



TO THE SHAREHOLDERS OF WHEELOCK AND COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Wheelock and Company Limited (the "Company") set out on pages 51 to 135, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated profit and loss account, the consolidated statement of recognised income and expense and the consolidated cash flow statement for the nine months period ended 31 December 2007, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

REPORT OF THE INDEPENDENT AUDITOR

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 2007 and of the Group's profit and cash flows for the period ended 31 December 2007 in accordance with the 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

26 March 2008

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the nine months ended 31 December 2007

	Note	Period ended 31/12/2007 HK\$ Million	Year ended 31/3/2007 HK\$ Million (restated)
Continuing operations			
Turnover	3	17,915	16,096
Other net income	5	1,830	602
		19,745	16,698
Direct costs and operating expenses		(6,508)	(6,157)
Selling and marketing expenses		(766)	(801)
Administrative and corporate expenses		(848)	(813)
Operating profit before depreciation, amortisation, interest and tax		11,623	8,927
Depreciation and amortisation	4	(1,276)	(1,277)
Operating profit	4	10,347	7,650
Increase in fair value of investment properties		10,878	8,248
Net other credit	6	184	123
		21,409	16,021
Finance costs	7	(1,212)	(1,013)
Share of results after tax of:			
Associates	16	269	146
Jointly controlled entities	17	27	12
Profit before taxation		20,493	15,166
Taxation	8	(4,639)	(2,560)
Profit after taxation		15,854	12,606
Discontinued operation	9	–	533
Profit for the period/year		15,854	13,139
Profit attributable to:			
Equity shareholders		7,615	6,310
Minority interests		8,239	6,829
		15,854	13,139
Dividends attributable to equity shareholders	11		
Interim dividend declared		51	51
Final dividend proposed		203	203
		254	254
Earnings per share	12		
Continuing operations		HK\$3.75	HK\$2.96
Discontinued operation		–	HK\$0.15
		HK\$3.75	HK\$3.11

The above consolidated profit and loss account includes Wharf's financial results for the twelve months ended 31 December 2007 (2006/07: includes Wharf's financial results for the twelve months ended 31 December 2006) as explained in notes 1 and 2(a) to the financial statements. The notes and principal accounting policies on pages 59 to 135 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2007

	Note	31/12/2007 HK\$ Million	31/3/2007 HK\$ Million (restated)
Non-current assets			
Fixed assets			
Investment properties		105,836	95,085
Leasehold land		3,775	3,662
Other property, plant and equipment		15,779	12,509
		125,390	111,256
Goodwill and other intangible assets	13	302	306
Interest in associates	15	3,632	531
Interest in jointly controlled entities	16	6,019	788
Available-for-sale investments	17	7,622	7,088
Long-term receivables	18	447	498
Programming library	19	184	186
Defined benefit pension scheme assets		239	230
Derivative financial assets	20	17	17
Deferred tax assets	29	360	429
		144,212	121,329
Current assets			
Properties for sale	21	19,805	15,386
Inventories		97	85
Trade and other receivables	22	1,878	1,980
Derivative financial assets	29	54	12
Bank deposits and cash	23	13,079	10,235
		34,913	27,698
Current liabilities			
Trade and other payables	24	(6,038)	(5,151)
Short-term loans and overdrafts	25	(7,120)	(5,682)
Deposits from sale of properties	26	(5,046)	(3,417)
Derivative financial liabilities	29	(131)	(3)
Taxation payable	8(e)	(1,774)	(690)
Dividend payable	11	(51)	–
		(20,160)	(14,943)
Net current assets		14,753	12,755
Total assets less current liabilities		158,965	134,084

CONSOLIDATED BALANCE SHEET

At 31 December 2007

	Note	31/12/2007 HK\$ Million	31/3/2007 HK\$ Million (restated)
Non-current liabilities			
Long-term loans	25	(27,871)	(20,124)
Deferred taxation	27	(16,578)	(14,150)
Other deferred liabilities	28	(261)	(268)
Derivative financial liabilities	29	(96)	–
		(44,806)	(34,542)
NET ASSETS			
		114,159	99,542
Capital and reserves			
Share capital	30	1,016	1,016
Reserves		55,635	48,246
Shareholders' equity			
	31(a)	56,651	49,262
Minority interests	31(a)	57,508	50,280
TOTAL EQUITY			
	31(a)	114,159	99,542

The above consolidated balance sheet includes Wharf's financial position as of 31 December 2007 (31 March 2007: includes Wharf's financial position as of 31 December 2006) as explained in notes 1 and 2(a) to the financial statements. The notes and principal accounting policies on pages 59 to 135 form part of these financial statements.

Peter K C Woo
Chairman

Paul Y C Tsui
Executive Director

COMPANY BALANCE SHEET

At 31 December 2007

	Note	31/12/2007 HK\$ Million	31/3/2007 HK\$ Million
Non-current assets			
Interest in subsidiaries	14	4,549	4,492
Current liabilities			
Trade and other payables		(4)	(4)
Dividend payable	11	(51)	–
		(55)	(4)
NET ASSETS			
		4,494	4,488
Capital and reserves			
Share capital	30	1,016	1,016
Reserves		3,478	3,472
SHAREHOLDERS' EQUITY			
	31(b)	4,494	4,488

The notes and principal accounting policies on pages 59 to 135 form part of these financial statements.

Peter K C Woo
Chairman

Paul Y C Tsui
Executive Director

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the nine months ended 31 December 2007

	Note	Period ended 31/12/2007 HK\$ Million	Year ended 31/3/2007 HK\$ Million (restated)
Surplus on revaluation of			
available-for-sale investments	31(a)	60	2,438
Actuarial (loss)/gains on defined benefit pension schemes	31(a)	(5)	55
Exchange difference	31(a)	1,019	766
Others	31(a)	63	14
Reserves transferred to the profit and loss account on:			
Disposal of available-for-sale investments	31(a)	(1,009)	(10)
Disposal of properties	31(a)	–	(4)
Impairment of available-for-sale investments	31(a)	81	–
Share of reserves of associates/jointly controlled entities	31(a)	64	16
Net gains not recognised in the profit and loss account		273	3,275
Profit for the period/year	31(a)	15,854	13,139
Total recognised income for the period/year			
Equity shareholders		7,643	8,054
Minority interests		8,484	8,360
		16,127	16,414
Effect of changes in accounting policy:			
Attributable to equity shareholders			
Cumulative effect as at 1 April 2006			
Increase in revenue reserves	2(a) & 31(a)	446	446

The above statement includes Wharf's recognised income and expense for the twelve months ended 31 December 2007 (2006/07: includes Wharf's recognised income and expense for the twelve months ended 31 December 2006) as explained in notes 1 and 2(a) to the financial statements. The notes and principal accounting policies on pages 59 to 135 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the nine months ended 31 December 2007

	Note	Period ended 31/12/2007 HK\$ Million	Year ended 31/3/2007 HK\$ Million (restated)
Cash generated from operations	(a)	7,327	7,678
Interest received		246	316
Interest paid		(1,365)	(1,145)
Dividends received from associates		148	207
Dividends received from investments		518	247
Hong Kong profits tax paid		(910)	(1,209)
Overseas tax paid		(89)	(77)
Net cash generated from operating activities		5,875	6,017
Investing activities			
Purchase of fixed assets		(3,663)	(3,763)
Additions to programming library		(130)	(143)
Net (increase)/decrease in associates		(2,964)	3
Net increase in jointly controlled entities		(5,155)	–
Purchase of available-for-sale investments		(5,424)	(1,495)
Increase in interest in a subsidiary		(44)	–
Proceeds from disposal of fixed assets		40	650
Proceeds from disposal of investment properties		695	1,156
Proceeds from disposal of available-for-sale investments		5,769	1,162
Repayment of long-term receivables		51	151
Placing of pledged deposits		(707)	–
Redemption of deposits with financial institutions		–	156
Proceeds from disposal of subsidiaries	(b)	–	1,037
Net cash inflow from acquisition of subsidiaries		–	79
Net cash used in investing activities		(11,532)	(1,007)
Financing activities			
Net drawdown of long-term loans		11,227	3,316
Net repayment of short-term bank loans		(2,193)	(3,789)
Issue of shares by subsidiaries to minority interests		197	193
Advances from minority interests		–	8
Dividends paid to equity shareholders		(203)	(254)
Dividends paid to minority interests		(1,404)	(1,325)
Net cash generated from/(used in) financing activities		7,624	(1,851)
Net increase in cash and cash equivalents		1,967	3,159
Cash and cash equivalents at 1 April		10,235	6,870
Effect of foreign exchange rate changes		170	206
Cash and cash equivalents at 31 December/31 March	23	12,372	10,235

The above statement includes Wharf's cash flows for the twelve months ended 31 December 2007 (2006/07: twelve months ended 31 December 2006) as explained in notes 1 and 2(a) to the financial statements.

NOTES TO CONSOLIDATED CASH FLOW STATEMENT

a) Reconciliation of operating profit to cash generated from operations

	Period ended 31/12/2007 HK\$ Million	Year ended 31/3/2007 HK\$ Million (restated)
Operating profit		
From continuing operations	10,347	7,650
From a discontinued operation	–	72
Adjustments for:		
Interest income	(244)	(316)
Dividend income from investments	(495)	(252)
Depreciation	1,094	1,144
Amortisation	182	133
Net profit on disposal of available-for-sale investments	(1,790)	(114)
Net profit on disposal of properties	(12)	(481)
(Profit)/loss on disposal of fixed assets	(32)	10
Impairment loss on investments	81	–
Exchange differences/others	234	354
Operating profit before working capital changes	9,365	8,200
Increase in properties under development for sale	(6,303)	(3,360)
Decrease in completed properties for sale	1,736	1,237
(Increase)/decrease in inventories	(12)	45
Decrease/(increase) in trade and other receivables	86	(332)
Increase in deposits from sale of properties	1,629	1,672
Increase in trade and other payables	721	275
Increase/(decrease) in derivative financial liabilities	130	(7)
Increase in defined benefit pension scheme assets	(18)	(25)
Decrease in other deferred liabilities	(7)	(27)
Cash generated from operations	7,327	7,678

CONSOLIDATED CASH FLOW STATEMENT

For the nine months ended 31 December 2007

b) Disposal of subsidiaries

On 31 July 2006, Wheelock Properties (Singapore) Limited ("WPSL") entered into an agreement to sell its 100% interest in Hamptons Group Limited ("Hamptons") at a consideration of £82 million (about HK\$1,182 million) payable by cash. The company is engaged in estate agency services in the residential property market. The disposal was completed on 24 August 2006.

The cash flow and the net assets of subsidiaries disposed of are provided below:

	Year ended 31/3/2007 HK\$ Million
Non-current assets	377
Current assets	407
Current liabilities	(294)
Minority interests	(6)
Net assets disposed	484
Goodwill on acquisition	101
Profit on disposal	597
Cash consideration received, satisfied in cash	1,182
Less: Cash of subsidiaries disposed	(145)
Net cash inflow in respect of the disposed of subsidiaries	1,037

There were no disposals in the period ended 31 December 2007.

1. CHANGE IN FINANCIAL YEAR END DATE

Pursuant to a written resolution passed on 10 December 2007, the Company changed its financial year end date from 31 March to 31 December to get in line with that of The Wharf (Holdings) Limited ("Wharf"), the major subsidiary of the Company (see note 2(a)).

In previous periods, the Group's financial statements for the year ended 31 March included the Group's share of the financial results and position of the Wharf group based on Wharf's published consolidated financial statements as of the immediately preceding 31 December. Accordingly, the Group's current financial statements, which cover a period of nine months from 1 April 2007 to 31 December 2007, include Wharf's consolidated financial statements for the twelve months ended 31 December 2007. The comparative figures, which cover a period of twelve months from 1 April 2006 to 31 March 2007, cover Wharf's financial statements for the twelve months ended 31 December 2006.

As a result of the change in the year end date of the Company, all the comparative figures for the financial statements and related notes are therefore not entirely comparable with those of the current period. Details of the change in accounting policy on consolidation of Wharf's financial statements and the financial impacts on the comparative figures are set out in note 2(a).

2. CHANGES IN ACCOUNTING POLICIES

a) *Consolidation of Wharf's financial statements*

In prior years, the financial statements of subsidiaries were consolidated with the Company's financial statements where the Group, directly or indirectly, held more than half of the issued share capital, or controlled more than half of the voting power or controlled the composition of the board of directors. As the Group held less than 50% equity interest in Wharf prior to 1 April 2007, the Group had accounted for Wharf as an associate and equity-accounted for its results and net assets in prior years based on Wharf's published consolidated financial statements for the annual financial reporting periods ended on 31 December each year.

With effect from the accounting period beginning on 1 April 2007, the Group has changed its basis of consolidation such that companies that are less than 50% owned, but over which the Group exercises de facto control are now also consolidated. De facto control exists where the Company is able to exert effective control by holding a substantial minority interest in an entity of which the other shareholdings are widely dispersed and thus unable to coalesce to successfully vote against the wishes of the largest shareholder.

The Group increased its interest in Wharf from 49.93814% to 50.00003% in August 2007, but in management's view this made little difference in practice to their ability to make financial and operating policy decisions concerning Wharf compared to the de facto control that the Group was able to exert over Wharf before this increase in shareholding. Management similarly considers that any subsequent small changes in the Group's effective ownership interest in Wharf, in the absence of other significant developments, are unlikely to affect their ability to make such financial and operating policy decisions concerning Wharf in future, whether or not those changes take the Group's ownership interest in Wharf below the 50% threshold. Accordingly, the Group considers that the revised accounting policy will provide more relevant information about the results and financial position of the enlarged Group than the previous accounting policy.

As consolidation based on de facto control constitutes a change in the Group's accounting policy in accordance with Hong Kong Accounting Standard 8, Accounting policies, changes in accounting estimates and errors, prior year figures in the consolidated profit and loss account and consolidated balance sheet have been restated to take account of the fact that the Group exercised de facto control over Wharf in prior years. As a result of this change in accounting policy, the shareholders' equity of the Group was increased by HK\$446 million, representing the transfer of accumulated unrealised profits resulting from prior years' transactions between the Group and Wharf (formerly as an associate), previously recorded in other deferred liabilities, to the revenue reserves as at 1 April 2006. This change has no impact on the Group's profit attributable to equity shareholders for the nine months period ended 31 December 2007 and the year ended 31 March 2007.

