SEGMENT REVIEW

Property

Bellagio (effectively 74%-owned)

Bellagio is a residential development in Sham Tseng overlooking the Tsing Ma Bridge. Out of the total of 3,345 units in the development, cumulative sales have reached 3,266 units (or 98%) by the end of December 2007.

Crawford House (wholly-owned)

The office and retail portion of Crawford House was 90% and 89% leased respectively at satisfactory rental rates.

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

Including the net investment property revaluation surplus, group profit for the nine-month period was HK$1,540 million (2006/07: HK$1,450 million). Earnings per share were HK$0.74 (2006/07: HK$0.70). Excluding the revaluation surplus, group profit was HK$570 million (2006/07: HK$1,169 million). The decrease in profit was mainly due to a shorter reporting period, as well as the lack of non-recurring profits from the disposal of Hamptons Group Limited ("Hamptons") and Oakwood Residence Azabujuban ("Oakwood") a year earlier.

Parc Palais is a one-million-square-foot GFA residential development in Homantin. 99% (or 690 units) of the 700 units have been sold by December 2007.

Re-development of 6D-6E Babington Path, Mid-levels and 2 Heung Yip Road, Aberdeen, is underway. The former will comprise 47 deluxe apartments and the latter will be redeveloped into a high rise industrial building. In November 2007, the group pre-sold nine storeys of the Heung Yip Road project.

Wheelock House and Fitfort were 92% and 95% leased respectively at satisfactory rental rates at the end of December 2007.

In line with the group's policy of disposing of non-core assets, the group has during the period sold off the office units in South Seas Centre and some units in Wing On Plaza, various industrial units at My Loft and Metro Loft as well as some carparking spaces.

By the end of December 2007, the group has acquired up to 96% interest in the residential units at 211-215C Prince Edward Road West for HK$330 million. The project is planned for residential re-development.

In 2007, the group, together with the China Merchants Property ("CMP") group, acquired two pieces of residential land in Foshan of Guangdong Province at public auctions. The first piece of land is situated at Xincheng District (新城區) with site area and plot ratio GFA of 2.88 million square feet and 4.86 million square feet respectively (Plot ratio GFA attributable to WPL is 2.43 million square feet). The second piece of land is situated at Chancheng (禪城) and the site area and plot ratio GFA are 1.15 million square feet and 2.89 million square feet respectively (Plot ratio GFA attributable to WPL is 1.45 million square feet). The group has formed two 50:50 joint venture companies with the CMP group for the purpose of developing the two pieces of land. Completion of the first development is scheduled to be in 2012 whereas completion for the second development will be in 2011.

During the financial period, WPL contributed a cash dividend of HK$154 million (2006/07: HK$138 million) to the Group.

Wheelock Properties (Singapore) Limited (a 76%-owned Singapore subsidiary of WPL)
Profit for Wheelock Properties (Singapore) Limited ("WPSL") amounted to S$273.5 million for the nine months under review (2006/07: S$297.9 million).

During the financial period under review, WPSL acquired a 12% interest in SC Global Development Ltd ("SC Global") which is listed in Singapore. The principal activities of SC Global are property development, investment holding and provision of project management and marketing services.

Development Properties
The Sea View is a residential condominium development of six tower blocks with 546 apartments. Main construction work is in progress and development completion is scheduled in the first half of 2008. All of the 546 units have been pre-sold at satisfactory prices by December 2007.

The Cosmopolitan is a residential condominium development with 228 apartments on the former Times House site. Main construction work is in progress and the project is scheduled for completion in the middle of 2008. All of the 228 units have been pre-sold at satisfactory prices by December 2007.

Ardmore II is a prime residential condominium development with 118 apartments. Main construction work is in progress and development completion is scheduled in 2010. All of the 118 units have been pre-sold at satisfactory prices by December 2007.

Orchard View is a luxury 36-storey residential development, with 30 units of four-bedroom apartments, located in the tree-lined serene enclave of Angullia Park, just off Orchard Turn. Main construction work is in progress and the project is scheduled for completion by 2009. Orchard View is expected for pre-selling in 2009.

Scotts Square is a prime residential condominium development with 338 apartments, plus a retail annex. Retail podium is held for long term investment purposes. Pre-sales of apartments was met with favourable response and has reached 67% by December 2007. Piling work for the project is in progress and development completion is scheduled in 2010.

Ardmore 3 is planned for redevelopment and sale. Piling work for the project is in progress and the project is scheduled for completion in 2012. Ardmore 3 is expected to start pre-selling in 2009.

