Management Discussion and Analysis

SEGMENT REVIEW

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

Including the investment property revaluation surplus and a one-off profit on disposal of Fitfort, profit attributable to shareholders for the year grew by 79% to HK$1,458 million (2008: HK$816 million).

Excluding the investment property revaluation surplus and exceptional items, net profit attributable to shareholders in fact fell by 44% to HK$783 million (2008: HK$1,396 million) due to the timing of project completion in Singapore. Total core earnings from Hong Kong rose by 145% (or HK$385 million) but total earnings from Singapore decreased by 88% (or HK$998 million).

Wheelock House
Hong Kong

Hong Kong

Over 80% of The Babington in the Mid-Levels, with a total of 47 luxury apartments, have been sold to realise proceeds of about HK$496 million. Corresponding revenue and profits were recognised in 2009.

Redevelopment of 2 Heung Yip Road, Aberdeen, into a high-rise commercial building is underway. Lease modification for conversion to allow a commercial building has been agreed with the Government. The development offers a total GFA of 737,200 square feet, of which about 224,900 square feet was pre-sold in previous years.

The sale of Fitfort, a non-core retail property in North Point, was completed in December 2009 for HK$935 million. A net profit of HK$126 million was recognised in 2009.

Foundation works for a residential development at 211-215C Prince Edward Road West, Mongkok, is underway. The development offers a total GFA of 91,700 square feet.

By the end of December 2009, the company had acquired 98.5% of the interest in the property situated at 46 Belcher's Street, Western District. The Court has subsequently approved an application to put the entire building on auction. The site has the potential for a residential redevelopment with a total GFA of 91,400 square feet.

In early March 2010, a joint bid by the company and New World Development on a 50:50 basis won the tender for the development of a luxury residential project atop the MTR Austin Station at the heart of Tsim Sha Tsui West. It is also within close proximity to the existing Airport Express Line as well as the future high-speed rail terminus. The land parcel has a site area of 295,181 square feet, with 641,082 square feet of GFA attributable to the company. The land premium is HK$11.7 billion, with one-third being shared by MTRC.

Southern China

The company's three current projects in Southern China are all undertaken in Foshan through 50:50 joint ventures with China Merchants.

The first project, in an integrated new town (Xincheng District 新城區) facing the Dong Ping River (東平河), boasts a site area of 2.88 million square feet and offers an attributable GFA of 2.43 million square feet. All the townhouses, low-rise and high-rise residential units offered for pre-sale to-date have been taken up in full or nearly in full.

The second project, at the junction of Kuiqi Road (魁奇路) and Guilan Road (桂瀾路) in Chancheng District (禪城區), boasts a site area of 1.15 million square feet and envisages an attributable GFA of 1.45 million square feet. Pre-sale of the first phase covering one high-rise residential tower started in December 2009 and was 97% taken up.

These first two projects are scheduled for completion in phases by 2012 and 2013 respectively.

The third site was acquired for RMB680 million at a public auction in January 2010. Located at the centre of Shishan Town (獅山鎮) and 15km from the centre of Chancheng District (禪城區), it boasts a site area of 1.5 million square feet and offers an attributable GFA of 1.67 million square feet. It is planned for an upscale residential project to be completed in phases by 2015.

Singapore

Profit for Wheelock Properties (Singapore) Limited ("WPSL") amounted to S$262.3 million for the financial year under review (2008: S$100.9 million) in accordance with the accounting standards in Singapore.

Investment Property

Wheelock Place, a commercial development at Orchard Road, was 100% committed to tenants as at the end of December 2009. It also achieved high retention renewals of 89% and 94% for its office and retail portions respectively.

Wheelock Place
Singapore

Development Properties
Ardmore II is a prime residential development with 118 apartments. Main construction work is progressing to schedule and is expected to be completed by the first half of 2010. All of the 118 units have been pre-sold.

Orchard View, a luxury residential development located in the serene enclave of Angullia Park and within walking distance of MRT Orchard Station, comprises 30 units of four-bedroom apartments with private lift lobbies. A preview sale was conducted in August 2009 and three units were sold. Main construction work is scheduled for completion in the first half of 2010.

Strategically located in the main shopping belt of Orchard Road, Scotts Square is a prime residential development with 338 international quality apartments, plus a retail annex. The retail podium will be held for long term investment. Pre-sale of the apartments reached 77% (in net saleable area) by the end of 2009. Main construction work is in progress and the development is scheduled to be completed by 2011.

Ardmore 3, another luxury project along Ardmore Park, is planned for redevelopment and sale. It will be an international-standard luxury residential development in the prestigious Ardmore Park, next to Ardmore II. Piling works is scheduled to commence in mid-2010.

The Wharf (Holdings) Limited ("Wharf", a 50.02%-owned listed subsidiary)
Turnover increased by 10% to HK$17,553 million (2008: HK$15,940 million) on account of firm recurrent rental income coupled with strong China property sales to more than offset the decline in the logistics sector caused by the global contraction in world trade. Operating profit grew by 13% to HK$8,554 million (2008: HK$7,543 million).

