THE WHARF (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)
(STOCK CODE: 4)

Building for Tomorrow

2008 RESULTS ANNOUNCEMENT

HIGHLIGHTS OF GROUP RESULTS

- Group turnover slipped by 2% to HK$ 15,940 million (2007: HK$16,208 million) with strong recurrent rental income substantially covering lower property sales.

- Group operating profit decreased by 20% to HK$7,639 million (2007: HK$9,516 million) due to lower contribution from property sales and an exceptionally large profit from investment disposal in 2007.

- Property Investment reported robust increases in revenue and operating profit of 16% and 18% to record highs of HK$7,606 million (2007: HK$6,539 million) and HK$5,551 million (2007: HK$4,701 million) respectively. Operating profit from Harbour City and Times Square rose by HK$659 million (or 21%) and HK$156 million (or 16%) respectively.

- Property Development revenue and operating profit declined to HK$710 million (2007: HK$2,336 million) and HK$84 million (2007: HK$1,127 million) respectively, due to the decrease in property sales recognised in both Hong Kong and China.

- Logistics revenue rose by 7% to HK$3,875 million (2007: HK$3,625 million) but operating profit fell by 8% to HK$1,763 million (2007: HK$1,914 million) owing to start-up losses reported by Modern Terminals for its terminals in China. However, contributions from joint ventures substantially restored Modern Terminals' net profit to last year's level.

- CME's revenue slipped by 1% to HK$3,751 million (2007: HK$3,797 million). Operating profit decreased 33% to HK$244 million (2007: HK$365 million).

- Net surplus (after tax) on revaluation of the investment properties decreased significantly to HK$2,053 million (2007: HK$7,196 million).

- Including the net investment property revaluation surplus, profit attributable to shareholders decreased by 52% to HK$6,247 million (2007:HK$13,143 million).

- Excluding the net investment property revaluation surplus, profit attributable to shareholders decreased by 29% to HK$4,194 million (2007: HK$5,947 million).

- Earnings per share decreased by 56% to HK$2.28 (2007: HK$5.17).

- Final dividend of HK$0.44 per share (2007: HK$0.44 per share) is recommended, resulting in total dividend for the year of HK$0.80 per share (2007: HK$0.80 per share).

- Shareholders' equity was strengthened by the HK$9.1 billion rights issue completed in early 2008 and increased by 15% to HK$99.5 billion (2007: HK$86.4 billion), equivalent to HK$36.13 per share (2007: HK$35.28 per share).

- Ratio of net debt to total equity was 20.9% (2007: 25.6%).

GROUP RESULTS

The Group's profit attributable to equity shareholders decreased by 52% to HK$6,247 million (2007: HK$13,143 million). Earnings per share were HK$2.28, based on weighted average of 2,745 million shares after taking the effect of the Rights Issue (2007: HK$5.17 based on 2,543 million shares as restated for the Rights Issue).

Excluding the net investment property revaluation surplus after deferred tax of HK$1,363 million (2007: HK$7,196 million) and the credit adjustment of HK$690 million resulting from the 1% reduction in Hong Kong profits tax rate, the Group's net profit attributable to equity shareholders would be HK$4,194 million (2007: HK$5,947 million), a decrease of 29% over 2007.

DIVIDENDS

An interim dividend in respect of the year ended 31 December 2008 of HK$0.36 (2007: HK$0.36) per share was paid on 30 September 2008, absorbing a total amount of HK$991 million (2007: HK$881 million). The Directors have recommended for adoption at the Annual General Meeting to be held on Friday, 5 June 2009 the payment on 10 June 2009 to shareholders registered on 5 June 2009 of a final dividend in respect of the year ended 31 December 2008 of HK$0.44 (2007: HK$0.44) per share, absorbing a total amount of HK$1,212 million (2007: HK$1,212 million). If this recommendation is approved, the total dividend for the year 2008 would amount to HK$0.80 (2007: HK$0.80) per share.

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENT REVIEW

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

Harbour City
Harbour City achieved a turnover of HK$5,068 million during the year for an increase of 17% over 2007, while its operating profit grew by 21% to HK$3,726 million. Excluding the three hotels which are stated at cost less accumulated depreciation, Harbour City was valued at HK$56,268 million at the end of 2008, which represented 33% of total Group assets.

Retail
The retail market held up well in the first half of 2008. However, worsening economic outlook has depressed the market since the second half. Inbound tourism also slowed towards the end of the year. Visitor arrivals grew mildly by 4.7% to 29.5 million for the year. Despite the adverse external environment, turnover of Harbour City's retail sector grew by 22% to HK$2,166 million. As at the end of 2008, retail occupancy at Harbour City was committed at 99% while rental grew favourably. Tenants at Harbour City, the largest "shoppertainment" destination in town, continued to achieve an 18% year-on-year growth in average sales. Shoppers' foot traffic for the year grew by 7% to 80 million and total sales in 2008 set a new record at HK$13.4 billion. Average sales per square foot in December surged to a record high of over HK$1,900.

Harbour City has been a hub for international luxurious fashion brands in Hong Kong and remained one of the most sought-after shopping malls for retailers. In March 2008, *Louis Vuitton* expanded its store at Harbour City to three levels, which made it the second largest LV store in the world after the main store at Champs Elysees in Paris, France. *Hermes* boutique in December 2008 opened a store of 5,300 square feet along Canton Road. In addition to these notable recruitment / expansion, a host of new and international designers' labels such as *Custo, Barcelona, M Missoni*, etc, were recruited during the year to enrich the tenant portfolio. Harbour City also attracted a series of celebrated labels that are opening their respective first standalone shops in Hong Kong, such as *Stella McCartney, Stephen Webster, 45rpm*, *Burberry Kids* etc. The Food and Beverage sector at Harbour City has been further fine-tuned, with recruitment of *New York Fries*, *Mazazu Crepe* and *BLT Steak* which opened their respective first outlets in Hong Kong. The first two were opened in mid December 2008 while the latter in mid January 2009.