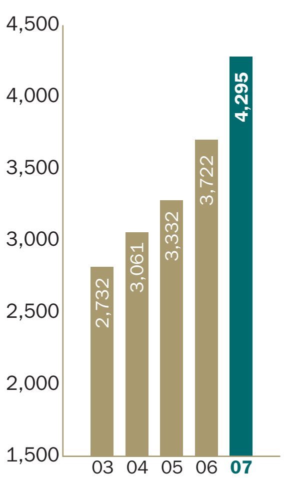
Investment Properties
Wheelock Place, a commercial development at Orchard Road, Singapore, was 100% committed at satisfactory rental rates at the end of December 2007.

The Wharf (Holdings) Limited (a 50%-owned listed subsidiary) ("Wharf")

With Wharf becoming a subsidiary of the Group during the financial period under review, Wharf's financial statements for the year from 1 January to 31 December 2007 were fully consolidated in the Group's.

Wharf's group turnover for 2007 grew by HK$2,844 million or 21% to HK$16,208 million (2006: HK$13,364 million) and operating profit rose by 46% to HK$9,466 million (2006: HK$6,471 million). Net profit attributable to shareholders excluding the net revaluation surplus surged by 39% to HK$5,947 million (2006: HK$4,285 million). Including a higher unrealised surplus from the revaluation of investment properties, net profit attributable to equity shareholders was HK$13,143 million (2006: HK$10,757 million).

Harbour City: Gross Revenue
(HK$ Million)



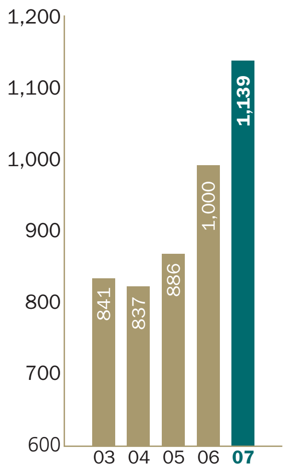
Harbour City (wholly-owned by Wharf)
Harbour City, the Wharf group's core investment property asset, turned over HK$4,295 million during the year, for an increase of 15% over 2006, while its operating profit grew by 19% to HK$3,067 million.

Positive local spending sentiments associated with healthy growth in tourist arrivals, boosted the momentum of retail sales. Turnover of Harbour City's retail sector rose by 18% to HK$1,742 million. Average retail occupancy at Harbour City was maintained at nearly 100% with favourable rental growth. Tenants at Harbour City continued to achieve excellent sales performance during 2007, with 27% year-on-year growth in average sales per square foot. Average sales per square foot in December 2007 also soared to a record high exceeding HK$1,800.

Turnover from the office sector jumped by 21% to HK$1,336 million, underpinned by strong rental reversion. Office occupancy at Harbour City was committed at 95% at the end of December 2007. New letting transactions with very favourable rentals have been recorded in Harbour City, which included recent transactions recorded at over HK$40 per square foot at Tower 6 of Gateway II. The Gateway portfolio has also benefited from the decentralisation trend and become a preferred location for some commercial banks, including Mizuho Corporate Bank who took up over 47,000 square feet in December 2007.

Turnover for the serviced apartments grew by 21% to HK$245 million, on the back of higher occupancy and rental rates during the year. Committed occupancy at Gateway Apartments soared to over 90% at the end of December 2007.

Times Square: Gross Revenue
(HK$ Million)



Times Square (wholly-owned by Wharf)
Times Square, another core investment property asset of the Wharf group, turned over HK$1,139 million during 2007, for an increase of 14% over 2006. Operating profit grew by 15% to HK$968 million.

Turnover from Times Square's retail sector rose by 10% to HK$774 million. Average retail occupancy was maintained at 99%, with favourable rental growth. Leasing activities remained robust during the year. Excitement and traffic at the mall will be further boosted with Gucci's commitment of over 3,700 square feet of lettable retail space on the second floor. In a bid to consolidate Times Square's edge, active recruitment of debut international labels will be one of the main focuses.

On the back of strong rental reversion, turnover for the office sector climbed by 24% to HK$365 million. Committed office occupancy stood high at 98% at the end of 2007.

China Properties
All three completed investment properties, namely, Beijing Capital Times Square, Shanghai Times Square and the retail podium of Chongqing Times Square, performed satisfactorily. Total revenue was up by 21% and operating profit by 52% during the year.

Robust growth in development profit from China properties was recorded during the year. Relevant development profit from sales of two launched projects jumped to HK$718 million (2006: HK$2 million). Wellington Garden, a high-end residential and office apartment development in Shanghai, has launched its first phase of two residential blocks since mid-2006 and all launched units were sold at excellent unit price by the end of 2007. Wuhan Times Square also successfully sold 98% of its first phase consisting of two residential towers at record high unit price in that city as at the year-end. The second phase of both projects has been launched since mid-December of 2007, with favourable responses.

