
Liabilities						
Derivative financial instruments:						
— Interest rate swaps	**—**	**(215)**	**(215)**	—	(133)	(133)
— Cross currency interest rate swaps	**—**	**(1,570)**	**(1,570)**	—	(1,020)	(1,020)
— Forward foreign exchange contracts	**—**	**(46)**	**(46)**	—	(2)	(2)
	—	**(1,831)**	**(1,831)**	—	(1,155)	(1,155)

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

g. Capital management

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

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

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

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

	Group	
	2010 ***HK$ Million***	2009 *HK$ Million* (restated)
Bank loans and other borrowings (Note 24)	**49,589**	39,844
Less: Bank deposits and cash (Note 21)	**(16,900)**	(18,412)
Net debt	**32,689**	21,432
Shareholders' equity	**163,089**	128,546
Total equity	**170,649**	135,588
Net debt-to-shareholders' equity ratio	**20.0%**	16.7%
Net debt-to-total equity ratio	**19.2%**	15.8%

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

28. SHARE CAPITAL

	2010 No. of shares *Million*	2009 No. of shares *Million*	2010 *HK$ Million*	2009 *HK$ Million*
Authorised Ordinary shares of HK$1 each	**3,600**	3,600	**3,600**	3,600
Issued and fully paid Ordinary shares of HK$1 each At 1 January and 31 December	**2,754**	2,754	**2,754**	2,754

Rights issue

Subsequent to 31 December 2010, the Company proposed a rights issue exercise as detailed in Note 35 and increased its issued share capital by 275 million shares to 3,029 million shares.

29. CAPITAL AND RESERVES

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

The Group's investments revaluation reserves have been set up and will be dealt with in accordance with the accounting 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.

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

	Share capital *HK$ Million*	Share premium *HK$ Million*	Capital redemption reserve *HK$ Million*	Revenue reserves *HK$ Million*	Total *HK$ Million*
The Company					
At 1 January 2009	2,754	16,566	7	4,673	24,000
Profit	—	—	—	1,530	1,530
Final dividends paid for 2008	—	—	—	(1,212)	(1,212)
Interim dividends paid for 2009 (Note 8)	—	—	—	(991)	(991)
At 31 December 2009 and 1 January 2010	**2,754**	**16,566**	**7**	**4,000**	**23,327**
Profit	**—**	**—**	**—**	**4,754**	**4,754**
Final dividends paid for 2009 (Note 8)	**—**	**—**	**—**	**(1,763)**	**(1,763)**
Interim dividends paid for 2010 (Note 8)	**—**	**—**	**—**	**(991)**	**(991)**
At 31 December 2010	**2,754**	**16,566**	**7**	**6,000**	**25,327**

b. Reserves of the Company available for distribution to equity shareholders of the Company as at 31 December 2010 amounted to HK$6,000 million (2009: HK$4,000 million).

c. 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.

d. After the end of reporting date the Directors proposed a final dividend of 64 cents per share (2009: 64 cents per share) amounting to HK$1,939 million based on 3,029 million issued ordinary shares (2009: HK$1,763 million based on 2,754 million shares). This dividend has not been recognised as a liability at the end of reporting date.

30. 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 2010:

a. In respect of the year ended 31 December 2010, the Group earned rental income totalling HK$562 million (2009: HK$513 million) from various tenants which are wholly-owned by, or are non wholly-owned subsidiaries of, companies which in turn are wholly-owned by the family interests of, or by a trust the settlor of which is, the Chairman of the Company. Such transactions are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules.

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

31. CONTINGENT LIABILITIES

As at 31 December 2010, 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$50,705 million (2009: HK$38,828 million). There were also contingent liabilities in respect of guarantees given by the Company on behalf of a jointly controlled entity of HK$3,600 million (2009: HK$Nil) of which HK$2,607 million had been drawn. The Company has not recognised any deferred income for the guarantees given in respect of borrowings and other banking facilities for subsidiaries and jointly controlled entity as their fair value cannot be reliably measured and their transaction price was HK$Nil.

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

32. COMMITMENTS

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

	Group					
	2010			2009		
	Hong Kong	**Mainland China**	**Total**	Hong Kong	Mainland China	Total
	HK$ Million	***HK$ Million***	***HK$ Million***	*HK$ Million*	*HK$ Million*	*HK$ Million*
a. Capital expenditure						
(including investment properties)						
Authorised and contracted for	**937**	**5,853**	**6,790**	330	6,624	6,954
Authorised but not contracted for	**739**	**16,242**	**16,981**	1,148	11,711	12,859
	1,676	**22,095**	**23,771**	1,478	18,335	19,813
b. Programming and others						
Authorised and contracted for	**1,761**	**—**	**1,761**	2,226	—	2,226
Authorised but not contracted for	**142**	**—**	**142**	139	—	139
	1,903	**—**	**1,903**	2,365	—	2,365
c. Properties under development						
(other than investment properties)						
Authorised and contracted for	**7**	**10,973**	**10,980**	7	8,020	8,027
Authorised but not contracted for	**—**	**37,060**	**37,060**	—	20,428	20,428
	7	**48,033**	**48,040**	7	28,448	28,455
d. Properties under development undertaken by jointly controlled entities and associates attributable to the Group						
Authorised and contracted for	**41**	**4,550**	**4,591**	—	4,335	4,335
Authorised but not contracted for	**853**	**16,149**	**17,002**	—	10,459	10,459
	894	**20,699**	**21,593**	—	14,794	14,794
e. Expenditure for operating leases						
Within one year	**24**	**—**	**24**	29	—	29
After one year but within five years	**33**	**—**	**33**	41	—	41
Over five years	**59**	**—**	**59**	58	—	58
	116	**—**	**116**	128	—	128

i. Commitments for properties under development by the Group's subsidiaries or through jointly controlled entities included outstanding land cost attributable to the Group of HK$15.2 billion payable by instalments from 2011 to 2013. Other commitments under the categories are mainly construction cost for the forthcoming years.

