WHEELOCK PROPERTIES LIMITED
會德豐地產有限公司

Stock Code 股份代號 : 49

Annual Report 2009 二零零九年年報

WHEELOCK PROPERTIES

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Peter K C Woo, *GBS, JP* *(Chairman)*
Joseph M K Chow, *OBE, JP*
Herald L F Lau*
Roger K H Luk, *BBJ, JP**
T Y Ng
Paul Y C Tsui
Ricky K Y Wong
Glenn S Yee*

* *Independent Non-executive Directors*

SECRETARY

Wilson W S Chan, *FCIS*

GENERAL MANAGERS

Wheelock Corporate Services Limited

REGISTERED OFFICE

23rd Floor, Wheelock House
20 Pedder Street
Hong Kong

REGISTRARS

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

AUDITORS

KPMG

CHAIRMAN'S STATEMENT

RESULTS

After an exceptional year in 2008, Group turnover in 2009 fell by 81% to HK$1,201 million (2008: HK$6,269 million). Operating profit fell by 61% to HK$691 million (2008: HK$1,767 million).

Excluding the net investment property revaluation surplus and one-off exceptional items in both years, the Group's net profit attributable to shareholders fell by 44% to HK$783 million in 2009 (2008: HK$1,396 million). Including the net investment property revaluation surplus and these one-off exceptional items, Group profit attributable to shareholders rose by 79% to HK$1,458 million (2008: HK$816 million).

Total earnings from Hong Kong rose by HK$385 million but total earnings from Singapore fell by HK$998 million, both excluding exceptional items and investment property revaluation surplus.

Consolidated net asset value per share rose to HK$13.45 as at 31 December 2009 (2008: HK$9.78), which was mainly driven by the increase in market value of the Group's investment portfolio.

A final dividend of 8 cents per share (2008: 8 cents per share) has been recommended to bring the total dividend for the year to 10 cents per share (2008: 10 cents per share).

BUSINESS REVIEW

In the face of the worldwide financial tsunami, Hong Kong's GDP fell by 2.7% despite a rebound in the fourth quarter. Thanks to the gradually improving economy and the low interest rate environment, the residential property market staged a rebound starting from the second quarter of the year. Both property prices and transaction volume rose.

Singapore likewise experienced a contraction in GDP by 2%. The property market has started to recover but the government introduced a raft of anti-speculative measures aimed at facilitating the healthy development of the real estate sector in the long run.

No project was completed in Singapore in 2009.

In Hong Kong, The Babington in the Mid-Levels was completed and the sale of 80% of its 47 luxury apartments was recognized. Fitfort, a retail investment property in North Point, was disposed to generate a net profit of HK$126 million.

In March 2010, a 50:50 joint venture with New World Development won the tender for the development of an upscale residential project atop the MTR Austin Station at the heart of Tsim Sha Tsui West in Hong Kong. The land premium payable is HK$11.7 billion, with one-third of it to be shared by MTRC.

After a recent acquisition, the Group now owns a total of three prime sites in Foshan, Guangdong, for residential development through a 50:50 joint venture with China Merchants.

The Group will continue to explore other quality investment opportunities.

CHAIRMAN'S STATEMENT

OUTLOOK

Following an austere year dogged by severe economic challenges, the Hong Kong economy is poised to resume growth in 2010. The government forecasts a GDP growth rate of 4-5% for the year.

Singapore's GDP, likewise, is set to revert to growth in 2010. The Ministry of Trade and Industry expects the Singapore economy to grow at 4.5-6.5% this year.

However, serious uncertainties remain as the markets anticipate the eventual unwinding of the financial rescue programmes introduced by various governments around the world in 2009 to avert a collapse of financial systems and economies.

On behalf of all Shareholders and my fellow Directors, I wish to express heartfelt appreciation to all Staff for their dedication and contribution throughout the year. In particular, I wish to give a special vote of thanks to Mr Gonzaga Li , who is retiring from the Board with effect from 1 April 2010, for his strong commitment and invaluable contributions to the Group over the past 12 years.

Peter K C Woo
Chairman

Hong Kong, 16 March 2010

FINANCIAL HIGHLIGHTS

RESULTS AND FINANCIAL POSITION

	2009 HK$Million	2008 HK$Million
Results		
Turnover	**1,201**	6,269
Operating profit	**691**	1,767
Profit before attributable net investment property revaluation surplus	**815**	455
Group profit attributable to equity shareholders	**1,458**	816
Earnings per share	**HK$0.70**	HK$0.39
Dividends per share	**10.0¢**	10.0¢
Financial position		
Total assets	**37,114**	28,824
Net cash	**5,679**	3,479
Shareholders' equity	**27,842**	20,246
Total equity	**30,751**	22,716
Net assets per share	**HK$13.45**	HK$9.78

Financial year / period	**Group profit/ (loss) to equity shareholders HK$Million**	**Shareholders' equity HK$Million**	**Earnings/ (loss) per share HK$**	**Dividends per share HK¢**
2000/01	243	12,275	0.12	7.0
2001/02	86	11,484	0.04	7.0
2002/03	(793)	9,673	(0.38)	7.0
2003/04	1,054	12,543	0.51	7.0
2004/05	1,842	14,978	0.89	8.0
2005/06	2,234	18,159	1.08	9.0
2006/07	1,450	21,216	0.70	10.0
2007 (Note 1)	1,540	24,874	0.74	10.0
2008	816	20,246	0.39	10.0
2009	**1,458**	**27,842**	**0.70**	**10.0**

Notes:

1) *The Company changed its financial year end date from 31 March to 31 December at the end of 2007.*
2) *Please refer to Ten-year Financial Summary on pages 85 and 86.*

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENT REVIEW

Hong Kong

Over 80% of The Babington in the Mid-Levels, which comprises 47 luxury apartments of superb quality, has been sold, realising proceeds of about HK$496 million. Respective revenue and profits were recognised in 2009.

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

Disposal of non-core assets is one of the Group's policies. The Group completed its sale of Fitfort, a retail property in North Point, in December for HK$935 million and recognised a net profit of HK$126 million.

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

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

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

Wheelock House was 98% leased at satisfactory rental rates at the end of December 2009.

Mainland China

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Singapore

Profit for Wheelock Properties (Singapore) Limited ("WPSL", a 76%-owned listed subsidiary) amounted to S$262.3 million for the financial year under review (2008: S$100.9 million) in accordance with the accounting standards in Singapore.

Development Properties

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

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

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

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

Investment Property

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

FINANCIAL REVIEW

(I) Results Review

Turnover and Operating Profit

The Group's turnover and operating profit for the year fell to HK$1,201 million (2008: HK$6,269 million) and HK$691 million (2008: HK$1,767 million) respectively after an exceptional 2008 and in the absence of major property completion for sales recognised in 2009.

Property Development

Revenue and operating profit from Property Development segment were HK$568 million (2008: HK$5,614 million) and HK$235 million (2008: HK$1,323 million) respectively, primarily from sales of 38 Babington units and miscellaneous remaining property stock in Hong Kong. The sales recognised in 2008 were mainly derived from The Sea View and The Cosmopolitan in Singapore.

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

As at 31 December 2009, WPSL had pre-sold all the units at Ardmore II, 239 units (77% pre-sold) at Scotts Square and 3 units (10% pre-sold) at Orchard View. The accumulated reversed sales revenue and profit attributable to the Group amounted to HK$4,350 million and HK$1,237 million respectively.

Property Investment
Property Investment segment sustained growth in revenue and operating profit to HK$421 million (2008: HK$384 million) and HK$328 million (2008: HK$269 million) respectively. The Group's investment properties mainly comprised Wheelock House in Hong Kong and Wheelock Place in Singapore.

Investment and Others
Investment revenue and operating profit fell to HK$212 million (2008: HK$271 million) and HK$187 million (2008: HK$236 million) respectively, mainly due to the decline in dividend and interest income.

Disposal of an Investment Property
Included in the Group's results was a profit of HK$126 million on disposal of an investment property, namely, Fitfort.

Other Net Income
The other net income of HK$91 million (2008: net loss of HK$73 million) comprised mainly profit on disposal of available-for-sale investments of HK$72 million (2008: loss of HK$2 million) and a net realised and unrealised exchange gain of HK$19 million (2008: exchange loss of HK$96 million), arising from forward exchange contracts entered into to effectively lock certain liabilities in Japanese Yen for financing Reminbi assets in the Mainland at a significantly more favourable interest cost.

Net Other Charge
The net other charge of HK$124 million (2008: HK$1,105 million) represents a further impairment provision of HK$54 million (of which HK$41 million is attributable to the Group) on its investment in SC Global Developments Ltd ("SC Global") and HK$70 million (of which HK$53 million is attributable to the Group) on its investment in Hotel Properties Limited ("HPL") made by WPSL in its first quarter results, based on market price as at 31 March 2009. The subsequent appreciation of such investments upto 31 December 2009 gave rise to a surplus of HK$1,189 million (of which HK$902 million is attributable to the Group) which in accordance with the current accounting standards has been dealt with in the statement of comprehensive income and will not be recognised in the income statement until the disposal of the investments.

Increase in Fair Value of Investment Properties

The Group's investment properties were revalued by independent valuers as at 31 December 2009, giving a revaluation surplus of HK$818 million (2008: HK$527 million).

The attributable net surplus of HK$643 million (2008: HK$361 million), after the related deferred tax and minority interests in total of HK$190 million (2008: HK$186 million) and adjusting the attributable tax credit of HK$15 million (2008: HK$20 million), was credited to the income statement. The Group's investment properties under development, mainly Scotts Square's retail podium in Singapore, have been reclassified to investment properties and were measured at fair value in accordance with the revised accounting standard HKAS 40, which expands the definition of an investment property to include an investment property being under development.

Finance Costs

Finance costs of HK$3 million (2008: HK$12 million) charged to the income statement were incurred by WPSL. The charge was after capitalisation of HK$21 million (2008: HK$35 million) in respect of WPSL's properties under development.

Share of Results After Tax of Associates

Share of profit of associates was HK$90 million (2008: loss of HK$71 million), mainly derived from sales of Bellagio units and property units in Foshan undertaken by associates. The 2008 share of associates' results included the Group's share of impairment provision of HK$103 million for a China project.

Income Tax

Taxation charge for the year was HK$50 million (2008: HK$27 million), which included deferred tax of HK$25 million (2008: HK$90 million) provided for the investment property revaluation surplus and a tax credit adjustment of HK$19 million in respect of a downward adjustment of the Group's deferred tax liabilities mainly on the investment property revaluation surplus, resulting from the 1% reduction in Singapore corporate income tax rate (2008: HK$20 million resulting from 1% reduction in Hong Kong profits tax rate).

Minority Interests

Profit shared by minority interests was HK$181 million (2008: HK$190 million), which was related to the profit of WPSL.

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders increased by 79% to HK$1,458 million (2008: HK$816 million). Earnings per share were 70.4 cents (2008: 39.4 cents).

Excluding the net attributable investment property revaluation surplus after deferred tax charge and the credit adjustment of HK$643 million (2008: HK$361 million), the Group's net profit attributable to equity shareholders increased by HK$360 million or 79% to HK$815 million (2008: HK$455 million).

Further stripping out the one-off profit on disposal of Fitfort and the above exceptional impairment losses for both years, the Group's net profit attributable to equity shareholders decreased by HK$613 million or 44% to HK$783 million (2008: HK$1,396 million).

(II) Liquidity, Financial Resources and Commitments

Shareholders' and Total Equity

The Group's shareholders' equity increased by 38% to HK$27,842 million or HK$13.45 per share as at 31 December 2009, compared to HK$20,246 million or HK$9.78 per share as at 31 December 2008. The increase was mainly due to the increase in market value of the Group's investment portfolio.

The Group's total equity, including minority interests, was HK$30,751 million (2008: HK$22,716 million).

Total Assets

The Group's total assets increased by 29% to HK$37.1 billion (2008: HK$28.8 billion), mainly comprising investment properties of HK$8.3 billion, properties under development in Singapore and Hong Kong in total of HK$7.7 billion and interest in associates of HK$1.4 billion mainly for the two property development projects in Foshan, China. Other major assets included available-for-sale investments of HK$12.1 billion and bank deposits and cash of HK$7.0 billion.

Net Cash

The Group's net cash increased by HK$2,200 million to HK$5,679 million as at 31 December 2009 (2008: HK$3,479 million), which was made up of bank deposits and cash of HK$6,969 million and debts of HK$1,290 million. Excluding WPSL, the Company and its other subsidiaries together had net cash of HK$2,777 million (2008: HK$1,514 million). The major cash inflow for the year included proceeds received from sale of Fitfort.

WPSL's net cash amounted to HK$2,902 million (2008: HK$1,965 million). WPSL's major cash inflow was mainly attributable to proceeds received from sale of properties.

Available-for-sale Investments

The Group maintained a portfolio of available-for-sale investments with an aggregate market value as at 31 December 2009 of HK$12,071 million (2008: HK$5,643 million), which primarily comprised a 7% interest in Wharf, WPSL's 20% interest in HPL and 17% interest in SC Global, and other blue chip securities. The cumulative attributable surplus of the investments as at 31 December 2009 amounted to HK$6,610 million (2008: HK$462 million) and is retained in reserves until the related investments are sold.

Finance and Availability of Facilities

(a) The Group's available loan facilities totalled HK$2.4 billion, of which HK$1.3 billion was drawn. The debt maturity profile of the Group as at 31 December 2009 is analysed below:

	2009 HK$Million	2008 HK$Million
Within 1 year	**721**	512
After 1 year, but within 2 years	**569**	1,043
After 2 years, but within 3 years	**–**	559
	1,290	2,114
Undrawn facilities	**1,115**	1,272
Total loan facilities	**2,405**	3,386

(b) The following assets of the Group have been pledged for securing bank loan facilities:

	2009 HK$Million	2008 HK$Million
Investment property/Property under development for investment	**1,424**	670
Properties under development for sale	**3,012**	2,803
	4,436	3,473

(c) As at 31 December 2009, WPSL's borrowings for financing its properties in Singapore were primarily denominated in Singapore dollars. In addition, the Group entered into forward exchange contracts primarily for management of its foreign currency assets and related interest rate exposures; these contracts were marked to market at the reporting date and resulted in net assets of HK$16 million. The Group has no other significant exposure to foreign exchange fluctuation except for the net investments in its Singapore subsidiaries and China associates.

Commitments

As at 31 December 2009, the Group's commitments were mainly related to trading properties under development and are analysed as follows:

	Authorised and Contracted for HK$Million	Authorised but not Contracted for HK$Million
(a) Properties under development undertaken by subsidiaries:		
Hong Kong	389	220
Singapore	663	–
Associates:		
China	232	1,071
	1,284	**1,291**
(b) Capital expenditure undertaken by subsidiaries:		
Hong Kong	3	–
Singapore	193	–
	196	**–**

(III) Disposal/Acquisition of Properties

Disposal of Fitfort

In December 2009, the Group completed the disposal of Fitfort for HK$935 million with a net profit of HK$126 million. Apart from this, the property's cumulative revaluation surpluses of HK$280 million arisen in prior years have been included and reported in the results of the respective years in accordance with the current accounting standards.

