WHEELOCK
AND COMPANY LIMITED

Stock Code: 20

Annual Report 2011

會德豐

18 57

WHEELOCK

WHEELOCK

Founded 1857

www.wheelockcompany.com

Contents

Corporate Information

BOARD OF DIRECTORS

Peter K C Woo, GBS, JP *(Chairman)*
Stephen T H Ng *(Deputy Chairman)*
Stewart C K Leung *(Vice Chairman)*
Paul Y C Tsui *(Executive Director & Group Chief Financial Officer)*
Ricky K Y Wong

Independent Non-executive Directors

Alexander S K Au, OBE*
B M Chang*
Herald L F Lau
Kenneth W S Ting, SBS, JP*
Glenn S Yee

** Members of the Audit Committee*

SECRETARY

Wilson W S Chan, FCIS

REGISTRARS

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

REGISTERED OFFICE

23rd Floor, Wheelock House
20 Pedder Street
Hong Kong
Telephone: (852) 2118 2118
Fax: (852) 2118 2018
Website: www.wheelockcompany.com

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

AUDITORS

KPMG, Certified Public Accountants

"Property Development took Wheelock to a new record"

Wheelock House
Pedder Street, Hong Kong

Chairman's Statement

Hong Kong's economy grew at a healthy 5% during 2011. Strong capital liquidity coupled with limited new supply pushed residential property prices to a new high, which led the government to impose additional cooling measures. The subsequent increase in land supply will facilitate a stable and sustainable market development. On the other hand, the growing economy and buoyant business activities stimulate demand for quality commercial developments, in particular in non-central locations.

Singapore reported a 4.9% GDP growth rate in 2011, and the government also introduced measures to curb excessive liquidity from pushing up property prices further and to facilitate healthier long term growth.

China's economic development continued with a 9.2% GDP growth rate. Wealth creation and rapid urbanisation have spurred a growing middle class with demand for better and quality living. Real estate investments boomed and this led to tightening measures to instill a more orderly growth in the property sector for sustainable development. Nevertheless, solid demand for quality real estates remains as the high-speed rail network will accelerate urbanisation and spread economic activities.

Business Performance

Wheelock Properties Limited ("WPL") continued to spearhead the Group's property development in Hong Kong and delivered an exceptional performance in 2011, as earlier investments started to generate commercial realisation. One Island South in Aberdeen was completed and generated a net profit of HK$1.7 billion, or 19% of the Group's core profit in the year.

Taking advantage of a moderate recovery of sentiments since the turn of the year, 97% of the 104 units at Lexington Hill in Western District were promptly pre-sold in February 2012 for total proceeds of HK$1.1 billion, at an average price of HK$11,700 per square foot of GFA. Kadoorie Hill in Homantin, with a gross development value of HK$2 billion, is targeted for pre–sales launch in mid-2012.

The Group's land bank in Hong Kong was replenished to nearly six million square feet by year end, with the addition of commercial sites in Hung Hom and Kowloon Bay to capture the demand for quality commercial development as decentralisation continues. That includes 3.4 million square feet held by The Wharf (Holdings) Limited ("Wharf"). A residential site in Tseung Kwan O was acquired in early 2012. In the past 12 months, WPL invested HK$9.4 billion towards replenishment of its land bank.

Wheelock Properties (Singapore) Limited ("WPSL") completed its iconic development Scotts Square in August and generated an attributable net profit of HK$2.3 billion, or 25% of the Group's core profit, from the sale of 84% of the residential units. The retail podium of Scotts Square is 92% leased and will expand the Group's recurrent income base in Singapore.

The Board and I were deeply saddened when David Lawrence, CEO of WPSL and a close colleague since 1992, passed away peacefully in early March after prolonged illness. Under his leadership, WPSL has built a valuable brand for luxury residential developments in Singapore and a very capable management team. I am pleased that WPSL is in an excellent position to take advantage of new investment opportunities. The Company is very grateful for Mr Lawrence's invaluable contributions over the years.

Wharf reported record turnover and operating profit for 2011. Turnover for investment properties and hotels exceeded HK$10 billion, with Harbour City and Times Square commanding an unrivalled 9% share of total Hong Kong retail sales.

Mainland assets reached nearly 40% of Wharf's business assets at the end of 2011. Total contribution from these assets increased to 21% of Wharf's core profit in 2011, from 9% in 2010. The Mainland land bank stood at 12.2 million square metres at year end, spanning across 14 cities. The pipeline of five International Finance Centre developments will help establish a solid recurrent rental income base for Wharf in the Mainland.

Financial Results

Turnover increased by 43% to HK$34.6 billion with the recognition of strong property sales from Hong Kong, Singapore and the Mainland, together with solid recurrent rental income. Operating profit advanced by 56% to HK$17.7 billion.

Core profit, i.e. profit before net investment property revaluation surplus and exceptional items, increased by 97% to HK$9,038 million to set a new record. 45% of that was attributable to Wharf, 28% to WPL and 27% to WPSL. Core earnings per share were HK$4.45 (2010: HK$2.26). Including net revaluation surplus and exceptional items, profit attributable to Shareholders amounted to HK$22,866 million (2010: HK$20,194 million). Net asset value increased to HK$60.32 per share.

Compared to the financial year ended 31 March 2002, the Group's core earnings per share have increased by over 15 times and net asset value per share has increased by more than 3.6 times.

The Group's consolidated net debt stood at HK$53.0 billion at the end of 2011 for a healthy gearing of 22.5%. Excluding debts of non-wholly owned subsidiaries, net debt was HK$15.0 billion after subscribing HK$5.0 billion to Wharf's rights issue in March 2011, and the purchase of two commercial sites in Kowloon East in the second half of 2011.

In lieu of a final dividend, the Board has approved the payment of a second interim dividend of 21.0 cents per share. In addition, the Board has decided to pay a non-recurrent special dividend of 25.0 cents per share. Total distribution for the year 2011 will amount to 50.0 cents per share (2010: 12.5 cents).

Outlook

The Hong Kong and Singapore governments have both forecasted a GDP growth of 1%-3% in 2012, reflecting the uncertain global outlook triggered by the European debt crisis. The growing Chinese economy and the more buoyant intra-Asia trade, however, will benefit companies with business exposure in Asia, in particular China.

The various cooling measures imposed on the Hong Kong and Singapore real estate markets will develop more sustainable market outlook that will benefit WPL and WPSL respectively.

The Mainland's economic development remains vibrant with a 7.5% GDP growth target for 2012. The continued wealth creation and accumulation will generate solid demand for quality real estates, despite the short-term market cautiousness caused by tightening measures. Favourable policy initiatives from China's 12th Five-Year Plan towards Hong Kong offer more and better opportunities for local corporates.

The Group is well positioned to capitalise on the continued growth in the region.

On behalf of Shareholders and my fellow Directors, I wish to express our heartfelt gratitude to all Staff for their dedication and contribution throughout the year.

Mr B M Chang has been a Director of the Company since 1969. He has decided to retire at the forthcoming Annual General Meeting and not stand for re-election. Over the past 43 years, Mr Chang has given tremendous guidance and support to the Board and to me. I take this opportunity to thank him most sincerely for his many years of contribution.

Peter K C Woo
Chairman

22 March 2012

Financial Highlights

RESULTS AND FINANCIAL POSITION

	2011 HK$ Million	2010 HK$ Million	Change (%)
Results			
Turnover	**34,558**	24,186	+43
Operating profit	**17,730**	11,384	+56
Core profit (Note 1)	**9,038**	4,582	+97
Profit before property revaluation surplus	**8,359**	4,974	+68
Profit attributable to equity shareholders	**22,866**	20,194	+13
Earnings per share			
– Core profit	**HK$4.45**	HK$2.26	+97
– Before property revaluation surplus	**HK$4.11**	HK$2.45	+68
– Attributable to equity shareholders	**HK$11.25**	HK$9.94	+13
Dividends per share (2011: include special dividend 25.0¢ per share)	**50.0¢**	12.5¢	+300
Financial Position			
Total assets	**364,112**	286,236	+27
Total business assets	**312,277**	246,129	+27
Net debt	**53,014**	38,142	+39
Shareholders' equity	**122,562**	100,372	+22
Total equity	**235,194**	193,076	+22
Net asset value per share	**HK$60.32**	HK$49.40	+22
Net debt to total equity	**22.5%**	19.8%	+2.7%pt

Financial year/period	Core profit HK$ Million	Profit before property revaluation surplus HK$ Million	Profit attributable to equity shareholders HK$ Million	Total equity HK$ Million	Shareholders' equity HK$ Million	Net asset value per share HK$	Earnings per share: Core profit HK$	Earnings per share: Before property revaluation surplus HK$	Earnings per share: Attributable to equity shareholders HK$	Dividends per share ¢
2002/03	35	35	35	26,203	22,790	11.22	0.02	0.02	0.02	7.5
2003/04	2,303	2,303	2,303	30,637	26,544	13.06	1.13	1.13	1.13	9.0
2004/05	3,502	3,502	8,337	36,666	31,435	15.47	1.72	1.72	4.10	11.0
2005/06	3,313	3,313	10,316	47,368	41,016	20.19	1.63	1.63	5.08	12.5
2006/07	3,008	3,008	6,310	99,542	49,262	24.25	1.48	1.48	3.11	12.5
2007 (Note 2)	3,460	3,361	7,615	114,159	56,651	27.88	1.70	1.65	3.75	12.5
2008	3,385	2,284	3,432	135,902	65,108	32.04	1.67	1.12	1.69	12.5
2009	3,711	4,408	10,459	158,551	76,898	37.85	1.83	2.17	5.15	12.5
2010	4,582	4,974	20,194	193,076	100,372	49.40	2.26	2.45	9.94	12.5
2011	**9,038**	**8,359**	**22,866**	**235,194**	**122,562**	**60.32**	**4.45**	**4.11**	**11.25**	**50.0**

Notes:

(1) Core profit excludes attributable net property revaluation surplus and mark-to-market changes on swaps, as well as the revaluation of Hactl interest/tax write back in 2010.

(2) The Company changed its financial year end date from 31 March to 31 December in 2007.

(3) Please refer to Ten-year Financial Summary on pages 134 to 135.

GROUP PROFIT AND ASSETS COMPOSITION

	Profit attributable to equity shareholders				Shareholders' equity			
	2011 HK$ Million	**%**	2010 HK$ Million	%	**2011 HK$ Million**	**%**	2010 HK$ Million	%
The Wharf (Holdings) Limited	**4,053**	**45**	3,486	76	**102,425**	**74**	81,580	74
Wheelock Properties (Singapore) Limited	**2,457**	**27**	737	16	**13,131**	**10**	11,409	10
Wheelock and other subsidiaries	**2,528**	**28**	359	8	**22,065**	**16**	17,407	16
	9,038	**100**	4,582	100	**137,621**	**100**	110,396	100
Exceptional items (Note 1)	**(679)**		392					
	8,359		4,974					
Investment property revaluation surplus	**14,507**		15,220					
Profit to shareholders	**22,866**		20,194					
Per share	**HK$11.25**		HK$9.94					
Corporate items (Note 2)					**(15,059)**		(10,024)	
Shareholders' equity					**122,562**		100,372	
Per share					**HK$60.32**		HK$49.40	

Notes:

(1) Exceptional items represent attributable mark-to-market loss on swaps and revaluation of Hactl interest/tax write back in 2010.

(2) Corporate items represent the net debt of the Company and other subsidiaries.

Business and Financial Review

BUSINESS REVIEW

Wheelock Properties Limited ("WPL", 100% owned)

One Island South in Aberdeen was completed in June. It is located opposite to a South Island Line MTR station which is expected to be opened in 2015. The office floors, with a total GFA of 722,300 square feet, were completely sold for proceeds of HK$3.3 billion and a net profit of HK$1.7 billion. The retail podium of 90,500 square feet is held for investment and being leased.

The Austin MTR Station project in Kowloon West, a prime residential development by a 50:50 joint venture with New World Development, has an attributable GFA of 641,000 square feet. It is located on top of an MTR station and next to the future terminus for the High Speed Rail to the Mainland (target opening in 2015). It also guards the main entrance to the West Kowloon Cultural District under development. Master layout plan and general building plan have been approved. Foundation work is underway.

Superstructure work is underway for the residential development Kadoorie Hill (211-215C Prince Edward Road West) in Homantin, with a GFA of 91,700 square feet. The premium for lease modification was paid in March. The project is targeted for pre-sales in mid-2012 subject to the pre-sale consent application process.

Construction for the residential development Lexington Hill (46 Belcher's Street) in Western District, with a GFA of 102,900 square feet, is underway. Pre-sales were launched in February 2012, with 101 out of 104 units promptly sold at an average price of HK$11,700 per square foot for total proceeds of HK$1.1 billion.

In July, WPL acquired a 76,200-square-foot commercial site at the junction of Wai Yip Street, Shun Yip Street and Hoi Bun Road along the Kwun Tong waterfront for HK$3.5 billion. The development, with a GFA of 914,900 square feet, will comprise two Grade A office buildings overlooking Victoria Harbour and the future Kai Tak Cruise Terminal, with easy access to the Ngau Tau Kok MTR station. General building plan has been submitted for approval.

In August, WPL acquired a 147,500-square-foot commercial site at the junction of Hung Luen Road and Kin Wan Street within the core commercial hub of Hung Hom for HK$4.0 billion. The development, with a GFA of 590,000 square feet, will comprise two Grade A office buildings and two low-rise retail buildings overlooking Victoria Harbour and is in close proximity to MTR East and West Rails, through-train services to Guangzhou, the future Shatin-to-Central cross-harbour MTR service (target opening in 2020) and the future MTR Whampoa Station, part of the Kwun Tong Line Extension (target opening in 2015). Master layout plan has been submitted for approval.

In January 2012, WPL won a tender for an 88,800-square-foot residential site in Tseung Kwan O for HK$1.9 billion. The development, with a GFA of 488,200 square feet, is near the Tseung Kwan O MTR station to provide convenient connectivity. Design planning will commence.

In June, WPL sold its 50% stakes in the joint ventures of four residential projects in Foshan, Guangdong to Wharf for HK$3.4 billion based on a property valuation of HK$5.1 billion.

One Island South
Heung Yip Road, Hong Kong

Wheelock Properties (Singapore) Limited ("WPSL", 75.8% owned)

In accordance with Hong Kong Financial Reporting Standards, WPSL's profit contribution to the Group for 2011 was HK$3,855 million (2010: HK$1,569 million).

Scotts Square, a prime residential development atop a retail complex located in the heart of the Orchard Road shopping belt, was completed in August. 84% of the apartments have been sold at an average price of S$4,000 per square foot to generate an attributable net profit of HK$2.3 billion for the Group. The retail podium was 92% leased at year end with internationally celebrated brands including Anne Fontaine, Hermès, Michael Kors, On Pedder and Sincere Fine Watches.

Wheelock Place, a prime commercial development on Orchard Road, continued to generate steady recurrent income with an average occupancy of 97% throughout 2011. Lease renewal retention held up well at over 75%. Marks & Spencer will open its flagship store at Wheelock Place in the second quarter of 2012.

Orchard View, a luxury residential development comprising 30 four-bedroom apartments with private lift lobbies, was completed in 2010. 43% of the units were sold by year end at an average price of over S$3,200 per square foot.

Construction for Ardmore Three, a 36-storey luxury development along Ardmore Park, is underway with full completion scheduled for 2014. A show flat was completed in preparation for a sales launch in 2012.

In February 2011, WPSL acquired five sites for a high-end residential development in Fuyang District, 22 kilometres from the city centre of Hangzhou, China. The project is developable into 358,000 square metres of GFA of high-end residences. Design planning is underway and construction will commence in 2012.

The Wharf (Holdings) Limited ("Wharf", 50.39% owned)

Excluding investment property revaluation surplus and exceptional items, Wharf's profit attributable to its shareholders for the year of 2011 increased by 14% to HK$8,083 million. Core earnings per share were HK$2.70 (2010: HK$2.51).

Exceptional items declined by HK$2,173 million due to one-off profit items in 2010 and a larger mark-to-market charge of HK$1,356 million in 2011, primarily against long term interest rate swaps.

Including investment property revaluation surplus and exceptional items, Wharf's profit attributable to shareholders amounted to HK$30,568 million (2010: HK$35,750 million). Basic earnings per share were HK$10.22 (2010: HK$12.64 as restated).

Harbour City

Turnover (excluding hotels) increased by 15% to HK$5,485 million and operating profit by 15% to HK$4,734 million. Excluding the three hotels, Harbour City was valued at HK$93.6 billion at the end of 2011, which represented 34% of the business assets of Wharf.

Harbour City achieved a record year with retail sales growing by 34% to HK$27.1 billion. This was nine percentage points higher than the overall retail sales growth in Hong Kong, and increased Harbour City's market share to 6.7% of total Hong Kong retail sales. Average sales per square foot in December set a record at over HK$3,600. Turnover from Harbour City's retail sector increased by 22% to HK$3,571 million in 2011. Occupancy was maintained at virtually 100%.

Office occupancy at Harbour City climbed to 96% at year end. Turnover increased by 4% to HK$1,614 million. Lease retention held up solidly at 69%. Turnover from the serviced apartments increased by 9% to HK$300 million and occupancy stood at 89% at year end.

Wheelock Place
Orchard Road, Singapore

Times Square

Turnover increased by 13% to HK$1,732 million and operating profit by 13% to HK$1,522 million. Times Square was valued at HK$37.0 billion at the end of 2011 and represented 13% of the business assets of Wharf.

Times Square remains the most successful vertical shopping mall in Hong Kong. Retail sales grew by over 24% during 2011. Retail revenue increased by 17% to HK$1,258 million with occupancy maintained at virtually 100%. To further enhance the retail offering, the cinema at Times Square will be relocated to higher floors, while the vacated space on the ground and lower floors will be refurbished to house new retail brands.

Turnover from the office sector grew by 4% to HK$474 million, with occupancy increasing to close to 99% by year end.

The Peak Portfolio and Other Hong Kong Properties

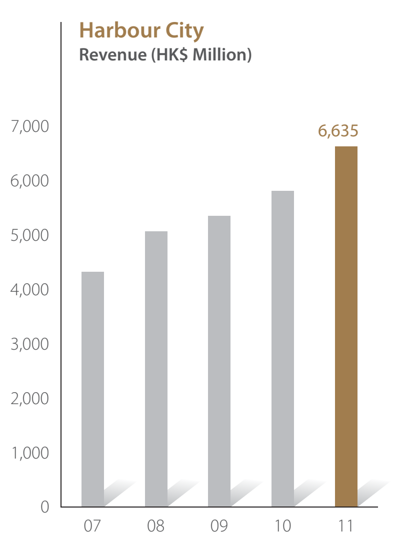
Redevelopment of 77 Peak Road, 1 Plantation Road and Mountain Court is scheduled to commence in the second half of 2012.

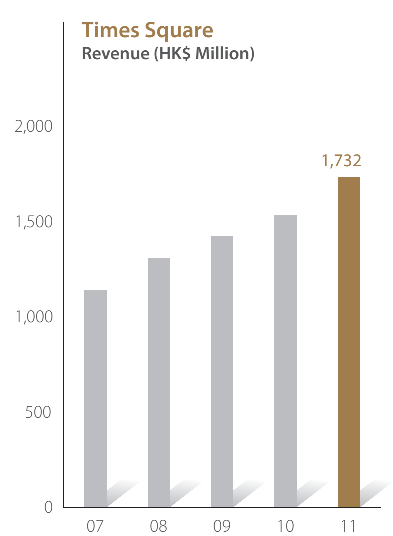
Plaza Hollywood posted a 8% growth in revenue to HK$380 million in 2011. Average occupancy stood at over 99%.

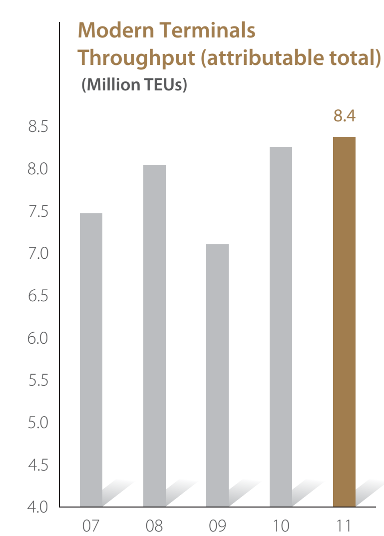
By mid–March 2012, close to 80% of One Midtown in Tsuen Wan have been pre-sold at an average price of HK$3,700 for proceeds of HK$1.9 billion. The development will be completed in the second half of 2012.

In early March 2012, Wharf entered into an agreement for the sale of Delta House, a 349,000-square-foot commercial development in Shatin, at a consideration of HK$1.3 billion. The sale is expected to be completed in May 2012.

Master layout plan and general building plan for the exclusive Mount Nicholson residential development have been approved. Lease modification for the redevelopment of Kowloon Godown is underway. The redevelopment of Wharf T&T Square into a high-rise Grade A commercial building has been approved.







China Properties

Property Development

Property completion accelerated in 2011 with 546,000 square metres completed and recognised. Completion from subsidiary projects generated a turnover of HK$6,343 million, 76% higher than 2010. Operating profit grew by 84% to HK$2,274 million. Profit recognised during the year included significant contributions from Tian Fu Times Square and Crystal Park in Chengdu, Suzhou Ambassador Villa and Changzhou Times Palace.

Sales

Nine new projects were launched for pre-sales during 2011. Together with projects previously launched, Wharf has 23 projects on sale across 11 cities in China.

A total of 854,000 square metres of properties were sold during the year to generate attributable sales proceeds of RMB12.7 billion, 44% higher than 2010. The net order book (net of business tax) increased to RMB13.5 billion for 903,000 square metres at the end of 2011.

In Eastern China, total attributable proceeds of RMB1.5 billion were generated from projects newly launched in 2011. The largest contributor was Suzhou Times City, with RMB1.1 billion. Others included Wuxi Xiyuan, launched in July, and Kingsville in Suzhou launched in September.

In Western China, total attributable proceeds of RMB1.2 billion were generated from projects newly launched in 2011. The largest contributor was The U World in Chongqing, with RMB977 million. Others included The Throne in Chongqing, The Orion and Le Palais in Chengdu.

In Tianjin, total attributable proceeds of RMB1.4 billion were generated, principally from Peaceland Cove and The Magnificent.

For projects previously launched, more units were released for sales during 2011 and met with good demand including Tian Fu Times Square in Chengdu and Xiyuan in Shanghai which generated sales proceeds of RMB1.4 billion and RMB1.3 billion respectively.

Acquisitions and Development Progress

In 2011, Wharf acquired 11 sites in the cities of Changsha, Foshan, Guangzhou, Hangzhou and Suzhou for development of nine projects with an attributable GFA of 2.1 million square metres for RMB13.5 billion.

The China land bank stood at 12.2 million square metres at year end, spanning across 14 cities.

Since the beginning of 2012, a residential project in Beijing with an attributable GFA of 91,000 square metres was added through a 50:50 joint venture with China Merchants Property at an attributable cost of RMB1.2 billion.

All projects under development are progressing in accordance with plan.

Property Investment

Wharf continues to develop its investment property portfolio in China for long-term recurrent incomes. Turnover of the China property investment segment increased by 69% to HK$796 million. Operating profit grew by 121% to HK$493 million. The completed investment properties were valued at HK$14.5 billion at the end of 2011.

Over 80% of the office space at Shanghai Wheelock Square was committed by year end. Average spot rent achieved in 2011 was close to RMB360 per square metre, with the highest headline rent at RMB480 per square metre, among the highest office rental rates in Shanghai.

Chongqing Times Square completed its refurbishment and re-opened in July. The renewed shopping mall has attracted Louis Vuitton to open its debut and only flagship store in Chongqing, together with other international celebrated brands. At the end of 2011, 93% of the retail space has been committed.

Dalian Times Square posted a 28% growth in retail sales in 2011. The retail podium of Shanghai Times Square will undergo substantial refurbishment scheduled to commence in mid-2012.

Wharf is developing a series of International Finance Centres in the cities of Changsha, Chengdu, Chongqing, Suzhou and Wuxi. Upon their completions between 2013 and 2016, the recurrent rental incomes in China will multiply.

Retail pre-leasing at Chengdu IFC has progressed exceptionally well, with over 30% of the areas already committed, and another 30% under final negotiation. Rental rates contracted were above budget. The retail mall and one office tower are scheduled for completion in the second half of 2013.

Marco Polo Hotels

Marco Polo operates 13 owned or managed hotels in the Asia Pacific region. The Panwa Beach Resort in Phuket, Thailand was added in 2011 and Marco Polo Lingnan Tiandi in Foshan and Marco Polo Suzhou in early 2012. A confirmed pipeline of nine new hotels are being rolled out in the Mainland and the Philippines by 2016 and others will be added to significantly expand Marco Polo's network.

Revenue from the Marco Polo hotels and club grew by 10% to HK$1,277 million in 2011. Operating profit increased by 13% to HK$374 million.

All Marco Polo hotels performed strongly during 2011, with each hotel achieving top tier Revpar (revenue per available room) position in their respective competitive sets. Consolidated occupancy of the three Marco Polo hotels in Hong Kong reached 85%, with a 20% increase in average room rates. The room renovation at the Marco Polo Hongkong Hotel was completed during the year, while Prince and Gateway hotels will complete their renovations in 2012 and 2013 respectively.