A summary of the effect of change in accounting policy on consolidation of Wharf's financial statements on the profit and loss account and balance sheet of the Group for the year ended 31 March 2007 is set out below:

(i) Profit and Loss Account for the year ended 31 March 2007

	As previously reported HK\$ Million	Prior year adjustments		As restated HK\$ Million
		Wharf's financial statements 31/12/2006 HK\$ Million	Other consolidation adjustments HK\$ Million	
Continuing operations				
Turnover	2,771	13,364	(39)	16,096
Other net income	186	415	1	602
	2,957	13,779	(38)	16,698
Direct costs and operating expenses	(1,518)	(4,653)	14	(6,157)
Selling and marketing expenses	(100)	(701)	–	(801)
Administrative and corporate expenses	(136)	(688)	11	(813)
Operating profit before depreciation, amortisation, interest and tax	1,203	7,737	(13)	8,927
Depreciation and amortisation	–	(1,266)	(11)	(1,277)
Operating profit	1,203	6,471	(24)	7,650
Increase in fair value of investment properties	380	7,868	–	8,248
Net other credit	23	100	–	123
	1,606	14,439	(24)	16,021
Finance costs	(214)	(824)	25	(1,013)
Share of results after tax of:				
Associates	5,371	196	(5,421)	146
Jointly controlled entities	–	12	–	12
Profit before taxation	6,763	13,823	(5,420)	15,166
Taxation	(131)	(2,429)	–	(2,560)
Profit after taxation	6,632	11,394	(5,420)	12,606
Discontinued operation	533	–	–	533
Profit for the year	7,165	11,394	(5,420)	13,139
Profit attributable to:				
Equity shareholders	6,310	10,757	(10,757)	6,310
Minority interests	855	637	5,337	6,829
	7,165	11,394	(5,420)	13,139

(ii) Balance Sheet at 31 March 2007

	As previously reported HK\$ Million	Prior year adjustments		As restated HK\$ Million
		Wharf's financial statements 31/12/2006 HK\$ Million	Other consolidation adjustments HK\$ Million	
Non-current assets				
Fixed assets				
Investment properties	8,401	86,684	–	95,085
Leasehold land	–	3,662	–	3,662
Other property, plant and equipment	657	11,852	–	12,509
	9,058	102,198	–	111,256
Goodwill and other intangible assets	–	306	–	306
Interest in associates	37,417	781	(37,667)	531
Interest in jointly controlled entities	–	788	–	788
Available-for-sale investments	4,167	2,921	–	7,088
Long-term receivables	127	371	–	498
Programming library	–	186	–	186
Defined benefit pension scheme assets	–	230	–	230
Derivative financial assets	–	17	–	17
Deferred tax assets	–	429	–	429
	50,769	108,227	(37,667)	121,329
Current assets				
Properties for sale	9,602	5,784	–	15,386
Inventories	–	85	–	85
Trade and other receivables	541	1,400	39	1,980
Derivative financial assets	–	12	–	12
Bank deposits and cash	6,466	3,769	–	10,235
	16,609	11,050	39	27,698
Current liabilities				
Trade and other payables	(992)	(4,222)	63	(5,151)
Short-term loans and overdrafts	(1,015)	(4,667)	–	(5,682)
Deposits from sale of properties	(2,713)	(704)	–	(3,417)
Derivative financial liabilities	–	(3)	–	(3)
Taxation payable	(300)	(390)	–	(690)
	(5,020)	(9,986)	63	(14,943)
Net current assets	11,589	1,064	102	12,755
Total assets less current liabilities	62,358	109,291	(37,565)	134,084
Non-current liabilities				
Long-term loans	(4,121)	(16,003)	–	(20,124)
Deferred taxation	(1,034)	(13,116)	–	(14,150)
Other deferred liabilities	(425)	(254)	411	(268)
	(5,580)	(29,373)	411	(34,542)
NET ASSETS	56,778	79,918	(37,154)	99,542
Capital and reserves				
Share capital	1,016	–	–	1,016
Reserves	47,800	–	446	48,246
Shareholders' equity	48,816	–	446	49,262
Minority interests	7,962	4,756	37,562	50,280
TOTAL EQUITY	56,778	4,756	38,008	99,542

The comparative figures shown in the notes to the financial statements are to be read in conjunction with the prior year adjustments as set out in the above tables.

b) Other new standards, amendments and interpretation

The Hong Kong Institute of Certified Public Accountants (“HKICPA”) has issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) and Interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

The “Principal accounting policies” set out on pages 113 to 131 summarises the accounting policies of the Group after the adoption of these policies to the extent that they are relevant to the Group.

The adoption on the new and revised HKFRSs has no significant impacts to the financial statements of the Group for the nine months period ended 31 December 2007 and year ended 31 March 2007, except for the presentation requirements following the adoption of HKFRS 7, Financial instruments: Disclosures and the amendment to HKAS 1, Presentation of financial statements: Capital disclosures.

(i) HKFRS 7, Financial instruments: Disclosures

As a result of the adoption of HKFRS 7, the financial statements included expanded disclosure about the significance of the financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, Financial instruments: Disclosure and presentation. These disclosures are provided in note 29 to the financial statements.

(ii) HKAS 1, Presentation of financial statements: Capital disclosures

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Company’s objectives, policies and processes for managing capital. These new disclosures are set out in note 31(e) to the financial statements.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 37).

3. SEGMENT INFORMATION

a) Business segments

(i) Revenue and results

	Revenue		Results	
	Period ended 31/12/2007 HK\$ Million	Year ended 31/3/2007 HK\$ Million	Period ended 31/12/2007 HK\$ Million	Year ended 31/3/2007 HK\$ Million
Continuing operations				
Property investment	6,830	6,135	4,932	4,260
Hong Kong	5,313	4,576	4,289	3,617
China	416	343	197	130
Singapore	129	272	93	168
Hotels	972	944	353	345
Property development	3,283	2,235	1,412	554
Hong Kong	1,508	2,222	609	552
China	1,619	13	718	2
Singapore	156	–	85	–
Communications, media and entertainment (“CME”)	3,797	3,947	365	270
Pay television	1,595	1,895	179	248
Internet and multimedia	588	596	180	129
Telecommunications	1,460	1,384	47	(64)
Others	154	72	(41)	(43)
Logistics	3,625	3,506	1,914	1,887
Terminals	3,216	3,096	1,764	1,727
Others	409	410	150	160
Investment and others	794	696	2,141	1,039
Inter-segment revenue (Note)	18,329 (414)	16,519 (423)	10,764 –	8,010 –
	17,915	16,096	10,764	8,010
Unallocated expenses			(417)	(360)
Operating profit			10,347	7,650
Increase in fair value of investment properties			10,878	8,248
Net other credit			184	123
			21,409	16,021

	Revenue		Results	
	Period ended 31/12/2007 HK\$ Million	Year ended 31/3/2007 HK\$ Million	Period ended 31/12/2007 HK\$ Million	Year ended 31/3/2007 HK\$ Million
Finance costs			(1,212)	(1,013)
Associates			269	146
Property development			33	46
Terminals			236	100
Jointly controlled entities				
Terminals			27	12
Profit before taxation			20,493	15,166
Taxation			(4,639)	(2,560)
Profit for the period/year			15,854	12,606
Discontinued operation (Note 9)				
Hamptons – agency services				
Revenue/Profit from a discontinued operation	–	452	–	533
Total profit for the period/year			15,854	13,139

Note

Inter-segment revenue eliminated on consolidation includes:

	Period ended 31/12/2007 HK\$ Million	Year ended 31/3/2007 HK\$ Million
Property investment	113	91
CME	224	253
Investment and others	77	79
	414	423

(ii) Assets and liabilities

	Assets		Liabilities	
	31/12/2007 HK\$ Million	31/3/2007 HK\$ Million	31/12/2007 HK\$ Million	31/3/2007 HK\$ Million
Property investment	109,226	97,936	5,378	4,050
Hong Kong	95,938	87,721	1,809	1,524
China	8,330	6,666	3,170	2,279
Singapore	4,431	3,156	101	92
Hotels	527	393	298	155
Property development	28,690	17,346	10,083	4,252
Hong Kong	4,401	4,681	483	444
China	15,641	5,213	4,915	856
Singapore	8,648	7,452	4,685	2,952
CME	4,592	4,835	965	977
Pay television	1,160	1,243	354	384
Internet and multimedia	509	631	129	133
Telecommunications	2,857	2,939	480	460
Others	66	22	2	–
Logistics	16,922	11,138	10,817	6,330
Terminals	16,732	10,935	10,767	6,276
Others	190	203	50	54
Investment and others	7,733	7,424	31	26
Unallocated	11,962	10,348	37,692	33,850
Total assets/liabilities	179,125	149,027	64,966	49,485

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

	31/12/2007 HK\$ Million	31/3/2007 HK\$ Million
Property development	5,282	118
CME	59	–
Logistics	4,310	1,201
	9,651	1,319

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

(iii) Other information

	Capital expenditure		Increase in interests in associates and jointly controlled entities		Depreciation and amortisation	
	Period ended	Year ended	Period ended	Year ended	Period ended	Year ended
	31/12/2007	31/3/2007	31/12/2007	31/3/2007	31/12/2007	31/3/2007
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Property investment	622	585	-	-	125	109
Hong Kong	215	337	-	-	21	16
China	149	97	-	-	21	18
Singapore	38	115	-	-	2	10
Hotels	220	36	-	-	81	65
Property development China	-	-	5,154	-	-	-
CME	581	655	59	-	890	950
Pay television	159	238	-	-	318	320
Internet and multimedia	68	64	-	-	144	188
Telecommunications	276	309	-	-	385	418
Others	78	44	59	-	43	24
Logistics	2,763	3,484	2,911	-	261	218
Terminals	2,757	3,446	2,911	-	248	204
Others	6	38	-	-	13	14
Total	3,966	4,724	8,124	-	1,276	1,277

The Group has no significant non-cash expenses other than depreciation and amortisation.

b) Geographical segments

	Revenue		Operating profit	
	Period ended	Year ended	Period ended	Year ended
	31/12/2007	31/3/2007	31/12/2007	31/3/2007
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Continuing operations				
Hong Kong	15,298	15,228	8,912	7,314
China	2,096	476	876	56
Singapore	521	392	559	280
	17,915	16,096	10,347	7,650
Discontinued operation				
United Kingdom	–	450	–	71
Others	–	2	–	1
	–	452	–	72
Revenue/operating profit	17,915	16,548	10,347	7,722

	Assets	
	31/12/2007	31/3/2007
	HK\$ Million	HK\$ Million
Hong Kong	121,886	112,515
China	35,435	17,201
Singapore	21,804	19,311
	179,125	149,027

	Capital expenditure		Increase in interests in associates and jointly controlled entities	
	Period ended	Year ended	Period ended	Year ended
	31/12/2007	31/3/2007	31/12/2007	31/3/2007
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	1,223	1,554	61	–
China	2,705	3,055	8,063	–
Singapore	38	115	–	–
	3,966	4,724	8,124	–

4. OPERATING PROFIT

a) Operating profit

	Period ended 31/12/2007 HK\$ Million	Year ended 31/3/2007 HK\$ Million
Operating profit is arrived at:		
Continuing operations		
after charging/(crediting):		
Depreciation		
– assets held for use under operating leases	91	91
– other fixed assets	1,003	1,053
	1,094	1,144
Amortisation		
– programming library	131	100
– leasehold land (Note 13)	47	30
– other intangible assets (Note 15)	4	3
Total depreciation and amortisation	1,276	1,277
Staff costs	2,593	2,564
Including:		
Contributions to defined contribution pension schemes including MPF schemes (after a forfeiture of HK\$5 million (2006/07: HK\$6 million))	94	91
(Income)/expenses recognised in respect of defined benefit pension schemes (Note 20)	(11)	9
Auditors' remuneration		
– audit services	20	16
– other services	6	2
Cost of trading properties sold	1,706	1,550
Net foreign exchange loss/(gain), including impact of forward foreign exchange contracts (Note)	38	(92)
Rental charges under operating leases in respect of telecommunications equipment and services	101	136
Rental income from operating leases less outgoings	(4,674)	(4,088)
– including contingent rentals	(459)	(323)
Interest income	(244)	(311)
Dividend income from listed investments	(313)	(131)
Dividend income from unlisted investments	(182)	(121)
(Profit)/loss on disposal of fixed assets	(32)	10
Rental income under operating leases in respect of owned plant and machinery	(81)	(95)
Discontinued operation		
after charging/(crediting):		
Staff costs	–	157
– including contributions to defined contribution retirement schemes	–	12
Interest income	–	(5)

Note: During the period, total exchange gain arising from the translation of the net investments in WPSL and certain China subsidiaries, associates and jointly controlled entities amounted to HK\$1,083 million (2006/07: HK\$782 million) for the Group, which has been dealt with as an equity movement.

b) Directors' emoluments

	Basic salaries, housing and other allowances, and benefits Fees HK\$'000	in kind HK\$'000	Discretionary bonuses and/or performance related bonuses HK\$'000	Contributions to pension schemes HK\$'000	Compensation for loss of office/ inducement for joining the Group HK\$'000	Period ended 31/12/2007 Total emoluments HK\$'000	Year ended 31/3/2007 Total emoluments HK\$'000
Board of Directors							
Peter K C Woo	190	13,234	12,000	21	-	25,445	23,791
Gonzaga W J Li	105	4,717	6,000	-	-	10,822	9,352
Stephen T H Ng	60	4,208	8,000	240	-	12,508	11,116
Paul Y C Tsui	45	1,874	2,000	9	-	3,928	3,335
Independent Non-executive Directors							
Alexander S K Au	60*	-	-	-	-	60	69
B M Chang	60*	-	-	-	-	60	69
Kenneth W S Ting	60*	-	-	-	-	60	54
Past Directors							
William Turnbull	-	-	-	-	-	-	63
	580	24,033	28,000	270	-	52,883	47,849
Total for 2006/07	643	23,785	23,169	252	-		47,849

* Includes Audit Committee Member's fee in a total amount of HK\$45,000 (2006/07: HK\$48,479) received by relevant Directors.

c) Five highest paid employees

Set out below are analyses of the emoluments (excluding amounts paid or payable by way of commissions on sales generated by the employees concerned) for the nine months ended 31 December 2007 of 2 employees (2006/07: 2) of the Group who, not being Directors of the Company, were among the top five highest paid individuals (including persons who held the office of Directors of the Company at any time during the period as well as other employees of the Group) employed by the Group.

(i) Aggregate emoluments

	Period ended 31/12/2007 HK\$ Million	Year ended 31/3/2007 HK\$ Million
Basic salaries, housing and other allowances, and benefits in kind	14	8
Deemed profit on share option exercise	–	–
Pension scheme contributions	–	–
Discretionary bonuses and/or performance-related bonuses	18	44
Compensation for loss of office/inducement for joining the Group	–	–
	32	52

(ii) Bandings

	Period ended 31/12/2007 Number	Year ended 31/3/2007 Number
Bands (in HK\$)		
\$8,500,001 – \$9,000,000	–	1
\$10,000,001 – \$10,500,000	1	–
\$21,000,001 – \$21,500,000	1	–
\$43,500,001 – \$44,000,000	–	1
	2	2

5. OTHER NET INCOME

	Period ended 31/12/2007 HK\$ Million	Year ended 31/3/2007 HK\$ Million
Continuing operations		
Net profit on disposal of available-for-sale investments	1,790	114
Net profit on disposal of properties	12	481
Others	28	7
	1,830	602
Discontinued operation (Note 9)		
Others	–	(1)
	1,830	601

Included in the net profit on disposal of available-for-sale investments is a net revaluation surplus, before deduction of minority interests, of HK\$1,009 million (2006/07: HK\$10 million) transferred from the investment revaluation reserves.