ii. Commitments for capital expenditure in Mainland China are mainly related to land and construction cost for investment property under development and Modern Terminal's port expenditure for the Dachan Bay project.

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

33. CHANGES IN ACCOUNTING POLICIES

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

HKFRS 3 (revised 2008)	Business combinations
Amendments to HKAS 27	Consolidated and separate financial statements
Amendment to HKAS 39	Financial instruments: Recognition and measurement — eligible hedged items
Improvements to HKFRSs (2009)	
HK(Int) 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause

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

The "Principal accounting policies" set out on pages 161 to 179 summarises the accounting policies of the Group and the Company after the adoption of these policies to the extent that they are relevant to the Group and the Company.

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

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

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

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

	As previously reported *HK$ million*	Effect of adoption of amendments to HKAS 12 *HK$ million*	As restated *HK$ million*
Consolidated income statement for the year ended 31 December 2009:			
Income tax expense	3,973	(1,766)	2,207
Profit attributable to:			
Non-controlling interests	587	11	598
Equity shareholders	17,501	1,755	19,256
Basic earnings per share	HK$6.35	HK$0.64	HK$6.99
Fully diluted earnings per share	HK$6.35	HK$0.64	HK$6.99
Consolidated statement of financial position as at 31 December 2009:			
Deferred tax liabilities	17,215	(13,424)	3,791
Revenue reserves	93,845	13,336	107,181
Non-controlling interests	6,954	88	7,042
Consolidated statement of financial position as at 1 January 2009:			
Deferred tax liabilities	15,185	(11,658)	3,527
Revenue reserves	78,358	11,581	89,939
Non-controlling interests	6,363	77	6,440

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

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

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

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

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

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

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

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

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

e. As a result of the adoption of HK (Int) 5, Presentation of Financial Statements — Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause ("HK (Int) 5"), liability which may be callable by the lender at any time without cause (an overriding right of demand), must be classified as a current liability in accordance with HKAS 1. The issuance of HK (Int) 5 has had no material impact on the Group's financial position.

34. FUTURE CHANGES IN ACCOUNTING POLICIES

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2010 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

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

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

35. EVENTS AFTER THE REPORTING PERIOD

a. After the end of the reporting date the Directors proposed a final dividend. Further details are disclosed in Note 8.

b. Rights Issue

On 10 February 2011, the Company announced that it proposed to issue 275,386,120 new ordinary shares of HK$1 each by way of a rights issue in the proportion of one rights share for every ten ordinary shares then held by qualifying shareholders at a subscription price of HK$36.50 per rights share.

Accordingly, the Company has subsequently increased its issued share capital by 275,386,120 shares to 3,029,247,327 shares. These newly issued shares rank pari passu in all respects with the existing shares. The net proceeds, after deduction of related expenses, of approximately HK$9,980 million from the Rights Issue will be used to finance additional property and related investment in Mainland China.

36. COMPARATIVE FIGURES

As a result of the adoption of the amendments to HKAS 12, income taxes, certain comparative figures have been adjusted to reflect the decrease in accrual of deferred tax liabilities related to investment properties carried at fair value. Further details of these developments are disclosed in note 33.

37. PARENT AND ULTIMATE HOLDING COMPANY

The Directors consider the parent and ultimate holding company at 31 December 2010 to be Wheelock and Company Limited, incorporated and listed in Hong Kong. Wheelock and Company Limited produces financial statements available for public use.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Directors on 23 March 2011.

Principal Accounting Policies

a. Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 33 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 34), with the exception of the amendments to HKAS 12, Income Taxes, in respect of the recognition of deferred tax on investment properties carried at fair values under HKAS 40, in the consolidated financial statements for the year ended 31 December 2010. The effects of the early adoption of HKAS 12 (amended) are set out in note 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 non-controlling interests

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

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

Non-controlling interests (previously known as "minority interests") represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes (o) or (p) depending on the nature of the liability.

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

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

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses.

ii. *Associates and jointly controlled entities*

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

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

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes (c)(iii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

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

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

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

In the individual Company's statement of financial position, investments in associates and jointly controlled entities are stated at cost less impairment losses.

iii. Goodwill

Goodwill represents the excess of

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

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

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

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

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

d. Fixed assets

i. Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated in the statement of financial position at fair value, unless they are still in the course of construction or development at the end of reporting date and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in the consolidated income statement. Rental income from investment properties is accounted for as described in note (s)(i).

