WHEELOCK

WHEELOCK

Founded 1857

Wheelock and Company Limited | Annual Report 2012 | Stock Code: 20

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CORPORATE INFORMATION

Board of Directors

Peter K C Woo, GBM, 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)*

Non-executive Directors

Mignonne Cheng
Ricky K Y Wong

Independent Non-executive Directors

Tak Hay Chau, GBS
Herald L F Lau
Alan H Smith, JP*
Richard Y S Tang, BBS, JP
Kenneth W S Ting, SBS, JP*
Glenn S Yee*

** Members of the Audit Committee*

Secretary

Wilson W S Chan, FCIS

Registrars

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Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

Auditors

KPMG, Certified Public Accountants

Wheelock House
Pedder Street, Hong Kong

CHAIRMAN'S STATEMENT

Shareholders Rewarded for Another Solid Year

Eurozone debt woes and a fragile recovery in the United States created market volatilities that slowed down macro-economic growth in global markets. On the other hand, the global overflow of liquidity chasing both protection and yield put immense pressure on asset values, particularly in the more robust economies in Asia. China, Hong Kong and Singapore face the brunt of this new paradigm.

Hong Kong's economy grew by a modest 1.4% in 2012, down from 5% in 2011. On the other hand, housing prices rose to a new high, caused by an imbalance in supply and demand. In an effort to stabilise the market, the government introduced several rounds of demand management measures as well as longer term measures to increase both private and public housing supply. These measures are expected to facilitate the development of a more stable and sustainable market.

In Singapore, the economy grew by 1.3% in 2012, down from 4.9% in 2011. Similarly, the government introduced several rounds of fiscal measures to cool the property market. Nevertheless, growing affluence and low unemployment rate continued to create a fundamental demand for quality properties.

In China, GDP growth rate also decelerated to 7.8% in 2012. The housing market stabilised in both price and volume. Cooling measures introduced at the beginning of the year led to a drop in transactions volume. In the course of the year, market sentiments picked up noticeably as a result of pent-up demand and monetary easing. The government's commitment to double the country's GDP by 2020 and to increase the service sectors' share of GDP from 42% to 47% within the five-year plan will further accelerate urbanisation, wealth creation and fuel a growing demand for quality urban living.

Business Performance

Wheelock Properties Limited ("WPL"), spearheading the Group's property development business in Hong Kong, delivered another solid performance in 2012. Property sales doubled to HK$6.9 billion. The total land bank in Hong Kong was replenished to 7.1 million square feet after expending HK$6.1 billion in acquisitions in the past 15 months for, through the addition of residential sites in Tseung Kwan O, Tuen Mun, Western District and Hong Kong Island East. These new select investments will strengthen WPL's residential sales pipeline in the next three to five years.

99% of 104 residential units at Lexington Hill in Western District were pre-sold in 2012 at an average price of HK$12,000 per square foot. Including the subsequent sale of a retail shop and 22 carparking spaces, total sales proceeds amounted to HK$1.28 billion.

85% of 66 residential units (and 51 carparking spaces) at Kadoorie Hill in Homantin were pre-sold since October 2012, at an average price of HK$18,000 per square foot. Total sales proceeds of HK$1.77 billion were generated.

Austin Station project, with a residential GFA of 1.3 million square feet, is due for completion in 2015. This is a substantial MTRC JV urban project well located in the heart of Kowloon West and adjacent to the future high speed railway terminus from the Mainland. The deal has an advantageous structure with attractive ROE opportunities. The development comprises two sites, pre-sales of site C as Phase 1 with 576 units is targeted to start in the second half of 2013.

On the office market front, WPL initiated an acquisition and redevelopment strategy over five years ago with the acquisition of a site on Heung Yip Road, Hong Kong Island, where One Island South is located in 2005. One Midtown in Tsuen Wan was another successful redevelopment story that anchored this business strategy. There has been a persistent trend of multinational companies moving away from traditional office districts seeking modern, elegant and well located new office clusters.

One Bay East, a commercial project started in 2011 in Kowloon East which is labelled CBD2 by the government is due for completion in 2015. In March 2013, the West Tower of this twin-office tower project with a 512,000 square feet GFA was sold to Manulife (International) Limited for HK$4.5 billion which will become the headquarter of their Hong Kong operation.

Besides One Bay East, WPL also acquired the Hung Luen Road site in 2011, a harbour front Hung Hom office site at the junction of Hung Luen Road and Kin Wan Street in Hung Hom, offering 590,000 square feet of GFA. This will be a twin-office tower project scheduled to come to the market in 2015.

Furthermore, Wharf T&T Square, the existing office complex of 596,200 square feet in Kowloon East or CBD2 has received redevelopment approval. This would come on stream in 2017 with additional GFA for sale.

WPL has assembled an interesting office portfolio with One Bay East and Wharf T&T Square, connected by an open park, both fronting the water. We also have the redevelopment approval to turn the nearby Kowloon Godown into a residential complex of 829,000 square feet which WPL has a de facto 52% interest. The three water front sites together under our development have a total combined GFA of 2.5 million square feet that span a 500-metre coastline in this promising CBD2 area. This formed an interesting land bank story in Kowloon East which is smaller but not dissimilar to Harbour City of Kowloon West. Government also has interesting plans for the water body in front of our lots and this land bank is linked to the brand new Kai Tak cruise terminal and the adjacent massive development of the entire old airport development scheme.

The Wharf (Holdings) Limited ("Wharf"), our major listed subsidiary, continued to deliver an exceptional performance with a record year in 2012. Revenue of investment properties and hotels reported a new record of HK$11 billion, with an operating profit of HK$8.6 billion. Harbour City and Times Square maintained a 9% share of total Hong Kong retail sales, despite 17% of the total retail space at Times Square having been withdrawn from the market for refurbishment.

Book value of Wharf's investment properties in Hong Kong and China doubled in three years to HK$232 billion at the end of 2012. The overall return for this portfolio in 2012 was HK$43 billion, of which HK$7 billion came from operations and HK$36 billion from capital appreciation. Measured against book value as at the start of 2012, this represents a 25% composite return for the year and substantial value creation for shareholders.

Wharf's net debt to total equity ratio was maintained at a healthy 21.7% despite the new long term investments in the new Ocean Terminal lease and in Greentown China Holdings Limited ("Greentown").

The China strategy progressed smoothly and started to bear fruit. RMB15 billion of property sales were contracted during 2012, an 18% increase over 2011. Total contribution from China properties increased to 30% of Wharf's core profit in 2012. Excluding its attributable share in Greentown, the Mainland land bank stood at 12.3 million square metres at year end, spanning across 15 cities. The commercial properties portfolio in Hong Kong and China will increase substantially upon the completion of all five International Finance Squares (IFSs) by 2016. The total combined area will reach 50 million square feet.

In Singapore, listed subsidiary Wheelock Properties (Singapore) Limited ("WPSL") acquired a residential site in Ang Mo Kio with a GFA of 0.7 million square feet for S$550 million in January 2013. By the end of 2012, Scotts Square apartments were 85% sold at an average price of S$4,000 per square foot while Orchard View was 100% sold at an average price of about S$2,845 per square foot.

Financial Results

Attributable profit increased by 18% to HK$26.9 billion.

Wharf reported a record profit (increasing by 55% to HK$47.3 billion) and is paying a record dividend (increasing by 56%). However, concentration of development completion by units other than Wharf, particularly in Singapore, was much higher in 2011 than in 2012.

In Singapore, WPSL reported a substantial decline in operating profit by HK$3.1 billion or 81%. Scotts Square had contributed HK$3.6 billion in 2011.

In Hong Kong, operating profit from development declined by HK$0.5 billion or 25%. One Island South had contributed HK$2.1 billion in 2011. In 2012, One Midtown contributed HK$1.3 billion.

Profit before investment property revaluation surplus increased by 4% to HK$8.7 billion.

Core profit, i.e. profit before net investment property revaluation surplus and exceptional items, decreased by 20% to HK$7.3 billion. 77% of that was attributable to Wharf, 16% to WPL and 7% to WPSL. Core earnings per share were HK$3.58.

Net asset value increased to HK$74.83 per share. Consolidated net debt of HK$73.2 billion represented a gearing ratio of 25.6%. Excluding non recourse debts of non-wholly owned subsidiaries, net debt was HK$20.4 billion (2011: HK$15.0 billion) resulting in a substantially lower stand alone gearing ratio of 17.7% as at 31 December 2012 for the Company.

In lieu of a final dividend, the Board has approved the payment of a second interim dividend of 60 cents per share and a special interim dividend of 25 cents per share. Total distribution for 2012 amounted to HK$1.10 per share, representing an increase of 120% over 2011. It also represented a distribution ratio of 31% of core profit, as against 11% in 2011.

Corporate Governance and Social Responsibility

The Group strives to maintain a very high standard of corporate governance by following established sound policies and risk management practices.

We spare no effort to foster the sustainability of the society and the environment. In 2012, the Group together with its subsidiaries supported close to 400 programmes of different forms.

Back in 1994, the Woo Wheelock Green Fund ("WWGF") was created in collaboration with the Environment and Conservation Fund to support environmental research and technology projects. In the past five years, WWGF supported 13 projects. Recently, a project commenced in 2009 that was aimed at developing an automatic switch-off system for idling automobile engines to achieve fuel saving and reduce emission was completed and is now being prepared for commercialisation. This green motivation, if widely adopted, will have positive impact on air quality and supplements the government's initiative to reduce road side emission.

In 2012, the Austin Station residential development achieved the BEAM Plus Gold Certification (Provisional Assessment).

Backed by the active support of our staff volunteers, the Group serves the community by supporting non-governmental organisations as well as initiating our own community programmes. Among these programmes, we are particularly pleased to see

Project *WeCan*, our flagship youth development programme, now making an impact to the lives of over 10,000 students of humble backgrounds in Hong Kong.

Outlook

Financial conditions have improved since the latter part of 2012. However, the global economic outlook remains challenging but is hopefully starting to stabilise. The Hong Kong and Singapore governments have both forecasted their GDP growth rates in a range of 1.5%–3.5% in 2013, reflecting the continuing cautious outlook.

An array of cooling measures imposed on the Hong Kong and Singapore property markets will curb speculation and develop a more sustainable market that will benefit WPL and WPSL respectively.

The Mainland's 7.8% GDP growth in 2012 still outpaced other major economies in the world. With sound economic fundamentals and increased efforts to shore up domestic demand, China is expected to maintain its growth momentum in 2013. The next phase of growth should continue to be underpinned by accelerating urbanisation, completion of the high-speed rail network and increasing domestic consumption. The continued wealth creation will generate growing demand for quality urban living and shopping environment, from which the Group's China businesses will benefit.

Over the years, the Company has been fully supportive of Wharf and its expansion plans. That includes investing a total of HK$9.6 billion to participate pro rata in Wharf's two rights issues in 2008 and 2011 as well as underwriting the remaining HK$9.5 billion. We are delighted that our participation has helped Wharf create significant shareholder value through a strengthening of its equity base, delivering record profits, and rewarding its shareholders with a robust increase in dividend distribution and a robust share price.

That, in turn, has allowed the Group to expand its Hong Kong development business through WPL and, at the same time, reward the Company's Shareholders with much higher dividends and share price advances.

In February 2012, Mr Stewart C K Leung accepted our invitation to become Vice Chairman of the Company and chairman of WPL. Mr Leung has extensive experience in property development, management and related businesses in Hong Kong. He serves as chairman of the Executive Committee of the Real Estate Developers Association of Hong Kong. Together with Mr Douglas C K Woo and Mr Ricky K Y Wong as managing directors of Wheelock Properties (Hong Kong) Limited, Mr Leung is a great addition to the Wheelock Properties team that drives our core business.

Mr Alexander S K Au, after having served as an Independent Non-executive Director for ten years, resigned from the Company's Board in 22 October 2012 to join the board of directors of Wharf. Furthermore, Mr Herald L F Lau, an Independent Non-executive Director of the Company since 2010, has decided to retire at the forthcoming Annual General Meeting and not stand for re-election. I take this opportunity to thank both Mr Au and Mr Lau for their invaluable support and guidance during their tenure.

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

Peter K C Woo
Chairman

27 March 2013

FINANCIAL HIGHLIGHTS

Results and Financial Position

	2012 HK$ Million	2011 HK$ Million	Change
Results			
Revenue	**33,124**	34,558	–4%
Operating profit	**15,570**	17,730	–12%
Core profit (Note 1)	**7,267**	9,038	–20%
Profit before property revaluation surplus	**8,734**	8,359	+4%
Profit attributable to equity shareholders	**26,935**	22,866	+18%
Total dividend for the year	**2,235**	1,016	+120%
Earnings per share			
Core profit	**HK$3.58**	HK$4.45	–20%
Before property revaluation surplus	**HK$4.30**	HK$4.11	+4%
Attributable to equity shareholders	**HK$13.26**	HK$11.25	+18%
Dividend per share			
First interim	**25.0¢**	4.0¢	+525%
Second interim	**60.0¢**	21.0¢	+186%
Special	**25.0¢**	25.0¢	—
Total for the year	**110.0¢**	50.0¢	+120%
Financial Position			
Total assets	**429,766**	364,112	+18%
Total business assets (Note 2)	**381,879**	312,277	+22%
Net debt	**73,241**	53,014	+38%
Share capital (Ordinary shares of HK$0.5 each)	**1,016**	1,016	—
Shareholders' equity	**152,041**	122,562	+24%
Total equity	**285,880**	235,194	+22%
Net asset value per share	**HK$74.83**	HK$60.32	+24%
Net debt to total equity	**25.6%**	22.5%	+3.1%pt

							Earnings per share			
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$	Core profit HK$	Before property revaluation surplus HK$	Attributable to equity shareholders HK$	Dividends per share ¢
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 3)	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
2012	**7,267**	**8,734**	**26,935**	**285,880**	**152,041**	**74.83**	**3.58**	**4.30**	**13.26**	**110.0**

Notes:

(1) Core profit excludes attributable net property revaluation surplus, mark-to-market changes on swaps and other financial assets and other non-recurring book accounting differences including the negative goodwill on acquisition of the interests in Greentown in 2012.

(2) Business assets exclude unallocated corporate assets mainly comprising financial investments, deferred tax assets and bank deposits and cash.

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

(4) Please refer to Ten-year Financial Summary on pages 146 to 147.

Group Profit and Assets Composition

	Profit attributabe to equity shareholders				Shareholders' equity			
	2012 HK$ Million	**%**	2011 HK$ Million	%	**2012 HK$ Million**	**%**	2011 HK$ Million	%
The Wharf (Holdings) Limited	**5,617**	**77**	4,053	45	**127,816**	**74**	102,425	74
Wheelock Properties (Singapore) Limited	**528**	**7**	2,457	27	**14,904**	**9**	13,131	10
Wheelock and other subsidiaries	**1,122**	**16**	2,528	28	**29,738**	**17**	22,065	16
	7,267	**100**	9,038	100	**172,458**	**100**	137,621	100
Exceptional items (Note 1)	**1,467**		(679)					
	8,734		8,359					
Investment property revaluation surplus	**18,201**		14,507					
Profit to shareholders	**26,935**		22,866					
Per share	**HK$13.26**		HK$11.25					
Corporate items (Note 2)					**(20,417)**		(15,059)	
Shareholders' equity					**152,041**		122,562	
Per share					**HK$74.83**		HK$60.32	

Notes:

(1) Exceptional items represent attributable mark-to-market changes on swaps and other financial assets and other non-recurring book accounting differences including the negative goodwill on acquisition of the interests in Greentown in 2012.

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

Business Review

Wheelock Properties Limited

("WPL", 100% owned)

Lexington Hill in Western District was launched for pre-sales in February 2012 and met with good demand. In total 103 out of 104 residential units were promptly sold at an average price of HK$12,000 per square foot. A retail shop and 22 carparking spaces were subsequently sold, with total sales proceeds amounting to HK$1.28 billion. Superstructure work is underway, with completion scheduled for 2014.

The pre-sales of Kadoorie Hill's 66 residential units were launched in October 2012. This development is located in Homantin's Prince Edward Road West. A total of 57 out of 66 units at an average price of HK$18,000 per square foot and 51 carparking spaces were sold for total proceeds of HK$1.77 billion. Completion is scheduled for 2013.

WPL sold the 37,000-square-foot retail mall and 155 carparking spaces in Bellagio, Sham Tseng in 2012 for HK$296 million.

Austin Station project, a prime residential development by a 50:50 joint venture with New World Development, is targeted for pre-sales in 2013, subject to the pre-sale consent application process. This development, with an attributable GFA of 641,000 square feet, is located on top of the Austin MTR station in Kowloon West and next to the future terminus for the Express Rail Link to the Mainland (targets to open in 2015). It also guards the main entrance to the West Kowloon Cultural District which is under development. Superstructure work is underway. Full completion is scheduled for 2015.

One Bay East, a commercial development in Kwun Tong's Hoi Bun Road overlooking the Victoria Harbour and the Kai Tak Cruise Terminal, is targeted for pre-sales in 2013, subject to the pre-sale consent application process. This development is located at the heart of the new CBD2 as part of the Energizing Kowloon East initiative by the government. It comprises two Grade A office buildings with a GFA of 1,025,000 square feet and easy access to the Ngau Tau Kok MTR station. The general building plan was approved in August 2012. Foundation work is underway. Full completion is scheduled for 2015.

The Hung Luen Road commercial development is progressing as planned. It comprises two Grade A office buildings and two low-rise retail buildings with a GFA of 590,000 square feet. It is located at the harbour side with a panoramic view of Victoria Harbour and has good accessibility to the future MTR Whampoa station (Kwun Tong Line Extension targets to open in 2015). The general building plan has been submitted for approval.

WPL replenished 1.04 million square feet of land bank in Hong Kong during 2012.

In January 2012, WPL acquired an 88,800-square-foot residential site in Tseung Kwan O for HK$1.86 billion. This development, with a GFA of 488,200 square feet, is in close proximity to the Tseung Kwan O MTR station to provide convenient connectivity. The general building plan was approved in November 2012. Foundation work is underway. Full completion is scheduled for 2016.

In October 2012, WPL successfully acquired ownership of the residential building in No. 92–98 High Street of Western District for HK$349 million. The redevelopment, with a GFA of 69,200 square feet, comprises 75 residential units. Vacant possession was delivered in December 2012. Demolition work is in progress.

In November 2012, WPL acquired a 6,300-square-foot residential and commercial redevelopment site in 171 Shau Kei Wan Road of Hong Kong Island East for HK$561 million. The new development, with a GFA of 57,800 square feet, is now being planned. Vacant possession is scheduled for 2014.

In December 2012, WPL won a tender for a 171,900-square-foot residential site in Tseung Kwan O for HK$1.97 billion. This development, with a GFA of 429,700 square feet, is located at the Tseung Kwan O Bay waterfront with a panoramic view of Victoria Harbour and in close proximity to the residential site acquired in January 2012. Design planning is underway.

Wheelock Properties (Singapore) Limited

("WPSL", 75.8% owned)

In accordance with Hong Kong Financial Reporting Standards, WPSL's profit contribution to the Group for 2012 was HK$396 million (2011: HK$3,855 million) due to lower properties completion.

Scotts Square, a prime residential development atop a retail complex, is located in the heart of the Orchard Road shopping belt. At the end of 2012, 93% of the retail space was leased (2011: 43%) with internationally celebrated brands including Hermès, Michael Kors, Anne Fontaine and On Pedder. The average monthly retail rental achieved was S$22 per square foot. Scotts Square apartments were 85% sold with an average price of S$4,000 per square foot at the end of 2012.

Wheelock Place, a prime commercial development on the Orchard Road, achieved an average occupancy of 99% for retail and office at the end of 2012. Lease renewal retention held up well at 78%. Marks & Spencer opened its flagship store in the second quarter of 2012.

Orchard View, a luxury residential development comprising 30 four-bedroom apartments with private lift lobbies, was 100% sold at the year end at an average price of S$2,845 per square foot.

Construction of Ardmore Three, a 36-storey freehold luxury residential development with 84 three-bedroom units at 1,800 square feet each along Ardmore Park, is underway.

In China, a high-end residential development in Hangzhou's Fuyang District with a GFA of 303,530 square metres is being developed. The project is 22 kilometres from the city centre, with residences commanding a nice mountain view. Full completion is scheduled for 2018.

The Wharf (Holdings) Limited

("Wharf", 51.4% owned)

Excluding investment property valuation surplus and exceptional items, Wharf's profit attributable to its shareholders for the year of 2012 increased by 37% to HK$11,040 million. Core earnings per share were HK$3.64 (2011: HK$2.70).

Including investment property valuation surplus and exceptional items, Wharf's profit attributable to shareholders amounted to HK$47,263 million (2011: HK$30,568 million). Basic earnings per share were HK$15.60 (2011: HK$10.22).

KOWLOON EAST

	GFA (SQ. FT.)	PROJECT NATURE
ONE BAY EAST	1,025,000	OFFICE
WHARF T&T SQUARE*	596,200	OFFICE
KOWLOON GODOWN*	829,000	RESIDENTIAL

* UNDER REDEVELOPMENT PLANNING

PROPOSED ENVIRONMENTALLY FRIENDLY LINKAGE SYSTEM

THE MAP IS SIMPLIFIED AND FOR REFERENCE ONLY


Manulife 宏利
ONE BAY EAST

Scotts Square
Scotts Road, Singapore

Wheelock Square
Nanjing Xi Road, Shanghai, China

Hong Kong Property Investment

Harbour City

Revenue increased by 13% to HK$7,508 million and operating profit by 13% to HK$5,757 million. Excluding the three hotels, Harbour City was valued at HK$125 billion at the end of 2012, representing 36% of Wharf's business assets.

Harbour City achieved a record year with retail sales growing by 13% to reach a record of HK$31 billion or HK$2,600 per square foot per month. Market share increased further to an unmatched 6.9% of total Hong Kong retail sales, demonstrating its continued leadership in the marketplace. Revenue from Harbour City's retail sector increased by 18% to HK$4,223 million in 2012. Occupancy was maintained at virtually 100% at the end of 2012.

Office occupancy at Harbour City climbed to 97% at the year end. Revenue increased by 6% to HK$1,710 million on the back of positive rental reversion. Revenue from the serviced apartments increased by 3% to HK$310 million with occupancy at 85% at the year end.

Times Square

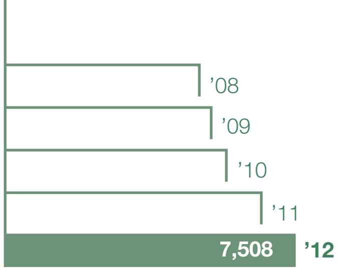
Revenue increased by 10% to HK$1,908 million and operating profit by 10% to HK$1,678 million. Times Square was valued at HK$44 billion at the end of 2012, representing 13% of Wharf's business assets.

Times Square remains the most successful vertical shopping mall in Hong Kong. Retail sales grew by 1.5% during 2012 despite 17% of total retail space being withdrawn from the market for refurbishment. Retail revenue increased by 7% to HK$1,352 million with occupancy maintained at virtually 100% at the end of 2012. The cinema relocation refurbishment is progressing as planned. The new retail shops at the ground and lower floors, as well as the new cinema on 12th and 13th floors are scheduled to open in the second half of 2013.

Revenue from the office sector grew by 17% to HK$556 million, with occupancy increased to 98% by the year end.