6. NET OTHER CREDIT

	Period ended 31/12/2007 HK\$ Million	Year ended 31/3/2007 HK\$ Million
Write-back of provisions for properties	184	223
Write-off of broadcasting and communications equipment	–	(100)
	184	123

7. FINANCE COSTS

	Period ended 31/12/2007 HK\$ Million	Year ended 31/3/2007 HK\$ Million
Continuing operations		
Interest on:		
Bank loans and overdrafts repayable within five years	1,006	732
Other loans repayable within five years	158	332
Loans repayable over five years	143	75
Fair value cost on currency swaps	96	–
Other finance costs	51	25
	1,454	1,164
Less: Amount capitalised	(242)	(151)
	1,212	1,013
Discontinued operation (Note 9)		
Interest on bank loans and overdrafts	–	1
	1,212	1,014

- a)** Interest was capitalised at annual rates of between 4.1% to 5.6% (2006/07: 4.1% to 5.0%).
- b)** Included in total interest costs are amounts totalling HK\$1,167 million (2006/07: HK\$879 million) in respect of interest bearing borrowings that are at amortised cost.

8. TAXATION

Taxation charged to the consolidated profit and loss account represents:

	Period ended 31/12/2007 HK\$ Million	Year ended 31/3/2007 HK\$ Million
Continuing operations		
<i>Current income tax</i>		
Hong Kong profits tax	1,263	912
Overseas taxation	226	55
Underprovision in respect of prior years (Note 8(g))	352	129
	1,841	1,096
<i>Land appreciation tax ("LAT") in the PRC</i>	239	–
<i>Deferred tax (Note 27)</i>		
Change in fair value of investment properties	2,386	1,367
Origination and reversal of temporary differences	201	157
Benefit of previously unrecognised tax losses now recognised	(28)	(60)
	2,559	1,464
	4,639	2,560
Discontinued operation (Note 9)		
<i>Current income tax</i>		
Overseas taxation	–	22
Underprovision in respect of prior years	–	3
Taxation on profit on disposal of subsidiaries	–	122
	–	147
<i>Deferred tax (Note 27)</i>		
Origination and reversal of temporary differences	–	(2)
	–	145
	4,639	2,705

- a)** The provision for Hong Kong profits tax is based on the profit for the period as adjusted for tax purposes at the rate of 17.5% (2006/07: 17.5%).

On 27 February 2008, the Hong Kong SAR (“HKSAR”) Government announced a proposed reduction in the profits tax rate from 17.5% to 16.5% applicable to the operations in Hong Kong with effect from the year of assessment 2008/09. This will trigger a recalculation of the net deferred tax liabilities, mainly for the surplus on the investment properties, as at 1 January 2008, which would likely be reduced by approximately HK\$794 million and will impact the Group’s financial statements.

- b)** Overseas taxation is calculated at rates of tax applicable in countries in which the Group is assessed for tax.
- c)** Under the Provisional Regulations on LAT implemented upon the issuance of the Provisional Regulations of the People’s Republic of China (“PRC”) on 27 January 1995, all gains arising from transfer of real estate property in the PRC effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including borrowing costs and all property development expenditures.
- d)** On 16 March 2007, the Standing Committee of the Tenth National People’s Congress of the PRC approved the income tax law, which will change the tax rate from 33% to 25% for certain subsidiaries operating in the PRC effective from 1 January 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.
- e)** The taxation payable in the consolidated balance sheet is expected to be settled within one year.
- f)** Tax attributable to associates and jointly controlled entities for the nine months ended 31 December 2007 of HK\$23 million (2006/07: HK\$15 million) is included in the share of results after tax of associates and jointly controlled entities.
- g)** Wharf group is currently in the process of providing information to the Inland Revenue Department of HKSAR in respect of tax enquiries from Wharf group’s perspective on certain interest expenses deductibility as claimed by some property investment owning companies. In view of the fact that these enquiries are at the stage of collecting information and some preliminary discussions, provisions have been made only to the extent that the estimated tax assessments have been issued and the tax risk that can be reliably estimated. In 2007, a provision of HK\$336 million was made by Wharf group for the disputes as part of the underprovision for income tax. However, the final outcomes are subject to uncertainties and resulting liabilities may or may not exceed the provisions.

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

	Period ended 31/12/2007 HK\$ Million	Year ended 31/3/2007 HK\$ Million
Profit before taxation (including profit from a discontinued operation)	20,493	15,844
Notional tax on profit before taxation calculated at applicable tax rates	3,762	2,815
Tax effect of non-deductible expenses	158	98
Tax effect of non-taxable revenue	(241)	(284)
Underprovision in respect of prior years	352	132
Tax effect of tax losses not recognised	74	84
Tax effect of unrecognised tax losses utilised	(93)	(79)
Tax effect of previously unrecognised tax losses now recognised as deferred tax assets	(28)	(60)
Effect of change in tax rate on deferred tax balances	(201)	(1)
LAT on trading properties	239	–
Deferred LAT on change in fair value of investment properties	617	–
Actual total tax charge	4,639	2,705
Tax charge attributable to a discontinued operation	–	(145)
Tax charge attributable to continuing operations	4,639	2,560

9. DISCONTINUED OPERATION

	Year ended 31/3/2007 HK\$ Million
Profit on disposal of subsidiaries	597
Taxation on profit on disposal of subsidiaries	(122)
Net profit on disposal of subsidiaries	475
Profit for the year	58
Total profit from a discontinued operation	533

On 24 August 2006, WPSL completed the disposal of its 100% interest in Hamptons at a cash consideration of £82 million (about HK\$1,182 million) and realised a profit of HK\$475 million (HK\$268 million attributable to the Group). Hamptons' principal business is estate agency services in the residential property market in the United Kingdom.

The results of Hamptons are presented below:

	Year ended 31/3/2007 HK\$ Million
Turnover	452
Other net loss	(1)
	451
Direct costs and operating expenses	(164)
Selling and marketing expenses	(139)
Administrative expenses	(76)
Operating profit	72
Finance costs	(1)
Share of results after tax of associates	10
Profit before taxation	81
Taxation	(23)
Profit for the year	58
Profit attributable to:	
Equity shareholders	33
Minority interests	25
	58
The net cash flows incurred by the disposed subsidiaries are as follows:	
Operating activities	51
Investing activities	1,027
Financing activities	44
Net cash inflow	1,122

10. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS

Profit attributable to equity shareholders for the period is dealt with in the financial statements of the Company to the extent of HK\$260 million (2006/07: HK\$259 million).

11. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	Period ended 31/12/2007 HK\$ Million	Year ended 31/3/2007 HK\$ Million
Interim dividend declared and payable of 2.5 cents (2006/07: declared and paid of 2.5 cents) per share	51	51
Final dividend proposed 10.0 cents after the balance sheet date (2006/07: 10.0 cents) per share	203	203
	254	254

- a)** The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.
- b)** The final dividend of HK\$203 million for the year ended 31 March 2007 was approved and paid in the financial period under review.

12. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on profit attributable to equity shareholders for the period of HK\$7,615 million (2006/07: HK\$6,310 million) and 2,032 million ordinary shares in issue throughout the nine months period ended 31 December 2007 and year ended 31 March 2007. The profit for the period/year is analysed as follows:

	Period ended 31/12/2007 HK\$ Million	Year ended 31/3/2007 HK\$ Million
Profit attributable to:		
Continuing operations	7,615	6,009
Discontinued operation	–	301
	7,615	6,310

13. FIXED ASSETS

	Group						
	Investment properties HK\$ Million	Properties under or held for redevelopment HK\$ Million	Hotel and club properties HK\$ Million	Broadcasting & communications equipment HK\$ Million	Other properties and fixed assets HK\$ Million	Leasehold land HK\$ Million	Total HK\$ Million
a) Cost or valuation							
At 1 April 2007	95,085	2,908	661	9,515	10,564	3,995	122,728
Exchange differences	351	80	-	-	77	73	581
Additions	197	2,471	13	313	740	102	3,836
Disposals	(683)	-	-	(140)	(224)	-	(1,047)
Reclassification	8	166	-	(1)	366	(15)	524
Revaluation surplus/ write back / (write off)	10,878	157	-	-	(2)	-	11,033
At 31 December 2007	105,836	5,782	674	9,687	11,521	4,155	137,655
Accumulated depreciation, amortisation and impairment losses							
At 1 April 2007	-	-	517	5,869	4,753	333	11,472
Exchange differences	-	-	-	-	8	-	8
Charge for the period	-	-	32	638	424	47	1,141
Written back on disposals	-	-	-	(135)	(221)	-	(356)
At 31 December 2007	-	-	549	6,372	4,964	380	12,265
Net book value							
At 31 December 2007	105,836	5,782	125	3,315	6,557	3,775	125,390
Cost or valuation							
At 1 April 2006	86,784	1,513	659	9,570	9,938	1,733	110,197
Exchange differences	285	8	-	-	20	46	359
Additions	267	1,405	2	369	767	1,770	4,580
Acquisition of subsidiaries	-	91	-	-	1	460	552
Disposals	(952)	(185)	-	(328)	(411)	-	(1,876)
Disposal of subsidiaries	-	-	-	-	(137)	-	(137)
Cost adjustment	(410)	-	-	-	-	-	(410)
Reclassification	863	(16)	-	4	386	(14)	1,223
Revaluation surplus / write back / (write off)	8,248	92	-	(100)	-	-	8,240
At 31 March 2007	95,085	2,908	661	9,515	10,564	3,995	122,728
Accumulated depreciation, amortisation and impairment losses							
At 1 April 2006	-	-	484	5,460	4,627	303	10,874
Exchange differences	-	-	-	-	5	-	5
Charge for the year	-	-	33	721	390	30	1,174
Written back on disposals	-	-	-	(317)	(246)	-	(563)
Disposal of subsidiaries	-	-	-	-	(23)	-	(23)
Reclassification	-	-	-	5	-	-	5
At 31 March 2007	-	-	517	5,869	4,753	333	11,472
Net book value							
At 31 March 2007	95,085	2,908	144	3,646	5,811	3,662	111,256

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

	Investment properties HK\$ Million	Properties under or held for redevelopment HK\$ Million	Hotel and club properties HK\$ Million	Broadcasting & communications equipment HK\$ Million	Other properties and fixed assets HK\$ Million	Leasehold land HK\$ Million	Total HK\$ Million
At 31 December 2007							
2007 valuation	105,836	-	-	-	-	-	105,836
At cost less provision	-	5,782	674	9,687	11,521	4,155	31,819
	105,836	5,782	674	9,687	11,521	4,155	137,655
At 31 March 2007							
2006 valuation	95,085	-	-	-	-	-	95,085
At cost less provisions	-	2,908	661	9,515	10,564	3,995	27,643
	95,085	2,908	661	9,515	10,564	3,995	122,728

c) Tenure of title to properties:

	Investment properties HK\$ Million	Properties under or held for redevelopment HK\$ Million	Hotel and club properties HK\$ Million	Broadcasting & communications equipment HK\$ Million	Other properties and fixed assets HK\$ Million	Leasehold land HK\$ Million	Total HK\$ Million
At 31 December 2007							
Held in Hong Kong							
Long lease	81,572	-	125	-	2	82	81,781
Medium lease	13,055	608	-	-	2,955	1,251	17,869
Short lease	1,320	-	-	-	-	-	1,320
	95,947	608	125	-	2,957	1,333	100,970
Held outside Hong Kong							
Freehold	-	622	-	-	-	-	622
Long lease	3,794	-	-	-	-	-	3,794
Medium lease	6,095	4,552	-	-	593	2,442	13,682
	105,836	5,782	125	-	3,550	3,775	119,068
At 31 March 2007							
Held in Hong Kong							
Long lease	72,649	-	144	-	2	80	72,875
Medium lease	13,278	606	-	-	3,010	1,185	18,079
Short lease	1,430	-	-	-	-	-	1,430
	87,357	606	144	-	3,012	1,265	92,384
Held outside Hong Kong							
Freehold	-	560	-	-	-	-	560
Long lease	2,587	-	-	-	84	-	2,671
Medium lease	5,141	1,742	-	-	279	2,397	9,559
	95,085	2,908	144	-	3,375	3,662	105,174

d) Properties revaluation

The Group's investment properties were revalued as at 31 December 2007 by Knight Frank Petty Limited and CB Richard Ellis (Pte) Ltd, independent firms of property consultants, who have appropriate qualifications and experience in the valuation of properties in the relevant locations, on a market value basis, after taking into consideration the net rental income allowing for reversionary potential and the redevelopment potential of the properties where appropriate.

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

e) Impairment of fixed assets

The value of properties, other than investment properties which are revalued annually, is assessed at each balance sheet date for indications of impairment with reference to valuations undertaken by management. Such valuations assess the recoverable amount of each property based on its value in use (using relevant discount rates) or on its net selling price (by reference to market prices), depending upon the anticipated future plans for the property. As a consequence of this exercise, at 31 December 2007, deficit of HK\$157 million (2006/07: HK\$92 million) previously recognised in the consolidated profit and loss account was reversed due to the anticipated increase in the recoverable amount of the properties primarily to reflect the current prevailing property market conditions.

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

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

	Group	
	31/12/2007	31/3/2007
	HK\$ Million	HK\$ Million
Within 1 year	4,418	4,247
After 1 year but within 5 years	4,841	4,783
After 5 years	226	296
	9,485	9,326

14. INTEREST IN SUBSIDIARIES

	Company	
	31/12/2007 HK\$ Million	31/3/2007 HK\$ Million
Unlisted shares, at cost	3,495	3,495
Amounts due from subsidiaries	1,393	2,178
Amounts due to subsidiaries	(339)	(1,181)
	4,549	4,492

Details of principal subsidiaries at 31 December 2007 are shown on pages 132 to 134.

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

15. GOODWILL AND OTHER INTANGIBLE ASSETS

	Group		
	Goodwill HK\$ Million	Other intangible assets HK\$ Million	Total HK\$ Million
Cost			
At 1 April 2007 and 31 December 2007	297	12	309
Accumulated amortisation			
At 1 April 2007	–	3	3
Charge for the period	–	4	4
At 31 December 2007	–	7	7
Net carrying value			
At 31 December 2007	297	5	302
Cost			
At 1 April 2006	297	–	297
Additions	–	12	12
At 31 March 2007	297	12	309
Accumulated amortisation			
At 1 April 2006	–	–	–
Charge for the year	–	3	3
At 31 March 2007	–	3	3
Net carrying value			
At 31 March 2007	297	9	306

Goodwill is mainly related to the Group's terminals business. As at 31 December 2007, 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.

