

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



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

2010 Final Results Announcement

**Wheelock Properties privatisation  
sharpens the focus on Hong Kong Property Development**

**HIGHLIGHTS**

- Group net profit increased by 93% to HK\$20.2 billion. Earnings per share were HK\$9.94.
- Property development revenue grew by 103% to HK\$7.7 billion, operating profit rose by 88% to HK\$2.7 billion, operating margin at 36%.
- Privatisation of Wheelock Properties Ltd (“WPL”) was completed in July 2010 for HK\$6.9 billion in cash.
- WPL will spearhead the Group’s property development in Hong Kong, building from its current attributable land bank of 1.7 million square feet.
- Wheelock Properties (Singapore) Limited (“WPSL”) contributed HK\$3.6 billion of revenue and HK\$1.3 billion of operating profit on completion of Ardmore II and Orchard View in Singapore. Subsequent to the period, WPSL acquired a development site in Hangzhou, China for RMB1.4 billion, or an AV of RMB4,000 per square metre.
- Wharf’s attributable property portfolio in Hong Kong and Mainland China amounted to 15.1 million square feet and 12.0 million square metres (129 million square feet) respectively.
- Excluding non-wholly owned subsidiaries, the Group’s own debts amounted to HK\$10.0 billion as at 31 December 2010.
- Wharf raised HK\$10 billion through a rights issue in March 2011. The Company supported it in full with a HK\$5 billion subscription.

## **GROUP RESULTS**

Group profit attributable to equity shareholders increased by 93% to HK\$20,194 million. Earnings per share were HK\$9.94. Excluding the net attributable investment property revaluation surplus, the Group's net profit attributable to equity shareholders climbed by 13% to HK\$4,974 million.

## **DIVIDEND**

The Directors recommend a final dividend of HK\$0.10 (2009: HK\$0.10) per share, absorbing a sum of HK\$203 million (2009: HK\$203 million), to be paid on 16 June 2011. If this recommendation is approved by Shareholders, the total dividend for the year would amount to HK\$0.125 (2009: HK\$0.125) per share.

## **BUSINESS REVIEW**

### **Wheelock Properties Limited (“WPL”, a 100%-owned subsidiary)**

WPL, previously a 74%-owned listed subsidiary, became wholly owned by the Group in July 2010 by way of a scheme of arrangement.

#### **Hong Kong**

In March 2010, WPL acquired the development right of two land parcels atop the MTR Austin Station through a 50:50 joint venture with New World Development. The combined site has an area of 295,000 square feet, with 641,000 square feet of GFA attributable to the Group. The master layout plan and general building plan have been submitted for approval. Piling work is underway.

One Island South, the redevelopment at 2 Heung Yip Road in Aberdeen into a high-rise commercial building, has been certified for completion subsequent to the period. Of the total GFA of 812,800 square feet, 275,200 square feet were pre-sold in prior years, with another 417,600 square feet sold in early 2011 at an average selling price of over HK\$6,300 per square foot. The retail podium of 91,000 square feet will be held for investment.

Superstructure work for the residential development at 211-215C Prince Edward Road West, Ho Man Tin is on schedule. The development envisages a total GFA of 91,700 square feet. Premium for the lease modification has been agreed and execution of the relevant document is underway.

Foundation work for the residential development at 46 Belcher's Street, Western District is underway. The development offers a total GFA of 89,000 square feet.

90% of The Babington in the Mid-Levels, with a total GFA of 51,900 square feet, had been sold to realise proceeds of HK\$616 million.

On property investment, both properties in Central continued to perform well. Wheelock House was 99% leased. Crawford House was 99% and 95% leased for the office and retail areas respectively.

#### **Southern China**

WPL has four residential projects in Foshan in Guangdong Province undertaken through 50:50 joint ventures with China Merchants.

During 2010, more units were launched for Evian Town (依雲水岸) in Xincheng District (新城區), with 93% sold by year-end at an average price of RMB13,000 per square metre of GFA for total attributable proceeds of RMB585 million. Pre-sales of some townhouses in early 2011 generated attributable proceeds of RMB164 million at an average price of over RMB59,000 per square metre of GFA. Phases I and II of the development, with an attributable GFA of 126,400 square metres, have been completed, while construction of other phases, with an attributable GFA of 103,300 square metres, is underway. The entire development is scheduled for completion in 2013.

Evian Uptown (依雲上城), in Chancheng District (禪城區), launched five residential towers during 2010, with 99% sold by year end for total attributable proceeds of RMB225 million at an average price of RMB9,200 per square metre of GFA. Construction is underway with full completion in 2014.

During 2010, two projects were acquired by the 50:50 joint ventures with China Merchant. The first, 依雲曦城, located in the centre of Shishan Town (獅山鎮) and offering an attributable GFA of 155,000 square metres, was acquired in January for RMB680 million. It is planned for an upscale residential development with full completion in 2015.

The other development 依雲天匯 comprises two sites located at the western side of Nanhai (南海區) and offers a combined attributable GFA of 112,200 square metres. It was acquired by the joint venture in July for RMB1.1 billion. Construction has commenced with full completion scheduled in 2015.

#### **Wheelock Properties (Singapore) Limited (“WPSL”, a 75.8%-owned listed subsidiary)**

In accordance with Hong Kong Financial Reporting Standards, WPSL’s profit contribution to the Group was HK\$1,569 million (2009: HK\$736 million).

Wheelock Place, the prime commercial development in Orchard Road, continues to produce steady recurrent income. It was fully leased and occupied at the end of 2010.

Ardmore II, a prime residential development, was completed in June 2010. All 118 apartments had been sold at an average price of over S\$2,300 per square foot.

Orchard View, a luxury residential development comprising 30 four-bedroom apartments with private lift lobbies, was completed in May 2010. Nine units were sold by 31 December 2010 at an average price of over S\$3,200 per square foot.

Scotts Square is a prime residential development atop a retail complex located near Orchard Road. Over 76% of the apartments had been pre-sold at an average price of close to S\$4,000 per square foot as at 31 December 2010. The retail podium will be held for long term investment and pre-leasing has commenced, with a few key tenants, including *Hermes*, already secured and others under negotiation. Main construction is underway with scheduled completion in 2011.

Ardmore Three, a luxury project along Ardmore Park, is planned for redevelopment and sale. It will be an international-standard luxury residential development. Design has been finalised and construction will commence in 2011. A show-flat will be built on site for completion in late 2011.

In February 2011, WPSL acquired a prime project comprising five sites in Fuyang District (富陽市), 22 kilometres from the city centre of Hangzhou, China, for RMB1.4 billion. It is developable into 358,000 square metres of GFA of high-end residences with a nice mountain view. Design planning will commence.

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

Wharf’s profit attributable to shareholders for the year ended 31 December 2010 increased by 86% to HK\$35,750 million. Earnings per share were HK\$12.98.

### **Hong Kong**

#### ***Harbour City***

Harbour City (excluding hotels) turned over HK\$4,756 million in 2010, 6% higher than 2009. Operating profit grew by 7% to HK\$4,104 million. Excluding the three hotels which are stated at cost less accumulated depreciation, Harbour City was valued at HK\$80 billion at the end of 2010. Harbour City’s business assets represented 37% of that of the Group.

Total retail sales at Harbour City increased by 30% to reach HK\$20.3 billion in 2010, with per square foot sales in December surging to a record high of close to HK\$3,000. The sales growth at Harbour City was 12 percentage points higher than general Hong Kong retail sales, increasing its market share to an exceptional 6.3%. Turnover of Harbour City’s retail sector grew by 15% to HK\$2,928 million in 2010. Occupancy was maintained at virtually 100% with favourable rental growth.