Foshan joint venture

In January 2010, the Group together with China Merchants Property group acquired a site (50%-owned by the Group) in Nanhai Shishan Town (南海獅山鎮), Foshan, Guangdong for RMB680 million (about HK$774 million). The site will be developed into residential properties for sale.

Austin Station Property Development joint venture

In March 2010, the Group together with New World Development group through a 50%-owned joint venture company succeeded in the tender for the development of site C and site D of the Austin Station Property Development in Tsimshatsui, Kowloon. The total development and related costs of the project as payable by the joint venture company are budgeted at approximately HK$11.7 billion, of which the Group's share of the commitment is approximately HK$5.8 billion. The sites will be developed into residential properties for sale.

(IV) Human Resources

The Group had 103 employees as at 31 December 2009 (2008: 105). 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.

CORPORATE GOVERNANCE REPORT

(A) CORPORATE GOVERNANCE PRACTICES

During the financial year ended 31 December 2009, all the code provisions as set out in the Code on Corporate Governance Practices in Appendix 14 (the "Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") were met by the Company, with the exception of one deviation as set out under section (D) below. The application of the relevant principles, and the reasons for the abovementioned deviation from a Code provision, are stated in the following sections.

(B) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors of the Company who were in office during the financial year ended 31 December 2009, they have confirmed that they have complied with the Model Code during the financial year.

(C) BOARD OF DIRECTORS

(i) Composition of the Board, number of Board meetings and Directors' attendance

The Company's Board has a balance of skills and experience and a balanced composition of executive and non-executive directors. Four Board meetings were held during the financial year ended 31 December 2009. The composition of the Board and attendance of the Directors are set out below:

Directors	Attendance/Number of Meetings
Chairman	
Peter K C Woo	3/4
Non-executive Directors	
Joseph M K Chow	3/4
Gonzaga W J Li *(retiring as Director effective 1 April 2010)*	1/4
T Y Ng	2/4
Paul Y C Tsui	4/4
Ricky K Y Wong	4/4
Independent Non-executive Directors	
Herald L F Lau	3/4
Roger K H Luk	4/4
Glenn S Yee	2/4

Each Director of the Company has been appointed on the strength of his calibre, experience and stature, and his potential to contribute to the proper guidance of the Group and its businesses. Apart from formal meetings, matters requiring board approval were arranged by means of circulation of written resolutions.

(ii) Operation of the Board

The Company is headed by an effective Board which takes decisions objectively in the interests of the Company. The Company's management has closely monitored changes to regulations that affect its corporate affairs and businesses, and changes to accounting standards, and adopted appropriate reporting format in its interim report, annual report and other related documents to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. Where these changes are pertinent to the Company or Directors' disclosure obligations, the Directors are either briefed during Board meetings or issued with regular updates and materials to keep them abreast of their responsibilities and of the conduct, business activities and development of the Group. Newly appointed Directors receive briefings and orientation on their legal and other responsibilities as a Director and the role of the Board. The Company has also provided appropriate information in a timely manner to the Directors to enable them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company.

There is a clear division of responsibilities between the Board and the management. Decisions on important matters are specifically reserved to the Board while decisions on the Group's general operations are delegated to the management. Important matters include those affecting the Group's strategic policies, major investment and funding decisions and major commitments relating to the Group's operations.

(D) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr Peter K C Woo serves as the Chairman and also as the *de facto* chief executive officer of the Company. This is a deviation from the Code provision with respect to the roles of chairman and chief executive officer to be performed by different individuals. Such 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.

(E) NON-EXECUTIVE DIRECTORS

All those existing Directors of the Company who do not hold any executive office of the Company have their respective terms of appointment coming to an end normally three years after their appointment to the Board or (in the case of Directors who were re-elected to the Board at previous Annual General Meetings) their last re-election as Directors.

(F) REMUNERATION OF DIRECTORS

The Company has set up a Remuneration Committee consisting of the Chairman of the Company and two Independent Non-executive Directors.

One Remuneration Committee meeting was held during the financial year ended 31 December 2009. Attendance of the Members is set out below:

Members	**Attendance/Number of Meeting**
Peter K C Woo, *Chairman*	1/1
Roger K H Luk	1/1
Glenn S Yee	1/1

(i) The terms of reference of the Remuneration Committee are aligned with the provisions set out in the Code. Given below are the main duties of the Remuneration Committee:

(a) to consider the Company's policy and structure for all remuneration of Directors and senior management;

(b) to determine the specific remuneration packages of all executive Directors and senior management;

(c) to review performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(d) to review the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment; and

(e) to review compensation arrangements relating to dismissal or removal of Directors for misconduct.

(ii) The work performed by the Remuneration Committee for the financial year ended 31 December 2009 is summarised below:

(a) review of the Company's policy and structure for all remuneration of Directors and senior management;

(b) consideration of the emoluments for all Directors and senior management; and

(c) review of the level of fees for Directors and Audit Committee Members.

The basis of determining the emoluments payable to its Directors and senior management by the Company is by reference to the level of emoluments normally paid by a listed company in Hong Kong to directors and senior executives of comparable calibre and job responsibilities so as to ensure a fair and competitive remuneration package as is fit and appropriate. The basis of determining the Directors' fees, currently at the rate of HK$40,000 per annum per Director, payable to Directors of the Company, and the Audit Committee Members' fees, currently at the rate of HK$20,000 per annum per Member, payable to those Directors of the Company who are also Members of the Audit Committee of the Company is by reference to the level of fees of similar nature normally paid by a listed company in Hong Kong to its directors.

(G) NOMINATION OF DIRECTORS

The Company does not have a nomination committee as the role and function of such committee are performed by the Board.

The Board is responsible for the formulation of the nomination policies, making recommendations to Shareholders on Directors standing for re-election, providing sufficient biographical details of Directors to enable Shareholders to make an informed decision on the re-election, and where necessary, nominate Directors to fill casual vacancies. The Chairman from time to time reviews the composition of the Board with particular regard to ensuring that there is an appropriate number of Directors on the Board independent of management. He also identifies and nominates qualified individuals for appointment as new Directors of the Company. New Directors of the Company will be appointed by the Board. Any and all new Directors are subject to retirement from the Board at the Annual General Meeting of the Company immediately following his or her appointment and may stand for re-election at the Annual General Meeting.

(H) AUDITORS' REMUNERATION

The fees in relation to the audit and other services provided by KPMG, the external auditors of the Company, amounted to HK$3 million and HK$1 million respectively.

(I) AUDIT COMMITTEE

The Audit Committee of the Company consists of one Non-executive Director and two Independent Non-executive Directors.

All Members have sufficient experience in reviewing audited financial statements as aided by the auditors of the Group whenever required. In addition, Mr Herald L F Lau has the appropriate professional qualifications and experience in financial matters.

Two Audit Committee meetings were held during the financial year ended 31 December 2009. Attendance of the Members is set out below:

Members	**Attendance/Number of Meetings**
Glenn S Yee, *Chairman*	2/2
Joseph M K Chow	2/2
Herald L F Lau	2/2

(i) The terms of reference of the Audit Committee are aligned with the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants. Given below are the main duties of the Audit Committee:

(a) to consider the appointment of the external auditors and any questions of resignation or dismissal;

(b) to discuss with the external auditors before the audit commences, the nature and scope of the audit;

(c) to review the half-year and annual financial statements before submission to the Board, focusing particularly on:

(1) any changes in accounting policies and practices;
(2) major judgmental areas;
(3) significant adjustments resulting from the audit;
(4) the going concern assumption;
(5) compliance with accounting standards; and
(6) compliance with Stock Exchange and legal requirements;

(d) to discuss problems and reservations arising from the audits, and any matters the external auditors may wish to discuss (in the absence of management where necessary);

(e) to discuss with the management the system of internal control including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget; and

(f) to review the audit programme of the internal audit function.

(ii) The work performed by the Audit Committee for the financial year ended 31 December 2009 is summarised below:

(a) approval of the remuneration and terms of engagement of the external auditors;

(b) review of the external auditors' independence and objectivity and the effectiveness of audit process in accordance with applicable standards;

(c) review of the half-year and annual financial statements before submission to the Board, with particular consideration of the points mentioned in paragraph (i)(c) above regarding the duties of the Audit Committee;

(d) discussion with the external auditors before the audit commences, the nature and scope of the audit;

(e) review of the audit programme of the internal audit function;

(f) review of the Group's financial controls, internal control and risk management systems; and

(g) meeting with the external auditors without executive Board members present.

(J) INTERNAL CONTROL

The Directors are ultimately responsible for the internal control system of the Group and, through the Audit Committee, have reviewed the effectiveness of the system, including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget; and the internal control system comprises a well-defined organisational structure with specified limits of authority in place. Areas of responsibility of each business and operational units are also clearly defined to ensure effective checks and balances.

Procedures have been designed for safeguarding assets against unauthorised use or disposition, maintenance of proper accounting records, assurance of the reliability of financial information for internal use or publication and compliance with relevant legislation and regulations. Such procedures are designed to manage risks of failure in operational systems and can provide reasonable assurance against material errors, losses or fraud.

The internal audit function monitors compliance with policies and standards and the effectiveness of internal control structures across the whole Group. Findings regarding internal control matters are reported to the Audit Committee. The external auditors have access to a full set of internal audit reports.

A review of the effectiveness of the Group's internal control system and procedures covering all controls, including financial, operational and compliance and risk management, was conducted by the Audit Committee and subsequently reported to the Board during the financial year ended 31 December 2009. Based on the result of the review, in respect of the financial year ended 31 December 2009, the Directors considered that the internal control system and procedures of the Group were effective and adequate.

(K) DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of financial statements for the financial year ended 31 December 2009, which give a true and fair view of the affairs of the Company and of the Group and of the Group's results and cash flows for the year then ended and in compliance with the requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

In preparing the financial statements for the financial year ended 31 December 2009:

(i) appropriate accounting policies are selected, applied consistently and in accordance with the Hong Kong Financial Reporting Standards;

(ii) prudent and reasonable judgements and estimates are made; and

(iii) the reasons for any significant departure from applicable accounting standards are stated, if applicable.

(L) COMMUNICATION WITH SHAREHOLDERS

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performances and activities. Annual and interim reports are printed and sent to all Shareholders. Press releases are posted on the Company's corporate website www.wheelockproperties.com. The Company's website provides email address, postal address, fax number and telephone number by which enquiries may be put to the Company's Board. Constantly being updated in a timely manner, the website also contains a wide range of additional information on the Group's business activities. As a standard part of the investor relations programme to maintain a constant dialogue on the Group's performance and objectives, senior executives hold regular briefings and attend conferences with institutional investors and financial analysts.

The Company encourages its Shareholders to attend Annual General Meetings to ensure a high level of accountability and to stay informed of the Group's strategy and goals.

The Board and external auditors attend the Annual General Meetings to answer Shareholders' questions.

(M) SHAREHOLDERS' RIGHTS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Pursuant to the Hong Kong Companies Ordinance, on requisition by one or more Shareholders in aggregate holding not less than 5% of the paid-up capital of the Company carrying the right to vote at general meetings, the Directors of the Company must convene an extraordinary general meeting.

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their Report and the Audited Financial Statements for the financial year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on page 81.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the financial year ended 31 December 2009 are set out in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income on pages 29 and 30 respectively.

Appropriations of profits and movements in reserves of the Group and of the Company during the financial year are set out in the Consolidated Statement of Changes in Equity and Note 25 to the Financial Statements on pages 33 and 56 respectively.

DIVIDENDS

An interim dividend of 2.0 cents per share was paid on 25 September 2009. The Directors have now recommended for adoption at the Annual General Meeting to be held on Monday, 31 May 2010 the payment on 7 June 2010 to Shareholders on record as at 31 May 2010 of a final dividend of 8.0 cents per share in respect of the financial year ended 31 December 2009. This recommendation has been disclosed in the Financial Statements.

FIXED ASSETS

Movements in fixed assets during the financial year are set out in Note 12 to the Financial Statements on page 46.

DONATIONS

The Group made donations during the financial year totalling HK$2 million.

DIRECTORS

The Directors of the Company during the financial year were Mr P K C Woo, Dr J M K Chow, Mr H L F Lau, Mr G W J Li (who will retire and cease to be a director effective 1 April 2010), Mr R K H Luk, Mr T Y Ng, Mr P Y C Tsui, Mr R K Y Wong and Mr G S Yee.

Messrs H L F Lau and T Y Ng are due to retire by rotation from the Board at the forthcoming Annual General Meeting in accordance with Article 103(A) of the Company's Articles of Association. Being eligible, they offer themselves for re-election. None of the retiring Directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

REPORT OF THE DIRECTORS

INTERESTS IN CONTRACTS

No contract of significance in relation to the Company's business to which the Company, its subsidiaries or its ultimate holding company or any subsidiary of that ultimate holding company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during that financial year.

MANAGEMENT CONTRACTS

There was in existence during the financial year ended 31 December 2009 an agreement dated 31 March 1992 between the Company and Wheelock Corporate Services Limited ("WCSL"), whereby WCSL were appointed the General Managers of the Company. The said appointment has become effective since 31 March 1992 and, subject to certain terms and conditions as stipulated in a Master Services Agreement dated 22 December 2004 between the Company and Wheelock and Company Limited as revised by two supplemental agreements dated 7 February 2007 and 3 March 2010 respectively (relevant details thereof are set out on page 26 of this Annual Report), shall continue in force until it is terminated by WCSL by the giving of six months' prior notice in writing. Messrs P Y C Tsui and T Y Ng are directors of WCSL and are accordingly regarded as interested in the said agreement.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the financial year was the Company, its subsidiaries or its ultimate holding company or any subsidiary of that ultimate holding company a party to any arrangement to enable the Directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

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.

AUDITORS

The Financial Statements now presented have been audited by KPMG, Certified Public Accountants, who retire and being eligible, offer themselves for re-appointment.

By Order of the Board
Wilson W S Chan
Secretary

Hong Kong, 16 March 2010

REPORT OF THE DIRECTORS

SUPPLEMENTARY CORPORATE INFORMATION

(A) BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGERS

(I) Directors

Peter K C WOO, *GBS, JP, Chairman* (Age: 63)

Mr Woo has resumed the role of Chairman of the Company since May 2006 after having also served in that capacity from 1985 to 1990. He also serves as a member and the chairman of the Company's Remuneration Committee. He is the chairman and a substantial shareholder of the Company's ultimate holding company, namely, Wheelock and Company Limited ("Wheelock"), and also the chairman of a fellow subsidiary of the Company, namely, The Wharf (Holdings) Limited ("Wharf"), both publicly listed in Hong Kong. Furthermore, he is the chairman of the Company's publicly-listed subsidiary in Singapore, namely, Wheelock Properties (Singapore) Limited ("WPSL"). He has for many years been actively engaged in community and related services, both locally and in the international arena, and has held various Government appointments.

