WHEELOCK

Founded 1857

Wheelock and Company Limited
Annual Report 2013

Stock Code: 20 / www.wheelockcompany.com

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Douglas C K Woo *(Chairman & Managing Director)*
Peter K C Woo, GBM, GBS, JP *(Senior Director)*
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
Winston K W Leong
Alan H Smith, JP*
Richard Y S Tang, BBS, JP
Kenneth W S Ting, SBS, JP*
Nancy S L Tse, JP
Glenn S Yee*

* *Members of the Audit Committee*

SECRETARY

Wilson W S Chan, FCIS

REGISTRARS

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Hopewell Centre
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Hong Kong

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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

2013 was a year full of challenges.

By the year's end, the global economy had improved slightly but the recovery has been slow with continued uncertainty from US monetary and fiscal matters, ongoing woes in emerging markets and a nascent and fragile Eurozone recovery. The China economy has slowed for sound reasons to a 7-7.5% GDP growth rate for the foreseeable future.

The property markets in Hong Kong, Singapore and China in which we are focused have been subject to the governments' aggressive cooling policies. It is not expected that this policy framework will change in the near to medium term and a downward biased expectation has been built into the markets.

The fundamentals of Hong Kong, Singapore and China, despite a variety of headwinds, remained solid as evidenced by steady economic growth of 2.9%, 3.7% and 7.7% respectively in 2013.

BUSINESS PERFORMANCE

Despite the challenging environment, our core business, Hong Kong Development Properties ("DP") reported solid results. Sales were on the right track with an increase of 45% over 2012 to HK$10 billion. The HK$4.5 billion office sale of One Bay East West Tower to Manulife in March was Hong Kong's single largest transaction in the past 18 months. And in October, in just three weeks, 100% of The Austin Phase One's 576 residential units were sold for HK$10 billion (with HK$5 billion attributable to the Group). The sales success of The Austin and the timely handover of Kadoorie Hill further proved our execution capabilities and enhanced the brand value of Wheelock.

On the back of HK$10 billion and 0.8 million square feet of sales, we replenished our land bank with 2.2 million square feet for HK$11.7 billion during the year. These acquisitions are mainly focused in city centre and unique locations. At an average cost of HK$5,300 per square foot, the land replenishment has built up the DP land bank under management up to 7.9 million square feet, of which 5.1 million square feet is directly owned by wholly-owned Wheelock Properties Limited ("WPL") while 2.8 million square feet is managed on behalf of listed subsidiary The Wharf (Holdings) Limited ("Wharf"). Our quality DP land bank, 95% is in city centre locations and 66% on Victoria Harbour, is adequate to fill our development need.

We maintain a gearing at 21% before consolidation of Wharf and Wheelock Properties (Singapore) Limited ("WPSL"), backed by a solid balance sheet and cash flow. HK$7.1 billion of gross debt will mature in the next two years while DP receivables at HK$5.6 billion are scheduled to be recouped in two years. In addition, a stable dividend stream of HK$3.0 billion from Wharf and WPSL during the year, coupled with recurring rental income generated from two core Central assets, namely, Wheelock House and Crawford House, provided income stability. This strong financial position will enable Wheelock to meet the challenges of the market.

Pressure on the property market is expected to continue with the sharply increasing construction costs in Hong Kong coupled with government controls, but our seasoned management team are no strangers to market fluctuations. Not including our Peak Portfolio, a competitive land cost at an average of HK$4,600 per square foot of our 7.4-million-square-feet land bank and minimal non-performing stock stands us in good position. We will strive to actively trade our land bank in order to generate fast asset turn while building long-term value for the Group.

Wharf

Wharf, our major listed subsidiary with a weighting of 85% to total balance sheet has a dedicated management team which has produced consistent, quality growth over the years. The stock's turnover on the Hong Kong Stock Exchange is among the top local blue chip companies with attractive liquidity.

Book value of its Investment Properties ("IP") portfolio was HK$261 billion as at 31 December 2013, which ranks among top five in the world that are publicly held. This result underscored its competence and execution capabilities on the IP front. IP accounted for 58% of Wharf's core profit in 2013 and all of its asset revaluation surplus.

IP is led by Harbour City and Times Square in Hong Kong, with a combined value of HK$192 billion at the end of 2013, representing 49% of Wharf's business assets. Harbour City remains one of the world's leading shopping destinations. Retail sales in 2013 rose to over HK$2,800 per square foot per month. Ocean Terminal's renovation is an important part of further value-accretive initiatives. Times Square, among the most successful vertical malls in the world, has completed its 18-month major revamp. This even-better new Times Square offers the most extensive product range, entertainment and culinary choices.

In the Mainland, Chengdu IFS's 210,000-square-metre retail mall, the new city landmark in Western China, officially opened in January 2014 with over 95% of it leased at well-above-budget rental rates. The other IFS retail malls in Changsha and Chongqing, with an aggregate retail area of 332,000 square metres are scheduled for completion in 2016 and 2015. Looking ahead, Wharf's retail area in Hong Kong and China will multiply in the next three years, significantly strengthen its recurrent income base.

Wheelock Properties Singapore

We also adopt a prudent approach in Singapore given the challenges resulting from stringent government policies and the tightening of mortgage lending practices. A residential development site in Ang Mo Kio was acquired in January prior to the introduction of additional cooling measures in June and December. We expect these policies to impact sales and margin. In light of these challenging circumstances, WPSL has made an accounting provision for this development. However, recurring rental revenue generated from Wheelock Place and Scotts Square Retail enabled WPSL to maintain dividend distribution despite unfavourable market circumstances.

FINANCIAL RESULTS

Revenue increased by 6% to HK$35.1 billion with strong recurrent rental revenue. Operating profit declined by 4% to HK$14.9 billion.

Core profit i.e. profit before net investment property revaluation surplus and exceptional items, increased by 8% to HK$7.8 billion. 75% of that was attributable to Wharf, 17% to Wheelock and 8% to WPSL. Core earnings per share were HK$3.85. Including net revaluation surplus and exceptional items, profit attributable to Shareholders, amounted to HK$17.0 billion (2012: HK$26.9 billion). Net asset value increased to HK$81.99 per share.

Consolidated net debt of HK$94.3 billion represented a gearing ratio of 30.3%. Excluding debts of non-wholly owned subsidiaries which are without recourse to Wheelock, net debt was HK$35.1 billion (2012: HK$20.4 billion) resulting in a gearing of 21.1% as at 31 December 2013 for the Company.

In lieu of a final dividend, the Board has approved the payment of a second interim dividend of 65 cents per share. Total distribution for 2013 amounted to HK$1 per share.

CORPORATE SOCIAL RESPONSIBILITY

Only about 18% of secondary school students go to government funded universities in Hong Kong, based on 2013 figures. The question is, what about the other 82% who do not? What about the bottom 40%? How well are students prepared by our schools to join our community on the completion of their secondary school studies?

This was the impetus for us to start Project *WeCan*, a pioneer 360-degree school improvement programme to assist students who have great potential to contribute to Hong Kong's society and success, but have few opportunities. We were of the view that money alone cannot effect the change we would like to see, so three years ago when we launched this pillar of our Business-in-Community project, we pledged a six-year programme valued at HK$150 million comprising financial resources, software and our staff as volunteer mentors and coaches, and collaborators with the schools to devise activities to achieve our goals.

At the beginning, we focused on 10 participating secondary schools with a high percentage of students disadvantaged in learning in Hong Kong. We have now extended to 14 such schools. More than 12,000 deserving students in Hong Kong have benefited from the programme, as have the Group's more than 400 staff who found their enthusiasm rewarded with the positive change they are making in these young people's lives.

Wheelock, specifically, has been working closely with two partner schools, Fung Kai No. 1 Secondary School and Ng Yuk Secondary School, through financial commitment, teaching and learning software from the Quality School Improvement Project of The Chinese University of Hong Kong and employee volunteering. Career workshops, Outward Bound event, company visits and other activities were carried out during the year. A job tasting programme was commemorated by a ceremony officiated by Financial Secretary Mr John Tsang. In the Group's results announcement in August 2013 and March 2014, special sessions were arranged for both schools' finance students to raise questions and interact with the management team.

We have recently launched Project *WeCan* 2 which aims to support up to 150 or one-third of Hong Kong secondary schools with a high percentage of students who are disadvantaged in learning. The Group's funding commitment would therefore increase substantially, amounting to HK$100 million per year for five years, reaching HK$500 million in total. Many more volunteers will be involved. We hope to see other companies, professionals, retirees and capable people join this open platform and help the youth in need of our society.

We are also supporting environmental protection through the Woo Wheelock Green Fund ("WWGF") which was established in 1994 in collaboration with the government's Environment and Conservation Fund aiming to support environmental research and technology projects. In the past six years, WWGF funded 14 projects. WPL has taken part in the World Wide Fund (WWF) Hong Kong's Low-carbon Office Operation Programme for three consecutive years and in 2013 was bestowed with the Gold Label Award. The Corporate Social Responsibility Report 2012 was also published by WPL for the second year in August 2013. This Report is prepared in accordance with the Global Reporting Initiative Guidelines (GRI) and addresses the sustainability challenges and achievements in corporate governance, sustainability approach, environment, people, customers and community. It is a self-checked application "B level" Report in accordance with GRI G3.1 Sustainability Reporting Environment.

In 2013, more than 60% of WPL's staff were involved in community and volunteer activities, with accumulated volunteer service hours of 678.5 hours. We supported a number of community activities including Swim for a Million organised by The Community Chest and Wheelock, Christmas E-card Design Competition with the Hong Chi Association, Green Riders by The Conservancy Association, Hike for Hospice by Society for the Promotion of Hospice Care and Wu Zhi Qiao (Bridge to China). In March 2014, WPL was awarded the RICS Social Responsibility Award of the Year 2014, recognising our contribution to community.

Continuing to support for art and culture, and specifically talented local artists, the winning art works of the Hong Kong Art Prize 2013 were exhibited at Wheelock Gallery for public viewing. We also supported Christie's Hong Kong Auction Highlights in Spring and Autumn, and organised an Art Talk with The Royal Academy of Arts (UK), and the Nature on The Peak – Edward Stokes Photo Exhibition.

CLOSING

As my chairmanship of Wheelock came to an end after a total of 21 years, Douglas Woo was appointed Chairman on 1 January 2014. I remain the Senior Director of Wheelock, and continue as the Chairman of Wharf.

I would like to express my heartfelt gratitude to my fellow Directors, senior colleagues and all staff for their unwavering support, enthusiasm, commitment and contribution over the past three decades. We have been witness to many historic milestones, the most memorable for me being the Sino-British negotiation on the future of Hong Kong in 1983. With more changes to come from both within Hong Kong and as a consequence of external conditions, Wheelock will continue to face challenges head on. But I am confident it is in a sound investment and financial position, Hong Kong continues to be a great city to operate in, and that the business is in good hands after the succession transition.

Finally and most importantly, I thank our shareholders for their confidence and support over the years and I invite them to continue to support the Company as they have in the past.

Peter K C Woo
Chairman (2013)

Hong Kong, 28 March 2014

MESSAGE FROM THE NEW CHAIRMAN

It is my honour and privilege to serve as the Chairman of Wheelock and Company.

First and foremost, on behalf of all our stakeholders, I would like to thank Mr Peter Woo for his stewardship and vision throughout the years. We receive from him a business with great heritage which sits at the centre of one of Hong Kong's pillar sectors and has been integral to the city's development. We also receive from him a Group that prioritises the long-term sustainability of its business not only through the investment in new opportunities but also investment into the community, believing that to have a good business we must do good through our business. We are well set up for the future, despite the current challenges of the market. I would like to take this opportunity to thank the management team and all colleagues for their hard work and commitment to have built the Group to where we are today.

OUTLOOK

2014 will be a challenging year as major global economies continue to work through fiscal and monetary issues as they undertake further steps for recovery, while closer to home the property markets of Hong Kong, Singapore and China will continue to be impacted by the governments' cooling policies and increasing construction costs.

However, each of our markets of operation should continue to report solid steady economic growth. We remain confident in the Hong Kong economy, which has the benefit of a low unemployment rate, positive business sentiment, ongoing large-scale infrastructure works and inbound tourism, and should continue to grow. Additionally, the role of Hong Kong as a service platform for international and China's corporations will stimulate economic activities. All these point to stable demand for both residential and commercial properties.

Our core business is in Hong Kong Development Properties and this remains our steadfast focus for 2014. Our portfolio will target the city's urban areas and we will pursue an active turnover approach, maintaining minimal inventory. Practicing prudent financial management will be our anchor.

Douglas C K Woo
Chairman

Hong Kong, 28 March 2014

FINANCIAL HIGHLIGHTS

RESULTS AND FINANCIAL POSITION

	2013 HK$ Million	2012 HK$ Million	Change
Results			
Revenue	**35,071**	33,124	+6%
Operating profit	**14,938**	15,570	–4%
Core profit (Note 1)	**7,822**	7,267	+8%
Profit before property revaluation surplus	**7,724**	8,734	–12%
Profit attributable to equity shareholders	**16,954**	26,935	–37%
Total dividend for the year	**2,032**	2,235	–9%
Earnings per share			
Core profit	**HK$3.85**	HK$3.58	+8%
Before property revaluation surplus	**HK$3.80**	HK$4.30	–12%
Attributable to equity shareholders	**HK$8.34**	HK$13.26	–37%
Dividend per share			
First interim	**35.0¢**	25.0¢	+40%
Second interim	**65.0¢**	60.0¢	+8%
Special	**–**	25.0¢	–100%
Total for the year	**100.0¢**	110.0¢	–9%
Financial Position			
Total assets	**486,814**	429,766	+13%
Total business assets (Note 2)	**444,775**	381,879	+16%
Net debt	**94,295**	73,241	+29%
Share capital (Ordinary shares of HK$0.5 each)	**1,016**	1,016	–
Shareholders' equity	**166,582**	152,041	+10%
Total equity	**311,572**	285,880	+9%
Net asset value per share	**HK$81.99**	HK$74.83	+10%
Net debt to total equity	**30.3%**	25.6%	+4.7%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 ¢
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
2013	**7,822**	**7,724**	**16,954**	**311,572**	**166,582**	**81.99**	**3.85**	**3.80**	**8.34**	**100.0**

Notes:

(1) Core profit excludes attributable net property revaluation surplus, mark-to-market changes on swaps and other financial assets, provision for diminution in value of properties in 2013 and the accounting gain arising from the acquisition of equity interest 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 130 to 131.

GROUP PROFIT AND ASSETS COMPOSITION

	Profit attributable to equity shareholders				Shareholders' equity			
	2013 HK$ Million	**%**	2012 HK$ Million	%	**2013 HK$ Million**	**%**	2012 HK$ Million	%
Wheelock & Company Limited	**1,303**	**17**	1,122	16	**44,256**	**22**	29,738	17
Wheelock Properties (Singapore) Limited	**665**	**8**	528	7	**13,814**	**7**	14,904	9
The Wharf (Holdings) Limited	**5,854**	**75**	5,617	77	**143,665**	**71**	127,816	74
	7,822	**100**	7,267	100	**201,735**	**100**	172,458	100
Exceptional items (Note 1)	**(98)**		1,467					
	7,724		8,734					
Investment property revaluation surplus	**9,230**		18,201					
Profit to shareholders	**16,954**		26,935					
Per share	**HK$8.34**		HK$13.26					
Corporate items (Note 2)					**(35,153)**		(20,417)	
Shareholders' equity					**166,582**		152,041	
Per share					**HK$81.99**		HK$74.83	

Notes:

(1) Exceptional items represent attributable mark-to-market changes on swaps and other financial assets, provision for diminution in value of properties in 2013 and the accounting gain arising from the acquisition of equity interest in Greentown in 2012.