Office occupancy at Harbour City climbed to 94% at the end of 2010 and spot rents have seen an upward trend throughout 2010. Turnover of the office sector in 2010, however, registered a decrease of 7% to HK\$1,553 million, reflecting the earlier market softness since the second half of 2008. Lease renewal retention held up well at 68%.

With increased occupancy, turnover for the serviced apartments sector grew by 8% to HK\$275 million. Occupancy at Gateway Apartments stood at 92% at year end.

#### ***Times Square***

Turnover of Times Square increased by 8% to HK\$1,533 million, and operating profit grew by 8% to HK\$1,345 million. Times Square was valued at HK\$30 billion at the end of 2010. Times Square’s total business assets represented 14% of the Group.

Total retail sales at Times Square grew by over 20% in 2010, outperforming the market by 2 percentage points. Retail revenue rose by 13% to HK\$1,076 million, with occupancy maintained at virtually 100% and favourable rental growth.

Office occupancy at Times Square increased to 96% at year end with a continuous pick-up in spot rents. However, reflecting the earlier softness of the market, 2010 turnover dropped by 3% to HK\$457 million. Lease renewal retention stood high at 74%.

#### ***Property Development***

In July 2010, a 50:50 joint venture with Nan Fung Group acquired the exclusive Mount Nicholson site for HK\$10.4 billion. Mount Nicholson is itself a ‘location brand name’ synonymous with the ultimate top social status and recognition, and its private half-mile road access provides the ultimate privacy. It is developable into an attributable GFA of 162,000 square feet of super deluxe residences. Construction will commence in 2011.

Cable TV Tower South is being re-developed into a high-rise industrial / loft building, with a total GFA of 585,000 square feet. Superstructure works are underway.

Kowloon Godown, with a site area of 166,000 square feet, was given approval for a residential and commercial development with a GFA of 829,000 square feet. Lease modification application is underway.

## **China**

Wharf's strategy to increase China assets to 50% of its assets is progressing well. At the end of 2010, 34% of Wharf's business assets were in the Mainland. Including acquisitions in early 2011, its attributable land bank has increased to 12.0 million square metres, moving Wharf closer to the next milestone of 15.0 million square metres. This land bank was acquired at a combined cost of RMB 61 billion, of which about RMB15 billion is not yet due for payment.

In 2010, turnover and operating profit of the China property investment segment decreased as a result of the sale of the Beijing Capital Times Square in 2009, and the renovation work at Chongqing Times Square during 2010. The investment properties were in aggregate valued at HK\$18.1 billion at the end of 2010.

Turnover for China property development grew by 18% to HK\$3,608 million in 2010. Operating profit increased by 22% to HK\$1,234 million. Profits recognised during the year primarily included contributions from Chengdu Times Residences, Chengdu Crystal Park, Wuxi Times City, No. 1 Xin Hua Road and Dalian Times No. 1 & 8.

### ***Property Investments***

Shanghai Wheelock Square, the tallest office building in Puxi overlooking Jing'an Park with a GFA of 114,000 square metres, was completed in May 2010. Over 60% of the space has been committed, and rental rates have increased strongly with the latest commitments at over RMB340 per square metre.

Unit retail sales at Dalian Times Square grew by 41% in 2010, with full occupancy at year end. Chongqing Times Square underwent substantial premises improvement work commencing in July 2010 and will re-open in May 2011. This will transform the previous department store into a modern shopping mall in a bid to stay ahead of competition.

Wharf has a pipeline of International Finance Centre (IFC) projects under development in the cities of Chengdu, Chongqing, Wuxi, Suzhou and Changsha, with a combined attributable GFA of 2.0 million square metres, to be rolled out between 2013 and 2016. This will multiply Wharf's recurrent income base in China.

Chengdu IFC, with a GFA of 439,000 square metres, comprises retail, Grade A offices, a 5-star hotel and luxury residences. Construction of Phase 1, which includes the retail complex and one office tower, is underway with scheduled completion in 2013.

Chongqing IFC, a 50:50 joint venture development with China Overseas Land & Investment ("COLI"), offers an attributable GFA of 223,000 square metres. The development will have an iconic 300-metre tower and four other towers atop a retail podium, comprising up-market retail, Grade A offices, a 5-star hotel and serviced apartments. Construction is underway with full completion scheduled in 2015.

Wuxi IFC, with a GFA of 280,000 square metres, will comprise a 340-metre tower, the tallest in Wuxi, and two other towers, offering Grade A offices, a 5-star hotel and luxurious residences. Construction is underway with scheduled completion in 2015.

Suzhou IFC, an 80%-owned joint venture by Wharf, is a 450-metre skyscraper landmark development with an attributable GFA of 351,000 square metres. It comprises Grade A offices, a 5-star hotel and luxury apartments, and will be the tallest building in Suzhou. The development is scheduled for completion in 2016.

In January 2011, Wharf acquired a prime site in Changsha for the development of Changsha IFC. The development will have two towers in excess of 300 metres high and another tower atop a 250,000 square metres retail podium, offering up-scale retail, Grade A offices, a 5-star hotel and luxury apartments, with a combined GFA of 700,000 square metres. The development is scheduled for completion in 2016.

### **Sales**

Wharf's property sales in China continued to gain pace, with nearly 540,000 square metres of properties sold in 2010 that generated attributable sales proceeds of RMB8.8 billion, 91% higher than 2009. Five new projects were launched during 2010 and all were met with solid response.

Changzhou Times Palace (常州時代上院) was launched in March 2010. In total, 98% of the 904 units offered in 2010 were sold by year end for total proceeds of RMB889 million. Shanghai Xiyuan (上海璽園) was launched in July, and 97% of the 264 units launched in 2010 were sold at an average selling price of RMB45,500 per square metre of GFA for total proceeds of RMB2.3 billion.

Suzhou Ambassador Villa (蘇州國賓一號) was launched in August, and 101 villas, or 91% of the units offered were sold by year end at an average selling price of over RMB41,000 per square metre of GFA for total proceeds of RMB1.5 billion. Wuxi Times Glory (無錫時代上河) was also launched in August, with 70% of the units offered were sold for total proceeds of RMB248 million.

Hangzhou Golf Landmark (杭州高爾夫藝墅), a 50:50 joint venture development with Jindu, launched its first phase in April 2010. 40% of the units offered in 2010 was sold for total attributable proceeds of RMB231 million.

For projects previously launched, more phases were released for sales during 2010, including units at Wuxi Times City, Chengdu Crystal Park and Chengdu Tian Fu Times Square. All were met with good demand.

The first new project launched in 2011 was the Tianjin Peaceland Cove (天津北寧灣) in He Bei Qu (河北區), with 95% of the units released in mid-February sold within a week at an average price of close to RMB13,000 per square metre of GFA. This is developed through a 50:50 joint venture with COLI.

### **Acquisitions**

Wharf continued expanding its land bank during 2010 with the acquisition of ten prime projects with a total attributable GFA of 1.48 million square metres for RMB14.6 billion. Total land bank increased to 10.6 million square metres by year end.

Wharf further acquired 4 projects in early 2011 with an attributable GFA of 1.43 million square metres for RMB10 billion. This increased the land bank to 12.0 million square metres, moving Wharf closer to the next milestone of 15.0 million square metres.

In 2010, Wharf acquired wholly-owned sites in Chenghua District (成華區) in Chengdu, Xiacheng District (下城區) in Hangzhou, a site in Wuhan on the southern side of Han River (漢江), sites in Xinbei District (新北區) in Changzhou, and two sites in Shanghai, one in Songjiang District (松江區) and another in Pudong District (浦東新區).