Profit attributable to shareholders excluding investment property revaluation increased by 86% to HK$7,817 million (2008: HK$4,194 million). Including the revaluation of investment properties, profit attributable to shareholders increased by 180% to HK$17,501 million (2008: HK$6,247 million). Earnings per share were HK$6.35 (2008: HK$2.28).

Harbour City and Times Square representing 51% of the group's total business assets and 62% of total operating profit posted favourable results for 2009, notwithstanding the challenging environment. They also combined to account for a stable 8% of total Hong Kong retail sales.

Harbour City
Harbour City (excluding hotels) achieved a turnover of HK$4,467 million for an increase of 11%, while operating profit rose by 14% to HK$3,840 million.

It also set a new record of HK$15.5 billion, with average sales per square foot surging to a new high of almost HK$2,400 in December. That in turn resulted in an 18% increase in retail rental at Harbour City to HK$2,550 million.

For the full year, tenants at Harbour City registered a 16% year-on-year growth in total retail sales to outperform the market by 15 percentage points, thanks to the mall's premier location, sustained quality for the most exhilarating and rewarding shopping experience, diversified trade-mix and powerful retail marketing.

Management Discussion and Analysis

Turnover for the office sector grew by 5% to HK$1,662 million. Committed occupancy was maintained at 93% at the end of 2009. Following the relocation of Sony Corporation from The Lee Gardens to The Gateway, Taishin International Bank recently committed a floor at The Gateway to relocate from Admiralty Centre. Despite the less favourable economic environment, a number of tenants expanded. Lease renewal retention rate at Harbour City held up reasonably well at 67% with favourable rental increment.

With a decrease in average occupancy, turnover for the serviced apartments dropped by 7% to HK$255 million. At the end of December 2009, committed occupancy at Gateway Apartments was maintained at 87% (2008: 87%).

Times Square

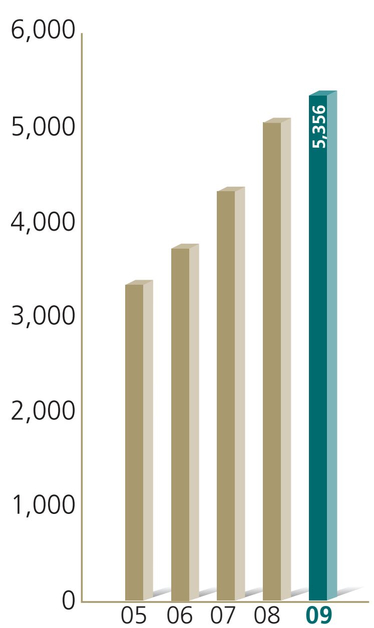
Times Square turned over HK$1,426 million for an increase of 9%. Operating profit rose by 10% to HK$1,242 million.

Turnover for Times Square's retail sector increased by 10% to HK$956 million. Average retail occupancy was maintained at virtually 100%. Tenant mix was further refined, with recruitment of a spate of international and trendy labels including CK Calvin Klein, Jill Stuart, Levi's, Replay, etc during the year. The new sky escalators in the atrium of the mall were completed in November 2009. They are not only exciting but also improving the circulation in the mall.

Turnover from the office sector rose by 7% to HK$470 million, underpinned by positive rental reversion. Committed occupancy was maintained at 95% at the end of 2009. Lease renewal retention rate stood high at 75%, and renewals included AIA, Assicurzaioni Generali, Coca-Cola, Walt Disney, etc.

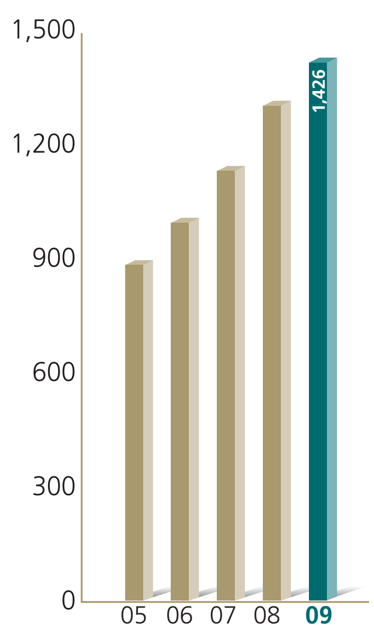
Harbour City:

Revenue (HK$ Million)



Times Square:

Revenue (HK$ Million)



Management Discussion and Analysis

Wheelock Square
1717 Nanjing Xi Road, Shanghai, China

China Properties

All four completed Times Squares, in Beijing, Chongqing, Dalian and Shanghai performed satisfactorily. Total revenue spurred by a full-year contribution from Dalian Times Square, which opened in late 2008, rose by 15% and operating profit by 26%. The disposal of Beijing Capital Times Square in November 2009 at a valuation of RMB3.2 billion resulted in an after-tax profit of HK$1.4 billion being recognised in 2009.

Wheelock Square at Nanjing Xi Road (南京西路) of Shanghai, with an attributable GFA of 1.2 million square feet of premium Grade A offices, is scheduled for completion by June 2010. Marketing is in progress. Commitments and letters of intent received so far are encouraging.

Designed by Kohn Pedersen Fox, Wheelock Square features simple yet refined symmetrical lines combined with subtle elegance. It is among the tallest in Puxi upon completion in June 2010. The tower will feature top modern office specification and facilities rarely matched in the current market.

