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WHEELOCK AND COMPANY LIMITED
(Incorporated in Hong Kong with limited liability)
Stock Code: 20

2009 Final Results Announcement

HIGHLIGHTS OF GROUP RESULTS

- Group profit before and after revaluation of investment properties increased by 94% to HK\$4,442 million (2008: HK\$2,284 million) and 181% to HK\$9,631 million (2008: HK\$3,432 million) respectively.
- Property Investment revenue increased by 8% to HK\$8,744 million (2008: HK\$8,112 million); operating profit by 12% to HK\$6,627 million (2008: HK\$5,918 million).
- Property Development revenue declined to HK\$3,782 million (2008: HK\$6,606 million) primarily due to the timing of project completion in Singapore. However, operating profit was maintained at HK\$1,454 million (2008: HK\$1,496 million) primarily due to the projects in Mainland China.
- Earnings per share increased by 181% to HK\$4.74 (2008: HK\$1.69).
- A final dividend of HK\$0.10 per share is recommended (2008: HK\$0.10 per share), resulting in a total dividend of HK\$0.125 per share for the full year (2008: HK\$0.125 per share).
- The strong cashflow and modest debt leverage will enable the Group to make additional quality investment when opportunities arise, especially in Mainland China.

GROUP RESULTS

Group profit attributable to shareholders for the year ended 31 December 2009 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 surplus on revaluation of investment properties, Group profit increased by 94% to HK\$4,442 million (2008: HK\$ 2,284 million).

DIVIDENDS

An interim dividend of HK\$0.025 per share (2008: HK\$0.025 per share) was paid in September 2009. The Directors recommend a final dividend of HK\$0.10 per share (2008: HK\$0.10 per share) to be paid on 18 June 2010. If this recommendation is approved, the total dividend for the year would amount to HK\$0.125 per share (2008: HK\$0.125 per share).

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENT REVIEW

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

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 the exceptionals, 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).

Hong Kong

Over 80% of the 6D-6E Babington Path, Mid-Levels, with a total of 47 luxury apartments, have been sold to realize proceeds of about HK\$496 million. Revenue and profits were also recognized in 2009.

Re-development of 2 Heung Yip Road, Aberdeen into a high-rise commercial building is underway. The development offers a total GFA of 737,200 sq. ft., of which about 224,900 sq. ft. 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 recognized in 2009.

Foundation works for a residential development at 211-215C Prince Edward Road West, Mongkok, is underway. The project will offer a total GFA of 91,700 sq. ft. on completion.

By the end of December 2009, the company had acquired 98.5% of the interest in the property at 46 Belcher's Street, Western. 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 sq. ft.

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 sq. ft., with 641,082 sq. ft. of GFA attributable to the company. The land premium is HK\$11.7 billion, with one-third shared by MTRC.

Mainland China

The company's three current projects in Mainland 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 sq. ft. and offers an attributable GFA of 2.43 million sq. ft. 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 within a short time.

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

These 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. Ideally located at the centre of 獅山城區 and 15km from the centre of Chancheng District (禪城區), it boasts a site area of 1.5 million sq. ft. and offers an attributable GFA of 1.67 million sq. ft. 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 standard in 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 for the development is scheduled to commence in mid 2010.

Investment Property

Wheelock Place, a commercial development in 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 portion respectively.

The Wharf (Holdings) Limited (a 50.02%-owned listed subsidiary) (“Wharf”)

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 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 remarkable 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.

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. 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 to Harbour City to HK\$2,550 million.

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 Lee Gardens to Gateway, *Taishin International Bank* recently committed a floor at 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, Replay, Jill Stuart, Levi's*, 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 of the mall.

Turnover from the office tenants 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 *Walt Disney, Coca-Cola, AIA, Assicurazioni Generali*, etc.