16. INTEREST IN ASSOCIATES

	Group	
	31/12/2007 HK\$ Million	31/3/2007 HK\$ Million
Share of net tangible assets	1,723	347
Goodwill	1,790	61
	3,513	408
Amounts due from associates	119	123
	3,632	531

a) Details of principal associates at 31 December 2007 are shown on page 135.

b) Mega Shekou Container Terminals Limited ("Mega SCT")

On 14 December 2006, Modern Terminals Limited ("Modern Terminals"), a 67.6%-owned subsidiary of Wharf, signed an agreement with China Merchants Holdings (International) Company Limited ("CMH") in relation to the rationalisation of interests in Shekou Container Terminals Phases I, II and III ("the Rationalisation Agreement").

As at 31 December 2006, Modern Terminals had effective interests in Shekou Container Terminals Phases I and II ("SCT I and II") of 10.0% and 9.8% respectively and these were accounted for as associates of Wharf as at 31 December 2006.

Under the Rationalisation Agreement, CMH acquired the equity interests held by the other shareholders of SCT I and II and upon its completion, both CMH and Modern Terminals injected their interests in SCT I and II and Shekou Container Terminal (Phase III) Limited ("SCT III") into a new company, Mega SCT. CMH and Modern Terminals initially held 70% and 30% equity interests in the Mega SCT respectively ("the Transaction") and Modern Terminals paid HK\$3,168 million in relation to the Transaction, which was completed on 22 February 2007.

Under the Rationalisation Agreement, CMH is responsible for arranging financing for all the construction and development costs of the berths to be developed. Subject to satisfaction of the relevant conditions therein, the completion of the Rationalisation Agreement would take place in four stages. In consideration of the construction and development of berths by CMH, the equity interests held by

Modern Terminals in Mega SCT will gradually decrease from 30% upon stage 1 completion to 20% upon stage 4 completion. Stage 1 completion was completed on 22 February 2007. Stage 2 completion will take place after berth no. 7 of SCT III has been completed and become commercially operational or one year after stage 1 completion, whichever is later. As at 31 December 2007, stage 2 completion has not been completed.

Wharf group's share of profits of SCT I and II for the period from 1 January 2007 to 22 February 2007 was HK\$6 million. Wharf group's share of profits of Mega SCT for the period from 23 February 2007 to 31 December 2007 was HK\$176 million. If the Rationalisation agreement had occurred on 1 January 2007, Wharf group's share of profits from Mega SCT would have been HK\$209 million.

Details of net assets acquired and the goodwill arose from the Transaction of HK\$1,790 million are as follows:

	HK\$ Million
Purchase consideration:	
Cash paid	3,168
Fair value of assets exchanged	232
Costs directly attributable to the acquisition	4
Adjustment sum received and receivable	(712)
Total purchase consideration	2,692
Less: Fair value of net assets acquired	(902)
Goodwill	1,790

The major components of assets acquired and liabilities assumed arising from the Transaction are as follows:

	Fair value HK\$ Million	Carrying value HK\$ Million
Fixed assets	1,119	992
Cash and cash equivalents	174	174
Net working capital excluding cash	(203)	(203)
Non-current liabilities	(188)	(188)
	902	775

The acquired tangible assets primarily comprised of land and buildings, plant and equipment and accounts receivables. The liabilities assumed primarily comprised of accounts payables and other current liabilities.

c) Summary financial information on associates

	31/12/2007		31/3/2007	
	Total HK\$ Million	Attributable interest HK\$ Million	Total HK\$ Million	Attributable interest HK\$ Million
Balance sheets				
Assets	15,890	2,341	6,934	706
Liabilities	(2,812)	(618)	(2,970)	(359)
Equity	13,078	1,723	3,964	347
Profit and loss accounts				
Revenue	3,362	594	2,735	294
Profit before taxation	1,587	287	1,527	161
Taxation	(63)	(18)	(121)	(15)
Profit after taxation	1,524	269	1,406	146

17. INTEREST IN JOINTLY CONTROLLED ENTITIES

	Group	
	31/12/2007 HK\$ Million	31/3/2007 HK\$ Million
Share of net assets	2,783	734
Goodwill	54	54
Amounts due from jointly controlled entities	2,837	788
	3,182	–
	6,019	788

- a)** Details of principal jointly controlled entities at 31 December 2007 are shown on page 135.
- b)** The amounts due from jointly controlled entities are unsecured, interest free and have no fixed terms of repayment.

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

	31/12/2007 HK\$ Million	31/3/2007 HK\$ Million
Balance sheets		
Non-current assets	2,797	1,192
Current assets	3,103	188
Non-current liabilities	(2,554)	(622)
Current liabilities	(563)	(24)
Net assets	2,783	734
Profit and loss accounts		
Revenue	160	121
Profit before taxation	32	12
Taxation	(5)	–
Profit for the period / year	27	12

18. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	31/12/2007 HK\$ Million	31/3/2007 HK\$ Million
Listed investments, at market value		
Listed in Hong Kong	1,659	1,644
Listed outside Hong Kong	5,899	5,380
Unlisted investments	7,558	7,024
	64	64
	7,622	7,088

- a) Investments listed outside Hong Kong include the Group's 20% (31 March 2007: 20%) interest in Hotel Properties Limited ("HPL"), a company incorporated and listed in Singapore. This equity interest is not classified as an associate as the Group does not have significant influence in HPL. The Group does not have representation on the board of directors and does not participate in the policy-making processes of HPL.
- b) Fair value of individually impaired available-for-sale investments amounted to HK\$258 million (31 March 2007: HK\$8 million). These were determined to be impaired on the basis of material decline in their fair value below cost and there are indications that these may not be recovered. Impairment losses were recognised in consolidated profit and loss account.

19. LONG-TERM RECEIVABLES

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

20. EMPLOYEE RETIREMENT BENEFITS

a) *Defined benefit pension schemes*

	Group	
	31/12/2007 HK\$ Million	31/3/2007 HK\$ Million
Defined benefit pension scheme assets	239	230

The Group makes contributions to six defined benefit pension schemes that provide pension benefits for employees upon retirement. The assets of the schemes are held separately by independently administered funds. The schemes are funded by contributions both from employers and employees, which are in accordance with recommendations made by actuaries based on their valuation of the schemes. The latest valuations of the schemes as at 31 December 2007 were performed either by HSBC Life (International) Limited, Watson Wyatt Hong Kong Limited, who are independent qualified actuaries or internally, using the projected unit credit method. The funding ratios of the two principal schemes were 144% and 105% respectively.

(i) The amount recognised in the consolidated balance sheet is as follows:

	31/12/2007 HK\$ Million	31/3/2007 HK\$ Million
Fair value of scheme assets	1,130	1,005
Present value of funded obligations	(891)	(775)
	239	230

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.

(ii) Scheme assets consist of the following:

	31/12/2007 HK\$ Million	31/3/2007 HK\$ Million
Equity securities	803	761
Debt securities	247	164
Bank deposits and cash	80	80
	1,130	1,005

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

	31/12/2007 HK\$ Million	31/3/2007 HK\$ Million
At 1 April	775	712
Benefits paid by the schemes	(65)	(37)
Current service cost	31	29
Employees' contribution	2	2
Interest cost	29	31
Actuarial losses	119	38
At 31 December / 31 March	891	775

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

	31/12/2007 HK\$ Million	31/3/2007 HK\$ Million
At 1 April	1,005	855
Group's contributions paid to the schemes	3	33
Benefits paid by the schemes	(65)	(37)
Employees' contribution	2	2
Actuarial expected return on scheme assets	71	59
Actuarial gains	114	93
At 31 December / 31 March	1,130	1,005

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

	Period ended 31/12/2007 HK\$ Million	Year ended 31/3/2007 HK\$ Million
Current service cost	31	29
Interest cost	29	31
Actuarial expected return on scheme assets	(71)	(59)
Net transitional liability recognised	–	8
	(11)	9

All the (income)/expenses are recognised as direct costs and operating expenses in the consolidated profit and loss account.

Actual return on scheme assets	(185)	(153)
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- (vi) The principal actuarial assumptions used as at 31 December 2007 (expressed as a range) are as follows:

	31/12/2007	31/3/2007
Discount rate at 31 December / 31 March	3.45% – 3.5%	3.75% – 5.0%
Expected rate of return on scheme assets	7.0% – 8.0%	5.0% – 8.0%
Future salary increases – 2007	N/A	2.0% – 4.0%
– 2008 thereafter	3.0% – 4.5%	2.0% – 4.0%

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 assets categories. The return is based exclusively on historical returns, without adjustments.

(vii) Historical information

	31/12/2007 HK\$ Million	31/3/2007 HK\$ Million
Fair value of scheme assets	1,130	1,005
Present value of the defined benefit obligations	(891)	(775)
Surplus in the scheme	239	230
Experience adjustments arising on scheme liabilities	-6%	9%
Experience adjustments arising on scheme assets	10%	2%

(viii) The Group recognised an actuarial loss amounting to HK\$5 million (2006/07: gain of HK\$55 million) for the nine months ended 31 December 2007 directly in equity. The cumulative amount of actuarial gains recognised amounted to HK\$147 million (31 March 2007: HK\$152 million) as at 31 December 2007.

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. For defined contribution pension schemes, both the Group and the employees contribute respectively to the schemes 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 from those employees who have left the scheme prior to full vesting of the contributions.

21. PROPERTIES FOR SALE

	Group	
	31/12/2007 HK\$ Million	31/3/2007 HK\$ Million
Properties under development for sale	18,814	13,760
Completed properties for sale	991	1,626
	19,805	15,386

- a)** Properties under development for sale in the amount of HK\$14,919 million (31 March 2007: HK\$10,358 million) are expected to be substantially completed and recovered after more than one year.
- b)** Included in properties under development for sale are deposits of HK\$2,616 million (31 March 2007: HK\$581 million) paid for the acquisition for certain land sites/properties located in China.
- c)** Properties under development for sale and completed properties for sale are stated at lower of cost and net realisable value. The total carrying value of properties stated at net realisable value at 31 December 2007 is HK\$249 million (31 March 2007: HK\$332 million).
- d)** For the nine months ended 31 December 2007, net provision for properties under development for sale and completed properties for sale totalling HK\$27 million (2006/07: HK\$131 million) charged to the consolidated profit and loss account in prior years were written back as a result of the increase in net realisable value of certain properties.
- e)** The carrying value of leasehold land and freehold land included in properties under development for sale and completed properties for sale is summarised as follows:

	Group	
	31/12/2007 HK\$ Million	31/3/2007 HK\$ Million
Held in Hong Kong		
Long lease	1,330	901
Medium lease	1,332	1,667
	2,662	2,568
Held outside Hong Kong		
Freehold	6,584	6,201
Medium lease	4,635	1,905
	11,219	8,106
	13,881	10,674

22. TRADE AND OTHER RECEIVABLES

a) Ageing analysis

Included in this item are trade debtors (net of allowance for bad and doubtful debts) with an ageing analysis as at 31 December 2007 as follows:

	Group	
	31/12/2007 HK\$ Million	31/3/2007 HK\$ Million
Trade debtors		
0 – 30 days	768	468
31 – 60 days	229	231
61 – 90 days	35	71
Over 90 days	60	73
	1,092	843
Other receivables	786	1,137
	1,878	1,980

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 proceeds of the sold properties that 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 debtors

Impairment losses in respect of trade debtors 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 debtors directly.

The balance and the movement of the allowance for bad and doubtful debts as at 31 December 2007 and 31 March 2007 is not significant.

c) Trade debtors that are not impaired

As at 31 December 2007, 81% (31 March 2007: 77%) of the Group's trade debtors were not impaired, of which 89% (31 March 2007: 85%) was either not past due or less than two months past due.

Based on past experience of the Group, it is determined that no impairment allowance is necessary in respect of these balances as these are considered to be fully recoverable. The Group does not hold any collateral over these balances.

23. BANK DEPOSITS AND CASH

	Group	
	31/12/2007 HK\$ Million	31/3/2007 HK\$ Million
Bank deposits and cash		
– not pledged	12,372	10,235
– pledged	707	–
	13,079	10,235

Bank deposits and cash as at 31 December 2007 included Renminbi balances in HK\$1,639 million equivalents (31 March 2007: HK\$587 million) in China that the remittance of such are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government and Singapore dollar balances in HK\$1,706 million equivalents (31 March 2007: HK\$1,062 million) in respect of certain proceeds received from the pre-sale of properties in Singapore held under the "Project Account Rules-1997 Ed", withdrawals from which are designated for payments for expenditure incurred on projects.

24. TRADE AND OTHER PAYABLES

Included in this item are trade payables with an ageing analysis as at 31 December 2007 as follows:

	Group	
	31/12/2007 HK\$ Million	31/3/2007 HK\$ Million
Amounts payable in the next:		
0 – 30 days	439	598
31 – 60 days	132	149
61 – 90 days	110	115
Over 90 days	250	375
	931	1,237
Rental and customer deposits	1,591	1,349
Other payables	3,516	2,565
	6,038	5,151

The amount of trade and other payables that is expected to be settled after more than one year is HK\$1,068 million (31 March 2007: HK\$1,168 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 within one year or are payable on demand.

25. LOANS

	Group	
	31/12/2007 HK\$ Million	31/3/2007 HK\$ Million
Bonds and notes (Unsecured)		
HK dollar fixed rate notes due 2007	–	651
HK dollar fixed rate notes due 2008	1,209	607
HK dollar fixed rate notes due 2009	304	302
HK dollar fixed rate notes due 2011	206	204
HK dollar fixed rate notes due 2016	256	253
HK dollar floating rate notes due 2007	–	150
HK dollar floating rate notes due 2008	100	100
HK dollar floating rate notes due 2009	101	101
HK dollar floating rate notes due 2010	200	200
HK dollar floating rate notes due 2013	300	300
US dollar fixed rate notes due 2007	–	2,808
US dollar fixed rate notes due 2017	3,120	–
	5,796	5,676
Bank loans (Secured)		
Due within 1 year	619	515
Due after 1 year but within 2 years	167	–
Due after 2 years but within 5 years	3,560	2,051
Due after 5 years	1,949	605
	6,295	3,171
Bank loans (Unsecured)		
Due within 1 year	5,192	1,558
Due after 1 year but within 2 years	3,908	3,400
Due after 2 years but within 5 years	13,000	10,382
Due after 5 years	800	1,619
	22,900	16,959
Total loans	34,991	25,806
Less: Amounts due within 1 year	(7,120)	(5,682)
Total long-term loans	27,871	20,124

- a)** Included in the Group's total loans are bank loans borrowed by Wharf group and WPSL group of HK\$31,282 million and HK\$2,729 million (31 March 2007: HK\$20,670 million and HK\$3,137 million), respectively, which are without recourse to the Company and its wholly-owned subsidiaries.
- b)** All the interest bearing borrowings are carried at amortised cost except for loans in an amount of HK\$2,076 million (31 March 2007: HK\$4,926 million) which are carried at their fair value. None of the non-current interest bearing borrowings are expected to be settled within one year.
- c)** Certain banking facilities of the Group are secured by mortgages over properties under development, certain fixed assets, certain available-for-sale investments and certain bank deposits with an aggregate carrying value of HK\$16,419 million (31 March 2007: over certain properties under development and fixed assets with a carrying value of HK\$11,522 million).
- d)** 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 period under review, all these covenants have been complied with by the Group.