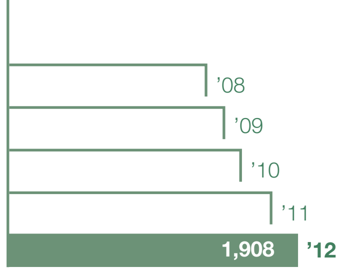
Harbour City

Revenue (HK$ Million)



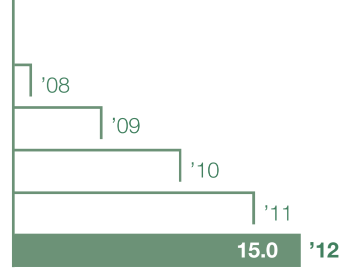
Times Square

Revenue (HK$ Million)



China Property Development

Sales (RMB Billion)



Plaza Hollywood

Revenue increased by 11% to HK$420 million and operating profit by 10% to HK$307 million. Retail sales grew by 15% during 2012, riding on the success in brand repositioning and tenant-mix refinement. Plaza Hollywood was valued at HK$8 billion at the end of 2012.

China Property Investment

Revenue increased by 26% to HK$1,005 million and operating profit by 29% to HK$634 million, on account of considerably higher contribution from Shanghai Wheelock Square and Chongqing Times Square. The investment properties in China were valued at HK$16 billion at the end of 2012.

92% of the office space at Shanghai Wheelock Square was committed by the year end. Average spot rent achieved in 2012 was RMB430 per square metre per month, with the highest headline rent at RMB476 per square metre per month, among the highest office rental rates in Shanghai.

Dalian Times Square retail mall's occupancy stood at 100% at the year end. The tenant mix was further refined with the introduction of Bottega Veneta, Chanel, Sportmax, Tod's and Versace. The gross rental yield on cost soared to 59% in 2012, with only four years of operation.

Chongqing Times Square retail mall's occupancy stood high at 94% at the year end, after the re-opening in July 2011. More young fashion and accessories brands were recruited to enrich the overall product offerings. The gross rental yield on cost was maintained at 22% in 2012.

Wharf is developing a series of International Finance Squares in the cities of Chengdu, Wuxi, Chongqing, Suzhou and Changsha. Upon their completion between 2013 and 2016, Wharf's commercial properties and retail area in Hong Kong and China will multiply.

The first phase of the Chengdu IFS, including a 200,000-square-metre mega-sized retail mall and a Grade A office tower, is scheduled for completion in the second half of 2013. Retail pre-leasing has been encouraging, with 80% of the retail space leased at the year end. Rental rates contracted were above budget. The retail mall is scheduled to open by the first quarter of 2014. Full completion is scheduled for the second half of 2014.

China Property Development

Property completion accelerated in 2012 with 758,000 square metres completed and recognised. Completion from subsidiary projects generated a revenue of HK$9,573 million, 51% higher than 2011. Operating profit grew by 57% to HK$3,562 million. Profit recognised during the year included significant contributions from Shanghai Xiyuan, Chengdu Tian Fu Times Square, Suzhou Ambassador Villa and Wuxi Times City.

Seven new projects were launched for pre-sales during 2012. Together with projects previously launched, Wharf has 30 projects on sale across 12 cities in China.

A total of 1.3 million square metres of properties were sold during the year to generate attributable sales proceeds of RMB15 billion, 18% higher than 2011. The net order book (net of business tax) increased to RMB15.7 billion for 1,448,000 square metres at the end of 2012.

The Eastern China region posted a 21% growth in contracted sales over 2011. The largest contributors were Suzhou Times City with RMB2.2 billion sales proceeds generated, followed by Wuxi Times City and Changzhou Times Palace. Palazzo Pitti and Junting in Hangzhou were launched in December 2012 for proceeds of RMB340 million.

The Western China region reported a 21% growth in contracted sales over 2011. The largest contributors were Chengdu Tian Fu Times Square and Chengdu Crystal Park with RMB1.5 billion and RMB1.1 billion sales proceeds generated respectively. International Community in Chongqing sold further units for attributed proceeds of RMB662 million. The Sirius of Chengdu International Commerce Centre and Times Town of Shuangliu Development Area were launched for pre-sales in April and December 2012.

The Southern China region registered a 41% growth in contracted sales over 2011. The first phase of Evian Riviera and Evian Buena Vista in Foshan and Donghui City in Guangzhou were launched for pre-sales during 2012, generating attributed proceeds of RMB847 million. Evian Town and Evian Uptown sold further units for sales proceeds of RMB1.2 billion on an attributable basis.

In Tianjin, Peaceland Cove pre-sold further units for attributed proceeds of RMB1.1 billion. The Magnificent has met with a favourable response.

In 2012, Wharf acquired six property development sites in the cities of Beijing, Changzhou, Chengdu, Dalian and Shanghai with an attributable GFA of 0.84 million square metres for RMB4.8 billion.

In March 2013, a residential project in Shanghai Pudong District with a GFA of 97,900 square metres was added at RMB1.3 billion. The development is surrounded by three rivers and in close proximity to MTR line 16 station to be completed in 2014.

Total land bank in China was maintained at 12.3 million square metres at the end of 2012, spanning across 15 cities.

All projects under development are progressing in accordance with plan.

Hong Kong Property Development

One Midtown in Tsuen Wan was completed in June 2012. This enabled HK$2.6 billion of revenue and HK$1.3 billion of operating profit recognised during the year.

Wharf sold Delta House in 2012, the 349,000-square-foot commercial development in Shatin, for HK$1.3 billion.

The master layout plan for the Mount Nicholson has been approved. This 50:50 joint venture development with Nan Fung group offers an attributable GFA of 162,000 square feet on the Peak and a panoramic view of Victoria Harbour. Construction work is underway.

Redevelopment of the Peak portfolio including No. 1 & No. 11 Plantation Road and 77 Peak Road is progressing as planned.

The redevelopment plan of Kowloon Godown in Kowloon Bay into a residential and commercial development with a GFA of 829,000 square feet has been approved. Lease modification is underway.

Yau Tong Godown's redevelopment plan into a residential and commercial development with a GFA of 256,000 square feet has been approved. Foundation work is underway.

The master layout plan for the Yau Tong Bay joint venture project, in which Wharf has approximately a 15% interest, was approved by the Town Planning Board in February 2013.

The redevelopment plan of Wharf T&T Square into a high-rise Grade A commercial building with a GFA of 596,200 square feet has been approved. The premium for the lease modification has been settled.

Other Businesses

Marco Polo Hotels

Marco Polo operates 13 owned or managed hotels in the Asia Pacific region. The Marco Polo Lingnan Tiandi in Foshan and Marco Polo Suzhou were added in 2012. A pipeline of 10 new hotels is being rolled out in the Mainland, the Philippines and Thailand in the next five years to significantly strengthen Marco Polo's network.

Revenue from the Marco Polo hotels and club grew by 9% to HK$1,391 million in 2012. Operating profit increased by 5% to HK$391 million.

All Marco Polo hotels performed strongly during 2012. Consolidated occupancy of the three Marco Polo hotels in Hong Kong reached 85%, with an increase of 8% in average room rates.

Modern Terminals

(a 68%-owned subsidiary of Wharf)

Modern Terminals' consolidated revenue decreased by 13% to HK$2,969 million mainly due to a one-off income recovery in 2011. Excluding this one-off impact, consolidated revenue decreased by 6.3%. Consolidated operating profit decreased by 26% to HK$1,142 million. Throughput in Hong Kong dropped 9% to 4.8 million TEUs. In the Mainland, throughput at Taicang International Gateway in Suzhou grew by 1% to 1.5 million TEUs, while Da Chan Bay Terminal One in Shenzhen handled 572,000 TEUs during the year.

i-CABLE

(a 74%-owned subsidiary of Wharf)

Revenue increased by 1% to HK$2,127 million with a net loss at HK$278 million (2011: loss of HK$179 million). A healthy financial position was maintained with net cash of HK$188 million. Competitive pressure remained high during the year while higher programming costs were incurred due to the London Olympics and European football leagues.

Wharf T&T

Revenue rose by 4% to HK$1,826 million and operating profit by 9% to HK$250 million, another record revenue and profit for the second year in a row. Net cash inflow position started to recover as the investment on +EN rollout for the business market passed its peak.

Financial Review

(I) Review of 2012 Results

The Group continued to deliver solid financial results with its profit attributable to equity shareholders increased by 18% to HK$26,935 million and profit before property revaluation surplus increased by 4% to HK$8,734 million. The favourable results were mainly attributable to the remarkable performance of Wharf's property development segment and its persistent rental revenue growth, added by a one-off profit recognised from the acquisition of an associate, Greentown China Holdings Limited ("Greentown"), and the increase in property revaluation surplus. However, in the absence of the better property sale recognised on completion of One Island South and Scotts Square in 2011, core profit decreased year-on-year by 20% to HK$7,267 million.

Revenue and Operating Profit

Group revenue decreased by 4% to HK$33,124 million (2011: HK$34,558 million) due to lower property sales recognised, which was partly mitigated by the strong recurrent rental growth.

Group operating profit decreased by 12% to HK$15,570 million (2011: HK$17,730 million), of which HK$14,170 million (2011: HK$11,388 million) was contributed by Wharf, HK$734 million (2011: HK$3,880 million) by WPSL, and HK$666 million (2011: HK$2,462 million) by Wheelock and its other subsidiaries.

Property Investment

Revenue and operating profit both increased by 13% to HK$12,004 million (2011: HK$10,670 million) and HK$9,122 million (2011: HK$8,108 million) respectively, attributable to higher retail rental income through better sales performance achieved by retail tenants and the continuous positive rental reversions for office areas. Revenue from the Mainland increased by 26% to HK$1,005 million (2011: HK$796 million), mainly due to the escalating revenue generated by Shanghai Wheelock Square and the renovated Chongqing Times Square. Hotels recorded increase in revenue through improved room rates with occupancy remained at high level despite rooms renovation interruption for the Gateway Hotel.

Property Development

Revenue and operating profit decreased by 17% and 32% to HK$13,370 million (2011: HK$16,021 million) and HK$5,458 million (2011: HK$8,058 million) respectively, due to lower sales recognised on completion as compared to 2011. In 2011, One Island South and Scotts Square were completed, enabling the recognition of revenue and operating profit of HK$9.4 billion and HK$5.7 billion respectively.

In Hong Kong, recognised property sales and operating profit amounted to HK$3,019 million (2011: HK$3,403 million) and HK$1,536 million (2011: HK$2,101 million) respectively, mainly generated from One Midtown and Bellagio Mall. During the year, One Midtown was completed and contributed revenue of HK$2,634 million and operating profit of HK$1,307 million.

In Singapore, recognised property sales and operating profit amounted to HK$778 million (2011: HK$6,275 million) and HK$360 million (2011: HK$3,683 million) respectively, mainly generated from sales of the remaining Scotts Square and Orchard View units.

In the Mainland, recognised property sales and operating profit amounted to HK$9,573 million (2011: HK$6,343 million) and HK$3,562 million (2011: HK$2,274 million) respectively, mainly derived from Chengdu Tian Fu Times Square, Shanghai Xiyuan and Wuxi Times City.

During the year, inclusive of joint ventures and associates (other than Greentown) on an attributable basis, the Group's contracted property sales increased to HK$26.2 billion (2011: HK$19.9 billion), increasing its net order book to HK$22.5 billion by year end 2012 (December 2011: HK$17.2 billion), of which about 86% is in the Mainland and the balance is in Hong Kong pending recognition on completion.

Logistics

Revenue and operating profit decreased by 13% and 26% to HK$3,070 million (2011: HK$3,520 million) and HK$1,161 million (2011: HK$1,563 million) respectively, mainly due to the slowdown in global trade growth.

Communications, Media and Entertainment ("CME")

Revenue increased by 2% to HK$3,953 million (2011: HK$3,863 million) but an operating loss of HK$22 million (2011: profit of HK$45 million) was reported. Wharf T&T's operating profit increased by 9% to HK$250 million (2011: HK$230 million) while i-CABLE's operating loss widened to HK$271 million (2011: loss of HK$186 million).

Investment and Others

Investment and other operating profit amounted to HK$456 million (2011: HK$525 million), comprising largely 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 2012 increased to HK$250.7 billion (2011: HK$200.5 billion), with HK$228.4 billion thereof stated at fair value based on an independent valuation as at that date. That resulted in a revaluation surplus of HK$35,924 million (2011: HK$27,651 million). The attributable net revaluation surplus of HK$18,201 million (2011: HK$14,507 million), after deducting related deferred tax and non-controlling interests in total of HK$17,723 million (2011: HK$13,144 million), was credited to the consolidated income statement.

Investment properties in the amount of HK$22.3 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$3,116 million (2011: HK$629 million), mainly including the book accounting gain of HK$2,233 million arising from Wharf's acquisition of a 24.6% equity interest in Greentown as detailed in note 3(a) to the financial statements, profit on disposal of available-for-sale investments of HK$492 million (2011: HK$184 million) and net exchange gain of HK$274 million (2011: HK$417 million).

Finance Costs

Finance costs charged to the consolidated income statement were HK$1,162 million (2011: HK$2,747 million), which included an unrealised mark-to-market gain of HK$573 million (2011: loss of HK$1,387 million) on cross currency/interest rate swaps as measured in compliance with the prevailing accounting standards. Net of non-controlling interests, the attributable gain is HK$301 million (2011: attributable loss of HK$679 million).

Excluding the unrealised mark-to-market gain, finance costs were HK$2,757 million (2011: HK$1,870 million) before capitalisation of HK$1,022 million (2011: HK$510 million), and HK$1,735 million (2011: HK$1,360 million) after capitalisation. The increase in finance costs was mainly due to increase in gross borrowings and rise in effective borrowing rates. The Group's effective borrowing rate for the year was 2.8% (2011: 2.1%) per annum.

Share of Results after Tax of Associates and Jointly Controlled Entities

Share of profits of associates increased by 96% to HK$1,621 million (2011: HK$825 million), mainly due to increase in profit contributions from property development projects in the Mainland, including an attributable profit of HK$893 million from the 24.6% equity interest in Greentown acquired during the year.

Share of profits of jointly controlled entities ("JCEs") increased by HK$600 million to HK$634 million (2011: HK$34 million), reflecting the increased profit contributions from property development projects in the Mainland which began to bear fruit.

Income Tax

Taxation charge was HK$4,347 million (2011: HK$4,338 million), which included deferred taxation of HK$1,087 million (2011: HK$901 million) provided for the revaluation surplus of investment properties located in the Mainland.

Excluding the above deferred tax, the tax charge was HK$3,260 million (2011: HK$3,437 million), mainly due to a decrease in profit recognised by Property Development segment.

Non-controlling Interests

Profit attributable to non-controlling interests increased by HK$7,503 million to HK$24,421 million (2011: HK$16,918 million), which was mainly attributable to profit of Wharf and WPSL.

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders increased by 18% to HK$26,935 million (2011: HK$22,866 million). Earnings per share were HK$13.26 (2011: HK$11.25).

Excluding the net investment property surplus of HK$18,201 million (2011: HK$14,507 million), Group profit attributable to equity shareholders increased by 4% to HK$8,734 million (2011: HK$8,359 million).

Further stripping out the exceptional attributable book accounting gain arising from acquisition of equity interests in Greentown of HK$1,133 million (2011: HK$ Nil) and the attributable mark-to-market gains totalling HK$334 million (2011: losses of HK$679 million) on swaps and other financial assets, core profit decreased by 20% to HK$7,267 million (2011: HK$9,038 million). Core earnings per share were HK$3.58 (2011: HK$4.45).

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

Profit attributable to	2012 HK$ Million	2011 HK$ Million
Wharf group	5,617	4,053
WPSL group	528	2,457
Wheelock and other subsidiaries	1,122	2,528
Core profit	7,267	9,038
Attributable book accounting gain arising from acquisition of equity interests in Greentown	1,133	—
Attributable mark-to-market gains/(losses) on swaps and other financial assets	334	(679)
Profit before investment property surplus	8,734	8,359
Investment property surplus (after deferred tax)	18,201	14,507
Profit attributable to equity shareholders	26,935	22,866

Wharf's profit for the year ended 31 December 2012 increased by 55% to HK$47,263 million (2011: HK$30,568 million). Excluding the net investment property surplus, Wharf's profit was HK$13,927 million (2011: HK$6,727 million). Before the investment property surplus and the abovementioned exceptionals, Wharf's core profit increased by 37% to HK$11,040 million (2011: HK$8,083 million).

WPSL's reported profit for the year ended 31 December 2012 was S$63.3 million (2011: S$291.2 million) according to the accounting standards adopted in Singapore. In accordance with Hong Kong Financial Reporting Standards, WPSL's contributed profit to the Group was HK$396 million (2011: HK$3,855 million).

(II) Liquidity, Financial Resources and Capital Commitments

Shareholders' and Total Equity

The Group's Shareholders' equity increased by 24% to HK$152.0 billion (2011: HK$122.6 billion), or HK$74.83 per share (2011: HK$60.32 per share) as at 31 December 2012.

Including the non-controlling interests, the Group's total equity increased by 22% to HK$285.9 billion (2011: HK$235.2 billion).

Total Assets

The Group's total assets increased by 18% to HK$429.8 billion (2011: HK$364.1 billion). Total business assets, excluding bank deposits and cash, certain financial investments, deferred tax assets and other derivative financial assets, increased by 22% to HK$381.9 billion (2011: HK$312.3 billion).

The Group's Investment Property portfolio was HK$250.7 billion, representing 66% of total business assets. Together, Harbour City (excluding the three hotels) and Times Square in Hong Kong were valued at HK$169.0 billion, representing 67% of the value of the portfolio.

Other major business assets included fixed assets of HK$19.9 billion, interest in JCEs and associates (mainly for the Mainland property development and port projects) of HK$37.3 billion and properties under development and held for sale of HK$65.0 billion.

Geographically, the Group's business assets in the Mainland, mainly properties and terminals, increased to HK$134.6 billion (2011: HK$111.0 billion), representing 35% of the Group's total business assets.

Debt and Gearing

The Group's net debt increased by HK$20.2 billion to HK$73.2 billion (2011: HK$53.0 billion) as at 31 December 2012, which was made up of HK$103.2 billion in debt and HK$30.0 billion in bank deposits and cash. Excluding Wharf's net debt of HK$55.6 billion, which is non-recourse to the Company and its other subsidiaries, and WPSL's net cash of HK$2.8 billion, Wheelock's net debt was HK$20.4 billion (2011: HK$15.0 billion). Analysis of the net debt by group is as below:

Net debt/(cash)	**2012 HK$ Million**	2011 HK$ Million
Wharf (excludes the subsidiaries below)	**49,201**	35,348
Modern Terminals	**11,193**	11,155
Harbour Centre Development Ltd.	**(4,581)**	(2,700)
i-CABLE	**(188)**	(338)
Wharf group	**55,625**	43,465
WPSL group	**(2,801)**	(5,510)
Wheelock and other subsidiaries	**20,417**	15,059
Group	**73,241**	53,014

The ratio of net debt to total equity was 25.6% (2011: 22.5%) as at 31 December 2012.

Finance and Availability of Facilities

The Group's available loan facilities and issued debt securities amounting to HK$127.9 billion (2011: HK$115.0 billion), of which HK$103.2 billion were drawn, as at 31 December 2012 are analysed as below:

	Available Facilities HK$ Billion	Total Debt HK$ Billion	Undrawn Facilities HK$ Billion
Wharf (excludes the subsidiaries below)	71.9	58.8	13.1
Modern Terminals	13.7	12.3	1.4
Harbour Centre Development Ltd.	6.1	3.2	2.9
i-CABLE	0.5	0.1	0.4
Wharf group	92.2	74.4	17.8
WPSL group	2.4	1.7	0.7
Wheelock and other subsidiaries	33.3	27.1	6.2
Group	**127.9**	**103.2**	**24.7**

Of the above debt, HK$19.4 billion (2011: HK$26.8 billion) was secured by mortgages over certain properties under development and fixed assets with total carrying value of HK$31.7 billion (2011: HK$64.5 billion).

The Group's debt was primarily denominated in Hong Kong dollars ("HKD"), United States dollars, 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 is strictly monitored and controlled. The majority of the derivative financial instruments entered into by the Group were primarily used for management of the Group's interest rate and foreign currency exposures.

The Group 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 2012 of HK$14.8 billion (2011: HK$7.1 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 was HK$16.2 billion (2011: HK$18.6 billion). The changes in working capital resulted in a net cash outflow of HK$0.2 billion (2011: HK$18.9 billion). For investing activities, the Group reported a net cash outflow of HK$28.3 billion (2011: HK$15.3 billion), mainly for additions to investment properties of HK$15.0 billion, including the premium payment for the lease renewal of Ocean Terminal of HK$7.9 billion and land and construction costs for Chengdu IFS, investments in associates and JCEs involved in property development projects mainly in the Mainland of HK$5.9 billion (including the acquisition of a 24.6% equity interest in Greentown of HK$2.7 billion) and net purchase of financial investments and other financial assets of HK$6.3 billion (including the subscription for perpetual subordinated convertible securities of Greentown of HK$2.6 billion).

Major Capital and Development Expenditure and Commitments

The Group's major capital and development expenditure incurred in 2012 and related commitments to planned expenditure as at 31 December 2012 is analysed as follows:

(A) Major capital and development expenditure

	Hong Kong/ Singapore HK$ Million	Mainland China HK$ Million	Total HK$ Million
Property investment			
Wharf group	8,884	5,860	14,744
WPSL group	69	—	69
Wheelock and other subsidiaries	232	—	232
	9,185	5,860	15,045
Development properties			
Wharf group	787	13,321	14,108
WPSL group	205	972	1,177
Wheelock and other subsidiaries	2,696	43	2,739
	3,688	14,336	18,024
Properties total	12,873	20,196	33,069
Non-properties			
Wharf group			
Modern Terminals	175	436	611
Wharf T&T	504	2	506
i-CABLE	207	2	209
Others	5	—	5
	891	440	1,331
Group total	**13,764**	**20,636**	**34,400**

(i) Property investment expenditure incurred during the year mainly included Wharf's lease renewal premium of HK$7.9 billion paid for Ocean Terminal and land and construction cost for Chengdu IFS.

(ii) The Group also incurred HK$18.0 billion for investment in development properties mainly related to Mainland projects, including HK$4.6 billion cash contribution to JCEs and associates and HK$2.7 billion for the acquisition of a 24.6% equity interest in Greentown by Wharf.

(iii) For Modern Terminals, the capital expenditure was mainly for additions to other fixed assets and the construction of the Da Chan Bay port project in the Mainland while those for Wharf T&T and i-CABLE were incurred substantially for procurement of production and broadcasting equipment, network rollout and internet service equipment.

(B) Commitments to capital and development expenditure

As at 31 December 2012, the Group's major commitments to capital and development expenditure that is expected to be incurred in the forthcoming years was estimated at HK$102.3 billion, of which HK$30.1 billion was authorised and contracted for. By segment, the commitments are analysed as below:

	As at 31 December 2012		
	Authorised and contracted for HK$ Million	Authorised but not contracted for HK$ Million	Total HK$ Million
Property investment			
Hong Kong/Singapore			
Wharf group	1,132	824	1,956
WPSL group	11	—	11
Wheelock and other subsidiaries	2	—	2
	1,145	824	1,969
Mainland China			
Wharf group	7,197	20,031	27,228
	8,342	20,855	29,197
Development properties			
Hong Kong/Singapore			
Wharf group	164	638	802
WPSL group	396	—	396
Wheelock and other subsidiaries	5,476	5,916	11,392
	6,036	6,554	12,590
Mainland China			
Wharf group	15,383	41,133	56,516
WPSL group	22	2,543	2,565
Wheelock and other subsidiaries	107	289	396
	15,512	43,965	59,477
	21,548	50,519	72,067
Non-properties			
Wharf group			
Modern Terminals	30	420	450
Wharf T&T	119	289	408
i-CABLE	23	128	151
	172	837	1,009
Group total	**30,062**	**72,211**	**102,273**

Properties commitments are mainly for land and construction costs, inclusive of attributable commitments to joint ventures, to be incurred in stages in the forthcoming years. Attributable committed land costs of HK$8.5 billion are payable in 2013.