China Properties

All four completed Times Squares, i.e. in Beijing, Shanghai, Chongqing and Dalian performed satisfactorily. With a full-year contribution from Dalian Times Square, which opened in late 2008, being recognized in 2009, total revenue rose by 15% and operating profit by 26%. The disposal of Beijing Capital Times Square in November 2009 for RMB2.7 billion at an after-tax profit amounting to HK\$1.4 billion was recognized in 2009.

Wheelock Square at Nanjing Xi Road (南京西路) of Shanghai, with an attributable GFA of 1.2 million sq. ft. 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.

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 will commence within this month. Phase I comprising the mega retail complex and one office tower is targeting 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 sq. ft. of properties were sold or pre-sold, with a combined value of RMB4.6 billion, primarily in Chengdu, Dalian, Chongqing, Wuxi and Shanghai.

The group was particularly active in Chengdu. Over 99% of the first nine residential towers at Tian Fu Times Square have been sold/pre-sold. The first three towers were completed and the related property sales profits were recognized in 2009. Over 99% of the first eight residential

towers at Crystal Park have been sold/pre-sold. The ninth was recently launched for sale in January 2010. 98% of the units offered were pre-sold within one month at an average price of over RMB9,200 per sq. m., which was noticeably higher than 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 recognized 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 selling 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 sq. m. 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, ideally located in the future headquarters hub of Chongqing and 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 sq. ft. GFA of high-end comprehensive residences, apartments/retail development and is expected to be completed in phases by 2014.

At Wellington Garden in Shanghai, 100% 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) will be developed into a commercial and residential complex with an attributable GFA of 9.8 million sq. ft. In Phase I, an outlet mall, namely, Times Outlets, with an attributable GFA of 680,000 sq. ft., started operation at the end of 2009. It attracted a spate of reputable international and local brands including *Guess*, *Kent & Curwen*, *Cerruti 1881*, *Nike*, *Adidas*, *Hush Puppies*, etc.

Other development projects acquired by the company, 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 Chongqing, Suzhou, Changzhou and Shanghai (Yangpu District). 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) 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 sq. ft. and an attributable GFA of 0.65 million sq. ft., the development will comprise high-end residential and commercial properties. Construction is to commence within this year and completion is 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 Tie Dong Lu (鐵東路) MTR station and at the North Eastern side of city centre, just outside the mid-ring road. It is located in He Bei Qu (河北區), one of the six urban districts of Tianjin. The site area is 1.6 million sq. ft., developable into 2.63 million sq. ft. of attributable GFA, of which 75% is residential and 25% commercial. Construction is expected to commence in 2010 and completion is expected to take place in 2015.

In Chongqing, following its acquisition 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. All of them are to be developed together with China Overseas 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 sq. ft., developable into 7.2 million sq. ft. 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 拱辰橋 and 京杭大運河. These sites boast a site area of 914,000 sq. ft. and offer a GFA of 2.4 million sq. ft. 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 sq. ft. and offers a GFA of 639,000 sq. ft. 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) with sufficient community facilities nearby. It offers a GFA of 3.5 million sq. ft. and will be developed into upscale residences.

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

For 2009, Modern Terminals group's consolidated revenue was HK\$2,840 million (2008: HK\$3,446 million). Thanks to the proactive and effective cost initiatives rolled out since the beginning of the year, which reduced operating costs by 22%, the consolidated operating profit was held up at HK\$1,307 million (2008: HK\$1,608 million). Favourable finance costs further mitigated Modern Terminals' bottom line and narrowed the rate of net profit decrease to 4% only from a year earlier.

Modern Terminals' throughput in Hong Kong dropped by 13.3% to 5.12 million TEUs amidst the global collapse in trade demand. Taicang International Gateway in Suzhou, comprising 6 berths with a capacity of 3.6 million TEUs, however, grew by 4% in terms of container volume 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, has successfully added 8 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 rationalization agreement in March 2009 and will eventually be diluted to 20% with the completion of all stages of rationalization.