26. DEPOSITS FROM SALE OF PROPERTIES

Deposits from sale of properties in the amount of HK\$1,702 million (31 March 2007: HK\$2,713 million) are expected to be recognised as income in the consolidated profit and loss account after more than one year.

27. DEFERRED TAXATION

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

	Group	
	31/12/2007 HK\$ Million	31/3/2007 HK\$ Million
Deferred tax liabilities	16,578	14,150
Deferred tax assets	(360)	(429)
Net deferred tax liabilities	16,218	13,721

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

	Revaluation of investment properties HK\$ Million	Revaluation of investments HK\$ Million	Depreciation allowances in excess of the related depreciation HK\$ Million	Others HK\$ Million	Future benefit of tax losses HK\$ Million	Total HK\$ Million
At 1 April 2007	12,050	280	2,190	(21)	(778)	13,721
Exchange differences	1	14	1	-	-	16
Charged to the profit and loss account	2,386	-	63	3	107	2,559
Credited to reserves	-	(78)	-	-	-	(78)
At 31 December 2007	14,437	216	2,254	(18)	(671)	16,218
At 1 April 2006	10,684	-	2,177	57	(887)	12,031
Exchange differences	(1)	-	4	5	-	8
Charged/(credited) to the profit and loss account	1,367	-	9	(23)	109	1,462
Charged to reserves	-	280	-	-	-	280
Through disposal of subsidiaries	-	-	-	(60)	-	(60)
At 31 March 2007	12,050	280	2,190	(21)	(778)	13,721

b) Deferred tax assets unrecognised

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

	Group	
	31/12/2007 HK\$ Million	31/3/2007 HK\$ Million
Deductible temporary differences	(3)	(7)
Future benefits of tax losses	(1,088)	(1,032)
Net deferred tax assets unrecognised	(1,091)	(1,039)

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 2007. The tax losses arising from Hong Kong operations do not expire under current tax legislation. The tax losses arising from China operations expire five years after the relevant accounting year end date.

28. OTHER DEFERRED LIABILITIES

	Group	
	31/12/2007	31/3/2007
	HK\$ Million	HK\$ Million
Club debentures issued (non-interest bearing)	219	220
Deferred revenue/others	42	48
	261	268

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

29. FINANCIAL INSTRUMENTS

Exposure to interest rate, foreign currency, equity price, liquidity and credit risks arises in the normal course of the Group's business. These risks are managed by the Group's financial management policies and practices described below:

a) *Interest rate risk*

The Group's exposure to interest rate risk relates principally to the Group's short and long-term loans. The Group is most vulnerable to changes in Hong Kong dollar interest rates. Interest rate risk is managed by the Group's senior management in accordance with defined policies through regular review to determine the strategy as to having the funding in floating/fixed rate mix appropriate to its current business portfolio.

- (i) The Group has entered into a number of interest rate swaps ("IRS") for hedging certain fixed rate interest bearing notes with the notional amounts matching exactly the principal amounts of the respective borrowings. Effectively, the Group pays interest at floating rates on these borrowings. In each of the IRS entered into by the Group, the timing of IRS cash flows equals those of the loan's interest expenses. The fair value of the IRS at inception is considered to be zero.

The notional principal amount and expiry dates of the IRS outstanding at 31 December 2007 are as follows:

	31/12/2007	31/3/2007
	HK\$ Million	HK\$ Million
Expiring within 1 year	1,200	2,990
Expiring after more than 1 year but not exceeding 5 years	600	1,450
Expiring after 5 years	250	–
	2,050	4,440

The fair value of the IRS is calculated as the present value of the estimated future cash flows. The net fair values of the IRS at 31 December 2007 are as follows:

	31/12/2007		31/3/2007	
	Positive fair values HK\$ Million	Negative fair values HK\$ Million	Positive fair values HK\$ Million	Negative fair values HK\$ Million
Expiring within 1 year	9	1	12	3
Expiring after more than 1 year but not exceeding 5 years	11	–	17	–
Expiring after 5 years	6	–	–	–
	26	1	29	3

- (ii) The following table details the interest rate profile of the Group's borrowings at the balance sheet date, after taking into account the effect of interest rate swaps.

	31/12/2007		31/3/2007	
	Effective interest rate	HK\$ Million	Effective interest rate	HK\$ Million
Fixed rate borrowings				
Bonds and notes	6.1%	3,120	–	–
Floating rate borrowings				
Bonds and notes	4.4%	2,676	5.8%	5,676
Bank loans	3.9%	29,195	4.2%	20,130
		31,871		25,806
Total borrowings		34,991		25,806

(iii) Sensitivity analysis

At 31 December 2007, it is estimated that a general increase/decrease of 1% in interest rates, with all other variables held constant, would decrease/increase the Group's profit and total equity by approximately HK\$136 million (2006/07: HK\$88 million). This takes into account the effect of interest bearing bank deposits as at 31 December 2007.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The analysis is performed on the same basis for 2006/07.

b) Foreign currency risk

The Group owns assets and conducts its business primarily in Hong Kong with its cash flows substantially denominated in Hong Kong dollars except the equity investments in China and Singapore.

The Group's primary foreign currency exposures arise mainly from its property development and investment activities and port-related equity investments in China as well as WPSL's property development projects in Singapore. During the period, total exchange gain arising from the translation of the net investments in WPSL and China subsidiaries, associates and jointly controlled entities amounted to HK\$1,083 million (2006/07: HK\$782 million) for the Group, which has been dealt with as an equity movement. Where appropriate and available in a cost-efficient manner, the Group seeks to finance these investments in China by RMB borrowings with reference to the future RMB funding requirements and WPSL uses Singapore dollar borrowings to finance its property development projects in Singapore.

The Group is also exposed to foreign currency risk in respect of its USD denominated long-term borrowings. Anticipated foreign exchange payments relate primarily to interest expense payments, repayment of principal and capital expenditure. Based on the Group's estimate of future foreign exchange rates, it may enter into forward foreign exchange contracts to reduce fluctuations in foreign currency cash flows related to these anticipated payments. Most of the Group's borrowings are denominated in the functional currency of the entity taking out the loans or in case of group companies whose functional currency is in HKD, in either HKD or USD. Given this, management does not expect that there will be any significant currency risk associated with the Group's borrowings.

(i) Exposure to currency risk

The following tables detail the Group's exposure at the balance sheet date to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the Group's entities to which they relate.

	31/12/2007				31/3/2007			
	USD Million	RMB Million	JPY Million	AUD Million	USD Million	RMB Million	JPY Million	AUD Million
Bank deposits and cash	87	48	-	-	1	25	-	-
Trade and other payables	(21)	(277)	-	-	(15)	(77)	-	-
Bank loans and other loans	(400)	-	-	-	(359)	(90)	-	-
Gross exposure arising from recognised assets and liabilities	(334)	(229)	-	-	(373)	(142)	-	-
Inter-company balances	-	5	-	-	-	395	-	-
Notional amount of forward foreign exchange contracts								
– at fair value through profit or loss	76	-	(19,800)	51	470	-	-	-
– cash flow hedge	-	1,088	-	-	-	-	-	-
Notional amount of currency swaps on borrowings	400	-	(45,764)	-	-	-	-	-
Overall net exposure	142	864	(65,564)	51	97	253	-	-

Additionally, the China subsidiaries of the Group were exposed to HKD/USD by holding HKD/USD denominated bank deposits and cash, bank loans and inter-company borrowings in the amount of HK\$985 million, HK\$1,325 million and HK\$1,795 million, respectively, as at 31 December 2007 (31 March 2007: HK\$476 million, HK\$1,288 million and HK\$1,600 million respectively).

The total notional amounts of outstanding forward foreign exchange contracts and currency swaps as at 31 December 2007 is HK\$2,938 million (31 March 2007: HK\$3,793 million) and HK\$3,120 million (31 March 2007: HK\$Nil) respectively. The net fair values of these contracts at 31 December 2007 are as follows:

	31/12/2007		31/3/2007	
	Positive fair values HK\$ Million	Negative fair values HK\$ Million	Positive fair values HK\$ Million	Negative fair values HK\$ Million
Forward foreign exchange contracts				
– at fair value through profit or loss	–	130	–	–
– cash flow hedge	45	–	–	–
Currency swaps				
– at fair value through profit or loss	–	96	–	–
	45	226	–	–

During the period, a loss of HK\$224 million (2006/07: gain of HK\$20 million) was recognised on the forward foreign exchange contracts.

(ii) Sensitivity analysis

The approximate changes in the Group's profit and total equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date are as follows:

- a 5% increase/decrease in the foreign exchange rate of JPY against USD will decrease/increase the Group's profit and total equity by approximately HK\$234 million (2006/07: HK\$Nil).
- the impact on the Group's profit and total equity is not expected to be material in response to possible changes in the foreign exchange rates of other currencies to which the Group is exposed.

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

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

In this respect, it is assumed that the pegged rate between the HKD and the USD would be materially unaffected by any changes in movement in value of the USD against other currencies. Results of the analysis as presented above represent an aggregation of the effects on each of the Group entities' profit and equity measured in the respective functional currencies, translated into HKD at exchange rate ruling at the balance sheet date for presentation purposes. The analysis is performed on the same basis for 2006/07.

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 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.

At 31 December 2007, 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 profit unless there are impairments. The Group's total equity would increase/decrease by HK\$717 million (31 March 2007: HK\$658 million). The analysis is performed on the same basis for 2006/07.

d) Liquidity risk

Cash management of the Company and wholly-owned subsidiaries of the Group are substantially centralised at the Group level. The 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 Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables detail the remaining contractual maturities at the balance sheet date of the Group's derivative and non-derivative liabilities, which are based on contractual undiscounted cash flows 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 2007						
Trade and other payables	(6,038)	(6,038)	(4,970)	(635)	(405)	(28)
Bank loans and other loans (Note)	(34,991)	(39,382)	(8,252)	(5,433)	(18,514)	(7,183)
Other deferred liabilities (Club debentures issued)	(219)	(219)	-	-	-	(219)
Dividend payable	(51)	(51)	(51)	-	-	-
Forward foreign exchange contracts at fair value through profit or loss	(130)	(130)	(130)	-	-	-
	(41,429)	(45,820)	(13,403)	(6,068)	(18,919)	(7,430)
At 31 March 2007						
Trade and other payables	(5,151)	(5,151)	(3,983)	(704)	(436)	(28)
Bank loans and other loans (Note)	(25,806)	(28,872)	(6,629)	(4,878)	(14,403)	(2,962)
Other deferred liabilities (Club debentures issued)	(220)	(220)	-	-	-	(220)
	(31,177)	(34,243)	(10,612)	(5,582)	(14,839)	(3,210)

Note: The contractual undiscounted cash flow for bank loans and other loans includes cash flow for interest rate swaps and currency swaps.

e) Credit risk

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

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

The Group has no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet. Except for the financial guarantees given by the Company as set out in note 32, the Group does not provide any other guarantee which would expose the Group or the Company to material credit risk.

f) Fair value estimation

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

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

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date. The fair value of currency swaps are determined based on the amount that the Group would receive or pay to terminate the swaps.

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

30. SHARE CAPITAL

	31/12/2007 No. of shares Million	31/3/2007 No. of shares Million	31/12/2007 HK\$ Million	31/3/2007 HK\$ Million
Authorised				
Ordinary shares of HK\$0.50 each	2,800	2,800	1,400	1,400
Issued and fully paid				
Ordinary shares of HK\$0.50 each	2,032	2,032	1,016	1,016

31. TOTAL EQUITY

	Shareholders' equity							
	Share capital	Share premium	Investment revaluation reserves	Exchange and other reserves	Revenue reserves	Total	Minority interests	Total equity
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
a) Group								
At 1 April 2007								
As previously reported	1,016	1,914	2,047	759	43,080	48,816	7,962	56,778
Prior year adjustment (Note 2(a))	-	-	-	-	446	446	42,318	42,764
As restated	1,016	1,914	2,047	759	43,526	49,262	50,280	99,542
Revaluation (deficit)/surplus	-	-	(63)	-	-	(63)	123	60
Transferred to the profit and loss account on:								
Disposal of available-for-sale investments	-	-	(497)	-	-	(497)	(512)	(1,009)
Impairment of available-for-sale investments	-	-	52	-	-	52	29	81
Actuarial loss on defined benefit pension schemes	-	-	-	-	(4)	(4)	(1)	(5)
Exchange differences	-	-	-	505	-	505	514	1,019
Others	-	-	-	10	(3)	7	56	63
Share of reserves of associates/ jointly controlled entities	-	-	-	28	-	28	36	64
Net income recognised directly in equity	-	-	(508)	543	(7)	28	245	273
Profit for the period	-	-	-	-	7,615	7,615	8,239	15,854
Total recognised income and expenses	-	-	(508)	543	7,608	7,643	8,484	16,127
Final dividend approved in respect of the previous year (Note 11)	-	-	-	-	(203)	(203)	-	(203)
Interim dividend payable (Note 11)	-	-	-	-	(51)	(51)	-	(51)
Dividends paid to minority interests	-	-	-	-	-	-	(1,404)	(1,404)
Shares issued by a subsidiary	-	-	-	-	-	-	197	197
Increase in interest in a subsidiary	-	-	-	-	-	-	(49)	(49)
At 31 December 2007	1,016	1,914	1,539	1,302	50,880	56,651	57,508	114,159