The above commitments and planned expenditure will be funded by the respective groups' own internal financial resources including surplus cash, cash flows 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) Human Resources

The Group had approximately 15,900 employees as at 31 December 2012, including about 2,800 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay trends with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective group's achievement and results.

(IV) Business Model

Wheelock is a property company with focus on Hong Kong, China and Singapore. The Group's prized portfolio of investment properties has a book value of over HK$250 billion. Its attributable land bank exceeds 175 million square feet for development and 41 million square feet for investment.

The solid cash flow and asset backing from listed subsidiaries Wharf and WPSL provide the financial capacity for wholly-owned subsidiary WPL to focus on the core business of development properties in Hong Kong. The Hong Kong land bank currently under management exceeds seven million square feet. It includes one of the largest collections of top end Peak residential properties and a significant share, both commercial and residential, in Government's "energized" Kowloon East, labelled CBD2.

In 2012, contracted Hong Kong sales totalled HK$7 billion for 1.1 million square feet. The target for 2013 is HK$10 billion with key projects Austin Station (a luxury residential development in Kowloon West) and One Bay East (a prime office development in Kowloon East).

Wharf is Wheelock's core investment in the form of a listed company focuses on prime investment properties in Hong Kong and the Mainland and owns one of the world's most prized portfolios, with a book value of HK$232 billion as at the end of 2012. It includes Harbour City and Times Square, which house the two most successful shopping malls in Hong Kong that together account for 9% of total Hong Kong retail sales. Wharf is also one of the most active Hong Kong developers in the Mainland. Inclusive of associated company Greentown, its attributable land bank comprises 18 million square metres across more than 40 cities. 2012 contracted sales totalled RMB15 billion for 1.3 million square metres.

Development in Singapore is spearheaded by WPSL, renowned for luxury residences. The current land bank in Singapore is 0.9 million square feet, all residential. It also operates prime commercial properties on Orchard Road, the retail heart of the city.

(V) Business Strategy

For the Group's core business, Wheelock endeavours to continuously enhance its competitiveness and drive sustainable growth through:

1. Building and maintaining a diversified land bank with timely acquisitions and constant turning of assets;
2. Selective joint ventures for mega-size projects to achieve de-concentration;
3. Competence in selection and acquisition, planning and design, execution, sales and marketing;
4. Building organisation and focusing professional team efforts in building brand; and
5. Exercising prudent and disciplined financial management to ensure sustainability at all times.

(A) Corporate Governance Practices

During the first three-month period in the financial year under review, all the applicable code provisions in the Code on Corporate Governance Practices (which were effective during that three-month period), as set out in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") then in force, were met by the Company, with one exception as regards Code Provision A.2.1 (the "First Deviation") as explained under section (D) below.

During the remaining nine-month period in the financial year under review (i.e. 1 April to 31 December 2012), all the code provisions in the Corporate Governance Code (which is set out in the current version of Appendix 14 of the Listing Rules) were met by the Company, with the exception of three deviations, namely, (i) the First Deviation (as explained under section (D) below); (ii) Code Provision F.1.3 (the "Second Deviation") providing for the company secretary to report to the board chairman or the chief executive; and (iii) Code Provision A.6.7 (the "Third Deviation") (as explained under section (C)(I) below). Regarding the Second Deviation, the Company Secretary of the Company has for some years directly reported to, and continues to report to, the Deputy Chairman of the Company, which is considered appropriate and reasonable given the size of the Group. In the view of the Directors, this reporting arrangement would in no way adversely affect the efficient discharge by the Company Secretary of his job duties. The application of the relevant principles and the reasons for the First Deviation and Third Deviation from the Code Provisions are stated in the relevant sections below.

(B) Directors' Securities Transactions

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors of the Company who were in office during the financial year ended 31 December 2012, all of them have confirmed that they have complied with the required standard set out in the Model Code and the code of conduct adopted by the Company regarding directors' securities transactions during the financial year.

(C) Board of Directors

(I) Composition of the Board, Number of Board/General 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 and one general meeting were held during the financial year ended 31 December 2012. The composition of the Board and attendance of the Directors are set out below:

	Attendance/Number of Meeting(s)	
Directors	**Board Meetings**	**General Meeting**
Chairman		
Peter K C Woo	4/4	1/1
Deputy Chairman		
Stephen T H Ng	4/4	1/1
Vice Chairman		
Stewart C K Leung *(appointed effective from 1 February 2012)*	3/4	1/1
Executive Director & Group Chief Financial Officer		
Paul Y C Tsui	4/4	1/1
Non-executive Directors		
Mignonne Cheng *(appointed effective from 1 July 2012)*	2/2	N/A
Ricky K Y Wong	4/4	1/1
Independent Non-executive Directors		
Alexander S K Au *(resigned effective from 22 October 2012)*	2/3	1/1
B M Chang *(retired on 31 May 2012)*	1/2	0/1
Tak Hay Chau *(appointed effective from 22 October 2012)*	1/1	N/A
Herald L F Lau	3/4	1/1
Alan H Smith *(appointed effective from 1 July 2012)*	2/2	N/A
Richard Y S Tang *(appointed effective from 22 October 2012)*	1/1	N/A
Kenneth W S Ting	4/4	1/1
Glenn S Yee	2/4	0/1

Mr B M Chang and Mr Glenn S Yee were absent from the last Annual General Meeting of the Company held in May 2012 due to their being absent from Hong Kong on the date of the meeting. This is a deviation from Code Provision A.6.7 which provides that Independent Non-executive Directors ("INEDs") and other Non-executive Directors of the Company should, *inter alia*, attend general meetings.

Each Director of the Company has been appointed on the strength of his/her calibre, experience and stature, and his/her 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.

(III) Directors' Continuous Professional Development

The Company has arranged for Directors to attend training sessions which place emphasis on the roles, functions and duties of a listed company director. In addition to the training arranged by the Company, some of the Directors also received training organised by other companies and provided records thereof to the Company.

According to the records of training maintained by the Company Secretary, during the financial year under review, all the current Directors pursued continuous professional development and relevant details are set out below:

Directors	**Type of Training** *(See Remarks)*
Peter K C Woo	B
Stephen T H Ng	A, B
Stewart C K Leung	A, B
Paul Y C Tsui	A, B
Mignonne Cheng	B
Ricky K Y Wong	A, B
Tak Hay Chau	A, B
Herald L F Lau	A, B
Alan H Smith	A, B
Richard Y S Tang	A, B
Kenneth W S Ting	B
Glenn S Yee	A, B

Remarks:

A: attending seminars and/or conferences and/or forums

B: reading journals, updates, articles and/or materials, etc.

(D) Chairman and Chief Executive

Mr Peter K C Woo serves as the Chairman and also as the *de facto* chief executive of the Company. This is a deviation from Code Provision A.2.1 with respect to the roles of chairman and chief executive 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. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals, with half of them being INEDs.

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 also in his capacity as *de facto* chief executive, he directly has responsibilities in certain major business units of the Group.

(E) Non-Executive Directors

All those existing Directors of the Company who do not hold any executive office of the Company (including INEDs) 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 INEDs 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) Audit Committee

The Company has set up an Audit Committee ("AC") with all its Members appointed from the Company's INEDs.

All Members have sufficient experience in reviewing audited financial statements as aided by the auditors of the Group whenever required. In addition, Mr Alan H Smith has the appropriate professional qualifications and/or experience in financial matters.

Five AC meetings were held during the financial year ended 31 December 2012. Attendance of the AC members is set out below:

Members	Attendance/Number of Meetings
Kenneth W S Ting *(Chairman of AC from 22 October 2012 onwards)*	5/5
Alan H Smith *(Member of AC from 22 October 2012 onwards)*	1/1
Glenn S Yee *(Member of AC from 31 May 2012 onwards)*	2/2

(i) The terms of reference of the AC are aligned with the provisions set out in the Corporate Governance Code as recently revised which came into force from 1 April 2012 onwards (the "CG 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 AC:

(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 judgements 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) During the financial year ended 31 December 2012, a Whistleblowing Policy & Procedures of the Group was established and approved by the Company's AC, which has the delegated authority and responsibility, for employees and those who deal with the Group (e.g. customers and suppliers) to raise concerns, in confidence, with the Company Secretary, and any and all relevant complaints received may then be referred to the Deputy Chairman and Group Chief Financial Officer or the AC of the Company about possible improprieties in any matter related to the Group.

(iii) The other work performed by the AC for the financial year ended 31 December 2012 is summarised below:

(a) approval of the remuneration and the appointment and the 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 AC;

(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;

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

(h) approval of a Corporate Governance Policy and a Shareholders Communication Policy of the Company.

(II) Remuneration Committee

The Company has set up a Remuneration Committee ("RC") consisting of the Chairman and two INEDs of the Company.

One RC meeting was held during the financial year ended 31 December 2012. Attendance of the RC members is set out below:

Members	Attendance/Number of Meeting
Kenneth W S Ting *(Chairman of RC from 1 February 2012 onwards)*	1/1
Peter K C Woo	1/1
Alan H Smith *(Member of RC from 22 October 2012 onwards)*	N/A

(i) The terms of reference of the RC are aligned with the provisions set out in the CG 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 their 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, which has the delegated authority and responsibility, for the financial year ended 31 December 2012 is summarised below:

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

(b) consideration and approval of the emoluments for all Directors and Senior Management; and

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

The basis of determining the emoluments payable to its Directors and Senior Management by the Company is by reference to the level of emoluments normally paid by a listed company in Hong Kong to directors and senior executives of comparable calibre and job responsibilities so as to ensure a fair and competitive remuneration package as is fit and appropriate. The basis of determining the fee payable to the Chairman of the Company, currently at the rate of HK$80,000 per annum (proposed to be increased to HK$150,000 per annum with retroactive effect from 1 January 2013), the fee payable to each of the other Directors of the Company, currently at the rate of HK$70,000 per annum (proposed to be increased to HK$100,000 per annum with retroactive effect from 1 January 2013), and the fee payable to each of those Directors who are also Members of the AC of the Company, currently at the rate of HK$30,000 per annum (proposed to be increased to HK$50,000 per annum also with retroactive effect with 1 January 2013), is by reference to the level of fees of similar nature normally paid by a listed company in Hong Kong to its directors.

(III) Nomination Committee

The Company has set up a Nomination Committee ("NC") consisting of the Chairman and two INEDs of the Company.

One NC meeting was held during the financial year ended 31 December 2012. Attendance of the NC members is set out below:

Members	Attendance/Number of Meeting
Peter K C Woo *(Chairman of NC)*	1/1
Kenneth W S Ting	1/1
Alan H Smith *(Member of NC from 22 October 2012 onwards)*	N/A

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

(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 INEDs; 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.

(ii) The work performed by the NC for the financial year ended 31 December 2012 is summarised below:

(a) nomination of two candidates as additional Directors (both being INEDs) of the Company for the Board's approval; and

(b) nomination of two candidates, for the Board's approval, one for filling a vacancy on the Board occasioned by the resignation of an INED of the Company and the other as an additional INED of the Company.

(IV) Corporate Governance Functions

While the Board is and remains to be principally responsible for the corporate governance functions of the Company, it has delegated the relevant duties to the AC to ensure the proper performance of corporate governance functions of the Company. In this connection, the terms of reference of the AC include various duties relating to corporate governance matters which are set out in paragraph "*(D) Oversight of the Company's Corporate Governance Matters*" on page 35.

(G) Auditors' Remuneration

The fees in relation to the audit and other services for the financial year ended 31 December 2012 provided by KPMG, the external auditors of the Company, amounted to HK$26 million and HK$5 million respectively.

(H) Internal Control

The Directors are ultimately responsible for the internal control system of the Group and, through the AC, 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 AC. 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 Group's accounting and financial reporting function was conducted by the AC and subsequently reported to the Board during the financial year ended 31 December 2012. Based on the result of the review, in respect of the financial year ended 31 December 2012, 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 2012, 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 2012:

(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) Sending 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 –

(c) 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;

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

(e) 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

(f) 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 2012.

Principal Activities

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 130 to 133.

Results, Appropriations and Reserves

The results of the Group for the financial year ended 31 December 2012 are set out in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income on pages 57 and 58 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 28 to the Financial Statements on pages 62 and 105 to 106 respectively.

Dividends

A first interim dividend of 25 cents per share was paid in September 2012. In lieu of a final dividend, a second interim dividend of 60 cents per share will be paid. In addition, the Board has decided to pay a special interim dividend of 25 cents per share. Both dividends will be paid on 7 June 2013 to Shareholders on record as at 31 May 2013. Total distribution for the year 2012 will amount to HK$1.10 (2011: HK$0.50) per share.

Fixed Assets

Movements in fixed assets during the financial year are set out in Notes 9 and 10 to the Financial Statements on pages 76 and 78 respectively.

Donations

The Group made donations during the financial year totalling HK$27 million.

Directors

The Directors of the Company during the financial year were Mr Peter K C Woo, Mr Stephen T H Ng, Mr Stewart C K Leung (appointed with effect from 1 February 2012), Mr Paul Y C Tsui, Mr Alexander S K Au (resigned with effect from 22 October 2012), Mr B M Chang (retired on 31 May 2012), Mr Tak Hay Chau (appointed with effect from 22 October 2012), Mrs Mignonne Cheng (appointed with effect from 1 July 2012), Mr Herald L F Lau, Mr Alan H Smith (appointed with effect from 1 July 2012), Mr Richard Y S Tang (appointed with effect from 22 October 2012), Mr Kenneth W S Ting, Mr Ricky K Y Wong and Mr Glenn S Yee.

Mr Tak Hay Chau, Mrs Mignonne Cheng, Mr Alan H Smith and Mr Richard Y S Tang, who were appointed as Directors of the Company after the last Annual General Meeting, are due to retire from the Board in accordance with Article 94 of the Company's Articles of Association, and Messrs Stephen T H Ng and Herald L F Lau will also retire by rotation from the Board, at the forthcoming Annual General Meeting. Mr Herald Lau 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 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, 27 March 2013

SUPPLEMENTARY CORPORATE INFORMATION

(A) Biographical Details of Directors and Senior Managers Etc.

(I) Directors

Peter K C WOO, *GBM, GBS, JP, Chairman (Age: 66)*
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 The Wharf (Holdings) Limited ("Wharf"), a publicly-listed subsidiary of the Company, and 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. Furthermore, Mr Woo formerly served as the chairman and a director of Wheelock Properties (Singapore) Limited ("WPSL"), a subsidiary of the Company publicly-listed in Singapore, from May 2006 to March 2013. 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 Twelfth National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He was awarded the Grand Bauhinia Medal in June 2012 and the Gold Bauhinia Star in 1998 by the Government of Hong Kong Special Administrative Region ("HKSAR") and appointed a Justice of the Peace in 1993. 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 2013, calculated on an annualised basis, would be approximately HK$19.22 million (2012: HK$17.15 million) per annum.

Stephen T H NG, *Deputy Chairman (Age: 60)*
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") and of WPSL, all being publicly-listed subsidiaries of the Company. Furthermore, he is chairman of Modern Terminals Limited, and chairman and chief executive officer of Wharf T&T Limited, both of them being subsidiaries of the Company, as well as a director of certain other subsidiaries of the Company. Mr Ng is also the chairman of Joyce Boutique Holdings Limited ("Joyce") and a non-executive director of Greentown China Holdings Limited ("Greentown"), both being publicly-listed companies in Hong Kong.

Mr Ng attended Ripon College in Ripon, Wisconsin, USA and the University of Bonn, Germany, from 1971 to 1975, and graduated with a major in mathematics. He is a vice chairman of The Hong Kong General Chamber of Commerce ("HKGCC") and a council member of the Employers' Federation of Hong Kong. He was also a member of the Hong Kong Port Development Council until 31 December 2012. Under the existing service contract between the Group and Mr Ng, his basic salary and various allowances for the year 2013, calculated on an annualised basis, would be approximately HK$6.03 million (2012: HK$5.01 million) per annum.

Stewart C K LEUNG, *Vice Chairman (Age: 74)*
Mr Leung has been the 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 ("REDA"). Under the existing service contract between the Group and Mr Leung, his basic salary and various allowances for the year 2013, calculated on an annualised basis, would be approximately HK$5.40 million (2012: HK$5.40 million) per annum.

Paul Y C TSUI, *Executive Director & Group Chief Financial Officer (Age: 66)*
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. Mr Tsui is also a director of Joyce and a non-executive director of Greentown. Under the existing service contract between the Group and Mr Tsui, his basic salary and various allowances for the year 2013, calculated on annualised basis, would be approximately HK$3.62 million (2012: HK$3.23 million) per annum.

Tak Hay CHAU, *GBS, Director (Age: 70)*
Mr Chau has been an Independent Non-executive Director ("INED") of the Company since October 2012. He graduated from The University of Hong Kong in 1967. Mr Chau served in a number of principal official positions in the Hong Kong Government between 1988 and 2002, including Secretary for Commerce and Industry, Secretary for Broadcasting, Culture and Sport, and Secretary for Health and Welfare. Mr Chau was awarded the Gold Bauhinia Star by the Government of HKSAR in 2002. He is an INED of two companies publicly-listed in Hong Kong, namely, SJM Holdings Limited and Tradelink Electronic Commerce Limited.

Mignonne CHENG, *Director (Age: 66)*
Mrs Cheng has been a Non-executive Director of the Company since July 2012. Mrs Cheng, a seasoned banker, has amassed over 35 years of experience in the financial sector with over 25 years in senior management positions in corporate and commercial banking as well as investment banking. She joined BNP Paribas in 1990 and has held various senior positions in BNP Paribas group in the past 22 years. Mrs Cheng is currently the chairman and chief executive officer of BNP Paribas Wealth Management for Asia Pacific and a member of the executive committee of BNP Paribas Wealth Management, since the appointment in 2010.

Prior to joining BNP Paribas, Mrs Cheng was with Chase Manhattan Bank Hong Kong Branch for 18 years, where she took up various positions both on the control and on the operational sides. Mrs Cheng was a member of the Banking Advisory Committee chaired by The Honourable John Tsang, Financial Secretary of the Government of HKSAR, and has also served as a member of The Consultative Committee of the Basic Law of the HKSAR between 1985 and 1989 when the Basic Law was being drafted.

In October 2006, Mrs Cheng was granted the "Top 100 Outstanding Women in Greater China Award" by The Chinese Women Entrepreneurs Association. In October 2007, Mrs Cheng was decorated "Chevalier de l'Ordre National du Mérite", a French national award, and subsequently "Chevalier de l'Ordre de la Légion d'Honneur" in May 2012. In August 2011, Mrs Cheng was honored as Top 20 Women in Finance by FinanceAsia.

Herald L F LAU, *Director (Age: 72)*
Mr Lau, *FCA, FCPA*, has been an INED of the Company since 2010. Mr Lau has been practising 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 INED of publicly-listed Kerry Properties Limited. Mr Lau was formerly an INED of another publicly-listed company, namely, China World Trade Center Company Ltd. (Beijing) from December 2004 to December 2010, and was also a former INED of WPL from September 2004 to July 2010.

Alan H SMITH, *JP, Director (Age: 69)*
Mr Smith has been an INED of the Company since July 2012. He also serves as a member of the Company's Audit Committee, Nomination Committee and Remuneration Committee. He was the vice chairman, Pacific Region, of Credit Suisse First Boston ("CSFB"), a leading global investment bank from 1997 until he retired in December 2001. Prior to joining CSFB, he was chief executive of the Jardine Fleming group from 1983 to 1994 and was chairman of the Jardine Fleming group from 1994 to 1996. Mr Smith has over 27 years of investment banking experience in Asia. He was elected a council member of the Stock Exchange on two occasions. He was a member of the Economic Advisory Committee of the Government of HKSAR, and had for 10 years been a member of the Hong Kong Government's Standing Committee on Company Law Reform. He has been a trustee of the Hospital Authority Provident Fund Scheme since 2002.

Mr Smith graduated with an LLB (Honours) degree from Bristol University, England in 1964, and was admitted as a solicitor in England in 1967 and in Hong Kong in 1970. Mr Smith is also a director of Genting Hong Kong Limited, Kingway Brewery Holdings Limited and VXL Capital Limited, which are listed on the Stock Exchange; Noble Group Limited, which is listed on the Singapore Exchange Securities Trading Limited ("SGX").

During the last three years, Mr Smith was a director of Frasers Property (China) Limited, which is listed on the Stock Exchange until he resigned/retired from the office with effect from 13 January 2011; United International Securities Limited, which is listed on the SGX, during the period from April 1983 to April 2011; Castle Asia Alternative PCC Limited (formerly known as KGR Absolute Return PCC Limited), which was listed on the London Stock Exchange, during the period from October 2005 to April 2011; and Global Investment House (K.S.C.C.), which is listed on the Kuwait, Bahrain and London Stock Exchanges as well as the Dubai Financial Market during the period from September 2007 to 30 September 2012. Mr Smith also acts as a director of Asian Credit Hedge Fund Ltd. which had been listed on the Irish Stock Exchange but was voluntarily delisted in July 2012.

Richard Y S TANG, *BBS, JP, Director (Age: 60)*
Mr Tang, *BSc, MBA*, has been an INED of the Company since October 2012. He is an MBA graduate from the University of Santa Clara, California, USA and a holder of Bachelor of Science degree in Business Administration from Menlo College, California, USA. Mr Tang is currently the chairman and managing director of Richcom Company Limited, the vice chairman of publicly-listed King Fook Holdings Limited, an executive director of publicly-listed Miramar Hotel and Investment Company, Limited, an INED of publicly-listed Hang Seng Bank Limited, and a director of various private business enterprises. Furthermore, Mr Tang is also an advisor of Tang Shiu Kin and Ho Tim Charitable Fund.

Kenneth W S TING, *SBS, JP, Director (Age: 70)*
Mr Ting has been an INED of the Company since 2003. He also serves as a member and the chairman of the Company's Audit Committee and Remuneration Committee as well as a member of the Company's Nomination Committee. Mr Ting is also the chairman of publicly-listed Kader Holdings Company Limited and of Kader Industrial Company Limited. He was appointed as an INED of publicly-listed Cheuk Nang (Holdings) Limited in November 2012. 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 INED 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 HKGCC, the Hong Kong Polytechnic University Court and The Hong Kong University of Science and Technology Court. Furthermore, he is a member of the Jiangsu Provincial Committee of the Chinese People's Political Consultative Conference.

Ricky K Y WONG, *Director (Age: 48)*
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 HKGCC and a member of the Legal Sub-committee of REDA. 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 2013, calculated on an annualised basis, would be approximately HK$3.63 million (2012: HK$2.93 million) per annum.

Glenn S YEE, *Director (Age: 62)*

Mr Yee has been an INED of the Company since 2010. He also serves as a member of the Company's Audit Committee. Mr Yee is the founder, managing director and chairman of Pacific Can China Holdings Limited, which is one of the leading beverage can manufacturers in China. Mr Yee obtained a B.S. in Mechanical Engineering from Worcester Polytechinc Institute ("WPI") in Massachusetts, and an MBA degree from Columbia University in New York. He started his career in General Electric Company in New York and later on joined Continental Can Company in Stamford, Connecticut. Mr Yee held senior positions in Marketing and Finance areas and was promoted to be managing director of Continental Can Hong Kong Ltd. in 1988; he resigned in 1991 and subsequently started Pacific Can. He was formerly an INED of WPL from May 2003 to July 2010. Mr Yee is also a member of the Board of Trustees at WPI.