Strategically situated in the heart of Jing'an District and overlooking Jing'an Park, Wheelock Square is located directly opposite Jing'an Temple Station for Metro lines 2 & 7, as well as within 5 minutes' walk to Changshu Road Station for Metro line 1.

Chengdu International Finance Centre is the group's next flagship development. Ideally located in Hongxing Road (紅星路) in the heart of the city's business centre, it is comparable in scale and significance to Harbour City in Hong Kong. It will comprise a mega retail complex, Grade A offices, a five-star hotel and luxury residences. Foundation work has commenced. Phase I comprising the mega retail complex and one office tower is targeted to complete by the first half of 2013.

Property Development

Turnover grew by HK$2,355 million to HK$3,065 million and profit before tax improved by HK$1,283 million to HK$1,139 million. Phased completion enabled pre-sale commitments for Dalian Times Square in Dalian, Tian Fu Times Square and Crystal Park in Chengdu to be booked.

Underpinned by its reputable branding, execution capability and well-located residential projects, the company surpassed its sales target for 2009. A total of 4.7 million square feet of properties were sold or pre-sold, with a combined value of RMB4.6 billion, primarily in Chengdu, Chongqing, Dalian, Shanghai and Wuxi.

The group was particularly active in Chengdu, Sichuan. Over 99% of the first nine residential towers (Times Residences) at Tian Fu Times Square have been sold/pre-sold. The first three towers were completed and the related property sales profits were recognised in 2009. Over 99% of the first eight residential towers at Crystal Park have been sold/pre-sold. The ninth residential tower was recently launched for sale in January 2010. Over 98% of the units offered were pre-sold within one month at an average price of over RMB9,200 per square metre, which surged notably from the previous price levels. The first four towers were completed and the related property sales profits were booked in 2009.

Dalian Times Square has successfully sold/pre-sold 87% of its two residential towers. Both towers were completed and the related property sales profits were recognised in 2009.

The first 22 residential towers (Wuxi Times City) at Wuxi Taihu Plaza have been launched since August 2009, of which 83% have been pre-sold at excellent prices. Construction work for the first phase of residential development is underway. The whole development is scheduled for completion in phases by 2015.

In Shanghai, the first four residential blocks at No. 1 Xin Hua Road, a low density super-deluxe development ideally located at the junction of Xin Hua Road (新華路) and Huai Hai Xi Road (淮海西路), were launched in August 2009. 86% of the units offered have been pre-sold at an average price of RMB80,000 per square metre. The development is expected to be completed by July 2010.

The CBD International Community project in Danzishi (彈子石) of Nanan District (南岸區) along the Yangtze River (長江), developed by the group and China Overseas Land on a 40:60 basis, has pre-sold over 99% of its first 13 residential towers and 88% of its retail units launched. The development comprises 22.6 million square feet GFA (with 9.0 million square feet attributable to the group) of high-end comprehensive residences, apartments/retail development and is expected to be completed in phases by 2014.

For Wellington Garden in Shanghai, all of the units had been sold at the end of December 2009. The four residential towers and the office-apartment towers at Wuhan Times Square have been 98% and 53% sold respectively.

Other Projects under Development

In Chengdu, a site in Shuangliu Development Zone (雙流發展區) is being developed into a commercial and residential complex with an attributable GFA of 9.8 million square feet. In Phase I, an outlet mall, namely, Times Outlets, with an attributable GFA of 680,000 square feet, started trial operation at the end of 2009. It attracted a spate of reputable international and local brands including Adidas, Cerruti 1881, Guess, Hush Puppies, Kent & Curwen and Nike etc.

Other development projects, excluding new acquisitions in 2009 and 2010, include one lot in Jingan District, Shanghai, one lot in Jinjiang District, Chengdu, four parcels of land in Wuxi (one parcel located along Beijing-Hangzhou Grand Canal at Renmin Plaza and three parcels in Nanchang District), two lots in Suzhou (one lot between Jinji Lake and Dushu Lake and another lot next to Qing Jian Hu) and one lot in Xihu District in Hangzhou. Listed subsidiary Harbour Centre Development Limited ("HCDL") is also developing five prime sites in the cities of Changzhou, Chongqing, Shanghai (Yangpu District) and Suzhou. All of these developments are progressing according to plan.

New Acquisitions

The company, since September 2009, has acquired six prime sites in the cities of Tianjin, Chongqing, Chengdu and Hangzhou.

The first site in Tianjin was acquired and developed by the company and China Merchants Property on a 50:50 basis. It is ideally located atop the Jing Jiang Lu (靖江路) Mass Transit Railway ("MTR") station, and just outside the mid-ring road of the city, within He Dong Qu (河東區). With a site area of 512,000 square feet and an attributable GFA of 0.65 million square feet, the development will comprise high-end residential and commercial properties. Construction is expected to commence within this year and completion is expected to take place in 2014.

Another site in Tianjin was acquired by the company and China Overseas in January 2010 on a 50:50 basis. The site is located atop the Tie Dong Lu (鐵東路) MTR station and at the North Eastern side of city centre, just outside the mid-ring road. The site area is 1.6 million square feet, developable into 2.63 million square feet of attributable GFA, of which 75% is for residential purpose and 25% for commercial use. Construction is expected to commence in 2010 and completion is expected in 2015.