Riding on its excellent management, win-win tenant-landlord partnership concept and constant trade-mix enhancement, Harbour City performed solidly despite the deteriorating economic environment. Good clustering and segmenting review, together with powerful marketing and promotion programmes enabled Harbour City to continuously excel and stay ahead in the marketplace. Vibrant promotions at Harbour City, including the Christmas festive decorations and Chinese New Year decorations remained to be popular events for many locals and an attraction to tourists from the Mainland and overseas. Harbour City will continue to launch massive and sales-driven promotion activities and brand-mix revamp plan to fortify its competitive edges.

Office

The office leasing market held up firmly in the first half but turned sluggish towards the fourth quarter of 2008 on waning demand from banking and finance sectors following the deepened global financial turmoil. Nevertheless, the office sector at Harbour City on the back of the continuing strong rental reversion performed satisfactorily. Turnover grew by 19% to HK$1,585 million. Demand for office space during the year continued to be supported by business expansion, and decentralisation.

Office occupancy at Harbour City was committed at 96% at the end of December 2008. About 55% of the new lettings during the year were in-house expansions, including *Zurich Life Insurance, AIA, Estee Lauder, All Nippon Airways, Coach,* etc.

In 2008, an increasing trend of decentralisation from core office areas to the Kowloon side was unveiled. Given its advantageous location, ideal transportation network and vicinity, Harbour City benefited from the trend and has attracted a host of commercial banks and airline companies, such as *Taiwan Business Bank, Mitsubishi UFJ, All Nippon Airways and Asiana Airlines* to relocate from the core district during the year. These newly recruited airline companies have formed a cluster with *Cathay Pacific Airways*, *United Airlines* and *Japan Airlines* at Harbour City. Recently, *Sony Corporation* relocated its 3-floor office from The Lee Gardens to the Gateway, occupying approximately 48,000 square feet at Harbour City.

Despite the deteriorating economic outlook, lease renewal retention rate at Harbour City held up well at 73% during the year with favourable rental increment. This included a series of anchor tenants such as *Mattel, Hasbro, Sun Life, Nike, Pioneer,* etc. Harbour City continues to be a natural choice for multinational, Mainland and local enterprises. To stay ahead in the increasingly competitive marketplace, the leasing and property management teams will further improve the premises and be flexible to the market changes. Maintaining a healthy occupancy level will be of the Group's top priority.

Serviced Apartments

Turnover for the serviced apartments grew by 12% to HK$275 million with an increase in rental rates but partially offset by a drop in occupancy.

At the end of December 2008, committed occupancy at Gateway Apartments dropped to 87% (2007: over 90%) owing to the unfavourable economic conditions. Large units of 2-Bedroom and 3-Bedroom apartments continued to enjoy full occupancy.

Times Square
Times Square, another core asset of the Group, turned over HK$1,311 million during 2008, for an increase of 15% over 2007. Operating profit increased by 16% to HK$1,124 million. Times Square was valued at HK$22,000 million at the end of 2008, which represented 13% of total Group assets.

Retail
Turnover from Times Square's retail sector was up by 13% to HK$871 million.

Average retail occupancy was maintained at 99%, with favourable rental growth. Leasing activities remained active during the year, with the recruitment of a host of international labels including *Gucci*, *Burberry*, *Bottega Venetta* and *YSL* and the expansion of a series of celebrated brands such as *Montblanc*, *agnes b* and *Vivienne Westwood*. Trade-mix at the basement floor was further revamped resulting in a cluster of Fashion & Accessory and Cosmetics, in which a host of upmarket brands such as *Fred Perry, D-mop Denim, 5 cm, Lloyd*, etc were recruited. The audio-visual cluster at Times Square was further fine-tuned with the opening of *Chung Yuen Pro Shop* and the expansion of *DG Lifestyle*. The Group, with a view to further strengthening the Food Forum, has also signed up two new restaurants, namely *agnes b.lpg / agnes b. DELICES* and *Sen-ryo operated by Maxim's Group*. The former opened in July 2008 while the latter in September 2008.

As a leading "shoppertainment" destination in Causeway Bay, Times Square strived to stay competitive in the marketplace through its constant trade-mix enhancement, strong branding and marketing programmes including its popular annual Apple Countdown. The Group also managed to achieve an even distribution of foot traffic around the retail mall through successful zoning. Times Square, over the years, supported and organized exhibitions of both local artists and world-renowned art masters including *Ju Ming*, *Huang Yong Yu* and *Jimmy Liao* and has evolved itself as an art and cultural hub. It will strive to strengthen its leading position as a must-visit shopping landmark in Hong Kong through continuous brand-mix refinement and providing shoppers with unique and all-round shopping experience.

Office
Turnover for the office sector rose by 21% to HK$440 million on the back of strong rental reversion during the year. Committed office occupancy stood high at 98% at the end of 2008.

Times Square remained the preferred location for many multinationals engaged in the service or consumer goods sectors. Lease renewal retention rate stood high at 84%, with renewals including *Hitachi*, *Shell*, *Apple*, *Coca-Cola* and *ABN Bank*, despite the softening commercial market. New lettings during the year included in-house expansions such as *Dennis Lau & Ng Chun Man Architects & Engineers (HK) Ltd*.

China Properties (representing 23% of the Group's total assets)
Beijing Capital Times Square, Shanghai Times Square and the retail podium of Chongqing Times Square performed satisfactorily. Total revenue and operating profit for these three investment properties grew by 22% and 38% respectively.

Wuhan Times Square, comprising four residential towers and one office-apartment tower for sale and a hotel for investment purposes, was completed at the end of 2008. The new hotel – **Marco Polo Wuhan** ("MPW") opened on 15 September 2008 and provides premium accommodation and enhanced meeting services to travelers in Hankou, the commercial centre of Wuhan. Ideally located at the edge of an urban riverfront park with panoramic views of the Yangtze River and close to the Wuhan business district area, MPW is well positioned as a widely popular destination for both business and leisure travellers. Being part of the Times Square residential and commercial complex, MPW houses a number of international brand name flagship stores for Central China, including *Louis Vuitton*, *Ermenegildo Zegna*, *Tod's* and *Glasstique*.