Wharf also acquired a site in He Bei Qu (河北區) in Tianjin through a 50:50 JV with COLI, a site in Jiangbei District (江北區) in Ningbo through a 50:50 JV with Younger Group of Ningbo and a site in Nanchang District (南長區) in Wuxi through a 40%-owned joint venture with Shanghai Forte and Shanghai Greenland.

In early 2011, Wharf acquired sites in Wu Chong District (吳中區) in Suzhou, the Changsha IFC site, and two sites in Hangzhou, one in Fuyang District (富陽市) and another in Yuhang District (余杭區).

### ***Properties under Development***

Wharf continues building a localised and sustainable organisation in the Mainland to manage the expanding property businesses. The Eastern China team has been fully localised and many of the successful projects launched in 2010 were handled by this team. Localisation of the Western China team continues. Wharf's strategy is to run its entire China property business locally in the Mainland in the medium term.

All projects under development are progressing according to plan.

### **Non-Property Businesses**

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

Modern Terminals consolidated revenue and operating profit increased by 15% to HK\$3,252 million and 31% to HK\$1,712 million respectively.

Modern Terminals' throughput in Hong Kong grew by 6% to 5.4 million TEUs. In China, container volume at Taicang International Gateway in Suzhou posted a robust growth of 44% to over 1.3 million TEUs. Da Chan Bay Phase One in Shenzhen put up a strong performance with throughput growth of 189% to reach 671K TEUs.

#### ***Marco Polo Hotels***

Wharf operates ten Marco Polo hotels in the Asia Pacific region. Total revenue for the hotels and club segment grew by 20% to HK\$1,156 million in 2010. Consolidated occupancy of the three Marco Polo hotels in Hong Kong soared to 85%, with a 26% increase in average room rates. Marco Polo Hotels was awarded "Best International Hotel Management Group of China" by China Hotel Starlight Awards in March 2011.

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

Turnover increased by 14% to HK\$2,002 million. Net loss, however, rose to HK\$267 million as a result of substantial content expenses incurred during 2010. Net cash at year end amounted to HK\$447 million. The exclusive content offerings, including Barclays Premier League, 2010 FIFA World Cup, 2010 Winter Olympics, together with the High Definition initiatives, attracted a 10% growth in pay TV subscribers to a record-breaking 1,100,000 at the end of 2010.

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

Year 2010 was a busy but exciting year for Wharf T&T, as the first key milestone was achieved for Wharf T&T's +EN ambitions to bring 'Fibre-To-The-Desk' (FTTD) to 95% of the business customers in the territory. Total revenue rose by 2% to HK\$1,680 million and an operating profit of HK\$201 million was reported, together with stable net cash inflow.

# FINANCIAL REVIEW

## (I) Review of 2010 Results

Group profit attributable to Shareholders increased by 93% over 2009 to an unprecedented level of HK\$20,194 million, resulting from sustained rental revenue growth, higher property sales recognised in the Mainland and Singapore and a substantial surplus on revaluation of the investment property portfolio. Group profit excluding the revaluation surplus also set a new record of HK\$4,974 million, for an increase of 13% over 2009.

### **Turnover and Operating Profit**

Group turnover increased by 28% to a record of HK\$24,186 million (2009: HK\$18,957 million) as higher property sales were recognised on completion of development properties in the Mainland and Singapore. All other segments also reported increase in revenue.

Group operating profit increased by 20% to a record of HK\$11,384 million (2009: HK\$9,507 million), with HK\$9,372 million (2009: HK\$8,554 million) contributed by The Wharf (Holdings) Limited (“Wharf”) and HK\$1,477 million (2009: HK\$204 million) by Wheelock Properties (Singapore) Limited (“WPSL”).

### ***Property Investment***

Revenue and operating profit both increased by 5% to HK\$9,206 million (2009: HK\$8,744 million) and HK\$6,970 million (2009: HK\$6,627 million) respectively. This reflects the underlying solid rental reversion and high occupancy for the retail areas. Hotels also recorded favourable results with both occupancy and average room rate much improved from a depressed 2009.

### ***Property Development***

Revenue and operating profit increased by 103% and 88% to HK\$7,676 million (2009: HK\$3,782 million) and HK\$2,740 million (2009: HK\$1,454 million) respectively. In Singapore, the Ardmore II and Orchard View projects were completed to enable revenue of HK\$3,629 million and operating profit of HK\$1,279 million to be recognised. Revenue and operating profit from the Mainland increased by 18% and 22% to HK\$3,608 million and HK\$1,234 million respectively, with major completions including Chengdu Times Residences at Tian Fu Times Square, No. 1 Xin Hua Road in Shanghai, Wxui Times City, Chengdu Crystal Park and Dalian Times No. 1 & 8.

### ***Logistics***

Revenue and operating profit increased by 11% and 26% to HK\$3,426 million (2009: HK\$3,091 million) and HK\$1,792 million (2009: HK\$1,418 million) respectively. This mainly reflected a 21% increase in consolidated volume throughput handled by Modern Terminals due partly to the global market recovery and partly to the building up of its developing port business in the Mainland.

### ***Communications, Media and Entertainment (“CME”)***

Revenue increased by 8% to HK\$3,682 million (2009: HK\$3,404 million) but an operating loss of HK\$62 million (2009: profit of HK\$163 million) was reported. Wharf T&T’s operating profit decreased by 6% to HK\$201 million while i-CABLE’s loss widened due to the substantial cost of mega sports events in 2010 including 2010 FIFA World Cup, 2010 Winter Olympics and 2010 Asian Games, as well as Barclays Premier League.

### ***Investment and Others***

Investment and other operating profit increased to HK\$362 million (2009: HK\$231 million), mainly due to an increase in dividend and interest income.

### **Increase in Fair Value of Investment Properties**

The book value of the Group's investment property portfolio as at 31 December 2010 totaled HK\$162.0 billion, with HK\$156.0 billion thereof stated at fair value based on independent valuation as at that date. That resulted in a revaluation surplus of HK\$30,839 million (2009: HK\$13,072 million), reflecting the strong performance and improving quality of the portfolio against the back drop of a low interest rate and stronger economic environment. The attributable net revaluation surplus of HK\$15,220 million (2009: HK\$6,051 million), after deducting related deferred tax and non-controlling interests in total of HK\$15,619 million (2009: HK\$7,021 million), was credited to the consolidated income statement.

Investment properties in the amount of HK\$6.0 billion which were not revalued were all 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.

### **Other Net Income**

Other net income for the year amounted to HK\$805 million (2009: HK\$154 million), including a one-off surplus of HK\$437 million from revaluation of the interests in Hong Kong Air Cargo Terminals Limited ("Hactl") on its becoming an associate of Wharf. Others mainly included profit on disposal of available-for-sale investments and write back of certain property provisions.

### **Finance Costs**

Finance costs charged to the consolidated income statement were HK\$1,089 million (2009: HK\$395 million). That included an unrealised mark-to-market loss of HK\$447 million (2009: unrealised gain of HK\$45 million) on the cross currency/interest rate swaps as measured in compliance with the prevailing accounting standard.

Excluding the unrealised mark-to-market impact on the swaps, finance costs, after capitalisation of HK\$299 million (2009: HK\$233 million), were HK\$642 million (2009: HK\$440 million).

### **Share of Results after Tax of Associates and Jointly Controlled Entities**

Share of profits of associates increased by 65% to HK\$387 million (2009: HK\$235 million), mainly attributable to the contribution from Hactl which became an associate during the year under review and profit recognised by an associate for property units sold in Foshan. Contribution from jointly controlled entities ("JCEs") was HK\$9 million (2009: HK\$75 million).

### **Income Tax**

Taxation charge was HK\$2,630 million (2009: HK\$2,307 million), which included deferred taxation of HK\$1,158 million (2009: HK\$683 million) provided for the revaluation surplus of investment properties located in the Mainland.