In Chongqing, following the earlier acquisition with China Overseas Land of one site in Jiangbei City (江北城) and one site in Danzishi (彈子石), designated to be the future CBD with good transportation networks, the company acquired another two sites in Jiangbei City with China Overseas Land on a 50:50 basis. With these acquisitions, the company has become the dominant player in the future CBD of Chongqing that secures its distinct positioning in the district. The two recent sites boast a site area of 2.9 million square feet, developable into 7.2 million square feet of attributable GFA. One of the sites will be developed into a large commercial complex while the other is for residential development. Construction is targeted to commence in the third quarter of 2010 and completion is expected to take place in 2018.

The company's second project in Hangzhou was acquired in November 2009 for residential development. It comprises two sites located at Gongshu District (拱墅區), a traditional residential district with well-developed living facilities, and near the historical Gongchen Bridge (拱辰橋) and Beijing-Hangzhou Grand Canal (京杭大運河). These sites boast a site area of 914,000 square feet and offer a GFA of 2.4 million square feet. Construction is expected to commence in the first quarter of 2011 and the whole development is scheduled for completion by 2014.

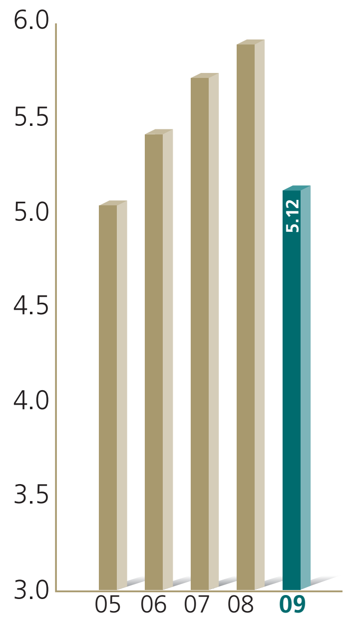
In Chengdu, the company has acquired since November 2009 another two sites close to the city centre for residential development. One of them is located at Jinjiang District (錦江區) and bounded by Dongdajie (東大街) to its southern side and Jinhua Nan Lu (經華南路) to its eastern side. The development boasts a site area of 160,000 square feet and offers a GFA of 639,000 square feet. Construction is targeted to commence by mid-2010. Another site is located at a mature residential area in east second Ring Road of Chenghua District (成華區，川棉廠) with sufficient community facilities nearby. It offers a GFA of 3.5 million square feet and will be developed into upscale residences.

Management Discussion and Analysis

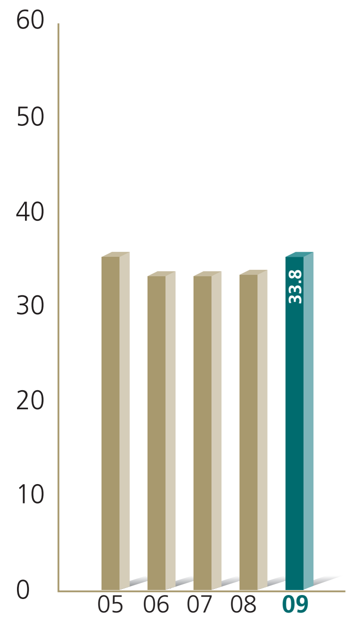
Modern Terminals (a 68%-owned subsidiary of Wharf)
For 2009, Modern Terminals' consolidated revenue was HK$2,840 million (2008: HK$3,446 million). Thanks to the proactive and aggressive cost saving initiatives rolled out at the beginning of the year, which effectively reduced the consolidated operating costs by 22%, consolidated operating profit was held up at HK$1,307 million (2008: HK$1,608 million). Favourable finance costs coupled with the cost saving initiatives further mitigated Modern Terminals' bottom line and narrowed the rate of net profit decrease to 4% from a year earlier.

Throughput in Hong Kong dropped by 13.3% to 5.12 million TEUs amidst the global-wide collapse in trade demand. Taicang International Gateway in Suzhou, comprising six berths with a capacity of 3.6 million TEUs, grew container volume by 4% in 2009, coupled with a significant growth in breakbulk cargo alongside a revival in intra-Asia trade since the middle of 2009. Da Chan Bay Terminal One in Shenzhen, notwithstanding the difficult market climate, successfully added eight new services throughout the year and now provides a full and comprehensive range of service routes to meet different customer needs. Chiwan Container Terminal, in which Modern Terminals holds an 8% attributable stake, handled 3.0 million TEUs and Shekou Container Terminals, in which Modern Terminals holds a 25% stake, handled 3.3 million TEUs. Such 25% stake was diluted from 27% upon the completion of stage three of the rationalisation agreement in March 2009 and is expected to be diluted to 20% with the completion of all stages of rationalisation in 2010.