Tian Fu Times Square in Chengdu, launched its pre-sale of two residential towers in September 2007 and all units launched were promptly sold within a few days. Pre-sale of the second phase comprising the third residential block has been launched since mid-January 2008 and was met with enthusiastic responses. Overall, 97% of these three residential towers were successfully pre-sold at record high unit price in the city.

Other Projects under Development

Dalian Times Square is a retail and residential complex, with attributable plot ratio GFA of 1.5 million square feet. The development is scheduled for completion by the fourth quarter of 2008. The 180,000-square-foot shopping mall, targeting for opening in the fourth quarter of 2008, has secured the commitment of a host of top-notch brands including Louis Vuitton (over 10,000 square feet), Dior, Fendi, Giorgio Armani, Gucci, Hermès, Prada, Versace, etc. The two residential blocks atop the retail podium with a total GFA of about 1.32 million square feet, are scheduled for pre-sale in 2008 by two phases.

Shanghai Wheelock Square, with an attributable plot ratio GFA of 1.2 million square feet, comprises a top quality Grade A office tower plus a retail annex. The development is scheduled for completion by 2009. Two high-end residential projects in Shanghai, No. 1 Xin Hua Road (新華路) and Jingan Garden are progressing according to plan.

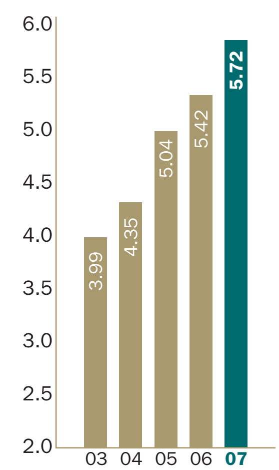
Excluding acquisitions in January 2008 which are covered under New Acquisitions below, other development projects owned by Wharf include three lots in Chengdu - No. 10 Gaoxin District (高新區), Shuangliu Development Zone (雙流發展區) and Hongxing Road (紅星路), two lots in Nanchang District (南長區) in Wuxi (including a 339-metre super tower and residential development), two lots in Suzhou (one lot between Jinji Lake (金雞湖) and Dushu Lake (獨墅湖) and another lot in Suzhou Industrial Park), Xihu District (西湖區) in Hangzhou, Nanan District (南岸區) in Chongqing and Qixia / Xianlin New District (棲霞區 / 仙林新區) in Nanjing City (南京市) are progressing according to plan. The Wharf group through Harbour Centre Development Limited ("HCDL"), also acquired five excellent sites in the cities of Chongqing (Jiangbei City (江北城)), Suzhou (Xinghu Jie (星湖街) and Xiandai Da Dao (現代大道)), Hangzhou (Qianjiang New City (錢江新城) of Shangcheng District (上城區)) and Changzhou during 2007. Acquisition of the first four sites was made through partnering with strong local property companies while the remaining site in Changzhou was wholly-owned by HCDL.

New Acquisitions

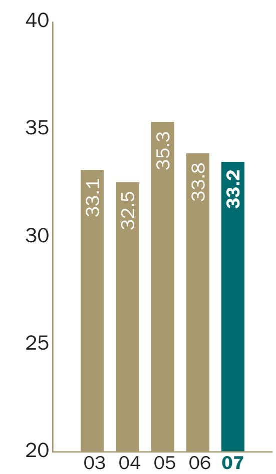
In January 2008, the Wharf group acquired one prime site (three pieces of land lot) in Wuxi as detailed hereunder.

The Wharf group acquired another three land parcels in the city of Wuxi at a public auction in January 2008. Superbly located in Nanchang District (南長區) of Wuxi alongside the 2,500-year-old ancient canal, these land parcels boast a site area of 4.8 million square feet and offer an attributable plot ratio GFA of 8.74 million square feet. It is planned for commercial and residential development. Ongoing discussion with prospective property partner is underway and no fixed decision has yet been made.

Modern Terminals: Throughput (HK)
(Million TEUs)



Modern Terminals: Market Share (HK)
(%)



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

Modern Terminals' total revenue and operating profit rose by 4% and 5% respectively during 2007.

In Hong Kong, throughput at Modern Terminals grew by 6% to 5.72 million TEUs during 2007, on the back of an increase in Intra-Asia services. Modern Terminals' market share in Kwai Tsing was maintained at 33.2% at the end of 2007. In South China, Chiwan Container Terminal, in which Modern Terminals effectively holds an 8% stake, handled 4.0 million TEUs during the year. Throughput at Shekou Container Terminals ("Mega SCT"), in which Modern Terminals effectively holds a 30% stake (to be eventually diluted to 20% with the completion of the remainder of the entire facilities) after the completion of Shekou Container Terminals rationalisation in February 2007, reached 3.31 million TEUs in 2007.