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

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

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

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

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

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

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

Other Projects under Development

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

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

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

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

The Group's sites in the Nanchang District (南長區), Wuxi, comprise two parcels of land, with a total attributable plot ratio GFA of 11.9 million square feet. One parcel is planned for an upscale residential project (8.9 million square feet) and the other is for a high-rise commercial development (3.0 million square feet). Construction for the first phase of residential developments will commence by the first quarter of 2009 and the whole residential development is scheduled for completion by 2015. The commercial development at Taihu Plaza comprises offices (including a 339-metre super tower), hotel and apartments. It is expected to be completed by 2014.

Ideally located on Hongxing Road (紅星路) in the prime Jinjiang District (錦江區), the Group's fourth site in Chengdu is right in the heart of Chengdu's vibrant business centre. With an attributable plot ratio GFA of 4.7 million square feet, the project will include Grade A offices, a five-star hotel, a mega retail complex and luxurious residences. Planning and design of the project is well underway.

The Group's first lot in Suzhou is superbly located between Jinji Lake (金雞湖) and Dushu Lake (獨墅湖) in the eastern side of the city next to a 27-hole golf club. It will be developed into premier deluxe low density residences with an attributable plot ratio GFA of 2.2 million square feet. Construction work is scheduled to commence by the first half of 2009.

The Group's second site acquired in Suzhou is being jointly developed by the Group and the China Merchants Property group on a 50:50 ownership basis. Ideally located in the Suzhou Industrial Park (蘇州工業園區) next to Qing Jian Hu (青劍湖) and Wei Ting Sun Island Golf & Resorts (唯亭太陽島高爾夫俱樂部), the project will be a residential development with an attributable plot ratio GFA of 908,000 square feet.

The Group's first lot in Hangzhou comprises four land parcels jointly developed by the Group and Jindu Group on a 50:50 ownership basis. Superbly located in a prime area in the Xihu District (西湖區), Zhuantang Town (轉塘鎮), and is in the proximity of Songcheng (宋城) next to West Lake International Golf & Country Club (西湖國際高爾夫俱樂部), the connected sites will offer an attributable plot ratio GFA of 2.0 million square feet and is scheduled for completion in phases by 2014.

The Group through Harbour Centre Development Limited ("HCDL") also acquired five valuable sites in the cities of Chongqing, Suzhou, Hangzhou and Changzhou during 2007. The first four sites were acquired through partnering with strong local property developers while the remaining site in Changzhou is wholly-owned by HCDL. Descriptions of these projects are as follows:

A land lot in Jiangbei City (江北城) of Jiangbei District (江北區), Chongqing, is being jointly developed by the Company and China Overseas Land on a 55:45 ownership basis into a high end residential project. Superbly located in the eastern side of Jiangbei City, facing Yangtze River (長江) in the east and north and Jialing River (嘉陵江) in the south, the land lot offers a plot ratio GFA of 2.5 million square feet attributable to the Group. Completion is scheduled in phases by 2014.

Two land parcels on Xinghu Jie (星湖街) and Xiandai Da Dao (現代大道) in Suzhou Industrial Park (蘇州工業園區) are being developed in an 80:20 joint venture with Genway Housing Development Group (蘇州工業園區建屋發展集團有限公司). The parcels offer a plot ratio GFA of 13.5 million square feet attributable to the Group. A 400-metre skyscraper landmark will be built at the site of Xinghu Jie while the site at Xiandai Da Dao will house residential development. Planning and design are in progress.

Through a 40:60 joint venture with Greentown China Holdings, the Group is developing a land parcel in Hangzhou that is superbly located in the new Hangzhou Central Business District (錢江新城) and frontal to the Qiangtang Jiang (錢塘江). The site offers a plot ratio GFA of 1.3 million square feet attributable to the Group. The development comprises high end residences, apartments and a five-star hotel. The whole project is expected to be completed in phases by 2013.

The Company's land parcel in Xinbei District (新北區) of Changzhou offers a plot ratio GFA of 8.7 million square feet. Ideally located in the prime area of Xinbei District, the parcel is just five kilometers away from the city centre, in the vicinity of China Changzhou Dinosaur Land theme park (中華恐龍園) and Xin Qu Park (新區公園). It boasts superb air-sea-land transportation links to Changzhou Airport and Huning Express Railway. The development comprises mainly high-end residences and a 5-star hotel. The whole project is scheduled for completion in phases by 2014.

New Acquisitions

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

In July 2008, the Group entered into a joint venture agreement with Sun Hung Kai Properties and Henderson Land on a 30:40:30 ownership basis to jointly develop a prime commercial site in Dongdajie in Chengdu into an integrated commercial complex comprising an office tower of over 280 metres, a five-star hotel, high-end shopping centre with international retailers and residential apartments. Total plot ratio GFA for the overall development is expected to be over 13 million square feet to be completed over a period of ten years.

Modern Terminals (representing 11% of the Group's total assets)

South China saw positive growth in container throughput for the first 3 quarters of 2008. A net growth of 3% was recorded in 2008 as a whole, despite the impact of the global economic slowdown in the last quarter with a year-on-year drop of 7%. Shenzhen's and Hong Kong's market shares remained at about 55% and 45% respectively.

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

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

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

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

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

Despite the global economic crisis, Modern Terminals' strong foothold and positioning in the two largest manufacturing regions (Pearl River Delta and Yangtze River Delta) in China through its Hong Kong business, its investments in Chiwan Container Terminal and Shekou Container Terminals (both in Shenzhen), and new terminal projects in Taicang (Suzhou) and Da Chan Bay (Shenzhen) will help the company ride over the forthcoming difficulties in the medium term, given that Greater China should remain the trade growth engine for the world.

Other Businesses

<u>Other Hong Kong Properties</u>

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

For our Peak property portfolio, leasing actives remained active during the year. Mountain Court, No. 1 Plantation Road and Chelsea Court were almost fully let during 2008, with favorable rental growth in new lettings and renewals. A record high unit rent of HK$75.7 per square foot has been achieved from the new letting of a Penthouse unit of 1 Plantation Road in October 2008. In addition, a Penthouse unit of Chelsea Court registered a 61% rental increment in August 2008.

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

Marco Polo Hotels
Marco Polo Hotels currently has a portfolio of nine operating hotels in the Asia Pacific Region.