Modern Terminals: Throughtput (HK)
(Million TEUs)



Modern Terminals: Market Share (HK)
(%)



Marco Polo Hotels

The company currently has a portfolio of ten operating Marco Polo hotels in the Asia Pacific Region. The three hotels in Harbour City were significantly impacted by the global recession and the swine flu threat that curtailed travel demand for most of the year. Total hotel and club revenue was HK$963 million. An 18% decline in the average room rate was the primary factor impacting overall performance. Consolidated occupancy in 2009 dropped to 82% (2008: 86%) as a result of a notable slowdown in inbound travel, particularly in the first half of 2009.

A new deluxe Marco Polo hotel in Jinjiang, Fujian opened in February 2010. Marco Polo is set to expand its footprint in Asia Pacific with six additional hotels. Additional Marco Polo hotels are planned for Changzhou, Chengdu, Suzhou and Wuxi in China; Manila in the Philippines and the first resort at Mission Beach in Australia.

Communication, Media and Entertainment

i-CABLE

i-CABLE has sharpened its business focus and exited marginal non-core businesses. Work processes have been streamlined and resources have been redeployed from support to content, marketing and sales. Renewed momentum together with effective cost control, reduced the loss after tax to HK$40 million, from HK$111 million in 2008. Turnover decreased by 16% to HK$1,754 million (2008: HK$2,080 million). The company's cash position remains strong with net cash of HK$531 million as at 31 December 2009.

Pay TV revenue bottomed out in mid-2009 and is on a course of firm rebound ahead of FIFA World Cup 2010 and the new Premier League season. Pay TV subscribers grew by 9% year-on-year to exceed the one million mark at the end of 2009. The company is investing in more content, HDTV, content protection and broadband upgrade. Steps are being taken to unlock the value hidden in i-CABLE's content capability including Free TV, outdoor media and new media.

Wharf T&T

Vindicating its deliberate 'Strictly Business' focus and ICT transformation over the past few years, Wharf T&T has made new history in 2009 and is very well positioned to take over as the up and coming leader for business customers. Buoyed by a noticeable rise in profits and cash flow, Wharf T&T outperformed the competition despite unfavourable market conditions. Both installed base and net revenue improved. Profit margin continued to widen and free cash flow expanded to HK$1 million a day. Total turnover rose slightly to HK$1,650 million (2008: HK$1,641 million). A record high net profit of HK$213 million (2008: HK$140 million) was reported.

FINANCIAL REVIEW

(I) Review of 2009 Results

Benefiting from the continuing rental revenue growth, a one-off profit on disposal of investment properties, the persistent low interest environment and a lower impairment provision for investments, the Group's profit before net investment property revaluation surplus increased by 94% to a record high of HK$4,442 million. Including the net investment property surplus, the Group's profit increased by 181% to HK$9,631 million over 2008.

Turnover and Operating Profit

Turnover fell by 16% to HK$18,957 million (2008: HK$22,583 million) as it was significantly affected by the absence of property completion by WPL, particularly in Singapore.

Operating profit increased by 1% to HK$9,507 million (2008: HK$9,420 million), with HK$8,554 million (2008: HK$7,543 million) contributed by Wharf and HK$691 million (2008: HK$1,767 million) by WPL.

Property Investment

Revenue and operating profit rose by 8% and 12% to HK$8,744 million (2008: HK$8,112 million) and HK$6,627 million (2008: HK$5,918 million) respectively. Wharf's Property Investment segment reported an increase of 8% and 12% in revenue and operating profit to HK$8,192 million and HK$6,191 million respectively, benefiting from the underlying strong rental reversion and consistently high occupancy for retail areas despite the persistent pressure on office rental rates since late 2008. The Group's other major investment properties, including Wheelock House and Crawford House in Hong Kong and Wheelock Place in Singapore, also achieved higher rental revenue during the year under review.

Property Development

Revenue decreased by 43% to HK$3,782 million (2008: HK$6,606 million) and operating profit was lower at HK$1,454 million (2008: HK$1,496 million). Wharf's revenue and profit rose by HK$2,355 million and HK$928 million to HK$3,065 million and HK$1,012 million respectively, as its China segment experienced strong growth. WPL reported revenue and profit of HK$568 million and HK$235 million respectively, primarily from the sales of 38 units of The Babington in Hong Kong. In 2008, The Sea View and The Cosmopolitan projects in Singapore were completed and contributed revenue and operating profit of HK$5,408 million and HK$1,271 million respectively.

WPSL recognises revenue and profit on pre-sales of properties under development by stages using the percentage of completion method in accordance with generally accepted accounting principles in Singapore. However, under Hong Kong Financial Reporting Standards, the Group recognises revenue and profit on pre-sales of properties upon their completion. Accordingly, revenue and profits recognised by WPSL for the year under review in respect of its pre-sales of Ardmore II units, Scotts Square units and Orchard View units were reversed and excluded from the Group's consolidated results.

As at 31 December 2009, WPSL had pre-sold all the units at Ardmore II, 239 units (77% pre-sold) at Scotts Square and 3 units (10% pre-sold) at Orchard View. The accumulated sales revenue of HK$4,350 million and profit attributable to the Group of HK$920 million were reversed and excluded from the Group's consolidated results.

Logistics

Revenue and operating profit of HK$3,091 million (2008: HK$3,875 million) and HK$1,418 million (2008: HK$1,763 million) were reported respectively. This chiefly reflected the decrease in volume throughput handled by Modern Terminals.