Note: The Company confirms that it has received written confirmation from each of the INEDs confirming their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), 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 2012, Directors of the Company had the following beneficial interests, all being long positions, in the securities of the Company, and of three subsidiaries of the Company, namely, Wharf, i-CABLE and Wheelock Finance Limited, and the percentages (where applicable) which the relevant securities represented to the issued share capitals of the four companies respectively are also set out below:

	Quantity held (percentage of issued capital, where applicable)		**Nature of Interest**
The Company — Ordinary Shares			
Peter K C Woo	1,220,417,330	(60.0644%)	Personal Interest in 8,847,510 shares, Corporate Interest in 216,348,142 shares and Other Interest in 995,221,678 shares
Stephen T H Ng	300,000	(0.0148%)	Personal Interest
Wharf — Ordinary Shares			
Stephen T H Ng	804,445	(0.0266%)	Personal Interest
Kenneth W S Ting	9,600	(0.0003%)	Personal Interest
i-CABLE — Ordinary Shares			
Stephen T H Ng	1,265,005	(0.0629%)	Personal Interest
Wheelock Finance Limited — HKD Guaranteed Notes due 2017			
Ricky K Y Wong		HK$5,000,000	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 Director concerned was taken to be interested as stated above were interests of corporations at respective general meetings of which the Director was either entitled to exercise (or taken under Part XV of the SFO to be able to exercise) or control the exercise of one-third or more of the voting power in general meetings of such corporations.

(3) The shareholding interests stated above as "Personal Interest" and "Corporate Interest" against the name of Mr Peter K C Woo totalling 225,195,652 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 held by Directors of the Company during the financial year ended 31 December 2012:

Name of Director	Date granted (Day/Month/Year)	No. of Wharf shares under option		Subscription price per share (HK$)	Period during which rights exercisable (Day/Month/Year)
		At 1 Jan 2012	**At 31 Dec 2012**		
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) The share options were/will be vested in five 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.

(2) No share option of Wharf held by Directors of the Company lapsed, or was exercised or cancelled during the financial year ended 31 December 2012, and no share option of Wharf was granted to any Director of the Company during the financial year ended 31 December 2012.

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 2012 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 and its associated corporations 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 2012, 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	223,540,652 (11.002%)
(ii) HSBC Trustee (Guernsey) Limited	1,095,300,362 (53.907%)

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 2012, 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 8 years (expiring on 8 June 2021)

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

No share option of the Company was held by or granted to any Directors of the Company 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 "Section (D)(I)" above) in all material respects but that for (i) and (ii) under "Section (D)(I)(c)" above, the relevant share number/ percentage for the Wharf's Scheme are 290,824,732 and 9.6% respectively.

Set out below are particulars and movement(s), if any, during the financial year under review 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 as at 1 January 2012**	**No. of shares represented by unexercised options as at 31 December 2012**	**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		

Note: Except as disclosed above, no share option of Wharf lapsed or was granted, exercised or cancelled during the financial year ended 31 December 2012.

(E) Retirement Benefits Schemes

The Group's principal retirement benefits schemes available to its employees in Hong Kong are defined contribution schemes (including the Mandatory Provident Fund) which are administered by independent trustees. Both the Group and the employees contribute respectively to the schemes sums which represent certain percentage of the employees' salaries. The contributions by the Group are expensed as incurred and may be reduced by contributions forfeited for those employees who have left the schemes prior to full vesting of the related contributions.

The employees of the Group's subsidiaries in PRC are members of the state-managed social insurance and housing funds operated by the Government of PRC. The PRC subsidiaries are required to contribute a certain percentage of payroll costs to the funds to fund the benefits. The only obligation of the Group with respect to the retirement benefits of PRC employees is to make the specified contributions.

(F) Major Customers & Suppliers

For the financial year ended 31 December 2012:

(a) the aggregate amount of purchases (not including the purchases of items which are of a capital nature) attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases; and

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

(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 2012 which are repayable on demand or within a period not exceeding one year or after one year are set out in Note 23 to the Financial Statements on pages 91 to 94.

(H) 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 2012.

(I) Disclosure of Connected Transactions

Set out below is information in relation to certain connected transactions involving the Company and/or its subsidiaries, particulars of which were previously disclosed in the announcements of the Company dated 30 December 2011, 15 February 2012 and 7 June 2012 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 between Wharf and WGL

During the financial year under review, there existed various tenancy agreements 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 Wisdom Gateway Limited ("WGL"), as tenants (the "Eligible Tenants"), for the purpose of the letting by the landlords to the Eligible Tenants certain retail/commercial premises owned by Wharf group for operating various retail businesses, including Lane Crawford stores and City Super stores.

On 30 December 2011, Wharf entered into a master tenancy agreement (the "MTA") with WGL for a term of three years commencing on 1 January 2012 and expiring on 31 December 2014. The 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 Wharf group to the Eligible Tenants during the said three-year term.

As WGL is 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 various transactions contemplated and/or governed thereunder (collectively, the "MTA Transactions") constitute continuing connected transactions for the Company under the Listing Rules.

The aggregate amount of rental receivable by Wharf group under the MTA is subject to an annual cap amount previously disclosed in the abovementioned announcement dated 30 December 2011. The aggregate amount of rents received by the Group for the financial year ended 31 December 2012 was HK$741 million.

(II) Beijing Land Joint Venture between Wharf and CMP

On 14 February 2012, Wharf group together with China Merchants Property Development Co., Ltd. ("CMP") group succeeded in bidding for two pieces of land in Beijing with a total site area of approximately 72,702 square metres and total maximum developable residential gross floor area of about 181,756 square metres (the "Beijing Land") at an aggregate price of RMB2,370 million (equal to about HK$2,920 million). A framework agreement was entered into between Wharf and CMP on 14 February 2012 for the purpose of joint bidding and development of the Beijing Land, with the share of ownership initially being 50:50 as stipulated in that framework agreement. The purpose of the relevant transaction is for broadening the assets and earning base of the Group.

CMP is a 54.1%-owned subsidiary of China Merchants Group Co., Ltd. which in turn is an indirect substantial shareholder of a non wholly-owned subsidiary of Wharf. Consequently, CMP together with its subsidiaries are regarded as connected persons of the Company under Listing Rules. Therefore, the entering into of the relevant joint venture constituted a connected transaction for the Company under the Listing Rules.

(III) Acquisition of equity interest in Greentown by Wharf group

On 7 June 2012, a wholly-owned subsidiary of Wharf (the "Purchaser") acquired a total of 34,888,500 shares of Greentown (representing approximately 2.13% of the issued share capital of Greentown as at 7 June 2012) from Denarie Enterprises Limited and Margingle International Limited (collectively, the "Vendors") at a purchase price of HK$5.2 per share (the "GT Transaction"). The total purchase price amounted to HK$181 million. The purpose of the GT Transaction is for streamlining and consolidating Wharf's interest in Greentown, having regard to another investment transaction of Wharf group in Greentown as per the note set out hereinafter. *(Note: Subsequent to the GT Transaction, Wharf entered into conditional agreements on 8 June 2012 with Greentown to invest a total amount of approximately HK$5.1 billion to subscribe for shares of Greentown (at the same price of HK$5.2 per share) and Hong Kong dollar denominated perpetual subordinated convertible securities to be issued by a wholly-owned subsidiary of Greentown which are guaranteed by Greentown and convertible into shares of Greentown.)*

The Vendors are effectively owned and controlled by Mr Peter K C Woo, who is the Chairman and Director of the Company. As a result, the Vendors are regarded as connected persons of the Company under the Listing Rules. Therefore, the GT Transaction constituted a connected transaction for the Company under the Listing Rules.

(IV) With regard to the Related Party Transactions as disclosed under Note 31 to the Financial Statements on page 108, 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.

(V) Confirmation from Directors etc.

The Directors, including the INEDs, of the Company have reviewed the MTA Transactions mentioned under Section (I)(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 2012; 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

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 57 to 135, which comprise the consolidated and company statements of financial position as at 31 December 2012, 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 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 2012 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

27 March 2013

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Note	2012 HK$ Million	2011 HK$ Million
Revenue	1	**33,124**	34,558
Direct costs and operating expenses		**(13,298)**	(13,093)
Selling and marketing expenses		**(1,243)**	(987)
Administrative and corporate expenses		**(1,577)**	(1,350)
Operating profit before depreciation, amortisation, interest and tax		**17,006**	19,128
Depreciation and amortisation	2	**(1,436)**	(1,398)
Operating profit	1 & 2	**15,570**	17,730
Increase in fair value of investment properties		**35,924**	27,651
Other net income	3	**3,116**	629
		54,610	46,010
Finance costs	4	**(1,162)**	(2,747)
Share of results after tax of:			
Associates	12(f)	**1,621**	825
Jointly controlled entities	13(c)	**634**	34
Profit before taxation		**55,703**	44,122
Income tax	5	**(4,347)**	(4,338)
Profit for the year		**51,356**	39,784
Profit attributable to:			
Equity shareholders	6	**26,935**	22,866
Non-controlling interests		**24,421**	16,918
		51,356	39,784
Earnings per share (Basic and diluted)	8	**HK$13.26**	HK$11.25

The notes and principal accounting policies on pages 65 to 135 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 2012

	2012 HK$ Million	2011 HK$ Million
Profit for the year	**51,356**	39,784
Other comprehensive income		
Exchange gain on translation of foreign operations	**956**	2,846
Net revaluation of available-for-sale investments:	**3,477**	(3,117)
Surplus/(deficit) on revaluation	**3,737**	(2,970)
Transferred to consolidated income statement on disposal	**(260)**	(147)
Share of other comprehensive income of associates/jointly controlled entities	**62**	555
Others	**(1)**	10
Other comprehensive income for the year	**4,494**	294
Total comprehensive income for the year	**55,850**	40,078
Total comprehensive income attributable to:		
Equity shareholders	**29,981**	22,124
Non-controlling interests	**25,869**	17,954
	55,850	40,078

The notes and principal accounting policies on pages 65 to 135 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Note	2012 HK$ Million	2011 HK$ Million
Non-current assets			
Investment properties	9	**250,729**	200,497
Fixed assets	10	**19,888**	19,002
Interest in associates	12	**16,046**	9,331
Interest in jointly controlled entities	13	**21,219**	18,297
Financial investments	14	**14,843**	7,065
Perpetual subordinated convertible securities	15	**2,709**	—
Goodwill and other intangible assets	16	**297**	297
Programming library		**109**	107
Deferred tax assets	25	**798**	694
Derivative financial assets	19	**487**	182
Other non-current assets		**391**	28
		327,516	255,500
Current assets			
Properties for sale	17	**65,007**	60,909
Inventories		**45**	130
Trade and other receivables	18	**6,693**	4,680
Derivative financial assets	19	**489**	225
Bank deposits and cash	20	**30,016**	42,668
		102,250	108,612
Current liabilities			
Trade and other payables	21	**(16,086)**	(11,368)
Deposits from sale of properties	22	**(11,968)**	(9,704)
Derivative financial liabilities	19	**(215)**	(233)
Taxation payable	5(d)	**(2,093)**	(2,458)
Bank loans and other borrowings	23	**(6,930)**	(8,903)
		(37,292)	(32,666)
Net current assets		**64,958**	75,946
Total assets less current liabilities		**392,474**	331,446

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Note	**2012 HK$ Million**	2011 HK$ Million
Non-current liabilities			
Derivative financial liabilities	19	**(1,913)**	(2,470)
Deferred tax liabilities	25	**(8,071)**	(6,728)
Other deferred liabilities		**(283)**	(275)
Bank loans and other borrowings	23	**(96,327)**	(86,779)
		(106,594)	(96,252)
NET ASSETS		**285,880**	235,194
Capital and reserves			
Share capital	27	**1,016**	1,016
Reserves		**151,025**	121,546
Shareholders' equity		**152,041**	122,562
Non-controlling interests		**133,839**	112,632
TOTAL EQUITY		**285,880**	235,194

The notes and principal accounting policies on pages 65 to 135 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 2012

	Note	2012 HK$ Million	2011 HK$ Million
Non-current assets			
Interest in subsidiaries	11	**16,561**	16,664
Current assets			
Receivables and prepayments		**62**	96
Current liabilities			
Trade and other payables		**(15)**	(7)
Amounts due to subsidiaries	11	**(5,973)**	—
Taxation payable		**—**	(7)
		(5,988)	(14)
Net current (liabilities)/assets		**(5,926)**	82
Total assets less current liabilities		**10,635**	16,746
Non-current liabilities			
Bank loans	23	**(5,000)**	(11,000)
NET ASSETS		**5,635**	5,746
Capital and reserves			
Share capital	27	**1,016**	1,016
Reserves		**4,619**	4,730
TOTAL EQUITY	28(a)	**5,635**	5,746

The notes and principal accounting policies on pages 65 to 135 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 2012

	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 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
2010 final dividend paid	—	—	—	—	(203)	(203)	—	(203)
2011 first interim dividend paid	—	—	—	—	(81)	(81)	—	(81)
Dividends paid to non-controlling interests	—	—	—	—	—	—	(2,423)	(2,423)
At 31 December 2011 and 1 January 2012	**1,016**	**1,914**	**187**	**4,347**	**115,098**	**122,562**	**112,632**	**235,194**
Changes in equity for 2012:								
Profit	**—**	**—**	**—**	**—**	**26,935**	**26,935**	**24,421**	**51,356**
Other comprehensive income	**—**	**—**	**2,329**	**717**	**—**	**3,046**	**1,448**	**4,494**
Total comprehensive income	**—**	**—**	**2,329**	**717**	**26,935**	**29,981**	**25,869**	**55,850**
Shares issued by subsidiaries	**—**	**—**	**—**	**—**	**—**	**—**	**167**	**167**
Acquisition of additional interest in a subsidiary	**—**	**—**	**—**	**—**	**910**	**910**	**(2,399)**	**(1,489)**
Equity settled share-based payment	**—**	**—**	**31**	**—**	**—**	**31**	**29**	**60**
2011 second interim dividend paid	**—**	**—**	**—**	**—**	**(427)**	**(427)**	**—**	**(427)**
2011 special dividend paid	**—**	**—**	**—**	**—**	**(508)**	**(508)**	**—**	**(508)**
2012 first interim dividend paid	**—**	**—**	**—**	**—**	**(508)**	**(508)**	**—**	**(508)**
Dividends paid to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**(2,459)**	**(2,459)**
At 31 December 2012	**1,016**	**1,914**	**2,547**	**5,064**	**141,500**	**152,041**	**133,839**	**285,880**

* Included in investments revaluation and other reserves is the capital redemption reserve of HK$19 million (2011: HK$19 million).

The notes and principal accounting policies on pages 65 to 135 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Note	2012 HK$ Million	2011 HK$ Million
Operating cash inflow	(a)	**16,168**	18,588
Changes in working capital	(a)	**(192)**	(18,882)
Cash generated from/(used in) operations	(a)	**15,976**	(294)
Net interest paid		**(1,988)**	(1,447)
Interest paid		**(2,449)**	(1,797)
Interest received		**461**	350
Dividends received from associates		**750**	426
Dividends received from jointly controlled entities		**31**	51
Dividends received from investments		**346**	219
Hong Kong profits tax paid		**(1,732)**	(1,339)
Overseas tax paid		**(1,799)**	(991)
Net cash generated from/(used in) operating activities		**11,584**	(3,375)
Investing activities			
Purchase of fixed assets		**(15,010)**	(12,100)
Additions to programming library		**(100)**	(80)
Net increase in associates		**(3,598)**	(102)
Net increase in jointly controlled entities		**(2,311)**	(2,116)
Increase in interest in a subsidiary		**(1,489)**	(429)
Net proceeds from disposal of fixed assets		**13**	6
Purchase of financial investments		**(6,185)**	(1,189)
Purchase of perpetual subordinated convertible securities		**(2,550)**	—
Proceeds from disposal of an investment property		**1,287**	—
Proceeds from disposal of financial investments		**2,438**	1,842
(Addition)/repayment of long term receivables		**(360)**	11
Uplift of pledged deposits		**26**	—
Net placement of bank deposits with maturity greater than three months		**(437)**	(1,123)
Net cash used in investing activities		**(28,276)**	(15,280)
Financing activities			
Drawdown of bank loans and other borrowings		**35,012**	46,505
Repayment of bank loans and other borrowings		**(28,038)**	(16,720)
Issue of shares by subsidiaries to non-controlling interests		**167**	5,002
Dividends paid to equity shareholders		**(1,443)**	(284)
Dividends paid to non-controlling interests		**(2,459)**	(2,423)
Net cash generated from financing activities		**3,239**	32,080
Net (decrease)/increase in cash and cash equivalents		**(13,453)**	13,425
Cash and cash equivalents at 1 January		**41,519**	27,514
Effect of exchange rate changes		**390**	580
Cash and cash equivalents at 31 December	(b)	**28,456**	41,519

The notes and principal accounting policies on pages 65 to 135 form part of these financial statements.

Notes to Consolidated Statement of Cash Flows

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

	2012 HK$ Million	2011 HK$ Million
Operating profit	15,570	17,730
Adjustments for:		
Interest income	(586)	(365)
Dividend income from listed investments	(308)	(255)
Depreciation and amortisation	1,436	1,398
(Profit)/loss on disposal of fixed assets	(4)	5
Equity settled share-based payment expenses	60	75
Operating cash inflow	16,168	18,588
Increase in properties under development for sale	(10,423)	(27,955)
Decrease in completed properties for sale	7,413	7,480
Decrease/(increase) in inventories	85	(17)
Increase in trade and other receivables	(1,958)	(184)
Increase/(decrease) in deposits from sale of properties	2,264	(224)
Increase in trade and other payables	2,352	2,184
Decrease in derivative financial instruments	(46)	(67)
Exchange differences on working capital changes	114	(86)
Other non-cash items	7	(13)
Changes in working capital	(192)	(18,882)
Cash generated from/(used in) operations	15,976	(294)

(b) Cash and cash equivalents

	2012 HK$ Million	2011 HK$ Million
Bank deposits and cash in the consolidated statement of financial position (Note 20)	30,016	42,668
Less: Bank deposits with maturity greater than three months	(1,560)	(1,123)
Pledged bank deposits	—	(26)
Cash and cash equivalents in the consolidated statement of cash flows	28,456	41,519

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, serviced 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 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 ("Wharf T&T").

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 on an 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

	Revenue HK$ Million	Operating profit 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 2012								
Property investment	**12,004**	**9,122**	**35,924**	**73**	**(1,176)**	**—**	**—**	**43,943**
Hong Kong	**9,206**	**7,812**	**34,548**	**73**	**(1,032)**	**—**	**—**	**41,401**
Mainland China	**1,005**	**634**	**1,677**	**—**	**(136)**	**—**	**—**	**2,175**
Singapore	**402**	**285**	**(301)**	**—**	**—**	**—**	**—**	**(16)**
Hotels	**1,391**	**391**	**—**	**—**	**(8)**	**—**	**—**	**383**
Property development	**13,370**	**5,458**	**—**	**2,273**	**(110)**	**1,229**	**578**	**9,428**
Hong Kong	**3,019**	**1,536**	**—**	**22**	**—**	**2**	**(7)**	**1,553**
Mainland China	**9,573**	**3,562**	**—**	**2,251**	**(110)**	**1,227**	**585**	**7,515**
Singapore	**778**	**360**	**—**	**—**	**—**	**—**	**—**	**360**
Logistics	**3,070**	**1,161**	**—**	**(39)**	**(255)**	**392**	**56**	**1,315**
Terminals	**2,969**	**1,142**	**—**	**2**	**(255)**	**205**	**56**	**1,150**
Others	**101**	**19**	**—**	**(41)**	**—**	**187**	**—**	**165**
CME	**3,953**	**(22)**	**—**	**2**	**(41)**	**—**	**—**	**(61)**
i-CABLE	**2,127**	**(271)**	**—**	**2**	**(4)**	**—**	**—**	**(273)**
Telecommunications	**1,826**	**250**	**—**	**—**	**(37)**	**—**	**—**	**213**
Others	**—**	**(1)**	**—**	**—**	**—**	**—**	**—**	**(1)**
Inter-segment revenue	**(452)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Segment total	**31,945**	**15,719**	**35,924**	**2,309**	**(1,582)**	**1,621**	**634**	**54,625**
Investment and others	**1,179**	**456**	**—**	**807**	**420**	**—**	**—**	**1,683**
Corporate expenses	**—**	**(605)**	**—**	**—**	**—**	**—**	**—**	**(605)**
Group total	**33,124**	**15,570**	**35,924**	**3,116**	**(1,162)**	**1,621**	**634**	**55,703**
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

(b) Analysis of inter-segment revenue

	2012			2011		
	Total Revenue HK$ Million	Inter-segment revenue HK$ Million	Group Revenue HK$ Million	Total Revenue HK$ Million	Inter-segment revenue HK$ Million	Group Revenue HK$ Million
Property investment	**12,004**	**(167)**	**11,837**	10,670	(162)	10,508
Property development	**13,370**	**—**	**13,370**	16,021	—	16,021
Logistics	**3,070**	**—**	**3,070**	3,520	—	3,520
CME	**3,953**	**(104)**	**3,849**	3,863	(151)	3,712
Investment and others	**1,179**	**(181)**	**998**	883	(86)	797
	33,576	**(452)**	**33,124**	34,957	(399)	34,558

(c) Analysis of segment business assets

	2012 HK$ Million	2011 HK$ Million
Property investment	**253,736**	202,528
Hong Kong	**205,927**	162,932
Mainland China	**38,108**	31,028
Singapore	**7,748**	7,535
Hotels	**1,953**	1,033
Property development	**103,769**	85,416
Hong Kong	**18,558**	16,177
Mainland China	**82,122**	66,023
Singapore	**3,089**	3,216
Logistics	**20,223**	20,155
Terminals	**19,045**	18,966
Others	**1,178**	1,189
CME	**4,151**	4,178
i-CABLE	**1,336**	1,482
Telecommunications	**2,815**	2,696
Total segment business assets	**381,879**	312,277
Unallocated corporate assets	**47,887**	51,835
Total assets	**429,766**	364,112

Unallocated corporate assets mainly comprise certain 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:

	2012 HK$ Million	2011 HK$ Million
Property development	**31,914**	22,283
Logistics	**5,351**	5,345
Group total	**37,265**	27,628

(d) Other information

	Capital expenditure		**Increase in interests in associates and jointly controlled entities**		**Depreciation and amortisation**	
	2012 HK$ Million	2011 HK$ Million	**2012 HK$ Million**	2011 HK$ Million	**2012 HK$ Million**	2011 HK$ Million
Property investment	**15,045**	11,080	**—**	—	**196**	171
Hong Kong	**8,754**	800	**—**	—	**24**	19
Mainland China	**5,520**	10,040	**—**	—	**41**	40
Singapore	**69**	120	**—**	—	**2**	2
Hotels	**702**	120	**—**	—	**129**	110
Property development	**—**	—	**7,238**	3,302	**—**	—
Hong Kong	**—**	—	**400**	282	**—**	—
Mainland China	**—**	—	**6,838**	3,020	**—**	—
Logistics	**616**	350	**33**	68	**492**	481
Terminals	**611**	350	**33**	68	**488**	476
Others	**5**	—	**—**	—	**4**	5
CME	**715**	654	**—**	—	**748**	746
i-CABLE	**209**	187	**—**	—	**350**	346
Telecommunications	**506**	467	**—**	—	**398**	400
Group total	**16,376**	12,084	**7,271**	3,370	**1,436**	1,398

In addition, the CME segment incurred HK$100 million (2011: HK$80 million) for its programming library. The Group has no significant non-cash expenses other than depreciation and amortisation.