Mr Woo serves as a member of the Standing Committee of the Eleventh National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He was appointed a Justice of the Peace in 1993 and awarded the Gold Bauhinia Star in 1998 by the Hong Kong SAR Government. He has been appointed a non-official member of the Commission on Strategic Development since June 2007. He had served as the chairman of Hospital Authority from 1995 to 2000, the council chairman of Hong Kong Polytechnic University from 1993 to 1997 and the Government-appointed chairman of the Hong Kong Trade Development Council from 2000 to 2007. He was the chairman of the Hong Kong Environment and Conservation Fund Committee set up in 1994 which he co-funded with the Government. He also served as a deputy chairman in 1991 to Prince of Wales Business Leaders Forum, and as a member of the International Advisory Council of JPMorgan Chase & Co., National Westminster Bank, Banca Nazionale del Lavoro, Elf Aquitaine of France and General Electric of America. He has received Honorary Doctorates from various universities in Australia, Hong Kong and the United States.

Joseph M K CHOW, *OBE, JP, Director* (Age: 68)

Dr Chow, *RPE, FHKIE, FICE, FIStructE, FICT, MIHT,* has been a Director of the Company since 2003. He also serves as a member of the Company's Audit Committee. Dr Chow is a professional civil and structural engineer. He is the chairman of the Hong Kong Construction Workers Registration Authority, a member of Chinese People's Political Consultative Conference of Shanghai and a Hon. Senior Superintendent of the Hong Kong Auxiliary Police Force. Dr Chow is the chairman of Joseph Chow & Partners Limited as well as an independent non-executive director of the publicly-listed Chevalier International Holdings Limited, Build King Holdings Limited, Road King Infrastructure Limited and PYI Corporation Limited.

Herald L F LAU, *Director* (Age: 69)

Mr Lau, *FCA, FCPA,* has been an Independent Non-executive Director of the Company since 2004. He also serves as a member of the Company's Audit Committee. Mr Lau has been practicing as a certified public accountant in Hong Kong for over 30 years and has extensive experience in auditing, finance, taxation and management. He was formerly a partner of a professional accountants firm PricewaterhouseCoopers, Hong Kong until his retirement from the firm in June 2001. He is also an independent non-executive director of publicly-listed Kerry Properties Limited and China World Trade Center Company Ltd. (Beijing). He was formerly an independent non-executive director of publicly-listed Fairwood Holdings Limited from August 1991 to August 2009.

Roger K H LUK, *BBS, JP, Director* (Age: 58)
Mr Luk, *FHKIB,* has been an Independent Non-executive Director of the Company since 2008. He also serves as a member of the Company's Remuneration Committee. Mr Luk has over 30 years of comprehensive experience in accounting and financial management. He joined Hang Seng Bank in 1975, became the bank's director and deputy chief executive in 1994 and then became managing director and deputy chief executive of the bank in 1996 until his retirement in May 2005. Currently, Mr Luk is an independent non-executive director of three companies publicly listed in Hong Kong, namely, China Properties Group Limited, Computime Group Limited and Hung Hing Printing Group Limited, of AXA General Insurance Hong Kong Limited, Octopus Cards Limited, and also of Wharf T&T Limited, which is a fellow subsidiary of the Company. He also serves as a council member and the treasurer of The Chinese University of Hong Kong, a member of the Barristers Disciplinary Tribunal Panel and a non-official member of the Operations Review Committee of ICAC. Mr Luk also served in the past on the Court and Council of Hong Kong Baptist University, the Advisory Committee on New Broad-based Taxes, the Personal Data (Privacy) Advisory Committee, the Central Policy Unit of the Hong Kong Government, the Statistics Advisory Board, the Broadcasting Authority, and the Advisory Committee and the Investor Education Advisory Committee of the Securities and Futures Commission. He was an appointed member of the Hong Kong Legislative Council from 1992 to 1995, and also a member of the first Election Committee of the Legislative Council. Mr Luk is a Fellow of the Hong Kong Institute of Bankers.

He is also a Non-official Justice of the Peace and was awarded the honour of Bronze Bauhinia Star in 2004 in recognition of his contributions to public services.

T Y NG, *Director* (Age: 62)
Mr Ng, *ACPA, ACMA,* has been a Director of the Company since 1998. He is also a director of certain subsidiaries of the Company, two publicly-listed fellow subsidiaries of the Company, namely, Wharf and Harbour Centre Development Limited ("HCDL"), and a director of Wheelock Corporate Services Limited ("WCSL"). Mr Ng was formerly a director of publicly-listed Joyce Boutique Holdings Limited ("Joyce") from 2000 to 2008.

Paul Y C TSUI, *Director* (Age: 63)
Mr Tsui, *FCCA, FCPA, FCMA, FCIS, CGA-Canada,* has been a Director of the Company since 2005. He is also an executive director and the group chief financial officer of Wheelock and Wharf. He is also a director of WPSL as well as a director of certain other subsidiaries of the Company, of two publicly-listed fellow subsidiaries of the Company, namely, HCDL and i-CABLE Communications Limited ("i-CABLE"), and of Joyce. Furthermore, he is the managing director of WCSL and a director of Myers Investments Limited ("Myers").

Ricky K Y WONG, *Director* (Age: 45)
Mr Wong has been a Director of the Company since 2006. He joined Wharf group in 1989. He has been in continuous employment of the Wheelock and Wharf group since 1989 and has been responsible for various property-related matters of the Wheelock and Wharf group. He is currently the managing director of Wheelock Properties (Hong Kong) Limited, which is a wholly-owned subsidiary of Wheelock, and is presently responsible for overseeing the property development and related business of the Wheelock and Wharf group. Mr Wong graduated from University of Wisconsin in the United States with a Master Degree in Business Administration.

Glenn S YEE, *Director* (Age: 59)
Mr Yee has been an Independent Non-executive Director of the Company since 2003. He also serves as a member and the chairman of the Company's Audit Committee and a member of the Company's Remuneration Committee. Mr Yee is the managing director of Pacific Can Company Limited.

Notes:

(1) Wheelock, WCSL and Myers (of which one or more of Mr P K C Woo, Mr T Y Ng and Mr P Y C Tsui is/are director(s)) have interests in the share capital of the Company discloseable to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO").

(2) The Company confirms that it has received written confirmation from each of the independent Non-executive Directors confirming their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and considers them independent.

(II) Senior Management

During the financial year, the senior management responsibilities of the Group were vested with the General Managers of the Company, namely, WCSL (as referred to in the Report of the Directors under the section headed "Management Contracts" on page 20), and none of the employees of the Group are regarded as Senior Management.

(B) DIRECTORS' INTERESTS IN SHARES

At 31 December 2009, Directors of the Company had the following beneficial interests, all being long positions, in the share capitals of the Company, the Company's parent company, namely, Wheelock, and two subsidiaries of Wheelock, namely, Wharf and i-CABLE, and the percentages which the relevant shares represented to the issued share capitals of the four companies respectively are also set out below:

	No. of Ordinary Shares (percentage of issued capital)	**Nature of Interest**
The Company		
G W J Li	2,900 (0.0001%)	Personal Interest
Wheelock		
P K C Woo	1,204,934,330 (59.3023%)	Personal Interest in 8,847,510 shares, Corporate Interest in 200,865,142 shares and Other Interest in 995,221,678 shares
G W J Li	1,486,491 (0.0732%)	Personal Interest
T Y Ng	70,000 (0.0034%)	Personal Interest
Wharf		
G W J Li	772,367 (0.0280%)	Personal Interest
T Y Ng	200,268 (0.0073%)	Personal Interest
i-CABLE		
G W J Li	68,655 (0.0034%)	Personal Interest
T Y Ng	17,801 (0.0009%)	Personal Interest

Notes:

(a) The 995,221,678 shares of Wheelock stated above as "Other Interest" against the name of Mr P K C Woo represented an interest comprised in certain trust properties in which Mr Woo was taken, under certain provisions in Part XV of the SFO which are applicable to a director or chief executive of a listed company, to be interested.

(b) The shareholdings classified as "Corporate Interest" in which the Director concerned was taken to be interested as stated above were interests of corporations at respective general meetings of which the Director was either entitled to exercise (or taken under Part XV of the SFO to be able to exercise) or control the exercise of one-third or more of the voting power in general meetings of such corporations.

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the SFO in respect of information required to be notified to the Company and the Stock Exchange by the Directors and/or Chief Executive of the Company pursuant to the SFO or to the Model Code for Securities Transactions by Directors of Listed Issuers, there were no interests, both long and short positions, held during the financial year by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), nor had there been any exercises during the financial year of any rights to subscribe for any shares, underlying shares or debentures of the Company.

(C) SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company as at 31 December 2009, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register") and the percentages which the shares represented to the issued share capital of the Company:

	Names	**No. of Ordinary Shares** (percentage of issued capital)
(i)	Myers Investments Limited	1,536,058,277 (74.22%)
(ii)	Wheelock Corporate Services Limited	1,536,058,277 (74.22%)
(iii)	Wheelock and Company Limited	1,536,058,277 (74.22%)
(iv)	HSBC Trustee (Guernsey) Limited	1,536,058,277 (74.22%)

Note: For the avoidance of doubt and double counting, it should be noted that duplication occurs in respect of all of the above-stated shareholdings to the extent that the shareholdings stated against parties (i) to (iv) above represent the same block of shares.

All the interests stated above represented long positions and as at 31 December 2009, there were no short position interests recorded in the Register.

(D) PENSION SCHEMES

As at 31 December 2009, no pension scheme of the Group was operated for any employee of the Group. The retirement benefit scheme in which the Group's employees, all being employees of WPSL and/or its subsidiaries, participated was the Central Provident Fund in Singapore.

The employers' pension cost charged to the Consolidated Income Statement during the financial year ended 31 December 2009 in respect of the above retirement benefit scheme amounted to HK$2 million.

(E) DIRECTORS' INTERESTS IN COMPETING BUSINESS

Set out below is information disclosed pursuant to Rule 8.10 of the Listing Rules.

Four Directors of the Company, namely, Messrs P K C Woo, T Y Ng, P Y C Tsui and R K Y Wong, being also directors of the Company's parent company, namely, Wheelock, and/or certain subsidiaries of Wheelock, are considered as having an interest in Wheelock under Rule 8.10 of the Listing Rules.

The ownership of commercial premises by Wheelock group for rental purposes is considered as competing with the commercial premises owned by the Group for letting. Since the Group's commercial premises are not in close proximity to those owned by the Wheelock group and the customers and tenants for the Group's properties are somewhat different from those for the properties owned by the Wheelock group, the Group considers that its interest regarding the business of owning and letting of commercial premises is adequately safeguarded.

For safeguarding the interests of the Group, the independent Non-executive Directors and the Audit Committee of the Company would on a regular basis review the business and operational results of the Group to ensure, *inter alia*, that the Group's property leasing business is and continues to be run on the basis that it is independent of, and at arm's length from, that of the Wheelock group.

(F) MAJOR CUSTOMERS & SUPPLIERS

For the financial year ended 31 December 2009:

(a) the aggregate amount of purchases (not including the purchases of items which are of a capital nature) attributable to the Group's five largest suppliers represented 79% of the Group's total purchases; and

(b) the largest supplier accounted for 31% of the Group's total purchases;

(c) none of the Directors of the Company or their associates holds, nor does any Shareholder owning (to the knowledge of the Directors) more than 5% of the Company's equity capital hold, any interests in any of the Group's five largest suppliers; and

(d) the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

(G) BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Particulars of any and all bank loans, overdrafts and/or other borrowings of the Company and of the Group as at 31 December 2009 which are repayable on demand or within a period not exceeding one year or after one year are set out in Note 21 to the Financial Statements on page 53.

(H) INTEREST CAPITALISED

The amount of interest capitalised by the Group during the financial year is set out in Note 6 to the Financial Statements on page 43.

(I) PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules throughout the financial year ended 31 December 2009.

(J) DISCLOSURE OF CONNECTED TRANSACTIONS

Set out below is information in relation to certain connected transactions involving the Company and/or its subsidiaries, particulars of which were previously disclosed in the announcements of the Company dated 7 February 2007 and 20 August 2007 respectively and are required under the Listing Rules to be disclosed in the Annual Report and Financial Statements of the Company:

(i) Master Services Agreement with Wheelock and Company Limited

During the financial year under review, there existed a master services agreement dated 22 December 2004 as revised by a supplemental agreement dated 7 February 2007 (together, the "First Master Services Agreement") between the Company and Wheelock for the provision by the latter of general managerial and/or administrative services, including legal, secretarial, human resources, accounting and financial and information technology services (the "General Management Services"), and property management and/or leasing and other property related services (the "Property Services"). The provision of the services to the Group under such arrangements are needed for the running of the Group's business operations, particularly given that the Group itself has no employees in Hong Kong.

On 3 March 2010, another supplemental agreement (the "Second Supplemental Agreement") was entered into between the Company and Wheelock to, among other things, to revise the cap amount(s) and the relevant period in respect of the General Management Services and the Property Services for the final year as referred to in the First Master Services Agreement and to the effect that the term and/or duration of the First Master Services Agreement came to an end at the end of December 2009. Set out below are details of the changes to the First Master Services Agreement as provided for in the Second Supplemental Agreement:

Period to which the annual cap amounts relate	General Management Cap Amount	Property Cap Amount
1 January to 31 December 2009 (instead of 1 April 2009 to 31 March 2010)	HK$66 Million (instead of HK$44 Million)	HK$13 Million (No change)

As the Company is a 74%-owned subsidiary of Wheelock, the transactions (the "MS Transactions") constitute continuing connected transactions for the Company under the Listing Rules. The remuneration paid by the Group for the General Management Services and for the Property Services were HK$64 million and HK$10 million respectively for the financial year ended 31 December 2009.

On 3 March 2010, a renewal master services agreement (the "Renewal Agreement") was also entered into between the Company and Wheelock for renewal of the same master services arrangements for a new fixed term of three years from 1 January 2010 to 31 December 2012.

(ii) Tenancy Agreement with Wheelock Properties (Hong Kong) Limited

During the financial year under review, there existed a tenancy agreement dated 20 August 2007 in respect of the tenancy renewal of the whole of 5th Floor, Wheelock House, 20 Pedder Street, Hong Kong (the "Property") for a term of three years from 1 September 2007 to 31 August 2010 between Marnav Holdings Limited ("Marnav"), a wholly-owned subsidiary of the Company, as the landlord, and Wheelock Properties (Hong Kong) Limited ("WPHK"), a wholly-owned subsidiary of Wheelock, as the tenant (the "Renewal Tenancy Agreement"). The letting of the Property to WPHK by the Group is for the purpose of earning rental revenue.

As the Company is a 74%-owned subsidiary of Wheelock, the transaction (the "WH Transaction") constitutes a continuing connected transaction for the Company under the Listing Rules.

The rental receivable by Marnav from WPHK under the Renewal Tenancy Agreement is subject to a fixed monthly rent previously disclosed in an announcement dated 20 August 2007 and the rent received by Marnav for the financial year ended 31 December 2009 was HK$4.5 million.

(iii) With regard to the Related Party Transactions as disclosed under Note 29 to the Financial Statements on page 62, the transactions stated under paragraphs (a) and (b) therein constitute connected transactions (as defined under the Listing Rules) of the Company and the transactions under paragraphs (c) and (d) do not constitute connected transactions for the Company.

(iv) Confirmation from Directors etc.