Excluding the above deferred tax, the tax charge was HK\$1,472 million (2009: HK\$1,624 million), which was after a tax write back of HK\$809 million by Wharf upon reaching a settlement with the Inland Revenue Department on various former tax disagreements.

### **Non-controlling Interests**

Profit attributable to non-controlling interests was HK\$19,511 million (2009: HK\$11,072 million), which was mainly attributable to profit of Wharf and WPSL.

### Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders increased by 93% to HK\$20,194 million (2009: HK\$10,459 million). Earnings per share were HK\$9.94 (2009: HK\$5.15).

Excluding the net investment property revaluation surplus after the associated deferred tax of HK\$15,220 million (2009: HK\$6,051 million), the Group's profit attributable to shareholders for the year was HK\$4,974 million (2009: HK\$4,408 million), an increase of 13% over 2009.

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

	<b>2010</b>	2009
Profit attributable to	<b>HK\$ Million</b>	HK\$ Million (restated)
Wharf group	<b>3,878</b>	3,769
WPSL group	<b>737</b>	29
Wheelock and other subsidiaries	<b>359</b>	610
Profit before investment property surplus	<b>4,974</b>	4,408
Investment property surplus (after deferred tax)	<b>15,220</b>	6,051
Profit attributable to equity shareholders	<b>20,194</b>	10,459

Wharf's profit for the year ended 31 December 2010 was HK\$35,750 million (2009: HK\$19,256 million). Excluding the net investment property surplus and related deferred tax, Wharf's net profit was HK\$7,905 million (2009: HK\$7,817 million), an increase of 1% over 2009.

WPSL's reported profit for the year ended 31 December 2010 was S\$316.2 million (2009: S\$262.3 million), based on the accounting standards accepted in Singapore. In accordance with Hong Kong Financial Reporting Standards, WPSL's contributed profit to the Group was HK\$1,569 million (2009: HK\$736 million), including the profits on pre-sales of Ardmore II and Orchard View recognised on their completion during the year under review.

### Early Adoption of the Amendments to HKAS 12, Income Taxes

The Group has early adopted the amendments to HKAS 12, Income taxes, as detailed in Note 1 to the financial statements. As a result of this change in accounting policy, deferred tax of HK\$4,777 million on revaluation gain was not required in the current year's results. Apart from this, the relevant accumulated deferred tax in the amount of HK\$14,402 million, including HK\$1,782 million provided for in 2009, was written back as prior year adjustments with certain comparatives restated. Shareholders equity as at 31 December 2009 has also been adjusted and restated with an increase of HK\$7,207 million or HK\$3.55 per share.

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

### Shareholders' and Total Equity

The Group's shareholders' equity increased by HK\$23.5 billion or 31% to HK\$100.4 billion (2009: HK\$76.9 billion), or HK\$49.40 per share (2009: HK\$37.85 per share) as at 31 December 2010.

Including the non-controlling interests, the Group's total equity increased by 22% to HK\$193.1 billion (2009: HK\$158.6 billion).

## Total Assets

The Group's total assets increased by 27% to HK\$285.1 billion (2009: HK\$224.8 billion). Total business assets, excluding bank deposits and cash, held-to-maturity investments, available-for-sale investments, deferred tax assets and other derivative financial assets, increased by 29% to HK\$245.0 billion (2009: HK\$189.8 billion).

The Group's Investment Property portfolio was HK\$162.0 billion, representing 66% of total business assets, which included Harbour City (excluding the three hotels) and Times Square in Hong Kong. Together, they valued at HK\$110.1 billion, representing 68% of the value of the portfolio.

Other major business assets included other properties and fixed assets of HK\$18.4 billion, interest in JCEs and associates (mainly for the Mainland property development and port projects) of HK\$23.1 billion and properties under development and held for sale of HK\$37.2 billion.

Geographically, the Group's business assets in the Mainland, mainly properties and terminals, increased to HK\$76.6 billion (2009: HK\$54.9 billion), representing 31% of the Group's total business assets.

## Debts and Gearing

The Group's net debt increased by HK\$19.2 billion to HK\$38.1 billion (2009: HK\$18.9 billion) as at 31 December 2010, which was made up of HK\$65.7 billion in debts and HK\$27.6 billion in bank deposits and cash. Excluding Wharf's net debt of HK\$32.7 billion, which is non-recourse to the Company and its other subsidiaries, and WPSL's net cash of HK\$4.6 billion, Wheelock's net debt was HK\$10.0 billion (2009: HK\$0.3 billion). Analysis of the net debt by group is as below:

	<b>2010</b>	2009
Net debt/(cash)	<b>HK\$ Million</b>	HK\$ Million
Wharf (excludes below subsidiaries)	<b>23,376</b>	9,392
Modern Terminals	<b>9,932</b>	10,742
Harbour Centre Development Ltd.	<b>(172)</b>	1,829
i-CABLE	<b>(447)</b>	(531)
Wharf group	<b>32,689</b>	21,432
WPSL group	<b>(4,571)</b>	(2,902)
Wheelock and other subsidiaries	<b>10,024</b>	348
Group	<b>38,142</b>	18,878

The ratio of net debt to total equity was 19.8% (2009: 11.9%) as at 31 December 2010.

In March 2011, Wharf completed a rights issue and received net proceeds of HK\$10.0 billion, of which HK\$5.0 billion was paid by Wheelock for its subscription.

## Finance and Availability of Facilities

The Group's available loan facilities and debt securities amounting to HK\$87.0 billion (2009: HK\$67.7 billion), of which HK\$65.7 billion were drawn, as at 31 December 2010 are analysed as below:

	<b>Available Facility HK\$ Billion</b>	<b>Total Debts HK\$ Billion</b>	<b>Undrawn Facility HK\$ Billion</b>
Wharf (excludes below subsidiaries)	48.3	36.1	12.2
Modern Terminals	14.9	10.1	4.8
Harbour Centre Development Ltd.	4.1	3.4	0.7
i-CABLE	0.3	—	0.3
Wharf group	67.6	49.6	18.0
WPSL group	1.3	0.6	0.7
Wheelock and other subsidiaries	18.1	15.5	2.6
Group	87.0	65.7	21.3

Of the above debts, HK\$24.3 billion (2009: HK\$15.8 billion) was secured by mortgage over certain properties under development, fixed assets and investments with total carrying value of HK\$80.7 billion (2009: HK\$72.6 billion).

The Group's debts were primarily denominated in Hong Kong dollars ("HKD"), United States dollars ("USD"), Renminbi ("RMB") and Singapore dollars ("SGD"). RMB and SGD borrowings were used to fund the Group's property development and port investments in the Mainland, 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 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 2010 of HK\$10.7 billion (2009: HK\$4.9 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 operating cash inflow before changes in working capital increased to HK\$12.3 billion (2009: HK\$10.5 billion). The changes in working capital resulted in net cash outflow of HK\$7.1 billion (2009: HK\$1.1 billion), primarily due to Wharf's payment for land and construction cost for trading properties under development in the Mainland. For investing activities, the Group reported a net cash outflow of HK\$16.6 billion (2009: HK\$6.0 billion), comprising HK\$6.9 billion used for privatisation of WPL, HK\$8.9 billion for investments in JCEs and associates and HK\$5.0 billion for purchase of financial investments but offset by balance of proceeds from disposal of Beijing Capital Times Square received in 2010.