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

BUSINESS REVIEW

Investment Properties ("IP")

Wheelock's two rare and valuable IP in Central – Wheelock House and Crawford House – have a combined market value of over HK$10.0 billion.

Wheelock House together with Wheelock Square in Shanghai and Wheelock Place in Singapore, the three Wheelock branded landmarks, anchoring the Group's brand presence in Asia's key financial centres. Wheelock House is an office development located at Hong Kong's ground zero CBD at the intersection of Pedder Street and Des Voeux Road Central, above the Central MTR Station. This location has been Hong Kong's historical commercial and trading hub since the 1800s. Given this strategic location, office occupancy stood at 99% and rental income grew by 18% in 2013, whilst office rentals in Central were generally under pressure.

Crawford House is a commercial development at No. 70 Queen's Road Central comprising 18 office floors and a seven-storey retail area with a 120-foot high street frontage and a layby along Queen's Road Central. This most sought-after retail offering occupies 55,268 square feet. It has been leased to Zara replacing H&M as the anchor tenant since the last quarter of 2013, with opening scheduled for the second quarter of 2014. Its retail value is enhanced as core Central retail is spreading across to the west towards the Mid-Levels escalators adjacent to Crawford House. Office occupancy stood firmly at 99% while rental income grew solidly at 11% in 2013.

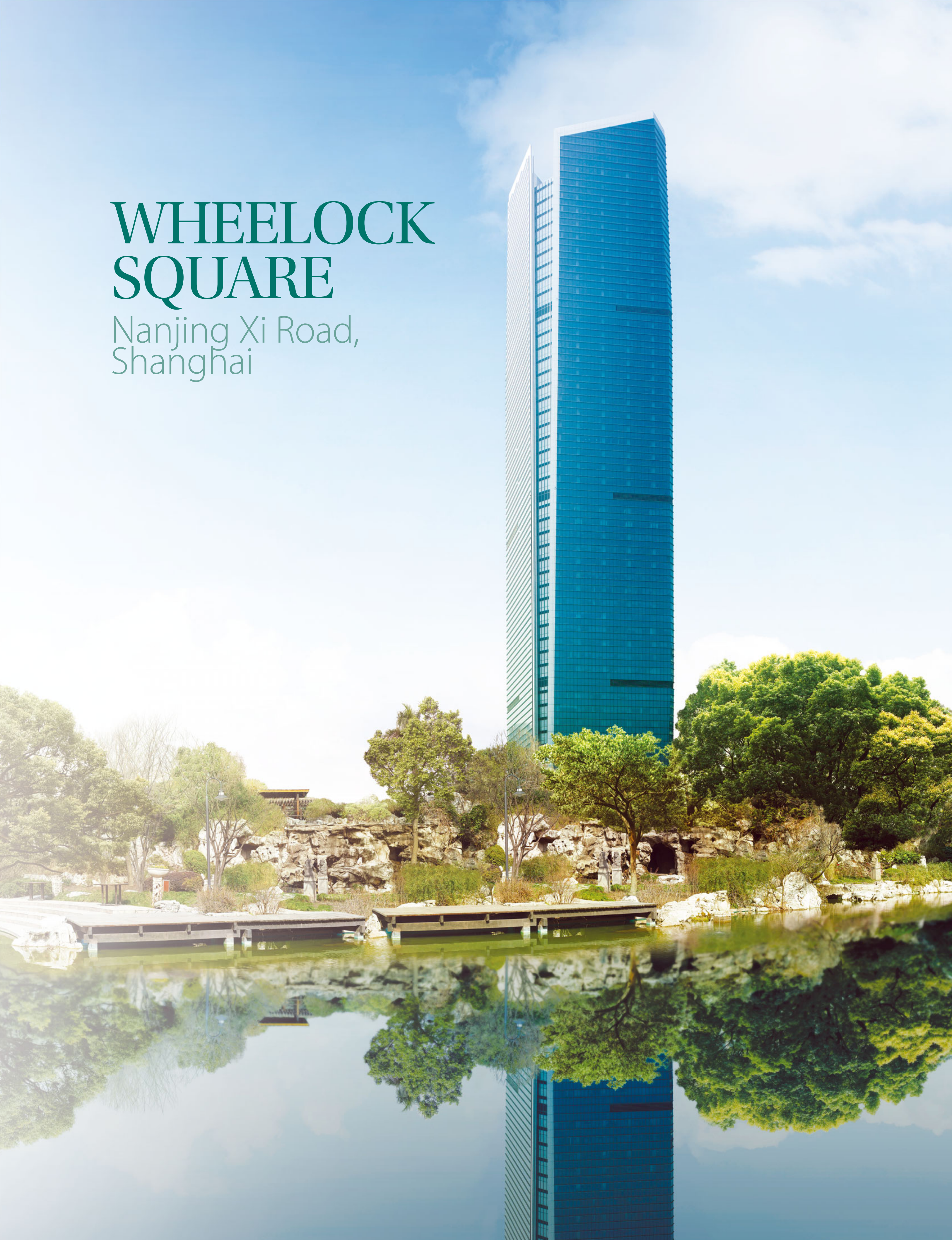
Development Properties ("DP")

Hong Kong Property Sales

Property sales were on par with full year estimates of HK$10.0 billion despite quiet market conditions. The HK$10.0 billion contracted sales, comprised of both residential and commercial sales, were a 45% increase over 2012. Net order book accumulated to HK$11.1 billion.

The West Tower of One Bay East in Kowloon East was pre-sold to Manulife in March 2013 for HK$4.5 billion. This en-bloc sale represents the single largest transaction in value in Hong Kong over the past 18 months. It is also Manulife's largest overseas property acquisition transaction. This demonstrates recognition of Wheelock Properties Limited's ("WPL") product quality and execution capability in office developments, maintaining a positive track record. The 21-storey Grade A office tower with a GFA of 512,000 square feet will serve as Manulife's Hong Kong headquarters. Marketing of the East Tower is planned to commence in 2014. With a GFA of 512,000 square feet, it enjoys open views towards Hoi Bun Road Park, Victoria Harbour and the Kai Tak Cruise Terminal. Superstructure works are now underway. Full completion is scheduled for 2015.

Phase One of The Austin, a prime city-centre residential project held by a 50%-owned joint venture with New World Development, was officially launched for pre-sale in October 2013. Market sentiment prior to the sales launch was slow. Primary property sales transactions fell to the lowest level in five years. Against this tide, all 576 residential units were successfully sold in three weeks generating sales proceeds of HK$10.0 billion. The project was seven times over subscribed with over 4,000 registrations and achieved an average selling price of circa HK$22,000 per square foot. This positive market response could be attributed to the location, synergies with Canton Road and Harbour City and the unrivalled living destination. In addition, it is uniquely linked to three rail stations and four rail lines: Austin MTR Station underneath, Airport Express at Kowloon Station, Tung Chung MTR Line at Kowloon Station and Hong Kong's only Express Rail Link terminus to Mainland China (under construction). Finally, it guards the entrance of the West Kowloon Cultural District, Hong Kong's future cultural centre upon completion. Phase Two is planned for pre-sale in 2014. Superstructure works for both phases are in progress. Full completion is scheduled for 2015.


WHEELOCK SQUARE
Nanjing Xi Road, Shanghai

BUSINESS REVIEW

Additional units of Kadoorie Hill, a 66-unit luxury development in Ho Man Tin, were sold in 2013. As at 28 February 2014, 64 units (97%) and 54 car parking spaces were sold for sales proceeds of HK$1.9 billion. The development was completed in the first half of 2013. Handover to buyers commenced in September 2013. It also scored 93 points versus an average of 82 in 2013 in a reputable property quality rating programme by CABLE TV.

Land bank

WPL continues to selectively capture land banking opportunities in Hong Kong. The total development property land bank under management in Hong Kong accumulated to 7.9 million square feet as at 31 December 2013. This size is adequate to fill our development needs in the coming several years. During the year, 2.2 million square feet of development property land bank was replenished for HK$11.7 billion. The majority of the acquisitions are in city centre locations. The average land cost is considered reasonable at HK$5,300 per square foot.

The quality of the land bank is competitive. 95% of the land bank is located in city centres and 66% on Victoria Harbour. In terms of locational diversity, it focuses in four city centre submarkets, namely, Tseung Kwan O South Portfolio, Kowloon East Waterfront Portfolio, Kowloon South Portfolio and the Peak Portfolio. In terms of product diversity, residential premises represent 80% of the land bank and commercial premises for sales account for the remaining 20%. WPL maintains a well-balanced portfolio with diversified revenue streams.

The “Tsueng Kwan O South Portfolio” signifies WPL’s position as one of the two major landholders in Tseung Kwan O South, each with one-third of the market. The four residential sites totalling 2.3 million square feet include the acquisitions of TKOTL112 Area 65C1 in April 2013 and TKOTL126 Area 68B2 in July 2013, provides over 2,500 residential units. Three out of four are waterfront sites. These low density developments offer unparalleled living environment, convenience and infrastructure. The sites are surrounded by 2.2 million square feet of parks (twice the size of Kowloon Park) and over 10 kilometres of waterfront promenade and cycling paths. Among other amenities, the area will have three new schools, including an international school. The Tseung Kwan O MTR Station is three stops from Quarry Bay and a 20-minute commute from Central.

The “Kowloon East Waterfront Portfolio” comprises two key clusters: the Bay East Waterfront Cluster and the Yau Tong Harbourfront Cluster. The Bay East Waterfront Cluster in CBD2 amounts to 1.9 million square feet and includes One Bay East (100% interest), Wharf T&T Square and Kowloon Godown redevelopments (52% attributable interest). This cluster spans over 500 metres of the Victoria Harbour coastline. It is situated in the heart of the new CBD2 and the government’s initiative of “Re-energising Kowloon East”. The Yau Tong Harbourfront Cluster consists of two redevelopments, namely, Yau Tong Bay and Yau Tong Godown. Yau Tong Bay is a four-million-square-feet mega harbourfront redevelopment providing over 5,000 residential units. WPL is the co-project manager with Henderson Land.

The “Kowloon South Portfolio” consists of three developments with a total of 1.8 million square feet GFA, namely, The Austin Phase Two, Ho Man Tin and One HarbourGate (formerly known as Hung Luen Road commercial development). These developments are located in Kowloon’s prime city centres and are highly accessible to MTR stations. The residential site on Fat Kwong Street in Ho Man Tin was acquired for HK$3.8 billion in June 2013. This development is located in the traditional luxury residential area of Kowloon and adjacent to the future Ho Man Tin MTR Station.

The "Peak Portfolio" held by Wharf provides 0.5 million square feet GFA of rare luxury residential land parcels on the Peak. It represents the most prestigious addresses and sought-after collection in Hong Kong where supply is limited. The Mount Nicholson site was acquired at HK$10.4 billion by a 50:50 joint venture with Nan Fung group. It is a mountain top private enclave and will be developed into a limited number of deluxe villas and apartments. The total GFA is 324,000 square feet. Pre-sale is planned in 2015. Prestigious addresses of No. 1 and 11 Plantation Road and 77 Peak Road are under redevelopment as planned.

The Tuen Mun So Kwun Wat development, which has a vast site area close to 300,000 square feet, was acquired in January 2013. This low density development, of 376,893 square feet GFA, offers a tranquil living environment with apartment towers and villas. It is adjacent to the new Harrow International School and conveniently served by a transportation network to Tsim Sha Tsui and Central via Tuen Mun Road and Route 3. The Gold Coast Yacht and Country Club is a 10-minute drive.

A Timely Move to Develop Office Properties

The timely acquisition of office sites in the last few years has proven to be attractive diversification, especially in the face of recent cooling measures in the residential sector. In the past three years, 1.9 million square feet of office properties were sold. On average, one project was launched for pre-sale every year. The successful sales of One Bay East, One Island South and One Midtown are good examples.

WPL currently has 1.7 million square feet of waterfront office portfolio and is well-positioned to meet the increasing office demand. The remaining tower of One Bay East and One HarbourGate are ready for pre-sale in 2014 and 2015.

One HarbourGate comprises of twin Grade A office towers and a pair of low-rise retail villas with 180-degree Victoria Harbour view. It is located in Hung Hom's core commercial hub, in close proximity to MTR East and West Rails, through-train services to Guangzhou, the future Shatin-to-Central cross-harbour MTR service and the future Whampoa MTR Station.

Successful and Sustainable Urban Redevelopments

Wheelock's capability in scouting aged buildings in good locations and their redevelopment into premium quality residences has been well proven. The Babington, Lexington Hill and Kadoorie Hill were all sold strongly with positive market feedback and attractive margins. The High Street project in the Western District of the Hong Kong Island is scheduled for pre-sale in 2014.

A redevelopment site at 175-179 Shau Kei Wan Road was acquired through private acquisition in February 2013. It will be jointly developed with an adjacent site acquired in 2012 for a total GFA of 96,294 square feet.

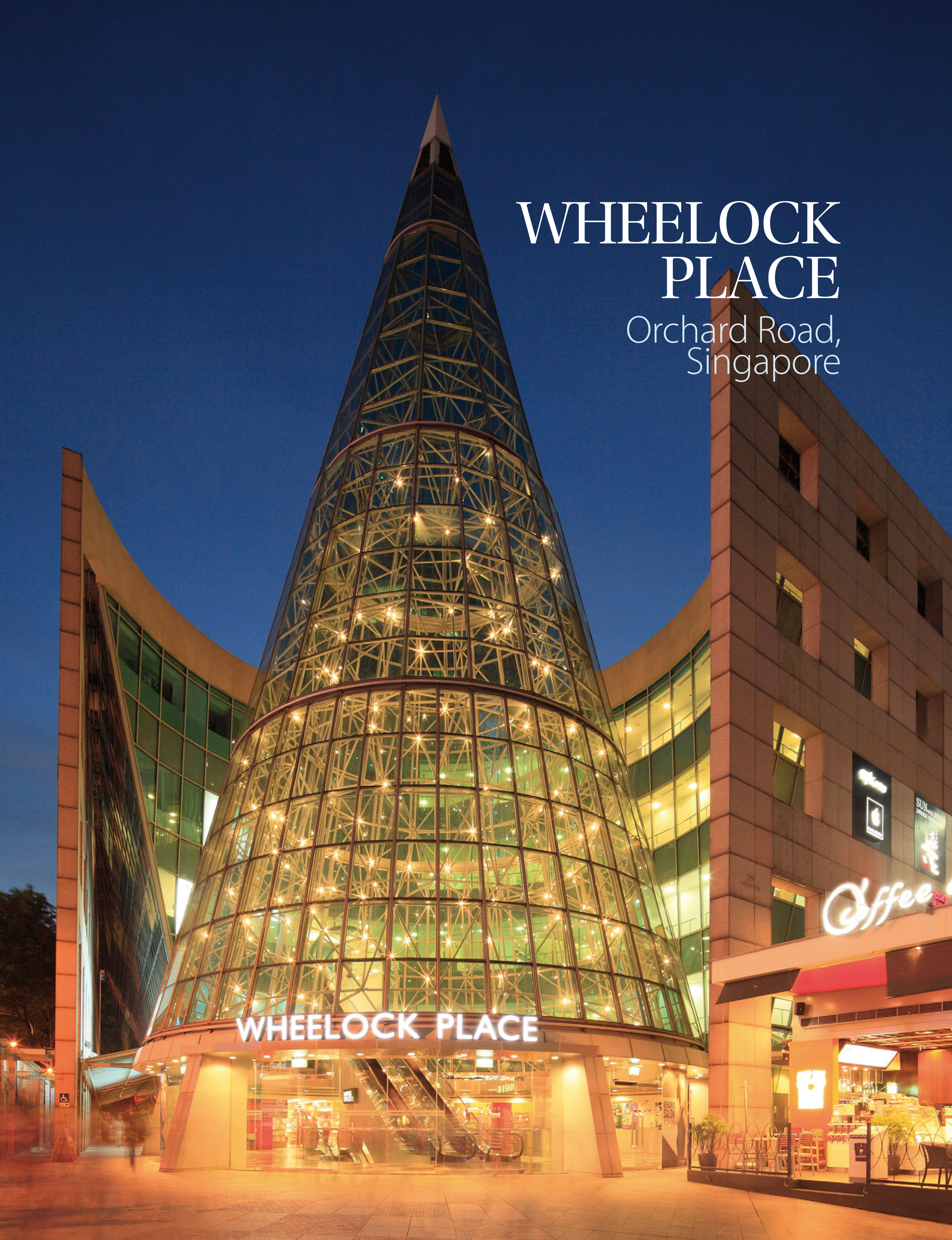
WPL won BCI Asia's "Top 10 Developers" Award for two consecutive years. This achievement demonstrates that Wheelock is experienced, stable with a transparent management team competent in acquisition, product development and property sales.

