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## **WHEELOCK AND COMPANY LIMITED**

(Incorporated in Hong Kong with limited liability)

Stock Code: 20

### **2008 Results Announcement**

#### **HIGHLIGHTS OF GROUP RESULTS**

- The Company changed its financial year end date from 31 March to 31 December at the end of 2007.
- Turnover grew by 26% to HK\$22,583 million (2007: HK\$17,915 million), due largely to the substantial increase in property sales recognised by Wheelock Properties (Singapore) and strong growth in Wharf's recurrent rental income.
- Operating profit was HK\$9,453 million (2007: HK\$10,428 million), including contributions of HK\$7,639 million (2007: HK\$9,516 million) from Wharf and HK\$1,694 million (2007: HK\$597 million) from Wheelock Properties.
- Property Investment revenue and operating profit increased by 18% and 20% to HK\$8,112 million (2007: HK\$6,863 million) and HK\$5,918 million (2007: HK\$4,932 million) respectively.
- Property Development revenue rose sharply to HK\$6,606 million (2007: HK\$3,283 million); operating profit rose to HK\$1,496 million (2007: HK\$1,412 million).
- Logistics reported revenue of HK\$3,875 million (2007: HK\$3,625 million) and operating profit of HK\$1,763 million (2007: HK\$1,914 million).
- CME reported revenue of HK\$3,751 million (2007: HK\$3,797 million) and operating profit of HK\$244 million (2007: HK\$365 million).
- Revenue from Investment and Others fell to HK\$681 million (2007: HK\$794 million) while operating profit fell to HK\$472 million (2007: HK\$2,222 million) due to the inclusion of an exceptionally large profit on disposal of certain investments in 2007.
- Including the net investment property revaluation surplus and the exceptional impairment losses for investments, profit attributable to shareholders decreased by 55% to HK\$3,432 million (2007: HK\$7,615 million). Earnings per share were HK\$1.69 (2007: HK\$3.75).
- Excluding the net investment property revaluation surplus and the exceptional impairment losses for investments, profit attributable to shareholders decreased by 9% to HK\$3,095 million (2007: HK\$3,414 million).
- Final dividend of HK\$0.10 per share (2007: HK\$0.10 per share) is recommended, resulting in total dividend for the year of HK\$0.125 per share (2007: HK\$0.125 per share).
- Shareholders' equity increased by 4% to HK\$58.7 billion (2007: HK\$56.7 billion) or HK\$28.91 per share (2007: HK\$27.88 per share).
- Ratio of net debt to total equity was 18.4% (2007: 19.2%).

## GROUP RESULTS

The Company changed its financial year end date from 31 March to 31 December in the last financial period. Accordingly, the Group's financial year 2008 covered the twelve months ended 31 December 2008, whereas the previous financial period covered the nine months ended 31 December 2007.

The Group profit attributable to equity shareholders for the financial year ended 31 December 2008 amounted to HK\$3,432 million, compared to HK\$7,615 million for the financial period ended 31 December 2007. Earnings per share were HK\$1.69 (2007: HK\$3.75).

Excluding the exceptional impairment losses for investments and the net attributable surplus on increase in fair value of investment properties, the Group's profit decreased by 9% to HK\$3,095 million as compared to the previous period.

## DIVIDENDS

An interim dividend in respect of the six months ended 30 June 2008 of HK\$0.025 (2007: HK\$0.025) per share was paid on 30 September 2008, absorbing a total amount of HK\$51 million (2007: HK\$51 million). The Directors have recommended for adoption at the Annual General Meeting to be held on 8 June 2009 the payment on 11 June 2009 to equity shareholders registered on 8 June 2009 of a final dividend in respect of the financial year ended 31 December 2008 of HK\$0.10 (2007: HK\$0.10) per share, absorbing a total amount of HK\$203 million (2007: HK\$203 million). If this recommendation is approved, the total dividend for the financial year ended 31 December 2008 would amount to HK\$0.125 (2007: HK\$0.125) per share.

## MANAGEMENT DISCUSSION AND ANALYSIS

### SEGMENT REVIEW

#### Other Properties

##### *Bellagio (effectively 74%-owned)*

Out of the total of 3,345 units in the development, cumulative sales have reached 3,324 units (or 99%) by the end of December 2008, of which 58 units were sold during the year.

##### *Crawford House (wholly-owned)*

The office and retail portion of Crawford House was 95% and 100% leased respectively at satisfactory rental rates.

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

Group profit attributable to equity shareholders for the year ended 31 December 2008 was HK\$816 million (2007: HK\$1,540 million). A significant increase in operating profit mainly from the group's property development segment (upon recognition of profits on pre-sales of WPSL's The Sea View and The Cosmopolitan projects) was outweighed by WPSL's impairment losses on its investments in SC Global Developments Ltd ("**SC Global**") and Hotel Properties Limited ("**HPL**"), as well as a decrease in net investment property surplus.

Excluding the net investment property revaluation surplus and the above exceptional impairment losses, the group's net profit attributable to equity shareholders in fact rose by 145% to HK\$1,396 million (2007: HK\$570 million).

Wheelock House and Fitfort were 98% and 97% leased respectively at satisfactory rental rates at the end of December 2008.

Re-development of 6D-6E Babington Path, Mid-levels and 2 Heung Yip Road, Aberdeen, is underway. The former will comprise 47 deluxe apartments and a soft launch for pre-sales commenced in September 2008. The latter will be redeveloped into a high rise commercial building.

In Hong Kong, during the year under review, the group acquired up to 98% of the interest in the property situate at 46 Belcher's Street for a total of HK\$305 million. The property is planned for residential re-development. By the end of December 2008, the group has acquired up to 98% of the interest in the property at 211-215C Prince Edward Road West for residential re-development.

The group maintained its policy of disposing of non-core assets.

On the Mainland property development front, the group's two 50:50 residential joint ventures with China Merchants Property in Foshan of Guangdong Province are in progress. The first project situate at Xincheng District (新城區), boasts a site area of 2.88 million square feet and offers a plot ratio GFA of 2.43 million square feet attributable to the group. Pre-sales of the first phase of the townhouses commenced in September 2008 and has met with overwhelming responses, with all units launched sold out by early October 2008. Located at Chancheng (禪城), the second piece of land has a site area of 1.15 million square feet and offers a plot ratio GFA of 1.45 million square feet attributable to the group. These developments are scheduled for completion in phases by 2012 and 2013 respectively.

During the financial year, WPL contributed a cash dividend of HK\$154 million (2007: HK\$154 million) to the Group.

***Wheelock Properties (Singapore) Limited (a 76%-owned Singapore listed subsidiary of WPL)***

Profit attributable to shareholders of Wheelock Properties (Singapore) Limited ("WPSL") amounted to S\$100.9 million for the financial year under review (2007: S\$273.5 million) as reported in accordance with the applicable accounting standards in Singapore. Excluding the net investment property revaluation surplus (net of tax) of S\$74 million (2007: S\$164 million) on Wheelock Place and impairment loss of S\$200 million on SC Global and HPL, WPSL's profit increased by 108% to S\$227 million.