The Directors, including the independent Non-executive Directors, of the Company have reviewed the MS Transactions and the WH Transaction (collectively, the "Transactions") mentioned under Section J(i) and J(ii) above and confirmed that the Transactions were entered into:

(a) by the Group in the ordinary and usual course of its business;

(b) either on normal commercial terms or, if there are not sufficient comparable transactions, on terms that are no less favourable than those available to or from (as appropriate) independent third parties; and

(c) in accordance with the relevant agreements governing such Transactions on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

Furthermore, the auditors of the Company have advised the following:

(1) the Transactions had been approved by the Company's Board of Directors;

(2) nothing came to the attention of the auditors of the Company that caused them to believe that the Transactions were not entered into in accordance with the terms of the related agreements governing the Transactions; and

(3) the relevant cap amounts have not been exceeded during the financial year ended 31 December 2009.

REPORT OF THE INDEPENDENT AUDITOR

KPMG

To the Shareholders of Wheelock Properties Limited

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Wheelock Properties Limited (the "Company") set out on pages 29 to 82, which comprise the consolidated and company statements of finanical position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

16 March 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Note	**2009 HK$Million**	2008 HK$Million
Turnover	1	**1,201**	6,269
Direct costs and operating expenses		**(336)**	(4,373)
Selling and marketing expenses		**(44)**	(13)
Administrative and corporate expenses		**(130)**	(116)
Operating profit	1 & 2	**691**	1,767
Profit on disposal of an investment property	3	**126**	–
Increase in fair value of investment properties	12	**818**	527
Other net income/(loss)	4	**91**	(73)
Net other charge	5	**(124)**	(1,105)
		1,602	1,116
Finance costs	6	**(3)**	(12)
Share of results after tax of associates	7	**90**	(71)
Profit before taxation		**1,689**	1,033
Income tax	8	**(50)**	(27)
Profit for the year		**1,639**	1,006
Profit attributable to:			
Equity shareholders	9	**1,458**	816
Minority interests		**181**	190
		1,639	1,006
Earnings per share – basic and diluted	10	**HK$0.70**	HK$0.39

The notes and principal accounting policies on pages 37 to 82 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 11.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	2009 HK$Million	2008 HK$Million
Profit for the year	**1,639**	1,006
Other comprehensive income/(expense), net of tax, for the year		
Exchange difference on translation of financial statements of:		
– subsidiaries	**261**	(95)
– associates	**2**	65
Net movement in the available-for-sale investment revaluation reserves:	**6,435**	(5,429)
Changes in fair value recognised during the year	**6,323**	(6,657)
Reclassification adjustments transferred to income statement:		
– for impairment losses	**124**	1,105
– gain on disposal	**(12)**	(91)
Reversal of deferred tax relating to revaluation gains	**–**	214
Other comprehensive income/(expense) for the year	**6,698**	(5,459)
Total comprehensive income/(expense) for the year	**8,337**	(4,453)
Total comprehensive income/(expense) attributable to:		
Equity shareholders	**7,803**	(4,421)
Minority interests	**534**	(32)
	8,337	(4,453)

The notes and principal accounting policies on pages 37 to 82 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Note	2009 HK$Million	2008 HK$Million
Non-current assets			
Investment properties		**8,303**	7,478
Other property, plant and equipment		**6**	676
Total fixed assets	12	**8,309**	8,154
Interest in associates	14	**1,360**	1,480
Available-for-sale investments	15	**12,071**	5,643
Deferred tax assets	23	**66**	101
Deferred debtors	16	**9**	12
		21,815	15,390
Current assets			
Properties under development for sale	17	**7,514**	6,889
Properties held for sale	17	**185**	102
Trade and other receivables	18	**616**	850
Held-to-maturity investments	15	**15**	–
Bank deposits and cash	19	**6,969**	5,593
		15,299	13,434
Current liabilities			
Trade and other payables	20	**(699)**	(744)
Bank loans	21	**(721)**	(512)
Deposits from sale of properties	22	**(3,617)**	(2,208)
Amounts due to fellow subsidiaries		**(65)**	(40)
Taxation payable	8(c)	**(33)**	(314)
		(5,135)	(3,818)
Net current assets		**10,164**	9,616
Total assets less current liabilities		**31,979**	25,006
Non-current liabilities			
Bank loans	21	**(569)**	(1,602)
Deferred tax liabilities	23	**(659)**	(688)
		(1,228)	(2,290)
NET ASSETS		**30,751**	22,716
Capital and reserves			
Share capital	24	**414**	414
Reserves		**27,428**	19,832
Shareholders' equity		**27,842**	20,246
Minority interests		**2,909**	2,470
TOTAL EQUITY		**30,751**	22,716

The notes and principal accounting policies on pages 37 to 82 form part of these financial statements.

Peter K C Woo
Chairman

Paul Y C Tsui
Director

COMPANY STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Note	**2009 HK$Million**	2008 HK$Million
Non-current assets			
Interest in subsidiaries	13	**1,837**	1,816
Current liabilities			
Trade and other payables		**(4)**	(4)
NET ASSETS		**1,833**	1,812
Capital and reserves			
Share capital	24	**414**	414
Reserves		**1,419**	1,398
SHAREHOLDERS' EQUITY	25(b)	**1,833**	1,812

The notes and principal accounting policies on pages 37 to 82 form part of these financial statements.

Peter K C Woo
Chairman

Paul Y C Tsui
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Shareholders' equity						
	Share capital HK$Million	Investment revaluation reserves HK$Million	Exchange and other reserves* HK$Million	Revenue reserves HK$Million	Total HK$Million	Minority interests HK$Million	Total equity HK$Million
At 1 January 2009	**414**	**462**	**980**	**18,390**	**20,246**	**2,470**	**22,716**
Total comprehensive income for the year	**–**	**6,148**	**197**	**1,458**	**7,803**	**534**	**8,337**
Final dividend paid in respect of 2008 (Note 11)	**–**	**–**	**–**	**(166)**	**(166)**	**–**	**(166)**
Interim dividend paid in respect of 2009 (Note 11)	**–**	**–**	**–**	**(41)**	**(41)**	**–**	**(41)**
Dividends paid to minority interests	**–**	**–**	**–**	**–**	**–**	**(95)**	**(95)**
At 31 December 2009	**414**	**6,610**	**1,177**	**19,641**	**27,842**	**2,909**	**30,751**
At 1 January 2008	414	5,686	993	17,781	24,874	2,596	27,470
Total comprehensive expense for the year	–	(5,224)	(13)	816	(4,421)	(32)	(4,453)
Final dividend paid in respect of 2007	–	–	–	(166)	(166)	–	(166)
Interim dividend paid in respect of 2008 (Note 11)	–	–	–	(41)	(41)	–	(41)
Dividends paid to minority interests	–	–	–	–	–	(94)	(94)
At 31 December 2008	414	462	980	18,390	20,246	2,470	22,716

* *Included in exchange and other reserves is capital redemption reserve of HK$5 million (2008: HK$5 million) and capital reserves of HK$608 million (2008: HK$608 million).*

The notes and principal accounting policies on pages 37 to 82 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Note	2009 HK$Million	2008 HK$Million
Cash generated from operations	(a)	**1,513**	1,986
Interest received		**11**	38
Interest paid		**(16)**	(43)
Dividends received from listed investments		**200**	233
Dividends received from associates		**81**	77
Hong Kong profits tax paid		**(21)**	(27)
Overseas profits tax paid		**(257)**	(14)
Net cash generated from operating activities		**1,511**	2,250
Investing activities			
Net proceeds from disposal of a subsidiary	(b)	**923**	–
Proceeds from disposal of available-for-sale investments		**134**	302
Proceeds from disposal of properties		**–**	121
Purchase of available-for-sale investments		**(165)**	(881)
Purchase of held-to-maturity investments		**(15)**	–
Purchase of fixed assets		**(68)**	(73)
Decrease in deferred debtors		**3**	3
Net decrease/(increase) in interest in associates		**131**	(484)
Placing of pledged deposits		**–**	(59)
Net cash generated from/(used in) investing activities		**943**	(1,071)
Financing activities			
Repayment of bank loans		**(897)**	(629)
Drawdown of bank loans		**22**	29
Dividends paid to equity shareholders		**(207)**	(248)
Dividends paid to minority shareholders		**(95)**	(94)
Net cash used in financing activities		**(1,177)**	(942)
Net increase in cash and cash equivalents		**1,277**	237
Cash and cash equivalents at 1 January		**5,513**	5,293
Effect of foreign exchange rate changes		**97**	(17)
Cash and cash equivalents at 31 December	(c)	**6,887**	5,513

The notes and principal accounting policies on pages 37 to 82 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

(a) Note to the consolidated statement of cash flows
Reconciliation of profit before taxation to cash generated from operations

	2009 HK$Million	2008 HK$Million
Profit before taxation	**1,689**	1,033
Adjustments for:		
Share of results after tax of associates	**(90)**	71
Interest income	**(12)**	(38)
Interest expenses	**3**	12
Depreciation	**2**	1
Dividend income from listed investments	**(200)**	(233)
Net (gain)/loss on disposal of available-for-sale investments	**(72)**	2
Profit on disposal of a subsidiary (Note b)	**(126)**	–
Increase in fair value of investment properties	**(818)**	(527)
Impairment losses on available-for-sale investments	**124**	1,105
Net profit on disposal of properties	**–**	(19)
Operating profit before working capital changes	**500**	1,407
Increase in properties under development for sale	**(1,007)**	(1,045)
Decrease in properties held for sale	**312**	4,266
Decrease/(increase) in trade and other receivables	**226**	(521)
Increase in amounts due to fellow subsidiaries	**25**	6
(Decrease)/increase in trade and other payables	**(29)**	172
Increase/(decrease) in deposits from sale of properties	**1,409**	(2,264)
Exchange differences on working capital changes	**77**	(35)
Cash generated from operations	**1,513**	1,986

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

(b) Net proceeds from disposal of a subsidiary

The cash flow and the net assets of the subsidiary was as follows:

	2009 HK$Million
Investment property	**871**
Current assets	**8**
Current liabilities	**(22)**
Deferred tax liabilities	**(59)**
Net assets disposed of	**798**
Profit on disposal of an investment property	**126**
Net proceeds received	**924**
Satisfied by:	
Cash received by the Group, net of expenses	**924**
Less: Cash disposed of	**(1)**
	923

(c) Cash and cash equivalents

	2009 HK$Million	2008 HK$Million
Bank deposits and cash in the consolidated statement of financial position (Note 19)	**6,969**	5,593
Less: Pledged bank deposits	**(82)**	(80)
Cash and cash equivalents in the consolidated statement of cash flows	**6,887**	5,513

NOTES TO THE FINANCIAL STATEMENTS

1. SEGMENT INFORMATION

The Group manages its diversified businesses according to the nature of services and products provided. Management has determined three reportable operating segments for measuring performance and allocating resources. The segments are property development, property investment and investment and others. No operating segments have been aggregated to form the following reportable segments.

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, Singapore and China.

Property investment segment includes leasing of the Group's investment properties, which primarily consist of retail and office properties in Hong Kong and Singapore.

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

Management evaluates performance primarily based on operating profit as well as the equity share of results of associates of each segment.

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

(a) Analysis of segment results

Year ended	Turnover HK$Million	Operating profit HK$Million	Profit on disposal of an investment property HK$Million	Increase in fair value of investment properties HK$Million	Other net income/(loss) HK$Million	Net other charge HK$Million	Finance costs HK$Million	Associates HK$Million	Profit before taxation HK$Million
31 December 2009									
Property development	**568**	**235**	**–**	**–**	**–**	**–**	**–**	**90**	**325**
Hong Kong	**568**	**203**	**–**	**–**	**–**	**–**	**–**	**70**	**273**
Singapore	**–**	**32**	**–**	**–**	**–**	**–**	**–**	**–**	**32**
China	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**20**	**20**
Property investment	**421**	**328**	**126**	**818**	**–**	**–**	**(3)**	**–**	**1,269**
Hong Kong	**183**	**132**	**126**	**136**	**–**	**–**	**–**	**–**	**394**
Singapore	**238**	**196**	**–**	**682**	**–**	**–**	**(3)**	**–**	**875**
Investment and others	**212**	**187**	**–**	**–**	**91**	**(124)**	**–**	**–**	**154**
Segment total	**1,201**	**750**	**126**	**818**	**91**	**(124)**	**(3)**	**90**	**1,748**
Corporate expenses	**–**	**(59)**	**–**	**–**	**–**	**–**	**–**	**–**	**(59)**
Group total	**1,201**	**691**	**126**	**818**	**91**	**(124)**	**(3)**	**90**	**1,689**
31 December 2008									
Property development	5,614	1,323	–	–	–	–	–	(71)	1,252
Hong Kong	206	51	–	–	–	–	–	43	94
Singapore	5,408	1,272	–	–	–	–	–	–	1,272
China	–	–	–	–	–	–	–	(114)	(114)
Property investment	384	269	–	527	–	–	(12)	–	784
Hong Kong	176	119	–	48	–	–	–	–	167
Singapore	208	150	–	479	–	–	(12)	–	617
Investment and others	271	236	–	–	(73)	(1,105)	–	–	(942)
Segment total	6,269	1,828	–	527	(73)	(1,105)	(12)	(71)	1,094
Corporate expenses	–	(61)	–	–	–	–	–	–	(61)
Group total	6,269	1,767	–	527	(73)	(1,105)	(12)	(71)	1,033

(b) Analysis of segment assets

	Total sssets	
	2009	2008
	HK$Million	HK$Million
Property development	**8,240**	7,827
Hong Kong	**2,506**	2,172
Singapore	**5,734**	5,655
Property investment	**8,364**	8,165
Hong Kong	**2,498**	3,226
Singapore	**5,866**	4,939
Investment and others	**19,084**	11,251
Segment assets	**35,688**	27,243
Associates (property development)	**1,360**	1,480
Unallocated item	**66**	101
Group total	**37,114**	28,824

Unallocated item comprises deferred tax assets.

(c) Geographical information

	Revenue		Operating profit	
	2009	2008	**2009**	2008
	HK$Million	HK$Million	**HK$Million**	HK$Million
Hong Kong	**909**	558	**448**	297
Singapore	**292**	5,711	**243**	1,470
Group total	**1,201**	6,269	**691**	1,767

	Specified non-current assets		Total assets	
	2009	2008	**2009**	2008
	HK$Million	HK$Million	**HK$Million**	HK$Million
Hong Kong	**2,576**	3,282	**16,715**	11,096
Singapore	**5,816**	4,934	**19,113**	16,298
China	**1,286**	1,430	**1,286**	1,430
Group total	**9,678**	9,646	**37,114**	28,824

Specified non-current assets represent non-current assets other than deferred tax assets and available-for-sale investments.

During the year ended 31 December 2009, the Group incurred capital expenditure of HK$68 million (2008: HK$73 million). The Group has no significant depreciation and amortisation. Interest income of HK$12 million (2008: HK$38 million) during the year pertained to the Investment and others segment.