(e) Geographical information

	Revenue		Operating Profit	
	2012	2011	**2012**	2011
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Hong Kong	**20,382**	19,821	**10,817**	11,231
Mainland China	**11,434**	8,000	**4,019**	2,512
Singapore	**1,308**	6,737	**734**	3,987
Group total	**33,124**	34,558	**15,570**	17,730

	Specified non-current assets		Total business assets	
	2012	2011	**2012**	2011
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Hong Kong	**221,001**	177,049	**236,485**	190,572
Mainland China	**82,615**	62,955	**134,557**	110,954
Singapore	**7,757**	7,543	**10,837**	10,751
Group total	**311,373**	247,547	**381,879**	312,277

Specified non-current assets excluded deferred tax assets, financial investments, derivative financial assets and certain non-current assets.

The geographical location of revenue and operating profit is 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 is based on the physical location of operations.

2. Operating Profit

(a) Operating profit

	2012 HK$ Million	2011 HK$ Million
Operating profit is arrived at after charging/(crediting):		
Depreciation and amortisation on		
— assets held for use under operating leases	**141**	132
— other fixed assets	**1,102**	1,085
— leasehold land	**95**	94
— programming library	**98**	87
Total depreciation and amortisation	**1,436**	1,398
Staff costs (Note i)	**3,286**	3,153
Auditors' remuneration		
— audit services	**26**	23
— other services	**5**	4
Cost of trading properties for recognised sales	**7,400**	7,599
Rental charges under operating leases in respect of telecommunications equipment and services	**53**	81
Impairment of trade receivables	**11**	22
Rental income less direct outgoings (Note ii)	**(8,760)**	(7,742)
Rental income under operating leases in respect of owned plant and machinery	**(13)**	(15)
Interest income (Note iii)	**(586)**	(365)
Dividend income from listed investments	**(308)**	(255)
(Profit)/loss on disposal of fixed assets	**(4)**	5

Notes:

(i) Staff costs included contributions to defined contribution pension schemes of HK$199 million (2011: HK$139 million) which included MPF schemes (after a forfeiture of HK$3 million (2011: HK$3 million)) and equity settled share-based payment expenses of HK$60 million (2011: HK$75 million).

(ii) Rental income included contingent rentals of HK$1,953 million (2011: HK$1,703 million).

(iii) Included in interest income are amounts totalling HK$490 million (2011: HK$365 million) in respect of financial assets (mainly bank deposits) that are stated at amortised cost.

(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	2012 Total emoluments HK$'000	2011 Total emoluments HK$'000
Board of Directors						
Peter K C Woo	180	17,154	18,000	–	35,334	34,638
Stephen T H Ng	70	5,011	10,000	192	15,273	15,123
Stewart C K Leung (Note iii)	64	4,988	–	–	5,052	–
Paul Y C Tsui	70	3,234	4,500	–	7,804	7,648
Non-executive Directors						
Ricky K Y Wong	70	2,927	4,000	435	7,432	6,258
Mignonne Cheng (Note iii)	35	–	–	–	35	–
Independent Non-executive Directors						
Herald L F Lau	70	–	–	–	70	60
Kenneth W S Ting (Note ii)	100	–	–	–	100	80
Glenn S Yee (Note ii)	88	–	–	–	88	60
Alan H Smith (Note ii and iii)	41	–	–	–	41	–
Tak Hay Chau (Note iii)	13	–	–	–	13	–
Richard Y S Tang (Note iii)	13	–	–	–	13	–
Alexander S K Au (Note ii and iv)	81	–	–	–	81	80
B M Chang (Note ii and v)	42	–	–	–	42	80
	937	33,314	36,500	627	71,378	64,027
Total for 2011	715	27,077	35,500	735		64,027

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 2012 and 2011.

(ii) Includes Audit Committee Members' fee for the year ended 31 December 2012 of HK$30,000 (2011: HK$20,000) received/receivable by each of relevant Directors.

(iii) Mr. Stewart C K Leung was appointed as a director of the Company with effect from 1 February 2012. Mrs. Mignonne Cheng and Mr. Alan H Smith were appointed as directors of the Company with effect from 1 July 2012. Mr. Tak Hay Chau and Mr. Richard Y S Tang were appointed as directors of the Company with effect from 22 October 2012.

(iv) Mr. Alexander S K Au resigned and ceased to be a director of the Company with effect from 22 October 2012.

(v) Mr. B M Chang retired and ceased to be a director of the Company with effect from 31 May 2012.

(vi) 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 scheme adopted by Wharf, details of which are disclosed in note 24d.

(c) Five highest paid employees

For the year ended 31 December 2012, information regarding emoluments of 3 (2011: 3) 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 has been set out below:

(i) Aggregate emoluments

	2012 HK$ Million	2011 HK$ Million
Salaries, allowances and benefits in kind	**14**	24
Contributions to pension schemes	**1**	—
Discretionary bonuses	**30**	28
	45	52

(ii) Bandings

	2012 Number	2011 Number
Bands (in HK$)		
$10,000,001—$10,500,000	**1**	—
$11,000,001—$11,500,000	**1**	—
$12,000,001—$12,500,000	**—**	1
$12,500,001—$13,000,000	**—**	1
$24,000,001—$24,500,000	**1**	—
$27,000,001—$27,500,000	**—**	1
	3	3

3. Other Net Income

Other net income amounted to HK$3,116 million (2011: HK$629 million), and principally comprised:

(a) A book accounting gain representing the negative goodwill of HK$2,233 million (2011: HK$ Nil) recognised in respect of Wharf's acquisition of a 24.6% equity interest in Greentown China Holdings Limited ("Greentown"), an associate, in June 2012. This amount was calculated based on Wharf's internal assessment of net fair value of Greentown's identifiable assets and liabilities as at the date of acquisition.

(b) Net profit on disposal of available-for-sale investments of HK$492 million (2011: HK$184 million) which included a revaluation surplus, before deduction of non-controlling interests, of HK$260 million (2011: HK$147 million) transferred from the investments revaluation reserves.

(c) Net foreign exchange gain of HK$274 million (2011: HK$417 million) which included the impact of forward foreign exchange contracts.

(d) Profit on disposal of an investment property of HK$73 million (2011: HK$ Nil).

(e) A write-back of provision for properties of HK$22 million (2011: HK$49 million).

4. Finance Costs

	2012 HK$ Million	2011 HK$ Million
Interest charged on:		
Bank loans and overdrafts		
— repayable within five years	**956**	874
— repayable after five years	**141**	222
Other borrowings		
— repayable within five years	**945**	102
— repayable after five years	**441**	272
Total interest charge	**2,483**	1,470
Other finance costs	**274**	400
Less: Amount capitalised	**(1,022)**	(510)
	1,735	1,360
Fair value (gain)/loss:		
Cross currency interest rate swaps	**(875)**	382
Interest rate swaps	**302**	1,005
	(573)	1,387
Total	**1,162**	2,747

(a) Interest was capitalised at an average annual rate of approximately 2.1% (2011: 1.3%).

(b) Included in the total interest charge are amounts totalling HK$1,909 million (2011: HK$1,371 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:

	2012 HK$ Million	2011 HK$ Million
Current income tax		
Hong Kong		
— provision for the year	**1,597**	1,669
— overprovision in respect of prior years	**(39)**	(28)
Outside Hong Kong		
— provision for the year	**998**	1,189
— overprovision in respect of prior years	**(8)**	(6)
	2,548	2,824
Land appreciation tax ("**LAT**") (Note 5c)	**584**	509
Deferred tax (Note 25)		
Change in fair value of investment properties	**1,087**	901
Origination and reversal of temporary differences	**212**	159
Benefit of previously unrecognised tax losses now recognised	**(84)**	(55)
	1,215	1,005
Total	**4,347**	4,338

(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% (2011: 16.5%).

(b) Income tax on profits assessable outside Hong Kong is mainly China corporate income tax calculated at a rate of 25% (2011: 25%) and Singapore income tax at a rate of 17% (2011: 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 expenditure including cost of land use rights, borrowing costs and all property development expenditure.

(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 2012 of HK$1,481 million (2011: HK$438 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. Undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. For the year ended 31 December 2012, the Group has provided HK$144 million (2011: HK$85 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) Reconciliation between the actual total tax charge and profit before taxation at applicable tax rates:

	2012 HK$ Million	2011 HK$ Million
Profit before taxation	**55,703**	44,122
Notional tax on profit before taxation calculated at applicable tax rates	**9,592**	7,628
Tax effect of non-deductible expenses	**470**	288
Tax effect of non-taxable income	**(1,302)**	(500)
Tax effect of non-taxable fair value gain on investment properties	**(5,568)**	(4,297)
Net overprovision in respect of prior years	**(47)**	(34)
Tax effect of tax losses not recognised	**116**	287
Tax effect of unrecognised tax losses utilised	**(227)**	(82)
Tax effect of previously unrecognised tax losses now recognised as deferred tax assets	**(83)**	(40)
LAT on trading properties	**584**	509
Deferred LAT on change in fair value of investment properties	**668**	494
Withholding tax on distributed/undistributed earnings	**144**	85
Actual total tax charge	**4,347**	4,338

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$1,332 million (2011: HK$1,378 million).

7. Dividends Attributable to Equity Shareholders

	2012 HK$ Million	2011 HK$ Million
First interim dividend declared and paid of 25.0 cents (2011: 4.0 cents) per share	**508**	81
Dividends declared after the end of the reporting period		
Second interim dividend of 60.0 cents (2011: 21.0 cents) per share	**1,219**	427
Special dividend of 25.0 cents (2011: 25.0 cents) per share	**508**	508
	1,727	935
	2,235	1,016

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

(b) The second interim dividend and special dividend of HK$427 million and HK$508 million respectively for 2011 were approved and paid in 2012.

8. Earnings Per Share

The calculation of earnings per share is based on profit attributable to equity shareholders for the year of HK$26,935 million (2011: HK$22,866 million) and 2,032 million ordinary shares in issue throughout the years ended 31 December 2012 and 2011.

There were no potential diluted ordinary shares in existence during the years ended 31 December 2012 and 2011.

9. Investment Properties

	Group Completed HK$ Million	Under development HK$ Million	Total HK$ Million
(a) Cost or valuation			
At 1 January 2011	155,925	6,028	161,953
Exchange differences	522	293	815
Additions	947	9,789	10,736
Disposals	(4)	—	(4)
Reclassification	(654)	—	(654)
Revaluation surplus	27,651	—	27,651
At 31 December 2011 and 1 January 2012	**184,387**	**16,110**	**200,497**
Exchange differences	**454**	**—**	**454**
Additions	**8,612**	**5,624**	**14,236**
Disposals	**(1,220)**	**—**	**(1,220)**
Reclassification	**(7,389)**	**8,227**	**838**
Revaluation surplus	**35,054**	**870**	**35,924**
At 31 December 2012	**219,898**	**30,831**	**250,729**

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

2012 valuation	**219,898**	**8,485**	**228,383**
At cost	**—**	**22,346**	**22,346**
	219,898	**30,831**	**250,729**
2011 valuation	184,387	—	184,387
At cost	—	16,110	16,110
	184,387	16,110	200,497

The Group's investment properties under development stated at cost totalled HK$22,346 million (2011: HK$16,110 million).

(c) Tenure of title to properties:

	Completed HK$ Million	Under development HK$ Million	Total HK$ Million
At 31 December 2012			
Held in Hong Kong			
Long term leases	**170,127**	**9**	**170,136**
Medium term leases	**25,710**	**9,386**	**35,096**
	195,837	**9,395**	**205,232**
Held outside Hong Kong			
Freehold	**1,978**	**—**	**1,978**
Long term leases	**5,770**	**—**	**5,770**
Medium term leases	**16,313**	**21,436**	**37,749**
	219,898	**30,831**	**250,729**
At 31 December 2011			
Held in Hong Kong			
Long term leases	139,620	—	139,620
Medium term leases	22,382	22	22,404
Short term leases	300	—	300
	162,302	22	162,324
Held outside Hong Kong			
Freehold	2,153	—	2,153
Long term leases	5,382	—	5,382
Medium term leases	14,550	16,088	30,638
	184,387	16,110	200,497

(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 2012 were revalued by Knight Frank Petty Limited and Colliers International Consultancy & Valuation (Singapore) 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$10,588 million (2011: HK$9,366 million).

(e) The Group leases out properties under operating leases, which generally run for a period of one to ten years. 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.

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

	2012 HK$ Million	2011 HK$ Million
Within 1 year	**7,065**	6,227
After 1 year but within 5 years	**8,585**	7,737
After 5 years	**1,196**	259
	16,846	14,223

10. Fixed Assets

		Leasehold land HK$ Million	Hotel and club properties HK$ Million	Group Properties under redevelopment HK$ Million	Other properties and fixed assets HK$ Million	CME equipment HK$ Million	Total HK$ Million
(a)	**Cost**						
	At 1 January 2011	4,331	1,206	1,757	15,548	10,557	33,399
	Exchange differences	137	27	83	241	—	488
	Additions	—	31	163	611	543	1,348
	Disposals	—	—	—	(114)	(45)	(159)
	Reclassification	—	—	83	62	(27)	118
	At 31 December 2011 and 1 January 2012	**4,468**	**1,264**	**2,086**	**16,348**	**11,028**	**35,194**
	Exchange differences	**—**	**—**	**—**	**1**	**—**	**1**
	Additions	**296**	**453**	**135**	**670**	**586**	**2,140**
	Disposals	**—**	**—**	**—**	**(101)**	**(185)**	**(286)**
	Reclassification	**39**	**280**	**(222)**	**2**	**(4)**	**95**
	At 31 December 2012	**4,803**	**1,997**	**1,999**	**16,920**	**11,425**	**37,144**
	Accumulated depreciation, amortisation and impairment losses						
	At 1 January 2011	613	642	—	6,083	7,651	14,989
	Exchange differences	10	4	—	30	—	44
	Charge for the year	94	38	—	626	553	1,311
	Written back on disposals	—	—	—	(110)	(42)	(152)
	Reclassification	—	—	—	17	(17)	—
	At 31 December 2011 and 1 January 2012	**717**	**684**	**—**	**6,646**	**8,145**	**16,192**
	Exchange differences	**—**	**—**	**—**	**1**	**—**	**1**
	Charge for the year	**95**	**51**	**—**	**645**	**547**	**1,338**
	Written back on disposals	**—**	**—**	**—**	**(92)**	**(184)**	**(276)**
	Reclassification	**—**	**—**	**—**	**(1)**	**2**	**1**
	At 31 December 2012	**812**	**735**	**—**	**7,199**	**8,510**	**17,256**
	Net book value						
	At 31 December 2012	**3,991**	**1,262**	**1,999**	**9,721**	**2,915**	**19,888**
	At 31 December 2011	3,751	580	2,086	9,702	2,883	19,002

(b) Tenure of title to properties:

	Leasehold land HK$ Million	Hotel and club properties HK$ Million	Properties under redevelopment HK$ Million	Other properties and fixed assets HK$ Million	CME equipment HK$ Million	Total HK$ Million
At 31 December 2012						
Held in Hong Kong						
Long term leases	**82**	**187**	**—**	**7**	**—**	**276**
Medium term leases	**974**	**1**	**—**	**2,766**	**—**	**3,741**
	1,056	**188**	**—**	**2,773**	**—**	**4,017**
Held outside Hong Kong						
Medium term leases	**2,935**	**1,074**	**1,999**	**2,748**	**—**	**8,756**
	3,991	**1,262**	**1,999**	**5,521**	**—**	**12,773**
At 31 December 2011						
Held in Hong Kong						
Long term leases	82	97	—	2	—	181
Medium term leases	1,007	1	—	2,822	—	3,830
	1,089	98	—	2,824	—	4,011
Held outside Hong Kong						
Medium term leases	2,662	482	2,086	2,787	—	8,017
	3,751	580	2,086	5,611	—	12,028

(c) Impairment of fixed assets

The value of 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 the years ended 31 December 2012 and 2011.

11. Interest in Subsidiaries

	Company	
	2012 HK$ Million	2011 HK$ Million
Unlisted shares, at cost	**1**	1
Amounts due from subsidiaries	**16,560**	16,663
Total	**16,561**	16,664
Amounts due to subsidiaries	**(5,973)**	—
	10,588	16,664

Details of principal subsidiaries at 31 December 2012 are shown on pages 130 to 133.

Amounts due from subsidiaries are unsecured and 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.

Amounts due to subsidiaries are unsecured and interest bearing with no fixed terms of repayment.

12. Interest in Associates

	Group	
	2012 HK$ Million	2011 HK$ Million
Listed in Hong Kong		
Share of net assets	**5,912**	—
Unlisted		
Share of net assets	**4,555**	4,615
Goodwill	**1,853**	1,853
	6,408	6,468
Amounts due from associates	**3,726**	2,863
	10,134	9,331
Total	**16,046**	9,331
Amounts due to unlisted associates (Note 21)	**(2,694)**	(2,124)
	13,352	7,207
Market value of listed associate	**7,453**	—

(a) Details of principal associates at 31 December 2012 are shown on page 133.

(b) The interest in the listed associate represents Wharf's 24.6% equity interest in Greentown on completion of the transactions during the year as set out below:

(i) acquisition of 34,888,500 Greentown shares from the companies effectively owned and controlled by the Company's Chairman at a purchase price of HK$5.2 per share for a consideration of HK$181 million in June 2012;

(ii) subscription from Greentown for 327,849,579 Greentown shares at HK$5.2 per share for a consideration of HK$1,705 million, which was completed in June 2012;

(iii) subscription from Greentown for 162,113,714 Greentown shares at HK$5.2 per share for a consideration of HK$843 million, which was completed in August 2012;

Wharf recorded negative goodwill of HK$2,233 million in respect of the acquisition of the 24.6% equity interest in Greentown, representing the excess of the net fair value of the identifiable assets and liabilities acquired over the aggregate of the fair value of the consideration paid.

The acquired tangible assets primarily comprised land and buildings, investment properties, properties for sale and properties under development for sale and accounts receivables. The liabilities assumed primarily comprised bank borrowings, accounts payable and other current liabilities.

Wharf has equity accounted for the financial results of Greentown from 15 June 2012 when Wharf considered it was able to exercise significant influence over the financial and operating decisions of Greentown. Wharf's share of profits of Greentown for the period from 15 June 2012 to 31 December 2012 was HK$893 million. Had the transaction been completed on 1 January 2012, Wharf's share of profits from Greentown would have been HK$1,437 million.

Costs related to the above acquisition of HK$2 million are included in the consolidated income statement for the year ended 31 December 2012.

Wharf also completed in August 2012 the subscription for perpetual subordinated convertible securities issued by a wholly-owned subsidiary of Greentown with principal amount of HK$2,550 million and details of which are set out in note 15 to the financial statements.

(c) Amounts due from associates are unsecured, interest free and have no fixed terms of repayment, except for an advance of HK$371 million (2011: 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.

(d) In 2011, Wheelock disposed of its 50% interests in four Foshan property joint ventures to Wharf for a total consideration of HK$3,388 million which generated 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$216 million (2011: HK$447 million) was recognised during the year under share of results of associates.

(e) Included in interest in unlisted associates is goodwill of HK$1,853 million (2011: HK$1,853 million) relating to the acquisition of Mega Shekou Container Terminals Limited which is held by Modern Terminals, a 67.6%-owned subsidiary of Wharf, 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

	2012		2011	
	Total HK$ Million	Attributable interest HK$ Million	Total HK$ Million	Attributable interest HK$ Million
Statement of financial position				
Assets	179,968	46,721	42,367	11,428
Liabilities	(133,627)	(36,254)	(19,388)	(6,813)
Equity	46,341	10,467	22,979	4,615
Income statement				
Revenue	37,937	9,707	9,471	2,784
Profit before taxation	10,849	2,812	4,370	1,253
Income tax	(4,335)	(1,191)	(1,206)	(428)
Profit for the year	6,514	1,621	3,164	825

13. Interest in Jointly Controlled Entities

	Group	
	2012 HK$ Million	2011 HK$ Million
Share of net assets	8,221	7,571
Goodwill	54	54
	8,275	7,625
Amounts due from jointly controlled entities	12,944	10,672
Total	21,219	18,297
Amounts due to jointly controlled entities (Note 21)	(549)	(210)
	20,670	18,087

(a) Details of principal jointly controlled entities at 31 December 2012 are shown on page 134.

(b) Amounts due from jointly controlled entities are unsecured, interest free and have no fixed terms of repayment, except for advances of HK$4,468 million (2011: HK$4,070 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 is summarised below:**

	2012 HK$ Million	2011 HK$ Million
Statement of financial position		
Non-current assets	**1,784**	2,588
Current assets	**29,928**	25,966
Current liabilities	**(7,620)**	(6,106)
Non-current liabilities	**(15,871)**	(14,877)
Net assets	**8,221**	7,571
Income statement		
Revenue	**4,252**	364
Profit for the year	**634**	34

14. Financial Investments

	Group	
	2012 HK$ Million	2011 HK$ Million
Available-for-sale investments		
Listed investments stated at market value		
— in Hong Kong	**9,057**	3,086
— outside Hong Kong	**5,363**	3,556
Unlisted investments at cost	**33**	33
	14,453	6,675
Held-to-maturity investments		
Listed investments outside Hong Kong	**390**	390
Financial investments	**14,843**	7,065

Investments listed outside Hong Kong include the Group's 20% (2011: 20%) interest in Hotel Properties Limited ("HPL") and 16% (2011: 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 over HPL. The Group does not have representation on the board of directors and does not participate in the policy-making processes of HPL. On 16 January 2013, the Group disposed of its entire investment in SC Global Developments Ltd for a consideration of S$1.80 per share and realised a profit of approximately S$92.5 million equivalent to HK$586 million.

Available-for-sale investments totalling HK$33 million (2011: HK$33 million) are stated at cost less impairment losses, if any.

As at 31 December 2012, the fair value of individually impaired available-for-sale investments amounted to HK$944 million (2011: HK$1,569 million).

15. Perpetual Subordinated Convertible Securities

In August 2012, Wharf completed the subscription for perpetual subordinated convertible securities ("PSCS") issued at par by a wholly-owned subsidiary of Greentown, with an aggregate principal amount of HK$2,550 million, details of which are set out in the circular dated 24 July 2012 (the "Circular") to the Company's Shareholders.

The PSCS are guaranteed by Greentown and convertible into shares of Greentown. The PSCS confer on the holders a right to receive a distribution at a rate of 9% per annum on principal till the fifth anniversary of the issue date and subsequently at other rates as detailed in the Circular.

Wharf has the right to convert the PSCS into shares in Greentown at any time after the expiry of three years from the date of issue, at an initial conversion price of HK$7.40 subject to certain prescribed conditions and conversion price adjustments as set out in the Circular.

The issuer has the option, subject to certain conditions, at any time after the date of issue to redeem all or certain of the PSCS, together with all outstanding distributions and additional distributions accrued at the redemption date at certain prices and percentage of the principal amount.

In accordance with HKAS 39 "Financial instruments — Recognition and Measurement", Wharf has accounted for the PSCS at fair value and the changes in the fair value are recognised in the profit or loss.

	HK$ Million
Face value at date of issue	**2,550**
Fair value gain	**159**
At 31 December 2012	**2,709**

The fair value of the PSCS was calculated using the Binomial Tree Pricing Model taking into account of the terms and conditions of the PSCS held by Wharf. Assumptions are as follows:

	Date of issue	**31 December 2012**
Share price	HK$8.36	**HK$14.20**
Conversion price	HK$7.40	**HK$7.40**
Discount rate	10.9%	**9.8%**
Stock volatility	58.9%	**57.9%**

16. Goodwill and Other Intangible Assets

	Group		
	Goodwill HK$ Million	Other intangible assets HK$ Million	Total HK$ Million
Cost			
At 1 January 2011, 31 December 2011 and 31 December 2012	**297**	**12**	**309**
Accumulated amortisation			
At 1 January 2011, 31 December 2011 and 31 December 2012	**—**	**12**	**12**
Net carrying value			
At 31 December 2012	**297**	**—**	**297**
At 31 December 2011	297	—	297

Goodwill is mainly related to the Group's terminals business. As at 31 December 2012, 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.