At Taicang Port, where Modern Terminals holds 51% and 70% equity stake in its Phases I and II respectively, the Container Terminals handled about 1 million TEUs, 77% higher than the throughput volume a year earlier.

Phase I of Da Chan Bay Terminal One in Western Shenzhen, 65%-owned by Modern Terminals, is progressing according to plan. Construction of the terminal is progressing as scheduled and the first two berths commenced operation in late 2007.

Other Hong Kong Properties

Plaza Hollywood registered a turnover growth of 9% to HK$302 million, thanks to favourable rental growth during the year. Average occupancy was maintained at 99% throughout 2007.

Leasing activities for the Peak Portfolio during 2007 remained robust. Chelsea Court was fully let at the end of 2007. Occupancy at Mountain Court and No. 1 Plantation Road was maintained at 96% and 98% respectively. Favourable rental growth in all new lettings and renewals was recorded.

In line with the group's policy, the group continues to actively look for opportunities to dispose of its non-core properties, following successful disposal of Wharf's remaining stock in Grandtech Centre in Shatin in May 2007.

Marco Polo Hotels

Marco Polo Hotels currently has a portfolio of nine operating hotels in the Asia Pacific Region. The three hotels in Harbour City performed solidly during the year. Total hotel and club revenue was HK$972 million, and a 6% growth in average room rate was achieved. Despite a steady increase in average room rates, consolidated occupancy during the year was sustained at a healthy level of 90%, which is the same as last year.

i-CABLE

In 2007, i-CABLE successfully adjusted to the new competitive environment to establish a lower cost base to preserve its profitability despite substantial pressure on revenue. Investment in new businesses also began to bear fruit. Accordingly, it is well placed for further development. For the full year, net profit after tax was almost unchanged at HK$183 million (2006: HK$181 million), despite a decrease in turnover to HK$2,304 million (2006: HK$2,548 million). Anchoring on its content strength as well as its adjusted marketing strategy, customer retention exceeds all plans and the Pay TV subscriber base grew by 12% in the year to 882,000. However, both subscription and advertising revenue weakened and combined to reduce total turnover and operating profit for this sector to HK$1,595 million (2006: HK$1,895 million) and HK$179 million (2006: HK$248 million) respectively. Nevertheless, both turnover and operating profit in the fourth quarter were higher than those in the third quarter, partly for seasonal reasons.

On the Broadband front, subscriber base and turnover consolidated as i-CABLE preferred revenue and profit preservation over market share gains. Turnover slipped marginally to HK$588 million (2006: HK$596 million) as the subscriber base dipped to 306,000 (2006: 328,000). However, operating profit for this sector increased by 40% to set a new record with HK$180 million (2006: HK$129 million).

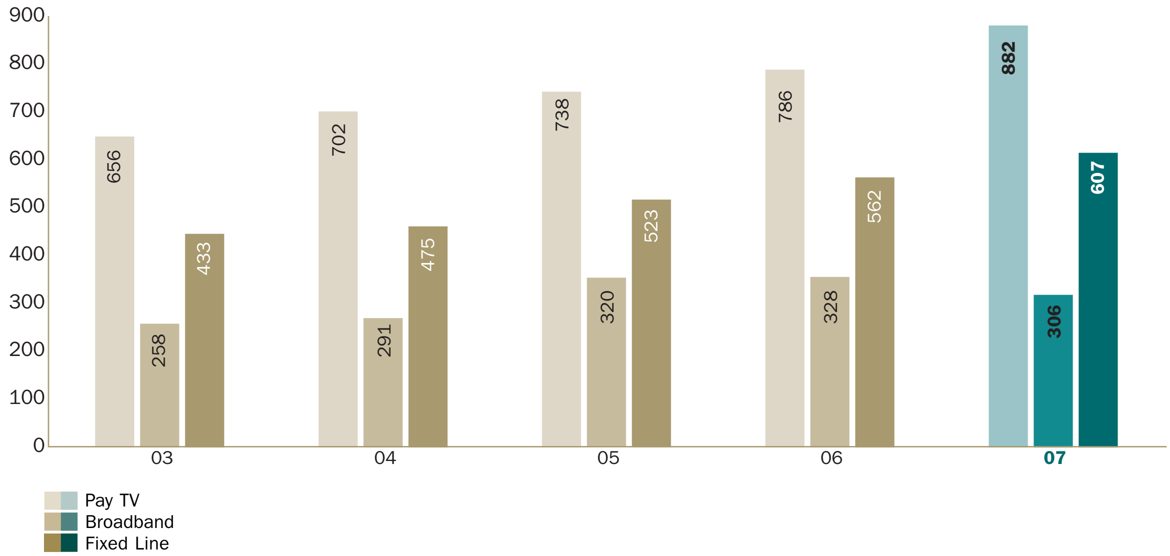
Wharf T&T

Against a backdrop of improved market landscape and booming network as well as IT demand brought about by the recovery of the economy, 2007 was a reasonably good year for Wharf T&T.