2. OPERATING PROFIT

(a) Operating profit

	2009	2008
	HK$Million	HK$Million
Operating profit is arrived at after charging/(crediting):		
Staff costs, including contributions to defined contribution retirement schemes of HK$2 million (2008: HK$2 million)	**45**	50
Cost of trading properties sold during the year	**275**	4,270
Depreciation	**2**	1
Auditors' remuneration:		
Audit services	**3**	3
Other services	**1**	1
Rental income from operating leases less outgoings	**(337)**	(280)
Dividend income from listed investments	**(200)**	(233)
Interest income	**(12)**	(38)

In addition to the above staff costs charged directly to the consolidated income statement, staff costs of HK$28 million (2008: HK$29 million) were capitalised as part of the costs of properties under development for sale.

(b) Directors' emoluments

Directors' emoluments, all in the form of Directors' fees, paid/payable to the Company's Directors in respect of the year ended 31 December 2009 are as follows:

	2009 HK$000	2008 HK$000
Board of Directors		
Peter K C Woo	**56**	64
Joseph M K Chow	**60** (ii)	71
Gonzaga W J Li	**40**	48
T Y Ng	**40**	48
Paul Y C Tsui	**56**	64
Ricky K Y Wong	**40**	48
Independent Non-executive Directors		
Herald L F Lau	**60** (ii)	71
Roger K H Luk	**40**	34
Glenn S Yee	**60** (ii)	71
Past Director		
David T C Lie-A-Cheong	**–**	13
	452	532

Notes:

(i) Except the above Directors' fees, there were no other emoluments paid/payable to, nor were there any salaries, housing or other allowances, discretionary bonuses, benefits in kind, contributions to pension scheme, compensation for loss of office and/or inducement for joining the Group paid/payable to the Company's Directors in respect of the years ended 31 December 2009 and 2008.

(ii) Includes Audit Committee Member's fee for the year ended 31 December 2009 of HK$20,000 (2008: HK$23,750) received/ receivable by each of the relevant Directors.

(c) Five highest paid employees

Set out below are analysis of the emoluments (excluding amounts paid or payable by way of commissions on sales generated by the employees concerned) for the year ended 31 December 2009 of the five highest paid employees of the Group, none of whom is a director of the Company.

(i) Aggregate emoluments

	2009 HK$Million	2008 HK$Million
Basic salaries, housing and other allowances, and benefits in kind	**15**	13
Discretionary bonuses and/or performance related bonuses	**21**	23
	36	36

(ii) Bandings

Bands (in HK$)	2009 Number	2008 Number
$1,000,001 – $1,500,000	**1**	1
$2,000,001 – $2,500,000	**1**	–
$2,500,001 – $3,000,000	**1**	2
$3,500,001 – $4,000,000	**1**	–
$4,000,001 – $4,500,000	**–**	1
$23,500,001 – $24,000,000	**–**	1
$25,500,001 – $26,000,000	**1**	–
	5	5

3. PROFIT ON DISPOSAL OF AN INVESTMENT PROPERTY

In December 2009, the Group disposed of Fitfort for HK$935 million, realising a profit on disposal of HK$126 million.

4. OTHER NET INCOME/(LOSS)

	2009 HK$Million	2008 HK$Million
Net profit/(loss) on disposal of available-for-sale investments	**72**	(2)
Net gain/(loss) on forward foreign exchange contracts	**19**	(96)
Others	**–**	25
	91	(73)

Included in the net profit/(loss) on disposal of available-for-sale investments is a net revaluation surplus, before deduction of minority interests, of HK$12 million (2008: HK$91 million) transferred from the investment revaluation reserves.

5. NET OTHER CHARGE

The net other charge of HK$124 million (2008: HK$1,105 million) represents the further impairment provision against available-for-sale investments in SC Global Developments Ltd ("SC Global") and Hotel Properties Limited ("HPL"), made by WPSL.

6. FINANCE COSTS

	2009 HK$Million	2008 HK$Million
Interest on bank loans and overdrafts wholly repayable within five years	**16**	43
Other finance costs	**8**	4
	24	47
Less: Amount capitalised	**(21)**	(35)
	3	12

(a) Interest was capitalised at an average annual rate of approximately 1.0% (2008: 1.7%).

(b) Total interest costs above are in respect of interest bearing borrowings that are stated at amortised cost.

7. SHARE OF RESULTS AFTER TAX OF ASSOCIATES

Share of profits of associates amounted to HK$90 million (2008: loss of HK$71 million), comprising attributable profits mainly arising from sales of Bellagio units and property units in Foshan undertaken by associates. Included in the share of losses of associates in respect of the previous financial year is the Group's share of impairment provision of HK$103 million for a China project undertaken by an associate.

8. INCOME TAX

Taxation charged to the consolidated income statement represents:

	2009 **HK$Million**	2008 HK$Million
Current income tax		
Hong Kong profits tax	**20**	20
Overseas taxation	**35**	244
Overprovision in respect of prior years (Note 8e)	**(63)**	(210)
	(8)	54
Deferred tax (Note 23)		
Change in fair value of investment properties	**25**	90
Origination and reversal of temporary differences	**52**	7
Effect of change in tax rate	**(19)**	(20)
Benefit of previously unrecognised tax losses now recognised (Note 8e)	**–**	(104)
	58	(27)
	50	27

(a) The provisions for Hong Kong and Singapore profits taxes are based on the profit for the year as adjusted for tax purposes at the rates of 16.5% (2008: 16.5%) and 17% (2008: 18%) respectively.

In 2009, the Singapore Government enacted a reduction in the corporate income tax rate from 18% to 17% for the fiscal year 2009.

(b) Other overseas taxation is calculated at rates of tax applicable in countries in which the Group is assessed for tax.

(c) The taxation payable in the consolidated statement of financial position is expected to be settled within one year.

(d) Tax attributable to associates for the year ended 31 December 2009 of HK$18 million (2008: HK$7 million) is included in the share of results after tax of the associates.

(e) Tax overprovision in 2008 was mainly attributable to WPSL's write-back of the tax provided on the profit on disposal of Hamptons Group Limited following the ruling given by the Inland Revenue Authority of Singapore ("IRAS") that such profit was capital in nature and the recognition of a deferred tax assets of HK$104 million in respect of the tax losses agreed by the IRAS.

(f) Reconciliation between the actual total tax charge and profit before taxation at applicable tax rates:

	2009 HK$Million	2008 HK$Million
Profit before taxation	**1,689**	1,033
Notional tax on profit before taxation calculated at applicable tax rates	**286**	202
Notional tax on share of results after tax of associates	**(18)**	(7)
Tax effect of non-deductible expenses	**34**	224
Tax effect of non-taxable income	**(188)**	(56)
Tax effect of tax losses not recognised	**1**	24
Tax effect of prior year's unrecognised tax losses utilised	**(33)**	(26)
Tax effect of previously unrecognised tax losses now recognised	**–**	(104)
Effect of change in tax rate on deferred tax balances	**(19)**	(20)
Overprovision in respect of prior years	**(13)**	(210)
Actual total tax charge	**50**	27

9. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS

Profit attributable to equity shareholders for the year is dealt with in the financial statements of the Company to the extent of a profit of HK$228 million (2008: HK$9 million).

10. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on profit attributable to equity shareholders for the year of HK$1,458 million (2008: HK$816 million) and 2,070 million ordinary shares in issue throughout the years ended 31 December 2009 and 2008.

There were no potential dilutive ordinary shares in existence during the years ended 31 December 2009 and 2008, and hence the diluted earnings per share is the same as the basic earnings per share.

11. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2009 HK$Million	2008 HK$Million
Interim dividend declared and paid of 2.0 cents (2008: 2.0 cents) per share	**41**	41
Final dividend of 8.0 cents (2008: 8.0 cents) per share proposed after the reporting date	**166**	166
	207	207

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

(b) The final dividend of HK$166 million for year ended 31 December 2008 was approved and paid in 2009.

12. FIXED ASSETS

	Investment properties HK$Million	Investment property under development HK$Million	Property under development HK$Million	Other properties/ fixed assets HK$Million	Total HK$Million
Group					
(a) Cost or valuation					
At 1 January 2008	6,964	–	622	104	7,690
Exchange differences	(21)	–	(3)	(1)	(25)
Additions	16	–	51	6	73
Disposals	(8)	–	–	(95)	(103)
Revaluation surplus	527	–	–	–	527
At 31 December 2008 and 1 January 2009	**7,478**	**–**	**670**	**14**	**8,162**
Exchange differences	**103**	**38**	**–**	**1**	**142**
Additions	**20**	**47**	**–**	**1**	**68**
Reclassification (note e)	**–**	**670**	**(670)**	**–**	**–**
Disposals	**(871)**	**–**	**–**	**(1)**	**(872)**
Revaluation surplus	**149**	**669**	**–**	**–**	**818**
At 31 December 2009	**6,879**	**1,424**	**–**	**15**	**8,318**
Accumulated depreciation					
At 1 January 2008	–	–	–	8	8
Charge for the year	–	–	–	1	1
Written back on disposals	–	–	–	(1)	(1)
At 31 December 2008 and 1 January 2009	**–**	**–**	**–**	**8**	**8**
Charge for the year	**–**	**–**	**–**	**2**	**2**
Written back on disposals	**–**	**–**	**–**	**(1)**	**(1)**
At 31 December 2009	**–**	**–**	**–**	**9**	**9**
Net book value					
At 31 December 2009	**6,879**	**1,424**	**–**	**6**	**8,309**
At 31 December 2008	7,478	–	670	6	8,154

	Investment properties HK$Million	Investment property under development HK$Million	Property under development HK$Million	Other properties/ fixed assets HK$Million	Total HK$Million

(b) The analysis of cost or valuation of the above assets is as follows:

	Investment properties HK$Million	Investment property under development HK$Million	Property under development HK$Million	Other properties/ fixed assets HK$Million	Total HK$Million
2009 valuation	**6,879**	**1,424**	**–**	**–**	**8,303**
At cost	**–**	**–**	**–**	**15**	**15**
	6,879	**1,424**	**–**	**15**	**8,318**
2008 valuation	7,478	–	–	–	7,478
At cost	–	–	670	14	684
	7,478	–	670	14	8,162

(c) Tenure of title to properties:

	2009 HK$Million	2008 HK$Million
Investment properties		
Held in Hong Kong – Long lease	**2,493**	3,220
Held outside Hong Kong – Long lease	**4,386**	4,258
	6,879	7,478
Investment property under development held outside Hong Kong – Freehold	**1,424**	–
Property under development held outside Hong Kong – Freehold	**–**	670

(d) Properties revaluation

The Group's investment properties in Hong Kong have been revalued as at 31 December 2009 by Knight Frank Petty Limited, and those in Singapore by Colliers International Consultancy & Valuation (Singapore) Pte Ltd and Associated Property Consultants Pte. Ltd., respectively, independent firms of professional surveyors, who have appropriate qualifications and experience in the valuation of properties in the relevant locations, on a market value basis, after taking into consideration the net rental income allowing for reversionary potential and the redevelopment potential of the properties where appropriate.

The surplus arising on revaluation is recognised directly in the consolidated income statement.

(e) As a result of the adoption of amendments to HKAS 40, the Group reclassified property under development of HK$670 million to investment property under development during the year.

(f) The gross amount of fixed assets of the Group held for use under operating leases was HK$6,879 million (2008: HK$7,478 million).

(g) Gross rental revenue from investment properties amounted to HK$410 million (2008: HK$371 million).

(h) The Group leases out properties under operating leases, which generally run for an initial period of one to six years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease income may be varied periodically to reflect market rentals and may contain a contingent rental element which is based on various percentages of tenants' sales receipts.

(i) The Group's total future minimum lease income under non-cancellable operating leases is receivable as follows:

	2009 HK$Million	2008 HK$Million
Within 1 year	**319**	345
After 1 year but within 5 years	**403**	517
	722	862

(j) Investment property under development amounting to HK$1,424 million (2008: property under development of HK$670 million) has been pledged as security to obtain bank loans.

13. INTEREST IN SUBSIDIARIES

	Company	
	2009 HK$Million	2008 HK$Million
Unlisted shares, at cost	**2,545**	2,545
Amounts due to subsidiaries	**(708)**	(729)
	1,837	1,816

Details of principal subsidiaries as at 31 December 2009 are shown on page 81.

Amounts due to subsidiaries are unsecured, non-interest bearing and are classified as non-current as these are not expected to be payable within the next twelve months.

14. INTEREST IN ASSOCIATES

	Group	
	2009 HK$Million	2008 HK$Million
Share of net assets	**509**	498
Amounts due from associates	**955**	1,040
Amount due to an associate	**(104)**	(58)
	1,360	1,480

(a) Details of principal associates as at 31 December 2009 are shown on page 82.

(b) Amounts due from associates are unsecured, interest free and have no fixed terms of repayment, except for a loan of HK$48 million (2008: HK$56 million) made by the Group to an associate involved in the Bellagio project, which is interest bearing, unsecured and has no fixed terms of repayment.

(c) **Summary financial information on associates:**

	2009		2008	
	Total HK$Million	**Attributable interest HK$Million**	Total HK$Million	Attributable interest HK$Million
Statement of financial position				
Properties under development for sale in China	**3,375**	**1,687**	2,947	1,473
Properties held for sale in Hong Kong	**243**	**77**	325	103
Other assets	**946**	**446**	624	245
Total assets	**4,564**	**2,210**	3,896	1,821
Total liabilities	**(3,487)**	**(1,701)**	(2,805)	(1,323)
Equity	**1,077**	**509**	1,091	498
Income statement				
Revenue	**532**	**230**	428	127
Profit/(loss) before taxation	**289**	**108**	(43)	(64)
Income tax	**(47)**	**(18)**	(28)	(7)
Profit/(loss) after taxation	**242**	**90**	(71)	(71)

15. FINANCIAL INVESTMENTS

	Group	
	2009 HK$Million	2008 HK$Million
(a) Available-for-sale investments		
Equity securities, at market value		
Listed in Hong Kong	**8,820**	4,122
Listed outside Hong Kong	**3,251**	1,521
	12,071	5,643
(b) Unlisted held-to-maturity investments	**15**	–

(c) Included in the above equity securities is the Group's 7% interest in The Wharf (Holdings) Limited ("Wharf"), a fellow subsidiary of the Company, the carrying value of which constituted more than 10% of the Group's total assets at 31 December 2009. Details of Wharf are shown as follows:

Name of company	Place of incorporation	Percentage of total issued ordinary shares held
The Wharf (Holdings) Limited	Hong Kong	7.0

(d) Equity securities listed outside Hong Kong include WPSL's 20% (2008: 20%) interest in HPL and 17% (2008: 17%) interest in SC Global, which are incorporated and listed in Singapore. The equity interest in HPL is not classified as an associate as the Group does not have significant influence in HPL. The Group does not have representation on the board of directors and does not participate in the policy-making processes of HPL.

(e) As at 31 December 2009, the fair value of individually impaired available-for-sale investments amounted to HK$615 million (2008: HK$767 million) and impairment losses of HK$124 million (2008: HK$1,105 million) were recognised in the consolidated income statement for the year under review.

(f) Held-to-maturity investments are unlisted and their carrying value as at 31 December 2009 approximates their fair value.

16. DEFERRED DEBTORS

Deferred debtors represent receivables due after more than one year.

17. PROPERTIES UNDER DEVELOPMENT FOR SALE AND PROPERTIES HELD FOR SALE

(a) The amount of properties under development for sale and held for sale carried at net realisable value is HK$205 million (2008: HK$204 million).