The three hotels in Harbour City performed well during the year. Total hotel and club revenue was HK$1,042 million, and an 8% growth in average room rate was achieved. Despite a steady increase in average room rates, consolidated occupancy in 2008 slightly dropped to 86% (2007: 90%) on a slowdown in inbound tourism towards the year end, spurred by the global economic downturn.

A new deluxe Marco Polo hotel in Wuhan (at Wuhan Times Square) opened on 15 September 2008 and is wholly owned and developed by the Group. Located along the Yangtze River and within close proximity to the Wuhan International Airport, **Marco Polo Wuhan** ("MPW") is well positioned to tap the growing influx of travelers to Wuhan's trade and economic centre and to be the favoured hotel brand in the city. MPW houses a host of prestigious brands including *Louis Vuitton, Ermenegildo Zegna, Tod's* and *Glasstique*.

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

Communication, Media and Entertainment (represented 3% of the Group's total assets)

<u>i-CABLE</u>
Deteriorating economic conditions amidst the onslaught of the global financial turmoil, along with the harsh operating environment took toll on the Group's financial performance in 2008. A special provision made for set-top-boxes to be replaced in 2009 upon the launch of a new conditional access system and a loss booked relating to film investments turned i-CABLE to a

net loss after tax of HK$111 million from a net profit of HK$183 million in 2007. Nevertheless, thanks to its prudence in financial management, i-CABLE maintained a sound liquidity position, with net cash increasing to HK$690 million as at 31 December 2008 (2007: HK$642 million).

Despite the setback in profitability, i-CABLE's ongoing efforts in reinforcing and enhancing the fundamentals of the business are well on track, with steady progress being made during the year. Timely adjustments to service packages spurred the continued growth of Pay TV subscribers. The Pay TV subscriber base continuously grew to 917,000 by the end of 2008 (2007: 882,000). However, dilution from lower yield subscribers reduced total turnover and operating profit for this sector to HK$1,355 million (2007: HK$1,595 million) and HK$6 million (2007: HK$179 million) respectively.

2008 was a bountiful year on the content front, with i-CABLE's sports platform making local broadcasting history, its news team winning accolades, and its entertainment platform enjoying a further boost in popularity. In the summer, i-CABLE, as the Beijing Olympics' Official New Media Broadcaster in Hong Kong, made history with its unprecedented online coverage of the event, which has met with overwhelming responses. i-CABLE also secured the exclusive media rights for the UETA Champions League and UEFA Cup for three seasons starting 2009/10, the 2010 FIFA World Cup and the 16th Asian Games that will take place in Guangzhou in November 2010, and the London Olympics in 2012. Professionalism of i-CABLE's News team gained wide recognition in 2008, with its coverage on the Sichuan earthquake winning the prestigious TV (News) Prize granted by the Asia Pacific Broadcasting Union.

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

i-CABLE, though sustaining minor bruises, has withstood the first wave of the financial tsunami on relatively sound financial position. In a bid to be better equipped, i-CABLE has acquired new premier and attractive contents; is building up a new defence system against piracy and gearing up for delivering new service such as High Definition Television. i-CABLE's strong balance sheet and low cost base will put themselves in a good position to stay competitive in a harsh environment.

Wharf T&T

Wharf T&T, despite the devastating financial tsunami, continued to progress steadily in its business transformation and gained ground in both the telecom and IT sectors. Attributable to a recovery in the voice business and the robust performance of the data business Wharf T&T posted double-digit top line growth with earnings well exceeding expectations for 2008.

In 2008, the stable voice market enabled Wharf T&T to meet its yield improvement objective.

Bandwidth appetite and the synergy between data and system integration strengthened the growth momentum for both services. The residential IDD business performed as planned and increased contribution to the overall profitability of Wharf T&T. Investment continued to build the ‘Strictly Business’ ICT brand. With this unique market position in place, Wharf T&T worked ever harder on service quality.

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

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

FINANCIAL REVIEW

(I) Review of 2008 Results

Turnover

Strong growth in recurrent rental income substantially covered the decline in property sales in the year. As a result, Group turnover for 2008 slipped by 2% to HK$15,940 million (2007: HK$16,208 million).

Property Investment reported a 16% growth to another record high at HK$7,606 million. Turnover from Hong Kong properties (excluding hotels) increased by HK$887 million or 17% to HK$6,038 million while that from China properties increased by HK$98 million or 24% to HK$514 million.

Property Development declined by HK$1,626 million or 70% to HK$710 million, which was mainly derived from the sales of residential units at Wellington Garden in Shanghai and Wuhan Times Square in China.

Logistics increased by 7% to HK$3,875 million, mainly reflecting the increase in throughput handled in Hong Kong and China by Modern Terminals.

CME slipped by 1% to HK$3,751 million. A strong performance from Wharf T&T nearly fully compensated for the decline reported by i-CABLE.

Operating Profit

The Group's operating profit decreased by HK$1,877 million or 20% to HK$7,639 million (2007: HK$9,516 million), of which HK$1,399 million decrease was attributable to the Investment segment which had reported an exceptionally large profit in 2007.

Property Investment benefited from the continuing strong rental reversion and high occupancy and reported a robust increase in operating profit of 18% to a record high at HK$5,551 million.

Property Development reported a significantly lower HK$84 million (2007: HK$1,127 million), primarily due to the decrease in property sales recognised in both Hong Kong and China.

Logistics' operating profit dropped by 8% to HK$1,763 million, primarily due to start-up losses reported by Modern Terminals for its China subsidiaries. However, together with the contribution from its joint-ventures in the Mainland, Modern Terminals' net profit was virtually unchanged from last year.

CME reported a 33% decrease in operating profit before unallocated expenses at HK$244 million. Wharf T&T reported a 198% increase to HK$140 million while i-CABLE reported a decline of 57% to HK$154 million, partly due to non-recurring charges booked in the year.

Investment and Others reported a significant decrease to HK$407 million (2007: HK$1,806 million). This was mainly due to exceptionally large profit recognised on disposal of certain available-for-sale investments in 2007.

Increase in Fair Value of Investment Properties

The Group's investment properties were revalued by an independent valuer as at the end of the year, which produced a revaluation surplus of HK$1,793 million (2007: HK$9,352 million).