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 pandemic 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 6 additional hotels. Additional Marco Polo hotels are planned for Changzhou, Wuxi, Chengdu and Suzhou 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 Barclays 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). Record high net profit of HK\$213 million (2008: HK\$140 million) and free cash flow of HK\$366 million (2008: HK\$223 million) was reported in 2009. The fixed line installed base grew by 7,000 to 628,000 (2008: 621,000), representing an overall market share of 12%.

FINANCIAL REVIEW

(I) Review of 2009 Results

Benefited from the continuing rental revenue growth, one-off profit on disposal of investment properties, 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

The Group's turnover fell by 16% to HK\$18,957 million (2008: HK\$22,583 million) as significantly affected by the absence of property completion by WPL, particularly in Singapore, which resulted in its turnover decreased by 81% to HK\$1,201 million (2008: HK\$6,269 million). Wharf's turnover increased by HK\$1,613 million or 10% to HK\$17,553 million (2008: HK\$15,940 million), benefiting from the robust growth in rental revenue and the encouraging property sales in Mainland China.

The Group's operating profit slightly increased by 1% to HK\$9,507 million (2008: HK\$9,420 million), which mainly contributed from Wharf of HK\$8,554 million (2008: HK\$7,543 million) and from WPL of HK\$691 million (2008: HK\$1,767 million).

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 property sales and profit rose remarkably by HK\$2,355 million and HK\$928 million to HK\$3,065 million and HK\$1,012 million, respectively, as its China segment had experienced very strong growth in property sales with the phased completion of the residential towers in Dalian Times Square and Chengdu Tian Fu Times Square in Mainland China. WPL's Property Development reported property sales and profit of HK\$568 million and HK\$235 million respectively, primarily from the sales of 38 Babington units in Hong Kong. In 2008, The Sea View and The Cosmopolitan project 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 consolidated 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 its 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 the 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.

The non-revalued investment properties in the amount of HK\$3.7 billion are all 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 disposals 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 Reminbi 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 the 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 realised 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 as benefited from 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 benefited from the 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 2008.

Further stripping out the attributable net profit of HK\$766 million derived 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 2008.

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

<u>Profit/(loss) attributable to</u>	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 impacts, Wharf's net profit was HK\$7,817 million (2008: HK\$4,194 million), an increase of 86% over 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 impacts, WPL's net profit was HK\$815 million (2008: HK\$455 million), an increase of 79% over 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 the minority interests, the Group's total equity increased by 17% to HK\$144.1 billion (2008: HK\$123.2 billion).

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 the 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), represented 28% of the Group's total assets.

In previous years, an investment property being 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 reduced to HK\$3.1 billion (2008: HK\$4.1 billion). Analysis of the net debt by group is as below:

<u>Net debt/(cash)</u>	2009 HK\$ Million	2008 HK\$ Million
Wheelock Group (excludes 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 (excludes 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 (excludes 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 (excludes 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 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.

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	Commitments as at 31 December 2009	
	HK\$ Million	Authorised and Contracted for HK\$ Million	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
	<u>2,996</u>	<u>6,954</u>	<u>12,859</u>
WPL group and others	70	196	—
Total	<u>3,066</u>	<u>7,150</u>	<u>12,859</u>
(b) Programming and others	<u>87</u>	<u>2,226</u>	<u>139</u>
(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	<u>6,808</u>	<u>13,648</u>	<u>32,497</u>

The capital expenditure for Wharf's Property Investment segment was mainly for the construction of its 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 and 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 its rights issue and received net proceeds of about HK\$935 million, of which HK\$658 million was paid by Wharf for its subscription.

(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 enables 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 reported in 2009.