76% Equity Investment in Wheelock Properties (Singapore) Limited ("WPSL")

In accordance with Hong Kong Financial Reporting Standards, WPSL's profit contribution to Wheelock for the year ended 31 December 2013 was HK$227 million (2012: HK$396 million). The decrease was mainly due to the lower property sales recognised compared to the revenue recognised from the sales of Orchard View and Scotts Square in 2012. Included in WPSL's 2013 results is an accounting profit on disposal of the SC Global shares of HK$573 million which was offset by a provision for diminution in value for the Ang Mo Kio project (The Panorama) of HK$681 million.

WHEELOCK PLACE

Orchard Road, Singapore



Wheelock Place, a prime commercial development on Orchard Road comprising a retail podium and offices, achieved an overall occupancy rate of 96% and an overall average rent of above S$13 per square foot as at 31 December 2013, with steady recurrent income generated. Retail sales of the shopping podium has stabilised with the full year trading of the two basement floors with linkage to the Orchard MRT.

Scotts Square Retail is located in the heart of the Orchard Road shopping belt next to the Grand Hyatt Hotel and Tangs Plaza. It houses internationally renowned brands including Anne Fontaine, Hermès, Kiton, Michael Kors, On Pedder and Paul & Shark. Retail occupancy rate stood at 95% at an average monthly rent of S$23 per square foot as at 31 December 2013. With greater competition from new malls, changing consumer preferences as well as softening retail sales, the mall will undergo a revamp of its trade and tenant mix.

Scotts Square, a 43-storey luxury residential development located in downtown Orchard Road, was 79% sold at an average price of S$4,004 per square foot as at 31 December 2013. The full sales launch of Ardmore Three is being reviewed in light of current market conditions. Given the challenging environment, an accounting provision of S$110 million has been made for The Panorama. This site was acquired in January 2013 and is located in Singapore's traditional residential district of Ang Mo Kio.

In China, construction for Phase One of the Fuyang project is currently in process. The show suite has been completed and the launch of the project is expected to commence in the first half of 2014.

52% Equity Investment in The Wharf (Holdings) Limited ("Wharf")

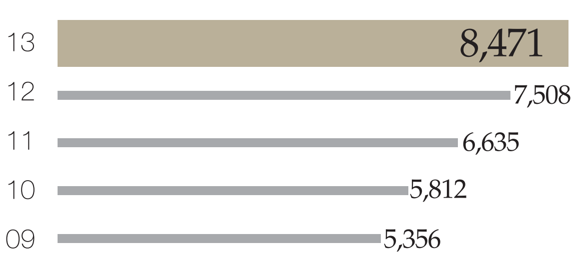
Wharf is a property developer with unique IP in Hong Kong and China with a strategic focus on China DP. The company is among the top local blue chip stocks on the Hong Kong Stock Exchange by trading turnover, signalling its high liquidity and attractiveness to investors. The IP portfolio accounts for 58% of its core profit in 2013, which generated strong dividend streams to Wheelock.

Investment Properties

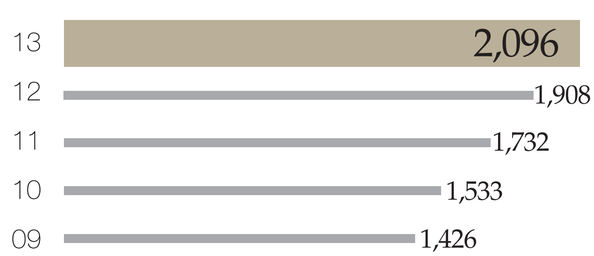
Harbour City remains one of the world's leading shopping destinations (for total retail sales) with two million square feet of contiguous mall space. Market share maintained at 6.8% of total Hong Kong retail sales. In May, Harbour City launched the "Rubber Duck Project" which soon became a talk-of-the-town event and attracted phenomenal foot traffic from locals and tourists and retail sales. Ocean Terminal's renovation, an important part of Harbour City's substantial premise improvement initiatives for value creation, commenced in April and are progressing to plan. Office demand continued to be fuelled by business expansion, corporate upgrades and decentralisation.

With the unique 17-level retail mall design, diverse trade-mix and direct thoroughfare to the MTR, Times Square is among the most successful vertical malls in the world and remains a must-visit shopping landmark in Hong Kong. The substantial completion of the bold revamp by the end of 2013 stoked the formation

Harbour City
Gross Revenue (HK$ Million)



Times Square
Gross Revenue (HK$ Million)



BUSINESS REVIEW

of the new Times Square with the most extensive product range, entertainment and culinary choices at the heart of Causeway Bay. The new Times Square includes a line-up of coveted luxury brands and the brand new and contemporary five-house cinema CINE TIMES from 12th to 14th floors with a wider range of movie choices. On the back of positive rental reversion, the office occupancy stood strong at 95% at the end of 2013.

Plaza Hollywood is a market-leading shopping mall in Kowloon East. It is located atop the Diamond Hill MTR Station, which will be the future interchange hub for the new Shatin-to-Central Link in four years' time with the existing MTR network. It is also located at the entrance to Tate's Cairn Tunnel, a vehicular artery linking Kowloon East with the New Territories and beyond to Shenzhen, and directly linked to the Diamond Hill bus terminus. With its prominent location and efficient transport infrastructure, Plaza Hollywood is well-positioned to attract high volumes to double foot traffic.

Shanghai Wheelock Square continued to be the preferred office location for multinational firms and major corporations for its prestigious location, distinctive design and premium-quality management services. Dalian Times Square, a premier luxury shopping landmark and jewel in the heart of the city, houses a spate of luxury brands. Chongqing Times Square, located at ground zero Liberation Statue Square, the commercial and financial hub of Chongqing, is a renewed shopping mall with world-class facilities and services. Chengdu Times Outlets has become one of the most-visited outlet destinations in Chengdu, thanks to its convenient location in close proximity to the Chengdu Shuangliu International Airport. Shanghai Times Square, strategically located on Huaihai Zhong Road, re-opened in late 2013 providing a true "one-stop-shopping" experience. The new Shanghai Times Square, along with the new cluster on Huaihai Zhong Road and the new Lane Crawford will seamlessly complement one another and create significant value.

Wharf is developing a series of five International Finance Square ("IFS") projects in China, with a scale comparable to or surpassing that of Harbour City and Times Square in Hong Kong. Upon completion of these IFSs by 2017, the recurrent income base in China will be significantly strengthened.

Chengdu IFS is Wharf's flagship development modelled on Harbour City. The development comprises a mega shopping mall, two premium Grade A office towers, a luxurious residential tower and a five-star international hotel. As a new city landmark in Western China, retail leasing continued to exceed plan with 95% of total 210,000-square-metre retail space committed at year end at well-above-budget rental rates. The mall officially opened on 14 January 2014 and attracted wide attention from the public, as well as local and international media. Chengdu IFS has a retail shop street frontage of more than 530 metres, on par with Harbour City's Canton Road frontage. The launch also featured the world's largest giant panda art piece and marked the recruitment of nearly 300 of the world's most coveted brands. Full completion is scheduled for 2015.

Changsha IFS features an iconic 452-metre tower and a 315-metre tower above a mega-sized mall, offering upscale retail, Grade A offices and a five-star sky hotel. Full completion is scheduled for 2016.

Chongqing IFS comprises an iconic 300-metre landmark tower and four other towers offering retail with diverse trade-mix, Grade A offices and a five-star sky hotel. Retail pre-leasing activities have commenced. The office towers are slated for completion by the end of 2014. Full completion of the complex is scheduled for 2015.

Wuxi IFS's full completion is scheduled for 2014. The development of Suzhou IFS is in progress.

China Development Properties

In 2013, contracted sales continued to gain pace bolstered by Wharf's reputation for quality residences in sought-after locations. A total of 41 development projects spanning 14 cities were launched for sale or pre-sale. Wharf also acquired seven DP sites in the cities of Shanghai, Ningbo, Tianjin, Foshan and Hangzhou with an attributable GFA of 0.67 million square metres for RMB6.8 billion. Inclusive of China IP, the current land bank maintains at 11.7 million square metres spanning 15 cities.

Wharf holds approximately 24.3% of the equity interest in Greentown China Holdings Limited, a leading high-end real estate developer in China with strong brand recognition. The investment in Greentown complements the Group's business strategy for China DP.

Other Investments / Businesses

In November, Wharf, through listed subsidiary Harbour Centre Development Limited, acquired the 27-storey Murray Building in Central for HK$4.4 billion. Wharf will convert this iconic building into a unique, fashionable lifestyle hotel for a total investment of over HK$7 billion. Opening is scheduled for 2017.

Marco Polo Hotels currently operates 13 owned or managed hotels in the Asia Pacific region. A solid portfolio of Wharf's 10 owned hotels serves as a core platform of an expanding hotel network in five years' time. These hotels, destined to offer superior levels of design and impeccable quality of services, will take the hotel group to the next level of hospitality.

Modern Terminals gained in market share and increased consolidated revenue, with the global trade flows staging a muted recovery given the US and European economies showing signs of stabilising.

i-CABLE maintained a healthy financial position. Its affiliate Fantastic Television was granted in-principle approval in October to start a free TV service.

Wharf T&T's revenue and operating profit reached an "All Time High" in 2013, driven by the thriving data business.

TSEUNG KWAN O SOUTH PORTFOLIO

TSEUNG KWAN O

LOT NO. 119

FINANCIAL REVIEW

(I) Review of 2013 Results

Wheelock & Company (before consolidation of listed subsidiaries WPSL and Wharf)

Wheelock's own net profit decreased by 39% to HK$1,572 million (2012: HK$2,596 million) due to a lower IP revaluation surplus. Excluding the IP revaluation surplus of HK$320 million (2012: HK$1,474 million) and the mark-to-market loss of HK$51 million (2012: HK$Nil) on swaps, core profit increased by 16% to HK$1,303 million (2012: HK$1,122 million), mainly attributable to the completion of and successful property sales from Kadoorie Hill and higher profit contribution from associates.

Wheelock Group

The Group continued to deliver solid financial results in 2013 with its core profit increased by 8% to HK$7,822 million (2012: HK$7,267 million). The favourable results were mainly attributable to continuous rental revenue growth, higher profit contribution from associates and from sale of available-for-sale investments, which was partly offset by a lower DP contribution.

Group profit attributable to equity shareholders, however, decreased by 37% to HK$16,954 million (2012: HK$26,935 million), due to a lower IP revaluation surplus, provision for diminution in value for properties and the absence of one off accounting gain recognised on the acquisition of Greentown China Holdings Limited ("Greentown") as compared to 2012.

Revenue and Operating Profit

Group revenue increased by 6% to HK$35,071 million (2012: HK$33,124 million) attributable to the double-digit rental revenue increase.

Group operating profit decreased by 4% to HK$14,938 million (2012: HK$15,570 million), of which HK$1,187 million (2012: HK$666 million) was contributed by Wheelock, HK$471 million (2012: HK$734 million) by WPSL, and HK$13,280 million (2012: HK$14,170 million) by Wharf.

Investment Property

Revenue and operating profit both increased by 13% to HK$11,949 million (2012: HK$10,613 million) and HK$9,891 million (2012: HK$8,731 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 particularly in Harbour City and Times Square. Revenue from the Mainland increased by 25% to HK$1,261 million (2012: HK$1,005 million), mainly due to the escalating revenue generated by Shanghai Wheelock Square and Chengdu Times Outlet.

Development Property

Revenue virtually remained unchanged at HK$13,430 million (2012: HK$13,370 million) but operating profit decreased by 39% to HK$3,341 million (2012: HK$5,458 million) in the absence of the exceptionally large profit contribution recognised from the Shanghai Xiyuan and Hong Kong One Midtown in 2012.

In Hong Kong, recognised property sales and operating profit decreased to HK$1,972 million (2012: HK$3,019 million) and HK$790 million (2012: HK$1,536 million) respectively. Kadoorie Hill was completed with 97% residential units sold enabling the recognition of revenue of HK$1,894 million and operating profit of HK$728 million.

In the Mainland, recognised property sales increased by 20% to HK$11,442 million (2012: HK$9,573 million), mainly derived from Chengdu Tian Fu Times Square, Suzhou Times City and Changzhou Times Palace on completion. However, operating profit decreased by 28% to HK$2,565 million (2012: HK$3,562 million) with tighter operating profit margins.

In Singapore, recognised property sales were HK$16 million (2012: HK$778 million) with an operating loss of HK$14 million (2012: operating profit of HK$360 million), mainly from the sale of miscellaneous stock in Singapore.

Inclusive of associates and joint ventures (other than Greentown) on an attributable basis, the Group's contracted property sales in 2013 increased to HK$36.6 billion (2012: HK$26.2 billion), increasing its net order book to HK$37.4 billion (December 2012: HK$22.5 billion), as at 31 December 2013 of which about 70% is in the Mainland and the balance is in Hong Kong pending recognition on completion.

Hotels

Revenue increased by 8% to HK$1,498 million (2012: HK$1,391 million) through improved rooms rates but operating profit decreased by 4% to HK$377 million (2012: HK$391 million) adversely affected by pre-operating expenses incurred for the Changzhou Marco Polo Hotel and operating loss from the Marco Polo Wuhan Hotel.

Logistics

Revenue increased by 5% to HK$3,226 million (2012: HK$3,070 million) but operating profit decreased by 16% to HK$974 million (2012: HK$1,161 million), mainly due to higher operating costs.

Communications, Media and Entertainment ("CME")

Revenue decreased by 4% to HK$3,789 million (2012: HK$3,953 million), whereas an operating profit of HK$212 million (2012: operating loss of HK$22 million) was reported. Wharf T&T's operating profit increased by 20% to HK$300 million (2012: HK$250 million) while i-CABLE's operating loss narrowed to HK$88 million (2012: HK$271 million).

Investment and Others

Operating profit increased to HK$1,177 million (2012: HK$456 million) with higher 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 2013 increased to HK$282.0 billion (2012: HK$250.7 billion), with HK$260.8 billion thereof stated at fair value based on independent valuations as at that date. That resulted in a revaluation surplus of HK$19,089 million (2012: HK$35,924 million). The attributable net revaluation surplus of HK$9,230 million (2012: HK$18,201 million), after deducting related deferred tax and non-controlling interests in total of HK$9,859 million (2012: HK$17,723 million), was credited to the consolidated income statement.

IP under development of HK$21.2 billion is carried at cost and will not be carried at fair value until the earlier of when the fair values first become reliably measurable or the dates of their respective completion.