The attributable net revaluation surplus of HK$1,363 million (2007: HK$7,196 million), after deducting related deferred tax and minority interests, was credited to the profit and loss account of the Group.

Net Other (Charge)/Credit

Net other charge for the year amounted to HK$145 million against net other credit of HK$134 million in 2007. Net other charge in 2008 represented impairment loss on available-for-sale investments. Included in the net other credit in 2007 was a write-back of provision for properties of HK$184 million.

Finance Costs

Finance costs charged to the consolidated profit and loss account were HK$1,521 million for the year under review (2007: HK$1,142 million). The charge was after capitalisation of HK$200 million (2007: HK$187 million) for the Group's related assets.

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

Share of Results (after tax) of Associates and Jointly Controlled Entities

The share of results of associates decreased to HK$136 million (2007: HK$322 million). Profit contribution from Modern Terminals' investment in Shekou increased. However, the share of losses in China property development increased after impairment provisions.

Taxation

Taxation charge for the year was HK$1,189 million (2007: HK$4,247 million), which included deferred taxation of HK$433 million (2007: HK$2,259 million) provided for the current year's investment properties revaluation surplus and a downward adjustment of HK$768 million in respect of the Group's previous years' deferred tax liabilities with HK$690 million related to net investment properties revaluation surplus, resulting from the 1% reduction in Hong Kong profits tax rate.

Excluding the above deferred tax charge and tax credit, the tax charge was HK$1,524 million, which included a provision of HK$292 million (2007: HK$336 million) made for certain tax cases primarily relating to interest deductibility under discussion with the Inland Revenue Department.

Minority Interests

Minority interests decreased by HK$348 million to HK$471 million reflecting the decrease in net profits of certain non-wholly-owned subsidiaries, including Harbour Centre Development Limited and i-CABLE.

Profit Attributable to Equity Shareholders

The Group's profit attributable to equity shareholders decreased by 52% to HK$6,247 million (2007: HK$13,143 million). Earnings per share were HK$2.28, based on weighted average of 2,745 million shares after taking the effect of the Rights Issue (2007: HK$5.17 based on 2,543 million shares as restated for the Rights Issue).

Excluding the net investment property revaluation surplus after deferred tax of HK$1,363 million (2007: HK$7,196 million) and the credit adjustment of HK$690 million resulting from the 1% reduction in Hong Kong profits tax rate, the Group's net profit attributable to equity shareholders would be HK$4,194 million (2007: HK$5,947 million), a decrease of 29% over 2007.

(II) Liquidity, Financial Resources and Capital Commitments

Rights Issue

In January 2008, the Company completed an issue of 306 million new ordinary shares at HK$30.00 each by way of rights to raise net proceeds of HK$9.1 billion.

Shareholders' and Total Equity

As at 31 December 2008, the Group's shareholders' equity increased by HK$13,130 million or 15% to HK$99,494 million, equivalent to an increase of 2% to HK$36.13 per share, based on 2,754 million shares after the Rights Issue (2007: HK$35.28 per share, based on 2,448 million shares).

Including the minority interests, the Group's total equity increased by 15% to HK$105,857 million (2007: HK$92,002 million).

Total Assets

The Group's total assets increased by 15% to HK$168.6 billion (2007: HK$146.2 billion), which included HK$5.0 billion for investment properties and container terminals assets, HK$11.6 billion for China property projects undertaken solely or through joint ventures, and HK$8.2 billion of bank deposits and cash.

Included in the Group's total fixed assets is the Investment Property portfolio valued at HK$98.4 billion, representing 58% of total assets. The core assets in this portfolio are Harbour City and Times Square in Hong Kong, which are valued at HK$56.3 billion (excluding the 3 hotels) and HK$22.0 billion, respectively. Together, they represent 80% of the value of the Investment Property portfolio and 46% of total assets. Other major assets included other properties and fixed assets of HK$21.2 billion, interest in jointly controlled entities and associates (mainly for China property and port projects) of HK$12.0 billion and bank deposits and cash of HK$15.9 billion.

Debts and Gearing

The Group's net debt decreased by HK$1.5 billion to HK$22.1 billion as at 31 December 2008 (2007: HK$23.6 billion), which was made up of HK$38.0 billion in debts and HK$15.9 billion in bank deposits and cash. Included in the Group's net debts were HK$10.6 billion and HK$1.8 billion (2007: HK$9.6 billion and HK$1.3 billion respectively) attributable to its non-wholly-owned subsidiaries, Modern Terminals and Harbour Centre Development Limited respectively, which are without recourse to the Company and other subsidiaries of the Group. Excluding these non-recourse debts, the Group's net debt was HK$9.7 billion (2007: HK$12.7 billion).

As at 31 December 2008, the ratio of net debt to total equity was 20.9% (2007: 25.6%).

Finance and Availability of Facilities

During the year, the Group took advantage of market opportunities before the devastating financial tsunami and increased its available loan facilities and debt securities aggregating to HK$56.5 billion, of which HK$38.0 billion were drawn and the undrawn facilities as at 31 December 2008 are analysed as below:

	31 December 2008			
	Available Facility HK$ Billion	**Total Debts HK$ Billion**		**Undrawn Facility HK$ Billion**
Company/wholly-owned subsidiaries				
Committed facilities	31.9	22.7	60%	9.2
Uncommitted facilities	1.7	0.5	1%	1.2
	33.6	23.2	61%	10.4
Non-wholly-owned subsidiaries				
Committed and uncommitted				
- Modern Terminals Limited	16.5	10.6	28%	5.9
- Harbour Centre Development Limited	4.1	3.1	8%	1.0
- i-CABLE Communications Limited	0.6	-	0%	0.6
- Others	1.7	1.1	3%	0.6
	56.5	38.0	100%	18.5

Of the above debts, HK$8,160 million (2007: HK$4,189 million) was secured by mortgage over certain properties under development, fixed assets, available-for-sale investments and bank deposits with total carrying value of HK$15,915 million (2007: HK$11,253 million).