***Development Properties***

Ardmore II is a prime residential condominium development with 118 apartments. Main construction work is in progress and the development is scheduled for completion by 2010. All of the 118 units have been pre-sold at satisfactory prices by December 2008.

Orchard View is a luxury 36-storey residential development located in the serene enclave of Angullia Park, and within walking distance to Orchard MRT. It comprises 30 units of four-bedroom apartments with private lift lobbies. Main construction work is in progress and completion is scheduled for early 2010. The project is targeted to be launched for sale in 2010.

Scotts Square on Scotts Road is strategically located in the main shopping belt of Orchard Road. It is a prime residential condominium development with 338 international quality apartments, plus a retail annex. The retail podium is held for long term investment purposes. Pre-sales of the apartments has reached 77% by December 2008. Foundation works for the project are expected to complete in early 2009. Completion is scheduled for 2011.

Ardmore 3 is planned for redevelopment and sale. It will be an international standard luxury development in the prestigious Ardmore Park, next to Ardmore II. Design and planning work for the project is in progress.

### *Investment Property*

Wheelock Place, a commercial development at Orchard Road, Singapore, was 99% committed at satisfactory rental rates at the end of December 2008.

### **The Wharf (Holdings) Limited (a 50.02%-owned listed subsidiary) ("Wharf")**

Group's turnover for the year was HK\$15,940 million down from HK\$16,208 million in 2007 while operating profit, despite a robust profit growth in the property investment sector, dropped to HK\$7,639 million from HK\$9,516 million in 2007 on account of lower Hong Kong and China property sales recognised and the absence of an exceptionally large profit from the Investment segment which was made in 2007. Net profit attributable to equity shareholders excluding the net surplus arising from the revaluation of investment properties therefore decreased to HK\$4,194 million (2007: HK\$5,947 million). Including a lower unrealised surplus from the revaluation of investment properties, net profit attributable to equity shareholders was HK\$6,247 million (2007: HK\$13,143 million). Earnings per share were HK\$2.28 (2007: HK\$5.17).

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

#### ***Harbour City (wholly-owned by Wharf)***

Harbour City achieved a turnover of HK\$5,068 million during the year for an increase of 17% over 2007, while its operating profit grew by 21% to HK\$3,726 million.

Despite the adverse external environment, turnover of Harbour City's retail sector grew by 22% to HK\$2,166 million. As at the end of 2008, retail occupancy at Harbour City was committed at 99% while rental grew favourably. Tenants at Harbour City, the largest "shoppertainment" destination in town, continued to achieve an 18% year-on-year growth in average sales. Shoppers' foot traffic for the year grew by 7% to 80 million and total sales in 2008 set a new record at HK\$13.4 billion. Average sales per square foot in December surged to a record high of over HK\$1,900.

In spite of the deepened global financial turmoil, the office sector at Harbour City performed satisfactorily on the back of the continuing strong rental reversion. Turnover grew by 19% to HK\$1,585 million. Office occupancy at Harbour City was committed at 96% at the end of December 2008. About 55% of the new lettings during the year were in-house expansions, including Zurich Life Insurance, AIA, etc. During the year, Harbour City has attracted a host of commercial banks and airline companies, such as *Taiwan Business Bank*, *All Nippon Airways* to relocate from the core office district. Recently, Sony Corporation relocated its 3-floor office from The Lee Gardens to the Gateway, occupying approximately 48,000 square feet at Harbour City. Lease renewal retention rate at Harbour City held up well at 73% during the year with favourable rental increment.

Turnover for the serviced apartments grew by 12% to HK\$275 million with an increase in rental rates but partially offset by a drop in occupancy. At the end of December 2008, committed occupancy at Gateway Apartments dropped to 87% (2007: over 90%) owing to the unfavourable economic conditions.

#### ***Times Square (wholly-owned by Wharf)***

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

Turnover from Times Square's retail sector was up by 13% to HK\$871 million. Average retail occupancy was maintained at 99%, with favourable rental growth. Leasing activities remained active during the year, with recruitment of a host of international labels including *Gucci*, *Burberry*, etc and the

expansion of a series of celebrated brands. Trade-mix at the basement floor was further revamped resulting in a cluster of Fashion & Accessory and Cosmetics, in which a host of upmarket brands were recruited. The audio-visual cluster and Food Forum at Times Square were further fine-tuned with the opening of a host of new sought-after brands.

Turnover for the office sector rose by 21% to HK\$440 million on the back of strong rental reversion during the year. Committed office occupancy stood high at 98% at the end of 2008. Lease renewal retention rate stood high at 84%, with renewals including *Hitachi, Shell, Apple, Coca-Cola* and *ABN Bank*, despite the softening commercial market.

***China Properties (representing 23% of Wharf group's total assets)***

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

Wuhan Times Square, comprising four residential towers and one office-apartment tower for sale and a hotel for investment purposes, was fully completed at the end of 2008. The new hotel – Marco Polo Wuhan opened on 15 September 2008 and provides premium accommodation and enhanced meeting services to travelers in Hankou, the commercial centre of Wuhan.

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

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

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

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

Dalian Times Square including two residential blocks launched its pre-sale of one residential tower in late June 2008 and successfully pre-sold 89% of its units at excellent unit price, achieving a record-breaking price of over RMB25,000 per square metre for a selected deluxe duplex unit. Another residential tower has recently been launched for sale on 20 March 2009 and the presales achieved excellent unit price.

No. 10 Gaoxin District (高新區) in Chengdu, launched its pre-sale of the first two residential towers in the latter part of the year. As at the end of 2008, about 31% of the units launched were pre-sold. Construction works are in progress, with the first four residential towers scheduled to be completed by the end of 2009. The project is planned for residential and commercial developments.

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

### ***Other Projects under Development***

The 180,000-square-foot retail podium of Dalian Times Square, which is destined to become a shopping landmark in Dalian, has opened in late November 2008. The deluxe shopping mall houses a host of top-notch brands including *Louis Vuitton*, *Zara*, *Dior*, *Fendi*, *Giorgio Armani*, *Gucci*, *Hermes*, *Prada*, *Versace* etc. The entire development, which comprises a retail and residential complex with an attributable plot ratio GFA of 1.5 million square feet, is scheduled for completion in the first half of 2009.