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

ii. Hotel and club properties

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

iii. Broadcasting and communications equipment

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

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

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

e. Depreciation of fixed assets

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

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

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

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

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

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

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

f. Investments in debt and equity securities

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

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in the consolidated income statement as incurred. At the end of each reporting date the fair value is remeasured, with any resultant gain or loss being recognised in the consolidated income statement. The net gain or loss recognised in the consolidated income statement does not include any dividends or interest earned as these are recognised in accordance with the policies set out in notes (s)(iv) and (v).

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

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses.

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the investments revaluation reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in the consolidated profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in consolidated profit or loss. When these investments are derecognised or impaired, the cumulative gain or loss is reclassified from equity to profit or loss.

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

g. Derivative financial instruments

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

h. Hedging

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

ii. *Cash flow hedge*
Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gain or loss on remeasurement of the derivative financial instrument to fair value is recognised directly in other comprehensive income and accumulated separately in equity. The ineffective portion of any gain or loss is recognised immediately in the consolidated income statement.

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

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

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

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

iii. Hedge of net investment in a foreign operation

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

i. Leased assets

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

i. Classification of leased assets

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

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

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

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

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

j. Programming library

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

Presentation rights are stated in the statement of financial position at cost less accumulated amortisation (where the estimated useful life is other than indefinite) and any impairment losses. Amortisation is charged to 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 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 of the end of reporting date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in subsidiaries, associates and jointly controlled entities (including those recognised using the equity method (see note (c)(ii))), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note (k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note (k)(ii).

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

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

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

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

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

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

ii. Impairment of other assets

The carrying amounts of non-current assets, other than properties carried at revalued amounts and deferred tax assets, are reviewed at the end of each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Recoverable amount

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

— Recognition of impairment losses

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

— Reversals of impairment losses

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

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

— Interim financial reporting and impairment

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

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

l. Properties for sale

i. Completed properties for sale

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

The amount of any write down of or provision for 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 income statement in the period in which the reversal occurs.

ii. Properties under development for sale

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

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

m. Inventories

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

n. Trade and other receivables

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

o. Interest-bearing borrowings

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

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

p. Trade and other payables

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

q. Cash and cash equivalents

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

r. Foreign currencies

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

s. Recognition of revenue

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated income statement as follows:

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

ii. Income arising from the sale of properties held for sale is recognised upon the later of the execution of the formal sale and purchase agreement and the issue of occupation permit/ completion certificate by the relevant government authorities, which 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 statement of financial position.

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

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

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

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

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

t. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they incurred.

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

u. Income tax

i. Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the consolidated income statement except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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

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

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

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

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note (d)(i), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other case, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of reporting date. Deferred tax assets and liabilities are not discounted.

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

Additional income taxes that will probably arise from the distribution of dividends are recognised when the related dividends are payable in the foreseeable future.

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

v. Related parties

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

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

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

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

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

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

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

w. Financial guarantees issued, provisions and contingent liabilities

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

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

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

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

x. Segment reporting

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

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

y. Employee benefits

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

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

Any actuarial gains and losses are fully recognised in other comprehensive income in the period they occur.

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

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

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

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

z. Significant accounting estimates and judgements

Notes 17 and 27 contain information about the assumptions and their risk relating to defined benefit retirement obligations and financial instruments. Other key sources of estimation uncertainty are as follows:

— Valuation of investment properties
Investment properties are included in the statement of financial position at their market value, unless they are still in the course of construction or development at the end of reporting date and their fair value cannot be reliably determined at that time. The market value of investment properties is assessed annually by independent qualified valuers, after taking into consideration the net income allowing for reversionary potential.

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

— 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 2010

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital (except otherwise stated)/registered and paid up capital	Percentage of equity attributable to the Shareholders	Principal activities
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
Plaza Hollywood Limited	Hong Kong	10,000 HK$1 shares	100	Property
# **Wharf Development Limited**	Hong Kong	2 HK$1 shares	100	Holding company
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
Olinda Limited	Hong Kong	2 HK$10 shares	100	Property
New Tech Centre Limited	Hong Kong	10,000 HK$1 shares	100	Property
# **Wharf China Holdings Limited**	British Virgin Islands	2,564,102,500 US$1 shares	100	Holding company
Wharf China Estates Limited	British Virgin Islands	500 US$1 shares	100	Holding company
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 Long Qing Property Development (Chongqing) Company Limited	The People's Republic of China	RMB194,000,000	100	Property
i Shanghai Wheelock Square Development Limited	The People's Republic of China	US$240,000,000	98	Property
ii 龍昌綜合開發(成都)有限公司	The People's Republic of China	HK$330,000,000	100	Property
ii 龍錦綜合開發(成都)有限公司	The People's Republic of China	US$666,000,000	100	Property
ii 成都時代奧特萊斯商業有限公司	The People's Republic of China	HK$170,000,000	100	Property
Wharf China Development Limited	British Virgin Islands	500 US$1 shares	100	Holding company
ii 漢龍實業綜合開發(武漢)有限公司	The People's Republic of China	US$33,100,000	100	Property
iii 上海九洲物業發展有限公司	The People's Republic of China	US$30,000,000	85	Property
i 上海龍申房地產發展有限公司	The People's Republic of China	US$22,330,000	55	Property
ii 九龍倉(無錫)置業有限公司	The People's Republic of China	US$267,580,000	100	Property
ii 龍茂房地產開發(成都)有限公司	The People's Republic of China	HK$1,233,000,000	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 龍悦房地產開發(成都)有限公司	The People's Republic of China	US$240,000,000	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 無錫港龍置業有限公司	The People's Republic of China	US$140,900,000	100	Property
ii 無錫河畔置業有限公司	The People's Republic of China	US$111,400,000	100	Property
ii 港盈房地產(杭州)有限公司	The People's Republic of China	US$146,990,000	100	Property
ii 九龍倉(杭州)置業有限公司	The People's Republic of China	US$249,950,000	100	Property
ii 堡盈房地產(杭州)有限公司	The People's Republic of China	US$310,000,000	100	Property
* Harbour Centre Development Limited	Hong Kong	708,750,000 HK$0.5 shares	71	Holding company
i 蘇州高龍房產發展有限公司	The People's Republic of China	RMB3,097,596,772	57	Property
ii 九龍倉(常州)置業有限公司	The People's Republic of China	US$229,800,000	71	Property
ii 上海綠源房地產開發有限公司	The People's Republic of China	RMB770,000,000	71	Property