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

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

The Group maintained ample surplus cash, which was denominated principally in HKD and RMB and undrawn committed facilities to facilitate the Group's business and investment activities. As at 31 December 2008, the Group also maintained a portfolio of available-for-sale investments with an aggregate market value of HK$0.7 billion (2007: HK$2.9 billion), which is 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 generated a net operating cash inflow before changes in working capital of HK$8.5 billion (2007: HK$8.7 billion). The changes in working capital for 2008 resulting in a net cash outflow of HK$6.9 billion (2007: HK$3.0 billion), primarily due to payment for land and construction cost for trading properties under development in China. For investing activities, the Group utilised a net cash of HK$5.7 billion, mainly consisting of HK$3.4 billion for investment in jointly controlled entities involved in property development projects in China, HK$3.6 billion for capital expenditure mainly for berth construction and purchase of operating equipment by Modern Terminals for its China port projects and HK$1.2 billion proceeds from disposal of available-for sale investments.

Major Expenditure and Commitments

The major expenditure incurred by the Group's core businesses during the year and related commitment as at 31 December 2008 are analysed as follows:

	Expenditure for 2008	**Commitments as at 31 December 2008**	
Business Unit/Company	**HK$ Million**	**Authorised and Contracted for HK$ Million**	**Authorised but not Contracted for HK$ Million**
a. Capital expenditure			
Property Investments/Others	961	803	679
Wharf T&T	324	57	142
Modern Terminals (67.6%-owned)	2,216	1,356	1,583
i-CABLE (73.8%-owned)	144	56	44
	3,645	2,272	2,448
b. Programming and others	103	783	71
c. Properties under development			
Subsidiaries (China / Hong Kong)	8,243	10,600	35,090
JCEs/ associates (China)	3,543	3,538	8,178
	11,786	14,138	43,268

For the Property Investment segment, the capital expenditure incurred mainly related to the construction cost of Shanghai Wheelock Square, Wuhan Times Square and Dalian Times Square, and certain refurbishment and renovation work for Harbour City and others. For i-CABLE and Wharf T&T, the capital expenditures were incurred substantially for procurement of production and broadcasting equipment, network rollout and internet service equipment while that for Modern Terminals was mainly incurred for construction of the Dachan Bay Phase I and Taicang Phase II ports. i-CABLE and Modern Terminals, respectively 73.8% and 67.6% owned by the Group, independently funded their own capital expenditure programmes.

In addition to the capital expenditure, the Group also incurred HK$11.8 billion in respect of its trading properties under development in China, including projects undertaken through associates and jointly controlled entities.

As at 31 December 2008, commitments to properties under development by the Group's subsidiaries, associates and jointly controlled entities included land cost of HK$11.6 billion payable by installments mainly in 2009 and 2010. These developments will be executed in stages in the forthcoming years and funded by the Group's internal financial resources including its surplus cash of HK$15.9 billion, as well as bank and other financings. Other available resources include proceeds from sales and pre-sales of properties.

(III) Human Resources

The Group had approximately 12,900 employees as at 31 December 2008 (31 December 2007: 12,600). 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 groups' achievement and results. Total staff costs for the year ended 31 December 2008 amounted to HK$2,553 million, compared to HK$2,408 million for 2007.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the financial year under review, 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 with a substantial number thereof being independent Non-executive Directors.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For The Year Ended 31 December 2008

	Note	**2008 HK$ Million**	2007 HK$ Million
Turnover	2	**15,940**	16,208
Other net income	3	**137**	1,684
		16,077	17,892
Direct costs and operating expenses		**(5,400)**	(5,610)
Selling and marketing expenses		**(695)**	(721)
Administrative and corporate expenses		**(951)**	(772)
Operating profit before depreciation, amortisation, interest and tax		**9,031**	10,789
Depreciation and amortisation		**(1,392)**	(1,273)
Operating profit	2,4	**7,639**	9,516
Increase in fair value of investment properties		**1,793**	9,352
Net other (charge) / credit	5	**(145)**	134
		9,287	19,002
Finance costs	6	**(1,521)**	(1,142)
Share of results after tax of:			
Associates		**136**	322
Jointly controlled entities		**5**	27
Profit before taxation		**7,907**	18,209
Taxation	7	**(1,189)**	(4,247)
Profit for the year		**6,718**	13,962
Profit attributable to:			
Equity shareholders		**6,247**	13,143
Minority interests		**471**	819
		6,718	13,962
Dividends attributable to equity shareholders			
Interim dividend paid		**991**	881
Final dividend proposed		**1,212**	1,212
		2,203	2,093
Earnings per share	8		
Basic		**HK$2.28**	HK$5.17
Diluted		**HK$2.28**	HK$5.17

CONSOLIDATED BALANCE SHEET
At 31 December 2008

	Note	**2008 HK$ Million**	2007 HK$ Million
Non-current assets			
Investment properties		**98,410**	95,782
Leasehold land		**4,203**	3,775
Other property, plant and equipment		**16,980**	15,056
Total fixed assets		**119,593**	114,613
Goodwill and other intangible assets		**297**	302
Interest in associates		**4,009**	4,182
Interest in jointly controlled entities		**7,989**	4,555
Available-for-sale investments		**706**	2,858
Long term receivables		**357**	362
Programming library		**132**	184
Employee retirement benefit assets		**-**	239
Deferred tax assets		**383**	360
Derivative financial assets		**83**	17
		133,549	127,672
Current assets			
Properties for sale		**17,272**	9,235
Inventories		**112**	97
Trade and other receivables	9	**1,727**	1,396
Derivative financial assets		**8**	54
Bank deposits and cash		**15,886**	7,717
		35,005	18,499
Current liabilities			
Trade and other payables	10	**(6,924)**	(5,678)
Bank loans and other borrowings		**(4,443)**	(6,720)
Derivative financial liabilities		**(166)**	(107)
Taxation payable		**(1,259)**	(1,420)
		(12,792)	(13,925)
Net current assets		**22,213**	4,574
Total assets less current liabilities		**155,762**	132,246

CONSOLIDATED BALANCE SHEET (Continued)

	Note	**2008** **HK$ Million**	2007 HK$ Million
Non-current liabilities			
Bank loans and other borrowings		**(33,566)**	(24,562)
Deferred tax liabilities		**(15,185)**	(15,325)
Other deferred liabilities		**(262)**	(261)
Derivative financial liabilities		**(738)**	(96)
Employee retirement benefit liabilities		**(154)**	-
		(49,905)	(40,244)
NET ASSETS		**105,857**	92,002
Capital and reserves			
Share capital		**2,754**	2,448
Reserves		**96,740**	83,916
Shareholders' equity		**99,494**	86,364
Minority interests		**6,363**	5,638
TOTAL EQUITY		**105,857**	92,002

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PRESENTATION

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 2007.