(IV) Events after the Reporting Dates

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 (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%-own 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.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the financial year ended 31 December 2009, all the code provisions as 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 INCOME STATEMENT
for the year ended 31 December 2009

	Note	2009 HK\$ Million	2008 HK\$ Million
Turnover	2	18,957	22,583
Direct costs and operating expenses		(6,386)	(10,004)
Selling and marketing expenses		(777)	(725)
Administrative and corporate expenses		(982)	(1,039)
Operating profit before depreciation, amortisation, interest and tax		10,812	10,815
Depreciation and amortisation	3	(1,305)	(1,395)
Operating profit	2 & 3	9,507	9,420
Profit on disposal of investment properties	4	1,236	—
Increase in fair value of investment properties		13,072	2,158
Other net income	5	330	33
Net other charge	6	(176)	(1,229)
		23,969	10,382
Finance costs	7	(395)	(1,695)
Share of results after tax of:			
Associates		235	7
Jointly controlled entities		75	5
Profit before taxation		23,884	8,699
Income tax	8	(4,089)	(1,201)
Profit for the year		19,795	7,498
Profit attributable to:			
Equity shareholders		9,631	3,432
Minority interests		10,164	4,066
		19,795	7,498
Earnings per share	9	HK\$4.74	HK\$1.69

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2009

	2009 HK\$ Million	2008 HK\$ Million
Profit for the year	19,795	7,498
Other comprehensive income		
Actuarial gain/(loss) on defined benefit pension schemes	274	(412)
Exchange difference:	108	800
Exchange gain	300	800
Transferred to consolidated income statement:		
Disposal of an investment property	(119)	—
Others	(73)	—
Cash flow hedge: Transferred to consolidated income statement	—	(45)
Available-for-sale investments:		
Net movement in the investments revaluation reserves	2,483	(2,590)
Surplus/(deficit) on revaluation	2,388	(3,761)
Transferred to consolidated income statement:		
Disposal	(31)	(418)
Impairment	126	1,375
Deferred tax	—	214
Share of other comprehensive income of associates/jointly controlled entities	(10)	187
Others	(29)	(2)
Other comprehensive income for the year	2,826	(2,062)
Total comprehensive income for the year	22,621	5,436
Total comprehensive income attributable to:		
Equity shareholders	11,212	2,336
Minority interests	11,409	3,100
	22,621	5,436

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2009

	Note	2009 HK\$ Million	2008 HK\$ Million
Non-current assets			
Investment properties		126,789	108,830
Other properties, plant and equipment		14,734	17,663
Leasehold land		3,788	4,203
Total fixed assets		<u>145,311</u>	<u>130,696</u>
Goodwill and other intangible assets		297	297
Interest in associates		5,513	5,438
Interest in jointly controlled entities		7,551	7,989
Available-for-sale investments		4,885	2,279
Long term receivables		284	411
Programming library		113	132
Employee retirement benefit assets		139	—
Deferred tax assets		432	484
Derivative financial assets		318	83
		<u>164,843</u>	<u>147,809</u>
Current assets			
Properties for sale		25,824	24,660
Inventories		107	112
Held-to-maturity investments		824	—
Trade and other receivables	11	5,243	2,686
Derivative financial assets		209	12
Bank deposits and cash		27,756	22,927
		<u>59,963</u>	<u>50,397</u>
Current liabilities			
Trade and other payables	12	(6,457)	(6,603)
Bank loans and other borrowings		(9,049)	(4,955)
Deposits from sale of properties		(6,225)	(3,537)
Derivative financial liabilities		(101)	(206)
Taxation payable		(1,653)	(1,582)
		<u>(23,485)</u>	<u>(16,883)</u>
Net current assets		<u>36,478</u>	<u>33,514</u>
Total assets less current liabilities		<u>201,321</u>	<u>181,323</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2009

	Note	2009 HK\$ Million	2008 HK\$ Million
Non-current liabilities			
Bank loans and other borrowings		(37,585)	(40,668)
Deferred tax liabilities		(18,270)	(16,258)
Other deferred liabilities		(262)	(262)
Derivative financial liabilities		(1,055)	(738)
Employee retirement benefit liabilities		—	(154)
		<u>(57,172)</u>	<u>(58,080)</u>
NET ASSETS		<u>144,149</u>	<u>123,243</u>
Capital and reserves			
Share capital		1,016	1,016
Reserves		<u>68,675</u>	<u>57,717</u>
Shareholders' equity		<u>69,691</u>	<u>58,733</u>
Minority interests		<u>74,458</u>	<u>64,510</u>
TOTAL EQUITY		<u>144,149</u>	<u>123,243</u>

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 annual financial statements for the year ended 31 December 2008 except the changes mentioned below.