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

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

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

Other development projects acquired by Wharf before 2008 include Hongxing Road (紅星路) in Chengdu, two lots in Nanchang District (南長區) in Wuxi (including a 339-metre super tower and residential development), two lots in Suzhou (one lot between Jinji Lake (金雞湖) and Dushu Lake (獨墅湖) and another lot in Suzhou Industrial Park) and Xihu District (西湖區) in Hangzhou. The Wharf group through Harbour Centre Development Limited ("**HCDL**"), also acquired five excellent sites in the cities of Chongqing (Jiangbei City (江北城)), Suzhou (Xinghu Jie (星湖街) and Xiandai Da Dao (現代大道)), Hangzhou Central Business District (錢江新城) and Xinbei District in Changzhou during 2007. Acquisition of the first four sites was made through partnering with strong local property companies while the remaining site in Changzhou was wholly-owned by HCDL. All of these developments are progressing according to plan, which will be flexibly adjusted as appropriate to better reflect market conditions.

### ***New Acquisitions***

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

In July 2008, the group entered into a joint venture agreement with Sun Hung Kai Properties and Henderson Land on a 30:40:30 ownership basis to jointly develop a prime commercial site in Dongdajie in Chengdu into an integrated commercial complex comprising an office tower of over 280 metres, a

five-star hotel, high-end shopping centre with international retailers and residential apartments. Total plot ratio GFA for the overall development is expected to be over 13 million square feet to be completed over a period of ten years.

***Modern Terminals (a 68%-owned subsidiary of Wharf) (representing 11% of Wharf group's total assets)***

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

Modern Terminals' throughput in Hong Kong grew by 3% to 5.9 million TEUs and maintained a market share of 33.3% in Kwai Tsing during 2008, on the back of an increase in Intra-Asia services and South America services being partially offset by the decline in Europe and Middle East volume. In Shenzhen, Chiwan Container Terminal, in which Modern Terminals holds an 8% attributable stake, handled 3.9 million TEUs and Shekou Container Terminals ("**SCT**"), in which Modern Terminals holds a 27% stake, handled 4.1 million TEUs, a 24% increase from a year earlier. Such 27% stake was diluted from 30% upon the completion of Stage 2 of a rationalisation agreement in 2008 and will be eventually diluted to 20% with the completion of all stages of rationalisation.

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

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

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

***Other Hong Kong properties***

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

For our Peak property portfolio, leasing actives remained active during the year. Mountain Court, No. 1 Plantation Road and Chelsea Court were almost fully let during 2008, with favorable rental growth in new lettings and renewals.

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

***Marco Polo Hotels***

Marco Polo Hotels currently has a portfolio of nine operating hotels in the Asia Pacific Region, with the opening of Marco Polo Wuhan hotel on 15 September 2008. The three hotels in Harbour City performed well during the year. Total hotel and club revenue was HK\$1,042 million, and an 8% growth in average room rate was achieved. Despite a steady increase in average room rates, consolidated occupancy in 2008 slightly dropped to 86% (2007: 90%) on a slowdown in inbound tourism towards the year end, spurred by the global economic downturn.

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

## ***Communication, Media and Entertainment (represented 3% of Wharf group's total assets)***

### ***i-CABLE***

Deteriorating economic conditions amidst the onslaught of the global financial turmoil, along with the harsh operating environment took toll on the group's financial performance in 2008. A special provision made for set-top-boxes to be replaced in 2009 upon the launch of a new conditional access system and a loss booked relating to film investments turned i-CABLE to a net loss after tax of HK\$111 million from a net profit of HK\$183 million in 2007. Nevertheless, thanks to its prudence in financial management, i-CABLE maintained a sound liquidity position, with net cash increasing to HK\$690 million as at 31 December 2008 (2007: HK\$642 million). The Pay TV subscriber base continuously grew to 917,000 by the end of 2008 (2007: 882,000). However, dilution from lower yield subscribers reduced total turnover and operating profit for this sector to HK\$1,355 million (2007: HK\$1,595 million) and HK\$6 million (2007: HK\$179 million) respectively.

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

i-CABLE's strong balance sheet and low cost base will put themselves in a good position to stay competitive in a harsh environment.

### ***Wharf T&T***

Wharf T&T, despite the devastating financial tsunami, continued to progress steadily in its business transformation and gained ground in both the telecom and IT sectors.

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

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

## ***FINANCIAL REVIEW***

### **(I) Results Review**

The Company changed its financial year end date from 31 March to 31 December at the end of 2007. Accordingly, the Group's financial year 2008 covered the twelve months ended 31 December 2008, whereas the preceding financial period covered the nine months ended 31 December 2007 but consolidated financial statements for Wharf for full calendar year 2007.

#### ***Turnover***

The Group's turnover for 2008 grew by 26% to HK\$22,583 million (2007: HK\$17,915 million), largely due to the substantial increase in property sales recognised by listed subsidiary WPSL on completion of The Sea View and The Cosmopolitan projects in Singapore. Wharf's turnover for 2008 slipped to HK\$15,940 million (2007: HK\$16,208 million), as strong growth in recurrent rental income substantially covered the decline in property sales in the year.

### ***Operating profit***

The Group's operating profit was HK\$9,453 million (2007: HK\$10,428 million), mainly comprising profits from Wharf of HK\$7,639 million (2007: HK\$9,516 million) and from WPL of HK\$1,694 million (2007: HK\$597 million). Decrease in Wharf's operating profit was principally due to the combined effect of lower profit recognition from property sales in 2008 and an exceptionally large one-off profit on disposal of investments in 2007.

### ***Property Investment***

Revenue and operating profit increased by 18% and 20% to HK\$8,112 million (2007: HK\$6,863 million) and HK\$5,918 million (2007: HK\$4,932 million) respectively. Benefitting from the continuing positive rental reversion and high occupancy, Wharf's Property Investment segment reported revenue growth of 16% to another record high at HK\$7,606 million. 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.

### ***Property Development***

Revenue rose sharply to HK\$6,606 million (2007: HK\$3,283 million) and operating profit was higher at HK\$1,496 million (2007: HK\$1,412 million). The Sea View and The Cosmopolitan projects in Singapore were completed during the year to enable revenue of HK\$5,408 million and operating profit of HK\$1,271 million to be recognised.

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, the Group prepares its consolidated financial statements under Hong Kong Financial Reporting Standards and recognises revenue and profit on pre-sales of properties only upon their completion. Accordingly, turnover and profit from WPSL's The Sea View and The Cosmopolitan projects were not recognised until they were completed during the year under review and gave rise to an attributable net profit of HK\$595 million in 2008. On the same basis, profits recognised by WPSL in 2008 in respect of its pre-sales of Ardmore II units and Scotts Square units (still under development) were reversed and excluded from the Group's consolidated results for 2008. As at 31 December 2008, the cumulative reversed profits attributable to the Group amounted to HK\$528 million.

Wharf's property sales revenue in 2008 fell by 70% to HK\$710 million, which was mainly derived from the sales of residential units at Wellington Garden and Wuhan Times Square in China.