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

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

2. SEGMENT INFORMATION

a. Business segments

i. Revenue and results	Revenue 2008 HK$ Million	Revenue 2007 HK$ Million	Results 2008 HK$ Million	Results 2007 HK$ Million
Property investment	**7,606**	6,539	**5,551**	4,701
Hong Kong	**6,038**	5,151	**4,989**	4,184
China	**514**	416	**254**	197
Hotels	**1,054**	972	**308**	320
Communications, media and entertainment (“CME”)	**3,751**	3,797	**244**	365
Pay television	**1,355**	1,595	**6**	179
Internet and multimedia	**576**	588	**148**	180
Telecommunications	**1,641**	1,460	**140**	47
Others	**179**	154	**(50)**	(41)
Logistics	**3,875**	3,625	**1,763**	1,914
Terminals	**3,446**	3,216	**1,608**	1,764
Others	**429**	409	**155**	150
Property development	**710**	2,336	**84**	1,127
Hong Kong/others	**-**	717	**(7)**	409
China	**710**	1,619	**91**	718
	15,942	16,297	**7,642**	8,107
Investment and others	**328**	272	**407**	1,806
Inter-segment revenue (Note)	**(330)**	(361)	**-**	-
	15,940	16,208	**8,049**	9,913
Unallocated items			**(410)**	(397)
Operating profit			**7,639**	9,516
Increase in fair value of investment properties			**1,793**	9,352
Net other (charge) / credit			**(145)**	134
Investment and others			**(145)**	(50)
Property development			**-**	184
			9,287	19,002
Finance costs			**(1,521)**	(1,142)
Share of results after tax of associates			**136**	322
Property development			**(154)**	86
Terminals			**307**	236
CME			**(17)**	-
Share of results after tax of jointly controlled entities			**5**	27
Property development			**(28)**	-
Terminals			**33**	27
Profit before taxation			**7,907**	18,209

Note: Inter-segment revenue eliminated on consolidation includes:

	2008 HK$ Million	2007 HK$ Million
Property investment	**148**	137
CME	**182**	224
	330	361

ii. Assets and liabilities

	Assets		**Liabilities**	
	2008 HK$ Million	2007 HK$ Million	**2008 HK$ Million**	2007 HK$ Million
Property investment	**102,721**	99,289	**2,461**	2,335
Hong Kong	**92,337**	90,613	**1,848**	1,716
China	**9,363**	8,149	**389**	322
Hotels	**1,021**	527	**224**	297
CME	**4,347**	4,647	**1,033**	965
Pay television	**1,052**	1,160	**362**	354
Internet and multimedia	**474**	509	**129**	129
Telecommunications	**2,775**	2,853	**541**	480
Others	**46**	125	**1**	2
Logistics	**18,445**	16,876	**1,278**	1,095
Terminals	**18,241**	16,686	**1,211**	1,045
Others	**204**	190	**67**	50
Property development	**25,165**	13,762	**2,069**	1,305
Hong Kong / others	**883**	1,035	**22**	65
China	**24,282**	12,727	**2,047**	1,240
	150,678	134,574	**6,841**	5,700
Unallocated	**17,876**	11,597	**55,856**	48,469
Group total	**168,554**	146,171	**62,697**	54,169

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

	2008 HK$ Million	2007 HK$ Million
CME	**39**	59
Logistics	**4,208**	4,310
Property development	**7,751**	4,368
Group total	**11,998**	8,737

Unallocated assets and liabilities mainly comprise financial assets and liabilities, corporate cash, available for sale investments and bank loans and other borrowings.

iii. Other information	**Capital expenditure 2008 HK$ Million**	Capital expenditure 2007 HK$ Million	**Increase in interests in associates and jointly controlled entities 2008 HK$ Million**	Increase in interests in associates and jointly controlled entities 2007 HK$ Million	**Depreciation and amortisation 2008 HK$ Million**	Depreciation and amortisation 2007 HK$ Million
Property investment	**947**	583	**-**	-	**128**	122
Hong Kong	**226**	214	**-**	-	**19**	20
China	**697**	149	**-**	-	**27**	21
Hotels	**24**	220	**-**	-	**82**	81
CME	**472**	451	**-**	59	**890**	890
Pay television	**70**	62	**-**	-	**328**	318
Internet and multimedia	**63**	68	**-**	-	**120**	144
Telecommunications	**324**	276	**-**	-	**386**	385
Others	**15**	45	**-**	59	**56**	43
Logistics	**2,226**	2,763	**4**	2,911	**374**	261
Terminals	**2,216**	2,757	**4**	2,911	**360**	248
Others	**10**	6	**-**	-	**14**	13
Property development (China)	**-**	-	**3,543**	4,230	**-**	-
Group total	**3,645**	3,797	**3,547**	7,200	**1,392**	1,273

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

b. Geographical segments

	Revenue 2008 HK$ Million	Revenue 2007 HK$ Million	**Operating Profit 2008 HK$ Million**	Operating Profit 2007 HK$ Million
Hong Kong	**14,392**	13,924	**7,438**	8,445
China	**1,510**	2,096	**111**	876
Singapore	**38**	188	**90**	195
Group total	**15,940**	16,208	**7,639**	9,516

	Assets 2008 HK$ Million	Assets 2007 HK$ Million
Hong Kong	**117,544**	110,495
China	**50,415**	34,348
Singapore	**595**	1,328
Group total	**168,554**	146,171

	Capital expenditure		Increase in interests in associates and jointly controlled entities	
	2008	2007	**2008**	2007
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Hong Kong	**871**	1,092	**-**	61
China	**2,774**	2,705	**3,547**	7,139
Group total	**3,645**	3,797	**3,547**	7,200

3. OTHER NET INCOME

Other net income mainly represents net profit on disposal of available-for-sale investments of HK$137 million (2007: HK$1,672 million) which included a revaluation surplus of HK$326 million (2007: HK$894 million) transferred from the investments revaluation reserves of the Group. Included in other net income in 2007 was a net profit on disposal of investment and other properties of HK$12 million .