With effect from 1 January 2009, the Group has adopted the below relevant new and revised HKFRSs, amendments to HKFRSs and interpretations, which are relevant to the Group’s financial statements:

HKAS 1 (Revised)	Presentation of financial statements
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
Improvements to HKFRSs (2008)	Amendments to HKAS 40 investment property

Except as described below, the adoption of the above new or revised standards, amendments and interpretations had no significant impact on the financial information of the Group.

(a) HKAS 1 (Revised) – Presentation of financial statements

As a result of the adoption of HKAS 1 (Revised), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation.

This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

(b) HKFRS 7 (Amendment) – Improving disclosures about financial instruments

As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosure about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

(c) HKFRS 8 – Operating segments

HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's top management, and has resulted in amended disclosure being presented. Corresponding amounts have been restated on a basis consistent with the revised segment information.

(d) Improvements to HKFRSs (2008) – Amendments to HKAS 40 investment property

As a result of the amendments to HKAS 40, investment property which is under construction will be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any gain or loss will be recognised in profit or loss. Previously such property was carried at cost until the construction was completed, at which time it was fair valued with any gain or loss being recognised in profit or loss. This amendment is applied prospectively and the corresponding amounts have not been restated. As a result of this amendment, the profit attributable to equity shareholders increased by HK\$1,282 million for the year ended 31 December 2009.

2. SEGMENT INFORMATION

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

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

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

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

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

Investment and others segment includes activities for managing the Group's corporate assets and liabilities, available-for-sale investments, financial instruments and other treasury operations.

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

Segment assets principally comprise all tangible assets, intangible assets and current assets directly attributable to each segment with the exception of income tax assets.

(a) Analysis of segment revenues and results

	Turnover HK\$ Million	Operating profit HK\$ Million	Profit on disposal of investment properties HK\$ Million	Increase in fair value of investment properties HK\$ Million	Net other (charge) /income HK\$ Million	Finance costs HK\$ Million	Associates HK\$ Million	Jointly controlled entities HK\$ Million	Profit before taxation HK\$ Million
For the year ended 2009									
Property investment	8,744	6,627	1,236	13,072	(39)	(341)	–	–	20,555
Hong Kong	6,951	5,870	126	10,854	11	(284)	–	–	16,577
China	592	319	1,110	1,536	(50)	(45)	–	–	2,870
Singapore	238	196	–	682	–	(3)	–	–	875
Hotels	963	242	–	–	–	(9)	–	–	233
Property development	3,782	1,454	–	–	44	(22)	18	41	1,535
Hong Kong	717	410	–	–	–	–	(1)	–	409
China	3,065	1,012	–	–	44	(22)	19	41	1,094
Singapore	–	32	–	–	–	–	–	–	32
CME	3,404	163	–	–	–	–	–	–	163
i-CABLE	1,754	(48)	–	–	–	–	–	–	(48)
Telecommunications	1,650	213	–	–	–	–	–	–	213
Others	–	(2)	–	–	–	–	–	–	(2)
Logistics	3,091	1,418	–	–	–	11	217	34	1,680
Terminals	2,840	1,307	–	–	–	11	217	34	1,569
Others	251	111	–	–	–	–	–	–	111
Investment and others	392	231	–	–	149	(43)	–	–	337
Inter-segment revenue	(456)	–	–	–	–	–	–	–	–
Segment total	18,957	9,893	1,236	13,072	154	(395)	235	75	24,270
Corporate expenses	–	(386)	–	–	–	–	–	–	(386)
Group total	18,957	9,507	1,236	13,072	154	(395)	235	75	23,884
For the year ended 2008									
Property investment	8,112	5,918	–	2,158	–	(702)	–	–	7,374
Hong Kong	6,336	5,206	–	1,287	–	(514)	–	–	5,979
China	514	254	–	392	–	(113)	–	–	533
Singapore	208	150	–	479	–	(12)	–	–	617
Hotels	1,054	308	–	–	–	(63)	–	–	245
Property development	6,606	1,496	–	–	228	(128)	(283)	(28)	1,285
Hong Kong	488	134	–	–	–	–	16	–	150
China	710	91	–	–	228	(128)	(299)	(28)	(136)
Singapore	5,408	1,271	–	–	–	–	–	–	1,271
CME	3,722	64	–	–	(3)	–	(17)	–	44
i-CABLE	2,080	(76)	–	–	(3)	–	(17)	–	(96)
Telecommunications	1,641	140	–	–	–	–	–	–	140
Others	1	–	–	–	–	–	–	–	–
Logistics	3,875	1,763	–	–	42	(248)	307	33	1,897
Terminals	3,446	1,608	–	–	42	(248)	307	33	1,742
Others	429	155	–	–	–	–	–	–	155
Investment and others	681	473	–	–	(1,463)	(617)	–	–	(1,607)
Inter-segment revenue	(413)	–	–	–	–	–	–	–	–
Segment total	22,583	9,714	–	2,158	(1,196)	(1,695)	7	5	8,993
Corporate expenses	–	(294)	–	–	–	–	–	–	(294)
Group total	22,583	9,420	–	2,158	(1,196)	(1,695)	7	5	8,699