NOTES TO THE FINANCIAL STATEMENTS

	Shareholders' equity							
	Share capital	Share premium	Investment revaluation reserves	Exchange and other reserves	Revenue reserves	Total	Minority interests	Total equity
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
a) Group								
At 1 April 2006								
As previously reported	1,016	1,914	744	356	36,986	41,016	5,881	46,897
Prior year adjustment (Note 2(a))	-	-	-	-	446	446	36,258	36,704
As restated	1,016	1,914	744	356	37,432	41,462	42,139	83,601
Revaluation surplus	-	-	1,309	-	-	1,309	1,129	2,438
Transferred to the profit and loss account on:								
Disposal of available-for-sale investments	-	-	(6)	-	-	(6)	(4)	(10)
Disposal of properties	-	-	-	(3)	-	(3)	(1)	(4)
Actuarial gains on defined benefit pension schemes	-	-	-	-	16	16	39	55
Exchange differences	-	-	-	418	-	418	348	766
Others	-	-	-	6	(4)	2	18	20
Disposal of subsidiaries	-	-	-	(26)	26	-	(6)	(6)
Share of reserves of associates/ jointly controlled entities	-	-	-	8	-	8	8	16
Net income recognised directly in equity	-	-	1,303	403	38	1,744	1,531	3,275
Profit for the year	-	-	-	-	6,310	6,310	6,829	13,139
Total recognised income and expenses	-	-	1,303	403	6,348	8,054	8,360	16,414
Final dividend approved in respect of the previous year (Note 11)	-	-	-	-	(203)	(203)	-	(203)
Interim dividend paid (Note 11)	-	-	-	-	(51)	(51)	-	(51)
Dividends paid to minority interests	-	-	-	-	-	-	(1,325)	(1,325)
Acquisition of subsidiaries	-	-	-	-	-	-	1,098	1,098
Advance from minority interests	-	-	-	-	-	-	8	8
At 31 March 2007	1,016	1,914	2,047	759	43,526	49,262	50,280	99,542

	Share capital HK\$ Million	Share premium HK\$ Million	Exchange and other reserves HK\$ Million	Revenue reserves HK\$ Million	Total HK\$ Million
b) Company					
At 1 April 2007	1,016	1,914	96	1,462	4,488
Final dividend approved in respect of the previous year (Note 11)	-	-	-	(203)	(203)
Profit for the period	-	-	-	260	260
Interim dividend payable (Note 11)	-	-	-	(51)	(51)
At 31 December 2007	1,016	1,914	96	1,468	4,494
At 1 April 2006	1,016	1,914	96	1,457	4,483
Final dividend approved in respect of the previous year (Note 11)	-	-	-	(203)	(203)
Profit for the year	-	-	-	259	259
Interim dividend paid (Note 11)	-	-	-	(51)	(51)
At 31 March 2007	1,016	1,914	96	1,462	4,488

c) Reserves of the Company available for distribution to equity shareholders at 31 December 2007 amount to HK\$1,468 million (31 March 2007: HK\$1,462 million). The application of the share premium account and the capital redemption reserve account are governed by section 48B and section 49H of the Hong Kong Companies Ordinance respectively. The investment revaluation reserves have been set up and will be dealt with in accordance with the accounting policies adopted for the revaluation of available-for-sale investments. The exchange and other reserves mainly comprise exchange differences arising from the translation of the financial statements of foreign operations.

d) Included in exchange and other reserves is capital redemption reserve of HK\$19 million (31 March 2007: HK\$19 million).

e) Capital management

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

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

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

The net debt-to-equity ratios as at 31 December 2007 are as follows:

	Group	
	31/12/2007 HK\$ Million	31/3/2007 HK\$ Million
Secured bank loans	6,295	3,171
Unsecured bonds and notes	5,796	5,676
Unsecured bank loans	22,900	16,959
Total loans (Note 25)	34,991	25,806
Less: Bank deposits and cash (Note 23)	(13,079)	(10,235)
Net debt	21,912	15,571
Shareholders' equity	56,651	49,262
Total equity	114,159	99,542
Net debt-to-shareholders' equity ratio	38.7%	31.6%
Net debt-to-total equity ratio	19.2%	15.6%

32. CONTINGENT LIABILITIES

- a) At 31 December and 31 March 2007, there is no guarantee given by the Group in respect of the banking facilities available to associates and jointly controlled entities.
- b) At 31 December 2007, there are contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to banking facilities up to HK\$3,670 million (31 March 2007: HK\$5,270 million).
- c) The Company has not recognised any deferred income for the guarantees given in respect of borrowings and other banking facilities for subsidiaries as their fair value cannot be reliably measured and their transaction price was HK\$Nil.

33. COMMITMENTS

The Group's outstanding commitments on expenditures as at 31 December 2007 include belows:

	31/12/2007				31/3/2007			
	Hong Kong HK\$ Million	China HK\$ Million	Singapore HK\$ Million	Total HK\$ Million	Hong Kong HK\$ Million	China HK\$ Million	Singapore HK\$ Million	Total HK\$ Million
a) Capital expenditure								
Authorised and contracted for	243	2,544	-	2,787	522	3,513	-	4,035
Authorised but not contracted for	704	1,870	-	2,574	737	2,841	-	3,578
	947	4,414	-	5,361	1,259	6,354	-	7,613
b) Programming and others								
Authorised and contracted for	744	-	-	744	538	-	-	538
Authorised but not contracted for	77	-	-	77	57	-	-	57
	821	-	-	821	595	-	-	595
c) Properties under development								
Authorised and contracted for	266	15,272	1,609	17,147	363	4,074	1,471	5,908
Authorised but not contracted for	580	32,155	-	32,735	562	12,941	-	13,503
	846	47,427	1,609	49,882	925	17,015	1,471	19,411
d) Properties under development undertaken by jointly controlled entities (attributable to the Group)								
Authorised and contracted for	-	6,081	-	6,081	-	456	-	456
Authorised but not contracted for	-	9,710	-	9,710	-	750	-	750
	-	15,791	-	15,791	-	1,206	-	1,206
e) Expenditure for operating leases								
Within one year	72	-	-	72	78	-	-	78
After one year but within five years	56	-	-	56	104	-	-	104
Over five years	68	-	-	68	78	-	-	78
	196	-	-	196	260	-	-	260

- (i) Commitments for properties under development by the Group's subsidiaries or through jointly controlled entities include outstanding land cost attributable to the Group of HK\$18,317 million payable by instalments in 2008 and 2009. Other commitments under the categories are mainly construction cost for the forthcoming years.
- (ii) Commitment for capital expenditure in China are mainly related to Modern Terminals' port expenditure for the Da Chan Bay and Taicang projects.
- (iii) The Group leases a number of properties and telecommunication network facilities under operating leases. The leases typically run for an initial period of two to fifteen years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.
- (iv) The above commitments, apart from HK\$4.2 billion in respect of properties under development undertaken by WPL group or through its jointly controlled entities, are substantially attributable to Wharf group. As at 31 December 2007, the Group has available-for-sale investments of HK\$7.6 billion and undrawn banking facilities of HK\$23.3 billion available for funding the above commitments. In addition, Wharf completed a rights issue on 16 January 2008 and received net proceeds of approximately HK\$9,110 million, which will be applied mainly for its above expanding property investments in China.

34. MATERIAL RELATED PARTY TRANSACTIONS

Except for the transactions noted below, the Group has not been a party to any material related party transactions during the period ended 31 December 2007:

- a) In respect of the nine months ended 31 December 2007, the Group earned rental income totalling HK\$408 million (2006/07: HK\$325 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) The Group's non-wholly-owned subsidiary sold 9 storeys of Heung Yip Road project at a consideration of HK\$450 million to a related company on 9 November 2007. Such transaction is considered to be a related party transaction and also constitutes a connected transaction as defined under the Listing Rules.
- c) Remuneration for key management personnel of the Group, including amounts paid to the Directors of the Company and the five highest paid employees are disclosed in notes 4(b) and 4(c).

35. POST BALANCE SHEET EVENTS

a) After the balance sheet date the Directors proposed a final dividend. Further details are disclosed in note 11 to the financial statements.

b) *Wharf Rights Issue*

On 16 January 2008, Wharf completed its rights issue that announced on 28 November 2007 and received a net proceeds of HK\$9,110 million, of which HK\$3,962 million and HK\$646 million were paid by the Company and WPL (74% owned by the Group) for their respective subscriptions. Accordingly, the Group's interest in Wharf increased slightly from 50.00003% to 50.02%.

c) *Harbour Centre Development Rights Issue*

On 25 March 2008, Harbour Centre Development Limited ("HCDL") completed its rights issue that announced on 5 February 2008 and received a net proceeds of HK\$2,000 million, of which HK\$1,560 million was paid by Wharf for its subscription and, accordingly, Wharf increased its interest in HCDL from 66.8% to 70.4%.

36. COMPARATIVE FIGURES

As a result of the change in accounting policy on consolidation of Wharf's financial statements, as explained in note 2 to the Financial Statements, comparative figures of the profit and loss account and balance sheet have been adjusted or reclassified to conform to the current period's presentation.

In addition, as a result of adopting HKFRS 7, Financial instruments: Disclosures, and the amendments to HKAS 1, Presentation of financial statements: Capital disclosures, certain comparative figures have been adjusted to conform with changes in disclosures in the current period and to show separately comparative amounts in respect of items disclosed for the first time in 2007. Further details of these developments are disclosed in note 2(b).

37. 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. These new standards have not been adopted since they are only effective after 31 December 2007.

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

In addition, the following developments may result in new or amended disclosures in the financial statements:

	Effective for accounting periods beginning on or after
HK(IFRIC) - Int 12, Service concession arrangements	1 January 2008
HK(IFRIC) - Int 13, Customer loyalty programmes	1 July 2008
HK(IFRIC) - Int 14, HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008
Revised HKAS 1, Presentation of financial statements	1 January 2009
Revised HKAS 23, Borrowing costs	1 January 2009
HKFRS 8, Operating segments	1 January 2009

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 26 March 2008.

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 2 to the Financial Statements provides information on the changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements. The Group has not applied any new standard or interpretation that is not yet effect for the current accounting period.

b) *Basis of preparation of the financial statements*

The consolidated financial statements made up to 31 December 2007 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 estimates with a significant risk of material adjustment in the next year are discussed in note (aa).

c) Basis of consolidation

(i) Subsidiaries and minority interests

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

De facto control exists when the Company is able to exert effective control by holding a substantial minority interest in an entity of which the other shareholdings are widely dispersed and thus unable to coalesce to successfully vote against the wishes of the largest shareholder.

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

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

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

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

(ii) Associates and jointly controlled entities

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

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

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

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

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

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

(iii) Goodwill

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

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

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

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

d) Fixed assets

(i) Investment properties

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

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

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

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

(ii) Hotel and club properties

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

(iii) Broadcasting and communications equipment

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

(iv) Other properties and fixed assets held for own use

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

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

e) Depreciation of fixed assets

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

(i) Investment properties

No depreciation is provided on investment properties.

(ii) Hotel and club properties

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

(iii) Broadcasting and communications equipment

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

(iv) Other properties and fixed assets held for own use

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

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

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

f) Investments in debt and equity securities

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

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

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

- (iii) Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses.
- (iv) Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in the investments revaluation reserves in equity, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in the consolidated profit and loss account. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the consolidated profit and loss account. When these investments are derecognised or impaired, the cumulative gain or loss previously recognised directly in the investments revaluation reserves in equity is recognised in the consolidated profit and loss account.
- (v) Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

g) Derivative financial instruments

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

h) Hedging

(i) Fair value hedge

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

(ii) Cash flow hedge

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

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

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

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

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

(iii) Hedge of net investment in a foreign operation

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

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 profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the consolidated profit and loss account as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the consolidated profit and loss account in the accounting period in which they are incurred.
- The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note d(ii)) or is properties under development for sale (see note l(ii)).

(iii) Assets held under finance leases

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

j) *Programming library*

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

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

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

Both the period and method of amortisation are reviewed annually.

k) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

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

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses arising on equity securities are not reversed (including those provided during the interim financial reporting).
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets) where the effect of discounting is material.

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

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

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

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

(ii) Impairment of other assets

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

– Recoverable amount

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

– Recognition of impairment losses

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

- Reversals of impairment losses

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

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

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 finance costs capitalised, attributable to unsold units. Net realisable value is estimated by the management, based on prevailing market conditions which represents the estimated selling price less costs to be incurred in selling the property. Cost of completed properties held for sale comprises all costs of purchase, costs of conversion and costs incurred in bringing the inventories to their present location and condition.

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

(ii) Properties under development for sale

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

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

m) Inventories

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

n) Trade and other receivables

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

o) Interest-bearing borrowings

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

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

p) Trade and other payables

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

q) Cash and cash equivalents

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

r) Foreign currencies

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

s) Recognition of revenue

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

- (i) Rental income under operating leases is recognised in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of leased asset. Lease incentives granted are recognised as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.
- (ii) Income arising from the sale of properties for sale is recognised upon the completion of the sale and purchase agreement or the issue of occupation permit by the relevant government authorities, whichever is the later. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under deposits from sale of properties.
- (iii) 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.

(vii) Residential agency income comprises fees and commissions which are brought into account on the exchange of contracts for the property to which they relate. Lettings income relates to fees for finding and renewing tenants for landlord of properties and are recognised on the commencement of the tenancy.

t) Borrowing costs

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

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

u) Income tax

(i) Income tax for the period 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 profit and loss account except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

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

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

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

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

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

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

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

v) *Related parties*

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

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or vice versa, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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

w) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

(ii) Other provisions and contingent liabilities

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

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

x) Segment reporting

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

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

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

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

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

y) Employee benefits

(i) Defined benefit pension schemes

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

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

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

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

(ii) Shared based payments

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

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the consolidated profit and loss account for the period 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 period in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(iv) Central Provident Fund in Singapore

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

z) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated profit and loss account, which comprises the post-tax profit or loss of the discontinued operation; and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation. When an operation is classified as a discontinued operation, the comparative profit and loss account is restated as if the operation had been discontinued from the start of the comparative period.

aa) Significant accounting estimates and judgements

Key sources of estimation uncertainty

Notes 20 and 29 contain information about the assumptions and their risk relating to defined benefit retirement obligations and financial instruments. Other key sources of estimation uncertainty are as follows:

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

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

- Assessment of useful economic lives for depreciation of fixed assets

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

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

- Assessment of impairment of non-current assets

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

- Assessment of provision for properties for sale

Management determines the net realisable value of completed properties for sale by using (i) prevailing market data such as most recent sale transactions and market survey reports available from independent property valuers; and (ii) internal estimates of costs based on quotes by suppliers.

Management's assessment of net realisable value of properties under development for sale requires the application of a risk-adjusted discount rate to estimate future discounted cash flows to be derived from the properties under development for sale. These estimates require judgement as to the anticipated sale prices by reference to recent sale transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions. The Group's estimates may be inaccurate, and estimates may need to be adjusted in later periods.