Other Net Income

Other net income amounted to HK$337 million (2012: HK$3,116 million), comprising mainly profit on disposal of available-for-sale investments of HK$1,094 million (2012: HK$492 million), which included WPSL's profit on disposal of SC Global shares of HK$573 million, and net exchange gain of HK$335 million (2012: HK$274 million). The profit was partially offset by provision for diminution in value of HK$681 million made by WPSL for its Ang Mo Kio project (The Panorama) and HK$543 million by Harbour Centre Development Limited for its Changzhou Marco Polo Hotel project. In 2012, a non-recurrent accounting gain of HK$2,233 million arising from Wharf's acquisition of the equity interest in Greentown was recognised.

Finance Costs

Finance costs charged to the consolidated income statement were HK$899 million (2012: HK$1,162 million), which included an unrealised mark-to-market gain of HK$1,205 million (2012: HK$573 million) on the cross currency/interest rate swaps. Net of non-controlling interests, the attributable gain is HK$587 million (2012: HK$334 million).

Excluding the unrealised mark-to-market gain, finance costs were HK$3,586 million (2012: HK$2,757 million) before capitalisation of HK$1,482 million (2012: HK$1,022 million), and HK$2,104 million (2012: HK$1,735 million) after capitalisation. The increase in finance costs was mainly due to an increase in borrowings and higher borrowing rates. The Group's effective borrowing rate for the year was 3.1% (2012: 2.8%) per annum.

Share of Results of Associates and Joint Ventures

Share of profits of associates increased by 62% to HK$2,631 million (2012: HK$1,621 million) mainly due to inclusion of attributable full year profit of HK$1,497 million (2012: HK$893 million for the period from June to December 2012) from Greentown and an increase in profit contribution from DP projects in the Mainland undertaken by associates.

Share of profits of joint ventures decreased by 27% to HK$461 million (2012: HK$634 million), reflecting a lower profit contribution from DP projects in the Mainland.

Income Tax

The taxation charge was HK$4,539 million (2012: HK$4,347 million), which included deferred taxation of HK$1,459 million (2012: HK$1,087 million) provided for the revaluation surplus of IP located in the Mainland.

Excluding deferred tax, the tax charge decreased to HK$3,080 million (2012: HK$3,260 million), mainly due to lower profits recognised by the DP segment.

Non-controlling Interests

Profit attributable to non-controlling interests decreased by HK$9,357 million to HK$15,064 million (2012: HK$24,421 million), which was mainly attributable to the reduction in profits of WPSL and Wharf.

FINANCIAL REVIEW

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders decreased by 37% to HK$16,954 million (2012: HK$26,935 million). Earnings per share were HK$8.34 (2012: HK$13.26).

Excluding the net IP revaluation surplus of HK$9,230 million (2012: HK$18,201 million), Group profit attributable to equity shareholders decreased by 12% to HK$7,724 million (2012: HK$8,734 million).

Further stripping out the attributable mark-to-market gain of HK$587 million (2012: HK$334 million) on swaps and other financial assets, attributable provision for diminution in value of properties of HK$685 million (2012: HK$Nil) and the exceptional attributable accounting gain arising from the acquisition of equity interest in Greentown of HK$1,133 million in 2012, core profit increased by 8% to HK$7,822 million (2012: HK$7,267 million). Core earnings per share were HK$3.85 (2012: HK$3.58).

Set out below is an analysis of the Group profit attributable to the equity shareholders as contributed by each of Wheelock, WPSL and Wharf.

Profit attributable to	**2013 HK$ Million**	2012 HK$ Million
Wheelock	**1,303**	1,122
WPSL group	**665**	528
Wharf group	**5,854**	5,617
Core profit	**7,822**	7,267
Attributable mark-to-market gain on swaps and other financial assets	**587**	334
Attributable provision for diminution in value of properties	**(685)**	–
Attributable accounting gain arising from the acquisition of equity interest in Greentown	**–**	1,133
Profit before IP surplus	**7,724**	8,734
IP surplus (after deferred tax)	**9,230**	18,201
Profit attributable to equity shareholders	**16,954**	26,935

WPSL's profit for the year ended 31 December 2013 was S$40.0 million (2012: S$63.3 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$227 million (2012: HK$396 million).

Wharf's profit for the year ended 31 December 2013 decreased by 38% to HK$29,380 million (2012: HK$47,263 million). Excluding the net IP revaluation surplus, Wharf's net profit decreased by 12% to HK$12,206 million (2012: HK$13,927 million). Before the IP revaluation surplus and the abovementioned exceptionals, Wharf's core profit increased by 2% to HK$11,298 million (2012: HK$11,040 million).

(II) Liquidity, Financial Resources and Capital Commitments

Shareholders' and Total Equity

The Group's Shareholders' equity increased by 10% to HK$166.6 billion (2012: HK$152.0 billion), or HK$81.99 per share (2012: HK$74.83 per share) as at 31 December 2013.

Including the non-controlling interests, the Group's total equity increased by 9% to HK$311.6 billion (2012: HK$285.9 billion).

Total Assets

The Group's total assets increased by 13% to HK$486.8 billion (2012: HK$429.8 billion). Total business assets, i.e. excluding bank deposits and cash, certain financial investments, deferred tax assets and other derivative financial assets, increased by 16% to HK$444.8 billion (2012: HK$381.9 billion).

The Group's IP portfolio was HK$282.0 billion, representing 63% of total business assets. Together, Harbour City (excluding the three hotels) and Times Square in Hong Kong were valued at HK$184.0 billion, representing 65% of the value of the portfolio. Wharf's IP in the Mainland amounted to HK$50.6 billion, including those under development of HK$22.5 billion.

Other major business assets included properties under development and held for sale of HK$87.2 billion, interests in associates and joint ventures (mainly for the Mainland DP and port projects) of HK$40.6 billion and other fixed assets of HK$24.2 billion.

Geographically, the Group's business assets in the Mainland, mainly properties and terminals, increased to HK$158.0 billion (2012: HK$134.6 billion), representing 36% of the Group's total business assets.

Debt and Gearing

The Group's net debt increased by HK$21.1 billion to HK$94.3 billion (2012: HK$73.2 billion) as at 31 December 2013, comprising debt of HK$123.6 billion less bank deposits and cash of HK$29.3 billion. The increase in net debt was mainly due to payment of land and construction costs for DP and IP (mainly Chengdu IFS), and the acquisition of the Murray Building. Excluding WPSL's net debt of HK$1.1 billion and Wharf's net debt of HK$58.1 billion, which are non-recourse to the Company and its other subsidiaries, Wheelock's own net debt was HK$35.1 billion (2012: HK$20.4 billion). An analysis of the net debt by group is as below:

Net debt/(cash)	**2013 HK$ Million**	2012 HK$ Million
Wheelock	**35,153**	20,417
WPSL group	**1,070**	(2,801)
Wharf group	**58,072**	55,625
Group	**94,295**	73,241

As at 31 December 2013, the ratio of net debt to total equity (on a consolidated basis) was 30.3% (2012: 25.6%). Excluding the net debt of WPSL and Wharf, Wheelock's own net debt to Shareholders' equity (on an attributable net asset value basis) was 21.1% (2012: 13.4%).

Finance and Availability of Facilities

The Group's available loan facilities and issued debt securities amounting to HK$157.4 billion (2012: HK$127.9 billion), of which HK$123.6 billion were drawn, as at 31 December 2013 are analysed as below:

	Available Facilities HK$ Billion	**Total Debts HK$ Billion**	**Undrawn Facilities HK$ Billion**
Wheelock	47.9	37.1	10.8
WPSL group	6.5	3.9	2.6
Wharf group	103.0	82.6	20.4
Group	157.4	123.6	33.8

Of the above debts, HK$24.3 billion (2012: HK$19.4 billion) was secured by mortgage over certain DP, IP and fixed assets with total carrying value of HK$57.9 billion (2012: HK$31.7 billion).

The Group's debts were primarily denominated in United States dollars ("USD"), Hong Kong dollars ("HKD"), Renminbi ("RMB") and Singapore dollars ("SGD"). The borrowings were mainly used to fund the Group's IP, DP and port investments in the Mainland, and DP 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 RMB, HKD, USD 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 of HK$13.2 billion (2012: HK$14.8 billion) as at 31 December 2013, 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$15.3 billion (2012: HK$16.2 billion). The changes in working capital and others of HK$15.5 billion (2012: HK$4.6 billion) resulted in a net cash outflow from operating activities of HK$0.2 billion (2012: inflow of HK$11.6 billion), chiefly due to payment of land costs for DP projects. For investing activities, the Group recorded a net cash outflow of HK$15.2 billion (2012: HK$28.3 billion), mainly for additions to IP in the Mainland, including the land and construction costs for Chengdu IFS, and payment for the acquisition of the Murray Building in Hong Kong.

FINANCIAL REVIEW

Major Capital and Development Expenditure and Commitments

The Group's major capital and development expenditure incurred in 2013 is analysed as follows:

A. *Major capital and development expenditure*

	Hong Kong/ Singapore HK$ Million	Mainland China HK$ Million	Total HK$ Million
Wheelock			
IP	1,724	–	1,724
DP	14,295	86	14,381
	16,019	86	16,105
WPSL group			
IP	5	–	5
DP	3,985	281	4,266
	3,990	281	4,271
Wharf group			
IP	1,063	8,669	9,732
DP	56	12,830	12,886
Hotels / Others	5,433	277	5,710
	6,552	21,776	28,328
Analysis by segment:			
IP	2,792	8,669	11,461
DP	18,336	13,197	31,533
Hotels / Others	5,433	277	5,710
Group total	26,561	22,143	48,704

i. Wheelock's own expenditure for IP and DP amounted to HK$16.1 billion, mainly attributable to land cost payments for its Hong Kong DP projects.

ii. WPSL's expenditure of HK$4.3 billion is mainly for land cost payments for Ang Mo Kio project.

iii. Wharf's expenditure totalled HK$28.3 billion, comprising expenditure of HK$9.7 billion for IP (mainly land and construction costs for Chengdu IFS), HK$12.9 billion for DP (mainly related to Mainland projects) and HK$5.7 billion for Hotels, Modern Terminals, Wharf T&T and i-CABLE (including HK$4.4 billion for the acquisition of the Murray Building).

B. *Commitments to capital and development expenditure*

As at 31 December 2013, the Group's major commitments to capital and development expenditure that are expected to be incurred in the forthcoming years was estimated at HK$100.3 billion, of which HK$35.4 billion was authorised and contracted for. By segment, the commitments are analysed as below:

	As at 31 December 2013		
	Authorised and contracted for HK$ Million	**Authorised but not contracted for HK$ Million**	**Total HK$ Million**
Wheelock			
IP	2	–	2
DP	6,345	11,651	17,996
	6,347	11,651	17,998
WPSL group			
IP	7	–	7
DP	473	3,349	3,822
	480	3,349	3,829
Wharf group			
IP	9,717	11,793	21,510
DP	18,058	35,043	53,101
Hotels / Others	777	3,125	3,902
	28,552	49,961	78,513
Analysis by segment:			
IP	9,726	11,793	21,519
DP	24,876	50,043	74,919
Hotels / Others	777	3,125	3,902
Group total	35,379	64,961	100,340
Analysis by geographical location:			
Hong Kong	8,134	11,867	20,001
Mainland China	26,357	48,438	74,795
Singapore	111	1,531	1,642
Properties total	34,602	61,836	96,438
Hotels / Others	777	3,125	3,902
	35,379	64,961	100,340

i. Wheelock's own commitments of HK$18.0 billion are mainly related to construction costs for DP in Hong Kong.

ii. WPSL's commitments of HK$3.8 billion are mainly related to construction costs of HK$1.6 billion for DP in Singapore and of HK$2.2 billion in the Mainland.

iii. Wharf's commitments of HK$78.5 billion mainly comprised expenditure of HK$21.5 billion for IP, HK$53.1 billion for DP mainly land and construction costs in the Mainland (which included attributable land costs of HK$5.2 billion payable in 2014) and HK$3.9 billion for Hotels, Modern Terminals, Wharf T&T and i-CABLE.

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

FINANCIAL REVIEW

(III) Human Resources

The Group had approximately 16,500 employees as at 31 December 2013, including about 2,600 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 IP has a book value of over HK$282 billion. Its attributable land bank exceeds 167 million square feet for development and 40 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 DP in Hong Kong. The Hong Kong land bank currently under management amounts to 7.9 million square feet. It includes one of the largest collections of top end Peak residential properties, new low-density harbourfront Tseung Kwan O South residential development, a significant share of both commercial and residential in Kowloon East, and urban portfolio Kowloon South.

In 2013, contracted Hong Kong sales totalled HK$10 billion for 0.8 million square feet. The Group will maintain momentum in 2014 with property sales target at HK$10 billion with projects Phase 2 of The Austin (a luxury residential development in Kowloon West), High Street (a luxury residential redevelopment in Western District) and One Bay East – East Tower (a prime office development in Kowloon East).

Wharf is Wheelock's core investment in the form of a listed company focuses on prime IP in Hong Kong and the Mainland and owns one of the world's most prized portfolios, with a book value of HK$261 billion as at the end of 2013. 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 16.9 million square metres across more than 40 cities. 2013 contracted sales totalled RMB20.9 billion for 1.5 million square metres.

Development in Singapore is spearheaded by WPSL, renowned for luxury residences. The current land bank in Singapore is 0.8 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.

CORPORATE GOVERNANCE REPORT

(A) CORPORATE GOVERNANCE PRACTICES

During the financial year ended 31 December 2013, all the code provisions set out in the Corporate Governance Code (the "CG Code") 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") were met by the Company, with the exception of two deviations, namely, (i) Code Provision A.2.1 (the "First Deviation") providing for the roles of the chairman and chief executive to be performed by different individuals; and (ii) Code Provision F.1.3 (the "Second Deviation") providing for the company secretary to report to the board chairman or the chief executive.

The reason for the First Deviation from the relevant Code Provision is stated under section (D) 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.

(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 the 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 and all the Directors 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.

CORPORATE GOVERNANCE REPORT

(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 2013. The composition of the Board and attendance of the Directors are set out below:

Directors	Attendance/Number of Meeting(s) Board Meetings	General Meeting
Chairman & Managing Director		
Douglas C K Woo *(appointed as Managing Director effective from 1 July 2013 and elected Chairman effective from 1 January 2014)*	2/2	N/A
Senior Director		
Peter K C Woo *(formerly the Chairman of the Company until 31 December 2013)*	4/4	1/1
Deputy Chairman		
Stephen T H Ng	4/4	1/1
Vice Chairman		
Stewart C K Leung	4/4	1/1
Executive Director & Group Chief Financial Officer		
Paul Y C Tsui	4/4	1/1
Non-executive Directors		
Mignonne Cheng (Mrs.)	2/4	1/1
Ricky K Y Wong	4/4	1/1
Independent Non-executive Directors		
Tak Hay Chau	4/4	1/1
Herald L F Lau *(retired on 7 June 2013)*	1/2	0/1
Winston K W Leong *(appointed effective from 1 October 2013)*	1/1	N/A
Alan H Smith	3/4	1/1
Richard Y S Tang	4/4	1/1
Kenneth W S Ting	3/4	0/1
Nancy S L Tse *(appointed effective from 1 October 2013)*	1/1	N/A
Glenn S Yee	4/4	1/1

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.

During the year ended 31 December 2013, the then Chairman of the Company held a meeting with the Non-executive Directors (including Independent Non-executive Director ("INED(s)") without the presence of the executive Directors.

The present Chairman of the Company, namely, Mr Douglas C K Woo, is the son of Mr Peter K C Woo who is presently the Senior Director.