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital (except otherwise stated)/registered and paid up capital	Percentage of equity attributable to the Shareholders	Principal activities
Logistics				
Wharf Transport Investments Limited	Hong Kong	2 HK$1 shares	100	Holding company
The "Star" Ferry Company, Limited	Hong Kong	1,440,000 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
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	71	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 武漢馬哥孛羅酒店有限公司	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
* i-CABLE Communications Limited	Hong Kong	2,011,512,400 HK$1 shares	74	Holding company
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 Entertainment Limited	Hong Kong	10,000,000 HK$1 shares	74	Programme production and channel operation
i-CABLE News Limited	Hong Kong	10,000,000 HK$1 shares	74	Programme production and channel operation
i-CABLE Sports Limited	Hong Kong	10,000,000 HK$1 shares	74	Programme production and channel operation
i-CABLE Network Limited	Hong Kong	100 HK$1 shares 2 HK$1 non-voting deferred shares	74	Network operation
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
Wharf T&T Limited	Hong Kong	100,000,000 HK$1 shares	100	Telecommunication
EC Telecom Limited	Hong Kong	2 HK$1 shares	100	Telecommunication
COL Limited	Hong Kong	40,000 HK$500 shares	100	Computer services

Principal Subsidiaries, Associates and Jointly Controlled Entities

At 31 December 2010

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital (except otherwise stated)/registered and paid up capital	Percentage of equity attributable to the Shareholders	Principal activities
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/Hong Kong	500 US$1 shares	100	Finance
# Wharf Hong Kong Limited	Cayman Islands	500,000,000 US$1 shares	100	Holding company
Wharf China Finance Limited	Hong Kong	5,000,000 HK$1 shares	100	Finance
Wharf Finance (No.1) Limited	Hong Kong	2 HK$1 shares	100	Finance
Wharf Finance (BVI) No. 1 Limited	British Virgin Islands/Hong Kong	500 US$1 shares	100	Finance

Associates	Place of incorporation/ operation	Class of shares	Percentage of equity attributable to the Shareholders	Principal activities
Properties				
Start Treasure Limited	Hong Kong	Ordinary	15	Property
蘇州雙湖房地產有限公司	The People's Republic of China	Registered	50	Property
天津港威房地產開發有限公司	The People's Republic of China	Registered	50	Property
Logistics				
Hong Kong Air Cargo Terminals Limited	Hong Kong	Ordinary	21	Air cargo
Mega Shekou Container Terminals Limited	British Virgin Islands	Ordinary	14	Holding company

Jointly controlled entities	Place of incorporation/ operation	Class of shares	Percentage of equity attributable to the Shareholders	Principal activities
Properties				
Market Prospect Limited	Hong Kong	Ordinary	50	Property
重慶嘉江房地產開發有限公司	The People's Republic of China	Registered	40	Property
重慶嘉益房地產開發有限公司	The People's Republic of China	Registered	50	Property
浙江金盈置業有限公司	The People's Republic of China	Registered	50	Property
無錫都會置業有限公司	The People's Republic of China	Registered	50	Property
無錫地久置業有限公司	The People's Republic of China	Registered	40	Property
祥寶投資(成都)有限公司	The People's Republic of China	Registered	30	Property
天津贏超房地產開發有限公司	The People's Republic of China	Registered	50	Property
寧波姚景房地產開發有限公司	The People's Republic of China	Registered	50	Property
重慶豐盈房地產開發有限公司	The People's Republic of China	Registered	39	Property
Logistics				
Taicang International Container Terminals Company Limited	The People's Republic of China	Registered	34	Container terminal

Notes:

(a) All the subsidiaries listed above were, as at 31 December 2010, 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