- 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 2007

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital (except otherwise stated)/ registered and paid up capital	Effective equity interest to the Company	Principal activities
A) Wharf				
*The Wharf (Holdings) Limited	Hong Kong	2,447,876,629 HK\$1 shares	48%	Holding company
Properties				
Wharf Estates Limited	Hong Kong	2 HK\$1 shares	48%	Holding company
Harbour City Estates Limited	Hong Kong	20,000 HK\$10 shares	48%	Property
Wharf Realty Limited	Hong Kong	2 HK\$1 shares	48%	Property
Times Square Limited	Hong Kong	2 HK\$10 shares	48%	Property
Wharf Estates Development Limited				
Plaza Hollywood Limited	Hong Kong	2 HK\$1 shares	48%	Holding company
Delta Realty Limited	Hong Kong	10,000 HK\$1 shares	48%	Property
Feckenham Limited	Hong Kong	2 HK\$1 shares	48%	Property
Feckenham Limited	Hong Kong	2 HK\$10 shares	48%	Property
Framenti Company Limited	Hong Kong	2 HK\$1 shares	48%	Property
HKRT Peak Properties Limited	Hong Kong	2 HK\$1 shares	48%	Property
Hong Tai Yuen Limited	Hong Kong	3,000,000 HK\$10 shares	48%	Property
New Tech Centre Limited	Hong Kong	500,000 HK\$1 shares	48%	Property
Olinda Limited	Hong Kong	10,000 HK\$1 shares	48%	Property
Spring Wealth Investments Limited	Hong Kong	2 HK\$10 shares	48%	Property
	British Virgin Islands	500 US\$1 shares	48%	Holding company
Wharf China Limited				
Wharf Estates China Limited	Cayman Islands	500,000,000 US\$1 shares	48%	Holding company
Beijing Capital Times Square Development Company Limited	British Virgin Islands	500 US\$1 shares	48%	Holding company
Shanghai Long Xing Property Development Company Limited	The People's Republic of China	US\$59,000,000	42%	Property
Dalian Times Square Development Company Limited	The People's Republic of China	US\$45,000,000	48%	Property
Han Long Development (Wuhan) Company Limited	The People's Republic of China	RMB420,000,000	48%	Property
Long Qing Property Development (Chongqing) Company Limited	The People's Republic of China	US\$33,100,000	48%	Property
Shanghai Jiu Zhou Property Development Company Limited	The People's Republic of China	US\$194,000,000	48%	Property
Shanghai Long Shen Real Estate Development Company Limited	The People's Republic of China	US\$30,000,000	41%	Property
Shanghai Wellington Garden Estate Development Company Limited	The People's Republic of China	US\$22,330,000	26%	Property
Shanghai Wheelock Square Development Limited	The People's Republic of China	US\$16,666,666	28%	Property
Wharf Estates (Wuxi) Company Limited	The People's Republic of China	US\$80,000,000	47%	Property
龍茂房地產開發(成都)有限公司	The People's Republic of China	US\$143,080,000	48%	Property
龍潤房地產開發(成都)有限公司	The People's Republic of China	HK\$750,000,000	48%	Property
龍昌綜合開發(成都)有限公司	The People's Republic of China	HK\$820,000,000	48%	Property
蘇州蘇龍地產發展有限公司	The People's Republic of China	HK\$315,000,000	48%	Property
龍錦綜合開發(成都)有限公司	The People's Republic of China	US\$165,000,000	48%	Property
	The People's Republic of China	HK\$775,000,000	48%	Property

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

At 31 December 2007

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital (except otherwise stated)/ registered and paid up capital	Effective equity interest to the Company	Principal activities
* Harbour Centre Development Limited	Hong Kong	315,000,000 HK\$0.5 shares	32%	Holding company
蘇州高龍房產發展有限公司	The People's Republic of China	RMB925,268,493	25%	Property
九龍倉(常州)置業有限公司	The People's Republic of China	US\$99,000,000 (paid in February 2008)	32%	Property
Logistics				
Wharf Transport Investments Limited	Hong Kong	2 HK\$1 shares	48%	Holding company
The "Star" Ferry Company, Limited	Hong Kong	1,440,000 HK\$5 shares	48%	Public transport
Hong Kong Tramways, Limited	Hong Kong	21,937,500 HK\$5 shares	48%	Public transport
Modern Terminals Limited	Hong Kong	70,116 HK\$1,000 shares	33%	Container terminal
Shenzhen Dachan Bay Modern Port Development Company, Limited	The People's Republic of China	RMB2,475,550,000	21%	Container terminal
Suzhou Modern Terminals Limited	The People's Republic of China	RMB822,500,000	23%	Container terminal
Hotels				
Marco Polo Hotels Limited	Cayman Islands	500,000,000 US\$1 shares	48%	Holding company
Marco Polo Hotels Management Limited	Hong Kong	2 HK\$10 shares	48%	Hotel management
The Hongkong Hotel Limited	Hong Kong	100,000 HK\$1 shares	32%	Hotel and property
The Marco Polo Hotel (Hong Kong) Limited	Hong Kong	1,000 HK\$1 shares	48%	Hotel operation
The Prince Hotel Limited	Hong Kong	2 HK\$1 shares	48%	Hotel operation
Wuhan Marco Polo Hotels Company Limited	The People's Republic of China	US\$3,850,000	48%	Hotel management
CME				
Wharf Communications Limited	Hong Kong	1,000,000 HK\$10 shares	48%	Holding company
COL Limited	Hong Kong	40,000 HK\$500 shares	48%	Computer services
Hong Kong Cable Enterprises Limited	Hong Kong	2 HK\$1 shares	36%	Advertising airtime, programming licensing and channel carriage services
Hong Kong Cable Television Limited	Hong Kong	750,000,000 HK\$1 shares	36%	Pay television services
* i-CABLE Communications Limited	Hong Kong	2,016,792,400 HK\$1 shares	36%	Holding company
i-CABLE Network Limited	Hong Kong	100 HK\$1 shares 2 HK\$1 non-voting deferred shares	36%	Network operation services
i-CABLE Satellite Television Limited	Hong Kong	2 HK\$1 shares	36%	Non-domestic television services and programming licensing
i-CABLE Network Operations Limited	Hong Kong	500,000 HK\$1 shares	36%	Internet and multimedia services
Sundream Motion Pictures Limited	Hong Kong	10,000,000 HK\$1 shares	36%	Film production
Rediffusion Satellite Services Limited	Hong Kong	1,000 HK\$10 shares	36%	Satellite television services
EC Telecom Limited	Hong Kong	2 HK\$1 shares	48%	Telecommunication
Wharf T&T Limited	Hong Kong	100,000,000 HK\$1 shares	48%	Telecommunication

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

At 31 December 2007

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital (except otherwise stated)/ registered and paid up capital	Effective equity interest to the Company	Principal activities
Investment and others				
Wharf Limited	Hong Kong	2 HK\$10 shares	48%	Management services
Wharf Finance Limited	Hong Kong	2 HK\$1 shares	48%	Finance
Wharf Finance (BVI) Limited	British Virgin Islands/ International	500 US\$1 shares	48%	Finance
Wharf Hong Kong Limited	Cayman Islands	500,000,000 US\$1 shares	48%	Holding company
B) Wheelock (other than Wharf)				
* Wheelock Properties Limited	Hong Kong	2,069,637,125 HK\$0.2 shares	74%	Holding company
Janeworth Company Limited	Hong Kong	550,000,000 HK\$1 shares	74%	Property
Marnav Holdings Limited	Hong Kong	1,000,000 HK\$1 shares	74%	Property
Pizzicato Limited	Hong Kong	2 HK\$10 shares	74%	Property
Samover Company Limited	Hong Kong	2 HK\$1 shares	74%	Property
Titano Limited	Hong Kong	2 HK\$1 shares	74%	Property
* Wheelock Properties (Singapore) Limited	Singapore	398,853,292 S\$1 shares & 797,706,584 shares issued at S\$0.825 per share	56%	Holding company / Property
Actbilt Pte Limited	Singapore	1,000,000 S\$1 shares	56%	Property
Belgravia Properties Pte. Ltd.	Singapore	1,000,000 S\$1 shares	56%	Property
Bestbilt Pte. Ltd.	Singapore	1,000,000 S\$1 shares	56%	Property
Botanica Pte. Ltd.	Singapore	1,000,000 S\$1 shares	56%	Property
Everbilt Developers Pte Ltd	Singapore	160,000,000 S\$1 shares	56%	Property
Mer Vue Developments Pte. Ltd.	Singapore	1,000,000 S\$1 shares	56%	Property
Ardesia Developments Pte. Ltd.	Singapore	2 S\$1 shares	56%	Investment
Nassim Developments Pte. Ltd.	Singapore	2 S\$1 shares	56%	Investment
Others				
Ridge Limited	Hong Kong	2 HK\$1 shares	100%	Property
Salisbury Company Limited	Hong Kong	2 HK\$1 shares	74%	Property
Wheelock Properties (China) Limited	Hong Kong/ The People's Republic of China	2 HK\$10 shares	100%	Property development in China
Wheelock Properties (Hong Kong) Limited (held directly)	Hong Kong	10 HK\$100 shares	100%	Property services and management
Wheelock Corporate Services Limited (held directly)	Hong Kong	10,000,000 HK\$1 shares	100%	Commercial services
Wheelock Finance Limited	Hong Kong	2 HK\$1 shares	100%	Finance
Wheelock Travel Limited	Hong Kong	50,000 HK\$10 shares	100%	Travel agency
Harriman Property Management Limited	Hong Kong	198 HK\$100 shares	100%	Property management
Harriman Leasing Limited	Hong Kong	100,049 HK\$10 shares & 50 non-voting HK\$10 shares	74%	Letting agent
Wheelock China Limited (held directly)	Hong Kong	2 HK\$1 shares	100%	Holding company

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

At 31 December 2007

Associates	Place of incorporation/ operation	Class of shares	Effective equity interest to the Company	Principal activities
Wharf – Logistics				
Mega Shekou Container Terminals Limited	British Virgin Islands	Ordinary	10%	Holding company
Shekou Container Terminals Limited	The People's Republic of China	Ordinary	10%	Container terminal operations
Shekou Container Terminals (Phase II) Limited	The People's Republic of China	Ordinary	10%	Container terminal operations
Shekou Container Terminals (Phase III) Limited	The People's Republic of China	Ordinary	10%	Container terminal operations
Jointly controlled entities	Place of incorporation/ operation	Class of shares	Effective equity interest to the Company	Principal activities
Wharf – Properties				
重慶嘉江房地產開發有限公司	The People's Republic of China	Ordinary	19%	Property
蘇州雙湖房地產有限公司	The People's Republic of China	Ordinary	24%	Property
重慶豐盈房地產開發有限公司	The People's Republic of China	Ordinary	18%	Property
杭州綠城海企房地產開發有限公司	The People's Republic of China	Ordinary	13%	Property
Wharf – Logistics				
Taicang International Container Terminals Company Limited	The People's Republic of China	Ordinary	16%	Container terminal operations
Wheelock Properties				
佛山信捷房地產有限公司	The People's Republic of China	Ordinary	37%	Property
佛山鑫城房地產有限公司	The People's Republic of China	Ordinary	37%	Property

Notes:

- a) Unless otherwise stated, the subsidiaries, associates and jointly controlled entities were held indirectly by the Company.
- b) The above list gives the principal subsidiaries, associates and jointly controlled entities of the Group which, in the opinion of the Directors, principally affect the profit and assets of the Group.
- * Listed companies

SCHEDULE OF PRINCIPAL PROPERTIES

At 31 December 2007

Address	Approximate gross floor areas (sq.ft.)					(Remarks)
	Total	Office	Retail	Residential	Others	
Investment properties in Hong Kong						
Harbour City, Tsimshatsui						
Ocean Terminal	658,000	–	658,000	–	–	
Ocean Centre	901,000	677,000	224,000	–	–	
Wharf T & T Centre	257,000	257,000	–	–	–	
World Commerce Centre	257,000	257,000	–	–	–	
World Finance Centre	512,000	512,000	–	–	–	
Ocean Galleries	386,000	–	386,000	–	–	
Gateway I	1,236,000	1,128,000	108,000	–	–	
Gateway II	2,640,000	1,570,000	400,000	670,000	–	
The Marco Polo Hongkong Hotel (Commercial Section)	206,000	34,000	172,000	–	–	
Times Square						
Sharp Street East, Causeway Bay	1,969,000	1,033,000	936,000	–	–	
Others						
Plaza Hollywood, 3 Lung Poon Street, Diamond Hill	562,000	–	562,000	–	–	
Wharf T&T Square, Hoi Bun Road, Kwun Tong	395,000	330,000	65,000	–	–	
Delta House, 3 On Yiu Street, Shatin	349,000	349,000	–	–	–	
26-27/F, World-Wide House, Central	21,000	21,000	–	–	–	
Units at Cable TV Tower, Hoi Shing Road, Tsuen Wan	566,000	–	–	–	566,000	(Industrial)
Units at Strawberry Hill, 8 Plunkett's Road, The Peak	16,000	–	–	16,000	–	
77 Peak Road, The Peak	32,000	–	–	32,000	–	
Chelsea Court, 63 Mount Kellett Road, The Peak	43,000	–	–	43,000	–	
Mountain Court, 11-13 Plantation Road, The Peak	49,900	–	–	49,900	–	
1 Plantation Road, The Peak	97,000	–	–	97,000	–	
Units at Star House, 3 Salisbury Road, Kowloon	50,800	–	50,800	–	–	
Crawford House, 64-70A Queen's Road Central, Central	188,400	103,800	84,600	–	–	
3/F-24/F, Wheelock House, 20 Pedder Street, Central	192,900	192,900	–	–	–	
Fitfort, Basement-3/F, Healthy Gardens Podium, 560 King's Road, North Point	125,400	–	125,400	–	–	
	11,710,400	6,464,700	3,771,800	907,900	566,000	
Investment properties in China						
Beijing Capital Times Square 88 West Changan Avenue, Beijing	1,114,000	724,000	390,000	–	–	
Shanghai Times Square 93-111 Huai Hai Zhong Road, Shanghai	973,000	331,000	447,000	195,000	–	
Chongqing Times Square, 100 Zou Rong Road, Yuzhong District, Chongqing	591,800	13,800	578,000	–	–	
	2,678,800	1,068,800	1,415,000	195,000	–	
Investment property in Singapore						
Wheelock Place, 501 Orchard Road	464,800	232,700	232,100	–	–	

SCHEDULE OF PRINCIPAL PROPERTIES

At 31 December 2007

Site area (sq.ft.)	Lot number	Lease expiry	Completion/ expected completion	Stage of completion	Effective equity interest to the Company
346,719	KPP 83	2012	1966	N/A	48%
126,488	KML 11 S.A.	2880	1977	N/A	48%
(a)	KML 11 S.B.	2880	1981	N/A	48%
(a)	KML 11 S.B.	2880	1981	N/A	48%
(a)	KML 11 S.D.	2880	1983	N/A	48%
(a)	KML 11 S.B. & D.	2880	1981/83	N/A	48%
(a)	KML 11 R.P.	2880	1994	N/A	48%
(a)	KML 11 S.B. & D.	2880	1998/99	N/A	48%
(b)	KML 91 S.A. & KML 10 S.B.	2863	1969	N/A	32%
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	48%
280,510	NKIL 6160	2047	1997	N/A	48%
48,438	KTIL 713	2047	1991	N/A	48%
70,127	STTL 422	2047	1999	N/A	48%
N/A	IL 8432	2053	1979	N/A	48%
N/A	TWTL 218	2047	1992	N/A	48%
N/A	RBL 512 & 1004	2027/28	1974/77	N/A	48%
76,728	RBL 836	2029	1951	N/A	48%
29,640	RBL 556 R.P.S.A. & S.B.	2035	2001	N/A	48%
32,145	RBL 522, 639, 661	2027	2001	N/A	48%
97,670	RBL 534 S.E. & F.	2028	2002	N/A	48%
N/A	KML 10 S.A.	2863	1966	N/A	32%
12,286	IL 7 R.P. & IL 45 Sec. A R.P.	2842	1977	N/A	100%
N/A	ML 99 Sec. A,C, R.P. & ML 100 Sec. A,B, R.P	2854	1984	N/A	74%
N/A	IL 3546	2086	1979	N/A	74%
141,007	N/A	2044	1999	N/A	42%
148,703	N/A	2043	1999	N/A	48%
95,799	N/A	2050	2004	N/A	48%
N/A	N/A	2089	1993	N/A	56%