Modern Terminals

(a 68%-owned subsidiary of Wharf)

Modern Terminals' consolidated revenue increased by 5% to HK$3,416 million, but operating profit dropped by 10% to HK$1,546 million due to one-off gains in 2010 and higher operating costs. Throughput in Hong Kong dropped marginally to 5.3 million TEUs. In the Mainland, throughput at Taicang International Gateway in Suzhou grew by 12% to 1.5 million TEUs, while Da Chan Bay Terminal One in Shenzhen increased by 5% to 707,000 TEUs.

i-CABLE

(a 74%-owned subsidiary of Wharf)

Turnover increased by 5% to HK$2,110 million while the net loss narrowed to HK$179 million from HK$267 million a year earlier. The financial position remained solid with net cash of HK$338 million. Pay TV subscribers grew steadily in 2011. Coupled with record-high advertising revenue, turnover for Pay TV increased by 12% to HK$1,749 million.

Wharf T&T

Revenue rose by 4% to HK$1,753 million and operating profit by 14% to HK$230 million, both are records in Wharf T&T's history. Stable net cash inflow was maintained as planned despite aggressive investments in network and IT infrastructure.

Wheelock Square
Nanjing Xi Road, Shanghai, China

FINANCIAL REVIEW

(I) Review of 2011 Results

The Group delivered robust financial results with record high turnover, operating profit and net profit achieved in 2011. The respectable results were not only driven by the continuous strong rental revenue but also benefited from the successful property sales realised in Hong Kong, Singapore and the Mainland by the Group's major subsidiaries, WPL, WPSL and Wharf, respectively.

Group profit attributable to Shareholders increased by 13% to another record high of HK$22,866 million (2010: HK$20,194 million). Excluding the net investment property revaluation surplus and exceptional items, core profit was HK$9,038 million (2010: HK$4,582 million), representing an increase of 97% over 2010.

Turnover and Operating Profit

Group turnover increased by 43% to a record of HK$34,558 million (2010: HK$24,186 million) as higher property sales were recognised. All other business segments also reported increase in revenue.

Group operating profit increased by 56% to another new height of HK$17,730 million (2010: HK$11,384 million) with HK$11,388 million (2010: HK$9,372 million) contributed by Wharf, HK$3,880 million (2010: HK$1,477 million) by WPSL, and HK$2,462 million (2010: HK$535 million) by Wheelock and its other subsidiaries, primarily WPL.

Property Investment

Revenue and operating profit both increased by 16% to HK$10,670 million (2010: HK$9,206 million) and HK$8,108 million (2010: HK$6,970 million) respectively, reflecting the retail rental growth accelerated by the remarkable sales achieved by the retail tenants and the continuous positive rental reversions for the office areas. Revenue from the Mainland increased by 69% to HK$796 million as benefited from the brand new Shanghai Wheelock Square and the reopened Chongqing Times Square, and solid rental reversions for other properties. Hotels also recorded favourable results as sustained by increase in room rates with occupancy remained at high level.

Property Development

Revenue and operating profit increased by 109% and 194% to HK$16,021 million (2010: HK$7,676 million) and HK$8,058 million (2010: HK$2,740 million) respectively.

In Hong Kong, One Island South was completed with all the office units sold enabling the recognition of revenue of HK$3,335 million and operating profit of HK$2,070 million.

In Singapore, Scotts Square was completed with 84% residential units pre-sold and contributed revenue of HK$6,083 million and operating profit of HK$3,599 million.

In the Mainland, recognised property sales and operating profit increased by 76% and 84% to HK$6,343 million and HK$2,274 million respectively, with phased completions at Chengdu Tian Fu Times Square, Crystal Park, Suzhou Ambassador Villa, Changzhou Times Palace and Wuxi Glory of Time.

During the year, inclusive of joint ventures on an attributable basis, the Group recorded contracted property sales of HK$19.9 billion (2010: HK$12.1 billion), increasing its net order book to HK$17.2 billion by year end 2011, mostly in the Mainland, pending recognition on completion of the respective properties in stages.

Logistics

Revenue increased by 3% to HK$3,520 million (2010: HK$3,426 million), reflecting higher throughput handled by Modern Terminals. Operating profit however decreased by 13% to HK$1,563 million (2010: HK$1,792 million) mainly due to higher operating expenses and the lack of one-off gains that exceeded the increased revenue of Modern Terminals.

Communications, Media and Entertainment ("CME")

Revenue increased by 5% to HK$3,863 million (2010: HK$3,682 million) and CME returned to profitability with an operating profit of HK$45 million (2010: loss of HK$62 million). Wharf T&T's operating profit increased by 14% to HK$230 million, while i-CABLE's operating loss reduced by 26% to HK$186 million.

Investment and Others

Investment and other operating profit increased to HK$525 million (2010: HK$362 million), mainly due to increase in dividend and interest income.

Increase in Fair Value of Investment Properties

The book value of the Group's investment property portfolio as at 31 December 2011 increased to HK$200.5 billion (2010: HK$162.0 billion), with HK$184.4 billion thereof stated at fair value based on an independent valuation as at that date. That resulted in a revaluation surplus of HK$27,651 million (2010: HK$30,839 million). The attributable net revaluation surplus of HK$14,507 million (2010: HK$15,220 million), after deducting related deferred tax and non-controlling interests in total of HK$13,144 million (2010: HK$15,619 million), was credited to the consolidated income statement.

Investment properties in the amount of HK$16.1 billion, which had not been revalued were all under development and will not be carried at fair value until the earlier of their fair values first becoming reliably measurable or the dates of their respective completion.

Other Net Income

Other net income amounted to HK$629 million (2010: HK$805 million), comprising mainly profit on disposal of available-for-sale investments of HK$184 million (2010: HK$178 million) and net foreign exchange gain of HK$417 million (2010: loss of HK$63 million). The decrease in other net income was mainly due to the inclusion in 2010 a one-off surplus of HK$437 million from revaluation of the interests in Hong Kong Air Cargo Terminals Limited on its becoming an associate of Wharf.

Finance Costs

Finance costs charged to the consolidated income statement were HK$2,747 million (2010: HK$1,089 million), which included an unrealised mark-to-market loss of HK$1,387 million (2010: HK$447 million) on the cross currency/interest rate swaps as measured in compliance with the prevailing accounting standard. Net of non-controlling interests, the attributable loss was HK$679 million (2010: HK$209 million).

Excluding the unrealised mark-to-market loss, finance cost after capitalisation of HK$510 million (2010: HK$299 million) was HK$1,360 million (2010: HK$642 million), representing an increase of HK$718 million mainly as a result of increase in gross borrowings and rise in effective borrowing rates.

Share of Results after Tax of Associates and Jointly Controlled Entities

Share of profits of associates increased by HK$438 million to HK$825 million (2010: HK$387 million), mainly due to the recognition of part of the unrealised profit arising from disposal of the four Foshan property joint ventures to Wharf. Share of profit of jointly controlled entities ("JCEs") increased by HK$25 million to HK$34 million (2010: HK$9 million), reflecting the increased profit contributions from Modern Terminals' port investment in the Mainland.

Income Tax

Taxation charge was HK$4,338 million (2010: HK$2,630 million), which included deferred taxation of HK$901 million (2010: HK$1,158 million) provided for the revaluation surplus of investment properties located in the Mainland.

Excluding the above deferred tax, the tax charge increased to HK$3,437 million (2010: HK$1,472 million) mainly due to profit recognition from One Island South and Scotts Square and in the absence of a tax write back of HK$809 million in 2010 upon reaching a settlement with the Inland Revenue Department on various tax disagreements.

Non-controlling Interests

Profit attributable to non-controlling interests was HK$16,918 million (2010: HK$19,511 million), which was mainly attributable to profit of Wharf and WPSL.

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders increased by 13% to HK$22,866 million (2010: HK$20,194 million). Earnings per share were HK$11.25 (2010: HK$9.94).

Excluding the net investment property revaluation surplus after the associated deferred tax of HK$14,507 million (2010: HK$15,220 million), Group's profit attributable to Shareholders for the year was HK$8,359 million (2010: HK$4,974 million), representing an increase of 68% over 2010.

Further stripping out the exceptional attributable tax write back and surplus from revaluation of an associate in 2010 and the attributable mark-to-market loss of HK$679 million on swaps, Group's core profit attributable to equity shareholders would rise by 97% to HK$9,038 million (2010: HK$4,582 million). Core earnings per share were HK$4.45 (2010: HK$2.26).

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

Profit attributable to	2011 HK$ Million	2010 HK$ Million
Wharf group	4,053	3,486
WPSL group	2,457	737
Wheelock and other subsidiaries	2,528	359
Core profit	9,038	4,582
Attributable mark-to-market loss on swaps	(679)	(209)
Attributable tax write back	–	390
Attributable surplus on revaluation of an associate	–	211
Profit before investment property surplus	8,359	4,974
Investment property surplus (after deferred tax)	14,507	15,220
Profit attributable to equity shareholders	22,866	20,194

Wharf's profit for the year ended 31 December 2011 decreased by 14% to HK$30,568 million (2010: HK$35,750 million). Excluding the net investment property surplus, Wharf's net profit was HK$6,727 million (2010: HK$7,905 million). Before investment property surplus and the abovementioned exceptionals, Wharf's core profit increased by 14% to HK$8,083 million (2010: HK$7,088 million).

WPSL's reported profit for the year ended 31 December 2011 was S$291.2 million (2010: S$325.6 million), based on the accounting standards accepted in Singapore. In accordance with Hong Kong Financial Reporting Standards, WPSL's contributed profit to the Group was HK$3,855 million (2010: HK$1,569 million) including the profits on pre-sales of Scotts Square recognised on completion during the year under review.

(II) Liquidity, Financial Resources and Capital Commitments

Shareholders' and Total Equity

The Group's Shareholders' equity increased by 22% to HK$122.6 billion (2010: HK$100.4 billion), or HK$60.32 per share (2010: HK$49.40 per share) as at 31 December 2011.

Including the non-controlling interests, the Group's total equity increased by 22% to HK$235.2 billion (2010: HK$193.1 billion).

Total Assets

The Group's total assets increased by 27% to HK$364.1 billion (2010: HK$286.2 billion). Total business assets, excluding bank deposits and cash, financial investments, deferred tax assets and other derivative financial assets, increased by 27% to HK$312.3 billion (2010: HK$246.1 billion).

The Group's Investment Property portfolio was HK$200.5 billion, representing 64% of total business assets. Together, Harbour City (excluding the three hotels) and Times Square in Hong Kong were valued at HK$130.6 billion, representing 65% of the value of the portfolio.

Other major business assets included other properties and fixed assets of HK$19.0 billion, interest in JCEs and associates (mainly for the Mainland property development and port projects) of HK$27.6 billion and properties under development and held for sale of HK$60.9 billion.

Geographically, the Group's business assets in the Mainland, mainly properties and terminals, increased to HK$111.0 billion (2010: HK$77.2 billion), representing 36% of the Group's total business assets.

Debts and Gearing

The Group's net debt increased by HK$14.9 billion to HK$53.0 billion (2010: HK$38.1 billion) as at 31 December 2011, which was made up of HK$95.7 billion in debts and HK$42.7 billion in bank deposits and cash. Excluding Wharf's net debt of HK$43.5 billion, which is non-recourse to the Company and its other subsidiaries, and WPSL's net cash of HK$5.5 billion, Wheelock's net debt was HK$15.0 billion (2010: HK$10.0 billion). Analysis of the net debt by group is as below:

Net debt/(cash)	**2011 HK$ Million**	2010 HK$ Million
Wharf (excludes below subsidiaries)	**35,348**	23,376
Modern Terminals	**11,155**	9,932
Harbour Centre Development Ltd.	**(2,700)**	(172)
i-CABLE	**(338)**	(447)
Wharf group	**43,465**	32,689
WPSL group	**(5,510)**	(4,571)
Wheelock and other subsidiaries	**15,059**	10,024
Group	**53,014**	38,142

The ratio of net debt to total equity was 22.5% (2010: 19.8%) as at 31 December 2011.

Finance and Availability of Facilities

The Group's available loan facilities and debt securities amounting to HK$115.0 billion (2010: HK$87.0 billion), of which HK$95.7 billion were drawn, as at 31 December 2011 are analysed as below:

	Available Facility HK$ Billion	**Total Debts HK$ Billion**	**Undrawn Facility HK$ Billion**
Wharf (excludes below subsidiaries)	74.0	60.0	14.0
Modern Terminals	14.0	12.8	1.2
Harbour Centre Development Ltd.	4.6	3.2	1.4
i-CABLE	0.3	–	0.3
Wharf group	92.9	76.0	16.9
WPSL group	2.4	1.0	1.4
Wheelock and other subsidiaries	19.7	18.7	1.0
Group	**115.0**	**95.7**	**19.3**

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

In June 2011, Wharf issued guaranteed convertible bonds with a term of 3 years for an aggregate principal amount of HK$6.2 billion at an initial conversion price of HK$90 per share.

Of the above debts, HK$26.8 billion (2010: HK$24.3 billion) was secured by mortgage over certain properties under development, fixed assets and investments with total carrying value of HK$64.5 billion (2010: HK$80.7 billion).

The Group's debts were primarily denominated in Hong Kong dollars ("HKD"), United States dollars ("USD"), Renminbi ("RMB") and Singapore dollars ("SGD"). The borrowings were mainly used to fund the Group's property development and port investments in the Mainland, and property development projects in Singapore and Hong Kong.

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

The Group continued to maintain a strong financial position with ample surplus cash denominated principally in HKD, RMB and SGD and undrawn committed facilities to facilitate the Group's expanding business and investment activities. The Group also maintained a portfolio of financial investments, primarily in blue-chip securities, with an aggregate market value as at 31 December 2011 of HK$7.1 billion (2010: HK$10.7 billion), which is immediately available for liquidation for the Group's use.

Cash Flows for the Group's Operating and Investing Activities

For the year under review, the Group's operating cash inflow before changes in working capital increased to HK$18.6 billion (2010: HK$12.3 billion). The changes in working capital resulted in a net cash outflow from operating activities of HK$3.4 billion (2010: inflow of HK$3.4 billion), primarily due to payments of land and construction cost for trading properties under development which was partly compensated by proceeds from sale of properties. For investing activities, the Group reported a net cash outflow of HK$15.3 billion (2010: HK$16.6 billion), mainly for additions to investment properties and investments in JCEs involved in property development projects in the Mainland.

Major Expenditure and Commitments

The major expenditure incurred by the Group's core businesses during the year and related commitments as at 31 December 2011 are analysed as follows:

		Expenditure for 2011	Commitments as at 31 December 2011	
Business Unit/Company		**HK$ Million**	**Authorised and Contracted for HK$ Million**	**Authorised but not Contracted for HK$ Million**
(a)	**Capital expenditure**			
	Wharf group	11,934	11,449	23,562
	Property Investments	10,930	10,353	22,502
	Wharf T&T	467	245	165
	i-CABLE	187	31	175
	Modern Terminals	350	820	720
	WPSL group	120	4	–
	Wheelock and other subsidiaries	30	2	–
		12,084	**11,455**	**23,562**
(b)	**Trading properties under development**			
	Wharf group	21,584	10,135	55,975
	Subsidiaries	18,442	5,897	41,074
	JCEs and associates	3,142	4,238	14,901
	WPSL group			
	Subsidiaries	1,214	1,412	3,325
	Wheelock and other subsidiaries	8,527	2,765	4,118
	Subsidiaries	8,299	673	4,118
	JCEs and associates	228	2,092	–
		31,325	**14,312**	**63,418**
(c)	**Programming and others**	**80**	**1,077**	**80**

The capital expenditure incurred during the year for Wharf's Property Investment segment was mainly for the land and construction costs of Chengdu IFC and Changsha IFC. For i-CABLE and Wharf T&T, the capital expenditures were incurred substantially for procurement of production and broadcasting equipment, network rollout and internet service equipment while those for Modern Terminals were mainly for construction of the Dachan Bay port project in the Mainland and addition of other fixed assets.

In addition to the capital expenditure, the Group also incurred HK$31.3 billion of expenditures for the development of its trading properties in the Mainland, Hong Kong and Singapore, including Wharf's expenditure of HK$21.6 billion that has excluded the intra-group acquisition of the four Foshan joint venture projects by Wharf from Wheelock during the year.

As at 31 December 2011, the Group's authorised and contracted commitments were mainly for development properties for investment of HK$11.5 billion and for trading of HK$14.3 billion, respectively, among these including attributable land costs of HK$6.2 billion payable by installments from 2012 to 2013. Apart from that, the Group intends to invest HK$23.6 billion in investment properties and HK$63.4 billion in trading properties in the Mainland, Hong Kong and Singapore, mainly on construction cost, for their completions in stages in the forthcoming years.

The above commitments and planned expenditures will be funded by the respective groups' own internal financial resources including surplus cash, cash flow from operations as well as bank and other financings with the construction costs self-financed mainly by pre-sale proceeds and project loans. Other available resources include financial investments.

(III) Transfer of Foshan Property Projects to Wharf

Wheelock disposed of its 50% interests in four Foshan property joint ventures to Wharf for a total consideration of HK$3,388 million in June 2011 with an unrealised profit of about HK$1,300 million. The major assets that the four joint ventures hold are the four residential property development projects in Chancheng, Guicheng, Shishan and Xincheng, Foshan in the Mainland. Being a disposal to its subsidiary, Wheelock has deferred the recognition of the relevant profit until the completion and sale of the property units by Wharf. Out of the total unrealised profit, HK$447 million was recognised during the year.

(IV) Human Resources

The Group had approximately 14,700 employees as at 31 December 2011, including about 2,400 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective group's achievement and results.

Corporate Governance Report

A. CORPORATE GOVERNANCE PRACTICES

During the financial year ended 31 December 2011, all the code provisions as set out in the Code on Corporate Governance Practices (the "Code") in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), which were in force during such financial year, 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 2011, 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 2011. The composition of the Board and attendance of the Directors are set out below:

Directors	Attendance/Number of Meetings
Chairman	
Peter K C Woo	4/4
Deputy Chairman	
Stephen T H Ng	4/4
Vice Chairman	
Stewart C K Leung *(appointed on 1 February 2012)*	N/A
Executive Director & Group Chief Financial Officer	
Paul Y C Tsui	4/4
Non-executive Director	
Ricky K Y Wong	3/4
Independent Non-executive Directors	
Alexander S K Au	3/4
B M Chang	1/4
Herald L F Lau	4/4
Kenneth W S Ting	4/4
Glenn S Yee	4/4

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 makes 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, half thereof being Independent Non-executive Directors.

Furthermore, the Chairman is supported by Deputy Chairman Mr Stephen T H Ng, Vice Chairman Mr Stewart C K Leung and Executive Director & Group Chief Financial Officer Mr Paul Y C Tsui. The Chairman is responsible for the Board, focuses on Group strategies and Board issues, ensures a cohesive working relationship between members of the Board and management, and directly has responsibilities in certain major business units of the Group. The Executive Director & Group Chief Financial Officer has full executive responsibilities in the business directions and operational efficiency of the business units under his responsibilities and is accountable to the Chairman.

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. The re-election of each of those Independent Non-executive Directors who has served on the Board for more than nine years is subject to (i) a separate resolution to be approved by Shareholders at the relevant Annual General Meeting; and (ii) further information being given to Shareholders together with the notice of meeting regarding the reasons why the Board believes the relevant Director is still independent and should be re-elected.

F. BOARD COMMITTEES

(I) Remuneration Committee

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

One RC meeting was held during the financial year ended 31 December 2011. Attendance of the Members is set out below:

Members	Attendance/Number of Meeting
Peter K C Woo *(Chairman of RC during the year)*	1/1
Kenneth W S Ting *(Chairman of RC from 1 February 2012 onwards)*	1/1
Alexander S K Au	1/1

(i) The terms of reference of the RC are aligned with the provisions set out in the Code as recently revised which comes into force from 1 April 2012 onwards (the "Revised Code"). Given below are the main duties of the RC:

(a) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) to review and approve the management's remuneration proposals by reference to the Board's corporate goals and objectives;

(c) either:

(i) to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management; or

(ii) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(d) to make recommendations to the Board on the remuneration of non-executive Directors;

(e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(f) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

(h) to ensure that no Director or any of his associates is involved in deciding his own remuneration; and

(i) to advise Shareholders on how to vote with respect to any service contracts of Directors that require Shareholders' approval under the Listing Rules.

(ii) The work performed by the RC for the financial year ended 31 December 2011 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 fee payable to the Chairman of the Company, currently at the rate of HK$75,000 per annum (proposed to be increased to HK$80,000 per annum with retroactive effect from 1 January 2012), the fee payable to each of the other Directors of the Company, currently at the rate of HK$60,000 per annum (proposed to be increased to HK$70,000 per annum with retroactive effect from 1 January 2012), and the fee payable to each of those Directors who are also Members of the Audit Committee of the Company, currently at the rate of HK$20,000 per annum (proposed to be increased to HK$30,000 per annum) is by reference to the level of fees of similar nature normally paid by a listed company in Hong Kong to its directors.

(II) Nomination Committee

The Company set up a Nomination Committee on 1 February 2012 comprising 3 members, namely, the Chairman of the Company Mr Peter K C Woo (as its chairman) and two Independent Non-executive Directors, namely, Mr Alexander S K Au and Mr Kenneth W S Ting.

The terms of reference of the Nomination Committee are aligned with the provisions set out in the Revised Code. Given below are the main duties of the Nomination Committee:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(c) to assess the independence of Independent Non-executive Directors; and

(d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman of the Board and the chief executive.

(III) Audit Committee

All Members of the Audit Committee of the Company are appointed from the Independent Non-executive Directors.

All Members have sufficient experience in reviewing audited financial statements and are aided by the auditors of the Group as and when required. In addition, Mr Alexander S K Au has the appropriate professional qualifications and experience in financial matters.

Four Audit Committee meetings were held during the financial year ended 31 December 2011. Attendance of the Members is set out below:

Members	Attendance/Number of Meetings
Alexander S K Au *(Chairman)*	4/4
B M Chang	1/4
Kenneth W S Ting	4/4

(i) The terms of reference of the Audit Committee are aligned with the provisions set out in the Revised Code and 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) Relationship with the Company's auditors

(a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of their resignation or dismissal;

(b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences; and

(c) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

(B) Review of financial information of the Company

(a) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:

(i) any changes in accounting policies and practices;

(ii) major judgmental areas;

(iii) significant adjustments resulting from audit;

(iv) the going concern assumptions and any qualifications;

(v) compliance with accounting standards; and

(vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

(b) regarding (B)(a) above:

   (i) members of the Committee should liaise with the Company's Board and senior management and the Committee must meet, at least twice a year, with the Company's auditors; and

   (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors.

(C) Oversight of the Company's financial reporting system and internal control procedures

(a) to review the Company's financial controls, internal control and risk management systems;

(b) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

(c) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(d) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

(e) to review the Group's financial and accounting policies and practices;

(f) to review the external auditors' management letter, any material queries raised by the auditors to management about accounting records, financial accounts or systems of control and management's response;

(g) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;

(h) to report to the Board on the matters in the Code Provisions in the Listing Rules;

(i) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

(j) to act as the key representative body for overseeing the Company's relations with the external auditors; and

(k) to consider other topics, as defined by the Board.

(D) Oversight of the Company's Corporate Governance Matters

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to consider other topics, as defined by the Board.

(ii) The work performed by the Audit Committee for the financial year ended 31 December 2011 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)(B) 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.

G. AUDITORS' REMUNERATION

The fees in relation to the audit and other services for the financial year ended 31 December 2011 provided by KPMG, the external auditors of the Company, amounted to HK$23 million and HK$4 million respectively.

H. 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. 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, and the adequacy of, *inter alia*, resources, qualifications, experience and training of staff of the Company's accounting and financial reporting function was conducted by the Audit Committee and subsequently reported to the Board during the financial year ended 31 December 2011. Based on the result of the review, in respect of the financial year ended 31 December 2011, the Directors considered that the internal control system and procedures of the Group were effective and adequate.

I. DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of financial statements for the financial year ended 31 December 2011, 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 flow 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 2011:

(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.

J. COMMUNICATION WITH SHAREHOLDERS

A Shareholders Communication Policy was adopted by the Company on 22 March 2012 to ensure that Shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company.

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities. Annual and interim reports are published/printed and printed copies of such reports or notifications of publication thereof on the Company's website are sent to all Shareholders. Such reports and press releases are posted and are available for download at the Company's corporate website www.wheelockcompany.com. Constantly being updated in a timely manner, the website 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 for Shareholders to stay informed of the Group's strategy and goals.

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

K. SHAREHOLDERS' RIGHTS

(I) Convene an Extraordinary General Meeting

Pursuant to Section 113 of 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.

(II) Send Enquiries to the Board

The Company's corporate website provides email address, postal address, fax number and telephone number by which Shareholders may at any time address their concerns or enquiries to the Company's Board.

(III) Make Proposals at General Meetings

(i) The procedures for proposing candidate(s) for election as Director(s) at a Shareholders' meeting are set out in the Corporate Governance section of the Company's corporate website.

(ii) The procedures for proposing resolution(s) to be moved at a Shareholders' meeting are as follows:

Shareholder(s) can submit a written requisition to move a resolution at a Shareholders' meeting pursuant to Section 115A of the Hong Kong Companies Ordinance if they –

(a) represent not less than 2.5% of the total voting rights of all Shareholders having at the date of the requisition a right to vote at the Shareholders' meeting; or

(b) are no less than 50 Shareholders holding the Company's shares on which there has been paid up an average sum, per Shareholder, of not less than HK$2,000.

The written requisition must –

(a) state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with at the Shareholders' meeting;

(b) contain the signatures of all the requisitionists (which may be contained in one document or in several documents in like form);

(c) be deposited at the Company's registered office (23rd Floor, Wheelock House, 20 Pedder Street, Hong Kong) for the attention of the Company Secretary not less than 6 weeks (as required in most circumstances under the applicable laws) before the Shareholders' meeting in the case of a requisition requiring notice of a resolution and not less than 1 week before the Shareholders' meeting in the case of any other requisition; and

(d) be accompanied by a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement given by the requisitionists to all Shareholders in accordance with the requirements under the applicable laws and rules.