(b) Analysis of inter-segment revenue

	2009			2008		
	Total Revenue	Inter-segment revenue	Group Revenue	Total Revenue	Inter-segment revenue	Group Revenue
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Property investment	8,744	(173)	8,571	8,112	(162)	7,950
Property development	3,782	–	3,782	6,606	–	6,606
CME	3,404	(158)	3,246	3,722	(153)	3,569
Logistics	3,091	–	3,091	3,875	–	3,875
Investment and others	392	(125)	267	681	(98)	583
	19,413	(456)	18,957	22,996	(413)	22,583

(c) Analysis of assets

	Total Assets	
	2009	2008
	HK\$ Million	HK\$ Million
Property investment	131,832	115,315
Hong Kong	108,649	98,555
China	16,316	10,613
Singapore	5,866	4,939
Hotels	1,001	1,208
Property development	41,554	37,575
Hong Kong	3,599	3,359
China	32,221	28,561
Singapore	5,734	5,655
CME	4,911	5,222
i-CABLE	2,287	2,424
Telecommunications	2,623	2,789
Others	1	9
Logistics	19,486	18,895
Terminals	19,149	18,343
Others	337	552
Investment and others	26,591	20,715
Segment total	224,374	197,722
Unallocated	432	484
Group total	224,806	198,206

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

	2009	2008
	HK\$ Million	HK\$ Million
Property development	8,964	9,180
CME	38	39
Logistics	4,062	4,208
Group total	<u>13,064</u>	<u>13,427</u>

Unallocated assets mainly comprise income tax assets.

(d) Other information

	Capital expenditure		Increase in interests in associates and jointly controlled entities		Depreciation and amortisation	
	2009	2008	2009	2008	2009	2008
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	Million	Million	Million	Million	Million	Million
Property investment	1,654	1,038	–	–	128	131
Hong Kong	191	252	–	–	21	21
China	1,387	697	–	–	25	27
Singapore	59	65	–	–	2	1
Hotels	17	24	–	–	80	82
Property development						
China	–	–	1,787	4,079	–	–
CME	548	472	–	–	756	890
i-CABLE	261	144	–	–	364	504
Telecommunications	287	328	–	–	392	386
Logistics	864	2,226	1	4	421	374
Terminals	862	2,216	1	4	414	360
Others	2	10	–	–	7	14
Group total	<u>3,066</u>	<u>3,736</u>	<u>1,788</u>	<u>4,083</u>	<u>1,305</u>	<u>1,395</u>

Interest income was mainly attributable to the Investment and others segment. In addition, CME segment incurred HK\$87 million (2008: HK\$103 million) for its programming library. The Group has no significant non-cash expenses other than depreciation and amortisation.