(II) Board Diversity

The Company's Board adopted a Board Diversity Policy during the year. Under the Policy, the Company recognises and embraces the benefits of having a diverse Board towards enhancement of its overall performance. With a vision to achieving a sustainable and balanced development, the Company regards increasing diversity at the Board level as an essential element in achieving a diversity of perspectives and supporting the attainment of its strategic goals. Appointments of Directors are made on merits having due regard for the benefits of diversity on the Board.

At present, half of the Directors on the Board are INEDs. They represent diverse career experience in both international and local enterprises. They bring with them diverse professional backgrounds, spanning engineering, finance and banking, investment banking, legal, manufacturing and entrepreneurship. They also hold or have held important public service positions in Hong Kong and China, covering business, industry and commerce, health and welfare, educations, regulations and politics.

The Board composition reflects various cultural and educational backgrounds, professional development, length of service, knowledge of the Company and a broad range of individual attributes, interests and values. The Board considers the current Board composition has provided the Company with a good balance and diversity of skills and experience appropriate to the requirements of its business. The Board will continue to review its composition from time to time taking into consideration specific needs for the Group's business.

(III) 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.

(IV) 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 trainings** *(See Remarks)*
Douglas C K Woo	A, C
Peter K C Woo	C
Stephen T H Ng	A, C
Stewart C K Leung	A, C
Paul Y C Tsui	A, C
Mignonne Cheng (Mrs.)	A, C
Ricky K Y Wong	A, C
Tak Hay Chau	A
Winston K W Leong	A
Alan H Smith	A
Richard Y S Tang	A
Kenneth W S Ting	A
Nancy S L Tse	A, B, C
Glenn S Yee	A

Remarks:

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

B: giving talks at seminars and/or conferences and/or forums

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

CORPORATE GOVERNANCE REPORT

(D) CHAIRMAN AND CHIEF EXECUTIVE

Mr Peter K C Woo served as the Chairman and also as the *de facto* chief executive of the Company during the year. 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.

The Chairman of the Company was responsible for the Board, focused on Group strategies and Board issues, ensured a cohesive working relationship between members of the Board and management, while the *de facto* chief executive directly had 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 AC 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 2013. Attendance of the AC members is set out below:

Members	Attendance/Number of Meetings
Kenneth W S Ting *(Chairman of AC)*	4/5
Alan H Smith	5/5
Glenn S Yee	5/5

(i) The terms of reference of the AC are aligned with the provisions set out in 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 judgments contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:–

(i) any changes in accounting policies and practices;

(ii) major judgmental areas;

(iii) significant adjustments resulting from audit;

(iv) the going concern assumptions and any qualifications;

(v) compliance with accounting standards; and

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

(b) regarding (B)(a) above:–

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

(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) Whistleblowing Policy & Procedures ("WPP") have been adopted by the Group, with the authority and responsibility being delegated to the AC. Such WPP are 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 2013 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; and

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

(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 2013. Attendance of the RC members is set out below:

Members	Attendance/Number of Meeting
Kenneth W S Ting *(Chairman of RC)*	1/1
Peter K C Woo *(Ceased to be Member of RC from 1 January 2014 onwards)*	1/1
Alan H Smith	1/1
Douglas C K Woo *(Member of RC from 1 January 2014 onwards)*	N/A

Apart from the abovementioned RC meeting, some remuneration matters in respect of salary review and bonus issue requiring RC's approval and/or recommendation were arranged by means of circulation of written resolution(s).

(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 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.

CORPORATE GOVERNANCE REPORT

(ii) The work performed by the RC, which has the delegated authority and responsibility, for the financial year ended 31 December 2013 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 AC 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$150,000 per annum, the fee payable to each of the other Directors of the Company, currently at the rate of HK$100,000 per annum, 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$50,000 per annum, is by reference to the level of fees of similar nature normally paid by a listed company in Hong Kong to its directors.

(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 2013. Attendance of the NC members is set out below:

Members	Attendance/Number of Meeting
Peter K C Woo *(Ceased to be Chairman & Member of NC from 1 January 2014 onwards)*	1/1
Kenneth W S Ting	1/1
Alan H Smith	1/1
Douglas C K Woo *(Chairman & Member of NC from 1 January 2014 onwards)*	N/A

Apart from the abovementioned NC meeting, some nomination matters requiring NC's approval and/or recommendation were arranged by means of circulation of written resolutions.

(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 2013 is summarised below:

(a) nomination of a candidate as an additional Director and the Managing Director of the Company for the Board's approval;

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

(c) nomination of the Managing Director for election as the Chairman of the Board for filling the vacancy on the step down of the former Chairman.

(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 32.

(G) AUDITORS' REMUNERATION

The fees in relation to the audit and other services for the financial year ended 31 December 2013 provided by KPMG, the external auditors of the Company, amounted to HK$30 million and HK$4 million respectively.

(H) INTERNAL CONTROL

The Directors are ultimately responsible for the internal control system of the Group and, through the 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 2013. Based on the result of the review, in respect of the financial year ended 31 December 2013, the Directors considered that the internal control system and procedures of the Group were effective and adequate.

CORPORATE GOVERNANCE REPORT

(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 2013, 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 2013:

(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 has been adopted by the Company 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 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "CO"), on written requisition by Shareholders representing at least 5% of the total voting rights of all Shareholders having a right to vote at general meetings, the Directors of the Company must convene an extraordinary general meeting.

(II) Send Enquiries to the Board

The Company's corporate website (www.wheelockcompany.com) provides email address (for enquiry purpose only), postal address, fax number and telephone number for Shareholders to address their enquiries to the Company's Board at any time.

(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 the Company's annual general meeting(s) are as follows:

Pursuant to Section 615 of the CO, Shareholder(s) can submit a written requisition to move a resolution at the Company's annual general meeting(s) if they represent:

- at least 2.5% of the total voting rights of all Shareholders who have a right to vote at the annual general meeting to which the requests relate; or
- at least 50 members who have a right to vote on the resolution at the annual general meeting to which the requests relate.

The relevant written requisition must –

(a) identify the resolution of which notice is to be given;

(b) be authenticated by the person or persons making it; and

(c) be received by the Company not later than 6 weeks before the relevant annual general meeting to which the requests relate; or if later, the time at which notice is given of that meeting.

Any written requisitions from Shareholders pursuant to Sections 566 and 615 of the CO as set out in sections K(I) and K(III) above must be sent to the Company and deposited at the Company's registered office at 23rd Floor, Wheelock House, 20 Pedder Street, Hong Kong.

(L) AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

There is no significant change in the Company's constitutional documents during the financial year ended 31 December 2013.

Nevertheless, under the CO which came into effect on 3 March 2014, the Company's memorandum of association is technically regarded to have ceased to be in existence, and all provisions thereof are deemed to form part of the Company's articles of association by operation of laws. A special resolution for the adoption of a revised set of articles of association (the "New Articles") for the purpose of, *inter alia*, keeping in line with the CO is proposed for consideration and, if thought fit, approval by the Shareholders at the forthcoming Annual General Meeting to be held on 10 June 2014. Please refer to the Company's circular to shareholders dated 30 April 2014 for details of those major changes to be effected by the proposed adoption of the New Articles.

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their Report and the Audited Financial Statements for the financial year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 117 to 119.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the financial year ended 31 December 2013 are set out in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income on pages 53 and 54 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 on page 57 and Note 28 to the Financial Statements on pages 99 and 100 respectively.

DIVIDENDS

A first interim dividend of 35 cents per share was paid in September 2013. In lieu of a final dividend, a second interim dividend of 65 cents per share will be paid on 10 June 2014 to Shareholders on record as at 3 June 2014. Total distribution for the year 2013 will amount to HK$1.00 (2012: HK$1.10) 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 70 and 73 respectively.

DONATIONS

The Group made donations during the financial year totalling HK$39 million.

DIRECTORS

The Directors of the Company during the financial year were Mr Douglas C K Woo (appointed with effect from 1 July 2013), Mr Peter K C Woo, Mr Stephen T H Ng, Mr Stewart C K Leung, Mr Paul Y C Tsui, Mr Tak Hay Chau, Mrs Mignonne Cheng, Mr Herald L F Lau (retired on 7 June 2013), Mr Winston K W Leong (appointed with effect from 1 October 2013), Mr Alan H Smith, Mr Richard Y S Tang, Mr Kenneth W S Ting, Ms Nancy S L Tse (appointed with effect from 1 October 2013), Mr Ricky K Y Wong and Mr Glenn S Yee.

Mr Douglas C K Woo, Mr Winston K W Leong and Ms Nancy S L Tse, who were appointed as Directors of the Company after the last Annual General Meeting, are due to retire from the Board at the forthcoming Annual General Meeting in accordance with Article 94 of the Company's Articles of Association, and Messrs Kenneth W S Ting, Ricky K Y Wong and Glenn S Yee will also retire by rotation from the Board in accordance with Article 103A. Being eligible, they offer themselves for re-election. None of the retiring Directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

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 was 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 during the year, there existed certain outstanding options to subscribe for ordinary shares of the Company and of a subsidiary of the Company, namely, The Wharf (Holdings) Limited ("Wharf"), granted under the Company's share option scheme and Wharf's share option scheme respectively to certain employees/ directors of companies in the Group, some of whom were Directors of the Company during the financial year.

Under the respective rules of the two schemes, shares of the Company or Wharf would be issued at such prices as being not less than 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; and the relevant options would be exercisable during such periods, not being beyond the expiration of 10 years from the date of grant of relevant options, as determined by the boards of directors of the Company or Wharf.

During the financial year, a total of 300,000 shares of Wharf were allotted and issued to Mr Paul Y C Tsui, the Executive Director and Group Chief Financial Officer of the Company, on his exercise of options under Wharf's scheme, while no share of the Company was allotted and issued to any Director of the Company under the Company's 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, 28 March 2014

REPORT OF THE DIRECTORS

SUPPLEMENTARY CORPORATE INFORMATION

(A) BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGERS ETC.

(I) Directors

Douglas C K WOO, *Chairman & Managing Director (Age: 35)*

Mr Woo was appointed a Director and the Managing Director of the Company in July 2013. He became Chairman in January 2014. He also serves as a member and chairman of the Company's Nomination Committee as well as a member of the Company's Remuneration Committee. He is vice chairman and managing director of Wheelock Properties Limited ("WPL"), the Group's Hong Kong property development arm and also a director of certain other subsidiaries of the Company. He currently serves as a member of the Twelfth Beijing Municipal Committee of the Chinese People's Political Consultative Conference ("CPPCC") of the People's Republic of China, a director of The Real Estate Developers Association of Hong Kong ("REDA") and a member of The Hong Kong General Chamber of Commerce ("HKGCC") Economic Policy Committee.

Mr Woo studied at Winchester College in the UK and graduated from Princeton University in the US with a degree in Architecture. He earned a Master of Business Administration degree (EMBA Program) awarded jointly by The HKUST Business School and The Kellogg School of Management of Northwestern University in 2010. Prior to joining the Group in 2005, Mr Woo worked at UBS Real Estate Corporate Finance and UBS Triton Fund and focused primarily in asset acquisitions and management. He also worked at Hamptons International. Mr Woo is the son of Mr Peter K C Woo, Senior Director of the Company.

Under the existing service contract between the Group and Mr Woo, his basic salary and various allowances for the year 2014, calculated on an annualised basis, would be approximately HK$5.44 million (2013: HK$3.64 million) per annum.

Hon Peter K C WOO, *GBM, GBS, JP, Senior Director (Age: 67)*

Mr Woo served as the Chairman of the Company from 1986 to 1996 and also from 2002 to December 2013. He stepped down as the Chairman (upon his son Mr Douglas Woo succeeding him as the new Chairman) and has assumed the title of Senior Director of the Company with effect from 1 January 2014. He is currently the chairman of the major publicly listed subsidiary of the Company, namely, Wharf. He had begun his career with Chase Manhattan Bank in New York in 1972 and joined World-Wide Shipping group in Hong Kong in 1975.

For many years, Mr Woo has also been actively engaged in community and related services, both locally and internationally, and has held various lay appointments by Government.

He serves as a member of the Standing Committee of the 10th, 11th and 12th National Committee of CPPCC of the People's Republic of China. He is the convener of Hong Kong CPPCC members.

In Hong Kong, 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 a non-official member of the Commission on Strategic Development since June 2007. Previously, he served as chairman of Hospital Authority from 1995 to 2000, council chairman of Hong Kong Polytechnic University from 1993 to 1997 and chairman of Hong Kong Trade Development Council from 2000 to 2007. He was chairman of the Hong Kong Environment and Conservation Fund Committee set up in 1994 which he co-funded with the Government.

Internationally, he 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 and General Electric.

Mr Woo received an MBA from Columbia University in New York, USA in 1972. He has also 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 2014, calculated on an annualised basis, would be approximately HK$16.9 million (2013: HK$19.3 million) per annum.

Stephen T H NG, *Deputy Chairman (Age: 61)*
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, and 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 Wheelock Properties (Singapore) Limited ("WPSL") in Singapore, all such companies 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 HKGCC and a council member of the Employers' Federation of Hong Kong ("EFHK"). Under the existing service contract between the Group and Mr Ng, his basic salary and various allowances for the year 2014, calculated on an annualised basis, would be approximately HK$6.33 million (2013: HK$6.03 million) per annum.

Stewart C K LEUNG, *Vice Chairman (Age: 75)*
Mr Leung has been 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 REDA. Under the existing service contract between the Group and Mr Leung, his basic salary and various allowances for the year 2014, calculated on an annualised basis, would be approximately HK$5.46 million (2013: HK$5.46 million) per annum.

Paul Y C TSUI, *Executive Director & Group Chief Financial Officer (Age: 67)*
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 and a director of HCDL, i-CABLE and WPSL, as well as the vice chairman of WPL and a director of certain other subsidiaries of the Company. 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 2014, calculated on annualised basis, would be approximately HK$4.22 million (2013: HK$3.62 million) per annum.

Tak Hay CHAU, *GBS, Director (Age: 71)*
Mr Chau has been an Independent Non-executive Director ("INED") of the Company since October 2012. He graduated from The University of Hong Kong ("HKU") 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: 67)*
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 23 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.

REPORT OF THE DIRECTORS

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.

Winston K W LEONG, *Director (Age: 54)*
Mr Leong has been an INED of the Company since October 2013. He holds a Bachelor of Arts degree in economics and law from the University of Cambridge and a Bachelor of Laws degree from the University of British Columbia. He qualified to practise law in England & Wales, New York State and the Province of British Columbia, Canada, before working in investment banking and then management of private equity funds for investment in the Asia Pacific region. During the course of his career, he has worked in London, Vancouver, New York as well as Hong Kong. Mr Leong is currently a director of various private business enterprises, and a member of the Court of The Hong Kong University of Science and Technology.

Alan H SMITH, *JP, Director (Age: 70)*
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, Guangdong Land Holdings Limited (formerly known as Kingway Brewery Holdings Limited) and VXL Capital Limited, which are listed on the Stock Exchange; and 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 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 IP All Seasons Asian Credit Fund (formerly known as 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: 61)*
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: 71)*
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 honorary president of HK Wuxi Trade Association Limited, the Federation of Hong Kong Industries, the Chinese Manufacturers' Association of Hong Kong and the Toys Manufacturers' Association of Hong Kong Limited, and also the Honorary Life President of Hong Kong Plastics Manufacturers' Association Limited.

Mr Ting also serves as a member of a number of other trade organizations and public committees such as HKGCC. He is also a Life Honorary Court member of The Hong Kong University of Science and Technology Court. Furthermore, he is a member of the Jiangsu Provincial Committee of the CPPCC.