## 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 2010 are analysed as follows:

Business Unit/Company	Expenditure for 2010 HK\$ Million	Commitments as at 31 December 2010	
		Authorised and Contracted for HK\$ Million	Authorised but not Contracted for HK\$ Million
<b>(a) Capital expenditure</b>			
Wharf group			
Property Investments	2,830	6,071	15,352
Wharf T&T	352	237	173
i-CABLE (73.8%-owned)	251	8	112
Modern Terminals (67.6%-owned)	260	474	1,344
	<u>3,693</u>	<u>6,790</u>	<u>16,981</u>
WPSL group	212	51	—
Wheelock and other subsidiaries	53	2	—
	<u>3,958</u>	<u>6,843</u>	<u>16,981</u>
<b>(b) Programming and others</b>			
	<u>93</u>	<u>1,761</u>	<u>142</u>
<b>(c) Trading properties under development</b>			
Wharf group	21,130	15,571	54,062
Subsidiaries (Mainland/Hong Kong)	13,394	10,980	37,060
JCEs and associates (Mainland/Hong Kong)	7,736	4,591	17,002
WPSL group			
Subsidiaries (Singapore)	1,269	221	—
Wheelock and other subsidiaries	2,657	1,105	4,819
Subsidiaries (Hong Kong)	784	333	1,042
JCEs and associates (Mainland/Hong Kong)	1,873	772	3,777
	<u>25,056</u>	<u>16,897</u>	<u>58,881</u>

The capital expenditure incurred for Wharf's Property Investment segment was mainly for the construction of its Shanghai Wheelock Square and Chengdu International Finance Centre. 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 project in the Mainland.

In addition to the capital expenditure, the Group also incurred HK\$25.1 billion of expenditures for the development of properties, of which HK\$21.1 billion was incurred by Wharf.

As at 31 December 2010, Wharf's total commitments for the development of properties for investment or trading purposes was about HK\$91.1 billion, including attributable land cost of HK\$15.2 billion payable by installment mainly from 2011 to 2013. These developments will be executed in stages in the forthcoming years. Excluding Wharf's, the Group's commitments to properties under development was about HK\$6.2 billion, mainly related to property development projects in Singapore, Hong Kong and the Mainland.

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

Subsequent to year-end 2010, Wharf acquired another four projects in Changsha, Suzhou and Hangzhou in the Mainland for a total attributable land cost of HK\$12.2 billion. WPSL also acquired one project in Hangzhou for a total attributable land cost of HK\$1.7 billion.

### **(III) Privatisation of WPL**

The privatisation of WPL, at a cancellation price of HK\$13 per share by way of a scheme of arrangement under Section 166 of the Companies Ordinance, became effective on 22 July 2010 and the total consideration of HK\$6,905 million was paid. Gain arising from the privatisation of HK\$1,088 million was recognised in equity in accordance with prevailing accounting standards.

### **(IV) Human Resources**

The Group had approximately 13,800 employees as at 31 December 2010, including about 2,200 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.

**CONSOLIDATED INCOME STATEMENT**  
**for the year ended 31 December 2010**

	Note	2010 HK\$ Million	2009 HK\$ Million (restated)
<b>Turnover</b>	2	<b>24,186</b>	18,957
Direct costs and operating expenses		<b>(9,705)</b>	(6,386)
Selling and marketing expenses		<b>(830)</b>	(777)
Administrative and corporate expenses		<b>(935)</b>	(982)
Operating profit before depreciation, amortisation, interest and tax		<b>12,716</b>	10,812
Depreciation and amortisation	3	<b>(1,332)</b>	(1,305)
<b>Operating profit</b>	2 & 3	<b>11,384</b>	9,507
Profit on disposal of investment properties	4	—	1,190
Increase in fair value of investment properties		<b>30,839</b>	13,072
Other net income	5	<b>805</b>	154
		<b>43,028</b>	23,923
Finance costs	6	<b>(1,089)</b>	(395)
Share of results after tax of:			
Associates		<b>387</b>	235
Jointly controlled entities		<b>9</b>	75
Profit before taxation		<b>42,335</b>	23,838
Income tax	7	<b>(2,630)</b>	(2,307)
<b>Profit for the year</b>		<b>39,705</b>	21,531
<b>Profit attributable to:</b>			
Equity shareholders		<b>20,194</b>	10,459
Non-controlling interests		<b>19,511</b>	11,072
		<b>39,705</b>	21,531
<b>Earnings per share</b>	8		
Basic		<b>HK\$9.94</b>	HK\$5.15
Diluted		<b>HK\$9.94</b>	HK\$5.15

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**for the year ended 31 December 2010**

	<b>2010</b>	<b>2009</b>
	<b>HK\$ Million</b>	<b>HK\$ Million</b> (restated)
<b>Profit for the year</b>	<u><b>39,705</b></u>	<u>21,531</u>
<b>Other comprehensive income</b>		
Exchange difference:	<b>2,426</b>	115
Exchange gain on translation of foreign operations	<b>2,426</b>	307
Transferred to consolidated income statement:		
– on disposal of an investment property	—	(119)
– others	—	(73)
Net revaluation reserves of available-for-sale investments:	<b>1,133</b>	2,483
Surplus on revaluation	<b>1,271</b>	2,388
Transferred to consolidated income statement:		
– on disposal	<b>(140)</b>	(31)
– impairment	<b>2</b>	126
Actuarial (loss)/gain on defined benefit pension schemes	<b>(8)</b>	274
Acquisition of additional interest in a subsidiary	<b>24</b>	—
Share of other comprehensive income of associates / jointly controlled entities	<b>335</b>	(10)
Others	<b>(8)</b>	(29)
<b>Other comprehensive income for the year</b>	<u><b>3,902</b></u>	<u>2,833</u>
<b>Total comprehensive income for the year</b>	<u><b>43,607</b></u>	<u>24,364</u>
<b>Total comprehensive income attributable to:</b>		
Equity shareholders	<b>22,640</b>	12,044
Non-controlling interests	<b>20,967</b>	12,320
	<u><b>43,607</b></u>	<u>24,364</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**at 31 December 2010**

	Note	2010 HK\$ Million	2009 HK\$ Million (restated)	2008 HK\$ Million (restated)
<b>Non-current assets</b>				
Investment properties		161,953	126,789	108,830
Other properties, plant and equipment		14,692	14,734	17,663
Leasehold land		3,718	3,788	4,203
Total fixed assets		<u>180,363</u>	<u>145,311</u>	<u>130,696</u>
Goodwill and other intangible assets		297	297	297
Interest in associates		6,574	5,513	5,438
Interest in jointly controlled entities		16,485	7,551	7,989
Available-for-sale investments		10,676	4,885	2,279
Long term receivables		27	284	411
Programming library		113	113	132
Employee retirement benefit assets		17	139	—
Deferred tax assets		550	432	484
Derivative financial assets		587	318	83
		<u>215,689</u>	<u>164,843</u>	<u>147,809</u>
<b>Current assets</b>				
Properties for sale		37,233	25,824	24,660
Inventories		113	107	112
Held-to-maturity investments		—	824	—
Trade and other receivables	10	4,344	5,243	2,686
Derivative financial assets		166	209	12
Bank deposits and cash		27,540	27,756	22,927
		<u>69,396</u>	<u>59,963</u>	<u>50,397</u>
<b>Current liabilities</b>				
Trade and other payables	11	(7,449)	(6,457)	(6,603)
Deposits from sale of properties		(9,928)	(6,225)	(3,537)
Derivative financial liabilities		(244)	(101)	(206)
Taxation payable		(1,423)	(1,653)	(1,582)
Bank loans and other borrowings		(16,362)	(9,049)	(4,955)
		<u>(35,406)</u>	<u>(23,485)</u>	<u>(16,883)</u>
<b>Net current assets</b>		<u>33,990</u>	<u>36,478</u>	<u>33,514</u>
<b>Total assets less current liabilities</b>		<u>249,679</u>	<u>201,321</u>	<u>181,323</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**at 31 December 2010**