As at 31 December 2010

Address	Total	Office	Retail	Residential	Others	(Remarks)
	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)					
Investment Properties in Hong Kong						
Harbour City , Tsimshatsui						
Ocean Terminal	658,000	–	658,000	–	–	
Ocean Centre	901,000	677,000	224,000	–	–	
Wharf T & T Centre	257,000	257,000	–	–	–	
World Commerce Centre	257,000	257,000	–	–	–	
World Finance Centre	512,000	512,000	–	–	–	
Ocean Galleries	386,000	–	386,000	–	–	
Gateway I	1,236,000	1,128,000	108,000	–	–	
Gateway II	2,640,000	1,570,000	400,000	670,000	–	
The Marco Polo Hongkong Hotel (Commercial Section)	206,000	34,000	172,000	–	–	
Times Square						
Sharp Street East, Causeway Bay	1,969,000	1,033,000	936,000	–	–	
Others						
Plaza Hollywood, 3 Lung Poon Street, Diamond Hill	562,000	–	562,000	–	–	
Wharf T&T Square, Hoi Bun Road, Kwun Tong	395,000	330,000	65,000	–	–	
Delta House, 3 On Yiu Street, Shatin	349,000	349,000	–	–	–	
Units at Cable TV Tower, Hoi Shing Road, Tsuen Wan	566,000	–	–	–	566,000	(Industrial)
Units at Strawberry Hill, 8 Plunkett's Road, The Peak	13,000	–	–	13,000	–	
Chelsea Court, 63 Mount Kellett Road, The Peak	43,000	–	–	43,000	–	
Mountain Court, 11-13 Plantation Road, The Peak	49,900	–	–	49,900	–	
1 Plantation Road, The Peak	97,000	–	–	97,000	–	
77 Peak Road, The Peak	42,200	–	–	42,200	–	
Kowloon Godown, 1-5 Kai Hing Road, Kowloon Bay	829,000	–	–	829,000	–	
Cable TV Tower South, Chai Wan Kok Street, Tsuen Wan	585,000	–	–	–	585,000	(Industrial)
Units at Star House, 3 Salisbury Road, Kowloon	50,800	–	50,800	–	–	
	12,603,900	6,147,000	3,561,800	1,744,100	1,151,000	

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	71%
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	TWTL 218	2047	1992	N/A	100%
N/A	RBL 512 & 1004	2027/28	1974/77	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. & S.F.	2028	2002	N/A	100%
76,728	RBL 836	2029	1951	Planning for redevelopment	100%
165,809	NKIL 5805, 5806 & 5982	2047	1984	Planning for redevelopment	100%
66,000	TWIL 36	2047	2012	Superstructure in progress	100%
N/A	KML 10 S.A.	2863	1966	N/A	71%

Schedule of Principal Properties

As at 31 December 2010

	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)					
Address	**Total**	**Office**	**Retail**	**Residential**	**Others**	**(Remarks)**
Investment Properties in China						
Shanghai Times Square 93–111 Huai Hai Zhong Road, Shanghai	973,000	331,000	447,000	195,000	–	
Chongqing Times Square 100 Zou Rong Road, Yuzhong District, Chongqing	591,800	13,800	578,000	–	–	
Wuhan Times Square 160 Yan Jiang Da Dao, Jiangan District, Wuhan	8,000	–	8,000	–	–	
Dalian Times Square 50 Ren Min Road, Zhongshan District, Dalian	188,000	–	188,000	–	–	
Times Outlets No. 633 Shuangnan Avenue (Middle Section) Shuangliu County, Chengdu	680,000	–	680,000	–	–	
Wheelock Square 1717 Nan Jing Xi Road, Jingan District, Shanghai	1,228,000	1,149,000	79,000	–	–	
Chengdu IFC Junction of Hongxing Road and Da Ci Si Road, Jinjiang District	4,724,000	2,226,000	1,248,000	490,000	760,000	(A 305-room hotel)
Wuxi IFC Taihu Plaza, Nanchang District, Wuxi	3,013,000	1,583,000	–	1,028,000	402,000	(A 243-room hotel)
Suzhou IFC Xing Hu Jie, Suzhou Industrial Park, Suzhou	3,780,000	1,890,000	–	1,407,000	483,000	(A 250-room hotel)
	15,185,800	7,192,800	3,228,000	3,120,000	1,645,000	
Hotels and Clubs in Hong Kong						
Harbour City , Tsimshatsui						
The Marco Polo Hongkong Hotel	553,000	–	–	–	553,000	(A 664-room hotel)
Gateway	313,000	–	–	–	313,000	(A 433-room hotel)
Prince	359,000	–	–	–	359,000	(A 393-room hotel)
Pacific Club Kowloon	139,000	–	–	–	139,000	(Club House)
	1,364,000	–	–	–	1,364,000	
Hotels and Clubs in China						
Marco Polo Wuhan 160 Yan Jiang Da Dao, Jiangan District, Wuhan	405,000	–	–	–	405,000	(A 370-room hotel)
Development Property in Hong Kong						
Yau Tong Godown, 5 Tung Yuen Street, Yau Tong	256,000	–	43,000	213,000	–	

Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
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%
(e)	N/A	2047	2009	N/A	100%
136,432	N/A	2049	2010	N/A	98%
590,481	N/A	2047	2014	Superstructure in progress	100%
313,867	N/A	2047/57	2015	Substructure in progress	100%
229,069	N/A	2047/77	2016	Foundation in progress	57%
58,814	KML 91 S.A. & KML 10 S.B.	2863	1969	N/A	71%
(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%
42,625	YTIL 4SA & adjoining Government land	2047	2015	Planning stage	100%