17. Properties for Sale

	Group	
	2012 HK$ Million	2011 HK$ Million
Properties under development for sale	**62,224**	57,701
Completed properties for sale	**2,783**	3,208
	65,007	60,909

(a) At 31 December 2012, properties under development for sale of HK$51,331 million (2011: HK$49,169 million) are expected to be completed after more than one year.

(b) Included in properties under development for sale are deposits of HK$6,495 million (2011: HK$6,832 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 2012 was HK$250 million (2011: HK$428 million).

(d) In 2012, net provisions totalling HK$22 million (2011: HK$49 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 2012, 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:

	2012 HK$ Million	2011 HK$ Million
Held in Hong Kong		
Long term leases	**1,772**	1,707
Medium term leases	**9,856**	8,927
	11,628	10,634
Held outside Hong Kong		
Freehold	**1,526**	1,645
Long term leases	**35,495**	36,216
Medium term leases	**2,402**	2,585
	39,423	40,446
	51,051	51,080

18. 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 2012 as follows:

	Group	
	2012 HK$ Million	2011 HK$ Million
Trade receivables		
0 – 30 days	**678**	740
31 – 60 days	**116**	127
61 – 90 days	**57**	73
Over 90 days	**78**	63
	929	1,003
Accrued sales receivables	**1,139**	901
Other receivables and prepayments	**4,625**	2,776
	6,693	4,680

Accrued sales receivables mainly represent consideration for property sales 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 the 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 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:

	2012 **HK$ Million**	2011 HK$ Million
At 1 January	**96**	88
Impairment loss recognised	**11**	22
Uncollectible amounts written off	**(8)**	(14)
At 31 December	**99**	96

(c) Trade receivables that are not impaired

As at 31 December 2012, 91% (2011: 92%) of the Group's trade receivables was not impaired, of which 89% (2011: 86%) 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.

19. Derivative Financial Instruments

	Group			
	2012		2011	
	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	**496**	**19**	320	15
Floating-to-fixed interest rate swaps	**—**	**963**	—	641
Cross currency interest rate swaps	**255**	**1,146**	87	2,016
Forward foreign exchange contracts	**225**	**—**	—	31
Total	**976**	**2,128**	407	2,703
Analysis				
Current	**489**	**215**	225	233
Non-current	**487**	**1,913**	182	2,470
Total	**976**	**2,128**	407	2,703

An analysis of the remaining maturities at the end of the reporting period of the above derivative financial instruments is as follows:

	2012		2011	
	Assets HK$ Million	**Liabilities HK$ Million**	Assets HK$ Million	Liabilities HK$ Million
Fixed-to-floating interest rate swaps				
Expiring within 1 year	**1**	**—**	8	—
Expiring after more than 1 year but not exceeding 5 years	**226**	**9**	122	9
Expiring after 5 years	**269**	**10**	190	6
	496	**19**	320	15
Floating-to-fixed interest rate swaps				
Expiring after 5 years	**—**	**963**	—	641
Cross currency interest rate swaps				
Expiring within 1 year	**—**	**19**	2	2
Expiring after more than 1 year but not exceeding 5 years	**103**	**1,004**	28	84
Expiring after 5 years	**152**	**123**	57	1,930
	255	**1,146**	87	2,016
Forward foreign exchange contracts				
Expiring within 1 year	**225**	**—**	—	31
Total	**976**	**2,128**	407	2,703

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

	2012 HK$ Million	2011 HK$ Million
Fixed-to-floating interest rate swaps	**26,452**	16,317
Floating-to-fixed interest rate swaps	**8,230**	8,230
Cross currency interest rate swaps	**16,266**	12,558
Forward foreign exchange contracts	**5,967**	1,998

The notional amount of cross currency interest rate swaps include USD400 million swaps against JPY which have 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 the 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 gain of HK$280 million (2011: loss of HK$89 million) in respect of forward foreign exchange contracts was recognised to the consolidated income statement.

(d) During the year, fair value gain on cross currency interest rate swaps and loss on interest rate swaps in the amounts of HK$875 million (2011: loss of HK$382 million) and HK$302 million (2011: HK$1,005 million) respectively have been included within finance costs in the consolidated income statement.

20. Bank Deposits and Cash

	Group	
	2012 HK$ Million	2011 HK$ Million
Bank deposits and cash		
Not pledged	**30,016**	42,642
Pledged	**—**	26
	30,016	42,668

Bank deposits and cash as at 31 December 2012 included HK$15,031 million equivalent (2011: HK$18,640 million) placed with banks in Mainland China the remittance of which is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

At 31 December 2012, bank deposits and cash included bank deposits of RMB1,753 million equivalent to HK$2,162 million (2011: RMB2,171 million equivalent to HK$2,678 million) which are solely for certain designated property development projects in Mainland China, and Singapore dollar balances of HK$143 million (2011: HK$272 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 1.9% (2011: 1.1%) per annum.

Bank deposits and cash are denominated in the following currencies:

	2012 HK$ Million	2011 HK$ Million
HKD	**6,101**	12,894
RMB	**14,222**	18,700
USD	**2,886**	741
SGD	**5,910**	10,331
Other currencies	**897**	2
	30,016	42,668

21. Trade and Other Payables

Included in this item are trade payables with an ageing analysis as at 31 December 2012 as follows:

	Group	
	2012 HK$ Million	2011 HK$ Million
Trade payables		
0 – 30 days	**535**	346
31 – 60 days	**192**	175
61 – 90 days	**50**	54
Over 90 days	**138**	90
	915	665
Rental and customer deposits	**2,751**	2,312
Construction costs payable	**4,949**	3,207
Amounts due to associates (Note 12)	**2,694**	2,124
Amounts due to jointly controlled entities (Note 13)	**549**	210
Other payables	**4,228**	2,850
	16,086	11,368

The amount of trade and other payables that is expected to be settled after more than one year is HK$1,945 million (2011: HK$1,286 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.

22. Deposits from Sale of Properties

Deposits from sale of properties in the amount of HK$4,298 million (2011: HK$1,395 million) are expected to be recognised as income in the consolidated income statement after more than one year.

23. Bank Loans and Other Borrowings

	Group	
	2012 HK$ Million	2011 HK$ Million
Bonds and notes (Unsecured)		
Due within 1 year	**300**	—
Due after 1 year but within 2 years	**1,573**	300
Due after 2 years but within 5 years	**19,395**	3,728
Due after 5 years	**14,260**	12,038
	35,528	16,066
Convertible bonds (Unsecured)		
Due after 1 year but within 2 years	**6,240**	—
Due after 2 years but within 5 years	**—**	6,205
	6,240	6,205
Bank loans (Secured)		
Due within 1 year	**1,790**	888
Due after 1 year but within 2 years	**2,434**	9,183
Due after 2 years but within 5 years	**14,865**	16,259
Due after 5 years	**265**	441
	19,354	26,771
Bank loans (Unsecured)		
Due within 1 year	**4,840**	8,015
Due after 1 year but within 2 years	**8,084**	6,866
Due after 2 years but within 5 years	**28,711**	29,959
Due after 5 years	**500**	1,800
	42,135	46,640
Total bank loans and other borrowings	**103,257**	95,682
Analysis of maturities of the above borrowings		
Current borrowings		
Due within 1 year	**6,930**	8,903
Non-current borrowings		
Due after 1 year but within 2 years	**18,331**	16,349
Due after 2 year but within 5 years	**62,971**	56,151
Due after 5 years	**15,025**	14,279
	96,327	86,779
Total bank loans and other borrowings	**103,257**	95,682

	Company	
	2012	2011
	HK$ Million	HK$ Million
Bank loan (Secured)		
Due after 1 year but within 2 years	**–**	6,000
Bank loan (Unsecured)		
Due after 2 years but within 5 years	**5,000**	5,000
Total bank loans	**5,000**	11,000

(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 26b):

	2012	2011
	HK$ Million	HK$ Million
HKD	**79,724**	79,889
RMB	**4,360**	6,445
USD	**12,503**	625
SGD	**2,018**	4,901
JPY	**4,652**	3,822
	103,257	95,682

(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 26a and 26b respectively) are as follows:

	2012		2011	
	Effective interest rate %	**HK$ Million**	Effective interest rate %	HK$ Million
Group				
Fixed rate borrowings				
Bonds and notes	**4.0**	**8,499**	3.7	8,099
Bank loans	**2.6**	**7,980**	2.7	3,630
		16,479		11,729
Floating rate borrowings				
Bonds and notes	**3.4**	**27,029**	3.0	7,967
Convertible bonds	**1.6**	**6,240**	1.4	6,205
Bank loans	**1.7**	**53,509**	1.7	69,781
		86,778		83,953
Total borrowings		**103,257**		95,682
Company				
Floating rate borrowings				
Bank loans	**1.3**	**5,000**	1.1	11,000

(c) All the interest bearing borrowings are carried at amortised cost except for loans in an amount of HK$23,507 million (2011: HK$11,539 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$74,420 million and HK$1,768 million (2011: HK$75,993 million and HK$958 million) borrowed by Wharf and WPSL respectively. The loans are without recourse to the Company and its other subsidiaries.

(e) At 31 December 2012, certain banking facilities of the Group are secured by mortgages over certain properties under development and fixed assets with an aggregate carrying value of HK$31,735 million (2011: HK$64,548 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 years ended 31 December 2012 and 2011, there was 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 set out 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:

	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

	2012 HK$ Million	2011 HK$ Million
Movement of liability component at amortised cost:		
Liability component at 1 January/initial recognition	**6,139**	6,121
Add: Imputed finance cost	**32**	18
Liability component at 31 December	**6,171**	6,139

As at 31 December 2012, the liability component was remeasured to fair value of HK$6,240 million (2011: HK$6,205 million).

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

24. 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 years ended 31 December 2012 and 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 years ended 31 December 2012 and 2011.

The options outstanding at 31 December 2012 had an exercise price of HK$55.15 and a weighted average remaining contractual life of 3.5 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:

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 years ended 31 December 2012 and 2011, estimated in accordance with the Group's accounting policy in note (z)(i) was as follows:

	2012 HK$'000	2011 HK$'000
Peter K C Woo	**7,375**	9,370
Stephen T H Ng	**7,375**	9,370
Paul Y C Tsui	**7,375**	9,370
Ricky K Y Wong	**3,933**	4,997
	26,058	33,107

25. Deferred Taxation

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

	Group	
	2012 HK$ Million	2011 HK$ Million
Deferred tax liabilities	**8,071**	6,728
Deferred tax assets	**(798)**	(694)
Net deferred tax liabilities	**7,273**	6,034

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 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 and 1 January 2012	**2,567**	**4,238**	**(158)**	**(613)**	**6,034**
Charged/(credited) to the consolidated income statement	**129**	**1,087**	**62**	**(63)**	**1,215**
Disposal of an investment property	**(17)**	**—**	**—**	**27**	**10**
Exchange differences	**15**	**5**	**(6)**	**—**	**14**
At 31 December 2012	**2,694**	**5,330**	**(102)**	**(649)**	**7,273**

(b) Deferred tax assets not recognised

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

	2012		2011	
	Deductible temporary differences/ tax losses HK$ Million	**Deferred tax assets HK$ Million**	Deductible temporary differences/tax losses HK$ Million	Deferred tax assets HK$ Million
Deductible temporary differences	**185**	**32**	915	169
Future benefits of tax losses				
— Hong Kong	**6,274**	**1,035**	6,743	1,113
— Outside Hong Kong	**621**	**155**	382	95
	6,895	**1,190**	7,125	1,208
	7,080	**1,222**	8,040	1,377

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 2012. The tax losses arising from Hong Kong and Singapore operations do not expire under current tax legislation. The tax losses arising from operations outside Hong Kong (mainly from Mainland China) can be carried forward to offset against taxable profits of subsequent years for up to five years from the year in which they arose.

26. 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 reviews the exposure with a focus on reducing the Group's overall cost of funding as well as maintaining 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 notional amounts totalling HK$23,005 million (2011: HK$11,385 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.

To ensure the certainty of a proportion of funding costs in the forthcoming years, the Group has entered into various floating-to-fixed IRS with notional amounts totalling HK$8,230 million with maturities of 10 to 15 years together with another HK$8,230 million fixed-to-floating IRS with a maturity of 2 years. Effectively, this arrangement has locked in fixed interest rates ranging from 2.1% to 3.6% per annum 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 2012, after taking into account of IRS and CCS, approximately 84% (2011: 88%) of the Group's borrowings was at floating rates and the remaining 16% (2011: 12%) was at fixed rates (see Note 23b).

Based on the sensitivity analysis performed as at 31 December 2012, it was estimated that a general increase/decrease of 1% (2011: 1%) in interest rates, with all other variables held constant, would have decreased/increased the post-tax profit and total equity of the Group and the Company by approximately HK$331 million (2011: HK$184 million) and HK$50 million (2011: HK$109 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 have arisen assuming that the change in interest rates had occurred at the end of the 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 the 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 the 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 has been performed on the same basis as for 2011.

(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 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 CCS and forward foreign exchange contracts. Some of the CCS have the financial effect of converting certain USD borrowings into JPY borrowings, taking the advantage of lower interest rates 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 standards, 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 the 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.

	2012						2011					
	USD Million	**RMB Million**	**JPY Million**	**SGD Million**	**HKD Million**	**EURO Million**	USD Million	RMB Million	JPY Million	SGD Million	HKD Million	EURO Million
Bank deposits and cash	**263**	**37**	**9,929**	**222**	**–**	**–**	62	504	–	695	–	–
Financial investments	**390**	**–**	**–**	**–**	**1,610**	**–**	324	–	–	–	74	–
Trade and other receivables	**110**	**–**	**–**	**–**	**–**	**1**	127	1	–	–	–	3
Trade and other payables	**(24)**	**(1)**	**–**	**–**	**–**	**–**	(12)	(3)	–	–	–	–
Bank loans and other borrowings	**(2,315)**	**(1,650)**	**(19,944)**	**(770)**	**–**	**–**	(1,157)	(650)	(9,941)	(770)	–	–
Inter-company balances	**55**	**302**	**–**	**(435)**	**–**	**–**	61	302	–	(350)	–	–
Gross exposure arising from recognised assets and liabilities	**(1,521)**	**(1,312)**	**(10,015)**	**(983)**	**1,610**	**1**	(595)	154	(9,941)	(425)	74	3
Notional amount of forward foreign exchange contracts at fair value through profit or loss	**404**	**–**	**(41,080)**	**–**	**(1,610)**	**–**	242	–	(19,019)	–	–	3
Notional amount of CCS	**1,147**	**1,650**	**(42,764)**	**1,020**	**–**	**–**	1,125	650	(42,764)	420	–	–
Highly probable forecast purchase	**(89)**	**–**	**–**	**–**	**–**	**(12)**	(127)	–	–	–	–	(2)
Overall net exposure	**(59)**	**338**	**(93,859)**	**37**	**–**	**(11)**	645	804	(71,724)	(5)	74	4

At 31 December 2012, the PRC 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$844 million, HK$102 million, HK$5,021 million and HK$1,017 million respectively (2011: HK$589 million, HK$92 million, HK$5,415 million and HK$1,355 million respectively).

The following indicates the instantaneous change in the Group's post-tax profit and total equity that would have arisen if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed 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% (2011: 5%) increase/decrease in the exchange rate of JPY against USD and HKD would have decreased/increased the Group's post-tax profit and total equity by approximately HK$404 million (2011: HK$371 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 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 the 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 the 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 has been performed on the same basis as for 2011.

(c) Equity price risk

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

Listed investments held in the available-for-sale portfolio have been chosen for 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 and debt investments.

Based on the sensitivity analysis performed as at 31 December 2012, it is estimated that an increase/decrease of 10% (2011: 10%) in the market value of the Group's listed available-for-sale investments, with all other variables held constant, would not have affected the Group's post-tax profit unless there were impairments but would have increased/decreased the Group's total equity by HK$1,442 million (2011: HK$665 million). The analysis has been performed on the same basis as for 2011.

(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 of the Company.

The following tables detail the remaining contractual maturities at the end of the 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 the reporting period and carried at exchange rate prevailing at the end of the 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 2012						
Bank loans and other borrowings	**(103,257)**	**(115,343)**	**(9,537)**	**(18,893)**	**(59,802)**	**(27,111)**
Trade and other payables	**(16,086)**	**(16,086)**	**(14,141)**	**(1,009)**	**(796)**	**(140)**
Other deferred liabilities (Club debentures issued)	**(227)**	**(227)**	**–**	**–**	**–**	**(227)**
Forward foreign exchange contracts	**225**	**225**	**225**	**–**	**–**	**–**
Cross currency interest rate swaps	**(891)**	**(431)**	**140**	**94**	**272**	**(937)**
Interest rate swaps	**(486)**	**(524)**	**1**	**(21)**	**(106)**	**(398)**
	(120,722)	**(132,386)**	**(23,312)**	**(19,829)**	**(60,432)**	**(28,813)**
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)
Company						
At 31 December 2012						
Bank loans	**(5,000)**	**(5,201)**	**(63)**	**(63)**	**(5,075)**	**–**
Trade and other payables	**(15)**	**(15)**	**(15)**	**–**	**–**	**–**
	(5,015)	**(5,216)**	**(78)**	**(63)**	**(5,075)**	**–**
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)	–

The Company on its own is exposed to liquidity risk that arises from financial guarantees given by the Company on behalf of subsidiaries. The guarantees are callable if the respective subsidiary is unable to meet its obligations. The maximum amount callable as at 31 December 2012 was HK$21,894 million (2011: HK$7,730 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 29, 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 the reporting period and comparing these to the contractual rates. The fair value of IRS and CCS is determined based on the amount that the Group would receive or pay to terminate the swaps at the end of the 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 institutions.

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2012 and 2011. Amounts due from subsidiaries are unsecured, interest free and have no fixed repayment terms. Amounts due to subsidiaries are unsecured, interest bearing 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 the 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					
	2012			2011		
	Level 1	**Level 2**	**Total**	Level 1	Level 2	Total
	HK$ Million	**HK$ Million**	**HK$ Million**	HK$ Million	HK$ Million	HK$ Million
Assets						
Available-for-sale investments:						
— Listed	**14,420**	**—**	**14,420**	6,642	—	6,642
Perpetual subordinated convertible securities	**—**	**2,709**	**2,709**	—	—	—
Derivative financial instruments:						
— Interest rate swaps	**—**	**496**	**496**	—	320	320
— Cross currency interest rate swaps	**—**	**255**	**255**	—	87	87
— Forward foreign exchange contracts	**—**	**225**	**225**	—	—	—
	14,420	**3,685**	**18,105**	6,642	407	7,049
Liabilities						
Derivative financial instruments:						
— Interest rate swaps	**—**	**(982)**	**(982)**	—	(656)	(656)
— Cross currency interest rate swaps	**—**	**(1,146)**	**(1,146)**	—	(2,016)	(2,016)
— Forward foreign exchange contracts	**—**	**—**	**—**	—	(31)	(31)
	—	**(2,128)**	**(2,128)**	—	(2,703)	(2,703)

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 2012 and 2011 are as follows:

	Group	
	2012 HK$ Million	2011 HK$ Million
Total bank loans and other borrowings (Note 23)	**103,257**	95,682
Less: Bank deposits and cash (Note 20)	**(30,016)**	(42,668)
Net debt	**73,241**	53,014
Shareholders' equity	**152,041**	122,562
Total equity	**285,880**	235,194
Net debt-to-shareholders' equity ratio	**48.2%**	43.3%
Net debt-to-total equity ratio	**25.6%**	22.5%

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

27. Share Capital

	2012 No. of shares Million	2011 No. of shares Million	**2012 HK$ Million**	2011 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

28. 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, other capital reserves for dealing with the unexercised equity component of convertible bonds issued and the grant date fair value of the granted unexercised share options in accordance with accounting policy notes (o) and (z)(i) respectively, 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 note (s).

The revenue reserves for the Group at 31 December 2012 included HK$459 million (2011: HK$279 million) in respect of statutory reserves of the subsidiaries in Mainland China.

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 of which between the beginning and the end of the year are set out below:

	Share capital HK$ Million	Share premium HK$ Million	Capital redemption reserve HK$ Million	Revenue reserves HK$ Million	Total HK$ Million
Company					
At 1 January 2011	1,016	1,914	19	1,703	4,652
Profit	—	—	—	1,378	1,378
2010 final dividend paid	—	—	—	(203)	(203)
2011 first interim dividend paid	—	—	—	(81)	(81)
At 31 December 2011 and 1 January 2012	**1,016**	**1,914**	**19**	**2,797**	**5,746**
Profit	**—**	**—**	**—**	**1,332**	**1,332**
2011 second interim dividend paid	**—**	**—**	**—**	**(427)**	**(427)**
2011 special dividend paid	**—**	**—**	**—**	**(508)**	**(508)**
2012 first interim dividend paid	**—**	**—**	**—**	**(508)**	**(508)**
At 31 December 2012	**1,016**	**1,914**	**19**	**2,686**	**5,635**

(b) Reserves of the Company available for distribution to equity shareholders of the Company at 31 December 2012 amounted to HK$2,686 million (2011: HK$2,797 million).

(c) 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.

29. Contingent Liabilities

		Group		Company	
		2012 HK$ Million	2011 HK$ Million	**2012 HK$ Million**	2011 HK$ Million
(a)	Guarantees given in respect of banking facilities available to:				
	Subsidiaries	**—**	—	**28,329**	8,679
	Jointly controlled entities	**9,435**	9,371	**4,500**	4,500

Of the banking facilities available to jointly controlled entities which are guaranteed by the Group, HK$6,730 million (2011: HK$6,519 million) had been drawn at the end of the 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.

30. Commitments

The Group's outstanding commitments as at 31 December 2012 are detailed as below:

(a) Planned expenditure

	2012 Authorised and contracted for HK$ Million	2012 Authorised but not contracted for HK$ Million	2012 Total HK$ Million	2011 Authorised and contracted for HK$ Million	2011 Authorised but not contracted for HK$ Million	2011 Total HK$ Million
(I) Properties						
Property investment						
Hong Kong	1,134	824	1,958	978	5	983
Mainland China	7,197	20,031	27,228	9,377	22,497	31,874
Singapore	11	–	11	4	–	4
	8,342	20,855	29,197	10,359	22,502	32,861
Development properties						
Hong Kong	5,640	6,554	12,194	2,970	4,566	7,536
Mainland China	15,512	43,965	59,477	10,885	58,852	69,737
Singapore	396	–	396	457	–	457
	21,548	50,519	72,067	14,312	63,418	77,730
Properties total						
Hong Kong	6,774	7,378	14,152	3,948	4,571	8,519
Mainland China	22,709	63,996	86,705	20,262	81,349	101,611
Singapore	407	–	407	461	–	461
	29,890	71,374	101,264	24,671	85,920	110,591
(II) Non-properties						
Modern Terminals	30	420	450	820	720	1,540
Wharf T&T	119	289	408	245	165	410
i-CABLE	23	128	151	31	175	206
	172	837	1,009	1,096	1,060	2,156
Group total	30,062	72,211	102,273	25,767	86,980	112,747

(i) Properties commitments are mainly for construction costs to be incurred in stages in the forthcoming years and attributable land costs of HK$8.5 billion (2011: HK$6.2 billion) is payable in 2013.