4. OPERATING PROFIT

Operating profit is arrived at:

	2008 HK$ Million	2007 HK$ Million
After charging/(crediting):		
Depreciation		
- assets held for use under operating leases	**96**	91
- other fixed assets	**1,062**	1,000
	1,158	1,091
Amortisation		
- programming library	**142**	131
- leasehold land	**87**	47
- other intangible assets	**5**	4
Total depreciation and amortisation	**1,392**	1,273
Staff costs	**2,553**	2,408
Cost of trading properties sold during the year	**557**	1,096
Net foreign exchange loss, including impact of forward foreign exchange contracts	**41**	13
Rental charges under operating leases in respect of telecommunications equipment and services	**98**	101
Rental income less direct outgoings	**(5,335)**	(4,441)
including:		
- Contingent rentals	**(628)**	(457)
Interest income	**(272)**	(136)
Dividend income from listed investments	**(45)**	(136)
Dividend income from unlisted investments	**(94)**	(117)
Loss/(profit) on disposal of fixed assets	**4**	(32)
Rental income under operating leases in respect of owned plant and machinery	**(61)**	(81)

Apart from the above net exchange differences, there was a total exchange gain arising mainly from the translation of the net investments in certain China subsidiaries, associates and jointly controlled entities of HK$1,013 million (2007: HK$587 million), which has been dealt with as an equity movement.

5. NET OTHER (CHARGE) / CREDIT

	2008 HK$ Million	2007 HK$ Million
Write-back of provisions for properties	**-**	184
Impairment loss on available-for-sale investments	**(145)**	(50)
	(145)	134

6. FINANCE COSTS

	2008	2007
	HK$ Million	HK$ Million
Interest charged on:		
Bank loans and overdrafts repayable within five years	**777**	887
Other borrowings repayable within five years	**51**	158
Bank loans repayable after five years	**116**	88
Other borrowings repayable after five years	**119**	55
Total interest charge	**1,063**	1,188
Fair value cost on cross currency interest rate swaps	**508**	96
Fair value cost on interest rate swaps	**104**	-
Other finance costs	**46**	45
	1,721	1,329
Less: Amount capitalised	**(200)**	(187)
	1,521	1,142

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

7. TAXATION

Taxation charged to consolidated profit and loss account represents:

	2008 HK$ Million	2007 HK$ Million
Current income tax		
Hong Kong Profits Tax		
- provision for the year	**1,017**	1,203
- underprovision in respect of prior years	**254**	352
Overseas taxation		
- provision for the year	**178**	175
- overprovision in respect of prior years	**(31)**	-
	1,418	1,730
Land appreciation tax in the People's Republic of China ("PRC")	**30**	239
Deferred tax		
Change in fair value of investment properties	**433**	2,259
Origination and reversal of temporary differences	**99**	248
Effect on decrease in tax rate on deferred tax balances	**(768)**	(201)
Benefit of previously unrecognised tax losses now recognised	**(23)**	(28)
	(259)	2,278
	1,189	4,247

a. The provision for Hong Kong profits tax is based on the profit for the year as adjusted for tax purposes at the rate of 16.5% (2007: 17.5%). In 2008, the Hong Kong SAR Government enacted a reduction in the profits tax rate from 17.5% to 16.5% for the fiscal year 2008/09.

b. In March 2007, the new Corporate Income Tax Law was enacted in the PRC whereby the standard PRC Corporate Income Tax ("CIT") rate was reduced from 33% to 25%.

c. Overseas taxation is calculated at rates of tax applicable in countries in which the Group is assessed for tax.

d. Tax attributable to associates and jointly controlled entities for the year ended 31 December 2008 of HK$35 million (2007: HK$35 million) is included in the share of results of associates and jointly controlled entities.

8. EARNINGS PER SHARE

The calculation of earnings per share is based on the earnings attributable to ordinary equity shareholders for the year of HK$6,247 million (2007: HK$13,143 million) and the weighted average of 2,745 million ordinary shares in issue during the year (2007: 2,543 million ordinary shares after adjusting for the rights issue which was completed in January 2008), calculated as follows :

Weighted average number of ordinary shares

	2008 **No. of shares** **Million**	2007 No of shares Million
Issued ordinary shares at 1 January	**2,448**	2,448
Effect of rights issue	**297**	95
Weighted average number of ordinary shares at 31 December	**2,745**	2,543

There were no potential diluted ordinary shares on existence during the years ended 31 December 2008 and 2007.

9. TRADE AND OTHER RECEIVABLES

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

	2008 **HK$ Million**	2007 HK$ Million
Trade receivables		
Current	**501**	505
Past due :		
0 - 30 days	**177**	222
31 – 60 days	**57**	35
Over 60 days	**67**	59
	802	821
Other receivables	**925**	575
	1,727	1,396

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.

10. TRADE AND OTHER PAYABLES

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

	2008	2007
	HK$ Million	HK$ Million
Trade payables		
0 - 30 days	**206**	194
31 - 60 days	**100**	76
61 - 90 days	**32**	13
Over 90 days	**54**	52
	392	335
Rental and customer deposits	**2,951**	1,476
Other payables	**3,581**	3,867
	6,924	5,678

11. COMPARATIVE FIGURES

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

12. REVIEW OF RESULTS

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

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, 2 June 2009 to Friday, 5 June 2009, both days inclusive, for the purpose of determining shareholders' entitlements to the proposed final dividend. In order to qualify for the final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 1 June 2009.

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

Hong Kong, 25 March 2009

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Peter K. C. Woo, Mr. Gonzaga W. J. Li, Mr. Stephen T. H. Ng, Ms. Doreen Y. F. Lee, Mr. Paul Y. C. Tsui and Mr. T. Y. Ng, together with six independent non-executive directors, namely, Hon. Paul M. P. Chan, Professor Edward K. Y. Chen, Dr. Raymond K. F. Ch'ien, Hon. Vincent K. Fang, Mr. Hans Michael Jebsen and Mr. James E. Thompson.