Schedule of Principal Properties

As at 31 December 2010

	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)					
Address	**Total**	**Office**	**Retail**	**Residential**	**Others**	**(Remarks)**
Development Property in Hong Kong (undertaken by associates)						
Various Lots at Yau Tong Bay, Yau Tong	651,400	–	20,100	631,300	–	(Attributable – Note f)
Development Property in Hong Kong (undertaken by jointly controlled entities)						
103 Mount Nicholson Road, The Peak	162,000	–	–	162,000	–	(Attributable – Note f)
Development Properties in China						
The Orion Bounded by Dongdajie south, Jinhua Nan Lu east and Datiankan Jie north, Jinjiang District, Chengdu	633,000	–	–	633,000	–	
Tian Fu Times Square, Junction of Dong Da Jie & Fu He, Jinjiang District, Chengdu	2,997,000	1,940,000	74,000	983,000	–	(198,000 s.f. residential & 418,000 s.f. office areas pre-sold)
Shuangliu Development Zone Junction of Shuang Nan Avenue and Guang Hua Avenue, Shuangliu County, Chengdu	9,127,000	3,922,800	1,281,400	3,922,800	–	
Le Palais Lot No. 8 along Section 3 of the 2nd Ring Road East, Chenghua District, Chengdu	3,424,000	–	70,000	3,354,000	–	
Crystal Park, No.10 Gaoxin District Junction of Zhan Hua Road and Fu Cheng Avenue, Chengdu	3,318,000	443,000	5,000	2,870,000	–	(1,286,000 s.f. residential area pre-sold)
Changzhou Feng Huang Hu Xin Bei District and abutting Han Jiang Lu and Yu Long Lu, Changzhou	3,283,000	–	–	3,283,000	–	
Changzhou Times Palace China Dinosaur Park, Xinbei District, Changzhou, Jiangsu Province	8,590,000	–	–	8,073,000	517,000	(A 304-room hotel and a State Guest House) (1,065,000 s.f. residential area pre-sold)
Hangzhou Hangyimian Lot C/D Gongshu District Gongchen Bridge West, Hangzhou	2,422,000	–	–	2,422,000	–	
Hangzhou Wenhui Road Lot#FG05 of Wenhui Road, Hangzhou	883,000	–	–	883,000	–	
No.1 Xin Hua Road 176 Huai Hai Xi Road, Changning District, Shanghai	117,000	–	–	117,000	–	
Shanghai Xi Yuan D1 of Xinjiangwancheng of Yangpu District, Shanghai	1,074,000	–	–	1,074,000	–	(543,000 s.f. pre-sold)

Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
673,055	R.P. of YTML 22 & ext., YTML 28 & ext., YTML 29 & ext., and YTML 12, 32 and 33 together with adjoining lots at Yau Tong Bay	2047	N/A	Planning stage	14.9%
250,930	IL9007	2060	2014	Demolition in progress	50%
160,000	N/A	2079	2012	Superstructure in progress	100%
761,520	N/A	2045/75	2013	Superstructure in progress	100%
(e)	N/A	2047/77	2013	Planning stage	100%
1,130,000	N/A	2050/80	2013	Foundation in progress	100%
884,459	N/A	2046/76	2013	Superstructure in progress	100%
2,563,134	N/A	2050/80	2014	Planning stage	100%
4,427,804	N/A	2047/77	2016	Superstructure in progress	71%
914,000	N/A	2080	2014	Planning stage	100%
258,358	N/A	2080	2014	Planning stage	100%
118,220	N/A	2070	2010	N/A	85%
638,000	N/A	2077	2012	Superstructure in progress	71%

Schedule of Principal Properties

As at 31 December 2010

	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)					
Address	**Total**	**Office**	**Retail**	**Residential**	**Others**	**(Remarks)**
Property Developments in China (Continued)						
Jingan Garden 398 Wanhangdu Road, Jingan District, Shanghai	763,000	–	–	763,000	–	
Shanghai Pudong Huangpujiang Site #E18 of Pudong Huangpujiang Riverside, Shanghai	1,464,000	–	–	1,464,000	–	
Shanghai Songjiang Xianhe Road Site #2 of Songjiang Xianhe Road, Shanghai	878,000	–	–	878,000	–	
Suzhou Ambassador Villa Lot No. 68210 Suzhou Industrial Park, Suzhou	2,123,000	–	–	2,123,000	–	(382,000 s.f. pre-sold)
Suzhou Industrial Park Project Xiandai Da Dao, Suzhou Industrial Park, Suzhou	9,765,000	–	–	9,765,000	–	
Wuxi Glory of Time Nanchang District and abutting on Jinhang Canal, Wuxi	2,670,000	646,000	–	2,024,000	–	(229,000 s.f. residential area pre-sold)
Wuxi Times City Taihu Plaza, Nanchang District, Wuxi	7,861,000	–	–	7,861,000	–	(693,000 s.f. pre-sold)
Wuxi Old Canal Lot#71 Nanchang District and abutting on Jinhang Canal, Wuxi	2,551,000	–	–	2,551,000	–	
Wuhan Times Square 160 Yan Jiang Da Dao, Jiangan District, Wuhan	84,000	–	–	84,000	–	
Wuhan Moon Lake Site B Hanyang District, Qintai Road, Wuhan	1,362,000	–	–	1,362,000	–	
Dalian Times Square 50 Ren Min Road, Zhongshan District, Dalian	178,000	–	–	178,000	–	
	65,567,000	6,951,800	1,430,400	56,667,800	517,000	
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	–	(Attributable - Note f)
Tianjin Jin Jiang Lu Project Junction of Weiguo Road & Jingjiang Road, Hedong District	646,900	–	173,000	473,900	–	(Attributable - Note f)
	1,554,900	–	173,000	1,381,900	–	

Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
170,825	N/A	2043/63	2013	Planning stage	55%
585,723	N/A	2081	2014	Planning stage	100%
877,772	N/A	2081	2014	Planning stage	100%
3,654,152	N/A	2076	2012	Superstructure in progress	100%
5,425,454	N/A	2077	2017	Foundation in progress	57%
1,276,142	N/A	2078	2014	Superstructure in progress	100%
3,314,418	N/A	2078	2015	Superstructure in progress	100%
1,416,822	N/A	2078	2015	Superstructure in progress	100%
(c)	N/A	2053/73	2007/08	N/A	100%
454,000	N/A	2080	2015	Planning stage	100%
(d)	N/A	2069	2009	N/A	100%
1,976,237	N/A	2077	2014	Planning stage	50%
511,560	N/A	2079	2014	Planning stage	50%

Schedule of Principal Properties

As at 31 December 2010

Address	Total	Office	Retail	Residential	Others	(Remarks)
	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)					
Property Development in China (undertaken by jointly controlled entities)						
Chengdu Shahe Project South of Shuanggui Road, North of Niusha Road, East of Erhuan Road, West of Shahe, Jinjiang District, Chengdu	4,046,000	1,242,000	508,000	2,176,000	120,000	(Attributable - Note f)
International Community Zone C of Danzishi, Nanan District, Chongqing	7,788,000	–	1,437,000	6,351,000	–	(Attributable - Note f) (359,000 s.f. residential area pre-sold)
Chongqing Jiangbei City Project Zone B of Jiangbei City, Jiang Bei District, Chongqing	2,524,000	–	–	2,524,000	–	(Attributable - Note f)
Chongqing IFC Zone A of Jiangbei City, Jiang Bei District, Chongqing	2,403,000	1,499,000	411,000	307,000	186,000	(A 250-room hotel) (Attributable - Note f)
Chongqing Jiangbei City Project Zone C of Jiangbei City, Jiang Bei District, Chongqing	4,763,000	–	–	4,763,000	–	(Attributable - Note f)
Golf Landmark Zhuantang Town, Zhijiang National Tourist Holiday Resort, Xihi District, Hangzhou	2,004,000	–	83,000	1,921,000	–	(Attributable - Note f) (89,000 s.f. residential area pre-sold)
Wuxi Wu Ai Bei	1,060,000	–	–	1,060,000	–	(Attributable - Note f)
Wuxi Old Canal Lot#73 Nanchang District and abutting on Jinhang Canal, Wuxi	1,973,000	–	–	1,973,000	–	(Attributable - Note f)
Ningbo Baoqingsi Site 3#-2 of Baoqingsi, Ningbo	419,000	–	–	419,000	–	(Attributable - Note f)
Peaceland Cove Tiedonglu, Hebei District, Tianjin	2,599,000	–	–	1,790,000	809,000	(Others for commercial use) (Attributable - Note f)
	29,579,000	2,741,000	2,439,000	23,284,000	1,115,000	
TOTAL	127,329,000	23,032,600	10,895,300	87,204,100	6,197,000	

Notes:

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

(b) Part of The Marco Polo Hongkong Hotel building.

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

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

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

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

(g) Subsequent to 2010, the Group acquired five wholly-owned sites for development of four projects in China, i) two sites in Suzhou Yin Shan Hu, with GFA 4.1 million sq.ft., ii) Changsha IFC, with GFA 7.5 million sq.ft., iii) Hangzhou Fu Yang District Yingbin North Road, with GFA 1.4 million sq.ft. and iv) Hangzhou Yuhang District, with GFA 2.4 million sq.ft.

Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
2,212,128	N/A	2048/78	2013 and beyond	Planning stage	30%
6,080,656	N/A	2047/57	2014	Superstructure in progress	40%
1,002,408	N/A	2057	2014	Excavation work in progress	39%
516,021	N/A	2050/60	2015	Excavation work in progress	50%
2,335,535	N/A	2050/60	2018	Excavation work in progress	50%
2,046,685	N/A	2047/77	2014	Superstructure in progress	50%
1,471,613	N/A	2080	2014	Planning stage	40%
2,121,662	N/A	2048/78	2015	Planning stage	50%
524,250	N/A	2080	2014	Planning stage	50%
1,619,360	N/A	2050/80	2013	Superstructure in progress	50%