### ***Logistics***

Revenue and operating profit of HK\$3,875 million (2007: HK\$3,625 million) and HK\$1,763 million (2007: HK\$1,914 million) respectively were reported. This reflected the increase in throughput handled by Modern Terminals in Hong Kong and China. However, operating profit was eroded by start-up losses from the new terminals in China. Together with contribution from other port operations undertaken by joint-ventures in the Mainland, Modern Terminals' net profit was virtually unchanged from 2007.

### ***CME***

Revenue and operating profit of HK\$3,751 million (2007: HK\$3,797 million) and HK\$244 million (2007: HK\$365 million) were reported. Wharf T&T reported a 198% increase in operating profit to HK\$140 million while i-CABLE reported a decline of 57% to HK\$154 million, partly due to non-recurring charges booked in the year.

### *Investment and Others*

Investment revenue fell to HK\$681 million (2007: HK\$794 million) while operating profit fell to HK\$472 million (2007: HK\$2,222 million). The significant decrease in operating profit was mainly due to the inclusion in Wharf's 2007 results an exceptionally large profit on disposal of certain available-for-sale investments, which did not recur in 2008.

### *Increase in fair value of investment properties*

The Group's investment properties were revalued by independent valuers as at 31 December 2008, which gave rise to a revaluation surplus of HK\$2,158 million (2007: HK\$10,878 million).

The attributable net surplus of HK\$776 million (2007: HK\$4,254 million), after deducting the related deferred tax and minority interests in total of HK\$1,382 million (2007: HK\$6,624 million), was credited to the consolidated profit and loss account.

### *Net other charge/credit*

Included in the Group's profit was a net other charge of HK\$1,229 million (2007: net other credit of HK\$103 million), which mainly included impairment losses of HK\$1,375 million (of which HK\$811 million is attributable to the Group) mainly provided by WPSL on its investments in SC Global and HPL. Against this, the Group wrote back a provision of HK\$146 million previously made in relation to a China project.

### *Finance costs*

Finance costs charged to the consolidated profit and loss account were HK\$1,695 million (2007: HK\$1,212 million). The charge was after capitalisation of HK\$235 million (2007: HK\$242 million) for the Group's related assets.

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

### *Share of results after tax of associates and jointly controlled entities*

The share of profits of associates decreased to HK\$7 million (2007: HK\$269 million). Profit contribution from Modern Terminals' investment in Shekou increased. However, the share of losses in China property development undertaken by certain associates of Wharf and WPL increased after impairment provisions.

Excluding the property provisions, the share of associates' profit actually rose by 10% to HK\$295 million (2007: HK\$269 million).

### *Taxation*

Taxation charge for the year was HK\$1,201 million (2007: HK\$4,639 million), which included deferred taxation of HK\$495 million (2007: HK\$2,535 million) provided on the current year's investment properties revaluation surplus and a downward adjustment of HK\$738 million (2007: Nil), of which HK\$372 million is attributable to the Group, in respect of deferred tax liabilities previously provided on the Group's investment property revaluation surplus, resulting from the 1% reduction in Hong Kong profits tax rate.

Excluding the above tax effects, the tax charge was HK\$1,444 million (2007: HK\$2,104 million), including a tax provision of HK\$292 million (2007: HK\$336 million) made by Wharf for certain

tax cases primarily relating to interest deductibility under discussion with the Inland Revenue Department and a tax credit of HK\$314 million (2007: Nil), mainly attributable to WPSL's write-back of the tax previously provided on disposal of a subsidiary following a favourable ruling given by the Inland Revenue Authority of Singapore.

***Minority interests***

Profit shared by minority interests was HK\$4,066 million (2007: HK\$8,239 million), which was mainly attributable to the profit of Wharf and WPL.

***Profit attributable to equity shareholders***

Group profit attributable to equity shareholders decreased by 55% to HK\$3,432 million (2007: HK\$7,615 million). Earnings per share were HK\$1.69 (2007: HK\$3.75).

Excluding the exceptional impairment losses for investments and the net attributable investment property revaluation surplus after related deferred tax charge and the credit adjustment resulted from the 1% tax rate reduction, the Group's net profit attributable to equity shareholders decreased by 9% to HK\$3,095 million (2007: HK\$3,414 million).

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

<u>Profit attributable to</u>	<b>Year ended 31/12/2008 HK\$ Million</b>	Period ended 31/12/2007 HK\$ Million
Wharf group	<b>2,085</b>	2,886
WPL group (excluded dividends from Wharf)	<b>847</b>	321
The Company and its other subsidiaries	<b>163</b>	207
Profit before exceptional provisions and investment property revaluation surplus	<b>3,095</b>	3,414
Attributable impairment loss for investments	<b>(811)</b>	(53)
Attributable investment property revaluation surplus (after deferred tax)	<b>776</b>	4,254
Attributable tax credit adjustment on reduction of tax rate	<b>372</b>	—
Profit attributable to equity shareholders	<b>3,432</b>	7,615

Wharf's profit for the year ended 31 December 2008 was HK\$6,247 million (2007: HK\$13,143 million). Excluding the net investment property revaluation surplus after related tax credit adjustment, Wharf's net profit was HK\$4,194 million (2007: HK\$5,947 million).

WPL's profit for the year ended 31 December 2008 was HK\$816 million (2007: HK\$1,540 million). Excluding the net investment property revaluation surplus after related tax credit adjustment and the impairment losses for investments, WPL's net profit was HK\$1,293 million (2007: HK\$570 million). During the year, WPL received a dividend of HK\$155 million (2007: HK\$138 million) from its 7% holding in Wharf.

## (II) Liquidity, Financial Resources and Capital Commitments

### *Shareholders' and total equity*

The Group's shareholders' equity increased by 4% to HK\$58.7 billion or HK\$28.91 per share as at 31 December 2008, compared to HK\$56.7 billion or HK\$27.88 per share as at 31 December 2007.

Including the minority interests, the Group's total equity was HK\$123.2 billion (2007: HK\$114.2 billion).

### *Total assets*

The Group's total assets increased by 11% to HK\$198.2 billion (2007: HK\$179.1 billion), which mainly included HK\$5.3 billion for investment properties and container terminal assets, HK\$12.2 billion in investment in China projects undertaken solely or through joint ventures, and HK\$9.8 billion of bank deposits and cash, partly offset by HK\$5.3 billion decrease in investments.