Nancy S L Tse, *JP, Director (Age: 61)*
Ms Tse, *FCPA (HKICPA), CPA, CA (Canada)*, has been an INED of the Company since October 2013. She obtained her Bachelor of Arts (Honours) degree in Mathematics and Master of Business Administration degree in Finance/Accounting from the University of California, Los Angeles, United States; and qualified as Chartered Accountant in Toronto, Canada. She was the Chief Financial Officer and Director (Finance and Information Technology Services) of the Hong Kong Hospital Authority ("HA") until her retirement at the end of August 2013. Ms Tse joined the HA in 1991 when it was established. She is a Trustee of the HA Provident Fund Scheme, and an Adjunct Professor of The Jockey Club School of Public Health and Primary Care of The Chinese University of Hong Kong. She also serves as a member of the Audit Committee of HKU and a member of Elderly Services Committee of Chi Lin Nunnery.

Ricky K Y WONG, *Director (Age: 49)*
Mr Wong has been a Director of the Company since 2010. He joined the Group in 1989 and 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 the vice chairman of the Real Estate and Infrastructure Committee of HKGCC and a member of the Legal Sub-committee of REDA. He is also a director of Hong Kong Green Building Council, general committee member of the EFHK, a member of External Affairs and Public Concerns Committee and fellow member of Royal Institution of Chartered Surveyors.

In February 2013, he was appointed as an associate member of HKSAR – Central Policy Unit of which he was a part-time member for years 2009 and 2010. Mr Wong has also been appointed as a co-opted member of the Hong Kong Diploma of Secondary Education Examination (HKDSE) – Applied Learning Subject Committee of the Hong Kong Examinations and Assessment Authority from April 2013 to August 2015. 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 2014, calculated on an annualised basis, would be approximately HK$3.99 million (2013: HK$3.63 million) per annum.

Glenn S YEE, *Director (Age: 63)*
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 made managing director of Continental Can Hong Kong Ltd. in 1988. He resigned in 1991 and subsequently started Pacific Can. Mr Yee is a member of the Board of Trustees at WPI.

REPORT OF THE DIRECTORS

Notes:

(1) Mr Peter K C Woo formerly served as the chairman and a director of WPSL from May 2006 to March 2013. He is currently a director of certain other subsidiaries of the Company.

(2) 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 & Managing Director, the Senior Director, 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 SECURITIES

(I) Interests in shares & debt securities

At 31 December 2013, Directors of the Company had the following beneficial interests, all being long positions, in the shares and/or debt securities of the Company, and of three subsidiaries of the Company, namely, Wharf, i-CABLE and Wheelock Finance Limited. 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	1,223,823,330 (60.2320%)	Personal Interest in 8,847,510 shares, Corporate Interest in 219,754,142 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	458,248 (0.0151%)	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
– USD Guaranteed Notes due 2018		
Ricky K Y Wong	US$1,300,000	Personal Interest
– HKD Guaranteed Notes due 2022		
Nancy S L Tse	HK$1,000,000	Personal Interest

Notes:

(1) The interests in shares disclosed above do not include interests in share options of the Company and/or its subsidiary(ies) held by Directors of the Company as at 31 December 2013. Details of such interests in share options are separately set out below under Section (B)(II) "Interests in share options of the Company" and Section (B)(III) "Interests in share options of Wharf".

(2) 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.

(3) 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.

(4) The shareholding interests stated above as "Personal Interest" and "Corporate Interest" against the name of Mr Peter K C Woo totalling 228,601,652 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.

(5) The 995,221,678 shares of the Company as referred to under Note (2) above are entirely duplicated or included in the shareholding interest of HSBC Trustee (Guernsey) Limited stated under Section (C) "Substantial Shareholders' Interests" below.

(II) Interests in share options of the Company

Set out below are particulars of all interests (all being personal interests) in options held during the financial year ended 31 December 2013 by the Directors of the Company to subscribe for ordinary shares of the Company granted/exercisable under the share option scheme of the Company:

		No. of Wheelock shares under option (percentage of issued capital)		
Name of Director	**Date of grant** (Day/Month/Year)	**As at date of grant**	**As at 31 Dec 2013**	**Subscription price per share** (HK$)
Douglas C K Woo	14/06/2013	3,000,000	3,000,000 (0.148%)	39.98
Peter K C Woo	14/06/2013	2,000,000	2,000,000 (0.098%)	39.98
Stewart C K Leung	14/06/2013	3,000,000	3,000,000 (0.148%)	39.98
Paul Y C Tsui	14/06/2013	1,500,000	1,500,000 (0.074%)	39.98
Ricky K Y Wong	14/06/2013	3,000,000	3,000,000 (0.148%)	39.98

Notes:

(a) There was no outstanding share option of the Company held by any Director of the Company during the period from 1 January to 13 June 2013.

(b) The share options of the Company outstanding as at both the date of grant and 31 December 2013 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 Wheelock's shares, and with the 1st, 2nd, 3rd, 4th and 5th tranche becoming exercisable from 15th of June in the years 2013, 2014, 2015, 2016 and 2017 respectively.

(c) Except as disclosed above, no share option of the Company held by Directors of the Company lapsed or was exercised or cancelled during the financial year and no share option of the Company was granted to any Director of the Company during the financial year.

REPORT OF THE DIRECTORS

(III) Interests in share options of Wharf

There was in existence during the financial year a share option scheme of Wharf (the "Wharf's Scheme"). Set out below are particulars of all interests (all being personal interests) in options held during the financial year ended 31 December 2013 by the Directors of the Company to subscribe for ordinary shares of Wharf granted/exercisable under the Wharf's Scheme:

Name of Director	Total No. of Wharf shares under option held as at 31 December 2013 (percentage of issued capital)	Date of grant (Day/Month/Year)	No. of Wharf shares under option				Subscription price per share (HK$)
			As at 1 January 2013	Granted during the year	Exercised during the year	As at 31 December 2013	
Douglas C K Woo	800,000 (0.026%)	04/07/2011	800,000	Nil	–	800,000	55.15
Peter K C Woo	3,500,000 (0.116%)	04/07/2011	1,500,000	Nil	–	1,500,000	55.15
		05/06/2013	N/A	2,000,000	–	2,000,000	70.20
Stephen T H Ng	3,500,000 (0.116%)	04/07/2011	1,500,000	Nil	–	1,500,000	55.15
		05/06/2013	N/A	2,000,000	–	2,000,000	70.20
Paul Y C Tsui	2,200,000 (0.073%)	04/07/2011	1,500,000	Nil	(300,000)	1,200,000	55.15
		05/06/2013	N/A	1,000,000	–	1,000,000	70.20
Ricky K Y Wong	800,000 (0.026%)	04/07/2011	800,000	Nil	–	800,000	55.15

Notes:

(i) The Wharf options granted on 4 July 2011 outstanding as at both 1 January 2013 and 31 December 2013 were/will be vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant Wharf 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, with one exception. Such an exception is in respect of the relevant options outstanding as at 31 December 2013 held by Mr Paul Y C Tsui, which were/will be vested in four tranches within a period of 4 years, with each tranche covering one-fourth of the relevant Wharf options, i.e. exercisable to the extent of one-fourth of the relevant total number of Wharf's shares and with the 1st, 2nd, 3rd and 4th tranche becoming exercisable from the 5th of July in the years 2012, 2013, 2014 and 2015 respectively.

(ii) The Wharf options granted on 5 June 2013 outstanding as at both the date of grant and 31 December 2013 were/will be vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant Wharf 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 6th of June in the years 2013, 2014, 2015, 2016 and 2017 respectively.

(iii) The closing price of Wharf's shares immediately before the date(s) of exercise(s) (all exercised on the same day) of Wharf options by Mr Paul Y C Tsui during the year as abovementioned was HK$75.50 per share.

(iv) Except as disclosed above, no Wharf option held by Directors of the Company lapsed or was exercised or cancelled during the financial year and no Wharf option was granted to any Director of the Company during the financial year.

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 Transaction by Directors of Listed Issuers, there were no interests, both long and short positions, held as at 31 December 2013 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 2013, 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	995,221,678 (48.981%)

Note: Duplication occurred in respect of the shareholding interests under (i) and (ii) above, as separately set out in Notes (4) and (5) above under Section (B)(I) "Interest in shares & debt securities".

All the interests stated above represented long positions and as at 31 December 2013, there were no short position interests recorded in the Register.

(D) SHARE OPTION SCHEMES

(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 joint venture(s) and subsidiary(ies) of associates and of joint ventures.

(c) (i) Total number of ordinary shares of HK$0.50 each in the capital of the Company (the "Share(s)") available for issue under the Company's Scheme as at the date of this annual report:
190,684,928

(ii) Percentage of the issued share capital that it represents as at the date of this annual report:
9.38%

(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

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(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 7 years (expiring on 8 June 2021)

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

Set out below are particulars and movement(s), if any, during the financial year of all of outstanding share options of the Company which were granted to certain employees and/or directors (including 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:

	No. of Wheelock shares under option				Price per share to be paid on exercise of options (HK$)
	As at 1 January 2013	**Granted on 14 June 2013**	**As at 31 December 2013**	**Vesting/Exercise Period** (Day/Month/Year)	
	N/A	2,500,000	2,500,000	15/06/2013 – 14/06/2018	39.98
	N/A	2,500,000	2,500,000	15/06/2014 – 14/06/2018	39.98
	N/A	2,500,000	2,500,000	15/06/2015 – 14/06/2018	39.98
	N/A	2,500,000	2,500,000	15/06/2016 – 14/06/2018	39.98
	N/A	2,500,000	2,500,000	15/06/2017 – 14/06/2018	39.98
Total:	**N/A**	**12,500,000**	**12,500,000**		

Notes:

(a) The closing price of shares of the Company on the last trading day immediately before the abovementioned date of grant was HK$38.90 per share.

(b) Except as disclosed above, no share option of the Company lapsed or was granted, exercised or cancelled during the financial year.

(III) Details of options for shares of Wharf granted, etc.

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 number/percentage for the Wharf's Scheme are 277,574,732 and 9.16% respectively.

Set out below are particulars and movement(s), if any, during the financial year of all of Wharf's outstanding share options which were granted to certain employees and/or directors (including 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:

	No. of Wharf shares under option					
Date of grant (Day/Month/Year)	**As at 1 January 2013**	**Exercised during the year**	**Granted during the year**	**As at 31 December 2013**	**Vesting/Exercise Period[4]** (Day/Month/Year)	**Price per share to be paid on exercise of options** (HK$)
(i) 04/07/2011:	2,420,000	(880,000)	–	1,540,000	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	(880,000)	–	11,220,000		
(ii) 05/06/2013:	N/A	–	2,650,000	2,650,000	06/06/2013 – 05/06/2018	70.20
	N/A	–	2,650,000	2,650,000	06/06/2014 – 05/06/2018	70.20
	N/A	–	2,650,000	2,650,000	06/06/2015 – 05/06/2018	70.20
	N/A	–	2,650,000	2,650,000	06/06/2016 – 05/06/2018	70.20
	N/A	–	2,650,000	2,650,000	06/06/2017 – 05/06/2018	70.20
	N/A	–	13,250,000	13,250,000		
Total:	**12,100,000**	**(880,000)**	**13,250,000**	**24,470,000**		

Notes:

(1) The closing price of Wharf's shares on the last trading day immediately before the share options granted on 5 June 2013 was HK$71.00 per share.

(2) The weighted average closing price of Wharf's shares immediately before the date(s) of exercise(s) of the Wharf options during the year as abovementioned was HK$72.35 per share.

(3) Except as disclosed above, no share option of Wharf lapsed or was granted, exercised or cancelled during the year.

(4) The Vesting/Exercise Periods stated above are respectively applicable to the relevant outstanding options as at the beginning of the year or, in the case of options granted during the year, the date of grant, and also at the end of the year.

(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 employer's 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.

REPORT OF THE DIRECTORS

(F) MAJOR CUSTOMERS & SUPPLIERS

For the financial year ended 31 December 2013:

(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 46% of the Group's total purchases;

(b) the largest supplier accounted for 28% of the Group's total purchases;

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

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

(G) BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Particulars of any and all bank loans, overdrafts and/or other borrowings of the Company and of the Group as at 31 December 2013 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 86 to 88.

(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 2013.

(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 and 19 December 2013 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 fixed term of three years commencing on 1 January 2012 and expiring on 31 December 2014. The MTA is for the purpose of, *inter alia*, regulating various continuing connected transactions in respect of the leasing of premises owned by members of Wharf group to the Eligible Tenants during the said three-year term and providing for the aggregate annual cap amount of rentals in relation thereto.

As WGL is indirectly wholly-owned by a trust, the settlor of which is the Senior Director 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 annual aggregate amount of rental under the MTA, which is subject to the relevant aggregate annual cap amount previously disclosed in the abovementioned announcement dated 30 December 2011, receivable by Wharf group from WGL group for the financial year ended 31 December 2013 amounted to HK$788 million.

(II) Hangzhou Land Joint Venture between Wharf and CMP

On 18 December 2013, a wholly-owned subsidiary of Wharf and a wholly-owned subsidiary of China Merchants Property Development Co., Ltd. ("CMP") entered into a joint venture agreement (the "JV Agreement"), for the purpose of joint development of a piece of land in Hangzhou with a total site area of approximately 40,000 square metres (the "Hangzhou Land") through a project company on a 50:50 ownership basis. The purpose of the relevant transaction is for broadening the assets and earning base of the Group.

Pursuant to the terms of the JV Agreement, the Wharf group acquired 50% interest in the Hangzhou Land by contributing to the project company an amount in cash of RMB881.5 million (equal to about HK$1,118.36 million), representing 50% of the purchase price paid/payable by the CMP group for acquiring the land use rights of the Hangzhou Land. The Hangzhou Land was acquired by the CMP group via a government land auction in Hangzhou in the PRC on 12 September 2013 at a price of RMB1,763 million (equal to about HK$2,236.72 million). Upon completion of the contribution by the Wharf group, the project company became owned as to 50% by each of the Wharf group and the CMP group for the purpose of, *inter alia*, the development of the Hangzhou Land.

The ultimate holding company of CMP is also the holding company of a substantial shareholder of a non wholly-owned subsidiary of Wharf. Consequently, CMP together with its subsidiaries are regarded as connected persons of the Company within the meaning of the Listing Rules. Therefore, the entering into of the JV Agreement together with the relevant transactions contemplated thereunder constituted a connected transaction for the Company under the Listing Rules.

(III) With regard to the Related Party Transactions as disclosed under Note 31 to the Financial Statements on page 102, the transactions stated under paragraph "(a)" therein constitute connected transactions (as defined under the Listing Rules) of the Company and the one under paragraph "(b)" does not constitute a connected transaction for the Company.