	<b>2010</b>	2009	2008
	<b>HK\$ Million</b>	HK\$ Million	HK\$ Million
		(restated)	(restated)
<b>Non-current liabilities</b>			
Bank loans and other borrowings	(49,320)	(37,585)	(40,668)
Deferred tax liabilities	(5,413)	(3,868)	(3,599)
Other deferred liabilities	(283)	(262)	(262)
Derivative financial liabilities	(1,587)	(1,055)	(738)
Employee retirement benefit liabilities	—	—	(154)
	<u>(56,603)</u>	<u>(42,770)</u>	<u>(45,421)</u>
<b>NET ASSETS</b>	<b><u>193,076</u></b>	<b><u>158,551</u></b>	<b><u>135,902</u></b>
<b>Capital and reserves</b>			
Share capital	1,016	1,016	1,016
Reserves	99,356	75,882	64,092
<b>Shareholders' equity</b>	<b><u>100,372</u></b>	<b><u>76,898</u></b>	<b><u>65,108</u></b>
<b>Non-controlling interests</b>	<b><u>92,704</u></b>	<b><u>81,653</u></b>	<b><u>70,794</u></b>
<b>TOTAL EQUITY</b>	<b><u>193,076</u></b>	<b><u>158,551</u></b>	<b><u>135,902</u></b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. PRINCIPLE ACCOUNTING POLICIES AND BASIS OF PREPARATION

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) 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 2009 except the changes mentioned below.

The HKICPA has issued revised HKFRSs, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s financial statements:

HKFRS 3 (revised 2008)	Business combinations
Amendments to HKAS 27	Consolidated and separate financial statements
Amendment to HKAS 39	Financial instruments: Recognition and measurement – Eligible hedged items
Improvements to HKFRSs (2009)	
HK(Int) 5	Presentation of financial statements - Classification by the borrower of a term loan that contains a repayment on demand clause

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, with the exception of the amendments to HKAS 12, Income taxes, in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40, Investment property. The amendments are effective for annual periods beginning on or after 1 January 2012, but as permitted by the amendments, the Group has decided to adopt the amendments early.

The Group has applied the below new accounting standards, which have material financial impacts on the current or previous periods.

**(a)** Early adoption of the amendments to HKAS 12, Income taxes

The change in policy arising from the amendments to HKAS 12 had a material impact on the current or comparative periods. As a result of this change in policy, the Group now measures any deferred tax liability in respect of its investment properties with reference to the tax liability that would arise if the properties were disposed of at their carrying amounts at the reporting date. Previously, where these properties were held under leasehold interests, deferred tax was generally measured using the tax rate that would apply as a result of recovery of the asset’s value through use.

This change in policy has been applied retrospectively by restating the opening balances at 1 January 2009 and 2010, with consequential adjustments to comparatives for the year ended 31 December 2009. This has resulted in a reduction in the amount of deferred tax provided on valuation gain as follows:

	As previously reported HK\$ Million	Effect of adoption of amendments to HKAS 12 HK\$ Million	As restated HK\$ Million
<b>Consolidated income statement for the year ended 31 December 2009:</b>			
Profit on disposal of investment properties	(1,236)	46	(1,190)
Income tax expense	4,089	(1,782)	2,307
Profit attributable to:			
Non-controlling interests	10,164	908	11,072
Equity shareholders	9,631	828	10,459
Earnings per share	HK\$4.74	HK\$0.41	HK\$5.15
<b>Consolidated statement of financial position as at 31 December 2009:</b>			
Deferred tax liabilities	18,270	(14,402)	3,868
Revenue reserves	63,374	7,203	70,577
Exchange and other reserves	1,804	4	1,808
Non-controlling interests	74,458	7,195	81,653
<b>Consolidated statement of financial position as at 1 January 2009:</b>			
Deferred tax liabilities	16,258	(12,659)	3,599
Revenue reserves	53,906	6,375	60,281
Non-controlling interests	64,510	6,284	70,794

- (b) The HKFRS 3 (revised 2008) (“revised HKFRS 3”) introduces a number of changes to the accounting for business combinations, including the requirement that where a business combination is achieved in stages, the existing interest in the acquiree should be re-measured at fair value at the acquisition date and any resulting gain or loss recognised in the consolidated income statement. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

The acquisition of additional equity interests in Hong Kong Air Cargo Terminals Limited (“Hactl”) by The Wharf (Holdings) Limited in May 2010 has been accounted for in accordance with the revised HKFRS 3 and the HKAS 27 (amended 2008) (“revised HKAS 27”). This has resulted in the remeasurement of its previously held interests in Hactl to fair value and the recognition of a gain of HK\$437 million in the consolidated income statement for the year ended 31 December 2010 (note 5).

- (c) As a result of the adoption of revised HKAS 27 which is applied as from 1 January 2010, the Group accounts for any changes in a parent company’s interest in subsidiaries that do not result in changes of control to be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised or remeasured as a result of such transactions. A gain or loss on disposal will be recognised in the consolidated income statement only if the disposal results in a loss of control of a subsidiary. Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.

The privatisation of Wheelock Properties Limited has been accounted for in accordance with the revised HKAS 27. This has resulted in the recognition of a gain of HK\$1,088 million directly in equity for the year ended 31 December 2010.

## 2. SEGMENT INFORMATION

The Group manages its diversified businesses according to the nature of services and products provided. Management has determined four reportable operating segments for measuring performance and allocating resources. The segments are property investment, property development, logistics, and communications, media and entertainment (“CME”). 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 apartments and hotels, is primarily located in Hong Kong, Mainland 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, Mainland China and Singapore.

Logistics segment mainly includes the container terminal operations of Modern Terminals Limited (“Modern Terminals”), Hong Kong Air Cargo Terminals Limited and other public transport operations.

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.

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 business assets principally comprise all tangible assets, intangible assets and current assets directly attributable to each segment with the exception of bank deposits and cash, financial investments, deferred tax assets and other derivative financial assets.

Revenue and expenses are allocated with reference to sales generated by those segments and expenses incurred by those segments or which arise from the depreciation of assets attributable to those segments.

Investment and others which was determined to be a segment in prior periods is no longer classified as a segment during the current year to conform to internal management reporting and comparative figures have been reclassified to conform to current year’s presentation accordingly.

## (a) Analysis of segment revenue and results

	Turnover HK\$ Million	Operating profit/ (loss) HK\$ Million	Profit on disposal of investment properties HK\$ Million	Increase in fair value of investment properties HK\$ Million	Other net income HK\$ Million	Finance costs HK\$ Million	Associates HK\$ Million	Jointly controlled entities HK\$ Million	Profit before taxation HK\$ Million
For the year ended 2010									
Property investment	9,206	6,970	–	30,839	87	(402)	–	–	37,494
Hong Kong	7,313	6,204	–	28,184	–	(293)	–	–	34,095
Mainland China	470	223	–	2,341	87	(101)	–	–	2,550
Singapore	267	212	–	314	–	–	–	–	526
Hotels	1,156	331	–	–	–	(8)	–	–	323
Property development	7,676	2,740	–	–	201	(95)	49	(39)	2,856
Hong Kong	439	224	–	–	138	–	18	–	380
Mainland China	3,608	1,234	–	–	63	(95)	31	(39)	1,194
Singapore	3,629	1,282	–	–	–	–	–	–	1,282
Logistics	3,426	1,792	–	–	447	(189)	379	48	2,477
Terminals	3,252	1,712	–	–	10	(189)	224	48	1,805
Others	174	80	–	–	437	–	155	–	672
CME	3,682	(62)	–	–	1	–	(41)	–	(102)
i-CABLE	2,002	(250)	–	–	1	–	(41)	–	(290)
Telecommunications	1,680	201	–	–	–	–	–	–	201
Others	–	(13)	–	–	–	–	–	–	(13)
Inter-segment revenue	(377)	–	–	–	–	–	–	–	–
Segment total	23,613	11,440	–	30,839	736	(686)	387	9	42,725
Investment and others	573	362	–	–	69	(403)	–	–	28
Corporate expenses	–	(418)	–	–	–	–	–	–	(418)
Group total	24,186	11,384	–	30,839	805	(1,089)	387	9	42,335