SCHEDULE OF PRINCIPAL PROPERTIES

At 31 December 2007

Address	Approximate gross floor areas (sq.ft.)					
	Total	Office	Retail	Residential	Others	(Remarks)
Hotels and clubs in Hong Kong						
Harbour City, Tsimshatsui						
The Marco Polo Hongkong Hotel	553,000	–	–	–	553,000	(Other represents a 664-room hotel)
Gateway	313,000	–	–	–	313,000	(Other represents a 433-room hotel)
Prince	359,000	–	–	–	359,000	(Other represents a 393-room hotel)
Pacific Club Kowloon	139,000	–	–	–	139,000	(Club House)
	1,364,000	–	–	–	1,364,000	
Property developments in Hong Kong						
Cable TV Tower South Chai Wan Kok Street, Tsuen Wan	584,600	–	–	–	584,600	(Industrial)
Kowloon Godown, 1-3 Kai Hing Road, Kowloon Bay	1,575,200	–	82,900	–	1,492,300	(Industrial)
Yau Tong Godown, 5 Tung Yuen Street, Kowloon	255,700	–	42,600	213,100	–	
2 Heung Yip Road, Wong Chuk Hang, Aberdeen	737,200	–	–	–	737,200	(Industrial; 224,900 s.f. pre-sold)
6D-6E Babington Path, Mid-Levels	46,700	–	–	46,700	–	
Units at Bellagio, 33 Castle Peak Road, Sham Tseng	105,700	–	31,200	74,500	–	
	3,305,100	–	156,700	334,300	2,814,100	
Property developments in Hong Kong (undertaken by associates)						
Various Lots at Yau Tong Bay, Yau Tong, Kowloon	720,200	83,100	36,800	600,300	–	(15.6% attributable to the Group – Note c)
	720,200	83,100	36,800	600,300	–	
Property developments in China						
Wellington Garden – Tower 3 183 Huai Hai Xi Road, Xuhui District, Shanghai	209,100	–	–	209,100*	–	
Wuhan Times Square, 160 Yan Jiang Da Dao, Jiangan District, Wuhan						
– Towers 3 & 4	24,300	–	–	24,300	–	
– Towers 1, 2, 8 & 9	1,002,000	–	–	592,000*	410,000	(Other represents a 371-room hotel) (275,000 s.f. residential area pre-sold)

SCHEDULE OF PRINCIPAL PROPERTIES

At 31 December 2007

Site area (sq.ft.)	Lot number	Lease expiry	Completion/ expected completion	Stage of completion	Effective equity interest to the Company
58,814	KML 91 S.A. & KML 10 S.B.	2863	1969	N/A	32%
(a)	KML 11 S.B.	2880	1981	N/A	48%
(a)	KML 11 S.D.	2880	1983	N/A	48%
48,309	KIL 11179	2021	1990	N/A	48%
66,000	TWIL 36	2047	N/A	Planning stage	48%
165,809	NKIL 5805, 5806 & 5982	2047	N/A	Planning stage	48%
42,625	YTIL 45A & adjoining Government land	2047	N/A	Planning stage	48%
49,000	AIL 374	2121	2009	Substructure in progress	74%
5,837	IL 609C R.P. & Sec. D R.P.	2859	2010	Substructure in progress	74%
566,090	Lot No. 269 R.P. in DD 390	2051	N/A	Completed	74%
769,626	R.P. of YTML 22 & ext., YTML 28 & ext., YTML 29 & ext., and YTML 12, 32 and 33 together with adjoining lots at Yau Tong Bay	2047	N/A	Planning stage	7.5%
80,482	N/A	2045	2007	Completed	28%
188,090	N/A	2073 2053/73	2007 2008	Completed Superstructure in progress	48%

SCHEDULE OF PRINCIPAL PROPERTIES

At 31 December 2007

Address	Approximate gross floor areas (sq.ft.)					(Remarks)
	Total	Office	Retail	Residential	Others	
Dalian Times Square Ren Min Road, Zhongshan District, Dalian	1,529,000	–	188,000	1,341,000	–	
No.1 Xin Hua Road, 176, Huai Hai Xi Road, Changning District, Shanghai	206,000	–	–	206,000	–	
Shanghai Wheelock Square 1717, Nan Jing Xi Road, Jingan District, Shanghai	1,228,000	1,149,000	79,000	–	–	
Jingan Garden 398, Wanhangu Road, Jingan District, Shanghai	773,000	–	–	773,000*	–	
Tian Fu Times Square, Chengdu Junction of Dong Da Jie & Fu He, Jinjiang District	4,856,200	1,066,000	204,600	2,810,600	775,000	(Other represents a 611-room hotel) (493,000 s.f. residential area pre-sold)
No.10 Gaoxin District, Chengdu Junction of Zhan Hua Road and Fu Cheng Avenue	4,422,000	985,000	110,000	3,327,000	–	
Suzhou Industrial Park Lot No. 68210 Suzhou Industrial Park	2,192,000	–	–	2,192,000	–	
Wuxi Taihu Plaza Project Wuxi Super Tower Taihu Plaza, Nanchang District, Wuxi	3,023,000 8,949,000	1,311,000 –	32,000 –	1,050,000* 8,949,000	630,000 –	(Other represents a 345-room hotel)
Shuangliu Development Zone, Chengdu Junction of Shuang Nan Avenue and Guang Hua Avenue, Shuangliu County	9,807,000	–	686,000	8,309,000*	812,000	(Other represents a 852-room hotel)
Chengdu IFC Junction of Hongxing Road and Da Ci Si Road, Jinjiang District	4,724,000	2,226,000	1,248,000	490,000	760,000	(Other represents a 600-room hotel)
Changzhou Dinosaur Park Project China Dinosaur Park, Xinbei District, Changzhou, Jiangsu Province	8,681,000	–	–	7,838,000	843,000	(Other represents a 405-room hotel)
Suzhou Industrial Park Project Suzhou Super Tower, Xing Hu Jie Xiandai Da Dao, Suzhou Industrial Park, Suzhou	3,780,000 9,765,000	1,302,000 –	30,000 –	1,627,000 9,765,000	821,000 –	(Other represents a 600-room hotel)
	65,170,600	8,039,000	2,577,600	49,503,000	5,051,000	
Property developments in China (undertaken by jointly controlled entities)						
Hangzhou Zhuantang Town Project Zhuantang Town, Zhi Jiang National Tourist Resort, Xihu District, Hangzhou	2,005,000	–	83,000	1,922,000	–	(50% attributable to the Group – Note c)
Suzhou Wei Ting Project South of Lin Hu Road, East & West sides of Ying Hu Road, Suzhou Industrial Park	908,000	–	–	908,000	–	(50% attributable to the Group – Note c)
Nanjing Xian Lin Project West of Xian Lin Lake, North of Xian Lin Da Dao, Xian Lin Xin Qu	2,263,000	–	–	2,263,000	–	(50% attributable to the Group – Note c)
Chongqing Danzishi Project Danzishi, Nanan District	9,039,000	–	706,000	8,333,000	–	(40% attributable to the Group – Note c)
Chongqing Jiangbei City Project Zone B of Jiangbei City, Jiang Bei District, Chongqing	2,524,000	–	–	2,524,000	–	(55% attributable to the Group – Note c)
Hangzhou CBD Project West of Wang Jiang Dong Road, North of Zhi Jiang Road, East Side is Bounded by Planning Road, South of Fu Chun Road, Qianjiang New City, Shangcheng District, Hangzhou	1,280,000	190,000	26,000	917,000	147,000	(Other represents a 160-room hotel) (40% attributable to the Group – Note c)

SCHEDULE OF PRINCIPAL PROPERTIES

At 31 December 2007

Site area (sq.ft.)	Lot number	Lease expiry	Completion/ expected completion	Stage of completion	Effective equity interest to the Company
171,356	N/A	2039/69	2008	Superstructure in progress	48%
118,220	N/A	2064	2009	Substructure in progress	41%
136,432	N/A	2049	2009	Superstructure in progress	47%
170,825	N/A	2043/63	2011	Planning stage	27%
761,520	N/A	2045/75	2011	Superstructure/ Substructure in progress	48%
884,459	N/A	2046/76	2011	Substructure in progress	48%
3,654,152	N/A	2076	2010	Planning stage	48%
313,867	N/A	2047/57	2012	Planning stage	48%
3,314,418	N/A	2078	2014	Substructure in progress	48%
3,900,589	N/A	2047/77	2012	Planning stage	48%
590,481	N/A	2047	2011	Planning stage	48%
4,427,804	N/A	2047/77	2012	Planning stage	32%
229,069	N/A	2047/77	2013	Planning stage	26%
5,425,454	N/A	2077	2013	Planning stage	26%
2,046,685	N/A	2047/77	2012	Planning stage	24%
1,976,237	N/A	2077	2012	Planning stage	24%
3,578,071	N/A	2077	2012	Planning stage	24%
6,080,656	N/A	2047/57	2014	Planning stage	19%
1,002,408	N/A	2057	2012	Planning stage	18%
906,921	N/A	2047/77	2012	Planning stage	13%

SCHEDULE OF PRINCIPAL PROPERTIES

At 31 December 2007

Approximate gross floor areas (sq.ft.)						
Address	Total	Office	Retail	Residential	Others	(Remarks)
Foshan Chancheng Project North side of Kin Jin Lu, Chancheng District	1,443,700	–	115,500	1,328,200	–	(50% attributable to the Group – Note c)
Foshan Xincheng Project South of Tian Hong Lu and North of Yu He Lu, Xincheng District	2,429,500	–	161,500	2,268,000	–	(50% attributable to the Group – Note c)
	21,892,200	190,000	1,092,000	20,463,200	147,000	
Property developments in Singapore						
The Sea View, Amber Road	796,100	–	–	796,100	–	(all units pre-sold)
The Cosmopolitan, 390 Kim Seng Road	316,000	–	–	316,000	–	(all units pre-sold)
Orchard View, 29 Anguilla Park	75,900	–	–	75,900	–	
Scotts Square, 6 Scotts Road	423,400	–	130,700	292,700	–	(215,100 s.f. residential area pre-sold)
Ardmore II, 1 & 2 Ardmore Park	238,700	–	–	238,700	–	(all units pre-sold)
Ardmore 3, 3 Ardmore Park	169,300	–	–	169,300	–	
	2,019,400	–	130,700	1,888,700	–	
TOTAL	109,325,500	16,078,300	9,412,700	73,892,400	9,942,100	

Notes:

- a) Components of Harbour City, which has a total site area of 428,719 sq. ft.
 - b) Part of The Marco Polo Hongkong Hotel building.
 - c) The floor areas of properties held through jointly controlled entities and associates are shown on an attributable basis.
 - d) Subsequent to 31 December 2007, the Group acquired a new site (three land parcels) in Wuxi with developable GFA of approximately 8.7 million square feet in January 2008.
- * Residential includes office-apartments

SCHEDULE OF PRINCIPAL PROPERTIES

At 31 December 2007

Site area (sq.ft.)	Lot number	Lease expiry	Completion/ expected completion	Stage of completion	Effective equity interest to the Company
1,155,000	N/A	2048/78	2011	Planning stage	37%
2,867,600	N/A	2047/77	2012	Planning stage	37%
381,803	N/A	Freehold	2008	Superstructure in progress	56%
112,862	N/A	Freehold	2008	Superstructure in progress	56%
29,078	N/A	Freehold	2009	Superstructure in progress	56%
71,145	N/A	Freehold	2010	Substructure in progress	56%
89,630	N/A	Freehold	2010	Superstructure in progress	56%
54,981	N/A	Freehold	2012	Substructure in progress	56%

FIVE-YEAR FINANCIAL SUMMARY

	Period ended 31/12/2007 HK\$ Million	Year ended 31/3/2007 HK\$ Million	Year ended 31/3/2006 HK\$ Million	Year ended 31/3/2005 HK\$ Million	Year ended 31/3/2004 HK\$ Million
Summary of Profit and Loss Account					
Turnover	(Note a) 17,915	16,096	4,235	4,521	7,116
Group profit attributable to equity shareholders	7,615	6,310	10,316	8,337	2,303
Dividends attributable to equity shareholders	254	254	254	224	183
Summary of Balance Sheet					
Fixed assets	125,390	111,256	8,665	5,326	4,011
Goodwill and other intangible assets	302	306	306	–	–
Interest in associates	3,632	531	32,012	26,562	24,528
Interest in jointly controlled entities	6,019	788	–	–	–
Available-for-sale investments	7,622	7,088	2,187	1,488	1,167
Long-term receivables	447	498	231	371	496
Other assets	423	416	–	–	–
Derivative financial assets	17	17	–	–	–
Deferred tax assets	360	429	–	–	–
Current assets	34,913	27,698	14,777	15,008	10,677
Total assets	179,125	149,027	58,178	48,755	40,879
Current liabilities	(20,160)	(14,943)	(4,311)	(4,072)	(3,830)
Long-term loans/deferred liabilities	(28,132)	(20,392)	(5,672)	(7,882)	(6,340)
Deferred taxation	(16,578)	(14,150)	(827)	(135)	(72)
Derivative financial liabilities	(96)	–	–	–	–
	114,159	99,542	47,368	36,666	30,637
Share capital	1,016	1,016	1,016	1,016	1,016
Reserves	55,635	48,246	40,000	30,419	25,528
Shareholders' equity	56,651	49,262	41,016	31,435	26,544
Minority interests	57,508	50,280	6,352	5,231	4,093
Total equity	114,159	99,542	47,368	36,666	30,637

Notes:

- a) *The Company has changed its year end date from 31 March to 31 December to get in line with that of Wharf, the major subsidiary of the Company.*
- b) *The Company has changed its accounting policy on consolidation as explained in note 2(a) to the 2007 financial statements. Figures for the year of 2005/06 and prior years have not been restated to reflect this change as it would involve delays and expenses out of proportion to the benefit to equity shareholders.*
- c) *Certain figures have been reclassified or restated to comply with the prevailing HKFRSs.*