### *Debts and gearing*

The Group's net debt was HK\$22.7 billion as at 31 December 2008 (2007: HK\$21.9 billion), which was made up of HK\$45.6 billion in debts and HK\$22.9 billion in bank deposits and cash. Excluding Wharf's net debt of HK\$22.1 billion, which is non-recourse to the Company and its wholly-owned subsidiaries, the net debt was HK\$573 million (2007: net cash of HK\$1.7 billion). Analysis of the net debt by group is as below:

<u>Net debt/(cash)</u>	<b>31/12/2008</b> <b>HK\$ Million</b>	31/12/2007 HK\$ Million
Wheelock Group (excludes Wharf)	<b>573</b>	(1,653)
Wheelock/wholly-owned subsidiaries	<b>4,052</b>	932
WPL	<b>(1,514)</b>	(2,291)
WPSL	<b>(1,965)</b>	(294)
Wharf group	<b>22,123</b>	23,565
Wharf (excludes below subsidiaries)	<b>10,418</b>	13,331
Modern Terminals	<b>10,556</b>	9,602
HCDL	<b>1,807</b>	1,274
i-CABLE	<b>(658)</b>	(642)
Group	<b>22,696</b>	21,912
Gearing of the Group:		
Net debt to shareholders' equity	<b>38.6%</b>	38.7%
Net debt to total equity	<b>18.4%</b>	19.2%

In January 2008, Wharf completed a rights issue and received net proceeds of HK\$9.1 billion, of which HK\$3,962 million and HK\$646 million were paid by Wheelock and WPL for their respective subscriptions.

In March 2008, HCDL completed a rights issue and received net proceeds of HK\$2.0 billion, of which HK\$1.56 billion was paid by Wharf for its subscription.

### ***Finance and availability of facilities***

During the year, the Group took advantage of market opportunities before the devastating financial tsunami and increased its available loan facilities and debt securities aggregating to HK\$66.8 billion (2007: HK\$58.3 billion), of which HK\$45.6 billion were drawn and the undrawn facilities as at 31 December 2008 are analysed as below:

	<b>Available Facility HK\$ Billion</b>	<b>Total Debts HK\$ Billion</b>	<b>%</b>	<b>Undrawn Facility HK\$ Billion</b>
Wheelock Group (excludes Wharf)	10.3	7.6	17%	2.7
Wheelock/wholly-owned subsidiaries	6.9	5.5	12%	1.4
WPL	0.2	-	0%	0.2
WPSL	3.2	2.1	5%	1.1
Wharf group	56.5	38.0	83%	18.5
Wharf (excludes below subsidiaries)	35.3	24.3	53%	11.0
Modern Terminals	16.5	10.6	23%	5.9
HCDL	4.1	3.1	7%	1.0
i-CABLE	0.6	-	0%	0.6
	<b>66.8</b>	<b>45.6</b>	<b>100%</b>	<b>21.2</b>

Of the above debts, HK\$15.3 billion (2007: HK\$6.3 billion) was secured by mortgage over certain properties under development, fixed assets, investments and bank deposits with total carrying value of HK\$41.1 billion (2007: HK\$16.4 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 equity investments in 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 foreign currency exposures.

The Group maintained ample surplus cash, which was 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 2008 of HK\$2.3 billion (2007: HK\$7.6 billion), which is immediately available for liquidation for the Group's use.

### ***Net cash flows for the Group's operating and investing activities***

For the year under review, the Group generated a net operating cash inflow before changes in working capital of HK\$10.2 billion (2007: HK\$9.4 billion). The changes in working capital for 2008 resulted in a net cash outflow of HK\$6.1 billion (2007: HK\$2.1 billion), primarily related to Wharf's payment for land and construction cost for its development properties in China. For investing activities, the Group spent a net amount of HK\$6.2 billion, which included HK\$3.9 billion for net investments in jointly controlled entities and associates involving in property development projects in China, HK\$3.7 billion capital expenditure mainly for berth construction and purchase of operating equipment by Modern Terminals for its China port projects and HK\$1.5 billion proceeds from disposal of available-for-sale investments.

### Major expenditure and commitments

The major expenditure, substantially incurred by Wharf's core businesses, during the year and related commitments as at 31 December 2008 are analysed as follows:

Business Unit / Company	Expenditure for 2008	Commitments as at 31 December 2008	
	HK\$ Million	Authorised and Contracted for HK\$ Million	Authorised but not Contracted for HK\$ Million
<b>(a) Capital expenditure</b>			
Wharf group			
Property Investments/others	961	803	679
Wharf T&T	324	57	142
Modern Terminals (67.6%-owned)	2,216	1,356	1,583
i-CABLE (73.8%-owned)	144	56	44
	<u>3,645</u>	<u>2,272</u>	<u>2,448</u>
WPL group and others	91	9	—
Total	<u>3,736</u>	<u>2,281</u>	<u>2,448</u>
<b>(b) Programming and others</b>	<u>103</u>	<u>783</u>	<u>71</u>
<b>(c) Properties under development</b>			
Wharf	11,786	14,138	43,268
Subsidiaries (China / Hong Kong)	8,243	10,600	35,090
JCEs and associates (China)	3,543	3,538	8,178
WPL / Others	1,620	1,912	1,739
Subsidiaries (Singapore / Hong Kong)	1,084	1,788	251
Associates (China)	536	124	1,488
Total	<u>13,406</u>	<u>16,050</u>	<u>45,007</u>

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

In addition to the capital expenditure, the Group also incurred HK\$13.4 billion (HK\$11.8 billion and HK\$1.6 billion incurred by Wharf and WPL respectively) for its trading properties under development mainly in China, including projects undertaken through associates and jointly controlled entities.

As at 31 December 2008, Wharf's commitments to properties under development in China by its subsidiaries or through associates and jointly controlled entities included land cost of about HK\$11.6 billion payable by instalments mainly in 2009 and 2010. These developments will be executed by stages in the forthcoming years. WPL's commitments to properties under development were mainly related to property development projects in Singapore and Hong Kong.

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.

### **(III) Human Resources**

The Group has 13,577 employees as at 31 December 2008 (31 December 2007: 13,384). 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. Total staff costs for the year under review amounted to HK\$2,813 million (2007: HK\$2,593 million).

### **CODE ON CORPORATE GOVERNANCE PRACTICES**

During the financial year ended 31 December 2008, all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited were met by the Company, except in respect of one code provision providing for the roles of chairman and chief executive officer to be performed by different individuals. The deviation is deemed appropriate as it is considered to be more efficient to have one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive officer. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals, a substantial proportion thereof being independent Non-executive Directors.

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 2008

	Note	Year ended 31/12/2008 HK\$ Million	Period ended 31/12/2007 HK\$ Million
<b>Turnover</b>	3	22,583	17,915
Other net income	5	170	1,830
		<u>22,753</u>	<u>19,745</u>
Direct costs and operating expenses		(10,141)	(6,427)
Selling and marketing expenses		(725)	(766)
Administrative and corporate expenses		(1,039)	(848)
Operating profit before depreciation, amortisation, interest and tax		10,848	11,704
Depreciation and amortisation		(1,395)	(1,276)
<b>Operating profit</b>	3&4	9,453	10,428
Increase in fair value of investment properties		2,158	10,878
Net other (charge)/credit	6	(1,229)	103
		<u>10,382</u>	<u>21,409</u>
Finance costs	7	(1,695)	(1,212)
Share of results after tax of:			
Associates	8	7	269
Jointly controlled entities		5	27
Profit before taxation		8,699	20,493
Taxation	9	(1,201)	(4,639)
<b>Profit for the year/period</b>		<u>7,498</u>	<u>15,854</u>
<b>Profit attributable to:</b>			
Equity shareholders		3,432	7,615
Minority interests		4,066	8,239
		<u>7,498</u>	<u>15,854</u>
<b>Dividends attributable to equity shareholders</b>			
Interim dividend declared		51	51
Final dividend proposed		203	203
		<u>254</u>	<u>254</u>
<b>Earnings per share</b>	10	<u>HK\$1.69</u>	<u>HK\$3.75</u>

The comparative figures for the nine months ended 31 December 2007 included Wharf's financial results for the twelve months ended 31 December 2007 as explained in Note 2 to the financial statements.