CME

Revenue and operating profit of HK$3,404 million (2008: HK$3,722 million) and HK$163 million (2008: HK$64 million) were reported respectively. Wharf T&T's operating profit increased by 52% to HK$213 million while i-CABLE narrowed its operating loss to HK$48 million through effective cost control initiatives.

Investment and Others

Investment operating profit fell to HK$231 million (2008: HK$473 million), mainly due to the reduction in interest income in the prevailing exceptional low interest rate environment and decrease in dividend income.

Profit on Disposal of Investment Properties

Profit on disposal of investment properties of HK$1,236 million comprised profits of HK$1,110 million on sale of Beijing Capital Times Square ("BCTS") by Wharf and HK$126 million on sale of Fitfort by WPL. The net attributable disposal profit, after net tax credit released from the deferred tax previously provided for the revaluation surplus, amounted to HK$766 million.

Increase in Fair Value of Investment Properties

The Group's investment property portfolio was HK$126.8 billion with HK$123.1 billion stated at fair value, based on independent valuation as at 31 December 2009, which produced a revaluation surplus of HK$13,072 million (2008: HK$2,158 million). The attributable net revaluation surplus of HK$5,179 million (2008: HK$776 million), after deducting related deferred tax and minority interests in total of HK$7,893 million (2008: HK$1,382 million), was credited to the consolidated income statement.

Investment properties in the amount of HK$3.7 billion were not revalued, being under development and not carried at fair value until at the earlier of when their fair values first become reliably measurable and the dates of their respective completion in accordance with the revised accounting standard HKAS 40, which expands the definition of an investment to include an investment property under development.

Other Net Income

Other net income of HK$330 million (2008: HK$33 million) comprised mainly profit of HK$222 million on disposal of available-for-sale investments, certain subsidiaries and jointly controlled entities ("JCEs"), and net realised and unrealised exchange gain of HK$50 million arising from forward exchange contracts which entered into effectively to lock certain liabilities in Japanese Yen for financing its Renminbi assets in Mainland China at a significantly more favourable interest cost.

Net Other Charge

Net other charge of HK$176 million (2008: HK$1,229 million) represented mainly the further provision for investments in SC Global Developments Ltd and Hotel Properties Limited made by WPSL in its first quarter results, based on market prices as at 31 March 2009. The subsequent appreciation of such investments upto 31 December 2009 gave rise to a surplus of HK$1,189 million (of which HK$671 million is attributable to the Group) which has in accordance with the current accounting standards been dealt with in the statement of comprehensive income and will not be recognised in the income statement until the disposal of the investments.

Finance Costs

Finance costs reduced to HK$395 million (2008: HK$1,695 million), which included a mark-to-market unrealised gain of HK$45 million (2008: unrealised loss of HK$612 million) on the cross currency/ interest rate swaps in accordance with the prevailing accounting standards.

Excluding the impact of unrealised mark-to-market changes on the swaps, finance costs, after capitalisation of HK$233 million (2008: HK$235 million), were HK$440 million (2008: HK$1,083 million), a reduction of HK$643 million due to the persistent low interest rate in the prevailing market.

Share of Results after Tax of Associates and Jointly Controlled Entities

Share of profits of associates was HK$235 million (2008: HK$7 million), mainly attributable to the contributions from Modern Terminals' associates engaged in terminal operations in Mainland China. Profit contribution from JCEs increased by HK$70 million to HK$75 million (2008: HK$5 million), mainly attributable to property sales recognised by a JCE involved in properties development in Mainland China.

Income Tax

Taxation charge was HK$4,089 million (2008: HK$1,201 million), which included deferred taxation of HK$2,482 million (2008: HK$495 million) provided for the investment property revaluation surplus and a tax credit adjustment of HK$19 million in respect of a downward adjustment of the Group's deferred tax liabilities mainly on the investment property revaluation surplus, resulting from the 1% reduction in Singapore corporate income tax rate (2008: HK$812 million resulting from 1% reduction in Hong Kong profits tax rate).

Excluding the above deferred tax charge and credit adjustment, the tax charge was HK$1,626 million (2008: HK$1,518 million), including a tax provision of HK$194 million (2008: HK$292 million) made by Wharf for certain tax cases mainly concerning interest deductibility under discussion with the Inland Revenue Department.

Minority Interests

Profit shared by minority interests was HK$10,164 million (2008: HK$4,066 million), which was mainly attributable to the profit of Wharf and WPL.

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders increased by 181% to HK$9,631 million (2008: HK$3,432 million). Earnings per share were HK$4.74 (2008: HK$1.69).

Excluding the net attributable investment property revaluation surplus after deferred tax charge and the credit adjustment of HK$5,189 million (2008: HK$1,148 million), the Group's net profit attributable to equity shareholders was HK$4,442 million (2008: HK$2,284 million), an increase of 94% over that of 2008.

Further stripping out the attributable net profit of HK$766 million from the disposal of BCTS and Fitfort and the attributable impairment on investments of HK$71 million (2008: HK$811 million), the Group's net profit attributable to equity shareholders was HK$3,747 million (2008: HK$3,095 million), an increase of 21% over that of 2008.