For the year ended 2009

Property investment	8,744	6,627	1,190	13,072	(39)	(341)	–	–	20,509
Hong Kong	6,951	5,870	80	10,854	11	(284)	–	–	16,531
Mainland 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
Mainland China	3,065	1,012	–	–	44	(22)	19	41	1,094
Singapore	–	32	–	–	–	–	–	–	32
Logistics	3,091	1,418	–	–	–	11	217	34	1,680
Terminals	2,840	1,307	–	–	–	11	217	34	1,569
Others	251	111	–	–	–	–	–	–	111
CME	3,404	163	–	–	–	–	–	–	163
i-CABLE	1,754	(48)	–	–	–	–	–	–	(48)
Telecommunications	1,650	213	–	–	–	–	–	–	213
Others	–	(2)	–	–	–	–	–	–	(2)
Inter-segment revenue	(456)	–	–	–	–	–	–	–	–
Segment total	18,565	9,662	1,190	13,072	5	(352)	235	75	23,887
Investment and others	392	231	–	–	149	(43)	–	–	337
Corporate expenses	–	(386)	–	–	–	–	–	–	(386)
Group total	18,957	9,507	1,190	13,072	154	(395)	235	75	23,838

**(b) Analysis of inter-segment revenue**

	<b>Total Revenue HK\$ Million</b>	<b>2010 Inter- segment revenue HK\$ Million</b>	<b>Group Revenue HK\$ Million</b>	<b>Total Revenue HK\$ Million</b>	<b>2009 Inter- segment revenue HK\$ Million</b>	<b>Group Revenue HK\$ Million</b>
Property investment	<b>9,206</b>	<b>(158)</b>	<b>9,048</b>	8,744	(173)	8,571
Property development	<b>7,676</b>	—	<b>7,676</b>	3,782	—	3,782
Logistics	<b>3,426</b>	—	<b>3,426</b>	3,091	—	3,091
CME	<b>3,682</b>	<b>(143)</b>	<b>3,539</b>	3,404	(158)	3,246
Investment and others	<b>573</b>	<b>(76)</b>	<b>497</b>	392	(125)	267
	<b>24,563</b>	<b>(377)</b>	<b>24,186</b>	19,413	(456)	18,957

**(c) Analysis of segment business assets**

	<b>2010 HK\$ Million</b>	<b>2009 HK\$ Million</b>
Property investment	<b>163,699</b>	130,936
Hong Kong	<b>137,370</b>	108,629
Mainland China	<b>18,438</b>	15,503
Singapore	<b>6,905</b>	5,866
Hotels	<b>986</b>	938
Property development	<b>57,937</b>	35,530
Hong Kong	<b>7,827</b>	3,598
Mainland China	<b>45,156</b>	26,198
Singapore	<b>4,954</b>	5,734
Logistics	<b>19,210</b>	19,008
Terminals	<b>18,503</b>	18,736
Others	<b>707</b>	272
CME	<b>4,132</b>	4,367
i-CABLE	<b>1,510</b>	1,753
Telecommunications	<b>2,622</b>	2,613
Others	—	1
Total segment business assets	<b>244,978</b>	189,841
Unallocated corporate assets	<b>40,107</b>	34,965
Total assets	<b>285,085</b>	224,806

Unallocated corporate assets mainly comprise financial investments, deferred tax assets, bank deposits and cash and other derivative financial assets.

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

	<b>2010</b>	2009
	<b>HK\$ Million</b>	HK\$ Million
Property development	<b>18,331</b>	<b>8,964</b>
Logistics	<b>4,728</b>	<b>4,062</b>
CME	<b>—</b>	<b>38</b>
	<hr/>	<hr/>
Group total	<b><u>23,059</u></b>	<b><u>13,064</u></b>

**(d) Other information**

	Capital expenditure		Increase in interests in associates and jointly controlled entities		Depreciation and amortisation	
	<b>2010</b>	2009	<b>2010</b>	2009	<b>2010</b>	2009
	<b>HK\$</b>	HK\$	<b>HK\$</b>	HK\$	<b>HK\$</b>	HK\$
	<b>Million</b>	Million	<b>Million</b>	Million	<b>Million</b>	Million
Property investment	<b>3,093</b>	1,654	—	—	<b>137</b>	128
Hong Kong	<b>565</b>	191	—	—	<b>19</b>	21
Mainland China	<b>2,215</b>	1,387	—	—	<b>23</b>	25
Singapore	<b>212</b>	59	—	—	<b>2</b>	2
Hotels	<b>101</b>	17	—	—	<b>93</b>	80
Property development	—	—	<b>9,592</b>	1,787	—	—
Hong Kong	—	—	<b>3,799</b>	—	—	—
Mainland China	—	—	<b>5,793</b>	1,787	—	—
Logistics	<b>262</b>	864	<b>17</b>	1	<b>460</b>	421
Terminals	<b>260</b>	862	<b>2</b>	1	<b>455</b>	414
Others	<b>2</b>	2	<b>15</b>	—	<b>5</b>	7
CME	<b>603</b>	548	—	—	<b>735</b>	756
i-CABLE	<b>251</b>	261	—	—	<b>347</b>	364
Telecommunications	<b>352</b>	287	—	—	<b>388</b>	392
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Group total	<b><u>3,958</u></b>	<u>3,066</u>	<b><u>9,609</u></b>	<u>1,788</u>	<b><u>1,332</u></b>	<u>1,305</u>

In addition, CME segment incurred HK\$93 million (2009: HK\$87 million) for its programming library. The Group has no significant non-cash expenses other than depreciation and amortisation.

(e) Geographical information

	Revenue		Operating Profit	
	2010	2009	2010	2009
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	<b>15,474</b>	14,717	<b>8,469</b>	8,316
Mainland China	<b>4,711</b>	3,917	<b>1,228</b>	917
Singapore	<b>4,001</b>	323	<b>1,687</b>	274
Group total	<b>24,186</b>	18,957	<b>11,384</b>	9,507

	Specified non-current assets		Total business assets	
	2010	2009	2010	2009
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	<b>151,338</b>	118,632	<b>156,515</b>	123,270
Mainland China	<b>45,616</b>	34,621	<b>76,604</b>	54,964
Singapore	<b>6,905</b>	5,816	<b>11,859</b>	11,607
Group total	<b>203,859</b>	159,069	<b>244,978</b>	189,841

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.

The geographical location of revenue and operating profit are analysed based on the location at which services are provided and in case of equity instruments, where they are listed. The geographical location of specified non-current assets and total business assets are based on the physical location of operations.

### 3. OPERATING PROFIT

	2010 HK\$ Million	2009 HK\$ Million
Operating profit is arrived at after charging/(crediting):		
Depreciation and amortisation on		
– assets held for use under operating leases	118	97
– other fixed assets	1,029	1,012
– leasehold land	92	90
– programming library	93	106
Total depreciation and amortisation	<u>1,332</u>	<u>1,305</u>
Impairment loss on trade receivables	1	8
Staff costs	2,704	2,648
Auditors' remuneration		
– audit services	21	18
– other services	5	5
Cost of trading properties sold	4,678	2,264
Rental charges under operating leases in respect of telecommunications equipment and services	98	90
Rental income less direct outgoings (Note)	(6,782)	(6,540)
Interest income	(185)	(92)
Dividend income from listed investments	(146)	(80)
Dividend income from unlisted investments	(70)	(100)
(Profit)/loss on disposal of fixed assets	(5)	7
Rental income under operating leases in respect of owned plant and machinery	<u>(20)</u>	<u>(24)</u>

Note: Rental income included contingent rentals of HK\$1,066 million (2009: HK\$814 million).