Report of the Directors

The Directors have pleasure in submitting their Report and the Audited Financial Statements for the financial year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 120 to 122.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the financial year ended 31 December 2011 are set out in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income on pages 49 and 50 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 26 to the Financial Statements on pages 54 and 97 respectively.

DIVIDENDS

A first interim dividend of 4.0 cents per share was paid in September 2011. In lieu of a final dividend, a second interim dividend of 21.0 cents per share will be paid. In addition, the Board has decided to pay a non-recurrent special dividend of 25.0 cents per share. Both dividends will be paid on 31 May 2012 to Shareholders on record as at 24 May 2012. Total distribution for the year 2011 will amount to 50.0 cents (2010: 12.5 cents) per share.

FIXED ASSETS

Movements in fixed assets during the financial year are set out in Note 9 to the Financial Statements on page 69.

DONATIONS

The Group made donations during the financial year totalling HK$17 million.

DIRECTORS

The Directors of the Company during the financial year were Messrs Peter K C Woo, Stephen T H Ng, Paul Y C Tsui, Alexander S K Au, B M Chang, Herald L F Lau, Kenneth W S Ting, Ricky K Y Wong and Glenn S Yee. Subsequent to the financial year end, Mr Stewart C K Leung was appointed an additional Director and elected as the Vice Chairman of the Company with effect from 1 February 2012.

Mr Stewart C K Leung, who was appointed as Director of the Company after the last Annual General Meeting, is due to retire from the Board in accordance with Article 94 of the Company's Articles of Association, and Messrs Peter K C Woo, Paul Y C Tsui, Alexander S K Au, B M Chang and Kenneth W S Ting will also retire from the Board, at the forthcoming Annual General Meeting. Mr B M Chang has decided not to stand for re-election. The other Directors, being eligible, 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).

INTERESTS IN CONTRACTS

No contract of significance in relation to the Company's business to which the Company or any of its subsidiaries 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

No contracts for the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the financial year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the financial year was the Company or any of its subsidiaries 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, with the exception that there existed certain outstanding options to subscribe for ordinary shares of a subsidiary of the Company, namely, The Wharf (Holdings) Limited ("Wharf"), granted under Wharf's Share Option Scheme (the "Scheme") to certain employees/directors of Wharf group, some of whom were Directors of the Company during the financial year.

Under the rules of the Scheme, shares of Wharf would be issued at such prices as being equal to the highest of (i) the indicative price as specified in the written offer; (ii) the closing price on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant of the options; (iii) the average closing price on the Stock Exchange for the five trading days immediately preceding the date of grant; and (iv) the nominal value of a share of Wharf; and the relevant options would be exercisable during such periods, not being beyond the expiration of 10 years from the date of offer for the grant of relevant options, as determined by the board of directors of Wharf. During the financial year, no share of Wharf was issued to any Director of the Company under the Scheme.

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, 22 March 2012

SUPPLEMENTARY CORPORATE INFORMATION

A. BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT ETC.

(I) Directors

Peter K C WOO, *GBS, JP, Chairman (Age: 65)*

Mr Woo has resumed the role of Chairman of the Company since 2002 after having also served in that capacity from 1986 to 1996. He also serves as a member and the chairman of the Company's Nomination Committee as well as a member of the Company's Remuneration Committee. He is also the chairman of two publicly-listed subsidiaries of the Company, namely, Wharf and Wheelock Properties (Singapore) Limited ("WPSL"). Furthermore, he is a director of Wheelock Properties Limited ("WPL", formerly a publicly-listed company until it became a wholly-owned subsidiary of the Company in July 2010) as well as a director of certain other subsidiaries of the Company. 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. Under the existing service contract between the Group and Mr Woo, his basic salary and various allowances for the year 2012, calculated on annualised basis, would be approximately HK$17.12 million (2011: HK$16.45 million) per annum.

Stephen T H NG, *Deputy Chairman (Age: 59)*

Mr Ng has been a Director of the Company since 1988 and became the Deputy Chairman in 1995. He is also the deputy chairman and managing director of Wharf, the chairman and chief executive officer of i-CABLE Communications Limited ("i-CABLE") as well as the chairman of Harbour Centre Development Limited ("HCDL"), all being publicly-listed subsidiaries of the Company. Furthermore, he is the chairman of Modern Terminals Limited, the chairman and chief executive officer of Wharf T&T Limited, both of them being subsidiaries of the Company, and a director of certain other subsidiaries of the Company. Mr Ng is also the chairman of publicly-listed Joyce Boutique Holdings Limited ("Joyce"). Under the existing service contract between the Group and Mr Ng, his basic salary and various allowances for the year 2012, calculated on annualised basis, would be approximately HK$5.00 million (2011: HK$4.77 million) per annum.

Stewart C K LEUNG, *Vice Chairman (Age: 73)*

Mr Leung has been a Director and was elected Vice Chairman of the Company since February 2012. He is currently the chairman of WPL and Wheelock Properties (Hong Kong) Limited ("WPHK"), both being wholly-owned subsidiaries of the Company. Mr Leung has extensive experience in property development, construction, management and related businesses in Hong Kong. He was formerly a director of two publicly-listed companies, namely, New World Development Company Limited and New World China Land Limited. He is currently the chairman of the Executive Committee of The Real Estate Developers Association of Hong Kong.

Paul Y C TSUI, *Executive Director & Group Chief Financial Officer (Age: 65)*

Mr Tsui, *FCCA, FCPA, FCMA, FCIS, CGA-Canada*, has been a Director of the Company since 1998. He became Executive Director of the Company in 2003 and is currently also the Group Chief Financial Officer. He is also an executive director and the group chief financial officer of Wharf as well as a director of HCDL, i-CABLE and WPSL, and a director of certain other subsidiaries of the Company. Furthermore, he is the vice chairman of WPL and also a director of Joyce. Under the existing service contract between the Group and Mr Tsui, his basic salary and various allowances for the year 2012, calculated on annualised basis, would be approximately HK$3.23 million (2011: HK$3.08 million) per annum.

Alexander S K AU, *OBE, Director (Age: 65)*

Mr Au, *ACA, FCCA, FCPA, AAIA, FCIB, FHKIB*, has been an Independent Non-executive Director of the Company since 2002. He also serves as a member and the chairman of the Company's Audit Committee as well as a member of the Company's Nomination Committee and Remuneration Committee.

A banker by profession, Mr Au was the chief executive officer of Hang Seng Bank Limited from October 1993 to March 1998 and of Oversea-Chinese Banking Corporation Limited in Singapore from September 1998 to April 2002. Currently, he is a non-executive director of three companies publicly-listed in Hong Kong, namely, Henderson Land Development Company Limited, Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited. He is the chairman and non-executive director of Henderson Sunlight Asset Management Limited, being the manager of the publicly-listed Sunlight Real Estate Investment Trust. He is also a member of the Court of the Hong Kong University of Science and Technology. An accountant by training, Mr Au is a Chartered Accountant as well as a fellow of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

B M CHANG, *Director (Age: 83)*

Mr Chang has been a Director of the Company since 1969. He, being an Independent Non-executive Director, also serves as a member of the Company's Audit Committee.

Herald L F LAU, *Director (Age: 71)*
Mr Lau, *FCA, FCPA*, has been an Independent Non-executive Director of the Company since 2010. 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. Mr Lau was formerly an independent non-executive director of two other publicly-listed companies, namely, Fairwood Holdings Limited from August 1991 to August 2009 and China World Trade Center Company Ltd. (Beijing) from December 2004 to December 2010, and was also a former independent non-executive director of WPL from September 2004 to July 2010.

Kenneth W S TING, *SBS, JP, Director (Age: 69)*
Mr Ting 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 Remuneration Committee as well as a member of the Company's Audit Committee and Nomination Committee. Mr Ting is also the chairman of publicly-listed Kader Holdings Company Limited and of Kader Industrial Company Limited. Mr Ting currently serves as the president of HK Wuxi Trade Association Limited, and also the honorary president of the Federation of Hong Kong Industries, the Chinese Manufacturers' Association of Hong Kong, the Toys Manufacturers' Association of Hong Kong Limited and Hong Kong Plastics Manufacturers' Association Limited. He was formerly a non-executive director of publicly-listed New Island Printing Holdings Limited from September 2004 to October 2010 and formerly an independent non-executive director of Times Ltd from June 2007 to January 2010.

Mr Ting also serves as a member of a number of other trade organizations and public committees such as the Hong Kong General Chamber of Commerce, the Hong Kong Polytechnic University Court and The Hong Kong University of Science and Technology Court. He is a member of the Board of Directors of the Faculty of Business and Economics of The University of Hong Kong. Furthermore, he is a member of the Jiangsu Provincial Committee of the Chinese People's Political Consultative Conference.

Ricky K Y WONG, *Director (Age: 47)*
Mr Wong has been a Director of the Company since 2010. He is currently the managing director of WPL and WPHK, as well as a director of certain other subsidiaries of the Company, and is presently responsible for overseeing the property development and related business of the Group in Hong Kong. Mr Wong also serves as a member of the Real Estate and Infrastructure Committee of The Hong Kong General Chamber of Commerce and a member of the Legal Sub-committee of The Real Estate Developers Association of Hong Kong. Mr Wong graduated from University of Wisconsin in the United States with a Master Degree in Business Administration. Under the existing service contract between the Group and Mr Wong, his basic salary and various allowances for the year 2012, calculated on annualised basis, would be approximately HK$2.92 million (2011: HK$2.78 million) per annum.

Glenn S YEE, *Director (Age: 61)*

Mr Yee has been an Independent Non-executive Director of the Company since 2010. He is the founder and managing director of Pacific Can group of companies, which is one of the leading beverage can manufacturers in China. Mr Yee obtained his Master of Business Administration Degree from Columbia University in the United States. He started his career in General Electric Company in New York and later on joined Continental Can Company ("CCC") in Stamford, Connecticut. In 1979, Mr Yee was transferred to Hong Kong office of CCC and was subsequently promoted to be the managing director of Continental Can Hong Kong Ltd. in 1988. He resigned from this company in 1991 and subsequently started Pacific Can. He was formerly an independent non-executive director of WPL from May 2003 to July 2010.

Note: 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, and considers them independent.

(II) Senior Management

Various businesses of the Group are respectively under the direct responsibility of the Chairman, the Deputy Chairman, the Vice Chairman and the Executive Director & Group Chief Financial Officer of the Company as named under A(I) above, who are regarded as senior management of the Group.

B. DIRECTORS' INTERESTS IN SHARES

At 31 December 2011, Directors of the Company had the following beneficial interests, all being long positions, in the securities of the Company, and of two subsidiaries of the Company, namely, Wharf and i-CABLE, and the percentages which the relevant shares represented to the issued share capitals of the three companies respectively are also set out below:

	No. of Ordinary Shares (percentage of issued capital)	**Nature of Interest**
The Company		
Peter K C Woo	1,207,357,330 (59.4216%)	Personal Interest in 8,847,510 shares, Corporate Interest in 203,288,142 shares and Other Interest in 995,221,678 shares
Stephen T H Ng	300,000 (0.0148%)	Personal Interest
B M Chang	8,629,575 (0.4247%)	Corporate Interest
Wharf		
Stephen T H Ng	804,445 (0.0266%)	Personal Interest
Kenneth W S Ting	9,600 (0.0003%)	Personal Interest
i-CABLE		
Stephen T H Ng	1,265,005 (0.0629%)	Personal Interest

Notes:

(1) The 995,221,678 shares of the Company stated above as "Other Interest" against the name of Mr Peter 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 Securities and Futures Ordinance (the "SFO") which are applicable to a director or chief executive of a listed company, to be interested.

(2) The shareholdings classified as "Corporate Interest" in which the Directors concerned were taken to be interested as stated above were interests of corporations at respective general meetings of which the relevant Directors were respectively 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.

(3) The shareholding interests stated above as "Personal Interest" and "Corporate Interest" against the name of Mr Peter K C Woo totalling 212,135,652 shares of the Company included those shares disclosed as the shareholding interest of Mrs Bessie P Y Woo stated under "Section C. Substantial Shareholders' Interests" below.

(4) The 995,221,678 shares of the Company as referred to under Note (1) above are entirely duplicated or included in the shareholding interest of HSBC Trustee (Guernsey) Limited stated under "Section C. Substantial Shareholders' Interests" below.

There was in existence during the financial year a share option scheme of Wharf (the "Wharf's Scheme"). Set out below are particulars of interests (all being personal interests) in all the options to subscribe for ordinary shares of Wharf granted/exercisable under the Wharf's Scheme and were held by Directors of the Company during the financial year:

		No. of Wharf's shares under option			
Name of Director	**Date granted** (Day/Month/Year)	**Granted during the year**	**At 31 Dec. 2011**	**Subscription Price per Share** (HK$)	**Period during which rights exercisable** (Day/Month/Year)
Peter K C Woo	04/07/2011	1,500,000	1,500,000	55.15	05/07/2011 – 04/07/2016
Stephen T H Ng	04/07/2011	1,500,000	1,500,000	55.15	05/07/2011 – 04/07/2016
Paul Y C Tsui	04/07/2011	1,500,000	1,500,000	55.15	05/07/2011 – 04/07/2016
Ricky K Y Wong	04/07/2011	800,000	800,000	55.15	05/07/2011 – 04/07/2016

Notes:

(1) There was no outstanding share option of Wharf held by any Director as at 1 January 2011.

(2) The share options were/will be vested in 5 tranches within a period of 5 years, with each tranche covering one-fifth of the relevant options (i.e. exercisable to the extent of one-fifth of the relevant total number of Wharf's shares) and with the 1st, 2nd, 3rd, 4th and 5th tranche becoming exercisable from 5th of July in the years 2011, 2012, 2013, 2014 and 2015 respectively.

(3) The closing price of Wharf's shares on the last trading day immediately before the abovementioned date of grant was HK$54.05 per share.

(4) No share option of Wharf held by Directors of the Company was exercised, cancelled or lapsed throughout the financial year ended 31 December 2011.

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 as at 31 December 2011 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 rights to subscribe for any shares, underlying shares or debentures of the Company held by any of them at any time during the financial year.

C. SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties, other than person(s) who is/are Director(s) of the Company, who/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 2011, 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) Mrs Bessie P Y Woo	209,712,652 (10.32%)
(ii) HSBC Trustee (Guernsey) Limited	1,095,300,362 (53.91%)

Note: Duplication occurred in respect of the shareholding interests under (i) and (ii) above, as set out in Notes (3) and (4) under "Section B. Directors' Interests in Shares" above.

All the interests stated above represented long positions and as at 31 December 2011, there were no short position interests recorded in the Register.

D. SHARE OPTION SCHEME

(I) Summary of the Share Option Scheme of the Company (the "Company's Scheme")

(a) Purpose of the Company's Scheme:
To provide directors and/or employees with the opportunity of acquiring an equity interest in the Company, to continue to provide them with the motivation and incentive to give their best contribution towards the Group's continued growth and success.

(b) Eligibility:
Eligible participants include any person(s) who is/are full-time and/or part-time employee(s) and/or Director(s) of the Company, any of its subsidiary(ies), and/or any of its associate(s). "Associates" include jointly-controlled entity(ies) and subsidiary(ies) of associates and of jointly-controlled entities.

(c) (i) Total number of ordinary shares of HK$0.50 each in the capital of the Company (the "Shares") available for issue under the Company's Scheme as at the date of this annual report:
203,184,928

(ii) Percentage of the issued share capital that it represents as at the date of this annual report:
10%

(d) Maximum entitlement of each eligible participant under the Company's Scheme:
Not to exceed 1% of the Shares in issue in any 12-month period unless approved by Shareholders of the Company

(e) Period within which the Shares must be taken up under an option:
Within 10 years from the date on which the option is offered or such shorter period as the Directors may determine

(f) Minimum period for which an option must be held before it can be exercised:
No minimum period unless otherwise determined by the Board

(g) (i) Price payable on application or acceptance of the option:
HK$10.00

(ii) The period within which payments or calls must or may be made:
28 days after the offer date of an option or such shorter period as the Directors may determine

(iii) The period within which loans for the purposes of the payments or calls must be repaid:
Not applicable

(h) Basis of determining the subscription price:
The subscription price shall be determined by the Directors at the time of offer but shall not be less than whichever is the highest of:

(i) the indicative price per share for subscription of Shares under the option as specified in the written offer containing the offer of the grant of the option to an eligible participant;

(ii) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of an option, which must be a Stock Exchange trading day;

(iii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five Stock Exchange trading days immediately preceding the date of grant of an option; and

(iv) the nominal value of a Share.

(i) The remaining life of the Company's Scheme:
Approximately 9 years (expiring on 8 June 2021)

(II) Details of options for Shares of the Company granted

No share option of the Company was granted, issued, exercised, cancelled or lapsed throughout the financial year.

(III) Details of options for shares of Wharf granted

The terms, conditions, and relevant information of the Wharf's Scheme are, *mutatis mutandis,* identical to those of the Company's Scheme (as set out above under D.(I)) in all material respects but that for (i) and (ii) under D.(I)(c), the relevant number/percentage for the Wharf's Scheme are 290,824,732 and 9.6% respectively.

Set out below are particulars and movement(s) during the financial year of all of Wharf's outstanding share options which were granted to certain employees (four of them being Directors of the Company), all working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance and all being participants with options not exceeding the respective individual limits:

Date granted (Day/Month/Year)	No. of shares represented by options granted during the year	No. of shares represented by unexercised options outstanding as at 31 December 2011	Vesting/Exercise Period (Day/Month/Year)	Price per share to be paid on exercise of options (HK$)
04/07/2011	2,420,000	2,420,000	05/07/2011 – 04/07/2016	55.15
	2,420,000	2,420,000	05/07/2012 – 04/07/2016	55.15
	2,420,000	2,420,000	05/07/2013 – 04/07/2016	55.15
	2,420,000	2,420,000	05/07/2014 – 04/07/2016	55.15
	2,420,000	2,420,000	05/07/2015 – 04/07/2016	55.15
	12,100,000	12,100,000		

Notes:

(1) There was no outstanding Wharf's share option as at 1 January 2011.

(2) The closing price of Wharf's shares on the last trading day immediately before the abovementioned date of grant was HK$54.05 per share.

(3) Except as disclosed above, no share option of Wharf was granted, issued, exercised, cancelled or lapsed throughout the financial year ended 31 December 2011.

E. RETIREMENT BENEFITS SCHEMES

A number of defined contribution schemes (including the Mandatory Provident Fund) administered by independent trustees are available to the majority of the Group's employees. Certain defined benefit schemes administered by independent trustees are also available to certain employees of the Group.

For defined contribution schemes, both the Group and the employees contribute respectively to the schemes sums which represent certain percentage of the employees' salaries. The contribution by the Group are expensed as incurred and may be reduced by contribution forfeited for those employees who have left the scheme prior to full vesting of the related contribution. During the year ended 31 December 2011, total contribution expense amounted to HK$139 million after a forfeiture of the Group's contribution of HK$3 million.

For defined benefit schemes, both the Group and the employees contribute, which are in accordance with the recommendations made by actuaries based on their valuation of the schemes. The latest valuations of the schemes as at 31 December 2011 were performed by Towers Watson Hong Kong Limited, who is independent qualified actuaries, using the projected unit credit method, based on discount rate of 1% to 1.5% and expected return on scheme assets of 6.5% to 7%. The aggregate funding ratio of the schemes was 109%. During the year ended 31 December 2011, total amount credited to income statement amounted to HK$4 million.

F. MAJOR CUSTOMERS & SUPPLIERS

For the financial year ended 31 December 2011:

(i) 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 less than 30% of the Group's total purchases; and

(ii) 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 2011 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 pages 82 to 85.

H. INTEREST CAPITALISED

The amount of interest capitalised by the Group during the financial year is set out in Note 4 to the Financial Statements on page 65.

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 2011.

J. DISCLOSURE OF CONNECTED TRANSACTIONS

Set out below is information in relation to certain continuing connected transactions involving the Company and/or its subsidiaries, particulars of which were previously disclosed in the announcements of the Company dated 21 November 2008 and 30 December 2011 respectively and are required under the Listing Rules to be disclosed in the Annual Report and Financial Statements of the Company:

(I) Master Tenancy Agreement

Various tenancy agreements were previously entered into between certain subsidiaries of Wharf (which is a listed subsidiary of the Company) as landlords and certain subsidiaries, associates and/or affiliates of Chesterland Group Limited (formerly known as The Lane Crawford Joyce Group (BVI) Limited) ("CGL") as tenants, for the purpose of the letting by the landlords to the tenants certain retail/commercial premises owned by Wharf group for operating various retail businesses, including Lane Crawford stores and City Super stores.

On 21 November 2008, a master tenancy agreement (the "MTA") was entered into between Wharf and CGL for a term of three years from 1 January 2009 to 31 December 2011 for the purpose of, among other things, providing for the maximum aggregate annual cap amount of rentals that would be payable by the tenants to the landlords under various tenancy agreements.

On 30 December 2011, a supplemental agreement to the MTA (the "Supplemental Agreement") was entered into between Wharf and CGL for the purpose of revising the annual cap amount applicable to the financial year ended 31 December 2011 to HK$450 million (instead of the aggregate annual cap amount of rentals of HK$405 million as provided in the MTA), for the purpose of enabling Wharf group to receive from CGL group members full amounts of the rents which would be payable by the latter under various tenancy agreements and which in aggregate would exceed HK$405 million. The aggregate amount of rents received by the Group from CGL group for the financial year ended 31 December 2011 was HK$438 million.

Also on 30 December 2011, Wharf entered into a renewal master tenancy agreement (the "Renewal MTA") with Wisdom Gateway Limited ("WGL") (which is an indirect holding company of CGL) for a new term of three years commencing on 1 January 2012 and expiring on 31 December 2014. The Renewal MTA is for the purpose of providing, *inter alia*, for the aggregate annual cap amount of rentals in respect of the leasing of premises owned by members of the Wharf group to members of WGL group and its associated or affiliated companies during the said three-year term.

As both CGL and WGL are indirectly wholly-owned by a trust, the settlor of which is the Chairman of the Company, namely, Mr Peter K C Woo, the MTA and the Supplemental Agreement and various transactions contemplated and/or governed thereunder (collectively, the "MTA Transactions"), and also the Renewal MTA, constitute continuing connected transactions for the Company under the Listing Rules.

(II) With regard to the Related Party Transactions as disclosed under Note 29 to the Financial Statements on page 99, the transaction stated under paragraph "(a)" therein constitutes connected transaction (as defined under the Listing Rules) of the Company and the one under paragraph "(b)" does not constitute a connected transaction for the Company.

(III) Confirmation from Directors etc.

The Directors, including the Independent Non-executive Directors, of the Company have reviewed the MTA Transactions mentioned under Section J(I) above and confirmed that the MTA 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 MTA Transactions on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

In accordance with paragraph 14A.38 of the Listing Rules, the Board of Directors engaged the Company's auditors to perform procedures on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditors of the Company have advised the following:

(1) the MTA 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 MTA Transactions were not entered into in accordance with the terms of the related agreements governing the MTA Transactions;

(3) the relevant cap amounts, where applicable, have not been exceeded during the financial year ended 31 December 2011; and

(4) for transactions involving the provision of goods and services by the Group, nothing came to the attention of the auditors of the Company that caused them to believe the transactions were not, in any material respects, in accordance with the pricing policies of the Group.