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

Profit/(loss) attributable to	**2009 HK$ Million**	2008 HK$ Million
Wharf group	**3,098**	2,085
WPL group (excluded dividends from Wharf)	**467**	847
The Company and its other subsidiaries	**182**	163
Profit before exceptionals and net investment property surplus	**3,747**	3,095
Profit on disposal of BCTS/Fitfort	**766**	–
Impairment on investments	**(71)**	(811)
Profit before investment property surplus	**4,442**	2,284
Investment property surplus (after deferred tax)	**5,179**	776
Tax credit adjustment on reduction of tax rate	**10**	372
Profit attributable to equity shareholders	**9,631**	3,432

Wharf's profit for the year ended 31 December 2009 was HK$17,501 million (2008: HK$6,247 million). Excluding the net investment property surplus and related deferred tax, Wharf's net profit was HK$7,817 million (2008: HK$4,194 million), an increase of 86% over that of 2008.

WPL's profit for the year ended 31 December 2009 was HK$1,458 million (2008: HK$816 million). Excluding the net investment property surplus and related deferred tax, WPL's net profit was HK$815 million (2008: HK$455 million), an increase of 79% over that of 2008. During the year, WPL received a dividend of HK$155 million (2008: HK$155 million) from Wharf.

(II) Liquidity, Financial Resources and Capital Commitments

Shareholders' and Total Equity

The Group's shareholders' equity increased by HK$11.0 billion or 19% to HK$69.7 billion (2008: HK$58.7 billion), or HK$34.30 per share (2008: HK$28.91 per share) as at 31 December 2009.

Including minority interests, the Group's total equity increased by 17% to HK$144.1 billion (2008: HK$123.2 billion).

Management Discussion and Analysis

Total Assets

The Group's total assets increased by 13% to HK$224.8 billion (2008: HK$198.2 billion), mainly comprising investment properties of HK$126.8 billion, other properties and fixed assets of HK$18.5 billion, development properties for sale of HK$25.8 billion and interest in JCEs and associates (mainly for China property and port projects) of HK$13.1 billion. Other major assets included available-for-sale investments HK$4.9 billion and bank deposits and cash of HK$27.7 billion.

The Group's investment property portfolio, representing 56% of total assets, included Wharf's Harbour City and Times Square in Hong Kong together valued at HK$86.6 billion, representing 68% of the portfolio.

Geographically, the Group's assets in Mainland China, mainly properties and terminals, increased to HK$62.3 billion (2008: HK$52.1 billion), representing 28% of total assets.

In previous years, an investment property under development was not classified as investment property and was stated at cost. As a result of the change in the relevant accounting standard, such property has been classified as investment property and carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property.

Debts and Gearing

The Group's net debt decreased by HK$3.8 billion to HK$18.9 billion as at 31 December 2009 (2008: HK$22.7 billion), which was made up of HK$46.6 billion in debts and HK$27.7 billion in bank deposits and cash. Excluding Wharf's net debt of HK$21.4 billion, which is non-recourse to the Company and its wholly-owned subsidiaries, and WPL group's net cash of HK$5.6 billion, Wheelock's own net debt decreased to HK$3.1 billion (2008: HK$4.1 billion). Analysis of the net debt by group is as below:

Net debt/(cash)	**2009 HK$ Million**	2008 HK$ Million
Wheelock Group (excluding Wharf)	**(2,554)**	573
Wheelock/wholly-owned subsidiaries	**3,125**	4,052
WPL group	**(2,777)**	(1,514)
WPSL	**(2,902)**	(1,965)
Wharf group	**21,432**	22,123
Wharf (excluding below subsidiaries)	**9,392**	10,418
Modern Terminals	**10,742**	10,556
HCDL	**1,829**	1,807
i-CABLE	**(531)**	(658)
Group	**18,878**	22,696

The ratio of net debt to total equity reduced to 13.1% (2008: 18.4%) as at 31 December 2009.

Finance and Availability of Facilities

The Group's available loan facilities and debt securities amounting to HK$67.7 billion (2008: HK$66.8 billion), of which HK$46.6 billion were drawn, as at 31 December 2009 are analysed as below:

	Available Facility HK$ Billion	Total Debts HK$ Billion	Undrawn Facility HK$ Billion
Wheelock Group (excluding Wharf)	8.8	6.8	2.0
Wheelock/wholly-owned subsidiaries	6.4	5.5	0.9
WPSL	2.4	1.3	1.1
Wharf group	58.9	39.8	19.1
Wharf (excluding below subsidiaries)	37.1	25.7	11.4
Modern Terminals	16.8	11.1	5.7
HCDL	4.6	3.0	1.6
i-CABLE	0.4	–	0.4
	67.7	**46.6**	**21.1**

Of the above debts, HK$15.8 billion (2008: HK$15.3 billion) was secured by mortgage over certain properties under development, fixed assets and investments with total carrying value of HK$72.6 billion (2008: HK$41.1 billion).