The fixed line installed base grew by 45,000 or 8% to 607,000, representing an overall market share of 13%. Business lines grew by 53,000 or 15% to 408,000 (for an 18% market share) while residential lines fell by 8,000 or 4% to 199,000 (for a 10% market share). Total outgoing IDD volume (including wholesale and retail) increased by 11% to 706 million minutes (2006: 638 million).

Total turnover for the year rose by 5% to HK$1,460 million (2006: HK$1,384 million) while operating profit improved to HK$47 million from a loss of HK$64 million. Positive free cash flow increased to HK$80 million (2006: HK$52 million).

Growth of Pay TV/Broadband Subscribers and Fixed Line Installment
(in thousands)



FINANCIAL REVIEW

(I) Results Review

Note of importance to the consolidation of Wharf's financial statements

Following the increase of the Group's controlling interest in Wharf to 50.00003%, the change of the Company's financial year end date from 31 March to 31 December and as a result of the change in accounting policy on consolidation as explained in the notes to the financial statements, the Group's financial statements for the nine months ended 31 December 2007 have consolidated Wharf's financial statements for the twelve months ended 31 December 2007. The comparative figures for the twelve months ended 31 March 2007 have consolidated Wharf's financial statements for the twelve months ended 31 December 2006 and have been adjusted or reclassified to conform to the current period's presentation.

In the previous years, the Group accounted Wharf as an associate and equity-accounted for Wharf's interest based on Wharf's published consolidated financial statements for the periods ended 31 December each year.

Turnover

The Group's turnover from continuing operations for the period under review rose by HK$1,819 million or 11% to HK$17,915 million (2006/07: HK$16,096 million), mainly reflecting Wharf's remarkable revenue growth of 21% over 2006 underpinned by the achievement of double-digit revenue increase by its Property Investment segment and higher contribution from property sales, both in Hong Kong and China. WPL group also provided steady revenue from its investment properties and sales of properties both in Hong Kong and Singapore.

Operating profit

The Group's operating profit increased sharply by HK$2,697 million or 35% to HK$10,347 million (2006/07: HK$7,650 million). In addition to the favourable performance of its Property Investment and Property Development segments, Wharf also recorded an exceptional profit on disposal of certain long-term investments that helped boost the Group's underlying operating profit.

Property Investment

Revenue and operating profit from Property Investment segment were higher at HK$6,830 million (2006/07: HK$6,135 million) and HK$4,932 million (2006/07: HK$4,260 million) respectively, an increase of 11% and 16% when compared to the previous year. Benefited from the persistent positive rental reversion with occupancy remained high, Wharf increased its property investment income by 15% to HK$6,506 million and corresponding operating profit by 18% to HK$4,701 million. Excluding hotel revenue, Wharf's investment properties, mainly including Harbour City, Times Square and Plaza Hollywood in Hong Kong and the three Times Square in China, recorded double-digit rental billing growth of 17% and 21% to HK$5,118 million and HK$416 million, respectively. Other investment properties of the Group, mainly including Wheelock House and Crawford House in Hong Kong and Wheelock Place in Singapore, also achieved higher rental rates during the period under review.

Property Development

Revenue and operating profit from Property Development segment were HK$3,283 million (2006/07: HK$2,235 million) and HK$1,412 million (2006/07: HK$554 million) respectively. The profit increase was mainly attributable to the profits of HK$718 million from recognition of property sales by Wharf for its residential units at Wellington Garden and Wuhan Times Square in China and of HK$409 million for sales of the remaining three luxury houses at Gough Hill Residences. Other properties sales revenue and profit were derived mainly from sales of Bellagio units and certain non-core office and industrial units in Hong Kong by Wheelock and WPL.

WPSL recognises profits on pre-sales of properties under development by stages using the percentage of completion method in accordance with generally accepted accounting principles in Singapore. The Group prepares its consolidated financial statements under Hong Kong Financial Reporting Standards which recognises revenue and profit on pre-sales of properties upon the completion. Accordingly, profits recognised by WPSL in respect of its pre-sales of The Sea View, The Cosmopolitan and Ardmore II units were reversed and excluded in the Group's consolidated results. As at 31 December 2007, the cumulative profits reversed attributable to the Group amounted to approximately HK$650 million. WPSL has sold all the units at The Sea View, The Cosmopolitan and Ardmore II, and 225 residential units (67% sold) at Scotts Square as of 31 December 2007. No profit from pre-sale of Scotts Square was recognised by WPSL as the project is still in its initial stage of constructions, in accordance with its accounting policies.