Independent Auditor's Report

KPMG

TO THE SHAREHOLDERS OF WHEELOCK AND COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Wheelock and Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 49 to 123, which comprise the consolidated and company statements of financial position as at 31 December 2011, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 consolidated 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 2011 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

22 March 2012

Consolidated Income Statement

For the year ended 31 December 2011

	Note	2011 HK$ Million	2010 HK$ Million
Turnover	1	**34,558**	24,186
Direct costs and operating expenses		**(13,093)**	(9,705)
Selling and marketing expenses		**(987)**	(830)
Administrative and corporate expenses		**(1,350)**	(935)
Operating profit before depreciation, amortisation, interest and tax		**19,128**	12,716
Depreciation and amortisation	2	**(1,398)**	(1,332)
Operating profit	2	**17,730**	11,384
Increase in fair value of investment properties		**27,651**	30,839
Other net income	3	**629**	805
		46,010	43,028
Finance costs	4	**(2,747)**	(1,089)
Share of results after tax of:			
Associates	12(f)	**825**	387
Jointly controlled entities	13(c)	**34**	9
Profit before taxation		**44,122**	42,335
Income tax	5	**(4,338)**	(2,630)
Profit for the year		**39,784**	39,705
Profit attributable to:			
Equity shareholders	6	**22,866**	20,194
Non-controlling interests		**16,918**	19,511
		39,784	39,705
Earnings per share	8		
Basic		**HK$11.25**	HK$9.94
Diluted		**HK$11.25**	HK$9.94

The notes and principal accounting policies on pages 57 to 123 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 7.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	2011 HK$ Million	2010 HK$ Million
Profit for the year	**39,784**	39,705
Other comprehensive income		
Exchange gain on translation of foreign operations	**2,846**	2,426
Net revaluation reserves of available-for-sale investments:	**(3,117)**	1,133
(Deficit)/surplus on revaluation	**(2,970)**	1,271
Transferred to consolidated income statement:		
– on disposal	**(147)**	(140)
– on impairment	**–**	2
Share of other comprehensive income of associates/jointly controlled entities	**555**	335
Acquisition of additional interest in a subsidiary	**–**	24
Others	**10**	(16)
Other comprehensive income for the year	**294**	3,902
Total comprehensive income for the year	**40,078**	43,607
Total comprehensive income attributable to:		
Equity shareholders	**22,124**	22,640
Non-controlling interests	**17,954**	20,967
	40,078	43,607

The notes and principal accounting policies on pages 57 to 123 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2011

	Note	2011 HK$ Million	2010 HK$ Million
Non-current assets			
Investment properties		**200,497**	161,953
Other property, plant and equipment		**15,251**	14,692
Leasehold land		**3,751**	3,718
Total fixed assets	9	**219,499**	180,363
Goodwill and other intangible assets	11	**297**	297
Interest in associates	12	**9,331**	7,725
Interest in jointly controlled entities	13	**18,297**	16,485
Available-for-sale investments	14	**6,675**	10,676
Held-to-maturity investments	14	**390**	–
Programming library		**107**	113
Deferred tax assets	23	**694**	550
Derivative financial assets	17	**182**	587
Other non-current assets		**28**	44
		255,500	216,840
Current assets			
Properties for sale	15	**60,909**	37,233
Inventories		**130**	113
Trade and other receivables	16	**4,680**	4,344
Derivative financial assets	17	**225**	166
Bank deposits and cash	18	**42,668**	27,540
		108,612	69,396
Current liabilities			
Trade and other payables	19	**(11,368)**	(8,600)
Deposits from sale of properties	20	**(9,704)**	(9,928)
Derivative financial liabilities	17	**(233)**	(244)
Taxation payable	5(d)	**(2,458)**	(1,423)
Bank loans and other borrowings	21	**(8,903)**	(16,362)
		(32,666)	(36,557)
Net current assets		**75,946**	32,839
Total assets less current liabilities		**331,446**	249,679

Consolidated Statement of Financial Position

At 31 December 2011

	Note	**2011 HK$ Million**	2010 HK$ Million
Non-current liabilities			
Derivative financial liabilities	17	**(2,470)**	(1,587)
Deferred tax liabilities	23	**(6,728)**	(5,413)
Other deferred liabilities		**(275)**	(283)
Bank loans and other borrowings	21	**(86,779)**	(49,320)
		(96,252)	(56,603)
NET ASSETS		**235,194**	193,076
Capital and reserves			
Share capital	25	**1,016**	1,016
Reserves		**121,546**	99,356
Shareholders' equity		**122,562**	100,372
Non-controlling interests		**112,632**	92,704
TOTAL EQUITY		**235,194**	193,076

The notes and principal accounting policies on pages 57 to 123 form part of these financial statements.

Peter K C Woo
Chairman

Paul Y C Tsui
Executive Director & Group Chief Financial Officer

Company Statement of Financial Position

At 31 December 2011

	Note	2011 HK$ Million	2010 HK$ Million
Non-current assets			
Interest in subsidiaries	10	**16,664**	15,825
Current assets			
Receivables and prepayments		**96**	38
Bank deposits and cash	18	**–**	1,200
		96	1,238
Current liabilities			
Trade and other payables		**(7)**	(6)
Taxation payable		**(7)**	–
Bank loan	21	**–**	(6,905)
		(14)	(6,911)
Net current assets/(liabilities)		**82**	(5,673)
Total assets less current liabilities		**16,746**	10,152
Non-current liabilities			
Bank loans	21	**(11,000)**	(5,500)
NET ASSETS		**5,746**	4,652
Capital and reserves			
Share capital	25	**1,016**	1,016
Reserves		**4,730**	3,636
TOTAL EQUITY	26(a)	**5,746**	4,652

The notes and principal accounting policies on pages 57 to 123 form part of these financial statements.

Peter K C Woo
Chairman

Paul Y C Tsui
Executive Director & Group Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Shareholders' equity							
	Share capital HK$ Million	Share premium HK$ Million	Investments revaluation and other reserves* HK$ Million	Exchange reserves HK$ Million	Revenue reserves HK$ Million	Total Shareholders' equity HK$ Million	Non-controlling interests HK$ Million	Total equity HK$ Million
At 1 January 2010	1,016	1,914	2,230	1,161	70,577	76,898	81,653	158,551
Changes in equity for 2010:								
Profit	–	–	–	–	20,194	20,194	19,511	39,705
Other comprehensive income	–	–	176	1,636	634	2,446	1,456	3,902
Total comprehensive income	–	–	176	1,636	20,828	22,640	20,967	43,607
Shares issued by subsidiaries	–	–	–	–	–	–	49	49
Privatisation of Wheelock Properties Limited	–	–	–	–	1,088	1,088	(7,993)	(6,905)
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	(86)	(86)
Final dividend paid for 2009	–	–	–	–	(203)	(203)	–	(203)
Interim dividend paid for 2010 (Note 7)	–	–	–	–	(51)	(51)	–	(51)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(1,886)	(1,886)
At 31 December 2010 and 1 January 2011	**1,016**	**1,914**	**2,406**	**2,797**	**92,239**	**100,372**	**92,704**	**193,076**
Changes in equity for 2011:								
Profit	**–**	**–**	**–**	**–**	**22,866**	**22,866**	**16,918**	**39,784**
Other comprehensive income	**–**	**–**	**(2,307)**	**1,550**	**15**	**(742)**	**1,036**	**294**
Total comprehensive income	**–**	**–**	**(2,307)**	**1,550**	**22,881**	**22,124**	**17,954**	**40,078**
Shares issued by subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**5,002**	**5,002**
Acquisition of additional interest in a subsidiary	**–**	**–**	**–**	**–**	**262**	**262**	**(691)**	**(429)**
Convertible bonds issued by a subsidiary	**–**	**–**	**50**	**–**	**–**	**50**	**49**	**99**
Equity settled share-based payment	**–**	**–**	**38**	**–**	**–**	**38**	**37**	**75**
Final dividend paid for 2010 (Note 7)	**–**	**–**	**–**	**–**	**(203)**	**(203)**	**–**	**(203)**
First interim dividend paid for 2011 (Note 7)	**–**	**–**	**–**	**–**	**(81)**	**(81)**	**–**	**(81)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(2,423)**	**(2,423)**
At 31 December 2011	**1,016**	**1,914**	**187**	**4,347**	**115,098**	**122,562**	**112,632**	**235,194**

* Included in investments revaluation and other reserves is capital redemption reserve of HK$19 million (2010: HK$19 million).

The notes and principal accounting policies on pages 57 to 123 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Note	2011 HK$ Million	2010 HK$ Million
Operating cash inflow	(a)	**18,588**	12,310
Changes in working capital	(a)	**(18,882)**	(7,072)
Cash (used in)/generated from operations	(a)	**(294)**	5,238
Interest paid		**(1,797)**	(1,035)
Interest received		**350**	200
Dividends received from associates		**426**	317
Dividends received from jointly controlled entities		**51**	–
Dividends received from investments		**219**	211
Hong Kong profits tax paid		**(1,339)**	(619)
Overseas tax paid		**(991)**	(921)
Net cash (used in)/generated from operating activities		**(3,375)**	3,391
Investing activities			
Purchase of fixed assets		**(12,100)**	(3,946)
Additions to programming library		**(80)**	(93)
Net increase in associates		**(102)**	(205)
Net increase in jointly controlled entities		**(2,116)**	(8,689)
Net proceeds from disposal of a subsidiary		**–**	2,585
Increase in interest in subsidiaries		**(429)**	(6,967)
Net proceeds from disposal of fixed assets		**6**	19
Purchase of financial investments		**(1,189)**	(4,966)
Proceeds from disposal of available-for-sale investments		**1,842**	1,410
Repayment of long term receivables		**11**	16
Uplift of pledged deposits		**–**	63
(Placement)/release of bank deposits with maturity greater than three months		**(1,123)**	4,200
Net cash used in investing activities		**(15,280)**	(16,573)
Financing activities			
Drawdown of bank loans and other borrowings		**46,505**	29,501
Repayment of bank loans and other borrowings		**(16,720)**	(10,776)
Issue of shares by subsidiaries to non-controlling interests		**5,002**	49
Dividend paid to equity shareholders		**(284)**	(254)
Dividend paid to non-controlling interests		**(2,423)**	(1,886)
Net cash generated from financing activities		**32,080**	16,634
Net increase in cash and cash equivalents		**13,425**	3,452
Cash and cash equivalents at 1 January		**27,514**	23,474
Effect of exchange rate changes		**580**	588
Cash and cash equivalents at 31 December	(b)	**41,519**	27,514

The notes and principal accounting policies on pages 57 to 123 form part of these financial statements.

NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

a. Reconciliation of operating profit to cash (used in)/generated from operations

	2011 HK$ Million	2010 HK$ Million
Operating profit	**17,730**	11,384
Adjustments for:		
Interest income	**(365)**	(185)
Dividend income from investments	**(255)**	(216)
Depreciation and amortisation	**1,398**	1,332
Loss/(profit) on disposal of fixed assets	**5**	(5)
Equity settled share-based payment expenses	**75**	–
Operating cash inflow	**18,588**	12,310
Increase in properties under development for sale	**(27,955)**	(15,449)
Decrease in completed properties for sale	**7,480**	4,795
Increase in inventories	**(17)**	(6)
Increase in trade and other receivables	**(184)**	(1,549)
(Decrease)/increase in deposits from sale of properties	**(224)**	3,703
Increase in trade and other payables	**2,184**	1,162
Decrease in derivative financial instruments	**(67)**	(90)
Exchange differences on working capital changes	**(86)**	228
Other non-cash items	**(13)**	134
Changes in working capital	**(18,882)**	(7,072)
Cash (used in)/generated from operations	**(294)**	5,238

b. Cash and cash equivalents

	2011 HK$ Million	2010 HK$ Million
Bank deposits and cash in the consolidated statement of financial position (Note 18)	**42,668**	27,540
Less: Bank deposits with maturity greater than three months	**(1,123)**	–
Pledged bank deposits	**(26)**	(26)
Cash and cash equivalents in the consolidated statement of cash flows	**41,519**	27,514

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 four reportable operating segments for measuring performance and allocating resources. The segments are property investment, property development, logistics, and communications, media and entertainment ("CME"). No operating segments have been aggregated to form the following reportable segments.

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

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

Logistics segment mainly includes the container terminal operations in Hong Kong and Mainland China undertaken by Modern Terminals Limited ("Modern Terminals"), Hong Kong Air Cargo Terminals Limited ("Hactl") and other public transport operations.

CME segment comprises pay television, internet and multimedia and other businesses operated by i-CABLE Communications Limited ("i-CABLE") and the telecommunication businesses operated by Wharf T&T Limited.

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

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

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

a. Analysis of segment revenue and results

	Turnover HK$ Million	Operating profit/ (loss) HK$ Million	Increase in fair value of investment properties HK$ Million	Other net income HK$ Million	Finance costs HK$ Million	Associates HK$ Million	Jointly controlled entities HK$ Million	Profit before taxation HK$ Million
For the year ended 2011								
Property investment	10,670	8,108	27,651	127	(732)	–	–	35,154
Hong Kong	8,307	7,045	25,409	–	(529)	–	–	31,925
Mainland China	796	493	1,626	127	(196)	–	–	2,050
Singapore	290	196	616	–	–	–	–	812
Hotels	1,277	374	–	–	(7)	–	–	367
Property development	16,021	8,058	–	191	(102)	415	(37)	8,525
Hong Kong	3,403	2,101	–	41	–	23	–	2,165
Mainland China	6,343	2,274	–	150	(102)	392	(37)	2,677
Singapore	6,275	3,683	–	–	–	–	–	3,683
Logistics	3,520	1,563	–	210	(266)	410	71	1,988
Terminals	3,416	1,546	–	231	(266)	201	71	1,783
Others	104	17	–	(21)	–	209	–	205
CME	3,863	45	–	3	–	–	–	48
i-CABLE	2,110	(186)	–	3	–	–	–	(183)
Telecommunications	1,753	230	–	–	–	–	–	230
Others	–	1	–	–	–	–	–	1
Inter-segment revenue	(399)	–	–	–	–	–	–	–
Segment total	33,675	17,774	27,651	531	(1,100)	825	34	45,715
Investment and others	883	525	–	98	(1,647)	–	–	(1,024)
Corporate expenses	–	(569)	–	–	–	–	–	(569)
Group total	34,558	17,730	27,651	629	(2,747)	825	34	44,122
For the year ended 2010								
Property investment	9,206	6,970	30,839	87	(402)	–	–	37,494
Hong Kong	7,313	6,204	28,184	–	(293)	–	–	34,095
Mainland China	470	223	2,341	87	(101)	–	–	2,550
Singapore	267	212	314	–	–	–	–	526
Hotels	1,156	331	–	–	(8)	–	–	323
Property development	7,676	2,740	–	201	(95)	49	(39)	2,856
Hong Kong	439	224	–	138	–	18	–	380
Mainland China	3,608	1,234	–	63	(95)	31	(39)	1,194
Singapore	3,629	1,282	–	–	–	–	–	1,282
Logistics	3,426	1,792	–	447	(189)	379	48	2,477
Terminals	3,252	1,712	–	10	(189)	224	48	1,805
Others	174	80	–	437	–	155	–	672
CME	3,682	(62)	–	1	–	(41)	–	(102)
i-CABLE	2,002	(250)	–	1	–	(41)	–	(290)
Telecommunications	1,680	201	–	–	–	–	–	201
Others	–	(13)	–	–	–	–	–	(13)
Inter-segment revenue	(377)	–	–	–	–	–	–	–
Segment total	23,613	11,440	30,839	736	(686)	387	9	42,725
Investment and others	573	362	–	69	(403)	–	–	28
Corporate expenses	–	(418)	–	–	–	–	–	(418)
Group total	24,186	11,384	30,839	805	(1,089)	387	9	42,335

b. Analysis of inter-segment revenue

	2011 Total Revenue HK$ Million	2011 Inter-segment revenue HK$ Million	2011 Group Revenue HK$ Million	2010 Total Revenue HK$ Million	2010 Inter-segment revenue HK$ Million	2010 Group Revenue HK$ Million
Property investment	**10,670**	**(162)**	**10,508**	9,206	(158)	9,048
Property development	**16,021**	**–**	**16,021**	7,676	–	7,676
Logistics	**3,520**	**–**	**3,520**	3,426	–	3,426
CME	**3,863**	**(151)**	**3,712**	3,682	(143)	3,539
Investment and others	**883**	**(86)**	**797**	573	(76)	497
	34,957	**(399)**	**34,558**	24,563	(377)	24,186

c. Analysis of segment business assets

	2011 HK$ Million	2010 HK$ Million
Property investment	**202,528**	163,699
Hong Kong	**162,932**	137,370
Mainland China	**31,028**	18,438
Singapore	**7,535**	6,905
Hotels	**1,033**	986
Property development	**85,416**	58,554
Hong Kong	**16,177**	7,827
Mainland China	**66,023**	45,773
Singapore	**3,216**	4,954
Logistics	**20,155**	19,744
Terminals	**18,966**	18,503
Others	**1,189**	1,241
CME	**4,178**	4,132
i-CABLE	**1,482**	1,510
Telecommunications	**2,696**	2,622
Total segment business assets	**312,277**	246,129
Unallocated corporate assets	**51,835**	40,107
Total assets	**364,112**	286,236

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

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

	2011 HK$ Million	2010 HK$ Million
Property development	**22,283**	18,948
Logistics	**5,345**	5,262
Group total	**27,628**	24,210

d. Other information

	Capital expenditure		Increase in interests in associates and jointly controlled entities		Depreciation and amortisation	
	2011 HK$ Million	2010 HK$ Million	**2011 HK$ Million**	2010 HK$ Million	**2011 HK$ Million**	2010 HK$ Million
Property investment	**11,080**	3,093	**–**	–	**171**	137
Hong Kong	**800**	565	**–**	–	**19**	19
Mainland China	**10,040**	2,215	**–**	–	**40**	23
Singapore	**120**	212	**–**	–	**2**	2
Hotels	**120**	101	**–**	–	**110**	93
Property development	**–**	–	**3,302**	9,592	**–**	–
Hong Kong	**–**	–	**282**	3,799	**–**	–
Mainland China	**–**	–	**3,020**	5,793	**–**	–
Logistics	**350**	262	**68**	17	**481**	460
Terminals	**350**	260	**68**	2	**476**	455
Others	**–**	2	**–**	15	**5**	5
CME	**654**	603	**–**	–	**746**	735
i-CABLE	**187**	251	**–**	–	**346**	347
Telecommunications	**467**	352	**–**	–	**400**	388
Group total	**12,084**	3,958	**3,370**	9,609	**1,398**	1,332

In addition, CME segment incurred HK$80 million (2010: HK$93 million) for its programming library. The Group has no significant non-cash expenses other than depreciation and amortisation.

e. Geographical information

	Revenue		Operating profit	
	2011 HK$ Million	2010 HK$ Million	**2011 HK$ Million**	2010 HK$ Million
Hong Kong	**19,821**	15,474	**11,231**	8,469
Mainland China	**8,000**	4,711	**2,512**	1,228
Singapore	**6,737**	4,001	**3,987**	1,687
Group total	**34,558**	24,186	**17,730**	11,384

	Specified non-current assets		Total business assets	
	2011 HK$ Million	2010 HK$ Million	**2011 HK$ Million**	2010 HK$ Million
Hong Kong	**177,049**	151,872	**190,572**	157,049
Mainland China	**62,955**	46,233	**110,954**	77,221
Singapore	**7,543**	6,905	**10,751**	11,859
Group total	**247,547**	205,010	**312,277**	246,129

Specified non-current assets represented non-current assets other than deferred tax assets, financial investments and derivative financial assets.

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

2. OPERATING PROFIT

a. Operating profit

	2011 HK$ Million	2010 HK$ Million
Operating profit is arrived at after charging/(crediting):		
Depreciation and amortisation on		
– assets held for use under operating leases	**132**	118
– other fixed assets	**1,085**	1,029
– leasehold land (Note 9)	**94**	92
– programming library	**87**	93
Total depreciation and amortisation	**1,398**	1,332
Impairment loss on trade receivables	**22**	1
Staff costs (Note i)	**3,153**	2,704
Auditors' remuneration		
– audit services	**23**	21
– other services	**4**	5
Cost of trading properties for recognised sales	**7,599**	4,678
Rental charges under operating leases in respect of telecommunications equipment and services	**81**	98
Rental income less direct outgoings (Note ii)	**(7,742)**	(6,782)
Interest income	**(365)**	(185)
Dividend income from listed investments	**(255)**	(146)
Dividend income from unlisted investments	**–**	(70)
Loss/(profit) on disposal of fixed assets	**5**	(5)
Rental income under operating leases in respect of owned plant and machinery	**(15)**	(20)

Notes:

(i) Staff costs included contributions to defined contribution pension schemes of HK$139 million (2010: HK$120 million) which including MPF schemes (after a forfeiture of HK$3 million (2010: HK$3 million)), and equity settled share-based payment expenses of HK$75 million (2010: HK$Nil).

(ii) Rental income included contingent rentals of HK$1,703 million (2010: HK$1,066 million).

b. Directors' emoluments

Directors' emoluments are as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Contributions to pension schemes HK$'000	2011 Total emoluments HK$'000	2010 Total emoluments HK$'000
Board of Directors						
Peter K C Woo	175	16,445	18,000	18	34,638	32,119
Stephen T H Ng	60	4,769	10,000	294	15,123	13,982
Paul Y C Tsui	60	3,079	4,500	9	7,648	6,539
Ricky K Y Wong	60	2,784	3,000	414	6,258	946
Independent Non-executive Directors						
Alexander S K Au (Note ii)	80	–	–	–	80	80
B M Chang (Note ii)	80	–	–	–	80	80
Herald L F Lau	60	–	–	–	60	20
Kenneth W S Ting (Note ii)	80	–	–	–	80	80
Glenn S Yee	60	–	–	–	60	20
Past Director						
Gonzaga W J Li (Note iii)	–	–	–	–	–	15,219
	715	27,077	35,500	735	64,027	69,085
Total for 2010	648	25,514	42,500	423		69,085

Notes:

(i) There were no compensation for loss of office and/or inducement for joining the Group paid/payable to the Directors of the Company in respect of the years ended 31 December 2011 and 2010.

(ii) Includes Audit Committee Members' fee for the year ended 31 December 2011 of HK$20,000 (2010: HK$20,000) received/receivable by each of relevant Directors.

(iii) Mr. Gonzaga W J Li retired and ceased to be a director of the Company with effect from 1 April 2010.

(iv) In addition to the above emoluments, certain directors and employees of The Wharf (Holdings) Limited ("Wharf") and/or its subsidiaries, who are also Directors of the Company, were granted share options under the share option schemes adopted by Wharf, with details shown in note 22d.

c. Five highest paid employees

For the year ended 31 December 2011, information regarding emoluments (excluding amounts, if any, paid or payable by way of commissions on sales generated by the employees concerned) of 3 (2010: 2) employees of the Group who, not being Directors of the Company, were among the top five highest paid individuals (including Directors of the Company and other employees of the Group) employed by the Group and has been set out below:

(i) Aggregate emoluments

	2011 HK$ Million	2010 HK$ Million
Salaries, allowances and benefits in kind	**24**	19
Discretionary bonuses	**28**	19
	52	38

(ii) Bandings

Bands (in HK$)	**2011 Number**	2010 Number
$12,000,001 – $12,500,000	**1**	–
$12,500,001 – $13,000,000	**1**	–
$13,500,001 – $14,000,000	**–**	1
$24,500,001 – $25,000,000	**–**	1
$27,000,001 – $27,500,000	**1**	–
	3	2

3. OTHER NET INCOME

Other net income for the year 2011 amounted to HK$629 million (2010: HK$805 million), mainly including:

a. Net profit on disposal of available-for-sale investments of HK$184 million (2010: HK$178 million) which included a revaluation surplus, before deduction of non-controlling interests, of HK$147 million (2010: HK$140 million) transferred from the investments revaluation reserves.

b. Net foreign exchange gain of HK$417 million (2010: loss of HK$63 million) which included the impact of forward foreign exchange contracts.

c. A write-back of provision for properties of HK$49 million (2010: HK$138 million).

Other net income for the year 2010 included a one-off surplus of HK$437 million on revaluation of the interests in Hactl on its becoming an associate of Wharf.

4. FINANCE COSTS

	2011 HK$ Million	2010 HK$ Million
Interest charged on:		
Bank loans and overdrafts		
– repayable within five years	**874**	450
– repayable after five years	**222**	151
Other borrowings		
– repayable within five years	**102**	6
– repayable after five years	**272**	167
Total interest charge	**1,470**	774
Other finance costs	**400**	167
Less: Amount capitalised	**(510)**	(299)
	1,360	642
Fair value cost/(gain):		
Cross currency interest rate swaps	**382**	574
Interest rate swaps	**1,005**	(127)
	1,387	447
Total	**2,747**	1,089

a. Interest was capitalised at an average annual rate of approximately 1.3% (2010: 0.8%).

b. Included in total interest charge are amounts totalling HK$1,371 million (2010: HK$765 million) in respect of interest bearing borrowings that are stated at amortised cost.

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

5. INCOME TAX

Taxation charged to the consolidated income statement represents:

	2011 HK$ Million	2010 HK$ Million
Current income tax		
Hong Kong		
– provision for the year	**1,669**	1,270
– overprovision in respect of prior years (Note 5g)	**(28)**	(809)
Outside Hong Kong		
– provision for the year	**1,189**	476
– (over)/underprovision in respect of prior years	**(6)**	39
	2,824	976
Land appreciation tax ("LAT") (Note 5c)	**509**	302
Deferred tax (Note 23)		
Change in fair value of investment properties	**901**	1,158
Origination and reversal of temporary differences	**159**	243
Benefit of previously unrecognised tax losses now recognised	**(55)**	(49)
	1,005	1,352
Total	**4,338**	2,630

a. The provision for Hong Kong profits tax is based on the profit for the year as adjusted for tax purposes at the rate of 16.5% (2010: 16.5%).

b. Income tax on profits assessable outside Hong Kong is mainly China corporate income tax calculated at a rate of 25% (2010: 25%) and Singapore income tax at a rate of 17% (2010: 17%).

c. Under the Provisional Regulations on LAT, all gains arising from transfer of real estate property in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights, borrowings costs and all property development expenditures.

d. Taxation payable in the statement of financial position is expected to be settled within one year.

e. Tax attributable to associates and jointly controlled entities for the year ended 31 December 2011 of HK$438 million (2010: HK$105 million) is included in the share of results after tax of associates and jointly controlled entities.

f. The China tax law also imposes a withholding tax at 10% unless reduced by a treaty or agreement, for dividends distributed by a PRC-resident enterprise to its immediate holding company outside Mainland China for earnings generated beginning on 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. For the year ended 31 December 2011, the Group has provided HK$85 million (2010: HK$79 million) for withholding taxes on accumulated earnings generated by its Mainland China subsidiaries and associates which will be distributed to their immediate holding company outside Mainland China in the foreseeable future.

g. In 2010, Wharf wrote back HK$809 million overprovisions on reaching a settlement with the Inland Revenue Department of HKSAR on various tax disagreement in respect of the deductibility of interest expenses incurred in previous years.

h. Reconciliation between the actual total tax charge and profit before taxation at applicable tax rates

	2011 HK$ Million	2010 HK$ Million
Profit before taxation	**44,122**	42,335
Notional tax on profit before taxation calculated at applicable tax rates	**7,628**	7,373
Tax effect of non-deductible expenses	**288**	123
Tax effect of non-taxable income	**(500)**	(380)
Tax effect of non-taxable fair value gain on investment properties	**(4,297)**	(4,758)
Net overprovision in respect of prior years	**(34)**	(770)
Tax effect of tax losses not recognised	**287**	188
Tax effect of unrecognised tax losses utilised	**(82)**	(104)
Tax effect of previously unrecognised tax losses now recognised as deferred tax assets	**(40)**	(49)
LAT on trading properties	**509**	302
Deferred LAT on change in fair value of investment properties	**494**	626
Withholding tax on distributed/undistributed earnings	**85**	79
Actual total tax charge	**4,338**	2,630

6. 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 HK$1,378 million (2010: HK$313 million).

7. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2011 **HK$ Million**	2010 HK$ Million
First interim dividend declared and paid of 4.0 cents (2010: interim dividend of 2.5 cents) per share	**81**	51
Dividends proposed after the end of the reporting period		
Second interim dividend of 21.0 cents (2010: final dividend of 10.0 cents) per share	**427**	203
Special dividend of 25.0 cents (2010: Nil) per share	**508**	–
	935	203
	1,016	254

a. The second interim dividend and special dividend proposed after the end of the reporting period have not been recognised as liabilities at the end of the reporting period.

b. The final dividend of HK$203 million for 2010 was approved and paid in 2011.

8. EARNINGS PER SHARE

The calculation of earnings per share is based on profit attributable to equity shareholders for the year of HK$22,866 million (2010: HK$20,194 million) and 2,032 million ordinary shares in issue throughout the years ended 31 December 2011 and 2010.

There were no potential diluted ordinary shares in existence during the years ended 31 December 2011 and 2010.

9. FIXED ASSETS

	Group						
	Investment properties HK$ Million	Properties under or held for redevelopment HK$ Million	Hotel and club properties HK$ Million	Broadcasting & communications equipment HK$ Million	Other properties and fixed assets HK$ Million	Leasehold land HK$ Million	Total HK$ Million
a. Cost or valuation							
At 1 January 2010	126,789	1,991	1,185	10,199	14,895	4,307	159,366
Exchange differences	1,006	–	18	–	72	20	1,116
Additions	2,913	178	3	514	350	–	3,958
Disposals	–	–	–	(155)	(177)	–	(332)
Reclassification	406	(412)	–	(1)	408	4	405
Revaluation surplus	30,839	–	–	–	–	–	30,839
At 31 December 2010 and 1 January 2011	**161,953**	**1,757**	**1,206**	**10,557**	**15,548**	**4,331**	**195,352**
Exchange differences	**815**	**83**	**27**	**–**	**241**	**137**	**1,303**
Additions	**10,736**	**163**	**31**	**543**	**611**	**–**	**12,084**
Disposals	**(4)**	**–**	**–**	**(45)**	**(114)**	**–**	**(163)**
Reclassification	**(654)**	**83**	**–**	**(27)**	**62**	**–**	**(536)**
Revaluation surplus	**27,651**	**–**	**–**	**–**	**–**	**–**	**27,651**
At 31 December 2011	**200,497**	**2,086**	**1,264**	**11,028**	**16,348**	**4,468**	**235,691**
Accumulated depreciation, amortisation and impairment losses							
At 1 January 2010	–	–	606	7,265	5,665	519	14,055
Exchange differences	–	–	1	–	10	2	13
Charge for the year	–	–	35	539	573	92	1,239
Written back on disposals	–	–	–	(153)	(165)	–	(318)
At 31 December 2010 and 1 January 2011	**–**	**–**	**642**	**7,651**	**6,083**	**613**	**14,989**
Exchange differences	**–**	**–**	**4**	**–**	**30**	**10**	**44**
Charge for the year	**–**	**–**	**38**	**553**	**626**	**94**	**1,311**
Written back on disposals	**–**	**–**	**–**	**(42)**	**(110)**	**–**	**(152)**
Reclassification	**–**	**–**	**–**	**(17)**	**17**	**–**	**–**
At 31 December 2011	**–**	**–**	**684**	**8,145**	**6,646**	**717**	**16,192**
Net book value							
At 31 December 2011	**200,497**	**2,086**	**580**	**2,883**	**9,702**	**3,751**	**219,499**
At 31 December 2010	161,953	1,757	564	2,906	9,465	3,718	180,363

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

	Investment properties HK$ Million	Properties under or held for redevelopment HK$ Million	Hotel and club properties HK$ Million	Broadcasting & communications equipment HK$ Million	Other properties and fixed assets HK$ Million	Leasehold land HK$ Million	Total HK$ Million
2011 valuation	**184,387**	**–**	**–**	**–**	**–**	**–**	**184,387**
At cost less provision	**16,110**	**2,086**	**1,264**	**11,028**	**16,348**	**4,468**	**51,304**
	200,497	**2,086**	**1,264**	**11,028**	**16,348**	**4,468**	**235,691**
2010 valuation	155,925	–	–	–	–	–	155,925
At cost less provision	6,028	1,757	1,206	10,557	15,548	4,331	39,427
	161,953	1,757	1,206	10,557	15,548	4,331	195,352

The Group's investment properties under development stated at cost totalling HK$16,110 million (2010: HK$6,028 million) was included in above. During the year, addition to investment properties under development amounted to HK$9,789 million (2010: HK$1,761 million).

c. Tenure of title to properties:

	Investment properties HK$ Million	Properties under or held for redevelopment HK$ Million	Hotel and club properties HK$ Million	Broadcasting & communications equipment HK$ Million	Other properties and fixed assets HK$ Million	Leasehold land HK$ Million	Total HK$ Million
At 31 December 2011							
Held in Hong Kong							
Long term leases	**139,620**	**–**	**97**	**–**	**2**	**82**	**139,801**
Medium term leases	**22,404**	**–**	**1**	**–**	**2,822**	**1,007**	**26,234**
Short term leases	**300**	**–**	**–**	**–**	**–**	**–**	**300**
	162,324	**–**	**98**	**–**	**2,824**	**1,089**	**166,335**
Held outside Hong Kong							
Freehold	**2,153**	**–**	**–**	**–**	**–**	**–**	**2,153**
Long term leases	**5,382**	**–**	**–**	**–**	**–**	**–**	**5,382**
Medium term leases	**30,638**	**2,086**	**482**	**–**	**2,787**	**2,662**	**38,655**
	200,497	**2,086**	**580**	**–**	**5,611**	**3,751**	**212,525**
At 31 December 2010							
Held in Hong Kong							
Long term leases	116,652	–	78	–	1	82	116,813
Medium term leases	19,557	–	1	–	2,814	1,040	23,412
Short term leases	700	–	–	–	–	–	700
	136,909	–	79	–	2,815	1,122	140,925
Held outside Hong Kong							
Freehold	1,763	–	–	–	–	–	1,763
Long term leases	5,134	–	–	–	–	–	5,134
Medium term leases	18,147	1,757	485	–	2,569	2,596	25,554
	161,953	1,757	564	–	5,384	3,718	173,376

d. Investment properties revaluation

The Group's investment properties under development are stated at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Those investment properties stated at fair value as at 31 December 2011 were revalued by Knight Frank Petty Limited, Colliers International Consultancy & Valuation (Singapore) Pte Ltd and Associated Property Consultants Pte. Ltd., 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 or deficit arising on revaluation is recognised directly in the consolidated income statement.

Gross rental revenue from investment properties amounted to HK$9,366 million (2010: HK$8,015 million).

e. Impairment of fixed assets

The value of properties, other than investment properties which are revalued annually, is assessed at the end of each reporting period for indications of impairment with reference to valuations undertaken by management. Such valuations assess the recoverable amount of each property based on its value in use (using relevant discount rates) or on its net selling price (by reference to market prices), depending upon the anticipated future plans for the property. No provision was made or written back for 2011 and 2010.

f. The Group leases out properties under operating leases, which generally run for an initial period of one to seven 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.

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

	Group	
	2011 HK$ Million	2010 HK$ Million
Within 1 year	**6,227**	5,685
After 1 year but within 5 years	**7,737**	6,461
After 5 years	**259**	118
	14,223	12,264

10. INTEREST IN SUBSIDIARIES

	Company 2011 HK$ Million	Company 2010 HK$ Million
Unlisted shares, at cost	**1**	10,400
Amounts due from subsidiaries	**16,663**	5,425
	16,664	15,825

Details of principal subsidiaries at 31 December 2011 are shown on pages 120 to 122.

Amounts due from subsidiaries are unsecured, non-interest bearing with no fixed terms of repayment and hence are classified as non-current as these are not expected to be recoverable within the next twelve months.

11. GOODWILL AND OTHER INTANGIBLE ASSETS

	Group		
	Goodwill HK$ Million	**Other intangible assets HK$ Million**	**Total HK$ Million**
Cost			
At 1 January 2010, 31 December 2010 and 31 December 2011	**297**	**12**	**309**
Accumulated amortisation			
At 1 January 2010, 31 December 2010 and 31 December 2011	**–**	**12**	**12**
Net carrying value			
At 31 December 2011	**297**	**–**	**297**
At 31 December 2010	297	–	297

Goodwill is mainly related to the Group's terminals business. As at 31 December 2011, an impairment test was performed by comparing the attributable carrying amount of the business with the recoverable amount. The recoverable amount of the terminals business is based on fair value less costs to sell, which is estimated by reference to comparable market data. No impairment was recorded.

12. INTEREST IN ASSOCIATES

	Group	
	2011 HK$ Million	2010 HK$ Million
Share of net tangible assets	**4,615**	4,031
Goodwill	**1,853**	1,853
	6,468	5,884
Amounts due from associates	**2,863**	1,841
	9,331	7,725
Amounts due to associates (Note 19)	**(2,124)**	(1,151)
	7,207	6,574

a. Details of principal associates at 31 December 2011 are shown on page 123.

b. Amounts due from associates are unsecured, interest free and have no fixed terms of repayment, except for an advance of HK$371 million (2010: HK$371 million) made by the Group to an associate which is interest bearing. Amounts due from associates are not expected to be recoverable within the next twelve months. The amounts are neither past due nor impaired.

Amounts due to associates are unsecured, interest free and have no fixed terms of repayment.

c. On 15 June 2011, Wheelock disposed of its 50% interests in four Foshan property joint ventures to Wharf for a total consideration of HK$3,388 million with an unrealised profit of about HK$1,300 million. The major assets that the four joint ventures hold are the four residential property development projects in Chancheng, Guicheng, Shishan and Xincheng, Foshan in Mainland China. Being a disposal to its subsidiary, Wheelock has deferred the recognition of the relevant profit until the completion and sale of the property units by Wharf. Out of the total unrealised profit, HK$447 million was recognised during the year under share of results of associates.

d. On 25 May 2010, Wharf entered into an agreement with independent third parties in relation to the acquisition of additional equity interests in Hactl and increased its effective interests in Hactl from 12.5% to 20.83% for a consideration of HK$533 million. Accordingly, the financial results of Hactl have been accounted for as an associate of the Group since then.

e. Included in interest in associates is goodwill of HK$1,853 million (2010: HK$1,853 million) related to the acquisition of Mega Shekou Container Terminals Limited which is held by Modern Terminals, a 67.6%-owned subsidiary of the Group, under an agreement for rationalisation of the interests in Shekou Container Terminals Phases I, II and III in 2007.

f. Summary financial information on associates

	2011		2010	
	Total HK$ Million	**Attributable interest HK$ Million**	Total HK$ Million	Attributable interest HK$ Million
Statement of financial position				
Assets	**42,367**	**11,428**	37,278	9,031
Liabilities	**(19,388)**	**(6,813)**	(16,001)	(5,000)
Equity	**22,979**	**4,615**	21,277	4,031
Income statement				
Revenue	**9,471**	**2,784**	5,784	1,226
Profit before taxation	**4,370**	**1,253**	2,598	471
Income tax	**(1,206)**	**(428)**	(416)	(84)
Profit for the year	**3,164**	**825**	2,182	387

13. INTEREST IN JOINTLY CONTROLLED ENTITIES

	Group	
	2011 HK$ Million	2010 HK$ Million
Share of net assets	**7,571**	6,115
Goodwill	**54**	54
	7,625	6,169
Amounts due from jointly controlled entities	**10,672**	10,316
	18,297	16,485
Amounts due to jointly controlled entities (Note 19)	**(210)**	–
	18,087	16,485

a. Details of principal jointly controlled entities at 31 December 2011 are shown on page 123.

b. Amounts due from jointly controlled entities are unsecured, interest free and have no fixed terms of repayment, except for advances of HK$4,070 million (2010: HK$3,797 million) made by the Group to certain jointly controlled entities which are interest bearing. Amounts due from jointly controlled entities are not expected to be recoverable within the next twelve months. The amounts are neither past due nor impaired.

Amounts due to jointly controlled entities are unsecured, interest free and have no fixed terms of repayment.

c. The Group's effective interest in the results, assets and liabilities of its jointly controlled entities are summarised below:

	Group	
	2011 HK$ Million	2010 HK$ Million
Statement of financial position		
Non-current assets	**2,588**	1,019
Current assets	**25,966**	23,238
Current liabilities	**(6,106)**	(3,927)
Non-current liabilities	**(14,877)**	(14,215)
Net assets	**7,571**	6,115
Income statement		
Revenue	**364**	299
Profit for the year	**34**	9

14. FINANCIAL INVESTMENTS

	Group	
	2011 HK$ Million	2010 HK$ Million
Available-for-sale investments		
Listed investments stated at market value		
– in Hong Kong	**3,086**	4,682
– outside Hong Kong	**3,556**	5,961
Unlisted investments	**33**	33
	6,675	10,676
Held-to-maturity investments		
Listed investments outside Hong Kong	**390**	–

Investments listed outside Hong Kong include the Group's 20% (2010: 20%) interest in Hotel Properties Limited ("HPL") and 16% (2010: 16%) interest in SC Global Developments Ltd, 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.

Available-for-sale investments totalling HK$33 million (2010: HK$33 million) are stated at cost less impairment losses, if any.

As at 31 December 2011, the fair value of individually impaired available-for-sale investments amounted to HK$1,569 million (2010: HK$826 million) and no impairment losses (2010: HK$2 million) was recognised in the consolidated income statement for the year.

15. PROPERTIES FOR SALE

	Group	
	2011 HK$ Million	2010 HK$ Million
Properties under development for sale	**57,701**	35,730
Completed properties for sale	**3,208**	1,503
	60,909	37,233

a. At 31 December 2011, properties under development for sale of HK$49,169 million (2010: HK$29,467 million) are expected to be completed after more than one year.

b. Included in properties under development for sale are deposits of HK$6,832 million (2010: HK$8,175 million) paid for the acquisition for certain land sites/properties located in Mainland China.

c. Properties under development for sale and completed properties for sale are stated at the lower of cost and net realisable value. The total carrying value of properties stated at net realisable value at 31 December 2011 was HK$428 million (2010: HK$393 million).

d. In 2011, net provisions totalling HK$49 million (2010: HK$138 million) charged to the consolidated income statement in prior years for properties under development for sale were written back as a result of the increase in net realisable value of certain properties.

e. At 31 December 2011, the carrying value of leasehold land (including land deposits) and freehold land included in properties under development for sale and completed properties for sale is summarised as follows:

	Group	
	2011 HK$ Million	2010 HK$ Million
Held in Hong Kong		
Long term leases	**1,707**	1,860
Medium term leases	**8,927**	1,244
	10,634	3,104
Held outside Hong Kong		
Freehold	**1,645**	2,787
Long term leases	**36,216**	21,456
Medium term leases	**2,585**	2,477
	40,446	26,720
	51,080	29,824

16. TRADE AND OTHER RECEIVABLES

a. Ageing analysis

Included in this item are trade receivables (net of allowance for bad and doubtful debts) with an ageing analysis based on invoice dates as at 31 December 2011 as follows:

	Group	
	2011 **HK$ Million**	2010 HK$ Million
Trade receivables		
0 – 30 days	**740**	592
31 – 60 days	**127**	113
61 – 90 days	**73**	52
Over 90 days	**63**	61
	1,003	818
Accrued sales receivables	**901**	655
Other receivables	**2,776**	2,871
	4,680	4,344

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

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

b. Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movement in the allowance account for the bad and doubtful debts during the year, including both specific and collective loss components, is as follows:

	Group	
	2011 HK$ Million	2010 HK$ Million
At 1 January	**88**	98
Impairment loss recognised	**22**	1
Uncollectible amounts written off	**(14)**	(11)
At 31 December	**96**	88

c. **Trade receivables that are not impaired**

As at 31 December 2011, 92% (2010: 91%) of the Group's trade receivables were not impaired, of which 86% (2010: 82%) was either not past due or less than two months past due.

Based on past experience of the Group, it is determined that no impairment allowance is necessary in respect of past due balances as there has not been a significant change in credit quality of the customers and the balances are still considered to be fully recoverable. The Group does not hold any collateral over these balances.

17. DERIVATIVE FINANCIAL INSTRUMENTS

	2011		2010	
	Assets HK$ Million	**Liabilities HK$ Million**	Assets HK$ Million	Liabilities HK$ Million
At fair value through profit or loss				
Fixed-to-floating interest rate swaps	**320**	**15**	111	23
Floating-to-fixed interest rate swaps	**–**	**641**	561	192
Cross currency interest rate swaps	**87**	**2,016**	77	1,570
Forward foreign exchange contracts	**–**	**31**	4	46
Total	**407**	**2,703**	753	1,831
Analysis				
Current	**225**	**233**	166	244
Non-current	**182**	**2,470**	587	1,587
Total	**407**	**2,703**	753	1,831

Analysis of the remaining maturities at the end of reporting period of the above derivative financial instruments are as follows:

	2011		2010	
	Assets HK$ Million	Liabilities HK$ Million	Assets HK$ Million	Liabilities HK$ Million
Fixed-to-floating interest rate swaps				
Expiring within 1 year	**8**	**–**	11	–
Expiring after more than 1 year but not exceeding 5 years	**122**	**9**	17	11
Expiring after 5 years	**190**	**6**	83	12
	320	**15**	111	23
Floating-to-fixed interest rate swaps				
Expiring after 5 years	**–**	**641**	561	192
Cross currency interest rate swaps				
Expiring within 1 year	**2**	**2**	–	8
Expiring after more than 1 year but not exceeding 5 years	**28**	**84**	17	11
Expiring after 5 years	**57**	**1,930**	60	1,551
	87	**2,016**	77	1,570
Forward foreign exchange contracts				
Expiring within 1 year	**–**	**31**	4	46
Total	**407**	**2,703**	753	1,831

a. The notional principal amounts of derivative financial instruments outstanding at the end of reporting period are as follows:

	2011 HK$ Million	2010 HK$ Million
Fixed-to-floating interest rate swaps	**16,317**	8,202
Floating-to-fixed interest rate swaps	**8,230**	8,230
Cross currency interest rate swaps	**12,558**	10,117
Forward foreign exchange contracts	**1,998**	1,974

The notional amount of cross currency interest rate swaps included the USD400 million swaps against JPY with the effect of converting the USD400 million ten-year fixed-rate notes issued in 2007 into JPY borrowings.

b. Derivative financial assets represented the amounts the Group would receive whilst derivative financial liabilities represented the amounts the Group would pay if the position were closed at the end of reporting period. Derivative financial instruments did not qualify for hedge accounting and their corresponding changes in fair values have been recognised in the consolidated income statement.

c. During the year, a loss of HK$89 million (2010: HK$226 million) in respect of forward foreign exchange contracts was recognised to the consolidated income statement.

d. During the year, fair value cost on cross currency interest rate swaps and interest rate swaps in the amounts of HK$382 million (2010: HK$574 million) and HK$1,005 million (2010: gain of HK$127 million) respectively have been included under finance costs in the consolidated income statement.

18. BANK DEPOSITS AND CASH

	Group		Company	
	2011 HK$ Million	2010 HK$ Million	**2011 HK$ Million**	2010 HK$ Million
Bank deposits and cash				
Not pledged	**42,642**	27,514	**–**	1,200
Pledged	**26**	26	**–**	–
	42,668	27,540	**–**	1,200

Bank deposits and cash as at 31 December 2011 included HK$18,640 million equivalent (2010: HK$12,745 million) placed with banks in Mainland China that the remittance of which are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

At 31 December 2011, bank deposits and cash included bank deposits of RMB2,171 million equivalent to HK$2,678 million (2010: RMB2,216 million equivalent to HK$2,605 million) which are solely for certain designated property development projects in Mainland China, and Singapore dollar balances of HK$272 million (2010: HK$1,379 million) equivalent in respect of certain proceeds received from the pre-sale of properties in Singapore held under the "Project Account Rules-1997 Ed", withdrawals from which are designated for payments for expenditure incurred for the respective projects.

The effective interest rate on bank deposits was 1.1% (2010: 0.7%) per annum.

Bank deposits and cash are denominated in the following currencies:

	Group	
	2011 HK$ Million	2010 HK$ Million
HKD	**12,894**	8,784
RMB	**18,700**	12,938
USD	**741**	618
SGD	**10,331**	5,199
Other currencies	**2**	1
	42,668	27,540

19. TRADE AND OTHER PAYABLES

Included in this item are trade payables with an ageing analysis as at 31 December 2011 as follows:

	Group	
	2011 HK$ Million	2010 HK$ Million
Amounts payable in the next:		
0 – 30 days	**346**	260
31 – 60 days	**175**	139
61 – 90 days	**54**	45
Over 90 days	**90**	147
	665	591
Rental and customer deposits	**2,312**	1,943
Construction costs payable	**3,207**	2,197
Amounts due to associates (Note 12)	**2,124**	1,151
Amounts due to jointly controlled entities (Note 13)	**210**	–
Other payables	**2,850**	2,718
	11,368	8,600

The amount of trade and other payables that is expected to be settled after more than one year is HK$1,286 million (2010: HK$1,140 million), which is mainly for rental and customer 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 or recognised as income within one year or are payable on demand.

20. DEPOSITS FROM SALE OF PROPERTIES

Deposits from sale of properties in the amount of HK$1,395 million (2010: HK$5,388 million) are expected to be recognised as income in the consolidated income statement after more than one year.

21. BANK LOANS AND OTHER BORROWINGS

	Group	
	2011 HK$ Million	2010 HK$ Million
Bonds and notes (Unsecured)		
Due within 1 year	**–**	202
Due after 1 year but within 2 years	**300**	–
Due after 2 years but within 5 years	**3,728**	500
Due after 5 years	**12,038**	5,468
	16,066	6,170
Convertible bonds (Unsecured)		
Due after 2 years but within 5 years	**6,205**	–
Bank loans (Secured)		
Due within 1 year	**888**	951
Due after 1 year but within 2 years	**9,183**	629
Due after 2 years but within 5 years	**16,259**	20,750
Due after 5 years	**441**	1,935
	26,771	24,265
Bank loans (Unsecured)		
Due within 1 year	**8,015**	15,209
Due after 1 year but within 2 years	**6,866**	5,791
Due after 2 years but within 5 years	**29,959**	11,427
Due after 5 years	**1,800**	2,820
	46,640	35,247
Total bank loans and other borrowings	**95,682**	65,682
Analysis of maturities of the above borrowings		
Current borrowings		
Due within 1 year	**8,903**	16,362
Non-current borrowings		
Due after 1 year but within 2 years	**16,349**	6,420
Due after 2 years but within 5 years	**56,151**	32,677
Due after 5 years	**14,279**	10,223
	86,779	49,320
Total bank loans and other borrowings	**95,682**	65,682

	Company	
	2011 HK$ Million	2010 HK$ Million
Bank loan (Secured)		
Due after 1 year but within 2 years	**6,000**	–
Due after 2 years but within 5 years	**–**	5,500
	6,000	5,500
Bank loan (Unsecured)		
Due within 1 year	**–**	6,905
Due after 2 years but within 5 years	**5,000**	–
	5,000	6,905
Total bank loans	**11,000**	12,405

a. The Group's borrowings are considered by the management to be effectively denominated in the following currencies (after the effects of cross currency interest rate swaps arrangements as detailed in note 24b):

	Group	
	2011 HK$ Million	2010 HK$ Million
HKD	**79,889**	57,116
RMB	**6,445**	4,818
USD	**625**	–
SGD	**4,901**	628
JPY	**3,822**	3,120
	95,682	65,682

b. The interest rate profile of the Group's and the Company's borrowings (after the effects of interest rate swaps and cross currency interest rate swaps as detailed in notes 24a and b respectively) are as follows:

	2011 Effective interest rate %	2011 HK$ Million	2010 Effective interest rate %	2010 HK$ Million
Group				
Fixed rate borrowings				
Bonds and notes	**3.7**	**8,099**	3.1	3,120
Bank loans	**2.7**	**3,630**	2.5	2,500
		11,729		5,620
Floating rate borrowings				
Bonds and notes	**3.0**	**7,967**	2.1	3,050
Convertible bonds	**1.4**	**6,205**	–	–
Bank loans	**1.7**	**69,781**	1.6	57,012
		83,953		60,062
Total borrowings		**95,682**		65,682
Company				
Floating rate borrowings				
Bank loans	**1.1**	**11,000**	0.9	12,405

c. All the interest bearing borrowings are carried at amortised cost except for loans in an amount of HK$11,539 million (2010: HK$2,060 million) which are carried at their fair values. None of the non-current interest bearing borrowings are expected to be settled within one year.

d. Included in the Group's total loans are bank loans and other borrowings of HK$75,993 million and HK$958 million (2010: HK$49,589 million and HK$628 million) borrowed by Wharf and WPSL respectively. The loans are without recourse to the Company and its other subsidiaries.

e. At 31 December 2011, certain banking facilities of the Group are secured by mortgages over certain properties under development, fixed assets and investments with an aggregate carrying value of HK$64,548 million (2010: HK$80,698 million).

f. Certain of the above borrowings are attached with financial covenants which require that at any time, the consolidated tangible net worth is not less than and the ratio of borrowings to consolidated tangible net worth is not more than certain required levels of the relevant groups. During the year under review, all these covenants have been complied with by the Group.

g. On 7 June 2011, a subsidiary of Wharf issued an aggregate principal amount of HK$6,220 million 2.3% guaranteed convertible bonds which are due on 7 June 2014 ("Convertible Bonds"). The Convertible Bonds are guaranteed by Wharf, and are convertible into its ordinary shares at an initial conversion price of HK$90.00 per share.