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

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

The Group maintained a very strong financial position with ample surplus cash denominated principally in HKD, RMB and SGD and undrawn committed facilities to facilitate the Group's business and investment activities. The Group also maintained a portfolio of available-for-sale investments, primarily in blue-chip securities, with an aggregate market value as at 31 December 2009 of HK$4.9 billion (2008: HK$2.3 billion), which is immediately available for liquidation for the Group's use.

Cash Flows for the Group's Operating and Investing Activities

For the year under review, the Group's net cash inflow before change in working capital increased to HK$10.5 billion (2008: HK$10.3 billion). The changes in working capital resulted in a net cash outflow of HK$1.1 billion (2008: HK$6.3 billion), primarily due to Wharf's payment for land and construction cost for trading properties under development in Mainland China which was partly offset by property sales proceeds received during the year. For investing activities, the Group reported a net cash outflow of HK$6.0 billion (2008: HK$6.2 billion), which mainly included HK$4.2 billion for placement of bank deposits with maturity over three months, HK$2.2 billion capital expenditure mainly for construction of Shanghai Wheelock Square and Chengdu International Finance Centre and HK$1.1 billion for net investments in JCEs involving in property development in Mainland China.

Management Discussion and Analysis

Major Expenditure and Commitments

The major expenditure, substantially incurred by Wharf's core businesses, during the year under review and related commitments as at 31 December 2009 are analysed as follows:

Business Unit/Company	Expenditure for 2009 HK$ Million	Commitments as at 31 December 2009 Authorised and Contracted for HK$ Million	Commitments as at 31 December 2009 Authorised but not Contracted for HK$ Million
(a) Capital expenditure			
(including investment properties)			
Wharf group			
Property Investments	1,586	6,264	11,212
Wharf T&T	287	92	141
i-CABLE (73.8%-owned)	261	45	90
Modern Terminals (67.6%-owned)	862	553	1,416
	2,996	6,954	12,859
WPL group and others	70	196	–
Total	**3,066**	**7,150**	**12,859**
(b) Programming and others	**87**	**2,226**	**139**
(c) Properties under development			
(other than investment properties)			
Wharf group	5,806	12,362	30,887
Subsidiaries (China/Hong Kong)	4,018	8,027	20,428
JCEs and associates (China)	1,788	4,335	10,459
WPL group/others	1,002	1,286	1,610
Subsidiaries (Singapore/Hong Kong)	1,002	1,054	539
Associates (China)	–	232	1,071
Total	**6,808**	**13,648**	**32,497**

The capital expenditure for Wharf's Property Investment segment was mainly for the construction of Shanghai Wheelock Square, Chengdu International Finance Centre and certain refurbishment and renovation work, in particular for Harbour City. For i-CABLE and Wharf T&T, the capital expenditures were incurred substantially for procurement of production and broadcasting equipment, network rollout and internet service equipment while those for Modern Terminals were mainly for construction of the Dachan Bay Phase I and Taicang Phase II ports. i-CABLE, Modern Terminals and WPL respectively 73.8%, 67.6% and 74.3% owned by the Group, independently funded their own capital expenditure programmes.

In addition to the capital expenditure, the Group also incurred HK$6.8 billion (HK$5.8 billion by Wharf and HK$1.0 billion by WPL) for development of its properties.

As at 31 December 2009, Wharf's total commitments for development of properties for investment or trading purposes was about HK$60.7 billion, including attributable land cost of about HK$13.2 billion payable by instalments mainly from 2010 to 2013. These developments will be executed by stages in the forthcoming years. WPL's commitments to properties under development of HK$2.8 billion were mainly related to property development projects in Singapore, Hong Kong and Mainland China.

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

Rights Issue by a Subsidiary

In May 2009, HCDL completed a rights issue and received net proceeds of about HK$935 million, of which HK$658 million was subscribed by Wharf.

(III) Disposal of Investment Properties

Disposal of 87.5% interest in Beijing Capital Times Square by Wharf

Wharf completed the disposal of its 87.5% interest in Beijing Capital Times Square Development Co., Ltd., which owns BCTS, at a total consideration of RMB2,708 million (equal to about HK$3,072 million) with 北京華融基礎設施投資有限責任公司. The disposal reflected a valuation of RMB3,188 million for the underlying property and enabled Wharf to realise a net profit of HK$1,393 million in 2009.

Disposal of Fitfort by WPL

WPL completed on 15 December 2009 the disposal of Fitfort for HK$935 million with a net profit of HK$126 million.

(IV) Events after the Reporting Date

In January and February 2010, Wharf acquired another two land parcels in Chengdu (100%-owned) and Tianjin (50%-owned) respectively with total attributable land cost payable of HK$2.7 billion. The sites will be developed into residential and commercial properties.

In January 2010, WPL acquired a site (50%-owned) in Nanhai Shishan Town (南海獅山鎮), Foshan with attributable land cost payable of about HK$387 million. The site will be developed into residential properties for sale.

In March 2010, WPL through a 50%-owned joint venture company succeeded in the tender for the development of site C and site D of the Austin Station Property Development. The total development and related costs of the project as payable by the joint venture company attributable to WPL is about HK$5.8 billion. The sites will be developed into residential properties for sale.

(V) Human Resources

The Group had approximately 13,400 employees as at 31 December 2009, including about 1,900 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective group's achievement and results.