(IV) 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 2013; 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 53 to 121, which comprise the consolidated and company statements of financial position as at 31 December 2013, 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 2013 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

28 March 2014

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

	Note	**2013 HK$ Million**	2012 HK$ Million
Revenue	1	**35,071**	33,124
Direct costs and operating expenses		**(15,450)**	(13,298)
Selling and marketing expenses		**(1,430)**	(1,243)
Administrative and corporate expenses		**(1,801)**	(1,577)
Operating profit before depreciation, amortisation, interest and tax		**16,390**	17,006
Depreciation and amortisation	2	**(1,452)**	(1,436)
Operating profit	1 & 2	**14,938**	15,570
Increase in fair value of investment properties		**19,089**	35,924
Other net income	3	**337**	3,116
		34,364	54,610
Finance costs	4	**(899)**	(1,162)
Share of results after tax of:			
Associates		**2,631**	1,621
Joint ventures	13(d)	**461**	634
Profit before taxation		**36,557**	55,703
Income tax	5	**(4,539)**	(4,347)
Profit for the year		**32,018**	51,356
Profit attributable to:			
Equity shareholders	6	**16,954**	26,935
Non-controlling interests		**15,064**	24,421
		32,018	51,356
Earnings per share	8		
Basic		**HK$8.34**	HK$13.26
Diluted		**HK$8.34**	HK$13.26

The notes and principal accounting policies on pages 60 to 121 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 2013

	2013 HK$ Million	2012 HK$ Million
Profit for the year	**32,018**	51,356
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange gain on translation of foreign operations	**2,111**	956
Net revaluation of available-for-sale investments:	**(2,349)**	3,477
(Deficit)/surplus on revaluation	**(1,427)**	3,737
Transferred to consolidated income statement on disposal	**(922)**	(260)
Share of other comprehensive income of associates/joint ventures	**697**	62
Others	**31**	(1)
Other comprehensive income for the year	**490**	4,494
Total comprehensive income for the year	**32,508**	55,850
Total comprehensive income attributable to:		
Equity shareholders	**16,458**	29,981
Non-controlling interests	**16,050**	25,869
	32,508	55,850

The notes and principal accounting policies on pages 60 to 121 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Note	2013 HK$ Million	2012 HK$ Million
Non-current assets			
Investment properties	9	**282,015**	250,729
Fixed assets	10	**24,180**	19,888
Interest in associates	12	**19,003**	16,046
Interest in joint ventures	13	**21,603**	21,219
Financial investments	14	**13,246**	14,843
Convertible securities	15	**2,824**	2,709
Goodwill and other intangible assets	16	**297**	297
Programming library		**137**	109
Deferred tax assets	25	**730**	798
Derivative financial assets	19	**176**	487
Other non-current assets		**42**	391
		364,253	327,516
Current assets			
Properties for sale	17	**87,178**	65,007
Inventories		**47**	45
Trade and other receivables	18	**5,645**	6,693
Derivative financial assets	19	**346**	489
Bank deposits and cash	20	**29,345**	30,016
		122,561	102,250
Current liabilities			
Trade and other payables	21	**(21,721)**	(16,086)
Deposits from sale of properties	22	**(16,379)**	(11,968)
Derivative financial liabilities	19	**(283)**	(215)
Taxation payable	5(d)	**(1,898)**	(2,093)
Bank loans and other borrowings	23	**(11,964)**	(6,930)
		(52,245)	(37,292)
Net current assets		**70,316**	64,958
Total assets less current liabilities		**434,569**	392,474
Non-current liabilities			
Derivative financial liabilities	19	**(1,292)**	(1,913)
Deferred tax liabilities	25	**(9,726)**	(8,071)
Other deferred liabilities		**(303)**	(283)
Bank loans and other borrowings	23	**(111,676)**	(96,327)
		(122,997)	(106,594)
NET ASSETS		**311,572**	285,880
Capital and reserves			
Share capital	27	**1,016**	1,016
Reserves		**165,566**	151,025
Shareholders' equity		**166,582**	152,041
Non-controlling interests		**144,990**	133,839
TOTAL EQUITY		**311,572**	285,880

The notes and principal accounting policies on pages 60 to 121 form part of these financial statements.

Douglas C K Woo
Chairman & Managing Director

Paul Y C Tsui
Executive Director & Group Chief Financial Officer

COMPANY STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Note	**2013 HK$ Million**	2012 HK$ Million
Non-current assets			
Interest in subsidiaries	11	**12,328**	16,561
Current assets			
Receivables and prepayments		**43**	62
Current liabilities			
Trade and other payables		**(7)**	(15)
Amounts due to subsidiaries	11	**(1,274)**	(5,973)
		(1,281)	(5,988)
Net current liabilities		**(1,238)**	(5,926)
Total assets less current liabilities		**11,090**	10,635
Non-current liabilities			
Bank loans	23	**(5,000)**	(5,000)
NET ASSETS		**6,090**	5,635
Capital and reserves			
Share capital	27	**1,016**	1,016
Reserves		**5,074**	4,619
TOTAL EQUITY	28(a)	**6,090**	5,635

The notes and principal accounting policies on pages 60 to 121 form part of these financial statements.

Douglas C K Woo
Chairman & Managing Director

Paul Y C Tsui
Executive Director & Group Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	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 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 payments	–	–	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 and 1 January 2013	**1,016**	**1,914**	**2,547**	**5,064**	**141,500**	**152,041**	**133,839**	**285,880**
Changes in equity for 2013:								
Profit	**–**	**–**	**–**	**–**	**16,954**	**16,954**	**15,064**	**32,018**
Other comprehensive income	**–**	**–**	**(1,736)**	**1,228**	**12**	**(496)**	**986**	**490**
Total comprehensive income	**–**	**–**	**(1,736)**	**1,228**	**16,966**	**16,458**	**16,050**	**32,508**
Shares issued by a subsidiary	**–**	**–**	**(7)**	**–**	**–**	**(7)**	**55**	**48**
Acquisition of additional interests in subsidiaries	**–**	**–**	**–**	**–**	**417**	**417**	**(1,879)**	**(1,462)**
Equity settled share-based payments	**–**	**–**	**111**	**–**	**–**	**111**	**59**	**170**
2012 second interim dividend paid	**–**	**–**	**–**	**–**	**(1,219)**	**(1,219)**	**–**	**(1,219)**
2012 special dividend paid	**–**	**–**	**–**	**–**	**(508)**	**(508)**	**–**	**(508)**
2013 first interim dividend paid	**–**	**–**	**–**	**–**	**(711)**	**(711)**	**–**	**(711)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(3,134)**	**(3,134)**
At 31 December 2013	**1,016**	**1,914**	**915**	**6,292**	**156,445**	**166,582**	**144,990**	**311,572**

* Included in investments revaluation and other reserves is the capital redemption reserve of HK$19 million (2012: HK$19 million).

The notes and principal accounting policies on pages 60 to 121 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Note	2013 HK$ Million	2012 HK$ Million
Operating cash inflow	(a)	**15,319**	16,168
Changes in working capital	(a)	**(11,203)**	(192)
Cash generated from operations	(a)	**4,116**	15,976
Net interest paid		**(2,711)**	(1,988)
Interest paid		**(3,564)**	(2,449)
Interest received		**853**	461
Dividends received from associates		**838**	750
Dividends received from joint ventures		**426**	31
Dividends received from investments		**405**	346
Hong Kong profits tax paid		**(1,472)**	(1,732)
Overseas tax paid		**(1,761)**	(1,799)
Net cash (used in)/generated from operating activities		**(159)**	11,584
Investing activities			
Additions to investment properties		**(9,987)**	(13,519)
Additions to fixed assets		**(5,656)**	(1,491)
Additions to programming library		**(122)**	(100)
Net decrease/(increase) in interest in associates		**206**	(3,598)
Net increase in interest in joint ventures		**(2)**	(2,311)
Acquisition of additional interests in subsidiaries		**(1,462)**	(1,489)
Purchase of financial investments		**(3,749)**	(6,185)
Proceeds from disposal of financial investments		**4,070**	2,438
Net proceeds from disposal of fixed assets		**3**	13
Repayment of/(addition to) long term receivables		**8**	(360)
Purchase of convertible securities		**–**	(2,550)
Proceeds from disposal of an investment property		**–**	1,287
Uplift of pledged deposits		**–**	26
Net release/(placement) of bank deposits with maturity greater than three months		**1,530**	(437)
Net cash used in investing activities		**(15,161)**	(28,276)
Financing activities			
Drawdown of bank loans and other borrowings		**38,638**	35,012
Repayment of bank loans and other borrowings		**(17,227)**	(28,038)
Issue of shares by subsidiaries to non-controlling interests		**48**	167
Dividends paid to equity shareholders		**(2,438)**	(1,443)
Dividends paid to non-controlling interests		**(3,134)**	(2,459)
Net cash generated from financing activities		**15,887**	3,239
Net increase/(decrease) in cash and cash equivalents		**567**	(13,453)
Cash and cash equivalents at 1 January		**28,456**	41,519
Effect of exchange rate changes		**292**	390
Cash and cash equivalents at 31 December	(b)	**29,315**	28,456

The notes and principal accounting policies on pages 60 to 121 form part of these financial statements.

NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

a) Reconciliation of operating profit to cash generated from operations

	2013 HK$ Million	2012 HK$ Million
Operating profit	**14,938**	15,570
Adjustments for:		
Interest income	**(853)**	(586)
Dividend income from listed investments	**(404)**	(308)
Depreciation and amortisation	**1,452**	1,436
Loss/(profit) on disposal of fixed assets	**16**	(4)
Equity settled share-based payment expenses	**170**	60
Operating cash inflow	**15,319**	16,168
Increase in properties under development for sale	**(28,494)**	(10,423)
Decrease in completed properties for sale	**9,489**	7,413
(Increase)/decrease in inventories	**(2)**	85
Decrease/(increase) in trade and other receivables	**1,013**	(1,958)
Increase in deposits from sale of properties	**4,411**	2,264
Increase in trade and other payables	**1,690**	2,352
Increase/(decrease) in derivative financial instruments	**695**	(46)
Exchange differences on working capital changes	**(27)**	114
Other non-cash items	**22**	7
Changes in working capital	**(11,203)**	(192)
Cash generated from operations	**4,116**	15,976

b) Cash and cash equivalents

	2013 HK$ Million	2012 HK$ Million
Bank deposits and cash in the consolidated statement of financial position (Note 20)	**29,345**	30,016
Less: Bank deposits with maturity greater than three months	**(30)**	(1,560)
Cash and cash equivalents in the consolidated statement of cash flows	**29,315**	28,456

NOTES TO THE FINANCIAL STATEMENTS

1. SEGMENT INFORMATION

The Group manages its diversified businesses according to the nature of services and products provided. Management has determined five reportable operating segments for measuring performance and allocating resources. The segments are investment property, development property, hotels, logistics and communications, media and entertainment ("CME"). No operating segments have been aggregated to form the following reportable segments.

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

Development property 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.

Hotels segment includes hotel operations in the Asia Pacific region. Currently, the Group owns or manages 13 Marco Polo Hotels.

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 joint ventures 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 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	Joint ventures HK$ Million	Profit before taxation HK$ Million
For the year ended 31 December 2013								
Investment property	**11,949**	**9,891**	**19,089**	**–**	**(1,293)**	**–**	**–**	**27,687**
Hong Kong	**10,250**	**8,813**	**15,995**	**–**	**(1,190)**	**–**	**–**	**23,618**
Mainland China	**1,261**	**761**	**3,064**	**–**	**(103)**	**–**	**–**	**3,722**
Singapore	**438**	**317**	**30**	**–**	**–**	**–**	**–**	**347**
Development property	**13,430**	**3,341**	**–**	**(511)**	**(143)**	**2,305**	**414**	**5,406**
Hong Kong	**1,972**	**790**	**–**	**–**	**–**	**–**	**(52)**	**738**
Mainland China	**11,442**	**2,565**	**–**	**170**	**(143)**	**2,305**	**466**	**5,363**
Singapore	**16**	**(14)**	**–**	**(681)**	**–**	**–**	**–**	**(695)**
Hotels	**1,498**	**377**	**–**	**(543)**	**(16)**	**–**	**–**	**(182)**
Logistics	**3,226**	**974**	**–**	**116**	**(160)**	**326**	**47**	**1,303**
Terminals	**3,106**	**944**	**–**	**157**	**(160)**	**199**	**47**	**1,187**
Others	**120**	**30**	**–**	**(41)**	**–**	**127**	**–**	**116**
CME	**3,789**	**212**	**–**	**(42)**	**(42)**	**–**	**–**	**128**
i-CABLE	**1,932**	**(88)**	**–**	**1**	**(3)**	**–**	**–**	**(90)**
Telecommunications	**1,857**	**300**	**–**	**(43)**	**(39)**	**–**	**–**	**218**
Inter-segment revenue	**(453)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Segment total	**33,439**	**14,795**	**19,089**	**(980)**	**(1,654)**	**2,631**	**461**	**34,342**
Investment and others	**1,632**	**1,177**	**–**	**1,317**	**755**	**–**	**–**	**3,249**
Corporate expenses	**–**	**(1,034)**	**–**	**–**	**–**	**–**	**–**	**(1,034)**
Group total	**35,071**	**14,938**	**19,089**	**337**	**(899)**	**2,631**	**461**	**36,557**
For the year ended 31 December 2012								
Investment property	10,613	8,731	35,924	73	(1,168)	–	–	43,560
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)
Development property	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
Hotels	1,391	391	–	–	(8)	–	–	383
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

NOTES TO THE FINANCIAL STATEMENTS

b) Analysis of inter-segment revenue

	2013 Total revenue HK$ Million	**2013** Inter-segment revenue HK$ Million	**2013** Group revenue HK$ Million	2012 Total revenue HK$ Million	2012 Inter-segment revenue HK$ Million	2012 Group revenue HK$ Million
Investment property	**11,949**	**(182)**	**11,767**	10,613	(167)	10,446
Development property	**13,430**	**–**	**13,430**	13,370	–	13,370
Hotels	**1,498**	**–**	**1,498**	1,391	–	1,391
Logistics	**3,226**	**–**	**3,226**	3,070	–	3,070
CME	**3,789**	**(105)**	**3,684**	3,953	(104)	3,849
Investment and others	**1,632**	**(166)**	**1,466**	1,179	(181)	998
	35,524	**(453)**	**35,071**	33,576	(452)	33,124

c) Analysis of segment business assets

	2013 HK$ Million	2012 HK$ Million
Investment property	**283,427**	251,783
Hong Kong	**224,746**	205,927
Mainland China	**51,137**	38,108
Singapore	**7,544**	7,748
Development property	**130,779**	103,769
Hong Kong	**32,563**	18,558
Mainland China	**92,848**	82,122
Singapore	**5,368**	3,089
Hotels	**6,189**	1,953
Logistics	**20,260**	20,223
Terminals	**19,138**	19,045
Others	**1,122**	1,178
CME	**4,120**	4,151
i-CABLE	**1,295**	1,336
Telecommunications	**2,825**	2,815
Total segment business assets	**444,775**	381,879
Unallocated corporate assets	**42,039**	47,887
Total assets	**486,814**	429,766

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

Segment assets held through associates and joint ventures included in the above are:

	2013 HK$ Million	2012 HK$ Million
Development property	**35,325**	31,914
Logistics	**5,281**	5,351
Group total	**40,606**	37,265

d) Other information

	Capital expenditure		Increase in interests in associates and joint ventures		Depreciation and amortisation	
	2013 HK$ Million	2012 HK$ Million	**2013 HK$ Million**	2012 HK$ Million	**2013 HK$ Million**	2012 HK$ Million
Investment property	**11,461**	14,343	**–**	–	**122**	67
Hong Kong	**2,787**	8,754	**–**	–	**73**	24
Mainland China	**8,669**	5,520	**–**	–	**47**	41
Singapore	**5**	69	**–**	–	**2**	2
Development property	**–**	–	**3,586**	7,238	**–**	–
Hong Kong	**–**	–	**1,148**	400	**–**	–
Mainland China	**–**	–	**2,438**	6,838	**–**	–
Hotels	**4,868**	702	**–**	–	**132**	129
Logistics	**309**	616	**3**	33	**462**	492
Terminals	**309**	611	**3**	33	**458**	488
Others	**–**	5	**–**	–	**4**	4
CME	**533**	715	**–**	–	**736**	748
i-CABLE	**150**	209	**–**	–	**331**	350
Telecommunications	**383**	506	**–**	–	**405**	398
Group total	**17,171**	16,376	**3,589**	7,271	**1,452**	1,436

In addition, the CME segment incurred HK$122 million (2012: HK$100 million) for its programming library. The Group has no significant non-cash expenses other than the impairment losses of HK$681 million for the Ang Mo Kio project (The Panorama) and HK$543 million for the Changzhou Marco Polo Hotel project and depreciation and amortisation.

e) Geographical information

	Revenue		Operating profit	
	2013 HK$ Million	2012 HK$ Million	**2013 HK$ Million**	2012 HK$ Million
Hong Kong	**20,290**	20,382	**11,208**	10,817
Mainland China	**14,229**	11,434	**3,362**	4,019
Singapore	**552**	1,308	**368**	734
Group total	**35,071**	33,124	**14,938**	15,570

	Specified non-current assets		Total business assets	
	2013 HK$ Million	2012 HK$ Million	**2013 HK$ Million**	2012 HK$ Million
Hong Kong	**245,190**	221,001	**273,875**	236,485
Mainland China	**99,660**	82,615	**157,988**	134,557
Singapore	**7,531**	7,757	**12,912**	10,837
Group total	**352,381**	311,373	**444,775**	381,879

NOTES TO THE FINANCIAL STATEMENTS

Specified non-current assets excluded deferred tax assets, certain 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

	2013 HK$ Million	2012 HK$ Million
Operating profit is arrived at after charging/(crediting):		
Depreciation and amortisation on		
– assets held for use under operating leases	**155**	141
– other fixed assets	**1,117**	1,102
– leasehold land	**86**	95
– programming library	**94**	98
Total depreciation and amortisation	**1,452**	1,436
Staff costs (Note i)	**3,816**	3,286
Auditors' remuneration		
– audit services	**30**	26
– other services	**4**	5
Cost of trading properties for recognised sales	**9,498**	7,400
Rental charges under operating leases in respect of telecommunications equipment and services	**57**	53
Impairment loss recognised on		
– fixed assets	**586**	–
– trade receivables	**17**	11
Rental income less direct outgoings (Note ii)	**(9,993)**	(8,760)
Rental income under operating leases in respect of owned plant and equipment	**(11)**	(13)
Interest income (Note iii)	**(853)**	(586)
Dividend income from listed investments	**(404)**	(308)
Loss/(profit) on disposal of fixed assets	**16**	(4)

Notes:

(i) Staff costs included contributions to defined contribution pension schemes of HK$256 million (2012: HK$199 million) which included MPF schemes (after a forfeiture of HK$3 million (2012: HK$3 million)) and equity settled share-based payment expenses of HK$170 million (2012: HK$60 million).