CME

CME's revenue dropped by 4% to HK$3,797 million (2006/07: HK$3,947 million). As a result of its effective control over expenditures, CME's operating profit increased by 35% to HK$365 million (2006/07: HK$270 million). i-CABLE reported a decrease in revenue by HK$244 million or 10% to HK$2,304 million under severe competition in its market plan, but it successfully established a lower cost base to preserve its profitability and recorded an operating profit of HK$179 million for its pay television and HK$180 million for its Internet and Multimedia segments. Wharf T&T performed well and contributed an operating profit of HK$47 million (2006/07: a loss of HK$64 million).

Logistics

Logistics segment recorded a marginal increase in revenue and operating profit to HK$3,625 million (2006/07: HK$3,506 million) and HK$1,914 million (2006/07: HK$1,887 million) respectively, mainly reflecting a 6% increase in throughput handled by Modern Terminals.

Investment and Others

Investment and Others segment's revenue, comprising mainly dividends from the Group's long-term investment portfolio and interest income, increased to HK$794 million (2006/07: HK$696 million). This segment recorded exceptionally strong result and reported an operating profit of HK$2,141 million (2006/07: HK$1,039 million), which included profit of HK$1,790 million (2006/07: HK$114 million) arising from sales of long-term investments mainly attributable to Wharf during the period under review. (Note: Profit from sales of investments is not accounted for as turnover based on the Group's accounting policy)

Increase in fair value of investment properties

The Group's investment properties were revalued by independent valuers giving a revaluation surplus of HK$10,878 million (2006/07: HK$8,248 million).

The attributable net surplus of HK$4,254 million (2006/07: HK$3,302 million), after the related deferred tax and minority interests in total of HK$6,624 million (2006/07: HK$4,946 million), was credited to the consolidated profit and loss account.

Finance costs

Finance costs increased by HK$199 million to HK$1,212 million (2006/07: HK$1,013 million) primarily due to the increase in Modern Terminals' borrowings to meet with its expanding port investment expenditures. The charge was after capitalisation of HK$242 million (2006/07: HK$151 million) for the Group's related assets. The Group's average effective borrowing interest rate was approximately 4.6% per annum (2006/07: 4.6% per annum).

Share of results after tax of associates and jointly controlled entities

Share of profits of associates increased to HK$269 million (2006/07: HK$146 million), which covered the profit contribution from Modern Terminals' additional port investment in Mega SCT and the sale of Parc Palais units undertaken by an associate of WPL. Contribution from jointly controlled entities of HK$27 million was also related to terminal business in China, which began to bear fruit.

Taxation

Taxation charge for the period was HK$4,639 million (2006/07: HK$2,560 million), which included deferred tax of HK$2,386 million (2006/07: HK$1,367 million) on the revaluation surplus of investment properties. Excluding this deferred tax, taxation charge was HK$2,253 million (2006/07: HK$1,193 million). The increase in taxation was attributable to increase in PRC income tax and land appreciation tax charged against the profit from sales of properties in China and the making of an additional provision of HK$336 million by Wharf for certain tax cases concerning interest deductibility under dispute with the Inland Revenue Department.

Discontinued operation

Hamptons was disposed of by WPSL in August 2006. The results of Hamptons, which deemed to form a significant business segment of the Group, were reported as a discontinued operation. The profit on the disposal recognised by WPSL was HK$475 million (HK$268 million attributable to the Group) in the previous year.

Minority interests

Profit shared by minority interests was HK$8,239 million (2006/07: HK$6,829 million), which was mainly attributable to the profit of Wharf and WPL.

Profit attributable to equity shareholders

The Group's profit attributable to equity shareholders increased by HK$1,305 million or 21% to HK$7,615 million (2006/07: HK$6,310 million). Earnings per share were HK$3.75 (2006/07: HK$3.11).

Excluding the net investment property revaluation surplus of HK$4,254 million (2006/07: HK$3,302 million), the Group's profit attributable to equity shareholders was HK$3,361 million (2006/07: HK$3,008 million), an increase of HK$353 million or 12% over 2006/07. The increase was largely attributable to higher profit contribution from Wharf, which was partly offset by the decrease of WPL's profit contribution resulting from the lack of non-recurring profits from the disposal of Hamptons and Oakwood in 2006/07.