Ten-Year Financial Summary

	Year ended 31/12/2010 HK$ Million	Year ended 31/12/2009 HK$ Million (restated)	Year ended 31/12/2008 HK$ Million (restated)	Year ended 31/12/2007 HK$ Million	Year ended 31/12/2006 HK$ Million
Consolidated Income Statement					
Turnover	**19,380**	17,553	15,940	16,208	13,364
Profit before investment properties surplus	**7,905**	7,817	4,194	5,947	4,285
Investment properties surplus (Note a)	**27,845**	11,439	1,622	7,196	6,472
Profit attributable to shareholders	**35,750**	19,256	5,816	13,143	10,757
Dividends attributable to shareholders	**2,930**	2,754	2,203	2,093	1,958
Consolidated Statement of Financial Position					
Fixed assets	**166,638**	134,002	119,593	114,613	102,198
Interest in associates	**4,967**	4,238	4,009	4,182	781
Interest in jointly controlled entities	**15,350**	7,551	7,989	4,555	788
Available-for-sale investments	**3,362**	1,331	706	2,858	2,921
Properties for sale	**29,732**	17,797	17,272	9,235	5,784
Bank deposits and cash	**16,900**	18,412	15,886	7,717	3,769
Other assets	**5,276**	7,130	3,099	3,011	3,036
Total assets	**242,225**	190,461	168,554	146,171	119,277
Bank loan/other borrowings	**(49,589)**	(39,844)	(38,009)	(31,282)	(20,670)
Other liabilities	**(21,987)**	(15,029)	(13,030)	(22,887)	(18,689)
Net assets	**170,649**	135,588	117,515	92,002	79,918
Share capital	**2,754**	2,754	2,754	2,448	2,448
Reserves	**160,335**	125,792	108,321	83,916	72,714
Shareholders' equity	**163,089**	128,546	111,075	86,364	75,162
Non-controlling interests	**7,560**	7,042	6,440	5,638	4,756
Total equity	**170,649**	135,588	117,515	92,002	79,918
Financial Data					
Per share data					
Earnings per share (HK$)					
— Reported	**12.98**	6.99	2.12	5.17	4.39
— Underlying (Note b)	**2.87**	2.84	1.53	2.34	1.75
Net asset value per share (HK$)	**59.22**	46.68	40.33	35.28	30.70
Dividends per share (Cents)	**100.00**	100.00	80.00	80.00	80.00
Financial ratios					
Net debt to Shareholders' equity (%)	**20.0%**	16.7%	19.9%	27.3%	22.5%
Net debt to total equity (%)	**19.2%**	15.8%	18.8%	25.6%	21.1%
Return on Shareholders' equity (%) (Note c)	**24.5%**	16.1%	5.9%	16.3%	15.3%
Dividend cover (Times)					
— Reported	**13.0**	7.0	2.7	6.5	5.5
— Underlying (Note b)	**2.9**	2.8	1.9	2.9	2.2
Interest cover (Times) (Note d)	**19.5**	25.7	9.8	10.3	9.4

	Year ended 31/12/2005 HK$ Million	Year ended 31/12/2004 HK$ Million	Year ended 31/12/2003 HK$ Million	Year ended 31/12/2002 HK$ Million	Year ended 31/12/2001 HK$ Million
Consolidated Income Statement					
Turnover	12,543	11,953	11,253	11,333	11,725
Profit before investment properties surplus	4,499	3,740	3,043	2,259	2,519
Investment properties surplus (Note a)	9,389	8,937	N/A	N/A	N/A
Profit attributable to shareholders	13,888	12,677	3,043	2,259	2,519
Dividends attributable to shareholders	1,958	1,683	1,487	1,370	1,908
Consolidated Statement of Financial Position					
Fixed assets	90,658	78,916	71,120	69,044	74,445
Interest in associates	1,638	1,583	2,075	3,367	3,389
Interest in jointly controlled entities	896	348	—	—	—
Available-for-sale investments	1,677	1,654	1,392	1,178	1,088
Properties for sale	4,370	2,915	2,589	2,776	2,747
Bank deposits and cash	2,508	2,209	1,512	1,518	3,140
Other assets	2,745	2,513	2,474	3,239	3,655
Total assets	104,492	90,138	81,162	81,122	88,464
Bank loans/other borrowings	(18,558)	(16,442)	(18,674)	(22,653)	(23,893)
Other liabilities	(17,408)	(15,072)	(6,839)	(7,054)	(6,196)
Net assets	68,526	58,624	55,649	51,415	58,375
Share capital	2,448	2,447	2,447	2,447	2,447
Reserves	62,926	52,502	49,181	45,287	52,198
Shareholders' equity	65,374	54,949	51,628	47,734	54,645
Non-controlling interests	3,152	3,675	4,021	3,681	3,730
Total equity	68,526	58,624	55,649	51,415	58,375
Financial Data					
Per share data					
Earnings per share (HK$)					
— Reported	5.67	5.18	1.24	0.92	1.03
— Underlying (Note b)	1.84	1.53	1.24	0.92	1.03
Net asset value per share (HK$)	26.71	22.46	21.09	19.50	22.33
Dividends per share (Cents)	80.00	68.80	60.80	56.00	78.00
Financial ratios					
Net debt to Shareholders' equity (%)	24.6%	25.9%	33.2%	44.3%	38.0%
Net debt to total equity (%)	23.4%	24.3%	30.8%	41.1%	35.6%
Return on Shareholders' equity (%) (Note c)	23.1%	23.8%	6.1%	4.4%	4.5%
Dividend cover (Times)					
— Reported	7.1	7.5	2.0	1.6	1.3
— Underlying (Note b)	2.3	2.2	2.0	1.6	1.3
Interest cover (Times) (Note d)	12.8	27.8	13.2	8.7	5.6

Notes:

(a) Investment properties surplus on revaluation is after relevant deferred tax and non-controlling interests.

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

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

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

(e) 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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