**CONSOLIDATED BALANCE SHEET**  
at 31 December 2008

	Note	2008 HK\$ Million	2007 HK\$ Million
<b>Non-current assets</b>			
Investment properties		108,830	105,836
Leasehold land		4,203	3,775
Other property, plant and equipment		17,663	15,779
Total fixed assets		<u>130,696</u>	<u>125,390</u>
Goodwill and other intangible assets		297	302
Interest in associates		5,438	5,096
Interest in jointly controlled entities		7,989	4,555
Available-for-sale investments		2,279	7,622
Long-term receivables		411	447
Programming library		132	184
Employee retirement benefit assets		–	239
Deferred tax assets		484	360
Derivative financial assets		83	17
		<u>147,809</u>	<u>144,212</u>
<b>Current assets</b>			
Properties for sale		24,660	19,805
Inventories		112	97
Trade and other receivables	11	2,686	1,878
Derivative financial assets		12	54
Bank deposits and cash		22,927	13,079
		<u>50,397</u>	<u>34,913</u>
<b>Current liabilities</b>			
Trade and other payables	12	(6,603)	(6,038)
Bank loans and other borrowings		(4,955)	(7,120)
Deposits from sale of properties		(3,537)	(5,046)
Derivative financial liabilities		(206)	(131)
Taxation payable		(1,582)	(1,774)
Dividend payable		–	(51)
		<u>(16,883)</u>	<u>(20,160)</u>
<b>Net current assets</b>		<u>33,514</u>	<u>14,753</u>
<b>Total assets less current liabilities</b>		<u>181,323</u>	<u>158,965</u>

	2008	2007
Note	HK\$ Million	HK\$ Million
<b>Non-current liabilities</b>		
Bank loans and other borrowings	(40,668)	(27,871)
Deferred tax liabilities	(16,258)	(16,578)
Other deferred liabilities	(262)	(261)
Derivative financial liabilities	(738)	(96)
Employee retirement benefit liabilities	(154)	–
	<u>(58,080)</u>	<u>(44,806)</u>
<b>NET ASSETS</b>	<b><u>123,243</u></b>	<b><u>114,159</u></b>
<b>Capital and reserves</b>		
Share capital	1,016	1,016
Reserves	<u>57,717</u>	<u>55,635</u>
<b>Shareholders' equity</b>	<b><u>58,733</u></b>	<b><u>56,651</u></b>
<b>Minority interests</b>	<b><u>64,510</u></b>	<b><u>57,508</u></b>
<b>TOTAL EQUITY</b>	<b><u>123,243</u></b>	<b><u>114,159</u></b>

## NOTES TO THE FINANCIAL STATEMENTS

### (1) Accounting policies and basis of preparation

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.

The accounting policies and methods of computation used in the preparation of the financial statements are consistent with those used in the financial statements for the nine months ended 31 December 2007.

The HKICPA has issued certain new Interpretations and an amendment to HKFRSs that are first effective for the current accounting period of the Group, including HK(IFRIC) 14, HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction. These HKFRSs developments have no material impact on the Group's financial statements as either they were consistent with accounting policies already adopted by the Group or they were not relevant to the Group's operations.

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

### (2) Financial year end date

The Company changed its financial year end date from 31 March to 31 December in the last financial period. The comparative figures, which cover a period for the nine months from 1 April 2007 to 31 December 2007, cover Wharf's financial statements for the twelve months from 1 January 2007 to 31 December 2007. As a result of the change in the year end date of the Company, all the comparative figures are therefore not entirely comparable with those of the current year.

(3) Segment information  
(a) Business segments

	Revenue		Results	
	Year ended 31/12/2008 HK\$ Million	Period ended 31/12/2007 HK\$ Million	Year ended 31/12/2008 HK\$ Million	Period ended 31/12/2007 HK\$ Million
(i) Revenue and results				
Property investment	<b>8,112</b>	6,863	<b>5,918</b>	4,932
Hong Kong	<b>6,336</b>	5,346	<b>5,206</b>	4,322
China	<b>514</b>	416	<b>254</b>	197
Singapore	<b>208</b>	129	<b>150</b>	93
Hotels	<b>1,054</b>	972	<b>308</b>	320
Property development	<b>6,606</b>	3,283	<b>1,496</b>	1,412
Hong Kong	<b>488</b>	1,508	<b>134</b>	609
China	<b>710</b>	1,619	<b>91</b>	718
Singapore	<b>5,408</b>	156	<b>1,271</b>	85
Communications, media and entertainment ("CME")	<b>3,751</b>	3,797	<b>244</b>	365
Pay television	<b>1,355</b>	1,595	<b>6</b>	179
Internet and multimedia	<b>576</b>	588	<b>148</b>	180
Telecommunications	<b>1,641</b>	1,460	<b>140</b>	47
Others	<b>179</b>	154	<b>(50)</b>	(41)
Logistics	<b>3,875</b>	3,625	<b>1,763</b>	1,914
Terminals	<b>3,446</b>	3,216	<b>1,608</b>	1,764
Others	<b>429</b>	409	<b>155</b>	150
Investment and others	<b>681</b>	794	<b>472</b>	2,222
	<b>23,025</b>	18,362	<b>9,893</b>	10,845
Inter-segment revenue (Note)	<b>(442)</b>	(447)	—	—
	<b>22,583</b>	17,915	<b>9,893</b>	10,845
Unallocated expenses			<b>(440)</b>	(417)
Operating profit			<b>9,453</b>	10,428
Increase in fair value of investment properties			<b>2,158</b>	10,878
Net other (charge)/credit			<b>(1,229)</b>	103
Property development			<b>146</b>	184
Investment and others			<b>(1,375)</b>	(81)
			<b>10,382</b>	21,409
Finance costs			<b>(1,695)</b>	(1,212)
Associates			<b>7</b>	269
Property development			<b>(283)</b>	33
Terminals			<b>307</b>	236
CME			<b>(17)</b>	—
Jointly controlled entities			<b>5</b>	27
Property development			<b>(28)</b>	—
Terminals			<b>33</b>	27
Profit before taxation			<b>8,699</b>	20,493
Taxation			<b>(1,201)</b>	(4,639)
Profit for the year/period			<b>7,498</b>	15,854