(b) Properties under development for sale in the amount of HK$4,140 million (2008: HK$6,581 million) are expected to be substantially completed and recovered after more than one year.

(c) Properties under development for sale with a carrying value of HK$3,012 million (2008: HK$2,803 million) are pledged as security for banking facilities made available to the Group.

(d) The carrying value of leasehold land and freehold land included in properties under development for sale and held for sale is summarised as follows:

	Group	
	2009	2008
	HK$Million	HK$Million
Held in Hong Kong		
Long lease	**1,392**	1,596
Medium term lease	**190**	212
	1,582	1,808
Held outside Hong Kong		
Freehold	**4,220**	4,115
	5,802	5,923

18. TRADE AND OTHER RECEIVABLES

Included in this item are trade receivables with an ageing analysis based on invoice dates as at 31 December 2009 as follows:

	Group	
	2009	2008
	HK$Million	HK$Million
Trade receivables		
0-30 days	**2**	8
31-60 days	**–**	3
Over 90 days	**42**	–
	44	11
Accrued sales receivables	**465**	804
Deposits paid for properties acquisition	**8**	11
Derivative financial assets (Note 26b)	**16**	–
Other receivables	**83**	24
	616	850

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

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

At 31 December 2009 and 2008, the Group determined that none of the trade receivables of the Group were impaired including those past due. These receivables relate to a wide range of customers for whom there was no recent history of default and no significant change in their credit quality. The Group does not hold any collateral over these balances.

19. BANK DEPOSITS AND CASH

	Group	
	2009	2008
	HK$Million	HK$Million
Bank deposits and cash		
Not pledged	**6,887**	5,513
Pledged	**82**	80
	6,969	5,593

Included in bank deposits and cash is an amount of HK$1,823 million (2008: HK$1,543 million) in respect of part of the proceeds received from pre-sale of properties in Singapore which is held under the "Project Account Rules-1997 Ed", and hence withdrawals from which are restricted to payments for expenditure incurred for the respective projects.

20. TRADE AND OTHER PAYABLES

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

	Group	
	2009	2008
	HK$Million	HK$Million
Trade payables in the next:		
0 – 30 days	**70**	121
31 – 60 days	**97**	36
61 – 90 days	**54**	12
Over 90 days	**179**	215
	400	384
Rental deposits	**106**	113
Derivative financial liabilities (Note 26b)	**–**	40
Other payables	**193**	207
	699	744

The amount of trade and other payables that is expected to be settled after more than one year is HK$89 million (2008: HK$92 million), which mainly relates to rental deposits. The Group considers the effect of discounting these would be immaterial. All of the other trade and other payables are expected to be settled within one year or are payable on demand.

21. BANK LOANS

	Group 2009 HK$Million	2008 HK$Million
Current liabilities		
Secured bank loans	**721**	–
Unsecured bank loans	**–**	512
	721	512
Non-current liabilities		
Secured bank loans	**569**	1,602
Total bank loans	**1,290**	2,114
Bank loans repayable:		
Within 1 year	**721**	512
After 1 year but within 2 years	**569**	1,043
After 2 years but within 3 years	**–**	559
Total bank loans	**1,290**	2,114

(a) The above bank loans were borrowed by WPSL and are denominated in Singapore dollars. The loans are without recourse to the Company and its wholly-owned subsidiaries. All of the bank loans are carried at amortised cost.

(b) The interest rate profile of the Group's bank loans was as follows:

	2009 Effective interest rates	2009 HK$Million	2008 Effective interest rates	2008 HK$Million
Floating rate bank loans				
Secured	**0.83-1.06%**	**1,290**	1.53-1.55%	1,602
Unsecured	**–**	**–**	1.91%	512
		1,290		2,114

(c) The following assets of the Group have been pledged for securing bank loan facilities:

	2009 HK$Million	2008 HK$Million
Investment property under development	**1,424**	670
Properties under development for sale	**3,012**	2,803
	4,436	3,473

(d) None of the Group's borrowings are subject to any financial covenants imposed by financial institutions.

22. DEPOSITS FROM SALE OF PROPERTIES

Deposits from sale of properties in the amount of HK$1,636 million (2008: HK$2,180 million) are expected to be recognised as income in the consolidated income statement after more than one year.

23. DEFERRED TAXATION

(a) Net deferred tax (assets)/liabilities recognised in the consolidated statement of financial position:

	Group	
	2009 **HK$Million**	2008 HK$Million
Deferred tax liabilities	**659**	688
Deferred tax assets	**(66)**	(101)
Net deferred tax liabilities	**593**	587

The components of deferred tax (assets)/liabilities and the movements during the year are as follows:

	Revaluation of investment properties HK$Million	**Revaluation of investments HK$Million**	**Depreciation allowances in excess of the related depreciation HK$Million**	**Future benefit of tax losses HK$Million**	**Total HK$Million**
Group					
At 1 January 2008	546	216	66	–	828
Exchange differences	(1)	(2)	–	3	–
Charged/(credited) to the income statement	69	–	8	(104)	(27)
Credited to reserves	–	(214)	–	–	(214)
At 31 December 2008 and 1 January 2009	**614**	**–**	**74**	**(101)**	**587**
Exchange differences	**7**	**–**	**1**	**(1)**	**7**
Charged to the income statement	**8**	**–**	**14**	**36**	**58**
Disposal of a subsidiary	**(46)**	**–**	**(13)**	**–**	**(59)**
At 31 December 2009	**583**	**–**	**76**	**(66)**	**593**

(b) Deferred tax assets unrecognised

The Group has not accounted for deferred tax assets in respect of future benefit of accumulated tax losses of HK$1,421 million (2008: HK$1,615 million) and certain deductible temporary differences of HK$37 million (2008: HK$38 million), with details below.

	Group	
	2009	2008
	HK$Million	HK$Million
Future benefit of tax losses	**235**	266
Deductible temporary differences	**6**	7
	241	273

Deferred tax assets have not been recognised as the Directors consider it is not probable that taxable profits will be available against which the tax losses and the deductible temporary differences can be utilised. The tax losses arising in Hong Kong and Singapore do not expire under current tax legislation.

24. SHARE CAPITAL

	2009 No. of shares Million	2008 No. of shares Million	**2009 HK$Million**	2008 HK$Million
Authorised:				
Ordinary shares of HK$0.2 each	**3,000**	3,000	**600**	600
Issued and fully paid:				
Ordinary shares of HK$0.2 each	**2,070**	2,070	**414**	414

25. CAPITAL AND RESERVES

(a) The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

The Group's investment revaluation reserves have been set up and will be dealt with in accordance with the accounting policies adopted for the revaluation of available-for-sale investments. The exchange and other reserves mainly comprise exchange differences arising from the translation of the financial statements of foreign operations.

(b) Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital HK$Million	Exchange and other reserves HK$Million	Revenue reserves HK$Million	Total HK$Million
Company				
At 1 January 2008	414	55	1,541	2,010
Total comprehensive income for the year	–	–	9	9
Final dividend paid in respect of 2007	–	–	(166)	(166)
Interim dividend paid in respect of 2008 (Note 11)	–	–	(41)	(41)
At 31 December 2008 and 1 January 2009	**414**	**55**	**1,343**	**1,812**
Total comprehensive income for the year	**–**	**–**	**228**	**228**
Final dividend paid in respect of 2008 (Note 11)	**–**	**–**	**(166)**	**(166)**
Interim dividend paid in respect of 2009 (Note 11)	**–**	**–**	**(41)**	**(41)**
At 31 December 2009	**414**	**55**	**1,364**	**1,833**

(i) Reserves of the Company available for distribution to equity shareholders at 31 December 2009 amount to HK$1,364 million (2008: HK$1,343 million).

(ii) The application of the capital redemption reserve account is governed by section 49H of the Hong Kong Companies Ordinance.

(iii) Included in exchange and other reserves is capital redemption reserve of HK$5 million (2008: HK$5 million).

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

The Group is exposed to financial risks as to interest rate, foreign currency, equity price, liquidity and credit in the normal course of business. To manage some of these risks, the Finance Committee develops, maintains and monitors the Group's financial policies designed to facilitate cost efficient funding to the Group and to mitigate the impact of fluctuations in interest rates and exchange rates. The financial policies are implemented by the Treasury department, which operates as a centralised service unit in close co-operation with operating units for managing the day-to-day treasury functions and financial risks and for providing cost efficient funding to the Group.

The Group uses derivatives, principally forward foreign exchange contracts as deemed appropriate for financing, hedging transactions and for managing the Group's assets and liabilities. It is the Group's policy not to enter into derivative transactions and invest in financial products with significant underlying leverage which are commercially speculative.

(a) Interest rate risk

The Group's main exposure to interest rate risk relates principally to the Group's bank deposits and loans from banks primarily denominated in Singapore dollar and at floating rates. Interest rates on bank deposit and loans are determined based on prevailing market rates and expose the Group to cash flow interest rate risk. The Group manages its interest rate risk exposures in accordance with defined policies through regular review with a focus on reducing the Group's overall cost of funding. The Group does not use any derivative financial instruments to hedge interest rate risk.

Based on the sensitivity analysis performed on 31 December 2009, it was estimated that a general increase/decrease of 1% in interest rates, with all other variables held constant, would increase/decrease the Group's post-tax profit and total equity by approximately HK$56 million (2008: HK$38 million). This takes into account the effect of interest bearing bank deposits.

The sensitivity analysis above indicates the instantaneous change in the Group's post-tax profit and total equity that would arise assuming that the change in interest rates had occurred at the reporting date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the reporting date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the reporting date, the impact on the Group's post-tax profit and total equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2008.

(b) Foreign currency risk

The Group owns assets and conducts its businesses in Hong Kong, Singapore and China with its cash flows denominated substantially in Hong Kong dollar ("HKD"), Singapore dollar ("SGD") and Renminbi ("RMB"), and is exposed to foreign currency risk with respect to SGD and RMB related to its investments in subsidiaries and associates operating in Singapore and China respectively.

The Group uses forward foreign exchange contracts and local currency borrowings to hedge its foreign currency risk except for its exposure relating to net investments in Singapore subsidiaries and China associates. For managing the overall financing costs of existing and future capital requirements for the projects in China, the Group has adopted a diversified funding approach and entered into certain forward foreign exchange contracts with the financial effect as if taking Japanese yen ("JPY") borrowings, taking the advantage of lower interest rate for the JPY but exposing the Group to exchange rate risk with respect to JPY. Based on the prevailing accounting standard, these JPY exchange contracts have been marked to market with the differences recognised to the income statement.

The notional amount of the outstanding forward foreign exchange contracts at 31 December 2009 is HK$590 million (2008: HK$606 million) and matures wthin one year. The net fair value of forward foreign exchange contracts at 31 December 2009 is HK$16 million (2008: derivative financial liabilities HK$40 million) recognised as derivative financial assets.

Based on the sensitivity analysis performed on 31 December 2009, it was estimated that a 1% increase/decrease in the exchange rate of JPY against United States dollar ("USD") assuming all other variables remained constant, will decrease/increase the Group's post-tax profit and total equity by approximately HK$6 million (2008: HK$6 million).

On consolidation as at 31 December 2009, the Group's net investments subject to foreign translation exposure were approximately HK$9,130 million (2008: HK$7,755 million) for its net investments in Singapore subsidiaries and HK$1,286 million (2008: HK$1,430 million) for its net investments in China associates (including inter-company balances which are considered to be in the nature of investment in foreign operations). With this translation exposure, a 1% increase/decrease in the exchange rate of SGD and RMB against HKD will increase/decrease the Group's equity by approximately HK$91 million (2008: HK$78 million) and HK$13 million (2008: HK$14 million) respectively.

At 31 December 2009, the Group is exposed to foreign currency risk related to its bank deposits of USD86 million (2008: USD37 million), available-for-sale investments of USD180 million (2008: USD97 million) and held-to maturity investments of USD2 million (2008: USD Nil). In this respect, it is assumed that the pegged rate between the HKD and the USD would be materially unaffected by any changes in movement in value of the USD against other currencies. The analysis is performed on the same basis for 2008.

The sensitivity analysis performed in the above represents the aggregation of the instantaneous effects on each of the Group entities' post-tax profit and total equity measured in the respective functional currencies, translated into HKD at the exchange rate ruling at the reporting date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to foreign currency risk at the reporting date, including balances between group companies which are denominated in a currency other than the functional currencies of the Group's entities to which they relate. The analysis is performed on the same basis for 2008.

(c) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale investments.

Listed investments held in the available-for-sale portfolio have been chosen taking reference to their long term growth potential and returns and are monitored regularly for performance. Given that the volatility of the stock markets may not have a direct correlation with the Group's investment portfolio, it is impractical to determine the impact that the changes in stock market indices would have on the Group's portfolio of equity investments.

Based on the sensitivity analysis performed on 31 December 2009, it is estimated that an increase/decrease of 5% in the market value of the Group's listed available-for-sale investments, with all other variables held constant, would not affect the Group's post-tax profit unless there are impairments but would increase/decrease the Group's total equity by HK$604 million (2008: HK$282 million). The analysis is performed on the same basis for 2008.

(d) Liquidity risk

The Group adopts a prudent liquidity risk management policy, maintaining sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding with staggered maturities to reduce refinancing risk in any year from major financial institutions to maintain flexibility for meeting its liquidity requirements in the short and longer term. The Group's cash management is substantially centralised within the Treasury department, which regularly monitors the current and expected liquidity requirements and its compliance with lending covenants.

Certain non-wholly-owned subsidiaries are responsible for their own cash management, including the short term investment of cash surpluses with creditworthy financial institutions and the raising of loans to cover expected cash demands, in accordance with the established policies and strategies with the concurrence by the Company.

The following tables detail the remaining contractual maturities at the reporting date of the Group's derivative and non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates at the reporting date and carried at exchange rate prevailing at the reporting date) and the earliest date the Group can be required to pay:

		Contractual undiscounted cashflow			
	Carrying amount HK$Million	Total HK$Million	Within 1 year or on demand HK$Million	More than 1 year but less than 2 years HK$Million	More than 2 years but less than 5 years HK$Million
At 31 December 2009					
Trade and other payables	**699**	**699**	**610**	**37**	**52**
Bank loans	**1,290**	**1,309**	**734**	**575**	**–**
Amounts due to fellow subsidiaries	**65**	**65**	**65**	**–**	**–**
	2,054	**2,073**	**1,409**	**612**	**52**
At 31 December 2008					
Trade and other payables	744	744	652	27	65
Bank loans	2,114	2,172	541	1,070	561
Amounts due to fellow subsidiaries	40	40	40	–	–
	2,898	2,956	1,233	1,097	626

The Company on its own is exposed to liquidity risk that arose from financial guarantees given by the Company on behalf of subsidiaries. The guarantees are callable if the respective subsidiary is unable to meet its obligation. As at 31 December 2009, none of the above mentioned banking facilities was utilised by the subsidiaries; accordingly, the maximum amount callable as at 31 December 2009 was HK$Nil (2008: HK$Nil).