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

Profit attributable to	**Period ended 31/12/2007 HK$ Million**	Year ended 31/3/2007 HK$ Million
Wharf group	**2,864**	2,062
WPL group (excluded dividends from its 7% holding in Wharf)	**321**	767
The Company and its other subsidiaries	**176**	179
Profit before investment property surplus	**3,361**	3,008
Investment property surplus (after deferred tax and minority interests)	**4,254**	3,302
Profit attributable to equity shareholders	**7,615**	6,310

Wharf's profit for its year ended 31 December 2007 was HK$13,143 million (2006: HK$10,757 million). Excluding the net investment property surplus, Wharf's net profit was HK$5,947 million (2006: HK$4,285 million).

WPL's profit for its nine months ended 31 December 2007 was HK$1,540 million (2006/07: HK$1,450 million). Excluding the net investment property surplus, WPL's net profit was HK$570 million (2006/07: HK$1,169 million). During the period, WPL received dividends from Wharf of HK$138 million (2006/07: HK$138 million).

(II) Liquidity and Financial Resources

Shareholders' equity

The Group's Shareholders' equity increased by 15% to HK$56,651 million or HK$27.88 per share as at 31 December 2007, compared to HK$49,262 million or HK$24.25 per share as at 31 March 2007.

The Group's total equity, including minority interests, was HK$114,159 million as at 31 December 2007, an increase of 15% from HK$99,542 million as at 31 March 2007.

Supplemental information on net asset value ("NAV")

To better reflect the underlying NAV attributable to its equity shareholders, Wharf had made certain adjustments on the book NAV that was based on HKFRSs and disclosed as supplemental information in the Financial Review section of its Annual Report 2007. On the same basis, the adjusted underlying NAV attributable to the Group's equity shareholders is summarised below for additional information:

	Per share HK$
Book NAV as at 31 December 2007 (based on HKFRSs)	27.88
Share of Wharf's adjustments:	5.71
Modern Terminals (based on the latest transaction price in 2005)	1.68
i-CABLE (based on year-end market price @HK$1.59 p.s.)	0.16
Hotel properties (based on year-end independent valuation)	1.00
Deferred tax for surplus on revaluation of investment properties in Hong Kong*	2.87
Wheelock's deferred tax for surplus on revaluation of investment properties in Hong Kong and Singapore*	0.40
Adjusted underlying NAV as at 31 December 2007	**33.99**
Adjusted underlying NAV as at 31 March 2007	30.01

* *As there is no capital gains tax in Hong Kong and Singapore, the deferred tax liability (attributable to the Group HK$6.6 billion or about HK$3.27 per share) as provided and included in the consolidated balance sheet would not be payable if the above-mentioned investment properties were to be sold at the revalued amounts under the respective current tax regime. Accordingly, such deferred tax as provided under HKAS 40 and HK(SIC)-INT 21 is adjusted for the above calculation in order to provide a better understanding of the underlying NAV.*

Net cash generated from/used in the Group's operating and investing activities

For the period under review, net cash generated from the Group's operating activities was HK$5.9 billion, decreased slightly by HK$0.1 billion from HK$6.0 billion in 2006/07. The decrease was mainly due to net increase in trading properties caused by the acquisitions of various sites in China by Wharf and certain properties in Hong Kong by WPL, which was substantially mitigated by the increase in operating profit. Net cash of HK$11.5 billion spent for investing activities mainly consisted of Modern Terminals' payment of HK$3.2 billion for rationalisation of its interest in Mega SCT and HK$5.2 billion for the Group's investments in jointly controlled entities involving in property development projects in China.

Capital Expenditure and Commitments

The capital expenditure substantially incurred by Wharf's core businesses during the period and related capital commitments at 31 December 2007 are analysed as follows:

		Capital Commitments as at 31 December 2007	
	Capital Expenditure 2007 HK$ Million	Authorised and Contracted for HK$ Million	Authorised but not Contracted for HK$ Million
Wharf group			
Property Investments/Others	589	88	57
Wharf T&T	276	108	141
Modern Terminals (67.6%-owned)	2,757	2,613	2,318
i-CABLE (73.6%-owned)	305	722	135
	3,927	3,531	2,651
WPL group (74.3%-owned)	39	–	–
Total	**3,966**	**3,531**	**2,651**
As at 31 March 2007	4,724	4,573	3,635

The above capital expenditure incurred by the Property Investment segment was mainly related to certain refurbishment and renovation work for enhancing the quality and value of the Group's investment properties, in particular for Harbour City. For i-CABLE and Wharf T&T, the capital expenditures were incurred substantially for procurement of production and broadcasting equipment and additions to programming library while that for Modern Terminals was mainly incurred for construction of the Dachan Bay Phase I and Taicang Phase II ports. i-CABLE, Modern Terminals and WPL respectively 73.6%, 67.6% and 74.3% owned by the Group, funded their own capital expenditure programmes.