Note

Inter-segment revenue eliminated on consolidation includes:

	<b>Year ended 31/12/2008 HK\$ Million</b>	Period ended 31/12/2007 HK\$ Million
Property investment	<b>162</b>	146
CME	<b>182</b>	224
Investment and others	<b>98</b>	77
	<b>442</b>	447

	<b>Assets</b>		<b>Liabilities</b>	
	<b>2008 HK\$ Million</b>	2007 HK\$ Million	<b>2008 HK\$ Million</b>	2007 HK\$ Million
(ii) Assets and liabilities				
Property investment	<b>113,848</b>	110,011	<b>2,692</b>	2,529
Hong Kong	<b>98,525</b>	96,904	<b>1,970</b>	1,809
China	<b>9,363</b>	8,149	<b>389</b>	322
Singapore	<b>4,939</b>	4,431	<b>109</b>	101
Hotels	<b>1,021</b>	527	<b>224</b>	297
Property development	<b>34,891</b>	25,756	<b>4,990</b>	6,422
Hong Kong	<b>3,348</b>	3,436	<b>499</b>	427
China	<b>25,888</b>	13,672	<b>2,047</b>	1,310
Singapore	<b>5,655</b>	8,648	<b>2,444</b>	4,685
CME	<b>4,347</b>	4,647	<b>1,033</b>	965
Pay television	<b>1,052</b>	1,160	<b>362</b>	354
Internet and multimedia	<b>474</b>	509	<b>129</b>	129
Telecommunications	<b>2,775</b>	2,853	<b>541</b>	480
Others	<b>46</b>	125	<b>1</b>	2
Logistics	<b>18,445</b>	16,876	<b>1,278</b>	1,095
Terminals	<b>18,241</b>	16,686	<b>1,211</b>	1,045
Others	<b>204</b>	190	<b>67</b>	50
Investment and others	<b>2,363</b>	7,733	<b>16</b>	31
Unallocated	<b>24,312</b>	14,102	<b>64,954</b>	53,924
Group total	<b>198,206</b>	179,125	<b>74,963</b>	64,966

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

	<b>2008</b>	2007
	<b>HK\$ Million</b>	HK\$ Million
Property development	<b>9,180</b>	5,282
CME	<b>39</b>	59
Logistics	<b>4,208</b>	4,310
Group total	<b>13,427</b>	9,651

Unallocated assets and liabilities mainly comprise financial assets and liabilities, corporate cash and bank loans and other borrowings.

	Capital expenditure		Increase in interests in associates and jointly controlled entities		Depreciation and amortisation	
	Year ended 31/12/2008	Period ended 31/12/2007	Year ended 31/12/2008	Period ended 31/12/2007	Year ended 31/12/2008	Period ended 31/12/2007
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
(iii) Other information						
Property investment	<b>1,038</b>	622	—	—	<b>131</b>	125
Hong Kong	<b>252</b>	215	—	—	<b>21</b>	21
China	<b>697</b>	149	—	—	<b>27</b>	21
Singapore	<b>65</b>	38	—	—	<b>1</b>	2
Hotels	<b>24</b>	220	—	—	<b>82</b>	81
Property development						
China	—	—	<b>4,079</b>	5,154	—	—
CME	<b>472</b>	451	—	59	<b>890</b>	890
Pay television	<b>70</b>	62	—	—	<b>328</b>	318
Internet and multimedia	<b>63</b>	68	—	—	<b>120</b>	144
Telecommunications	<b>324</b>	276	—	—	<b>386</b>	385
Others	<b>15</b>	45	—	59	<b>56</b>	43
Logistics	<b>2,226</b>	2,763	<b>4</b>	2,911	<b>374</b>	261
Terminals	<b>2,216</b>	2,757	<b>4</b>	2,911	<b>360</b>	248
Others	<b>10</b>	6	—	—	<b>14</b>	13
Group total	<b>3,736</b>	3,836	<b>4,083</b>	8,124	<b>1,395</b>	1,276

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

**(b) Geographical segments**

	<b>Revenue</b>		<b>Operating profit</b>	
	<b>Year ended</b> <b>31/12/2008</b> <b>HK\$ Million</b>	<b>Period ended</b> <b>31/12/2007</b> <b>HK\$ Million</b>	<b>Year ended</b> <b>31/12/2008</b> <b>HK\$ Million</b>	<b>Period ended</b> <b>31/12/2007</b> <b>HK\$ Million</b>
Hong Kong	<b>15,324</b>	15,298	<b>7,743</b>	8,993
China	<b>1,510</b>	2,096	<b>105</b>	876
Singapore	<b>5,749</b>	521	<b>1,605</b>	559
Group total	<b>22,583</b>	17,915	<b>9,453</b>	10,428

  

	<b>Assets</b>	
	<b>2008</b> <b>HK\$ Million</b>	<b>2007</b> <b>HK\$ Million</b>
Hong Kong	<b>129,229</b>	121,886
China	<b>52,084</b>	35,435
Singapore	<b>16,893</b>	21,804
Group total	<b>198,206</b>	179,125

  

	<b>Capital expenditure</b>		<b>Increase in interests in associates and jointly controlled entities</b>	
	<b>Year ended</b> <b>31/12/2008</b> <b>HK\$ Million</b>	<b>Period ended</b> <b>31/12/2007</b> <b>HK\$ Million</b>	<b>Year ended</b> <b>31/12/2008</b> <b>HK\$ Million</b>	<b>Period ended</b> <b>31/12/2007</b> <b>HK\$ Million</b>
Hong Kong	<b>897</b>	1,093	—	61
China	<b>2,774</b>	2,705	<b>4,083</b>	8,063
Singapore	<b>65</b>	38	—	—
Group total	<b>3,736</b>	3,836	<b>4,083</b>	8,124

#### (4) Operating profit

	<b>Year ended 31/12/2008 HK\$ Million</b>	Period ended 31/12/2007 HK\$ Million
Operating profit is arrived at after charging/(crediting):		
Depreciation		
- assets held for use under operating leases	<b>96</b>	91
- other fixed assets	<b>1,065</b>	1,003
	<b>1,161</b>	1,094
Amortisation		
- programming library	<b>142</b>	131
- leasehold land	<b>87</b>	47
- other intangible assets	<b>5</b>	4
Total depreciation and amortisation	<b>1,395</b>	1,276
Staff costs	<b>2,813</b>	2,593
Cost of trading properties sold	<b>4,989</b>	1,706
Net foreign exchange loss, including impact of forward foreign exchange contracts	<b>137</b>	38
Rental charges under operating leases in respect of telecommunications equipment and services	<b>98</b>	101
Rental income less direct outgoings	<b>(5,712)</b>	(4,674)
- including contingent rentals	<b>(632)</b>	(459)
Interest income	<b>(324)</b>	(244)
Dividend income from listed investments	<b>(126)</b>	(313)
Dividend income from unlisted investments	<b>(94)</b>	(182)
Loss/(profit) on disposal of fixed assets	<b>4</b>	(32)
Rental income under operating leases in respect of owned plant and machinery	<b>(61)</b>	(81)

Apart from the above exchange differences, there was a net exchange gain of HK\$987 million (2007: HK\$1,083 million) arising from the translation of the net investments in WPSL and certain China subsidiaries, associates and jointly controlled entities, which has been dealt with as an equity movement.