(e) Credit risk

The Group's credit risk is primarily attributable to rental, trade and other receivables, cash and cash equivalents, held-to-maturity investments and over-the-counter derivative financial instruments. The exposures to these credit risks are closely monitored on an ongoing basis by established credit policies and procedures in each of its core businesses. In respect of rental receivables, sufficient rental deposits from tenants are held to cover potential exposure to credit risk. Further, evaluations are made for the customers with reference to their repayment history and financial strength, as well as the economic environment in which the customer operates.

Cash at bank, deposits placed with financial institutions, and investments and transactions involving derivative financial instruments are with counter parties with sound credit ratings to minimise credit exposure.

The Group has no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. Except for the financial guarantees given by the Company as set out in Note 27, the Group does not provide any other guarantee which would expose the Group or the Company to material credit risk.

(f) Fair values

(i) Fair value estimation

The fair value of financial instruments are determined as follows:

Listed investments are stated at quoted market prices.

The fair values of held-to-maturity investments, receivables, bank balances and other current assets, payables and accruals, current borrowings, and provisions are assumed to approximate their carrying amounts due to the short-term maturities of these assets and liabilities.

The fair value of forward foreign exchange contracts is determined by using the forward exchange rates at the reporting date and comparing to the contractual rates.

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2009 and 2008. Amounts due (to)/from subsidiaries, associates and fellow subsidiaries are unsecured, interest free or at prevailing market rates, and have no fixed repayment terms. Given these terms it is not meaningful to disclose fair values.

(ii) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the reporting date across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

– Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

31 December 2009	Group Level 1 HK$Million	Group Level 2 HK$Million	Group Total HK$Million
Assets			
Available-for-sale investments			
– Listed	12,071	–	12,071
Forward foreign exchange contracts	–	16	16
	12,071	16	12,087

During the year there were no significant transfers between instruments in Level 1 and Level 2.

(g) Capital management

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern, to meet its financial obligations and continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in the Group's business portfolio and economic conditions.

The Group monitors its capital structure by reviewing its net debt-to-equity ratio and cash flow requirements, taking into account of its future financial obligations and commitments. For this purpose, the Group defines net debt as total loans less deposits and cash. Shareholders' equity comprises issued share capital and reserves attributable to equity shareholders of the Company. Total equity comprises shareholders' equity and minority interests.

As at 31 December 2009, the Group had a net cash of HK$5,679 million (2008: HK$3,479 million).

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

27. CONTINGENT LIABILITIES

(a) At 31 December 2009, there were no contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to banking facilities (2008: HK$225 million).

(b) The Company has not recognised any deferred income for the guarantees given in respect of borrowings and other banking facilities for subsidiaries as their fair value cannot be reliably measured and their transaction price is HK$Nil.

28. COMMITMENTS

The Group's outstanding commitments on expenditures as at 31 December 2009 included below:

	Group 2009 HK$Million	2008 HK$Million
(a) Properties under development		
Authorised and contracted for		
Hong Kong	**389**	498
Singapore	**663**	1,241
	1,052	1,739
Authorised but not contracted for		
Hong Kong	**220**	–
(b) Properties under development in China through associates		
Authorised and contracted for	**232**	124
Authorised but not contracted for	**1,071**	1,488
	1,303	1,612
(c) Other capital expenditure		
Authorised and contracted for		
Hong Kong	**3**	–
Singapore	**193**	9
	196	9

29. MATERIAL RELATED PARTY TRANSACTIONS

Except for the transactions noted in notes 13, 14 and noted below, the Group and the Company have not been a party to any material related party transactions during the year ended 31 December 2009:

(a) The Group paid to a related party General Managers' Commission of HK$64 million (2008: HK$36 million) for the provision of management services to the Group during the year under review. The payment of such an amount to the General Managers was in accordance with an agreement dated 31 March 1992.

The above is considered to be a related party transaction and also constitutes a continuing connected transaction as defined under the Listing Rules.

(b) The Group paid to certain related parties property management and agency fees totalling HK$10 million (2008: HK$9 million) for the provision of property management and property leasing and related services to the Group during the year under review. The payment of such property managing and agency fees were in accordance with various agreements previously entered into between the Group and certain related companies.

The above are considered to be related party transactions and also constitute continuing connected transactions as defined under the Listing Rules.

(c) The Group received dividend income in the amount of HK$155 million (2008: HK$155 million) during the year ended 31 December 2009 in respect of its 7% interest in Wharf.

(d) Remuneration for key management personnel of the Group, including amounts paid to the Directors of the Company and the five highest paid employees are disclosed in Notes 2(b) and (c).

30. CHANGES IN ACCOUNTING POLICIES

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), amendments to HKFRSs and interpretations that are first effective for the current accounting period of the Group and the Company:

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

The "Principal accounting policies" set out on pages 66 to 80 summarises the accounting policies of the Group and the Company after the adoption of these policies to the extent that they are relevant to the Group and the Company.

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

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

As a result of the adoption of HKAS 1 (Revised), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

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

As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures in note 26(f) about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

(c) HKFRS 8 – Operating segments

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

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

As a result of the amendments to HKAS 40, investment property which is under construction will be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any gain or loss will be recognised in profit or loss. Previously such property was carried at cost until the construction was completed, at which time it was fair valued with any gain or loss being recognised in profit or loss. This amendment is applied prospectively and the corresponding amounts have not been restated. As a result of this amendment, the Group has reclassified HK$670 million from property under development to investment properties as at 1 January 2009. The profit attributable to equity shareholders increased by HK$507 million for the year ended 31 December 2009.

31. FUTURE CHANGES IN ACCOUNTING POLICIES

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations, which have not been adopted since they are only effective after 31 December 2009.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that apart from Improvements to HKFRSs 2009 which may have some impact, the adoption of the other new standards and interpretations is unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, the following developments may result in new or amended disclosures in the financial statements, including possible restatement of comparative amounts in the first period of adoption:

	Effective for accounting periods beginning on or after
HKFRS 3 (Revised), Business combinations	1 July 2009
Amendments to HKAS 27, Consolidated and separate financial statements	1 July 2009
Amendments to HKAS 39, Financial instruments: Recognition and measurement – Eligible hedged items	1 July 2009
Improvements to HKFRSs 2009	1 July 2009 or 1 January 2010
HK(IFRIC) 17, Distribution of non-cash assets to owners	1 July 2009
HKFRS 9, Financial instruments	1 July 2013

32. EVENT AFTER THE REPORTING DATE

(a) In March 2010, the Group together with New World Development group through a 50%-owned joint venture company succeeded in the tender for the development of site C and site D of the Austin Station Property Development in Hong Kong. The total development and related costs of the project as payable by the joint venture company are budgeted at approximately HK$11.7 billion, of which the Group's share of the commitment is approximately HK$5.8 billion. The sites will be developed into residential properties for sale.

(b) In January 2010, the Group together with China Merchants Property group acquired a site (50% – owned by the Group) in Nanhai Shishan Town (南海獅山鎮), Foshan for RMB680 million (approximately HK$774 million). The site will be developed into residential properties for sale.

33. COMPARATIVE FIGURES

As a result of the application of HKAS 1 (revised), Presentation of financial statements and HKFRS 8, Operating segments, certain comparative figures have been reclassified to conform to current year's presentation. Further details of these developments are disclosed in note 30.

34. PARENT AND ULTIMATE HOLDING COMPANY

The Directors consider the parent and ultimate holding company at 31 December 2009 to be Wheelock and Company Limited, incorporated and listed in Hong Kong. Wheelock and Company Limited produces financial statements available for public use.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 16 March 2010.

PRINCIPAL ACCOUNTING POLICIES

(a) STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the principal accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 30 to the Financial Statements provides information on the changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (note 31).

(b) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements made up to 31 December comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except where stated otherwise in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note (x).

(c) BASIS OF CONSOLIDATION

(i) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, to govern the financial and operating policies of an entity, so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses.

(ii) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets and any impairment loss relating to the investment (see notes (c)(iii) and (k)). The Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that, in substance, form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated income statement.

In the individual company's statement of financial position, its investments in associates are stated at cost less impairment losses.

(iii) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit and is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (see note (k)).

Any excess of the Group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in the consolidated income statement.

On disposal of a cash-generating unit, or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(d) PROPERTIES

(i) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and properties that are being constructed or developed for future use as investment properties.

Investment properties are stated in the statement of financial position at fair value, unless they are still in the course of construction or development at the reporting date and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in the consolidated income statement. Rental income from investment properties is accounted for as described in note (q)(i).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease, and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note (j).

(ii) Properties under development for sale

Properties under development for sale are classified as current assets and stated at the lower of cost and net realisable value. Cost includes identified costs including the acquisition cost of land, aggregate cost of development, borrowing costs capitalised, materials and supplies, wages, other direct expenses and an appropriate proportion of overheads. Net realisable value is estimated by the management, taking into account the expected selling price that can ultimately be achieved, based on prevailing market conditions and the anticipated costs to completion and costs to be incurred in selling the property.

The amount of any write down of or provision for properties under development for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down or provision arising from an increase in net realisable value is recognised in the consolidated income statement in the period in which the reversal occurs.

(iii) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total development costs, including borrowing costs capitalised, attributable to unsold units. Net realisable value is estimated by the management, based on prevailing market conditions which represents the estimated selling price less costs to be incurred in selling the property. Costs of completed properties held for sale comprise all costs of purchase, costs of conversion and other costs incurred in bringing the properties to their present location and condition.

The amount of any write down of or provision for properties held for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down or provision arising from an increase in net realisable value is recognised in the consolidated income statement in the period in which the reversal occurs.

(e) OTHER FIXED ASSETS

Other fixed assets are stated at cost less accumulated depreciation and impairment losses (see note (k)(ii)).

Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the net estimated disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement on the date of retirement or disposal.

(f) DEPRECIATION OF FIXED ASSETS

Depreciation is calculated to write-off the cost of items of fixed assets, less their estimated residual value, if any, using a straight line method over their estimated useful lives as follows:

(i) Investment properties

No depreciation is provided on investment properties.

(ii) Other fixed assets

Depreciation is provided on a straight line basis on the cost of other fixed assets at rates determined with reference to the estimated useful lives of these assets of between 3 to 10 years.

Where parts of an item of a fixed asset have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) INVESTMENTS IN DEBT AND EQUITY SECURITIES

Investments in debt and equity securities (other than investments in subsidiaries and associates) are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

(i) Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in the consolidated income statement as incurred. At each reporting date the fair value is remeasured, with any resultant gain or loss being recognised in the consolidated income statement. The net gain or loss recognised in the consolidated income statement does not include any dividends or interest earned as these are recognised in accordance with the policies set out in note (q)(iii) and (iv).

(ii) Dated debt securities that the Group and/or the Company has the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the statement of financial position at amortised cost less impairment losses.

(iii) Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses.

(iv) Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At each reporting date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the investment revaluation reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in the consolidated income statement. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the consolidated income statement. When these investments are derecognised or impaired, the cumulative gain or loss is reclassified from equity to the consolidated income statement.

(v) Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(h) DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in the consolidated income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

(i) HEDGING

(i) Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the consolidated income statement. The gain or loss from remeasuring the hedging instrument at fair value together with the gain or loss on the hedged item attributable to the hedged risk are recorded in the consolidated income statement.

(ii) Cash flow hedge

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gain or loss on remeasurement of the derivative financial instrument to fair value is recognised directly in other comprehensive income and accumulated separately in equity. The ineffective portion of any gain or loss is recognised immediately in the consolidated income statement.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity to be the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to the consolidated income statement in the same period or periods during which the asset acquired or liability assumed affects the consolidated income statement (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to the consolidated income statement in the same period or periods during which the hedged forecast transaction affects the consolidated income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is reclassified from equity to the consolidated income statement immediately.

(iii) Hedge of net investment in a foreign operation

The portion of the gain or loss on remeasurement to fair value of an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in other comprehensive income and accumulated separately in equity in the exchange reserve until the disposal of the foreign operation, at which time the cumulative gain or loss is reclassified to the consolidated income statement. The ineffective portion is recognised immediately in the consolidated income statement.

(j) LEASED ASSETS

An arrangement comprising a transaction or a series of transactions is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of leased assets

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as an investment property, is accounted for as if held under a finance lease (see note (d)(i)); and

Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets held under operating leases

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the consolidated income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the consolidated income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the consolidated income statement in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note (d)(i)), properties under development for sale (see note (d)(ii)) or properties held for sale (see note (d)(iii)).

(iii) Assets held under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note (f). Impairment losses are accounted for in accordance with the accounting policy as set out in note (k)(ii). Finance charges implicit in the lease payments are charged to the consolidated income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to the consolidated income statement in the accounting period in which they are incurred.

(k) IMPAIRMENT OF ASSETS

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities (other than investments in subsidiaries) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale investments are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

For investments in associates recognised using the equity method (see note (c)(ii)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note (k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note (k)(ii).

For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses arising on equity securities carried at cost are not reversed (including those provided during the interim financial reporting).

For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets) where the effect of discounting is material. If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the consolidated income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

For available-for-sale investments, the cumulative loss that has been recognised directly in investment revaluation reserve is reclassified to the consolidated income statement. The amount of the cumulative loss that is recognised in the consolidated income statement is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the consolidated income statement.

Impairment losses recognised in the consolidated income statement in respect of available-for-sale equity investments are not reversed through the consolidated income statement. Any subsequent increase in the fair value of such assets is recognised directly in the other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes to the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the consolidated income statement.

(ii) Impairment of other assets

The carrying amounts of non-current assets (including investments in subsidiaries), other than properties carried at revalued amounts and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually to determine whether or not there is any indication of impairment.

Recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

Recognition of impairment losses

An impairment loss is recognised as an expense in the consolidated income statement whenever the carrying amount exceeds the recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed (including those provided during the interim financial reporting).

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the consolidated income statement in the year in which the reversals are recognised.

Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised has the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not in the consolidated income statement.

(l) TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) INTEREST-BEARING BORROWINGS

Interest-bearing borrowings are initially recognised at fair value less transaction costs. Subsequent to initial recognition, the interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the consolidated income statement over the period of the borrowings together with any interest and fees payable using the effective interest method.

(n) TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(p) FOREIGN CURRENCIES

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary foreign currency balances and the statement of financial position of overseas subsidiaries and associates are translated into Hong Kong dollars at the exchange rates ruling at the reporting date. The income statements of overseas subsidiaries and associates are translated into Hong Kong dollars at the average exchange rates for the year. Differences arising from the translation of the financial statements of overseas subsidiaries and associates, and those arising from foreign currency borrowings used to hedge a net investment in a foreign operation, are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. The exchange differences arising from the financing of properties under development by foreign currency borrowings are capitalised as part of the development costs. All other exchange differences are dealt with in the consolidated income statement. On disposal of an overseas subsidiary or associate, the cumulative amount of the exchange differences recognised in equity which relate to that overseas subsidiary or associate is reclassified from equity to the consolidated income statement and is included in the calculation of the profit or loss on disposal. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

(q) RECOGNITION OF REVENUE

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated income statement as follows:

(i) Rental income under operating leases is recognised in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(ii) Income arising from the sale of properties held for sale is recognised upon the later of the execution of the formal sale and purchase agreement and the issue of occupation permit/completion certificate by the relevant government authorities, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under deposits from sale of properties.