The rights of the bondholders to convert the Convertible Bonds into ordinary shares are as follows:

- Conversion rights are exercisable at any time on or after 17 July 2011 up to the close of business on the seventh day prior to maturity at the bondholders' option or, if such Convertible Bonds shall have been called for redemption by Wharf before the maturity, then up to the close of business on a date no later than seven days prior to the date fixed for redemption thereof.

- If a bondholder exercises its conversion rights, Wharf is required to deliver ordinary shares at a rate of HK$90.00 per share converted.

The Convertible Bonds, in respect of which conversion rights have not been exercised, will be redeemed at face value on 7 June 2014.

During the year ended 31 December 2011, there had been no conversion of the Convertible Bonds into shares of Wharf by the bondholders and no redemption of the Convertible Bonds by Wharf.

On the basis that the conversion option of the Convertible Bonds will be settled by exchange of a fixed amount or fixed number of equity instruments, the Convertible Bonds are accounted for as compound instruments under HKAS 32 "Financial instruments – Presentation" and the proceeds have been split into between a liability component and an equity component as below.

The fair value of the liability component was calculated using a market interest rate for a bond with the same tenure but with no conversion features. The residual amount, representing the value of the equity component, is credited to a convertible bonds reserve.

The Convertible Bonds recognised in the consolidated statement of financial position are calculated as follows:

	2011 HK$ Million
Face value of Convertible Bonds at issue date	**6,220**
Including:	
Equity component on initial recognition	**99**
Liability component on initial recognition	**6,121**
	6,220
Movement of liability component at amortised cost:	
Liability component on initial recognition	**6,121**
Add: Imputed finance cost	**18**
Liability component at 31 December 2011	**6,139**

As at 31 December 2011, the liability component was remeasured to fair value of HK$6,205 million.

Imputed finance cost on the bonds is calculated using the effective interest method by applying the effective interest rate of 2.86% per annum.

22. EQUITY SETTLED SHARE-BASED TRANSACTIONS

Company

The Company has a share option scheme which was adopted in June 2011 whereby the Directors of the Company are authorised, at their discretion, to invite eligible participants to take up options at a consideration of HK$10 to subscribe for shares of the Company ("Shares"). The exercise price of the options must be not less than whichever is the highest of (i) the indicative price per share for subscription of Shares under the option as specified in the written offer containing the offer of the grant of the option to an eligible participants; (ii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (iii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iv) the nominal value of a Share.

No share options were granted, exercised, cancelled or lapsed throughout the year ended 31 December 2011.

Wharf

Wharf has a share option scheme which was adopted in June 2011 whereby the directors of Wharf are authorised, at their discretion, to invite eligible participants to take up options at a consideration of HK$10 to subscribe for shares of Wharf ("Wharf shares"). The exercise price of the options must be not less than whichever is the highest of (i) the indicative price per share for subscription of Wharf shares under the option as specified in the written offer containing the offer of the grant of the option to an eligible participants; (ii) the closing price of the Wharf shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (iii) the average closing price of the Wharf shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iv) the nominal value of a Wharf share. The granted option is divided into five tranches, of which the first tranche vests immediately on the date of grant and the remaining four tranches vest between one year and four years from the date of grant.

a. The terms and conditions of the grants are as follows:

	Number of Wharf options	Contractual life of options
Options granted to directors of Wharf:		
– on 4 July 2011	9,000,000	5 years from the date of grant
Options granted to employees of Wharf group:		
– on 4 July 2011	3,100,000	5 years from the date of grant
Total share options granted	12,100,000	

b. No share options were exercised, cancelled or lapsed throughout the year ended 31 December 2011.

The options outstanding at 31 December 2011 had an exercise price of HK$55.15 and a weighted average remaining contractual life of 4.5 years.

c. **Fair value of share options and assumptions**

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Black-Scholes Option Pricing Model taking into account of the terms and conditions of the option granted. Fair value of share options and assumptions are as follows:

	2011
Fair value at grant date	**HK$16.12**
Share price at grant date	**HK$55.15**
Exercise price	**HK$55.15**
Expected volatility	**37.2%**
Option life	**5 years**
Expected dividends	**1.80%**
Risk-free interest rate	**1.64%**

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historic dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

d. In respect of Wharf's share options granted to its directors and employees, who are also Directors of the Company, the related charge recognised for the year ended 31 December 2011, estimated in accordance with the Group's accounting policy in note (z)(i) is as follows:

	2011 HK$'000	2010 HK$'000
Peter K C Woo	**9,370**	–
Stephen T H Ng	**9,370**	–
Paul Y C Tsui	**9,370**	–
Ricky K Y Wong	**4,997**	–
	33,107	–

23. DEFERRED TAXATION

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

	Group	
	2011 HK$ Million	2010 HK$ Million
Deferred tax liabilities	**6,728**	5,413
Deferred tax assets	**(694)**	(550)
Net deferred tax liabilities	**6,034**	4,863

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

	Depreciation allowances in excess of the related depreciation HK$ Million	Surplus on investment properties HK$ Million	Others HK$ Million	Future benefit of tax losses HK$ Million	Total HK$ Million
At 1 January 2010	2,197	1,936	(38)	(659)	3,436
Charged/(credited) to the consolidated income statement	192	1,158	7	(5)	1,352
Exchange differences	17	66	(1)	(7)	75
At 31 December 2010 and 1 January 2011	**2,406**	**3,160**	**(32)**	**(671)**	**4,863**
Charged/(credited) to the consolidated income statement	**166**	**901**	**(120)**	**58**	**1,005**
Exchange differences	**(5)**	**177**	**(6)**	**–**	**166**
At 31 December 2011	**2,567**	**4,238**	**(158)**	**(613)**	**6,034**

b. Deferred tax assets not recognised

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2011 HK$ Million	2010 HK$ Million
Deductible temporary differences	**(169)**	(50)
Future benefits of tax losses	**(1,208)**	(1,291)
Net deferred tax assets not recognised	**(1,377)**	(1,341)

The Group has not recognised the deferred tax assets attributable to the future benefit of tax losses sustained in the operations of certain subsidiaries as the availability of future taxable profits against which the assets can be utilised is uncertain at 31 December 2011. The tax losses arising from Hong Kong and Singapore operations do not expire under current tax legislation. The tax losses arising from Mainland China operations expire five years after the relevant accounting year end date.

24. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

The Group is exposed to financial risks related to interest rate, foreign currency, equity price, liquidity and credit in the normal course of business. To manage some of these risks, the Group 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 Group's Treasury department, which operates as a centralised service unit in close co-operation with the Group's 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 currency contracts and interest rate and cross currency interest rate swaps, as deemed appropriate, for financing and 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 borrowings. Borrowings at variable rates expose the Group and the Company to cash flow interest rate risk whilst borrowings at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate risk exposure in accordance with defined policies and regular review with a focus on reducing the Group's overall cost of funding as well as having regard to the floating/fixed rate mix appropriate to its current business portfolio.

In line with the Group's prevailing strategy, the Group has entered into a number of interest rate swaps ("IRS") and cross currency interest rate swaps ("CCS") which have the economic effect of converting certain fixed rate interest bearing notes with the notional amounts totalling HK$11,385 million (2010: HK$1,981 million) into floating rates borrowings. For each of the IRS and CCS entered into by the Group, the tenor and timing of the IRS and CCS cash flows matches with those of the notes.

For ensuring the certainty for a proportion of funding costs in the forthcoming years, the Group has entered into various floating-to-fixed IRS with the notional amounts totalling HK$8,230 million with maturity of 10 to 15 years together with another HK$8,230 million fixed-to-floating IRS with maturity of 2 years. Effectively, this arrangement has locked in fixed interest rates ranging from 2.1% to 3.6% for a certain portion of the Group's floating rate loan portfolio for a period of 8 to 13 years from 2011 to 2012 onwards.

As at 31 December 2011, after taking into account of IRS and CCS, approximately 88% (2010: 91%) of the Group's borrowings were at floating rates and the remaining 12% (2010: 9%) were at fixed rates (see Note 21b).

Based on the sensitivity analysis performed as at 31 December 2011, it was estimated that a general increase/decrease of 1% (2010: 1%) in interest rates, with all other variables held constant, would decrease/increase the post-tax profit and total equity of the Group and the Company by approximately HK$98 million (2010: HK$159 million) and HK$109 million (2010: HK$111 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 end of reporting period and had been applied to remeasure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of reporting period, 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 2010.

b. Foreign currency risk

The Group owns assets and conducts its businesses primarily in Hong Kong and secondarily in Mainland China and Singapore, with its cash flows denominated substantially in HKD, RMB and SGD which exposes the Group to foreign currency risk with respect to RMB and SGD related to its property development and port-related operations and investments in Mainland China and WPSL's property development projects in Singapore, respectively.

The Group is also exposed to foreign currency risk in respect of its borrowings denominated in USD, JPY and SGD. Anticipated foreign exchange payments relate primarily to interest expense payments, repayment of principal and capital expenditure. Where appropriate or available in a cost-efficient manner, the Group may enter into forward foreign exchange and swap contracts to manage its foreign currency risk arising from above anticipated transactions denominated in currencies other than its entities' functional currencies.

The Group's borrowings are predominantly denominated in the functional currency of the entity taking out the borrowings. In the case of group companies whose functional currencies are in HKD, their borrowings will be mostly denominated in HKD or USD. For managing the overall financing costs of existing and future capital requirements for the projects in Mainland China, the Group has adopted a diversified funding approach and entered into certain cross currency interest rate swaps and forward foreign exchange contracts. Some of the cross currency interest rate swaps have the financial effect of converting certain USD borrowings into JPY borrowings, taking the advantage of lower interest rate for the JPY borrowings but exposing the Group to exchange rate risk with respect to JPY. The swaps entered into under this arrangement have effectively converted the USD400 million ten-year fixed-rate notes issued in 2007 into JPY borrowings, which has and is anticipated going forward to save the Group interest of approximately 3% per annum for and over the tenure of the notes. Concurrently, the swaps expose the Group to fluctuation in the JPY exchange rate. Based on the prevailing accounting standard, such swaps need to be marked to market with the valuation movement recognised to the consolidated income statement.

The following table details the Group's exposure at the end of reporting period to currency risk arising from recognised assets/(liabilities) denominated in a currency other than the functional currency of the Group's entities to which they relate. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency and exposure arising from inter-company balances which are considered to be in the nature of investment in a subsidiary are excluded.

	2011						2010			
	USD Million	RMB Million	JPY Million	SGD Million	HKD Million	EURO Million	USD Million	RMB Million	JPY Million	EURO Million
Bank deposits and cash	62	504	–	695	–	–	23	478	–	–
Available-for-sale investments	274	–	–	–	74	–	458	–	–	–
Held-to-maturity investments	50	–	–	–	–	–	–	–	–	–
Trade and other receivables	127	1	–	–	–	3	87	62	–	–
Trade and other payables	(12)	(3)	–	–	–	–	(14)	(170)	–	–
Bank loans and other borrowings	(1,157)	(650)	(9,941)	(770)	–	–	(1,298)	–	–	–
Inter-company balances	61	302	–	(350)	–	–	57	231	–	–
Gross exposure arising from recognised assets and liabilities	(595)	154	(9,941)	(425)	74	3	(687)	601	–	–
Notional amount of forward foreign exchange contracts										
– at fair value through profit or loss	242	–	(19,019)	–	–	3	238	–	(19,800)	2
– at cashflow hedge	–	–	–	–	–	–	–	68	–	–
Notional amount of cross currency IRS	1,125	650	(42,764)	420	–	–	1,298	–	(45,764)	–
Highly probable forecast purchase	(127)	–	–	–	–	(2)	(212)	–	–	(7)
Overall net exposure	645	804	(71,724)	(5)	74	4	637	669	(65,564)	(5)

At 31 December 2011, Mainland China subsidiaries of the Group with RMB as their functional currency are exposed to foreign currency risk with respect to HKD/USD by holding HKD/USD denominated bank deposits and cash, trade and other payables, bank loans and inter-company borrowings in the amount of HK$589 million, HK$92 million, HK$5,415 million and HK$1,355 million respectively (2010: HK$441 million, HK$71 million, HK$883 million and HK$1,337 million respectively).

The following indicates the instantaneous change in the Group's post-tax profit and total equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of reporting period had changes at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between HKD and the USD would be materially unaffected by any changes movement in value of the USD against other currencies.

– a 5% (2010: 5%) increase/decrease in the exchange rate of JPY against USD will decrease/increase the Group's post-tax profit and total equity by approximately HK$371 million (2010: HK$327 million).

– the impact on the Group's post-tax profit and total equity is not expected to be material in response to possible changes in the foreign exchange rates of other currencies to which the Group is exposed.

The sensitivity analysis performed in the above represents an 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 end of reporting period 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 end of reporting period, 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 excludes the differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed at the same basis for 2010.

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 as at 31 December 2011, it is estimated that an increase/decrease of 10% (2010: 10%) 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$665 million (2010: HK$1,065 million). The analysis is performed on the same basis for 2010.

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 and to maintain flexibility for meeting its liquidity requirements in the short and longer term. The Group's cash management is substantially centralised within the Group 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 end of reporting period 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 end of reporting period and carried at exchange rate prevailing at the end of reporting period) and the earliest date the Group can be required to pay:

		Contractual undiscounted cash flow				
	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	More than 5 years HK$ Million
Group						
At 31 December 2011						
Bank loans and other borrowings	**(95,682)**	**(105,207)**	**(10,679)**	**(17,956)**	**(58,073)**	**(18,499)**
Trade and other payables	**(11,368)**	**(11,368)**	**(10,082)**	**(549)**	**(648)**	**(89)**
Other deferred liabilities (Club debentures issued)	**(215)**	**(215)**	**–**	**–**	**–**	**(215)**
Forward foreign exchange contracts	**(31)**	**(31)**	**(31)**	**–**	**–**	**–**
Cross currency interest rate swaps	**(1,929)**	**(1,169)**	**85**	**53**	**169**	**(1,476)**
Interest rate swaps	**(336)**	**(936)**	**(44)**	**(49)**	**(287)**	**(556)**
	(109,561)	**(118,926)**	**(20,751)**	**(18,501)**	**(58,839)**	**(20,835)**
At 31 December 2010						
Bank loans and other borrowings	(65,682)	(69,761)	(16,142)	(7,788)	(34,392)	(11,439)
Trade and other payables	(8,600)	(8,600)	(7,461)	(539)	(545)	(55)
Other deferred liabilities (Club debentures issued)	(215)	(215)	–	–	–	(215)
Forward foreign exchange contracts	(42)	(42)	(42)	–	–	–
Cross currency interest rate swaps	(1,493)	(784)	99	77	179	(1,139)
Interest rate swaps	457	(1,349)	(105)	(119)	(385)	(740)
	(75,575)	(80,751)	(23,651)	(8,369)	(35,143)	(13,588)
Company						
At 31 December 2011						
Bank loans	**(11,000)**	**(11,330)**	**(117)**	**(6,067)**	**(5,146)**	**–**
Trade and other payables	**(7)**	**(7)**	**(7)**	**–**	**–**	**–**
	(11,007)	**(11,337)**	**(124)**	**(6,067)**	**(5,146)**	**–**
At 31 December 2010						
Bank loans	(12,405)	(12,535)	(6,994)	(41)	(5,500)	–
Trade and other payables	(6)	(6)	(6)	–	–	–
	(12,411)	(12,541)	(7,000)	(41)	(5,500)	–

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. The maximum amount callable as at 31 December 2011 was HK$7,730 million (2010: HK$3,060 million).

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 the Group's 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 banks, 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 Group or 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 value

(i) Fair value estimation

The fair value of financial instruments are determined as follows:

Listed investments are stated at quoted market prices. Unlisted investments for which fair values cannot be reliably measured are stated at cost less impairment losses.

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 end of reporting period and comparing to the contractual rates. The fair value of interest rate swaps and cross currency interest rate swaps is determined based on the amount that the Group would receive or pay to terminate the swaps at the end of reporting period taking into account current interest rates and current creditworthiness of the swap counter parties. The fair value of bank loans and other borrowings is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2011 and 2010. Amounts due from subsidiaries are unsecured, interest free 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 end of reporting period 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.

	Group					
	2011			2010		
	Level 1 HK$ Million	Level 2 HK$ Million	Total HK$ Million	Level 1 HK$ Million	Level 2 HK$ Million	Total HK$ Million
Assets						
Available-for-sale investments:						
– Listed	6,642	–	6,642	10,643	–	10,643
Derivative financial instruments:						
– Interest rate swaps	–	320	320	–	672	672
– Cross currency interest rate swaps	–	87	87	–	77	77
– Forward foreign exchange contracts	–	–	–	–	4	4
	6,642	407	7,049	10,643	753	11,396
Liabilities						
Derivative financial instruments:						
– Interest rate swaps	–	(656)	(656)	–	(215)	(215)
– Cross currency interest rate swaps	–	(2,016)	(2,016)	–	(1,570)	(1,570)
– Forward foreign exchange contracts	–	(31)	(31)	–	(46)	(46)
	–	(2,703)	(2,703)	–	(1,831)	(1,831)

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 the 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 ratios 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 bank deposits and cash. Shareholders' equity comprises issued share capital and reserves attributable to equity shareholders of the Company. Total equity comprises shareholders' equity and non-controlling interests.

The net debt-to-equity ratios as at 31 December 2011 and 2010 were as follows:

	Group	
	2011 HK$ Million	2010 HK$ Million
Total bank loans and other borrowings (Note 21)	**95,682**	65,682
Less: Bank deposits and cash (Note 18)	**(42,668)**	(27,540)
Net debt	**53,014**	38,142
Shareholders' equity	**122,562**	100,372
Total equity	**235,194**	193,076
Net debt-to-shareholders' equity ratio	**43.3%**	38.0%
Net debt-to-total equity ratio	**22.5%**	19.8%

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

25. SHARE CAPITAL

	2011 No. of shares Million	2010 No. of shares Million	**2011 HK$ Million**	2010 HK$ Million
Authorised				
Ordinary shares of HK$0.50 each	**2,800**	2,800	**1,400**	1,400
Issued and fully paid				
Ordinary shares of HK$0.50 each	**2,032**	2,032	**1,016**	1,016

26. CAPITAL AND RESERVES

a. The Group's equity, apart from share capital, share premium and capital redemption reserve, includes investments revaluation reserves for dealing with the movements on revaluation of available-for-sale investments and the exchange reserves mainly for dealing with the exchange differences arising from the translation of the financial statements of foreign operations in accordance with the accounting policy.

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

	Share capital HK$ Million	Share premium HK$ Million	Other reserves HK$ Million	Revenue reserves HK$ Million	Total HK$ Million
Company					
At 1 January 2010	1,016	1,914	96	1,567	4,593
Profit	–	–	–	313	313
Reclassification	–	–	(77)	77	–
Total comprehensive income	–	–	(77)	390	313
Final dividend paid for 2009	–	–	–	(203)	(203)
Interim dividend paid for 2010 (Note 7)	–	–	–	(51)	(51)
At 31 December 2010 and 1 January 2011	**1,016**	**1,914**	**19**	**1,703**	**4,652**
Profit	**–**	**–**	**–**	**1,378**	**1,378**
Final dividend paid for 2010 (Note 7)	**–**	**–**	**–**	**(203)**	**(203)**
First interim dividend paid for 2011(Note 7)	**–**	**–**	**–**	**(81)**	**(81)**
At 31 December 2011	**1,016**	**1,914**	**19**	**2,797**	**5,746**

b. Reserves of the Company available for distribution to equity shareholders of the Company at 31 December 2011 amounted to HK$2,797 million (2010: HK$1,703 million).

c. Included in other reserves is capital redemption reserve of HK$19 million (2010: HK$19 million).

d. The application of the share premium account and the capital redemption reserve are governed by section 48B and section 49H of the Hong Kong Companies Ordinance respectively.

27. CONTINGENT LIABILITIES

	Group		Company	
	2011 HK$ Million	2010 HK$ Million	**2011 HK$ Million**	2010 HK$ Million
a. Guarantees given in respect of banking facilities available to:				
Subsidiaries	**–**	–	**8,679**	5,170
Jointly controlled entities	**9,371**	8,100	**4,500**	4,500

Of the banking facilities available to jointly controlled entities which are guaranteed by the Group, HK$6,519 million (2010: HK$5,607 million) had been drawn at the end of reporting period.

b. Wheelock Properties Limited, a wholly-owned subsidiary, and New World Development Company Limited as guarantors (on a several basis) have provided a guarantee in favour of MTR Corporation Limited to guarantee the performance and fulfilment of all obligations of Fast New Limited, a 50%-owned jointly controlled entity, under or arising out of or in connection with an agreement dated 23 March 2010 for the development of Site C and Site D of the Austin Station Property Development project.

c. The Company has not recognised any deferred income for the guarantees given in respect of borrowings and other banking facilities for subsidiaries and jointly controlled entities as their fair value cannot be reliably measured and their transaction price was HK$Nil.

28. COMMITMENTS

The Group's outstanding commitments on expenditures as at the end of reporting period included below:

	2011				2010			
	Hong Kong HK$ Million	Mainland China HK$ Million	Singapore HK$ Million	Total HK$ Million	Hong Kong HK$ Million	Mainland China HK$ Million	Singapore HK$ Million	Total HK$ Million
a. Capital expenditure (including investment properties)								
Authorised and contracted for	1,323	10,128	4	11,455	939	5,853	51	6,843
Authorised but not contracted for	634	22,928	–	23,562	739	16,242	–	16,981
	1,957	33,056	4	35,017	1,678	22,095	51	23,824
b. Programming and others								
Authorised and contracted for	1,077	–	–	1,077	1,761	–	–	1,761
Authorised but not contracted for	80	–	–	80	142	–	–	142
	1,157	–	–	1,157	1,903	–	–	1,903
c. Properties under development (other than investment properties)								
Authorised and contracted for	679	6,846	457	7,982	337	10,976	221	11,534
Authorised but not contracted for	3,911	44,606	–	48,517	706	37,396	–	38,102
	4,590	51,452	457	56,499	1,043	48,372	221	49,636
d. Properties under development undertaken by jointly controlled entities and associates								
Authorised and contracted for	2,291	4,039	–	6,330	92	5,271	–	5,363
Authorised but not contracted for	655	14,246	–	14,901	2,813	17,966	–	20,779
	2,946	18,285	–	21,231	2,905	23,237	–	26,142
e. Expenditure for operating leases								
Within one year	34	–	–	34	24	–	–	24
After one year but within five years	87	–	–	87	33	–	–	33
Over five years	53	–	–	53	59	–	–	59
	174	–	–	174	116	–	–	116

(i) Commitments for properties under development by the Group's subsidiaries or through jointly controlled entities included outstanding land cost attributable to the Group of HK$6.2 billion payable by instalments from 2012 to 2013. Other commitments under the categories are mainly construction cost for the forthcoming years.

(ii) Commitments for capital expenditure in Mainland China are mainly related to land and construction cost for investment property under development and Modern Terminal's port expenditure for the Dachan Bay project.

(iii) The Group leases a number of properties and telecommunication network facilities under operating leases. The leases typically run for an initial period of two to fifteen years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

(iv) The above commitments, apart from HK$11.6 billion mainly related to properties under development undertaken by Wheelock and its other subsidiaries or through its associates and WPSL group, are substantially attributable to Wharf group.

29. MATERIAL RELATED PARTIES TRANSACTIONS

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Material transactions between the Group and other related parties during the year ended 31 December 2011 are as follows:

a. In respect of the year ended 31 December 2011, the Group earned rental income totalling HK$646 million (2010: HK$564 million) from various tenants which are companies whose controlling shareholder is a trust the settlor of which is the Chairman of the Company. Such transactions are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules.

b. 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 2b and 2c.

In addition to the above transactions, details of the Group's amounts due from and to related parties are disclosed in notes 12 and 13.

30. CHANGES IN ACCOUNTING POLICIES

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

HKAS 24 (Revised)	Related party disclosures
Improvements to HKFRSs 2010	

The Group has not applied any new standard, amendments or interpretation that is not yet effective for the current accounting period, with the exception of the early adoption on amendments to HKAS 12, Income taxes, in respect of the recognition of deferred tax on investment properties carried at fair values under HKAS 40, in the consolidated financial statements for the year ended 31 December 2010.

The "Principal accounting policies" set out on pages 101 to 119 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.

The impacts of the above developments are discussed below:

a. HKAS 24 (Revised) revises the definition of a related party. As a result, the Group has reassessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. HKAS 24 (Revised) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

b. Improvements to HKFRSs 2010 omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, "Financial instruments: Disclosures". The disclosures about the Group's financial instruments in note 24 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the consolidated financial statements of the Group in the current and previous periods.

31. FUTURE CHANGES IN ACCOUNTING POLICIES

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2011 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 7, Financial instruments: Disclosures – Transfers of financial assets	1 July 2011
Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income	1 July 2012
HKFRS 10, Consolidated financial statements	1 January 2013
HKFRS 11, Joint arrangements	1 January 2013
HKFRS 12, Disclosure of interests in other entities	1 January 2013
HKFRS 13, Fair value measurement	1 January 2013
HKAS 27, Separate financial statements (2011)	1 January 2013
HKAS 28, Investments in associates and joint ventures	1 January 2013
HKAS 19 (Revised), Employee benefits	1 January 2013
HKFRS 9, Financial instruments	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of the new standards is unlikely to have a significant impact on the Group's results of operations and financial position.

32. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Directors on 22 March 2012.

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 any 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.

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 and jointly controlled entities.

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 (aa).

C. BASIS OF CONSOLIDATION

(i) Subsidiaries and non-controlling 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 presently are 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.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, 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. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling 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 non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes (p) or (q) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note (f)) or when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity (see note (c)(ii)).

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

(ii) Associates and jointly controlled entities

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.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity 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 for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes (c)(iii) and (k)). Any acquisition-date excess over cost, 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. The accounting policies of associates and jointly controlled entities have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

When the Group's share of losses exceeds its interest in the associate or jointly controlled entity, 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 or jointly controlled entity 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 or jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities 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.

When the Group ceases to have significant influence over an associate or joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note (f)) or, when appropriate, the cost on initial recognition of an investment in an associate.

In the individual Company's statement of financial position, investments in associates and jointly controlled entities are stated at cost less impairment losses.

(iii) Goodwill

Goodwill represents the excess of

(a) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(b) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (b) is greater than (a), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note (k)).

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

D. FIXED ASSETS

(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 property that is being constructed or developed for future use as investment property.

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 end of reporting period 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 (t)(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 (i).

(ii) Hotel and club properties

Hotel and club properties are stated at cost less accumulated depreciation and impairment losses. Hotel properties under development is stated at cost less impairment loss.

(iii) Broadcasting and communications equipment

Broadcasting and communications equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes materials, direct labour and an appropriate proportion of overheads and borrowing costs directly attributable to the acquisition, construction or production of such equipment which necessarily takes a substantial period of time to get ready for its intended use.

(iv) Other properties and fixed assets held for own use
Other properties and fixed assets held for own use are stated at cost less accumulated depreciation and impairment losses.

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

E. 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) Hotel and club properties
Depreciation is provided on the cost of the leasehold land of hotel and club properties over the unexpired period of the lease. Costs of buildings thereon are depreciated on a straight line basis over their estimated useful lives of not more than 40 years.

Depreciation on hotel properties under development commences when they are available for use.

(iii) Broadcasting and communications equipment
Depreciation is provided on a straight line basis on the cost of the equipment at rates determined by the estimated useful lives of the assets of 2 to 20 years.

(iv) Other properties and fixed assets held for own use
Depreciation is provided on the cost of the leasehold land of all other properties held for own use over the unexpired period of the lease. Costs of the buildings thereon are depreciated on a straight line basis over their unexpired period of leases or estimated useful lives whichever is shorter.

Depreciation is provided on a straight line basis on the cost of other fixed assets held for own use at rates determined by the estimated useful lives of these assets of 3 to 25 years.

Where parts of an item of fixed assets 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.

F. INVESTMENTS IN DEBT AND EQUITY SECURITIES

Investments in debt and equity securities (other than investments in subsidiaries, associates and jointly controlled entities) 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 the end of each reporting period 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 notes (t)(iv) and (t)(v).

(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 the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the investments 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.

G. 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.

H. 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 included in 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 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 from equity to the consolidated income statement. The ineffective portion is recognised immediately in the consolidated income statement.

I. 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.

(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 (e). 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.

J. PROGRAMMING LIBRARY

Programming library consists of presentation rights for commissioned programmes and acquired programmes for showing on the Group's television channels, and commissioned programmes and films for licensing purposes.

Presentation rights are stated in the statement of financial position at cost less accumulated amortisation (where the estimated useful life is other than indefinite) and any impairment losses. Amortisation is charged to consolidated income statement on an accelerated basis over the licence period or over the estimated number of future showings. Subsequent expenditure on programmes after initial acquisition is recognised as an expense when incurred. Cost of in-house programmes are written off in the period in which they are incurred.

Commissioned programmes and films for licensing purposes comprise direct production costs and production overheads, and are stated at the lower of amortised cost or net realisable value. Costs are amortised on an individual programme/film basis in the ratio of the current year's gross revenues to management's forecast of the total ultimate gross revenues from all sources.

Both the period and method of amortisation are reviewed annually.

K. IMPAIRMENT OF ASSETS

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

Investments in debt and equity securities 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 the end of each reporting period 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 subsidiaries, associates and jointly controlled entities (including those recognised using the equity method (see note (c)(ii)), the impairment loss is measured by comparing the recoverable amount of the investment 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 investments 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 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 in 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, other than properties carried at revalued amounts and deferred tax assets, are reviewed at the end of each reporting period 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 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 in recognised in other comprehensive income and not in the consolidated income statement.

L. PROPERTIES FOR SALE

(i) Completed properties for sale

Completed properties 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. Cost of completed properties held for sale comprises all costs of purchase, costs of conversion and costs incurred in bringing the inventories to their present location and condition.

The amount of any write down of or provision for completed properties 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.

(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, material 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 price that can ultimately be achieved, based on prevailing market conditions and the anticipated costs of 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.

M. INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is estimated by the management, based on the expected selling price in the ordinary course of business less the anticipated costs of completion and the estimated costs necessary to make the sale.

N. 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 bad and 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 bad and doubtful debts.

O. CONVERTIBLE BONDS THAT CONTAIN AN EQUITY COMPONENT

Convertible bonds that can be converted to equity share capital at the option of holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the bond is converted or redeemed.

For the liability component with a hedging relationship with a derivative financial instrument that does not qualify for hedge accounting, it is remeasured at fair value at the end of each reporting period and any change in fair value is recognised in the consolidated income statement.

If the bond is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the capital reserve is released directly to revenue reserves.

P. INTEREST-BEARING BORROWINGS

Interest-bearing borrowings for which there is a hedging relationship with a derivative financial instrument, which does not qualify for hedge accounting are initially recognised at fair value less transaction costs. At the end of each reporting period the fair value is remeasured and any change in fair value is recognised in the consolidated income statement.

Other 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.

Q. TRADE AND OTHER PAYABLES

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

R. 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.

S. 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 statements of financial position of foreign operations are translated into Hong Kong dollars at the exchange rates ruling at the end of reporting period. The income statement of foreign operations are translated into Hong Kong dollars at the monthly weighted average exchange rates for the year. Differences arising from the translation of the financial statements of foreign operations are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve and those 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 a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation 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.

T. 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 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 or the issue of occupation permit/completion certificate by the relevant government authorities, which is taken to be the point in time when the risk 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.

(iii) Income from communications, media and entertainment operations, logistics operations and hotels operations is recognised at the time when the services are provided.

(iv) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

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

(vi) Deferred revenue
Income received in advance attributable to long term service contracts is deferred and recognised over the contract period on a straight line basis.

U. 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 are 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.

V. 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 end of reporting period, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases respectively. 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).

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note (d)(i), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting period unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, 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 end of reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period 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 will probably arise from the distribution of dividends are recognised when the related dividends are payable in the foreseeable future.

(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.

W. RELATED PARTIES

(i) A person, or a close member of that person's family, is related to the Group if that person:

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(a) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(c) Both entities are joint ventures of the same third party.

(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(f) The entity is controlled or jointly controlled by a person identified in (i).

(g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

X. 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 profit or loss 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.

Y. 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.

Z. EMPLOYEE BENEFITS

(i) Share based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the consolidated income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the respective company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to revenue reserves).

(ii) Employee benefits and contributions to defined contribution retirement plans

Short term employee benefits, including salaries, annual bonuses, paid annual leave, leave passage, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accured 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.

(iii) 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.

AA. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Note 24 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 end of reporting period and their fair value cannot be reliably determine 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 and redevelopment potential of the properties.

The assumptions adopted in the property valuations are based on the market conditions existing at the end of reporting period, 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 for sale

Management determines the net realisable value of properties 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) 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, Associates and Jointly Controlled Entities

At 31 December 2011

	Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/ registered and paid up capital	Percentage of equity attributable to Shareholders	Principal activities
	A) Wharf				
*	**The Wharf (Holdings) Limited**	Hong Kong	3,029,247,327 HK$1 shares	50.39%	Holding company
	Properties				
	Wharf Estates Limited	Hong Kong	2 HK$1 shares	50.39%	Holding company
	Harbour City Estates Limited	Hong Kong	20,000 HK$10 shares	50.39%	Property
	Wharf Realty Limited	Hong Kong	2 HK$1 shares	50.39%	Property
	Times Square Limited	Hong Kong	2 HK$10 shares	50.39%	Property
	Plaza Hollywood Limited	Hong Kong	10,000 HK$1 shares	50.39%	Property
	Wharf Development Limited	Hong Kong	2 HK$1 shares	50.39%	Holding company
	HKRT Peak Properties Limited	Hong Kong	3,000,000 HK$10 shares	50.39%	Property
	Hong Tai Yuen Limited	Hong Kong	500,000 HK$1 shares	50.39%	Property
	Olinda Limited	Hong Kong	2 HK$10 shares	50.39%	Property
	New Tech Centre Limited	Hong Kong	10,000 HK$1 shares	50.39%	Property
	Wharf China Holdings Limited	British Virgin Islands	5,129,000,000 US$1 shares	50.39%	Holding company
	Wharf China Estates Limited	British Virgin Islands	1,000,000 US$1 shares	50.39%	Holding company
iii	Shanghai Long Xing Property Development Company Limited	The People's Republic of China	US$45,000,000	50.39%	Property
ii	Dalian Times Square Development Company Limited	The People's Republic of China	RMB420,000,000	50.39%	Property
ii	Long Qing Property Development (Chongqing) Company Limited	The People's Republic of China	RMB194,000,000	50.39%	Property
i	Shanghai Wheelock Square Development Limited	The People's Republic of China	US$240,000,000	49%	Property
ii	龍昌綜合開發(成都)有限公司	The People's Republic of China	HK$330,000,000	50.39%	Property
ii	龍錦綜合開發(成都)有限公司	The People's Republic of China	US$883,000,000	50.39%	Property
ii	成都時代奧特萊斯商業有限公司	The People's Republic of China	HK$170,000,000	50.39%	Property
ii	九龍倉(長沙)置業有限公司	The People's Republic of China	US$892,000,000	50.39%	Property
	Wharf China Development Limited	British Virgin Islands	1,000,000 US$1 shares	50.39%	Holding company
ii	漢龍實業綜合開發(武漢)有限公司	The People's Republic of China	US$33,100,000	50.39%	Property
ii	九龍倉(武漢)置業有限公司	The People's Republic of China	US$165,000,000	50.39%	Property
iii	上海九洲物業發展有限公司	The People's Republic of China	US$30,000,000	43%	Property
i	上海龍申房地產發展有限公司	The People's Republic of China	US$22,330,000	28%	Property
ii	上海莉源地產開發有限公司	The People's Republic of China	US$745,000,000	50.39%	Property
ii	上海萊源房地產開發有限公司	The People's Republic of China	US$155,000,000	50.39%	Property
ii	九龍倉(無錫)置業有限公司	The People's Republic of China	US$267,580,000	50.39%	Property
ii	龍茂房地產開發(成都)有限公司	The People's Republic of China	HK$1,233,000,000	50.39%	Property
ii	龍潤房地產開發(成都)有限公司	The People's Republic of China	HK$820,000,000	50.39%	Property
ii	龍悦房地產開發(成都)有限公司	The People's Republic of China	US$240,000,000	50.39%	Property
ii	蘇州蘇龍地產發展有限公司	The People's Republic of China	US$166,800,000	50.39%	Property
ii	蘇州瑞龍地產發展有限公司	The People's Republic of China	US$187,000,000	50.39%	Property
ii	蘇州銀龍地產發展有限公司	The People's Republic of China	US$274,000,000	50.39%	Property
ii	無錫港龍置業有限公司	The People's Republic of China	US$140,900,000	50.39%	Property
ii	無錫河畔置業有限公司	The People's Republic of China	US$111,400,000	50.39%	Property
ii	無錫都會置業有限公司	The People's Republic of China	US$123,000,000	50.39%	Property
ii	港盈房地產(杭州)有限公司	The People's Republic of China	US$146,990,000	50.39%	Property
ii	九龍倉(杭州)置業有限公司	The People's Republic of China	US$310,000,000	50.39%	Property
ii	堡盈房地產(杭州)有限公司	The People's Republic of China	US$310,000,000	50.39%	Property
ii	錦興房地產開發(杭州)有限公司	The People's Republic of China	US$88,000,000	50.39%	Property

	Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/ registered and paid up capital	Percentage of equity attributable to Shareholders	Principal activities
ii	富景房地產開發(富陽)有限公司	The People's Republic of China	US$106,000,000	50.39%	Property
ii	常州湖畔置業有限公司	The People's Republic of China	US$180,000,000	50.39%	Property
*	**Harbour Centre Development Limited**	Hong Kong	708,750,000 HK$0.5 shares	36%	Holding company
i	蘇州高龍房產發展有限公司	The People's Republic of China	RMB3,317,041,045	29%	Property
ii	九龍倉(常州)置業有限公司	The People's Republic of China	US$229,800,000	36%	Property
ii	上海綠源房地產開發有限公司	The People's Republic of China	RMB770,000,000	36%	Property
	Logistics				
	Wharf Transport Investments Limited	Hong Kong	2 HK$1 shares	50.39%	Holding company
	The "Star" Ferry Company, Limited	Hong Kong	1,440,000 HK$5 shares	50.39%	Public transport
	Modern Terminals Limited	Hong Kong	70,116 HK$1,000 shares	34%	Container terminal
i	Shenzhen Dachan Bay Modern Port Development Company, Limited	The People's Republic of China	RMB2,475,550,000	22%	Container terminal
i	Suzhou Modern Terminals Limited	The People's Republic of China	RMB822,500,000	24%	Container terminal
	Hotels				
	Marco Polo Hotels Limited	Cayman Islands	500,000,000 US$1 shares	50.39%	Holding company
	Marco Polo Hotels Management Limited	Hong Kong	2 HK$10 shares	50.39%	Hotel
	The Hongkong Hotel Limited	Hong Kong	100,000 HK$1 shares	36%	Hotel and property
	The Marco Polo Hotel (Hong Kong) Limited	Hong Kong	1,000 HK$1 shares	50.39%	Hotel
	The Prince Hotel Limited	Hong Kong	2 HK$1 shares	50.39%	Hotel
ii	武漢馬哥孛羅酒店有限公司	The People's Republic of China	US$3,850,000	50.39%	Hotel
ii	常州馬哥孛羅酒店有限公司	The People's Republic of China	US$1,050,000	36%	Hotel
	CME				
	Wharf Communications Limited	Hong Kong	1,000,000 HK$10 shares	50.39%	Holding company
*	i-CABLE Communications Limited	Hong Kong	2,011,512,400 HK$1 shares	37%	Holding company
	Hong Kong Cable Enterprises Limited	Hong Kong	2 HK$1 shares	37%	Advertising sales
	Hong Kong Cable Television Limited	Hong Kong	750,000,000 HK$1 shares	37%	Pay television, Internet and multimedia
	i-CABLE Entertainment Limited	Hong Kong	10,000,000 HK$1 shares	37%	Programme production and channel operation
	i-CABLE News Limited	Hong Kong	10,000,000 HK$1 shares	37%	Programme production and channel operation
	i-CABLE Sports Limited	Hong Kong	10,000,000 HK$1 shares	37%	Programme production and channel operation
	i-CABLE Network Limited	Hong Kong	100 HK$1 shares 2 HK$1 non-voting deferred shares	37%	Network operation
	Sundream Motion Pictures Limited	Hong Kong	10,000,000 HK$1 shares	37%	Film production
	Wharf T&T Limited	Hong Kong	740,000,000 HK$1 shares	50.39%	Telecommunication
	Wharf T&T eBusiness Limited	Hong Kong	1 HK$1 share	50.39%	Telecommunication
	Wharf T&T Outsourcing Services Limited	Hong Kong	1 HK$1 share	50.39%	Telecommunication
	EC Telecom Limited	Hong Kong	2 HK$1 shares	50.39%	Telecommunication
	COL Limited	Hong Kong	40,000 HK$500 shares	50.39%	IT services

	Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/ registered and paid up capital	Percentage of equity attributable to Shareholders	Principal activities
	Investment and others				
	Wharf Limited	Hong Kong	2 HK$10 shares	50.39%	Management services
	Wharf Finance Limited	Hong Kong	2 HK$1 shares	50.39%	Finance
	Wharf Finance (BVI) Limited	British Virgin Islands/Hong Kong	500 US$1 shares	50.39%	Finance
	Wharf Hong Kong Limited	Cayman Islands	500,000,000 US$1 shares	50.39%	Holding company
	Wharf China Finance Limited	Hong Kong	5,000,000 HK$1 shares	50.39%	Finance
	Wharf Finance (No.1) Limited	Hong Kong	2 HK$1 shares	50.39%	Finance
	Wharf Finance (BVI) No. 1 Limited	British Virgin Islands/Hong Kong	500 US$1 shares	50.39%	Finance
	Wharf Finance (2014) Limited	British Virgin Islands/Hong Kong	10 US$1 shares	50.39%	Finance
	Wharf MTN (Singapore) Pte. Ltd.	Singapore	2 S$1 shares	50.39%	Finance
	B) Wheelock (other than Wharf)				
*	**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
	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
ii	富匯房地產開發(富陽)有限公司	The People's Republic of China	US$145,000,000	76%	Property
	Others				
	Harriman Property Management Limited	Hong Kong	198 HK$100 shares	100%	Property management
	Harriman Leasing Limited	Hong Kong	100,049 HK$10 shares & 50 HK$10 non-voting shares	75%	Letting agent
	Fortune Precision Limited	Hong Kong	2 HK$1 shares	100%	Property
	Janeworth Company Limited	Hong Kong	550,000,000 HK$1 shares	100%	Property
	Joint Vision Limited	Hong Kong	1 HK$1 share	100%	Property
	Marnav Holdings Limited	Hong Kong	1,000,000 HK$1 shares	100%	Property
	Max Bloom International Development Limited	Hong Kong	1 HK$1 share	100%	Investment
	Meritgold Holdings Limited	Hong Kong	1 HK$1 share	100%	Property
	Ridge Limited	Hong Kong	2 HK$1 shares	100%	Property
	Salisburgh Company Limited	Hong Kong	2 HK$1 shares	83%	Property
	Samover Company Limited	Hong Kong	2 HK$1 shares	100%	Property
	Titano Limited	Hong Kong	2 HK$1 shares	100%	Property
	Universal Sight Limited	Hong Kong	1 HK$1 share	100%	Property
	Wheelock China Limited	Hong Kong	2 HK$1 shares	100%	Holding company
	Wheelock Corporate Services Limited	Hong Kong	10,000,000 HK$1 shares	100%	Management services
	Wheelock Finance Limited	Hong Kong	2 HK$1 shares	100%	Finance
	Wheelock Finance (BVI) Limited	British Virgin Islands/Hong Kong	500 US$1 shares	100%	Finance
	Wheelock Finance (No. 1) Limited	Hong Kong	2 HK$1 shares	100%	Finance
	Wheelock MTN (Singapore) Pte. Ltd.	Singapore	2 S$1 shares	100%	Finance
	Wheelock Properties Limited	Hong Kong	40,000,000,000 HK$0.2 shares	100%	Holding company
	Wheelock Properties (Hong Kong) Limited	Hong Kong	10 HK$100 shares	100%	Property services and management
	Wheelock Travel Limited	Hong Kong	50,000 HK$10 shares	100%	Travel agency
i	廣州市廣隆房地產有限公司	The People's Republic of China	HK$150,000,000	100%	Property

Associates	Place of incorporation/ operation	Class of shares	Percentage of equity attributable to Shareholders	Principal activities
Wharf – Properties				
Start Treasure Limited	Hong Kong	Ordinary	8%	Property
蘇州雙湖房地產有限公司	The People's Republic of China	Registered	25%	Property
天津港威房地產開發有限公司	The People's Republic of China	Registered	25%	Property
佛山招商九龍倉房地產有限公司	The People's Republic of China	Registered	25%	Property
佛山依雲房地產有限公司	The People's Republic of China	Registered	25%	Property
佛山鑫城房地產有限公司	The People's Republic of China	Registered	25%	Property
佛山信捷房地產有限公司	The People's Republic of China	Registered	25%	Property
廣州市萬尚房地產有限公司	The People's Republic of China	Registered	17%	Property
Wharf – Logistics				
Hong Kong Air Cargo Terminals Limited	Hong Kong	Ordinary	11%	Air cargo terminal
Mega Shekou Container Terminals Limited	British Virgin Islands	Ordinary	7%	Holding company

Jointly controlled entities	Place of incorporation/ operation	Class of shares	Percentage of equity attributable to Shareholders	Principal activities
Wharf – Properties				
Market Prospect Limited	Hong Kong	Ordinary	25%	Property
重慶嘉江房地產開發有限公司	The People's Republic of China	Registered	20%	Property
重慶嘉益房地產開發有限公司	The People's Republic of China	Registered	25%	Property
浙江金盈置業有限公司	The People's Republic of China	Registered	25%	Property
祥寶投資(成都)有限公司	The People's Republic of China	Registered	15%	Property
天津贏超房地產開發有限公司	The People's Republic of China	Registered	25%	Property
寧波姚景房地產開發有限公司	The People's Republic of China	Registered	25%	Property
寧波瑞峰置業有限公司	The People's Republic of China	Registered	25%	Property
Wharf – Logistics				
Taicang International Container Terminals Company Limited	The People's Republic of China	Registered	17%	Container terminal
Wheelock – Property				
Fast New Limited	Hong Kong	Ordinary	50%	Property

Notes:

a) The subsidiaries, associates and jointly controlled entities were held indirectly by the Company.

b) The above list gives the principal subsidiaries, associates and jointly controlled entities of the Group which, in the opinion of the Directors, principally affect the profit and assets of the Group.

** Listed companies*

i This entity is registered as a sino-foreign joint venture company under PRC law.

ii This entity is registered as a wholly foreign owned enterprise under PRC law.

iii This entity is registered as a foreign owned enterprise under PRC law.