During the period under review, apart from the above capital expenditure, the Group also incurred HK$11.5 billion (HK$9.0 billion and HK$2.5 billion incurred by Wharf and WPL respectively) for its trading properties under development mainly in China, including HK$5.2 billion for projects undertaken through joint ventures. In February 2007, Modern Terminals paid HK$3.2 billion in cash on completion of the rationalisation of the interests in Shekou container terminals under an agreement signed in December 2006 with China Merchants Holdings (International) Company Limited ("CMH"). On this completion, Modern Terminals and CMH injected their respective equity interests in Shekou containers terminals into a newly setup joint venture, Mega SCT, in which Modern Terminals holds 30% equity interests.

As at 31 December 2007, apart from the above capital commitments, Wharf also committed to properties under development in China, both by its subsidiaries and through jointly controlled entities, of a total amount of HK$61.5 billion (31 March 2007: HK$17.0 billion), including land cost of about HK$18.0 billion payable by instalments mainly in 2008 and 2009. These developments will be executed by stages in the forthcoming years. WPL's commitments for its properties under development amounted to HK$4.2 billion as of 31 December 2007.

The above commitments will be funded by the respective groups' internal financial resources, bank and other borrowings as well as other available resources, including available-for-sale investments and proceeds from sales and pre-sales of properties.

Net debt and gearing

The Group's net debt was HK$21,912 million as at 31 December 2007, which was made up of debts of HK$34,991 million and bank deposits and cash of HK$13,079 million. Included in the total debts were loans borrowed by Wharf and WPSL of HK$31,282 million and HK$2,729 million respectively, which are without recourse to the Company and its wholly-owned subsidiaries. Analysis of the net debt by group is as below:

Net debt/(cash)	**31/12/2007 HK$ Million**	31/3/2007 HK$ Million
Wheelock Group (excludes Wharf)	**(1,653)**	(1,330)
Wheelock/wholly-owned subsidiaries	**932**	1,966
WPL	**(2,291)**	(2,919)
WPSL	**(294)**	(377)
Wharf group	**23,565**	16,901
Wharf (excludes below subsidiaries)	**13,331**	14,376
Modern Terminals	**9,602**	4,951
HCDL	**1,274**	(1,840)
i-CABLE	**(642)**	(586)
Group	**21,912**	15,571
Gearing of the Group:		
Net debt to shareholders' equity	**38.7%**	31.6%
Net debt to total equity	**19.2%**	15.6%

In January 2008, Wharf completed its rights issue and received a net proceeds of approximately HK$9.1 billion (HK$4.0 billion and HK$0.6 billion were paid by the Company and WPL, respectively, for their subscriptions), which will be applied mainly for its expanding property investment in China as mentioned above.

Finance and availability of facilities

The Group's available loan facilities and debt securities totalled HK$58.3 billion, of which HK$35.0 billion were drawn and outstanding as at 31 December 2007 with details below:

	Available Facility HK$ Billion	Total Debts HK$ Billion	%	Undrawn Facility HK$ Billion
Wheelock Group (excludes Wharf)	8.6	3.7	11%	4.9
Wheelock/wholly-owned subsidiaries	3.5	1.0	3%	2.5
WPL	0.2	–	0%	0.2
WPSL	4.9	2.7	8%	2.2
Wharf group	49.7	31.3	89%	18.4
Wharf (excludes below subsidiaries)	30.0	19.7	56%	10.3
Modern Terminals	17.1	9.7	28%	7.4
HCDL	2.0	1.9	5%	0.1
i-CABLE	0.6	–	0%	0.6
	58.3	**35.0**	**100%**	**23.3**

As at 31 December 2007, the Group's debts of HK$6,295 million were secured by mortgage over certain properties under development, fixed assets, investment and bank deposits with total carrying value of HK$16,419 million (31 March 2007: HK$11,522 million).

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

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

The Group maintained a reasonable level of surplus cash, which was denominated principally in HKD, RMB and SGD, to facilitate the Group's business and investment activities. The Group also maintained a portfolio of available-for-sale investments, primarily in blue-chip securities, with an aggregate market value as at 31 December 2007 of HK$7.6 billion, which is immediately available for liquidation to meet the Group's future investment commitments. The accumulated attributable surplus of the investments as at 31 December 2007 amounted to HK$1.5 billion (31 March 2007: HK$2.0 billion) and is retained in reserves until the related investments are sold. Performance of the portfolio was favourably in line with market.

Contingent liabilities

There were no material contingent liabilities as at 31 December and 31 March 2007.

(III) Human Resources

The Group has 13,384 employees as at 31 December 2007 (31 March 2007: 12,787). Employees are remunerated according to nature of the job and market trend, with a built-in merit component incorporated in the annual increment to reward and motivate individual performance. Total staff costs for the period under review amounted to HK$2,593 million (2006/07: HK$2,721 million).