(iii) Dividend income from listed investments is recognised when the share price of the investment goes exdividend.

(iv) Interest income is recognised as it accrues using the effective interest method.

(r) BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(s) INCOME TAX

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the consolidated income statement except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the difference between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may be capable to support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided that they are not part of a business combination).

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Group has the legally enforceable right to set off current tax assets against current tax liabilities.

(t) RELATED PARTIES

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or vice versa, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

(u) FINANCIAL GUARANTEES ISSUED, PROVISIONS AND CONTINGENT LIABILITIES

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in the consolidated income statement on initial recognition of any deferred income.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's top management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(w) EMPLOYEE BENEFITS

(i) Defined contribution retirement schemes

Contributions to the schemes are expensed as incurred and may be reduced by contributions forfeited for those employees who leave the scheme prior to full vesting of the contributions. The assets of the schemes are held separately from those of the Group in independently administered funds.

(ii) Central Provident Fund in Singapore

Contributions to the Central Provident Fund in Singapore as required under the Central Provident Fund Act are charged to the consolidated income statement when incurred.

(iii) Salaries, annual bonuses, paid annual leave, leave passage, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(x) SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENT

Key sources of estimation uncertainty

Note 26 contains information about the assumptions and their risk relating to financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Valuation of investment properties

Investment properties are included in the statement of financial position at their market value, unless they are still in the course of construction or development at the reporting date and their fair value cannot be reliably determined at that time. The market value of investment properties is assessed annually by independent qualified valuers, after taking into consideration the net income allowing for reversionary potential.

The assumptions adopted in the property valuations are based on the market conditions existing at the reporting date, with reference to current market sales prices and the appropriate capitalisation rate.

(ii) Assessment of useful economic lives for depreciation of fixed assets

In assessing the estimated useful lives of fixed assets, management takes into account factors such as the expected usage of the asset by the Group based on past experience, the expected physical wear and tear (which depends on operational factors), technical obsolescence arising from changes or improvements in production or from a change in the market demand for the product or service output of the asset. The estimation of the useful life is a matter of judgement based on the experience of the Group.

Management reviews the useful lives of fixed assets annually, and if expectations are significantly different from previous estimates of useful economic lives, the useful lives and, therefore, the depreciation rate for the future periods will be adjusted accordingly.

(iii) Assessment of impairment of non-current assets

Management assesses the recoverable amount of each asset based on its value in use (using relevant rates) or on its net selling price (by reference to market prices), depending upon the anticipated future plans for the asset. Estimating the value in use of an asset involves estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and applying the appropriate discount rate to these future cash flows. Cash flow projections for remaining useful life of the asset and the most recent financial budgets/forecasts are approved by management.

(iv) Assessment of provision for properties held under development and for sale

Management determines the net realisable value of properties held for sale by using (i) prevailing market data such as most recent sale transactions and market survey reports available from independent property valuers; and (ii) internal estimates of costs based on quotes by suppliers.

Management's assessment of net realisable value of properties under development for sale requires the application of a risk-adjusted discount rate to estimate future discounted cash flows to be derived from the properties under development for sale. These estimates require judgement as to the anticipated sale prices by reference to recent sale transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions. The Group's estimates may be inaccurate, and estimates may need to be adjusted in later periods.

(v) Assessment of classification of investments in associates

The classification of investments in associates is based on management's assessment of whether there is significant influence over the key operating and financial decision of the entity. In assessing significant influence, management takes into account the rights of each of the parties over substantive operating and financial decisions. Judgement is required to an extent to determine what constitutes the strategic financial and operating decisions essential to the accomplishment of the goals of the associate over which the parties have significant influence as opposed to having joint control. Management also considers the terms of the shareholder agreements including the governance structure and the resolution of disputes between the parties, profit sharing arrangements and the termination provisions.

(vi) Recognition of deferred tax assets

The recognition of deferred tax assets requires formal assessment by the Group of the future profitability of related operations. In making this judgement, the Group evaluates, amongst other factors, the forecast financial performance, changes in technology and operational and financing cashflows.

PRINCIPAL SUBSIDIARIES AND ASSOCIATES

At 31 December 2009

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital (except otherwise stated)	Effective equity interest to the Company	Principal activities
Amblegreen Company Limited	Hong Kong	1 HK$1 share	100%	Finance
Every Success Holdings Limited	Hong Kong	1 HK$1 share	100%	Holding company
Favour Year Holdings Limited	Hong Kong	1 HK$1 share	100%	Holding company
Fine Super Holdings Limited	Hong Kong	1 HK$1 share	100%	Holding company
Janeworth Company Limited	Hong Kong	550,000,000 HK$1 shares	100%	Property
Lynchpin Limited	British Virgin Islands/ International	500 US$1 shares	100%	Investment
Main Light Holdings Limited	Hong Kong	1 HK$1 share	100%	Holding company
Marnav Holdings Limited	Hong Kong	1,000,000 HK$1 shares	100%	Property
Mega Full Holdings Limited	Hong Kong	1 HK$1 share	100%	Holding company
NART Finance Limited	Hong Kong	3 HK$10 shares	100%	Finance
Pachino Limited	Hong Kong	2 HK$10 shares	100%	Property
Realty Development Corporation Limited (held directly)	Hong Kong	1,151,389,640 HK$0.2 shares	100%	Holding company
Samover Company Limited	Hong Kong	2 HK$1 shares	100%	Property
Sunny Point Holdings Limited	Hong Kong	1 HK$1 share	100%	Holding company
Talent Play Limited	Hong Kong	1 HK$1 share	100%	Property
Titano Limited	Hong Kong	2 HK$1 shares	100%	Property
Total Up International Limited	Hong Kong	1 HK$1 share	100%	Holding company
Universal Sight Limited	Hong Kong	1 HK$1 share	100%	Property
Wheelock Properties (China) Limited (held directly)	British Virgin Islands	500 US$1 shares	100%	Holding company
Wheelock WPL China Investments Limited	Hong Kong	2 HK$1 shares	100%	Investment
Wheelock Properties (Singapore) Limited	Singapore	398,853,292 S$1 shares & 797,706,584 shares issued at S$0.825 per share	76%	Holding company/ Property
Actbilt Pte Limited	Singapore	1,000,000 S$1 shares	76%	Property
Ardesia Developments Pte. Ltd.	Singapore	2 S$1 shares	76%	Investment
Bestbilt Pte. Ltd.	Singapore	1,000,000 S$1 shares	76%	Property
Botanica Pte. Ltd.	Singapore	1,000,000 S$1 shares	76%	Property
Everbilt Developers Pte Ltd	Singapore	160,000,000 S$1 shares	76%	Property
Nassim Developments Pte. Ltd.	Singapore	2 S$1 shares	76%	Investment

PRINCIPAL SUBSIDIARIES AND ASSOCIATES

At 31 December 2009

Associates	Place of incorporation/ operation	Class of shares	Effective equity interest to the Company	Principal activities
Salisburgh Company Limited	Hong Kong	Ordinary	33%	Property
Grace Sign Limited (Note a)	Hong Kong	Ordinary	20%	Property
Harpen Company Limited (Note a)	Hong Kong	Ordinary	50%	Holding company
佛山信捷房地產有限公司 (Note (a) & (f))	PRC	Ordinary	50%	Property
佛山鑫城房地產有限公司 (Note (a) & (g))	PRC	Ordinary	50%	Property

Notes:

(a) The financial statements of these associates have been audited by a firm of accountants other than KPMG.

(b) Unless otherwise stated, the subsidiaries and associates were held indirectly by the Company.

(c) The above list gives the principal subsidiaries and associates of the Group which, in the opinion of the Directors, principally affected the profit and assets of the Group.

(d) The associates are unlisted corporate entities.

(e) PRC denotes People's Republic of China.

(f) This entity is registered as a wholly foreign owned enterprise under PRC law.

(g) This entity is registered as a sino–foreign joint venture company under PRC law.

SCHEDULE OF PRINCIPAL PROPERTIES

At 31 December 2009

Address	Approx. gross floor area (sq.ft.)	Type/usage	Lease expiry	Lot number	Year of completion	Stage of completion	Effective equity interest to the Company
Investment Property in Hong Kong							
3/F-24/F, Wheelock House, 20 Pedder Street, Central	197,900	Office	2854	ML99 Sec. A,C, R.P. & ML 100 Sec. A,B, R.P.	1984	N/A	100%
Investment Property in Singapore							
Wheelock Place, 501 Orchard Road	229,300 235,500	Office Shopping arcade	2089	–	1993	N/A	76%

Address	Approx. gross floor area (sq.ft.)	Type/usage	Site area (sq.ft.)	Lot number	Expected year of completion	Stage of completion	Effective equity interest to the Company
Development Properties in Hong Kong							
2 Heung Yip Road, Wong Chuk Hang, Aberdeen	737,200 (224,900 s.f. pre-sold)	Office	49,000	AIL 374	2010	Superstructure in progress	100%
211-215C Prince Edward Road West	91,700	Residential	18,338	KIL 2340 R.P.	2013	Foundation work in progress	100%
46 Belcher's Street, Kennedy Town	91,400	Residential	11,125	IL953 R.P.	2014	Planning stage	100%
Development Properties in Singapore							
Orchard View, 29 Angullia Park	75,900 (7,590 s.f. pre-sold)	Residential	29,078	–	2010	Superstructure in progress	76%
Ardmore II, 1 & 2 Ardmore Park	238,700 (all units pre-sold)	Residential	89,630	–	2010	Superstructure in progress	76%
Scotts Square, 6 & 8 Scotts Road	292,700 (226,600 s.f. pre-sold) 130,600	Residential Shopping arcade	71,137	–	2011	Superstructure in progress	76%
Ardmore 3, 3 Ardmore Park	149,200	Residential	54,981	–	2014	Piling works to commence in 2010	76%

SCHEDULE OF PRINCIPAL PROPERTIES

At 31 December 2009

Address	Approx. gross floor area (sq.ft.)	Type/usage	Site area (sq.ft.)	Lot number	Expected year of completion	Stage of completion	Effective equity interest to the Company
Development Property in Hong Kong (undertaken by associates)							
Bellagio, 33 Castle Peak Road, Sham Tseng	9,800	Shopping arcade	566,090	Lot No. 269 R.P. in DD 390	–	Completed	33%
Development Properties in China (undertaken by associates)							
Foshan Xincheng Project South of Tian Hong Lu and North of Yu He Lu Xincheng District	2,157,000 (678,000 s.f. pre-sold) 140,000	Residential Retail	2,867,600	–	2014	Superstructure in progress	50%
Foshan Chancheng Project North side of Kin Jin Lu, Chancheng District	1,313,500 (52,000 s.f. pre-sold) 115,200	Residential Retail	1,155,000	–	2014	Superstructure in progress	50%

Notes:
(a) The gross floor area of completed properties for sale represents unsold area of the respective properties.
(b) The gross floor area of properties held through associates are shown on an attributable basis.

TEN-YEAR FINANCIAL SUMMARY

HK$Million	2009	2008	2007	2006/07	2005/06	2004/05	2003/04	2002/03	2001/02	2000/01
			(Note b)							
Consolidated income statement										
Turnover	**1,201**	6,269	840	1,314	1,788	2,189	1,602	1,999	3,330	1,933
Profit/(loss) before investment property surplus	**815**	455	570	1,169	1,161	1,377	1,054	(793)	86	243
Investment properties surplus (Note a)	**643**	361	970	281	1,073	465	–	–	–	–
Profit/(loss) attributable to shareholders	**1,458**	816	1,540	1,450	2,234	1,842	1,054	(793)	86	243
Dividends attributable to shareholders	**207**	207	207	207	186	166	145	145	145	145
Consolidated statement of financial position										
Fixed assets	**8,309**	8,154	7,682	6,043	5,655	4,365	3,274	3,163	3,912	4,232
Interest in associates	**1,360**	1,480	1,079	363	957	1,550	1,758	3,443	4,314	4,973
Available-for-sale investments	**12,071**	5,643	11,849	9,025	7,079	5,701	5,166	3,307	4,468	4,656
Properties for sale	**7,699**	6,991	10,181	8,734	7,060	4,890	3,918	2,669	3,753	10,043
Bank deposits and cash	**6,969**	5,593	5,314	6,433	4,498	3,485	1,982	2,795	2,980	869
Other assets	**706**	963	344	268	682	420	597	308	137	266
Total assets	**37,114**	28,824	36,449	30,866	25,931	20,411	16,695	15,685	19,564	25,039
Bank loans	**(1,290)**	(2,114)	(2,729)	(3,137)	(3,909)	(3,115)	(2,094)	(3,806)	(3,831)	(4,061)
Other liabilities	**(5,073)**	(3,994)	(6,250)	(4,137)	(2,164)	(766)	(703)	(968)	(1,403)	(5,759)
Net assets	**30,751**	22,716	27,470	23,592	19,858	16,530	13,898	10,911	14,330	15,219
Share capital	**414**	414	414	414	414	414	414	414	414	414
Reserves	**27,428**	19,832	24,460	20,802	17,745	14,564	12,129	9,259	11,070	11,861
Shareholders' equity	**27,842**	20,246	24,874	21,216	18,159	14,978	12,543	9,673	11,484	12,275
Minority interests	**2,909**	2,470	2,596	2,376	1,699	1,552	1,355	1,238	2,846	2,944
Total equity	**30,751**	22,716	27,470	23,592	19,858	16,530	13,898	10,911	14,330	15,219

TEN-YEAR FINANCIAL SUMMARY

HK$Million	**2009**	2008	2007	2006/07	2005/06	2004/05	2003/04	2002/03	2001/02	2000/01
			(Note b)							
Financial Data										
Per share data										
Earnings/(loss) per share (HK$)	**0.70**	0.39	0.74	0.70	1.08	0.89	0.51	(0.38)	0.04	0.12
Net assets per share (HK$)	**13.45**	9.78	12.02	10.25	8.77	7.24	6.06	4.67	5.55	5.93
Dividends per share (Cents)	**10.0**	10.0	10.0	10.0	9.0	8.0	7.0	7.0	7.0	7.0
Financial ratios										
Net debt to shareholders' equity (%)	**N/A**	N/A	N/A	N/A	N/A	N/A	0.9%	10.5%	7.4%	26.0%
Net debt to total equity (%)	**N/A**	N/A	N/A	N/A	N/A	N/A	0.8%	9.3%	5.9%	21.0%
Return on shareholders' equity (%)	**6.1%**	3.6%	6.7%	7.4%	13.5%	13.4%	9.5%	(7.5%)	0.7%	2.0%
Dividend cover (Times)	**7.0**	3.9	7.4	7.0	12.0	11.1	7.3	N/A	0.6	1.7

Notes:

(a) Investment properties surplus on revaluation is after deferred tax and minority interests.

(b) The Company changed its financial year end date from 31 March to 31 December at the end of 2007. Accordingly, the financial period for 2007 covered nine months ended 31 December 2007.

(c) Certain figures have been reclassified or restated to comply with the prevailing HKFRSs.

(d) Return on shareholders' equity is based on profit attributable to shareholders over average shareholders' equity during the year.