(ii) The expenditure for development properties included attributable amounts for developments undertaken by jointly controlled entities and associates of HK$2.6 billion (2011: HK$2.9 billion) in Hong Kong and of HK$19.9 billion (2011: HK$18.3 billion) in Mainland China.

(iii) The above commitments, apart from HK$14.8 billion which mainly relates to properties under development undertaken by Wheelock and its other subsidiaries or through its jointly controlled entity and the WPSL group, are substantially attributable to the Wharf group.

(b) In addition to the above, the CME segment committed to programming and other expenditure totalling HK$934 million (2011: HK$1,157 million) with HK$834 million (2011: HK$1,077 million) being authorised and contracted for.

(c) 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 each lease upon expiry when all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals. Total operating leases commitments are detailed as below:

	2012 HK$ Million	2011 HK$ Million
Expenditure for operating leases		
Within one year	**34**	34
After one year but within five years	**76**	87
Over five years	**46**	53
	156	174

31. Material Related Party 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 2012 are as follows:

(a) In respect of the year ended 31 December 2012, the Group earned rental income totalling HK$744 million (2011: HK$646 million) from various tenants which are companies whose controlling shareholder is a trust, the settlor of which is the Chairman of the Company. These transactions are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules.

(b) In June 2012, Wharf acquired 34,888,500 Greentown shares from companies, effectively owned and controlled by the Chairman of the Company at a total consideration of HK$181 million. This transaction is considered to be a related party transaction and also constitute a connected transaction as defined under the Listing Rules.

(c) During the year, Wharf and Greentown entered into a framework agreement, pursuant to which Wharf and Greentown subscribed for new shares of an investment company to jointly develop land in Dalian on a 60:40 ownership basis, into residential properties. As Greentown is an associate of Wharf, this transaction is considered to be a related party transaction.

(d) During the year, Wharf together with China Merchants Property Development Co., Ltd. ("CMP") jointly succeeded in bidding for two pieces of land in Beijing at an aggregate price of HK$2,920 million for development into residential properties. A framework agreement was entered into between Wharf and CMP for the purpose of joint bidding and development of the land. CMP is a non wholly-owned subsidiary of China Merchants Group Co., Ltd. which in turn is an indirect substantial shareholder of a non wholly-owned subsidiary of Wharf. These transactions are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules.

(e) 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.

32. Changes in Accounting Policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, amendments to HKFRS 7, Financial instruments: Disclosures — Transfer of financial assets is relevant to the Group's financial statements.

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

Amendments to HKFRS 7	Financial instruments: Disclosures — Transfer of financial assets

The amendments to HKFRS 7 require certain disclosures to be included in the financial statements in respect of transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

The "Principal accounting policies" set out on pages 111 to 129 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.

33. 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 2012 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 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
Annual Improvements to HKFRSs 2009–2011 Cycle	1 January 2013
Amendments to HKFRS 7, Financial instruments: Disclosures — Offsetting financial assets and financial liabilities	1 January 2013
Amendments to HKAS 32, Financial instruments: Presentation — Offsetting financial assets and financial liabilities	1 January 2014
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 consolidated financial statements.

34. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the Directors on 27 March 2013.

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 32 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. Adjustments are made on consolidation to the financial information of associates and jointly controlled entities where necessary to ensure consistency with the accounting policies adopted by the Group.

When the Group's share of losses exceeds its interest in an 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 the 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 are stated at cost less impairment losses.

(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 at each reporting date. 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. Costs 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 and other financial assets 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 is 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 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.

A liability component with a hedging relationship with a derivative financial instrument that does not qualify for hedge accounting 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 the reporting period. The income statements 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 the 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 the 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 likely to be 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 accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

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

(i) Valuation of investment properties

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

The assumptions adopted in the property valuations are based on the market conditions existing at the end of the 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 the 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 2012

	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	51.4%	Holding company
	Properties				
	Wharf Estates Limited	Hong Kong	2 HK$1 shares	51.4%	Holding company
	Harbour City Estates Limited	Hong Kong	20,000 HK$10 shares	51.4%	Property
	Wharf Realty Limited	Hong Kong	2 HK$1 shares	51.4%	Property
	Times Square Limited	Hong Kong	2 HK$10 shares	51.4%	Property
	Plaza Hollywood Limited	Hong Kong	10,000,000 HK$1 shares	51.4%	Property
	Wharf Development Limited	Hong Kong	7,000,000,000 HK$1 shares	51.4%	Holding company
	Wharf Peak Properties Limited	Hong Kong	3,000,000 HK$10 shares	51.4%	Property
	Hong Tai Yuen Limited	Hong Kong	500,000 HK$1 shares	51.4%	Property
	Olinda Limited	Hong Kong	2 HK$10 shares	51.4%	Property
	New Tech Centre Limited	Hong Kong	10,000 HK$1 shares	51.4%	Property
	Wharf China Holdings Limited	British Virgin Islands	5,129,000,000 US$1 shares	51.4%	Holding company
	Wharf China Estates Limited	British Virgin Islands	1,000,000 US$1 shares	51.4%	Holding company
iii	Shanghai Long Xing Property Development Company Limited	The People's Republic of China	US$45,000,000	51.4%	Property
ii	Dalian Times Square Development Company Limited	The People's Republic of China	RMB420,000,000	51.4%	Property
ii	Long Qing Property Development (Chongqing) Company Limited	The People's Republic of China	RMB194,000,000	51.4%	Property
i	Shanghai Wheelock Square Development Limited	The People's Republic of China	US$240,000,000	50%	Property
ii	龍昌綜合開發（成都）有限公司	The People's Republic of China	HK$330,000,000	51.4%	Property
ii	龍錦綜合開發（成都）有限公司	The People's Republic of China	US$1,310,000,000	51.4%	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	51.4%	Property
ii	九龍倉（長沙）置業有限公司	The People's Republic of China	US$917,000,000	51.4%	Property
	Wharf China Development Limited	British Virgin Islands	1,000,000 US$1 shares	51.4%	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	51.4%	Property
ii	九龍倉（武漢）置業有限公司	The People's Republic of China	US$165,000,000	51.4%	Property
iii	上海九洲物業發展有限公司	The People's Republic of China	US$30,000,000	44%	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	上海莉源房地產開發有限公司	The People's Republic of China	US$745,000,000	51.4%	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	51.4%	Property
ii	九龍倉（無錫）置業有限公司	The People's Republic of China	US$307,580,000	51.4%	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	51.4%	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	51.4%	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	51.4%	Property
ii	蘇州蘇龍地產發展有限公司	The People's Republic of China	US$166,800,000	51.4%	Property
ii	蘇州瑞龍地產發展有限公司	The People's Republic of China	US$187,000,000	51.4%	Property
ii	蘇州銀龍地產發展有限公司	The People's Republic of China	US$274,000,000	51.4%	Property
ii	無錫港龍置業有限公司	The People's Republic of China	US$140,900,000	51.4%	Property
ii	無錫河畔置業有限公司	The People's Republic of China	US$111,400,000	51.4%	Property
ii	無錫都會置業有限公司	The People's Republic of China	US$144,600,000	51.4%	Property
ii	港盈房地產（杭州）有限公司	The People's Republic of China	US$146,990,000	51.4%	Property

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

At 31 December 2012

	Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/ registered and paid up capital	Percentage of equity attributable to Shareholders	Principal activities
ii	九龍倉 (杭州) 置業有限公司	The People's Republic of China	US$310,000,000	51.4%	Property
ii	堡盈房地產 (杭州) 有限公司	The People's Republic of China	US$320,000,000	51.4%	Property
ii	錦興房地產開發 (杭州) 有限公司	The People's Republic of China	US$126,000,000	51.4%	Property
ii	富景房地產開發 (富陽) 有限公司	The People's Republic of China	US$106,000,000	51.4%	Property
ii	常州湖畔置業有限公司	The People's Republic of China	US$180,000,000	51.4%	Property
ii	常州河畔置業有限公司	The People's Republic of China	US$24,360,000	51.4%	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	51.4%	Holding company
	The "Star" Ferry Company, Limited	Hong Kong	1,440,000 HK$5 shares	51.4%	Public transport
	Modern Terminals Limited	Hong Kong	70,116 HK$1,000 shares	35%	Container terminal
i	Shenzhen Dachan Bay Modern Port Development Company, Limited	The People's Republic of China	RMB2,475,550,000	23%	Container terminal
i	Suzhou Modern Terminals Limited	The People's Republic of China	RMB822,500,000	25%	Container terminal
	Hotels				
	Marco Polo Hotels Limited	Cayman Islands	500,000,000 US$1 shares	51.4%	Holding company
	Marco Polo Hotels Management Limited	Hong Kong	2 HK$10 shares	51.4%	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	51.4%	Hotel
	The Prince Hotel Limited	Hong Kong	2 HK$1 shares	51.4%	Hotel
ii	武漢馬哥孛羅酒店有限公司	The People's Republic of China	US$3,850,000	51.4%	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	51.4%	Holding company
*	i-CABLE Communications Limited	Hong Kong	2,011,512,400 HK$1 shares	38%	Holding company
	Hong Kong Cable Enterprises Limited	Hong Kong	2 HK$1 shares	38%	Advertising sales
	Hong Kong Cable Television Limited	Hong Kong	750,000,000 HK$1 shares	38%	Pay TV, Internet and multimedia
	i-CABLE Entertainment Limited	Hong Kong	10,000,000 HK$1 shares	38%	Programme production and channel operation
	i-CABLE News Limited	Hong Kong	10,000,000 HK$1 shares	38%	Programme production and channel operation
	i-CABLE Sports Limited	Hong Kong	10,000,000 HK$1 shares	38%	Programme production and channel operation
	i-CABLE Network Limited	Hong Kong	100 HK$1 shares 2 HK$1 non-voting deferred shares	38%	Network operation
	Sundream Motion Pictures Limited	Hong Kong	300,000,000 HK$1 shares	38%	Film production

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

At 31 December 2012

	Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/ registered and paid up capital	Percentage of equity attributable to Shareholders	Principal activities
	Wharf T&T Limited	Hong Kong	740,000,000 HK$1 shares	51.4%	Telecommunication
	Wharf T&T eBusiness Limited	Hong Kong	1 HK$1 share	51.4%	Telecommunication
	Wharf T&T Outsourcing Services Limited	Hong Kong	1 HK$1 share	51.4%	Telecommunication
	EC Telecom Limited	Hong Kong	2 HK$1 shares	51.4%	Telecommunication
	COL Limited	Hong Kong	40,000 HK$500 shares	51.4%	IT services
	Investment and others				
	Wharf Limited	Hong Kong	2 HK$10 shares	51.4%	Management services
iv	Wharf Finance Limited	Hong Kong	2 HK$1 shares	51.4%	Finance
iv	Wharf Finance (BVI) Limited	British Virgin Islands/Hong Kong	500 US$1 shares	51.4%	Finance
	Wharf Hong Kong Limited	Cayman Islands	500,000,000 US$1 shares	51.4%	Holding company
	Wharf China Finance Limited	Hong Kong	5,000,000 HK$1 shares	51.4%	Finance
iv	Wharf Finance (No. 1) Limited	Hong Kong	2 HK$1 shares	51.4%	Finance
	Wharf Finance (BVI) No. 1 Limited	British Virgin Islands/Hong Kong	500 US$1 shares	51.4%	Finance
iv	Wharf Finance (2014) Limited	British Virgin Islands/Hong Kong	10 US$1 shares	51.4%	Finance
iv	Wharf MTN (Singapore) Pte. Ltd.	Singapore	2 S$1 shares	51.4%	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
	Pinehill Investments Pte. Ltd.	Singapore	2 S$1 shares	76%	Property
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				
	Amblegreen Company Limited	Hong Kong	1 HK$1 share	100%	Property
	Fortune Precision Limited	Hong Kong	2 HK$1 shares	100%	Property
	Great Horwood Limited	Hong Kong	2 HK$1 shares	100%	Property
	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	76%	Letting agent
	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	10,000 HK$1 shares	100%	Property
	Samover Company Limited	Hong Kong	2 HK$1 shares	100%	Property

	Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/ registered and paid up capital	Percentage of equity attributable to Shareholders	Principal activities
	Talent Ace Limited	Hong Kong	1 HK$1 share	100%	Property
	Titano Limited	Hong Kong	2 HK$1 shares	100%	Property
	Universal Sight Limited	Hong Kong	1 HK$1 share	100%	Property
	Wascott Property 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
iv	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
iv	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				
*	Greentown China Holdings Limited	Cayman Islands/ The People's Republic of China	Ordinary	13%	Property
	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	26%	Property
	天津港威房地產開發有限公司	The People's Republic of China	Registered	26%	Property
	佛山招商九龍倉房地產有限公司	The People's Republic of China	Registered	26%	Property
	佛山依雲房地產有限公司	The People's Republic of China	Registered	26%	Property
	佛山鑫城房地產有限公司	The People's Republic of China	Registered	26%	Property
	佛山信捷房地產有限公司	The People's Republic of China	Registered	26%	Property
	廣州市萬尚房地產有限公司	The People's Republic of China	Registered	17%	Property
	北京廣盈房地產開發有限公司	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	26%	Property
重慶嘉江房地產開發有限公司	The People's Republic of China	Registered	21%	Property
重慶嘉益房地產開發有限公司	The People's Republic of China	Registered	26%	Property
重慶豐盈房地產開發有限公司	The People's Republic of China	Registered	20%	Property
浙江金盈置業有限公司	The People's Republic of China	Registered	26%	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	26%	Property
寧波姚景房地產開發有限公司	The People's Republic of China	Registered	26%	Property
寧波瑞峰置業有限公司	The People's Republic of China	Registered	26%	Property
Wharf — Logistics				
Taicang International Container Terminals Company Limited	The People's Republic of China	Registered	17%	Container terminal
Wheelock — Properties				
Fast New Limited	Hong Kong	Ordinary	50%	Property

* 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.

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.

(c) Set out below is details of debt securities issued by subsidiaries of the Group:

Name of subsidiary/borrower	Description of debt securities	Outstanding principal amount
(A) Wharf (guaranteed by Wharf)		
Wharf Finance (BVI) Limited	HK$ Guaranteed Floating Rate Notes due 2013	HK$300 Million
	HK$ Guaranteed Fixed Rate Notes due 2016	HK$250 Million
	HK$ Guaranteed Fixed Rate Notes due 2022	HK$200 Million
Wharf Finance Limited	HK$ Guaranteed Floating Rate Notes due 2014	HK$200 Million
	HK$ Guaranteed Fixed Rate Notes due 2016	HK$430 Million
	US$ Guaranteed Fixed Rate Notes due 2017	US$400 Million
	US$ Guaranteed Fixed Rate Notes due 2017	US$300 Million
	US$ Guaranteed Fixed Rate Notes due 2017	US$600 Million
	HK$ Guaranteed Fixed Rate Notes due 2018	HK$160 Million
	HK$ Zero Coupon Callable Notes due 2019	HK$369 Million
	HK$ Zero Coupon Callable Notes due 2019	HK$184 Million
	HK$ Guaranteed Fixed Rate Notes due 2021	HK$345 Million
	HK$ Guaranteed Fixed Rate Notes due 2022	HK$424 Million
	HK$ Guaranteed Fixed Rate Notes due 2022	HK$60 Million
	HK$ Guaranteed Fixed Rate Notes due 2022	HK$312 Million
	HK$ Guaranteed Fixed Rate Notes due 2022	HK$382 Million
	HK$ Guaranteed Fixed Rate Notes due 2022	HK$326 Million
	US$ Guaranteed Fixed Rate Notes due 2022	US$60 Million
	HK$ Guaranteed Fixed Rate Notes due 2027	HK$230 Million
	HK$ Guaranteed Fixed Rate Notes due 2040	HK$250 Million
Wharf Finance (No. 1) Limited	HK$ Guaranteed Fixed Rate Notes due 2016	HK$167 Million
	S$ Guaranteed Fixed Rate Notes due 2016	S$160 Million
	RMB Guaranteed Fixed Rate Notes due 2016	RMB150 Million
	US$ Guaranteed Floating Rate Notes due 2016	US$58 Million
	HK$ Guaranteed Fixed Rate Notes due 2017	HK$113 Million
	RMB Guaranteed Fixed Rate Notes due 2018	RMB800 Million
	HK$ Guaranteed Fixed Rate Notes due 2018	HK$300 Million
	RMB Guaranteed Fixed Rate Notes due 2019	RMB200 Million
	HK$ Guaranteed Fixed Rate Notes due 2019	HK$240 Million
	HK$ Guaranteed Fixed Rate Notes due 2020	HK$550 Million
	HK$ Guaranteed Fixed Rate Notes due 2020	HK$180 Million
	HK$ Guaranteed Fixed Rate Notes due 2020	HK$200 Million
	HK$ Guaranteed Fixed Rate Notes due 2020	HK$100 Million
	S$ Guaranteed Fixed Rate Notes due 2021	S$260 Million
	JPY Guaranteed Fixed Rate Notes due 2026	JPY10,000 Million
Wharf Finance (2014) Limited	HK$ Guaranteed Fixed Rate Convertible Bonds due 2014	HK$6,220 Million
Wharf MTN (Singapore) Pte. Ltd.	S$ Guaranteed Fixed Rate Notes due 2018	S$250 Million
(B) Wheelock (other than Wharf) (guaranteed by the Company)		
Wheelock Finance Limited	HK$ Guaranteed Fixed Rate Notes due 2014	HK$200 Million
	HK$ Guaranteed Fixed Rate Notes due 2016	HK$440 Million
	HK$ Guaranteed Fixed Rate Notes due 2017	HK$300 Million
	HK$ Guaranteed Fixed Rate Notes due 2017	HK$500 Million
	HK$ Guaranteed Fixed Rate Notes due 2017	HK$1,100 Million
	US$ Guaranteed Fixed Rate Notes due 2017	US$535 Million
	HK$ Guaranteed Fixed Rate Notes due 2021	HK$200 Million
	S$ Guaranteed Fixed Rate Notes due 2021	S$350 Million
	HK$ Guaranteed Fixed Rate Notes due 2022	HK$445 Million
	HK$ Guaranteed Fixed Rate Notes due 2022	HK$450 Million
Wheelock MTN (Singapore) Pte. Ltd.	S$ Guaranteed Fixed Rate Notes due 2014	S$185 Million

SCHEDULE OF PRINCIPAL PROPERTIES

At 31 December 2012

	Approximate Gross Floor Areas (sq.ft.)					
Address	**Total**	**Office**	**Retail**	**Residential**	**Others**	**(Remarks)**
HONG KONG						
Property — Investment						
Harbour City, Tsimshatsui						
Ocean Terminal	511,000	—	511,000	—	—	
Ocean Centre	987,000	613,000	374,000	—	—	
Wharf T & T Centre	223,000	223,000	—	—	—	
World Commerce Centre	223,000	223,000	—	—	—	
World Finance Centre	512,000	512,000	—	—	—	
Ocean Galleries	460,000	—	460,000	—	—	
Gateway I	1,241,000	1,127,000	114,000	—	—	
Gateway II	2,636,000	1,551,000	415,000	670,000	—	
Marco Polo Hongkong Hotel	760,000	14,000	175,000	—	571,000	(A 665-room hotel)
Gateway	308,000	—	—	—	308,000	(A 399-room hotel)
Prince	350,000	—	—	—	350,000	(A 393-room hotel)
Pacific Club Kowloon	139,000	—	—	—	139,000	(Club House)
	8,350,000	4,263,000	2,049,000	670,000	1,368,000	
Times Square						
Sharp Street East, Causeway Bay	1,969,000	1,033,000	936,000	—	—	
Plaza Hollywood						
3 Lung Poon Street, Diamond Hill	562,000	—	562,000	—	—	
Others						
Wharf T&T Square, Hoi Bun Road, Kwun Tong	513,000	513,000	—	—	—	(h)
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	46,000	—	—	46,000	—	
1 Plantation Road, The Peak	91,000	—	—	91,000	—	
77 Peak Road, The Peak	42,200	—	—	42,200	—	
Kowloon Godown, 1-5 Kai Hing Road, Kowloon Bay	829,000	—	6,000	823,000	—	
Units at Star House, 3 Salisbury Road, Kowloon	50,800	—	50,800	—	—	
Crawford House, 64-70A Queen's Road Central, Central	188,800	105,500	83,300	—	—	
3/F-24/F, Wheelock House, 20 Pedder Street, Central	199,300	199,300	—	—	—	
One Island South (Retail portion), 2 Heung Yip Road, Wong Chuk Hang	90,500	—	90,500	—	—	
	5,203,600	1,850,800	1,728,600	1,058,200	566,000	
Total Hong Kong Property — Investment	13,553,600	6,113,800	3,777,600	1,728,200	1,934,000	
Property — Development						
Yau Tong Godown, 5 Tung Yuen Street, Yau Tong	256,000	—	43,000	213,000	—	
Kadoorie Hill, 211-215C Prince Edward Road West, Homantin	108,000	—	—	108,000	—	(92,100 sq.ft. pre-sold)
Lexington Hill, 46 Belcher's Street, Kennedy Town	102,900	—	1,900	101,000	—	(99,100 sq.ft. pre-sold)
One Bay East, 83 Hoi Bun Road, Kwun Tong	1,024,700	971,200	53,500	—	—	
Site at junction of Hung Luen Road and Kin Wan Street, Hung Hom	590,000	522,300	67,700	—	—	
92-98 High Street, Sai Ying Pun	69,200	—	—	69,200	—	
Site at area 66B2, Tseung Kwan O	488,200	—	44,400	443,800	—	
Site at area 68A1, Tseung Kwan O	429,700	—	86,000	343,700	—	
171 Shau Kei Wan Road, Sai Wan Ho	57,800	—	15,800	42,000	—	
	3,126,500	1,493,500	312,300	1,320,700	—	

SCHEDULE OF PRINCIPAL PROPERTIES

At 31 December 2012

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	2033	1966	N/A	51.4%
126,488	KML 11 S.A.	2880	1977	N/A	51.4%
(a)	KML 11 S.B.	2880	1981	N/A	51.4%
(a)	KML 11 S.B.	2880	1981	N/A	51.4%
(a)	KML 11 S.D.	2880	1983	N/A	51.4%
(a)	KML 11 S.B. & D.	2880	1981/83	N/A	51.4%
(a)	KML 11 R.P.	2880	1994	N/A	51.4%
(a)	KML 11 S.B. & D.	2880	1998/99	N/A	51.4%
58,814	KML 91 S.A. & KML 10 S.B.	2863	1969	N/A	36%
(a)	KML 11 S.B.	2880	1981	N/A	51.4%
(a)	KML 11 S.D.	2880	1983	N/A	51.4%
48,309	KIL 11179	2021	1990	N/A	51.4%
112,441	IL 731, IL 728, IL 727, IL 725 S.A. & R.P., IL 724 S.A.	2850/60/80	1993	N/A	51.4%
280,510	NKIL 6160	2047	1997	N/A	51.4%
48,438	KTIL 713	2047	1991	Planning for redevelopment	51.4%
N/A	TWTL 218	2047	1992	N/A	51.4%
N/A	RBL 512 & 1004	2027/28	1974/77	N/A	51.4%
29,640	RBL 556 S.A. R.P. & S.B.	2035	2001	N/A	51.4%
32,145	RBL 522, 639, 661	2027	2017	Foundation in progress	51.4%
97,670	RBL 534 S.E., S.F. & R.P.	2028	2018	Foundation in progress	51.4%
76,725	RBL 836	2029	2016	Foundation in progress	51.4%
165,809	NKIL 5805, 5806 & 5982	2047	1984	Planning for redevelopment	51.4%
N/A	KML 10 S.A.	2863	1966	N/A	36%
12,286	IL 7 R.P. & IL 45 S.A. R.P.	2842	1977	N/A	100%
N/A	ML 99 S.A., S.C. & R.P. & ML 100 S.A., S.B. & R.P.	2854	1984	N/A	100%
N/A	AIL 374	2121	2011	N/A	100%
42,625	YTIL 4SA	2062	2016	Foundation in progress	51.4%
18,338	KIL 2340 R.P.	2080	2013	Superstructure in progress	100%
11,125	IL 953 R.P.	2891	2014	Superstructure in progress	100%
76,241	NKIL 6269	2061	2015	Foundation in progress	100%
147,499	KIL 11111	2061	2016	Foundation in progress	100%
7,553	IL 767 S.B., S.C. & S.D.	2861	2016	Demolition in progress	100%
88,760	TKOTL 119	2062	2016	Foundation in progress	100%
171,890	TKOTL 125	2063	2017	Planning stage	100%
6,300	SIL 547 R.P. & various lots of SIL 481 S.B.	2071	N/A	Planning stage	100%