### 4. PROFIT ON DISPOSAL OF INVESTMENT PROPERTIES

The profit for the year 2009 was derived from the disposal of its entire 87.5% equity interests of Beijing Capital Times Square by The Wharf (Holdings) Limited and the disposal of Fitfort, a shopping mall, by Wheelock Properties Limited.

### 5. OTHER NET INCOME

Other net income for the year 2010 amounted to HK\$805 million (2009: HK\$154 million), mainly including:

- (a) A one-off surplus of HK\$437 million (2009: HK\$Nil) on revaluation of the interests in Hong Kong Air Cargo Terminals Limited on its becoming an associate of The Wharf (Holdings) Limited.
- (b) Net profit on disposal of available-for-sale investments of HK\$178 million (2009: HK\$134 million) which included a revaluation surplus, before deduction of non-controlling interests, of HK\$140 million (2009: HK\$31 million) transferred from the investments revaluation reserves.
- (c) Net foreign exchange loss of HK\$63 million (2009: gain of HK\$97 million) which included the impact of forward foreign exchange contracts.

- (d) A write-back of provision for properties of HK\$138 million (2009: HK\$Nil).
- (e) Impairment loss on available-for-sale investments of HK\$2 million (2009: HK\$126 million).

## 6. FINANCE COSTS

	2010 HK\$ Million	2009 HK\$ Million
Interest charged on:		
Bank loans and overdrafts		
– repayable within five years	450	388
– repayable after five years	151	56
Other borrowings		
– repayable within five years	6	9
– repayable after five years	167	119
Total interest charge	<u>774</u>	<u>572</u>
Other finance costs	167	101
Less: Amount capitalised	<u>(299)</u>	<u>(233)</u>
	<b>642</b>	<b>440</b>
Fair value cost/(gain):		
Cross currency interest rate swaps	574	315
Interest rate swaps	<u>(127)</u>	<u>(360)</u>
	<b><u>1,089</u></b>	<b><u>395</u></b>

## 7. INCOME TAX

Taxation charged to the consolidated income statement represents:

	2010 HK\$ Million	2009 HK\$ Million (restated)
<b>Current income tax</b>		
Hong Kong		
– provision for the year	1,270	1,144
– (over)/underprovision in respect of prior years	(809)	162
Outside Hong Kong		
– provision for the year	476	497
– under/(over) provision in respect of prior years	39	(63)
	<u>976</u>	<u>1,740</u>
<b>Land appreciation tax (“LAT”)</b>	<u>302</u>	<u>235</u>
<b>Deferred tax</b>		
Change in fair value of investment properties	1,158	683
Origination and reversal of temporary differences	243	171
Effect on decrease in tax rate on deferred tax balances	—	(2)
Tax released on disposal of investment properties	—	(510)
Benefit of previously unrecognised tax losses now recognised	(49)	(10)
	<u>1,352</u>	<u>332</u>
	<b><u>2,630</u></b>	<b><u>2,307</u></b>

- (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% (2009: 16.5%).
- (b) Income tax on profits assessable outside Hong Kong is mainly China corporate 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 2010 of HK\$105 million (2009: HK\$54 million) is included in the share of results after tax of associates and jointly controlled entities.
- (e) The Wharf (Holdings) Limited reached a settlement with the Inland Revenue Department of HKSAR on various tax disagreements in respect of the deductibility of interest expenses and the concerned over-provisions made in previous years totalling HK\$809 million was written back.

## 8. EARNINGS PER SHARE

The calculation of earnings per share is based on profit attributable to equity shareholders for the year of HK\$20,194 million (2009: HK\$10,459 million as restated) and 2,032 million ordinary shares in issue throughout the years ended 31 December 2010 and 2009.

There were no potential diluted ordinary shares in existence during the years ended 31 December 2010 and 2009.

## 9. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	<b>2010</b>	2009
	<b>HK\$ Million</b>	HK\$ Million
Interim dividend declared and paid of 2.5 cents (2009: 2.5 cents) per share	<b>51</b>	51
Final dividend of 10.0 cents (2009: 10.0 cents) per share proposed after the end of the reporting period	<b>203</b>	203
	<b><u>254</u></b>	<u>254</u>

- (a) The proposed final dividend after the end of the reporting period has not been recognised as a liability at the end of the reporting period.
- (b) The final dividend of HK\$203 million for 2009 was approved and paid in 2010.

## 10. 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 date as at 31 December 2010 as follows:

	2010 HK\$ Million	2009 HK\$ Million
Trade receivables		
0 - 30 days	592	421
31 - 60 days	113	174
61 - 90 days	52	43
Over 90 days	61	110
	<u>818</u>	<u>748</u>
Accrued sales receivables	655	467
Other receivables	2,871	4,028
	<u>4,344</u>	<u>5,243</u>

Accrued sales receivables mainly represent property sales consideration to be billed or received after the reporting period. 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. All the receivables are expected to be virtually recoverable within one year.

## 11. TRADE AND OTHER PAYABLES

Included in this item are trade payables with an ageing analysis as at 31 December 2010 as follows:

	2010 HK\$ Million	2009 HK\$ Million
Amounts payable in the next:		
0 - 30 days	260	229
31 - 60 days	139	63
61 - 90 days	45	31
Over 90 days	147	80
	<u>591</u>	<u>403</u>
Rental and customer deposits	1,943	1,771
Construction costs payable	2,197	1,512
Other payables	2,718	2,771
	<u>7,449</u>	<u>6,457</u>

## 12. COMPARATIVE FIGURES

As a result of the adoption of the amendments to HKAS 12, Income taxes, certain comparative figures have been adjusted to reflect the decrease in accrual of deferred tax liabilities related to investment properties carried at fair value. Further details of these developments are disclosed in note 1.

### **13. EVENT AFTER THE REPORTING PERIOD**

In March 2011, The Wharf (Holdings) Limited completed a rights issue by issuing 275,386,120 new ordinary shares of HK\$1 each at a subscription price of HK\$36.50 per rights share, and received net proceeds of approximately HK\$10.0 billion, of which HK\$5.0 billion was paid by Wheelock for its subscription. The Group's equity interest in The Wharf (Holdings) Limited remained unchanged at 50.02% after the rights issue.

### **14. REVIEW OF FINANCIAL STATEMENTS**

The financial results for the year ended 31 December 2010 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.

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

During the financial year ended 31 December 2010, 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.

### **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, 7 June 2011 to Thursday, 9 June 2011, both days inclusive, during which period no share transfers can be registered. In order to qualify for the abovementioned final dividend (which is subject to approval by Shareholders at the forthcoming Annual General Meeting of the Company to be held on 9 June 2011), 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 Friday, 3 June 2011.

By Order of the Board

**Wilson W. S. Chan**

*Company Secretary*

Hong Kong, 23 March 2011

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. Peter K. C. Woo, Mr. Stephen T. H. Ng, Mr. Paul Y. C. Tsui and Mr. Ricky K. Y. Wong, together with five Independent Non-executive Directors, namely, Mr. Alexander S. K. Au, Mr. B. M. Chang, Mr. Herald L. F. Lau, Mr. Kenneth W. S. Ting and Mr. Glenn S. Yee.*