#### (5) Other net income

	<b>Year ended 31/12/2008 HK\$ Million</b>	Period ended 31/12/2007 HK\$ Million
Net profit on disposal of available-for-sale investments	<b>133</b>	1,790
Net profit on disposal of properties	<b>19</b>	12
Others	<b>18</b>	28
	<b>170</b>	1,830

**(6) Net other (charge)/credit**

	<b>Year ended 31/12/2008 HK\$ Million</b>	Period ended 31/12/2007 HK\$ Million
Write-back of provisions for properties	146	184
Impairment losses on available-for-sale investments	<u>(1,375)</u>	<u>(81)</u>
	<b><u>(1,229)</u></b>	<b><u>103</u></b>

**(7) Finance costs**

	<b>Year ended 31/12/2008 HK\$ Million</b>	Period ended 31/12/2007 HK\$ Million
Interest charged on :		
Bank loans and overdrafts repayable within five years	965	1,006
Other borrowings repayable within five years	51	158
Bank loans repayable after five years	116	88
Other borrowings repayable after five years	<u>119</u>	<u>55</u>
Total interest charge	1,251	1,307
Fair value cost on cross currency interest rate swaps	508	96
Fair value cost on interest rate swaps	104	—
Other finance costs	<u>67</u>	<u>51</u>
	<b><u>1,930</u></b>	<b><u>1,454</u></b>
Less: Amount capitalised	<u>(235)</u>	<u>(242)</u>
	<b><u>1,695</u></b>	<b><u>1,212</u></b>

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

**(8) Share of results after tax of associates**

The share of profits of associates decreased to HK\$7 million (2007: HK\$269 million). Profit contribution from Modern Terminals' investment in Shekou increased. However, the share of losses in China property development undertaken by certain associates of Wharf and WPL increased after impairment provisions.

Excluding the property provisions, the share of associates' profit actually rose by 10% to HK\$295 million (2007: HK\$269 million).

## (9) Taxation

Taxation charged to the consolidated profit and loss account represents:

	<b>Year ended 31/12/2008 HK\$ Million</b>	Period ended 31/12/2007 HK\$ Million
<b>Current income tax</b>		
Hong Kong profits tax		
- Provision for the year/period	<b>1,063</b>	1,263
- Underprovision in respect of prior years	<b>254</b>	352
Overseas taxation		
- Provision for the year/period	<b>422</b>	226
- Overprovision in respect of prior years	<b>(241)</b>	—
	<u><b>1,498</b></u>	<u>1,841</u>
<b>Land appreciation tax in the People's Republic of China ("PRC")</b>		
	<u><b>30</b></u>	<u>239</u>
<b>Deferred tax</b>		
Change in fair value of investment properties	<b>495</b>	2,535
Origination and reversal of temporary differences	<b>117</b>	253
Effect on reduction in tax rate on deferred tax balances	<b>(812)</b>	(201)
Benefit of previously unrecognised tax losses now recognised	<b>(127)</b>	(28)
	<u><b>(327)</b></u>	<u>2,559</u>
	<u><b>1,201</b></u>	<u>4,639</u>

- (a) The provision for Hong Kong profits tax is based on the profit for the year as adjusted for tax purposes at the rate of 16.5% (2007: 17.5%). In 2008, the Hong Kong SAR Government enacted a reduction in the profits tax rate from 17.5% to 16.5% for the fiscal year 2008/09.
- (b) In March 2007, the new Corporate Income Tax Law was enacted in the PRC whereas the standard PRC Corporate Income Tax ("CIT") rate was revised from 33% to 25%.
- (c) Overseas taxation is calculated at rates of tax applicable in countries in which the Group is assessed for tax.
- (d) Tax attributable to associates and jointly controlled entities for the year ended 31 December 2008 of HK\$30 million (2007: HK\$23 million) is included in the share of results after tax of associates and jointly controlled entities.

## (10) Earnings per share

The calculation of basic and diluted earnings per share is based on profit attributable to equity shareholders for the year of HK\$3,432 million (2007: HK\$7,615 million) and 2,032 million ordinary shares in issue throughout year ended 31 December 2008 and nine months period ended 31 December 2007.

## (11) Trade and other receivables

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

	2008 HK\$ Million	2007 HK\$ Million
Trade receivables		
Current	1,323	768
Past due :		
0 – 30 days	177	222
31 – 60 days	60	42
61 – 90 days	67	59
Over 90 days	—	1
	<hr/> 1,627	<hr/> 1,092
Other receivables	1,059	786
	<hr/> 2,686	<hr/> 1,878

Included in 2008's current trade receivables are sales receivables of HK\$792 million (representing the 15% remaining balance of sales consideration to be billed according to the standard payment scheme in Singapore) accrued by WPSL on completion of The Sea View and The Cosmopolitan. Of the accrued sales receivables, HK\$422 million has been billed and collected by the end of February 2009. The balance of the sales receivables will be collected in 2009 and 2010.

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

## (12) Trade and other payables

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

	2008 HK\$ Million	2007 HK\$ Million
Amounts payable in the next:		
0 – 30 days	339	439
31 – 60 days	180	132
61 – 90 days	127	110
Over 90 days	393	250
	<hr/> 1,039	<hr/> 931
Rental and customer deposits	1,761	1,591
Other payables	3,803	3,516
	<hr/> 6,603	<hr/> 6,038

### **(13) Comparative figures**

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

### **(14) Review of results**

The financial results for the year ended 31 December 2008 have been reviewed with no disagreement by the Audit Committee of the Company. Also, this preliminary results announcement has been agreed with the Company's Auditors.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

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

## **BOOK CLOSURE**

The Register of Members of the Company will be closed from Wednesday, 3 June 2009 to Monday, 8 June 2009, both days inclusive, for the purpose of determining Shareholders' entitlements to the proposed final dividend. In order to qualify for the final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 2 June 2009.

By Order of the Board  
**Wilson W. S. Chan**  
*Company Secretary*

Hong Kong, 25 March 2009

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. Peter K. C. Woo, Mr. Gonzaga W. J. Li, Mr. Stephen T. H. Ng and Mr. Paul Y. C. Tsui, together with three independent Non-executive Directors, namely, Mr. Alexander S. K. Au, Mr. B. M. Chang and Mr. Kenneth W. S. Ting.*