	Approximate Gross Floor Areas (sq.ft.)					
Address	**Total**	**Office**	**Retail**	**Residential**	**Others**	**(Remarks)**
Associates/Jointly controlled entities						
(Attributable — Note f)						
Various Lots at Yau Tong Bay, Yau Tong	596,000	—	11,000	585,000	—	
8 Mount Nicholson Road, The Peak	162,000	—	—	162,000	—	
Austin Station Property Developments Sites C and D, West Kowloon	641,100	—	—	641,100	—	
	1,399,100	—	11,000	1,388,100	—	
Total Hong Kong Property — Development	4,525,600	1,493,500	323,300	2,708,800	—	
HONG KONG TOTAL	18,079,200	7,607,300	4,100,900	4,437,000	1,934,000	
MAINLAND CHINA						
Property — Investment						
Completed Investment Properties						
Shanghai Times Square 93-111 Huai Hai Zhong Road, Shanghai	1,039,000	331,000	513,000	195,000	—	
Chongqing Times Square 100 Zou Rong Road, Yuzhong District, Chongqing	728,800	13,800	715,000	—	—	
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	—	—	
Chengdu Times Outlets No. 633 Shuangnan Avenue (Middle Section) Shuangliu County, Chengdu	680,000	—	680,000	—	—	
Shanghai Wheelock Square 1717 Nan Jing Xi Road, Jingan District, Shanghai	1,199,000	1,149,000	50,000	—	—	
	3,842,800	1,493,800	2,154,000	195,000	—	
Investment Properties under Development						
Chengdu International Finance Square Junction of Hongxing Road and Da Ci Si Road, Jinjiang District, Chengdu	6,461,000	2,932,000	2,315,000	774,000	440,000	(A 238-room hotel)
Wuxi International Finance Square Taihu Plaza, Nanchang District, Wuxi	2,916,000	2,477,000	—	—	439,000	(A 208-room hotel)
Suzhou International Finance Square Xing Hu Jie, Suzhou Industrial Park, Suzhou	2,992,000	1,898,000	—	783,000	311,000	(A 96-room hotel)
Changsha International Finance Square Furong District, Changsha	7,804,000	4,726,000	2,470,000	—	608,000	(A 250-room hotel)
Chongqing International Finance Square Zone A of Jiangbei City, Jiang Bei District, Chongqing (Attributable — Note f)	2,524,000	1,786,000	547,000	—	191,000	(A 219-room hotel)
	22,697,000	13,819,000	5,332,000	1,557,000	1,989,000	
Marco Polo Wuhan 160 Yan Jiang Da Dao, Jiangan District, Wuhan	405,000	—	—	—	405,000	(A 370-room hotel)
Total Mainland China Property — Investment	26,944,800	15,312,800	7,486,000	1,752,000	2,394,000	

SCHEDULE OF PRINCIPAL PROPERTIES

At 31 December 2012

Site Area (sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
806,807	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	2015	Foundation in progress	26%
295,181	KIL 11126 and KIL 11129	2060	2015	Superstructure in progress	50%
148,703	N/A	2043	1999	N/A	51.4%
95,799	N/A	2050	2004	N/A	51.4%
(b)	N/A	2053	2008	N/A	51.4%
(c)	N/A	2039	2008	N/A	51.4%
(d)	N/A	2047	2009	N/A	51.4%
136,432	N/A	2049	2010	N/A	50%
590,481	N/A	2047	2014	Superstructure in progress	51.4%
313,867	N/A	2047/57	2014	Superstructure in progress	51.4%
229,069	N/A	2047/77	2016	Foundation in progress	29%
800,452	N/A	2051	2016	Excavation work in progress	51.4%
516,021	N/A	2050/60	2015	Superstructure in progress	26%
(b)	N/A	2053	2008	N/A	51.4%

SCHEDULE OF PRINCIPAL PROPERTIES

At 31 December 2012

	Approximate Gross Floor Areas (sq.ft.)					
Address	**Total**	**Office**	**Retail**	**Residential**	**Others**	**(Remarks)**
Property — Development						
Changzhou Times Palace China Dinosaur Park, Xinbei District, Jiangsu Province, Changzhou	7,590,000	—	—	7,073,000	517,000	(A 272-room hotel and a State Guest House) (2,340,000 sq.ft. 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	—	
Changzhou Feng Huang Hu Site 03 Xin Bei District and abutting Huang He Lu and Feng Xiang Lu, Changzhou	2,638,000	—	—	2,638,000	—	
Palazzo Pitti Hangzhou Hangyimian Lot C/D Gongshu District Gongchen Bridge West, Hangzhou	2,422,000	—	—	2,422,000	—	(80,000 sq.ft. pre-sold)
Hangzhou Wenhui Road Lot #FG05 of Wenhui Road, Hangzhou	883,000	—	—	883,000	—	
Shi Ji Hua Fu Yingbin North Road/Fenshou Road, Fuchun District, Fuyang, Hangzhou	1,384,000	—	78,000	1,306,000	—	
Junting Hangzhou Qianjiang Economic Development Area 09 Provincial Road/Kangxin Road, Yuhang District, Hangzhou	2,368,000	—	—	2,368,000	—	(156,000 sq.ft. pre-sold)
No.1 Xin Hua Road 176 Huai Hai Xi Road, Changning District, Shanghai	60,000	—	—	60,000	—	(13,000 sq.ft. pre-sold)
Shanghai Xi Yuan D1 of Xinjiangwancheng of Yangpu District, Shanghai	172,000	—	—	172,000	—	(66,000 sq.ft. 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	1,646,000	—	—	1,646,000	—	(105,000 sq.ft. pre-sold)
Bellagio 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	9,766,000	—	—	9,766,000	—	(3,018,000 sq.ft. pre-sold)
Wuxi Glory of Time Nanchang District and abutting on Jinhang Canal, Wuxi	2,085,000	646,000	—	1,439,000	—	(176,000 sq.ft. pre-sold)
Wuxi Times City Taihu Plaza, Nanchang District, Wuxi	6,534,000	—	—	6,534,000	—	(1,567,000 sq.ft. pre-sold)
Wuxi Xiyuan Nanchang District and abutting on Jinhang Canal, Wuxi	2,491,000	—	—	2,491,000	—	(584,000 sq.ft. 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	—	(24,000 sq.ft. pre-sold)
Tian Fu Times Square Junction of Dong Da Jie & Fu He, Jinjiang District, Chengdu	1,506,000	1,026,000	51,000	429,000	—	(712,000 sq.ft. pre-sold)
Crystal Park, No. 10 Gaoxin District Junction of Zhan Hua Road and Fu Cheng Avenue, Chengdu	1,068,000	443,000	5,000	620,000	—	(1,055,000 sq.ft. pre-sold)

SCHEDULE OF PRINCIPAL PROPERTIES

At 31 December 2012

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	Superstructure in progress	51.4%
1,180,262	N/A	2083	2016	Planning stage	51.4%
914,000	N/A	2080	2014	Superstructure in progress	51.4%
258,358	N/A	2080	2015	Superstructure in progress	51.4%
553,442	N/A	2051/81	2015	Superstructure in progress	51.4%
1,315,296	N/A	2081	2015	Superstructure in progress	51.4%
118,220	N/A	2070	2010	N/A	44%
638,000	N/A	2077	2012	N/A	36%
877,772	N/A	2081	2014	Superstructure in progress	51.4%
585,723	N/A	2081	2015	Planning stage	51.4%
170,825	N/A	2043/63	2016	Planning stage	28%
3,654,152	N/A	2076	2015	Superstructure in progress	51.4%
2,501,747	N/A	2081	2015	Foundation in progress	51.4%
5,425,454	N/A	2077	2018	Superstructure in progress	29%
1,276,142	N/A	2078	2015	Superstructure in progress	51.4%
3,314,418	N/A	2078	2015	Superstructure in progress	51.4%
1,416,822	N/A	2078	2015	Superstructure in progress	51.4%
2,121,662	N/A	2048/78	2015	Foundation in progress	51.4%
160,000	N/A	2079	2013	Superstructure in progress	51.4%
761,520	N/A	2045/75	2013	Superstructure in progress	51.4%
884,459	N/A	2046/76	2014	Superstructure in progress	51.4%

	Approximate Gross Floor Areas (sq.ft.)					
Address	Total	Office	Retail	Residential	Others	(Remarks)
Times Town, 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	—	(112,000 sq.ft. pre-sold)
Chengdu Times City Shuangliu Huayang Street, Qinghe Community Group 8 and Gongxing Street Outang Village Group 5	2,390,000	—	88,000	2,302,000	—	
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	—	(670,000 sq.ft. pre-sold)
Wuhan Times Square 160 Yan Jiang Da Dao, Jiangan District, Wuhan	9,000	—	—	9,000	—	
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	116,000	—	—	116,000	—	
Dongfenglu Project Lot No. S2, Dong Feng Lu, Guangzhou	352,000	—	33,000	319,000	—	
Hangzhou Fuyang Shijiayuan Xianzhu Road/Xiangyang Road, Shouxiang Shijiayuan Village, Fuyang	3,267,000	—	—	3,267,000	—	
	77,767,000	6,037,800	1,606,400	69,605,800	517,000	
Associates/Jointly controlled entities (Attributable — Note f)						
Suzhou Kingsville South of Lin Hu Road, East & West sides of Ying Hu Road Suzhou	829,000	—	—	829,000	—	(223,000 sq.ft. pre-sold)
Evian Town South of Tian Hong Lu and North of Yu He Lu Xincheng District, Foshan	1,013,000	—	56,000	957,000	—	(871,000 sq.ft. pre-sold)
Evian Uptown North side of Kin Jin Lu, Chancheng District, Foshan	1,024,700	—	86,200	938,500	—	(644,000 sq.ft. pre-sold)
Evian Buena Vista Foshan Nanhai District Shishan County Project	1,653,500	—	163,800	1,489,700	—	(313,000 sq.ft. pre-sold)
Evian Riviera Foshan Nanhai District Guicheng A18 and A21 Project	1,197,500	—	97,200	1,100,300	—	(369,000 sq.ft. pre-sold)
Donghui City Guangzhou Development Zone KXCD-D1-2 Project	954,700	—	34,700	920,000	—	(190,000 sq.ft. pre sold)
Unique Garden Laiguangying Central Street, Chaoyang District, Beijing	646,000	—	11,000	635,000	—	
The Magnificent Junction of Weiguo Road & Jingjiang Road, Hedong District, Tianjin	179,000	—	38,000	141,000	—	(137,000 sq.ft. pre-sold)
Shanghai Tangzhen Tangzhen 5 Jiefang 180/1 Qiu, Pudong District, Shanghai	389,000	—	—	389,000	—	
Shanghai South Station Caohejing Area Lot 278a-05/278b-02/278b-04 South Station Business Zone, Xuhui District, Shanghai	1,437,000	1,321,000	116,000	—	—	
Golf Landmark Zhuantang Town, Zhijiang National Tourist Holiday Resort, Xihi District, Hangzhou	1,930,000	—	83,000	1,847,000	—	(324,000 sq.ft. pre-sold)
Petrus Bay Site 3#-2 of Baoqingsi, Ningbo	419,000	—	—	419,000	—	
Ningbo Eastern New Town Site E-4#, 7#, 8#, 12# & 13#, Shuixianglinli Eastern New Town, Ningbo	529,000	—	—	529,000	—	
Dalian Buxiuxiang Taoyuan Area, Jiefang Road, Zhongshan District, Dalian	1,550,000	—	—	1,550,000	—	

SCHEDULE OF PRINCIPAL PROPERTIES

At 31 December 2012

Site Area (sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
(d)	N/A	2047/77	2016	Superstructure in progress	51.4%
800,882	N/A	2053/83	2015	Planning stage	51.4%
1,130,000	N/A	2050/80	2015	Superstructure in progress	51.4%
(b)	N/A	2053/73	2007/08	N/A	51.4%
454,000	N/A	2080	2015	Foundation in progress	51.4%
(c)	N/A	2069	2009	N/A	51.4%
60,020	N/A	2059/79	2015	Foundation in progress	100%
3,210,772	N/A	2081	2018	Planning stage	76%
1,976,237	N/A	2077	2014	Superstructure in progress	26%
2,867,600	N/A	2047/77	2012	N/A	26%
1,155,000	N/A	2048/78	2014	Superstructure in progress	26%
1,526,900	N/A	2070	2015	Superstructure in progress	26%
603,900	N/A	2080	2015	Superstructure in progress	26%
1,181,300	N/A	2081	2015	Superstructure in progress	17%
258,300	N/A	2082	2015	Foundation in progress	17%
511,560	N/A	2079	2012	N/A	26%
648,056	N/A	2082	2016	Planning Stage	26%
1,156,979	N/A	2052/62	2017	Planning Stage	10%
2,046,685	N/A	2047/77	2016	Superstructure in progress	26%
524,250	N/A	2080	2014	Superstructure in progress	26%
708,142	N/A	2080	2014	Foundation in progress	26%
922,475	N/A	2083	2017	Planning stage	31%

	Approximate Gross Floor Areas (sq.ft.)					
Address	**Total**	**Office**	**Retail**	**Residential**	**Others**	**(Remarks)**
Chengdu ICC South of Shuanggui Road, North of Niusha Road East of Erhuan Road, West of Shahe, Jinjiang District, Chengdu	3,710,000	1,242,000	550,000	1,794,000	124,000	(156,000 sq.ft. pre-sold)
U World Zone B of Jiangbei City, Jiang Bei District, Chongqing	1,964,000	—	—	1,964,000	—	(205,000 sq.ft. pre-sold)
The Throne Zone C of Jiangbei City, Jiang Bei District, Chongqing	4,595,000	—	—	4,595,000	—	(495,000 sq.ft. pre-sold)
International Community Zone C of Danzishi, Nanan District, Chongqing	6,049,000	—	1,097,000	4,952,000	—	(665,000 sq.ft. pre-sold)
Peaceland Cove Tiedonglu, Hebei District, Tianjin	1,295,000	—	—	486,000	809,000	(Others for commercial use) (318,000 sq.ft. pre-sold)
	31,364,400	2,563,000	2,332,900	25,535,500	933,000	
Total Mainland China Property — Development	109,131,400	8,600,800	3,939,300	95,141,300	1,450,000	
MAINLAND CHINA TOTAL	136,076,200	23,913,600	11,425,300	96,893,300	3,844,000	
SINGAPORE						
Property — Investment						
Wheelock Place, 501 Orchard Road	465,400	236,000	229,400	—	—	
Scotts Square (Retail Podium), 6 & 8 Scotts Road	130,900	—	130,900	—	—	
Total Singapore Property — Investment	596,300	236,000	360,300	—	—	
Property — Development						
Ardmore Three, 3 Ardmore Park	145,000	—	—	145,000	—	(3,563 sq.ft. pre-sold)
Units at Scotts Square, 6 & 8 Scotts Road	44,600	—	—	44,600	—	
Total Singapore Property — Development	189,600	—	—	189,600	—	
SINGAPORE TOTAL	785,900	236,000	360,300	189,600	—	
GROUP PROPERTY — INVESTMENT	41,094,700	21,662,600	11,623,900	3,480,200	4,328,000	
GROUP PROPERTY — DEVELOPMENT	113,846,600	10,094,300	4,262,600	98,039,700	1,450,000	
GROUP TOTAL (Note i)	**154,941,300**	**31,756,900**	**15,886,500**	**101,519,900**	**5,778,000**	

Notes :

(a) These properties with total site area of 428,719 sq.ft. form part of Harbour City.

(b) This property forms part of Wuhan Times Square which has a total site area of 188,090 sq.ft.

(c) This property forms part of Dalian Times Square which has a total site area of 171,356 sq.ft.

(d) This property forms part of Chengdu Shuangliu Development Zone which has a total site area of 3,900,589 sq.ft.

(e) This property forms part of Scotts Square which has a total site area of 71,137 sq.ft.

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

(g) Total Hong Kong, Mainland and Singapore development properties area included 191,200 sq.ft., 15,588,000 sq.ft. and 3,563 sq.ft. respectively pre-sold areas which have not yet been recognised in the financial statements.

(h) Including carpark areas, Wharf T&T Square has a total GFA of 596,200 sq.ft.

(i) In addition to the above floor areas, the Group has total attributable carpark areas of approximately 43 million sq.ft. mainly in Mainland China.

SCHEDULE OF PRINCIPAL PROPERTIES

At 31 December 2012

Site Area (sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
2,212,128	N/A	2048/78	2015 and beyond	Superstructure in progress	15%
1,002,408	N/A	2057	2015	Superstructure in progress	20%
2,335,535	N/A	2050/60	2016	Superstructure in progress	26%
6,080,656	N/A	2047/57	2017	Superstructure in progress	21%
1,619,360	N/A	2050/80	2014	Superstructure in progress	26%
N/A	N/A	2089	1993	N/A	76%
(e)	N/A	Freehold	2011	N/A	76%
54,981	N/A	Freehold	2014	Superstructure in progress	76%
(e)	N/A	Freehold	2011	N/A	76%

TEN-YEAR FINANCIAL SUMMARY

HK$ Million	2012	2011	2010	2009	2008	2007	2006/07	2005/06	2004/05	2003/04
						(Note e)				
Consolidated Income Statement										
Revenue	**33,124**	34,558	24,186	18,957	22,583	17,915	16,096	4,235	4,521	7,116
Operating profit	**15,570**	17,730	11,384	9,507	9,420	10,428	7,650	1,792	1,408	1,423
Core profit (Note a)	**7,267**	9,038	4,582	3,711	3,385	3,460	3,008	3,313	3,502	2,303
Profit before property revaluation surplus	**8,734**	8,359	4,974	4,408	2,284	3,361	3,008	3,313	3,502	2,303
Profit attributable to equity shareholders	**26,935**	22,866	20,194	10,459	3,432	7,615	6,310	10,316	8,337	2,303
Dividends attributable to shareholders	**2,235**	1,016	254	254	254	254	254	254	224	183
Consolidated Statement of Financial Position										
Investment properties	**250,729**	200,497	161,953	126,789	108,830	105,836	95,085	8,560	5,314	4,006
Fixed assets	**19,888**	19,002	18,410	18,522	21,866	19,554	16,171	105	12	5
Interest in associates	**16,046**	9,331	7,725	5,513	5,438	5,096	531	32,012	26,562	24,528
Interest in jointly controlled entities	**21,219**	18,297	16,485	7,551	7,989	4,555	788	—	—	—
Financial investments	**14,843**	7,065	10,676	4,885	2,279	7,622	7,088	2,187	1,488	1,167
Properties for sale	**65,007**	60,909	37,233	25,824	24,660	19,805	15,386	9,169	10,204	7,251
Bank deposits and cash	**30,016**	42,668	27,540	27,756	22,927	13,079	10,235	4,518	3,502	2,017
Other assets	**12,018**	6,343	6,214	7,966	4,217	3,578	3,743	1,627	1,673	1,905
Total assets	**429,766**	364,112	286,236	224,806	198,206	179,125	149,027	58,178	48,755	40,879
Bank loans and other borrowings	**(103,257)**	(95,682)	(65,682)	(46,634)	(45,623)	(34,991)	(25,806)	(7,205)	(8,023)	(8,132)
Other liabilities	**(40,629)**	(33,236)	(27,478)	(19,621)	(16,681)	(29,975)	(23,679)	(3,605)	(4,066)	(2,110)
Net assets	**285,880**	235,194	193,076	158,551	135,902	114,159	99,542	47,368	36,666	30,637
Share capital	**1,016**	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016
Reserves	**151,025**	121,546	99,356	75,882	64,092	55,635	48,246	40,000	30,419	25,528
Shareholders' equity	**152,041**	122,562	100,372	76,898	65,108	56,651	49,262	41,016	31,435	26,544
Non-controlling interests	**133,839**	112,632	92,704	81,653	70,794	57,508	50,280	6,352	5,231	4,093
Total equity	**285,880**	235,194	193,076	158,551	135,902	114,159	99,542	47,368	36,666	30,637
Net debt	**73,241**	53,014	38,142	18,878	22,696	21,912	15,571	2,687	4,521	6,115
Financial Data										
Per share data										
Earnings per share (HK$)										
– Core profit	**3.58**	4.45	2.26	1.83	1.67	1.70	1.48	1.63	1.72	1.13
– Before property revaluation surplus	**4.30**	4.11	2.45	2.17	1.12	1.65	1.48	1.63	1.72	1.13
– Attributable to equity shareholders	**13.26**	11.25	9.94	5.15	1.69	3.75	3.11	5.08	4.10	1.13
Net assets value per share (HK$)	**74.83**	60.32	49.40	37.85	32.04	27.88	24.25	20.19	15.47	13.06
Dividends per share (¢) (Note b)	**110.0**	50.0	12.5	12.5	12.5	12.5	12.5	12.5	11.0	9.0
Financial ratios										
Net debt to Shareholders' equity (%)	**48.2%**	43.3%	38.0%	24.5%	34.9%	38.7%	31.6%	6.6%	14.4%	23.0%
Net debt to total equity (%)	**25.6%**	22.5%	19.8%	11.9%	16.7%	19.2%	15.6%	5.7%	12.3%	20.0%
Return on Shareholders' equity (%) (Note c)	**19.6%**	20.5%	22.8%	14.7%	5.6%	14.4%	14.0%	28.5%	28.8%	9.3%
Dividend payout (%)										
– Core profit	**30.8%**	11.2%	5.5%	6.8%	7.5%	7.3%	8.4%	7.7%	6.4%	7.9%
– Before property revaluation surplus	**25.6%**	12.2%	5.1%	5.8%	11.1%	7.6%	8.4%	7.7%	6.4%	7.9%
– Attributable to equity shareholders	**8.3%**	4.4%	1.3%	2.4%	7.4%	3.3%	4.0%	2.5%	2.7%	7.9%
Interest cover (Times) (Note d)	**6.2**	10.2	13.5	16.1	8.2	8.6	7.7	6.9	12.7	8.1

Notes:

(a) Core profit excludes attributable net property revaluation surplus, mark-to-market changes on swaps and other financial assets and other non-recurring items including the book accounting gain arising from acquisition of the interests in Greentown in 2012, revaluation of Hactl interest/tax write back in 2010 and profit on disposal of Beijing Capital Times Square/Fitfort in 2009.

(b) 2012 and 2011 Dividends per share included a special dividend of 25.0¢ per share each year.

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

(d) Interest cover is based on EBITDA over finance costs (before capitalisation and fair value gain/loss).

(e) 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 consolidated the financial statements for Wharf for the full calendar year 2007.

(f) 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 the equity shareholders.

(g) 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。

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