Schedule of Principal Properties

At 31 December 2011

Address	Total	Office	Retail	Residential	Others	(Remarks)
	Approximate Gross Floor Areas (sq.ft.)					
Investment Properties in Hong Kong						
Harbour City, Tsimshatsui						
Ocean Terminal	658,000	–	658,000	–	–	
Ocean Centre	901,000	677,000	224,000	–	–	
Wharf T & T Centre	257,000	257,000	–	–	–	
World Commerce Centre	257,000	257,000	–	–	–	
World Finance Centre	512,000	512,000	–	–	–	
Ocean Galleries	386,000	–	386,000	–	–	
Gateway I	1,236,000	1,128,000	108,000	–	–	
Gateway II	2,640,000	1,570,000	400,000	670,000	–	
The Marco Polo Hongkong Hotel (Commercial Section)	206,000	34,000	172,000	–	–	
Times Square						
Sharp Street East, Causeway Bay	1,969,000	1,033,000	936,000	–	–	
Others						
Plaza Hollywood, 3 Lung Poon Street, Diamond Hill	562,000	–	562,000	–	–	
Wharf T&T Square, Hoi Bun Road, Kwun Tong	581,000	581,000	–	–	–	
Delta House, 3 On Yiu Street, Shatin	349,000	349,000	–	–	–	
Units at Cable TV Tower, Hoi Shing Road, Tsuen Wan	566,000	–	–	–	566,000	(Industrial)
Units at Strawberry Hill, 8 Plunkett's Road, The Peak	13,000	–	–	13,000	–	
Chelsea Court, 63 Mount Kellett Road, The Peak	43,000	–	–	43,000	–	
Mountain Court, 11–13 Plantation Road, The Peak	49,900	–	–	49,900	–	
1 Plantation Road, The Peak	97,000	–	–	97,000	–	
77 Peak Road, The Peak	42,200	–	–	42,200	–	
Kowloon Godown, 1–5 Kai Hing Road, Kowloon Bay	829,000	–	–	829,000	–	
Units at Star House, 3 Salisbury Road, Tsimshatsui	50,800	–	50,800	–	–	
Crawford House, 64–70A Queen's Road Central, Central	191,400	105,700	85,700	–	–	
3/F-24/F, Wheelock House, 20 Pedder Street, Central	199,300	199,300	–	–	–	
	12,595,600	6,703,000	3,582,500	1,744,100	566,000	
Investment Properties in China						
Shanghai Times Square 93–111 Huai Hai Zhong Road, Shanghai	973,000	331,000	447,000	195,000	–	
Chongqing Times Square 100 Zou Rong Road, Yuzhong District, Chongqing	591,800	13,800	578,000	–	–	
Wuhan Times Square 160 Yan Jiang Da Dao, Jiangan District, Wuhan	8,000	–	8,000	–	–	
Dalian Times Square 50 Ren Min Road, Zhongshan District, Dalian	188,000	–	188,000	–	–	
Times Outlets No. 633 Shuangnan Avenue (Middle Section) Shuangliu County, Chengdu	680,000	–	680,000	–	–	
Wheelock Square 1717 Nan Jing Xi Road, Jingan District, Shanghai	1,228,000	1,149,000	79,000	–	–	
Chengdu IFC Junction of Hongxing Road and Da Ci Si Road, Jinjiang District	5,770,000	2,948,490	1,384,030	1,099,430	338,050	(A 238-room hotel)
Wuxi IFC Taihu Plaza, Nanchang District, Wuxi	3,013,000	2,574,000	–	–	439,000	(A 208-room hotel)
Suzhou IFC Xing Hu Jie, Suzhou Industrial Park, Suzhou	3,780,000	2,728,000	–	800,000	252,000	(A 96-room hotel)
Changsha IFC Furong District, Changsha	7,804,000	4,414,000	2,583,000	–	807,000	(A 380-room hotel)
	24,035,800	14,158,290	5,947,030	2,094,430	1,836,050	

Site Area (sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
346,719	KPP 83	2012	1966	N/A	50.39%
126,488	KML 11 S.A.	2880	1977	N/A	50.39%
(a)	KML 11 S.B.	2880	1981	N/A	50.39%
(a)	KML 11 S.B.	2880	1981	N/A	50.39%
(a)	KML 11 S.D.	2880	1983	N/A	50.39%
(a)	KML 11 S.B. & D.	2880	1981/83	N/A	50.39%
(a)	KML 11 R.P.	2880	1994	N/A	50.39%
(a)	KML 11 S.B. & D.	2880	1998/99	N/A	50.39%
(b)	KML 91 S.A. & KML 10 S.B.	2863	1969	N/A	36%
112,441	IL 731, IL 728, IL 727, IL 725 S.A. & R.P., IL 724 S.A. B & R.P., IL 722 & IL 718	2850/60/80	1993	N/A	50.39%
280,510	NKIL 6160	2047	1997	N/A	50.39%
48,438	KTIL 713	2047	1991	Planning for redevelopment	50.39%
70,127	STTL 422	2047	1999	N/A	50.39%
N/A	TWTL 218	2047	1992	N/A	50.39%
N/A	RBL 512 & 1004	2027/28	1974/77	N/A	50.39%
29,640	RBL 556 R.P.S.A. & S.B.	2035	2001	N/A	50.39%
32,145	RBL 522, 639, 661	2027	2001	Planning for redevelopment	50.39%
97,670	RBL 534 S.E. & S.F.	2028	2002	Planning for redevelopment	50.39%
76,728	RBL 836	2029	1951	Planning for redevelopment	50.39%
165,809	NKIL 5805, 5806 & 5982	2047	1984	Planning for redevelopment	50.39%
N/A	KML 10 S.A.	2863	1966	N/A	36%
12,286	IL 7 R.P. & IL 45 Sec. A R.P.	2842	1977	N/A	100%
N/A	ML 99 Sec. A, C, R.P. & ML 100 Sec. A,B, R.P.	2854	1984	N/A	100%

148,703	N/A	2043	1999	N/A	50.39%
95,799	N/A	2050	2004	N/A	50.39%
(c)	N/A	2053	2008	N/A	50.39%
(d)	N/A	2039	2008	N/A	50.39%
(e)	N/A	2047	2009	N/A	50.39%
136,432	N/A	2049	2010	N/A	49%
590,481	N/A	2047	2014	Superstructure in progress	50.39%
313,867	N/A	2047/57	2014	Superstructure in progress	50.39%
229,069	N/A	2047/77	2016	Foundation in progress	29%
800,452	N/A	2051	2016	Excavation work in progress	50.39%

Schedule of Principal Properties

At 31 December 2011

Address	Approximate Gross Floor Areas (sq.ft.) Total	Office	Retail	Residential	Others	(Remarks)
Investment Properties in Singapore						
Wheelock Place, 501 Orchard Road	465,400	236,900	228,500	–	–	
Scotts Square (Retail Podium), 6 & 8 Scotts Road	130,900	–	130,900	–	–	
	596,300	236,900	359,400	–	–	
Hotels and Clubs in Hong Kong						
Harbour City, Tsimshatsui						
The Marco Polo Hongkong Hotel	553,000	–	–	–	553,000	(A 665-room hotel)
Gateway	313,000	–	–	–	313,000	(A 399-room hotel)
Prince	359,000	–	–	–	359,000	(A 393-room hotel)
Pacific Club Kowloon	139,000	–	–	–	139,000	(Club House)
	1,364,000	–	–	–	1,364,000	
Hotel and Club in China						
Marco Polo Wuhan 160 Yan Jiang Da Dao, Jiangan District, Wuhan	405,000	–	–	–	405,000	(A 370-room hotel)
Development Properties in Hong Kong						
One Midtown, 11 Hoi Shing Road, Tsuen Wan	644,000	–	–	–	644,000	(137,000 s.f. pre-sold)
Yau Tong Godown, 5 Tung Yuen Street, Yau Tong	256,000	–	43,000	213,000	–	
Kadoorie Hill, 211–215C Prince Edward Road West, Homantin	91,700	–	–	91,700	–	
Lexington Hill, 46 Belcher's Street, Kennedy Town	102,900	–	3,600	99,300	–	
Site at junction of Wai Yip Street, Shun Yip Street and Hoi Bun Road, Kwun Tong	914,900	854,100	60,800	–	–	
Site at junction of Hung Luen Road and Kin Wan Street, Hung Hom	590,000	508,200	81,800	–	–	
One Island South, 2 Heung Yip Road, Wong Chuk Hang	90,500	–	90,500	–	–	
Bellagio Mall, 33 Castle Peak Road, Sham Tseng	37,000	–	37,000	–	–	
	2,727,000	1,362,300	316,700	404,000	644,000	
Development Property in Hong Kong (undertaken by associates)						
Various Lots at Yau Tong Bay, Yau Tong	651,400	–	20,100	631,300	–	(Attributable – Note g)
Development Properties in Hong Kong (undertaken by jointly controlled entities)						
103 Mount Nicholson Road, The Peak	162,000	–	–	162,000	–	(Attributable – Note g)
Austin Station Property Developments Sites C and D, West Kowloon	641,000	–	–	641,000	–	(Attributable – Note g)
	803,000	–	–	803,000	–	

Site Area (sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
N/A	N/A	2089	1993	N/A	76%
(f)	N/A	Freehold	2011	N/A	76%
58,814	KML 91 S.A. & KML 10 S.B.	2863	1969	N/A	36%
(a)	KML 11 S.B.	2880	1981	N/A	50.39%
(a)	KML 11 S.D.	2880	1983	N/A	50.39%
48,309	KIL 11179	2021	1990	N/A	50.39%
(c)	N/A	2053	2008	N/A	50.39%
66,000	TWIL 36	2047	2012	Superstructure in progress	50.39%
42,625	YTIL 4SA & adjoining Government land	2047	2015	Planning stage	50.39%
18,338	KIL 2340 R.P.	2080	2012	Superstructure in progress	100%
10,949	IL 953 R.P.	2891	2014	Superstructure in progress	100%
76,241	NKIL 6269	2061	2015	Planning stage	100%
147,499	KIL 11111	2061	2016	Planning stage	100%
49,000	AIL 374	2121	2011	N/A	100%
495,370	Lot no. 269 R.P. in DD 390	2051	2005	N/A	83%
673,055	R.P. of YTML 22 & ext., YTML 28 & ext., YTML 29 & ext., and YTML 12, 32 and 33 together with adjoining lots at Yau Tong Bay	2047	N/A	Planning stage	8%
250,930	IL9007	2060	2014	Foundation in progress	25%
295,181	KIL 11126 and KIL 11129	2060	2015	Foundation in progress	50%

Schedule of Principal Properties

At 31 December 2011

Address	Approximate Gross Floor Areas (sq.ft.) Total	Office	Retail	Residential	Others	(Remarks)
Development Properties in China						
Changzhou Times Palace China Dinosaur Park, Xinbei District, Jiangsu Province, Changzhou	8,381,000	–	–	7,864,000	517,000	(A 272-room hotel and a State Guest House) (2,019,000 s.f. pre-sold)
Changzhou Feng Huang Hu Xin Bei District and abutting Han Jiang Lu and Yu Long Lu. Changzhou	3,283,000	–	–	3,283,000	–	
Hangzhou Hangyimian Lot C/D Gongshu District Gongchen Bridge West, Hangzhou	2,422,000	–	–	2,422,000	–	
Hangzhou Wenhui Road Lot#FG05 of Wenhui Road, Hangzhou	883,000	–	–	883,000	–	
Hangzhou Fuyang Yingbin North Road Yingbin North Road/Fenshou Road, Fuchun District, Fuyang	1,384,000	–	78,000	1,306,000	–	
Hangzhou Qianjiang Economic Development Area 09 Provincial Road/Kangxin Road, Yuhang District, Hangzhou	2,368,000	–	–	2,368,000	–	
No.1 Xin Hua Road 176 Huai Hai Xi Road, Changning District, Shanghai	102,000	–	–	102,000	–	
Shanghai Xi Yuan D1 of Xinjiangwancheng of Yangpu District, Shanghai	1,074,000	–	–	1,074,000	–	(808,000 s.f. pre-sold)
Shanghai Songjiang Xianhe Road Site #2 of Songjiang Xianhe Road, Shanghai	878,000	–	–	878,000	–	
Shanghai Pudong Huangpujiang Site #E18 of Pudong Huangpujiang Riverside, Shanghai	1,464,000	–	–	1,464,000	–	
Jingan Garden 398 Wanhangdu Road, Jingan District, Shanghai	763,000	–	–	763,000	–	
Suzhou Ambassador Villa Lot No. 68210 Suzhou Industrial Park, Suzhou	1,729,000	–	–	1,729,000	–	(151,000 s.f. pre-sold)
Suzhou Wu Chong District Yin Shan Lake Project Wang Wu Lu, Guo Sin Lu, Wu Chong New District, Suzhou	4,140,000	–	–	4,140,000	–	
Suzhou Times City Xiandai Da Dao, Suzhou Industrial Park, Suzhou	9,765,000	–	–	9,765,000	–	(890,000 s.f. pre-sold)
Wuxi Glory of Time Nanchang District and abutting on Jinhang Canal, Wuxi	2,351,000	646,000	–	1,705,000	–	(19,000 s.f. pre-sold)
Wuxi Times City Taihu Plaza, Nanchang District, Wuxi	7,685,000	–	–	7,685,000	–	(1,394,000 s.f. pre-sold)
Wuxi Xiyuan Nanchang District and abutting on Jinhang Canal, Wuxi	2,551,000	–	–	2,551,000	–	(171,000 s.f. pre-sold)
Wuxi Old Canal Lot#73 Nanchang District and abutting on Jinhang Canal, Wuxi	3,946,000	–	–	3,946,000	–	
The Orion Bounded by Dongdajie South, Jinhua Nan Lu East and Datiankan Jie North, Jinjiang District, Chengdu	633,000	–	–	633,000	–	(50,000 s.f. pre-sold)
Tian Fu Times Square Junction of Dong Da Jie & Fu He, Jinjiang District, Chengdu	1,977,000	1,259,000	66,000	652,000	–	(286,000 s.f. pre-sold)
Crystal Park, No.10 Gaoxin District Junction of Zhan Hua Road and Fu Cheng Avenue, Chengdu	1,960,000	443,000	5,000	1,512,000	–	(769,000 s.f. pre-sold)
Shuangliu Development Zone Junction of Shuang Nan Avenue and Guang Hua Avenue, Shuangliu County, Chengdu	9,127,000	3,922,800	1,281,400	3,922,800	–	
Le Palais Lot No. 8 along Section 3 of the 2nd Ring Road East, Chenghua District, Chengdu	3,424,000	–	70,000	3,354,000	–	(98,000 s.f. pre-sold)
Wuhan Times Square 160 Yan Jiang Da Dao, Jiangan District, Wuhan	18,000	–	–	18,000	–	

Schedule of Principal Properties

At 31 December 2011

Site Area (sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
4,427,804	N/A	2047/77	2014	Superstructure in progress	36%
2,563,134	N/A	2050/80	2014	Planning stage	50.39%
914,000	N/A	2080	2014	Planning stage	50.39%
258,358	N/A	2080	2015	Planning stage	50.39%
553,442	N/A	2051/81	2015	Planning stage	50.39%
1,315,296	N/A	2081	2015	Planning stage	50.39%
118,220	N/A	2070	2010	N/A	43%
638,000	N/A	2077	2012	Superstructure in progress	36%
877,772	N/A	2081	2014	Planning stage	50.39%
585,723	N/A	2081	2015	Planning stage	50.39%
170,825	N/A	2043/63	2016	Planning stage	28%
3,654,152	N/A	2076	2015	Superstructure in progress	50.39%
2,501,747	N/A	2081	2015	Planning stage	50.39%
5,425,454	N/A	2077	2018	Superstructure in progress	29%
1,276,142	N/A	2078	2015	Superstructure in progress	50.39%
3,314,418	N/A	2078	2015	Superstructure in progress	50.39%
1,416,822	N/A	2078	2015	Superstructure in progress	50.39%
2,121,662	N/A	2048/78	2015	Planning stage	50.39%
160,000	N/A	2079	2013	Superstructure in progress	50.39%
761,520	N/A	2045/75	2013	Superstructure in progress	50.39%
884,459	N/A	2046/76	2014	Superstructure in progress	50.39%
(e)	N/A	2047/77	2015	Planning stage	50.39%
1,130,000	N/A	2050/80	2015	Foundation in progress	50.39%
(c)	N/A	2053/73	2007/08	N/A	50.39%

Address	Total	Office	Retail	Residential	Others	(Remarks)
	Approximate Gross Floor Areas (sq.ft.)					
Wuhan Lake Moon Site B Hanyang District, Qintai Road, Wuhan	1,362,000	–	–	1,362,000	–	
Dalian Times Square 50 Ren Min Road, Zhongshan District, Dalian	154,000	–	–	154,000	–	
Dongfenglu Project Lot no. S2, Dong Feng Lu, Guangzhou	357,600	–	113,900	243,700	–	
Hangzhou Fuyang Shijiayuan Xianzhu Road/Xiangyang Road, Shouxiang Shijiayuan Village, Fuyang	3,853,000	–	–	3,853,000	–	
	78,034,600	6,270,800	1,614,300	69,632,500	517,000	
Development Properties in China (undertaken by associates)						
Suzhou Kingsville South of Lin Hu Road, East & West sides of Ying Hu Road, Suzhou	908,000	–	–	908,000	–	(Attributable – Note g) (59,000 s.f. pre-sold)
Evian Town South of Tian Hong Lu and North of Yu He Lu Xincheng District, Foshan	1,057,000	–	68,000	989,000	–	(Attributable – Note g) (409,000 s.f. pre-sold)
Evian Uptown North side of Kin Jin Lu, Chancheng District, Foshan	1,061,700	–	115,200	946,500	–	(Attributable – Note g) (303,000 s.f. pre-sold)
Foshan Nanhai District Shishan County Project	1,653,500	–	163,800	1,489,700	–	(Attributable – Note g)
Evian Riviera Foshan Nanhai District Guicheng A18 and A21 Project	1,197,500	–	97,200	1,100,300	–	(Attributable – Note g)
Guangzhou Development Zone KXCD-D1-2 Project	974,600	–	54,600	920,000	–	(Attributable – Note g)
The Magnificent Junction of Weiguo Road & Jingjiang Road, Hedong District, Tianjin	646,900	–	173,000	473,900	–	(Attributable – Note g) (410,000 s.f. pre-sold)
	7,499,200	–	671,800	6,827,400	–	
Development Properties in China (undertaken by jointly controlled entities)						
Golf Landmark Zhuantang Town, Zhijiang National Tourist Holiday Resort, Xihi District, Hangzhou	2,004,000	–	83,000	1,921,000	–	(Attributable – Note g) (186,000 s.f. pre-sold)
Ningbo Baoqingsi Site 3#-2 of Baoqingsi, Ningbo	419,000	–	–	419,000	–	(Attributable – Note g)
Ningbo Eastern New Town Site E-4#, 7#, 8#, 12# & 13#, Shuixianglinli, Eastern New Town, Ningbo	529,000	–	–	529,000	–	(Attributable – Note g)
Chengdu Shahe Project South of Shuanggui Road, North of Niusha Road, East of Erhuan Road, West of Shahe, Jinjiang District, Chengdu	4,170,000	1,211,000	500,000	2,340,000	119,000	(Attributable – Note g)
Chongqing IFC Zone A of Jiangbei City, Jiang Bei District, Chongqing	2,403,000	1,756,000	427,000	–	220,000	(A 219-room hotel) (Attributable – Note g)
The U World Zone B of Jiangbei City, Jiang Bei District, Chongqing	2,524,000	–	–	2,524,000	–	(Attributable – Note g) (523,000 s.f. pre-sold)
The Throne Zone C of Jiangbei City, Jiang Bei District, Chongqing	4,763,000	–	–	4,763,000	–	(Attributable – Note g) (57,000 s.f. pre-sold)
International Community Zone C of Danzishi, Nanan District, Chongqing	6,745,000	–	1,151,000	5,594,000	–	(Attributable – Note g) (443,000 s.f. pre-sold)
Peaceland Cove Tiedonglu, Hebei District, Tianjin	2,599,000	–	–	1,790,000	809,000	(Others for commercial use) (Attributable – Note g) (642,000 s.f. pre-sold)
	26,156,000	2,967,000	2,161,000	19,880,000	1,148,000	

Site Area (sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
454,000	N/A	2080	2015	Planning stage	50.39%
(d)	N/A	2069	2009	N/A	50.39%
60,020	N/A	2059/79	2013	Foundation in progress	100%
3,210,772	N/A	2081	2018	Planning stage	76%
1,976,237	N/A	2077	2014	Superstructure in progress	25%
2,867,600	N/A	2047/77	2013	Superstructure in progress	25%
1,155,000	N/A	2048/78	2014	Superstructure in progress	25%
1,526,900	N/A	2070	2015	Superstructure in progress	25%
603,900	N/A	2080	2015	Superstructure in progress	25%
1,181,300	N/A	2081	2015	Planning stage	17%
511,560	N/A	2079	2014	Superstructure in progress	25%
2,046,685	N/A	2047/77	2016	Superstructure in progress	25%
524,250	N/A	2080	2014	Planning stage	25%
708,142	N/A	2080	2014	Planning stage	25%
2,212,128	N/A	2048/78	2014 and beyond	Planning stage	15%
516,021	N/A	2050/60	2015	Excavation work in progress	25%
1,002,408	N/A	2057	2015	Superstructure in progress	20%
2,335,535	N/A	2050/60	2016	Superstructure in progress	25%
6,080,656	N/A	2047/57	2017	Superstructure in progress	20%
1,619,360	N/A	2050/80	2014	Superstructure in progress	25%

Address	Approximate Gross Floor Areas (sq.ft.) Total	Office	Retail	Residential	Others	(Remarks)
Development Properties in Singapore						
Ardmore Three, 3 Ardmore Park	149,200	–	–	149,200	–	
Units at Scotts Square, 6 & 8 Scotts Road	47,800	–	–	47,800	–	
Units at Orchard View, 29 Angullia Park	43,000	–	–	43,000	–	
	240,000	–	–	240,000	–	
TOTAL	**155,107,900**	**31,698,290**	**14,672,830**	**102,256,730**	**6,480,050**	

Notes:

a) Part of Harbour City, total site area is 428,719 sq.ft.

b) Part of The Marco Polo Hongkong Hotel building.

c) Components of Wuhan Times Square which has a total site area of 188,090 sq.ft.

d) Components of Dalian Times Square which has a total site area of 171,356 sq.ft.

e) Components of Chengdu Shuangliu Development Zone which has a total site area of 3,900,589 sq.ft.

f) Components of Scotts Square which has a total site area of 71,137 sq.ft.

g) The floor areas of properties held through jointly controlled entities and associates are shown on an attributable basis.

h) In early 2012, the Group acquired two sites for development of a project in Chaoyang District, Beijing (50%-owned) with attributable GFA 978,000 sq.ft.

Site Area (sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
54,981	N/A	Freehold	2014	Superstructure in progress	76%
(f)	N/A	Freehold	2011	N/A	76%
29,078	N/A	Freehold	2010	N/A	76%

Ten-year Financial Summary

HK$ Million	2011	2010	2009	2008	2007	2006/07	2005/06	2004/05	2003/04	2002/03
					(Note f)					
Consolidated Income Statement										
Turnover	**34,558**	24,186	18,957	22,583	17,915	16,096	4,235	4,521	7,116	9,868
Operating profit	**17,730**	11,384	9,507	9,420	10,428	7,650	1,792	1,408	1,423	821
Core profit (Note a)	**9,038**	4,582	3,711	3,385	3,460	3,008	3,313	3,502	2,303	35
Profit before property revaluation surplus	**8,359**	4,974	4,408	2,284	3,361	3,008	3,313	3,502	2,303	35
Profit attributable to equity shareholders	**22,866**	20,194	10,459	3,432	7,615	6,310	10,316	8,337	2,303	35
Dividends attributable to shareholders	**1,016**	254	254	254	254	254	254	224	183	152
Consolidated Statement of Financial Position										
Fixed assets	**219,499**	180,363	145,311	130,696	125,390	111,256	8,665	5,326	4,011	3,886
Interest in associates/jointly controlled entities	**27,628**	24,210	13,064	13,427	9,651	1,319	32,012	26,562	24,528	20,488
Available-for-sale investments	**6,675**	10,676	4,885	2,279	7,622	7,088	2,187	1,488	1,167	753
Properties for sale	**60,909**	37,233	25,824	24,660	19,805	15,386	9,169	10,204	7,251	10,600
Bank deposits and cash	**42,668**	27,540	27,756	22,927	13,079	10,235	4,518	3,502	2,017	3,183
Other assets	**6,733**	6,214	7,966	4,217	3,578	3,743	1,627	1,673	1,905	3,092
Total assets	**364,112**	286,236	224,806	198,206	179,125	149,027	58,178	48,755	40,879	42,002
Bank loans/other borrowings	**(95,682)**	(65,682)	(46,634)	(45,623)	(34,991)	(25,806)	(7,205)	(8,023)	(8,132)	(11,981)
Other liabilities	**(33,236)**	(27,478)	(19,621)	(16,681)	(29,975)	(23,679)	(3,605)	(4,066)	(2,110)	(3,818)
Net assets	**235,194**	193,076	158,551	135,902	114,159	99,542	47,368	36,666	30,637	26,203
Share capital	**1,016**	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016
Reserves	**121,546**	99,356	75,882	64,092	55,635	48,246	40,000	30,419	25,528	21,774
Shareholders' equity	**122,562**	100,372	76,898	65,108	56,651	49,262	41,016	31,435	26,544	22,790
Non-controlling interests	**112,632**	92,704	81,653	70,794	57,508	50,280	6,352	5,231	4,093	3,413
Total equity	**235,194**	193,076	158,551	135,902	114,159	99,542	47,368	36,666	30,637	26,203
Net debt	**53,014**	38,142	18,878	22,696	21,912	15,571	2,687	4,521	6,115	8,798
Financial Data										
Per share data										
Earnings per share (HK$)										
– Core profit	**4.45**	2.26	1.83	1.67	1.70	1.48	1.63	1.72	1.13	0.02
– Before property revaluation surplus	**4.11**	2.45	2.17	1.12	1.65	1.48	1.63	1.72	1.13	0.02
– Attributable to equity shareholders	**11.25**	9.94	5.15	1.69	3.75	3.11	5.08	4.10	1.13	0.02
Net assets value per share (HK$)	**60.32**	49.40	37.85	32.04	27.88	24.25	20.19	15.47	13.06	11.22
Dividends per share (¢) (Note b)	**50.0**	12.5	12.5	12.5	12.5	12.5	12.5	11.0	9.0	7.5
Financial ratios										
Net debt to Shareholders' equity (%)	**43.3%**	38.0%	24.5%	34.9%	38.7%	31.6%	6.6%	14.4%	23.0%	38.6%
Net debt to total equity (%)	**22.5%**	19.8%	11.9%	16.7%	19.2%	15.6%	5.7%	12.3%	20.0%	33.6%
Return on Shareholders' equity (%) (Note c)	**20.5%**	22.8%	14.7%	5.6%	14.4%	14.0%	28.5%	28.8%	9.3%	0.14%
Dividend cover (Times) (Note d)										
– Core profit	**17.8**	18.0	14.6	13.3	13.6	11.8	13.0	15.6	12.6	0.2
– Before property revaluation surplus	**16.5**	19.6	17.4	9.0	13.2	11.8	13.0	15.6	12.6	0.2
– Attributable to equity shareholders	**45.0**	79.5	41.2	13.5	30.0	24.8	40.6	37.2	12.6	0.2
Interest cover (Times) (Note e)	**14.1**	19.8	24.6	10.0	10.5	8.8	8.3	15.6	10.4	3.5

Notes:

a) *Core profit excludes attributable net property revaluation surplus and mark-to-market changes on swaps, as well as other non-recurring items including revaluation of Hactl interest/tax write back in 2010 and profit on disposal of Beijing Capital Times Square/Fitfort in 2009.*

b) *2011 Dividends per share included special dividend of 25.0¢ per share.*

c) *Return on Shareholders' equity is based on profit attributable to Shareholders over average Shareholders' equity during the year.*

d) *Dividend cover is calculated excluding special dividend. Including special dividend, the 2011 dividend cover would be 8.9 times (core profit), 8.2 times (before property revaluation surplus) and 22.5 times (attributable to equity shareholders).*

e) *Interest cover is based on operating profit (before depreciation, amortisation, interest and tax) over finance costs (after capitalisation but before fair value cost/gain).*

f) *The Company changed its financial year end date from 31 March to 31 December at the end of 2007. Accordingly, the Company's financial year 2007 covered nine months ended 31 December 2007 but consoldiated the financial statement for Wharf for full calender year 2007.*

g) *The Company changed its accounting policy on consolidation as explained in note 2a to the 2007 financial statements. Figures for the year of 2005/06 and prior years have not been restated to reflect this change as it would involve delays and expenses out of proportion to the benefit to equity shareholders.*

h) *Certain figures have been reclassified or restated to comply with the prevailing HKFRSs.*

A Chinese version of this Annual Report is available from the Company upon request.
如有需要，可向本公司索取本年報之中文版本。

The Annual Report is printed on FSC™ certified paper. The FSC™ logo identifies products which contain wood from well-managed forests certified in accordance with the rules of the Forest Stewardship Council™.

MIX
Paper from responsible sources
FSC www.fsc.org
FSC™ C007445

www.wheelockcompany.com