(e) Geographical information

	Revenue		Operating Profit	
	2009	2008	2009	2008
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	14,717	15,324	8,316	7,857
China	3,917	1,510	917	55
Singapore	323	5,749	274	1,508
Group total	18,957	22,583	9,507	9,420

	Specified non-current assets		Total Assets	
	2009	2008	2009	2008
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	118,632	109,146	142,285	129,229
China	34,621	30,883	62,324	52,084
Singapore	5,816	4,934	20,197	16,893
Group total	159,069	144,963	224,806	198,206

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

3. OPERATING PROFIT

	2009 HK\$ Million	2008 HK\$ Million
Operating profit is arrived at after charging/(crediting):		
Depreciation:		
Assets held for use under operating leases	97	96
Other fixed assets	<u>1,012</u>	<u>1,065</u>
	1,109	1,161
Amortisation:		
Programming library	106	142
Leasehold land	90	87
Other intangible assets	—	5
Total depreciation and amortisation	<u>1,305</u>	<u>1,395</u>
Impairment losses on fixed assets/programming library	—	29
Impairment loss on trade receivables	8	84
Staff costs	2,648	2,813
Auditors' remuneration:		
Audit services	18	21
Other services	5	4
Cost of trading properties sold	2,264	4,989
Rental charges under operating leases in respect of telecommunications equipment and services	90	98
Rental income less direct outgoings (Note)	(6,540)	(5,712)
Interest income	(92)	(324)
Dividend income from listed investments	(80)	(126)
Dividend income from unlisted investments	(100)	(94)
Loss on disposal of fixed assets	7	4
Rental income under operating leases in respect of owned plant and machinery	<u>(24)</u>	<u>(61)</u>

Note: Rental income included contingent rentals of HK\$814 million (2008: HK\$632 million).

4. PROFIT ON DISPOSAL OF INVESTMENT PROPERTIES

Profit on disposal of investment properties comprised profits of HK\$1,110 million on disposal of its entire 87.5% equity interests of Beijing Capital Times Square ("BCTS") by Wharf and HK\$126 million on disposal of Fitfort by WPL.

5. OTHER NET INCOME

	2009	2008
	HK\$ Million	HK\$ Million
Net profit on disposals of available-for-sale investments, certain subsidiaries and jointly controlled entities	222	133
Net foreign exchange gain/(loss) (Note)	97	(137)
Others	11	37
	330	33

Note: Net foreign exchange gain/(loss) included exchange gain of HK\$50 million (2008: exchange loss of HK\$220 million) arising from forward exchange contracts.

6. NET OTHER CHARGE

Net other charge mainly represented impairment loss on available-for-sale investments.

7. FINANCE COSTS

	2009	2008
	HK\$ Million	HK\$ Million
Interest charged on:		
Bank loans and overdrafts repayable within five years	388	965
Other borrowings repayable within five years	9	51
Bank loans repayable after five years	56	116
Other borrowings repayable after five years	119	119
Total interest charge	572	1,251
Other finance costs	101	67
Less: Amount capitalised	(233)	(235)
	440	1,083
Fair value cost/(gain):		
Cross currency interest rate swaps	315	508
Interest rate swaps	(360)	104
	395	1,695

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. INCOME TAX

Taxation charged to the consolidated income statement represents:

	2009	2008
	HK\$ Million	HK\$ Million
Current income tax		
Hong Kong		
Provision for the year	1,144	1,063
Underprovision in respect of prior years	162	254
Outside Hong Kong		
Provision for the year	497	422
Overprovision in respect of prior years	(63)	(241)
	<u>1,740</u>	<u>1,498</u>
Land appreciation tax (“LAT”) in Mainland China	<u>235</u>	<u>30</u>
Deferred tax		
Change in fair value of investment properties	2,482	495
Origination and reversal of temporary differences	171	117
Effect on decrease in tax rate on deferred tax balances	(19)	(812)
Tax released on disposal of investment properties	(510)	–
Benefit of previously unrecognised tax losses now recognised	(10)	(127)
	<u>2,114</u>	<u>(327)</u>
	<u>4,089</u>	<u>1,201</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% (2008: 16.5%).
- (b) Income tax on profits assessable outside Hong Kong is mainly China Income Tax calculated at a rate of 25%, China withholding income tax at a rate of 10% and Singapore Income Tax calculated at a rate of 17%.
- (c) Under the Provisional Regulations on LAT, all gains arising from transfer of real estate property in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights, borrowings costs and all property development expenditures.
- (d) Tax attributable to associates and jointly controlled entities for the year ended 31 December 2009 of HK\$54 million (2008: HK\$30 million) is included in the share of results after tax of associates and jointly controlled entities.

9. 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\$9,631 million (2008: HK\$3,432 million) and 2,032 million ordinary shares in issue throughout the years ended 31 December 2009 and 2008.

10. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2009	2008
	HK\$ Million	HK\$ Million
Interim dividend declared and paid of 2.5 cents (2008: 2.5 cents) per share	51	51
Final dividend of 10.0 cents (2008: 10.0 cents) per share proposed after the end of the reporting date	203	203
	254	254

(a) The proposed final dividend after the end of the reporting date has not been recognised as a liability at the end of the reporting date.

(b) The final dividend of HK\$203 million for 2008 was approved and paid in 2009.

11. TRADE AND OTHER RECEIVABLES

Included in this item are trade receivables (net of allowance for bad and doubtful debts) with an ageing analysis based on invoice dates as at 31 December 2009 as follows:

	2009	2008
	HK\$ Million	HK\$ Million
Trade receivables		
0 - 30 days	421	517
31 - 60 days	174	180
61 - 90 days	43	57
Over 90 days	110	67
	748	821
Accrued sales receivables	467	806
Other receivables	4,028	1,059
	5,243	2,686

Other receivables at 31 December 2009 included the remaining instalments of proceeds in total amount of HK\$2.5 billion in respect of disposal of BCTS, which have all been received subsequent to the reporting date.

Accrued sales receivables mainly represent property sales consideration to be billed or received after year end date. In accordance with the Group's accounting policy, upon receipt of the Temporary Occupation Permit or architect's completion certificate, the balance of sales consideration to be billed is included as accrued sales receivables.

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.

12. TRADE AND OTHER PAYABLES

Included in this item are trade payables with an ageing analysis as at 31 December 2009 as follows:

	2009	2008
	HK\$ Million	HK\$ Million
Amounts payable in the next:		
0 - 30 days	229	228
31 - 60 days	63	109
61 - 90 days	31	33
Over 90 days	80	54
	403	424
Rental and customer deposits	1,771	1,761
Construction costs payable	1,512	1,387
Other payables	2,771	3,031
	6,457	6,603

13. COMPARATIVE FIGURES

As a result of the application of HKAS 1 (Revised), Presentation of financial statements and HKFRS 8, Operating segments, certain comparative figures have been reclassified to conform to current year's presentation. Further details of these developments are disclosed in note 1.

14. REVIEW OF FINANCIAL STATEMENTS

The financial results for the year ended 31 December 2009 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 Tuesday, 8 June 2010 to Thursday, 10 June 2010, both days inclusive, during which period no transfer of shares of the Company can be registered. 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 Monday, 7 June 2010.

By Order of the Board

Wilson W. S. Chan

Company Secretary

Hong Kong, 23 March 2010

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.