(ii) Rental income included contingent rentals of HK$2,070 million (2012: HK$1,953 million).

(iii) Included in interest income are amounts totalling HK$537 million (2012: HK$490 million) in respect of financial assets, which mainly comprise 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	2013 Total emoluments HK$'000	2012 Total emoluments HK$'000
Board of Directors						
Douglas C K Woo (Note iii)	50	1,824	–	180	2,054	–
Peter K C Woo	350	19,287	36,000	–	55,637	35,334
Stephen T H Ng	100	6,033	20,000	15	26,148	15,273
Stewart C K Leung (Note iv)	100	5,460	8,000	–	13,560	5,052
Paul Y C Tsui	100	3,622	8,500	–	12,222	7,804
Non-executive Directors						
Ricky K Y Wong	100	3,632	7,000	540	11,272	7,432
Mignonne Cheng (Note iv)	100	–	–	–	100	35
Independent Non-executive Directors						
Kenneth W S Ting (Note ii)	150	–	–	–	150	100
Glenn S Yee (Note ii)	150	–	–	–	150	88
Alan H Smith (Note ii and iv)	150	–	–	–	150	41
T H Chau (Note iv)	100	–	–	–	100	13
Richard Y S Tang (Note iv)	100	–	–	–	100	13
Winston K W Leong (Note iii)	25	–	–	–	25	–
Nancy S L Tse (Note iii)	25	–	–	–	25	–
Past Directors						
Alexander S K Au (Note v)	–	–	–	–	–	81
B M Chang (Note vi)	–	–	–	–	–	42
Herald L F Lau (Note vi)	43	–	–	–	43	70
	1,643	39,858	79,500	735	121,736	71,378
Total for 2012	937	33,314	36,500	627		71,378

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 2013 and 2012.

(ii) Includes Audit Committee Members' fee for the year ended 31 December 2013 of HK$50,000 (2012: HK$30,000) received/receivable by each of relevant Directors.

(iii) Mr Douglas C K Woo was appointed as a director of the Company with effect from 1 July 2013. Mr Winston K W Leong and Ms Nancy S L Tse were appointed as directors of the Company with effect from 1 October 2013.

(iv) 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 T H Chau and Mr Richard Y S Tang were appointed as directors of the Company with effect from 22 October 2012.

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

(vi) Mr B M Chang and Mr Herald L F Lau retired and ceased to be directors of the Company with effect from 31 May 2012 and 7 June 2013 respectively.

(vii) In addition to the above emoluments, certain Directors of the Company were granted share options under the share option schemes adopted by the Company and The Wharf (Holdings) Limited ("Wharf"), details of which are disclosed in note 24.

NOTES TO THE FINANCIAL STATEMENTS

c) Five highest paid employees

For the year ended 31 December 2013, information regarding emoluments of 3 (2012: 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

	2013 HK$ Million	2012 HK$ Million
Salaries, allowances and benefits in kind	**14**	14
Contributions to pension schemes	**1**	1
Discretionary bonuses	**40**	30
	55	45

ii) Bandings

	2013 Number	2012 Number
Bands (in HK$)		
$10,000,001–$10,500,000	**–**	1
$11,000,001–$11,500,000	**–**	1
$14,000,001–$14,500,000	**1**	–
$15,500,001–$16,000,000	**1**	–
$24,000,001–$24,500,000	**1**	1
	3	3

3. OTHER NET INCOME

Other net income for the year amounted to HK$337 million (2012: HK$3,116 million) and mainly comprised:

a) Net profit on disposal of available-for-sale investments of HK$1,094 million (2012: HK$492 million) which included a revaluation surplus, before deduction of non-controlling interests, of HK$922 million (2012: HK$260 million) transferred from the investments revaluation reserves.

b) Net foreign exchange gain of HK$335 million (2012: HK$274 million) which included a fair value gain on forward foreign exchange contracts of HK$150 million (2012: HK$280 million).

c) Provision for diminution in value of HK$681 million (2012: HK$Nil) was made by a listed subsidiary, Wheelock Properties (Singapore) Limited, for its Ang Mo Kio project (The Panorama) and HK$543 million (2012: HK$Nil) by a listed subsidiary, Harbour Centre Development Limited, for its Changzhou Marco Polo Hotel project.

In 2012, an accounting gain representing negative goodwill of HK$2,233 million was recognised in respect of Wharf's acquisition of a 24.6% equity interest in Greentown China Holdings Limited ("Greentown"), a listed associate.

4. FINANCE COSTS

	2013 HK$ Million	2012 HK$ Million
Interest charged on:		
Bank loans and overdrafts		
– repayable within five years	**1,255**	956
– repayable after five years	**157**	141
Other borrowings		
– repayable within five years	**1,252**	945
– repayable after five years	**504**	441
Total interest charge	**3,168**	2,483
Other finance costs	**418**	274
Less: Amount capitalised	**(1,482)**	(1,022)
	2,104	1,735
Fair value (gain)/loss:		
Cross currency interest rate swaps	**(470)**	(875)
Interest rate swaps	**(735)**	302
	(1,205)	(573)
Total	**899**	1,162

a) Interest was capitalised at an average annual rate of approximately 2.2% (2012: 2.1%).

b) Included in the total interest charge are amounts totalling HK$2,320 million (2012: HK$1,909 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/received in respect of interest rate swaps and cross currency interest rate swaps.

5. INCOME TAX

Taxation charged to the consolidated income statement includes:

	2013 HK$ Million	2012 HK$ Million
Current income tax		
Hong Kong		
– provision for the year	**1,436**	1,597
– overprovision in respect of prior years	**(102)**	(39)
Outside Hong Kong		
– provision for the year	**1,033**	998
– under/(over) provision in respect of prior years	**12**	(8)
	2,379	2,548
Land appreciation tax (“LAT”) in Mainland China (Note 5c)	**618**	584
Deferred tax (Note 25)		
Change in fair value of investment properties	**1,459**	1,087
Origination and reversal of temporary differences	**47**	212
Benefit of previously unrecognised tax losses now utilised/(recognised)	**36**	(84)
	1,542	1,215
Total	**4,539**	4,347

NOTES TO THE FINANCIAL STATEMENTS

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% (2012: 16.5%).

b) Income tax on profits assessable outside Hong Kong is mainly China corporate income tax calculated at a rate of 25% (2012: 25%), China withholding income tax at a rate of up to 10% (2012: 10%) and Singapore income tax at a rate of 17% (2012: 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 joint ventures for the year ended 31 December 2013 of HK$1,921 million (2012: HK$1,481 million) is included in the share of results after tax of associates and joint ventures.

f) The China tax law 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 since 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. For the year ended 31 December 2013, the Group has provided HK$126 million (2012: HK$144 million) for withholding taxes on accumulated earnings generated by its Mainland China subsidiaries 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:**

	2013 HK$ Million	2012 HK$ Million
Profit before taxation	**36,557**	55,703
Notional tax on profit before taxation calculated at applicable tax rates	**6,202**	9,592
Tax effect of non-deductible expenses	**533**	470
Tax effect of non-taxable income	**(758)**	(1,302)
Tax effect of non-taxable fair value gain on investment properties	**(2,813)**	(5,568)
Net overprovision in respect of prior years	**(90)**	(47)
Tax effect of tax losses not recognised	**167**	116
Tax effect of previously unrecognised tax losses utilised	**(118)**	(227)
Tax effect of previously unrecognised tax losses now recognised as deferred tax assets	**(21)**	(83)
LAT on trading properties	**618**	584
Deferred LAT on change in fair value of investment properties	**693**	668
Withholding tax on distributed/undistributed earnings	**126**	144
Actual total tax charge	**4,539**	4,347

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$2,847 million (2012: HK$1,332 million).

7. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2013 HK$ Million	2012 HK$ Million
First interim dividend declared and paid of 35.0 cents (2012: 25.0 cents) per share	**711**	508
Dividends declared after the end of the reporting period		
Second interim dividend of 65.0 cents (2012: 60.0 cents) per share	**1,321**	1,219
Special dividend of nil cent (2012: 25.0 cents) per share	**–**	508
	1,321	1,727
	2,032	2,235

a) The second interim dividend (2012: second interim dividend and special dividend) proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

b) The second interim dividend and special dividend of HK$1,219 million and HK$508 million respectively for 2012 were approved and paid in 2013.

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following data:

a) Earnings for the purpose of basic and diluted earnings per share

	2013 HK$ Million	2012 HK$ Million
Profit attributable to equity shareholders	**16,954**	26,935

b) Weighted average number of ordinary shares

	2013 No. of shares	2012 No. of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,031,849,287**	2,031,849,287
Effect of dilutive potential shares – Share options	**124,678**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,031,973,965**	2,031,849,287

NOTES TO THE FINANCIAL STATEMENTS

9. INVESTMENT PROPERTIES

		Group	
	Completed HK$ Million	Under development HK$ Million	Total HK$ Million
a) Cost or valuation			
At 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 and 1 January 2013	**219,898**	**30,831**	**250,729**
Exchange differences	**275**	**657**	**932**
Additions	**1,235**	**10,093**	**11,328**
Reclassification	**7,975**	**(8,038)**	**(63)**
Revaluation surplus	**18,182**	**907**	**19,089**
At 31 December 2013	**247,565**	**34,450**	**282,015**

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

	Completed HK$ Million	Under development HK$ Million	Total HK$ Million
2013 valuation	**247,565**	**13,193**	**260,758**
At cost	**–**	**21,257**	**21,257**
	247,565	**34,450**	**282,015**
2012 valuation	219,898	8,485	228,383
At cost	–	22,346	22,346
	219,898	30,831	250,729

c) Tenure of title to properties:

	Completed HK$ Million	Under development HK$ Million	Total HK$ Million
At 31 December 2013			
Held in Hong Kong			
Long term leases	**184,070**	**243**	**184,313**
Medium term leases	**27,895**	**11,719**	**39,614**
	211,965	**11,962**	**223,927**
Held outside Hong Kong			
Freehold	**1,912**	**–**	**1,912**
Long term leases	**5,609**	**–**	**5,609**
Medium term leases	**28,079**	**22,488**	**50,567**
	247,565	**34,450**	**282,015**
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

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.

The investment properties stated at fair value as at 31 December 2013 were revalued by Knight Frank Petty Limited ("Knight Frank"), Knight Frank Pte Ltd ("Knight Frank Singapore") and Colliers International Consultancy & Valuation (Singapore) Pte Ltd ("Colliers"), independent firms of professional surveyors who have among their staff Fellows of the Hong Kong Institute of Surveyors and Singapore Institute of Surveyors and Valuers respectively with extensive experience in valuing properties in Hong Kong, Mainland China and Singapore. Knight Frank, Knight Frank Singapore and Colliers have valued the investment properties on a market value basis and have taken into account the net rental income allowing for reversionary potential and the redevelopment potential of the properties where appropriate.

The revaluation surplus or deficit arising on revaluation on investment properties is recognised in "Increase in fair value of investment properties" in the consolidated income statement.

The following table presents the investment properties which are measured at fair value at the end of the reporting period across the three levels of the inputs to the revaluation methodologies in accordance with Hong Kong Financial Reporting Standard 13 "Fair value measurement" ("HKFRS 13"). The levels are defined as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using only Level 2 inputs i.e. observable inputs which fail to meet Level 1 and not using significant observable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

None of the Group's investment properties measured at fair value are categorised as Level 1 and Level 2. The Group's investment properties which are at Level 3 valuation are analysed as below:

	Group – Level 3				
	Retail HK$ Million	Office HK$ Million	Residential HK$ Million	Others HK$ Million	Total HK$ Million
Recurring fair value measurements					
At 31 December 2013					
Hong Kong	126,103	72,157	22,680	320	221,260
Mainland China	16,241	14,444	1,292	–	31,977
Singapore	4,762	2,759	–	–	7,521
	147,106	89,360	23,972	320	260,758

The movements during the year in the balance of Level 3 fair value measurements are as follows:

	Completed HK$ Million	Under development HK$ Million	Total HK$ Million
At 1 January 2013	219,898	8,485	228,383
Exchange differences	275	4	279
Additions	1,235	182	1,417
Reclassification	7,975	3,615	11,590
Revaluation surplus	18,182	907	19,089
At 31 December 2013	247,565	13,193	260,758

During the year ended 31 December 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE FINANCIAL STATEMENTS

Valuation processes

The Group reviews the valuations performed by the independent valuers for financial reporting purposes by verifying all major inputs and assessing the reasonableness of the property valuations. A valuation report with an analysis of changes in fair value measurement is prepared at each interim and annual reporting date, and is reviewed and approved by the senior management.

Valuation methodologies

The valuations of completed office and retail properties in Hong Kong, Mainland China and Singapore were based on the income capitalisation approach which capitalised the net income of the properties and takes into account significant adjustments on term yield to account for the risk upon reversion.

For certain office and residential properties in Hong Kong which are still under development/redevelopment, the valuations were based on the redevelopment basis by taking into account the fair value of properties under development/redevelopment assuming completed as at the date of valuation and then deducting from that amount the estimated costs to complete construction, financing costs and profit and margin for risk.

Level 3 valuation methodologies

Set out below is a table which presents the significant unobservable inputs:

	Weighted average	
Completed investment properties	**Capitalisation rate**	**Market rent**
Hong Kong		(per square foot)
– Retail	5.1%	HK$243
– Office	4.2%	HK$43
– Residential	3.9%	HK$49
Mainland China		(per square metre)
– Retail	7.5%	RMB371
– Office	6.4%	RMB243
– Residential	5.0%	RMB233
Singapore		(per square foot)
– Retail	5.2%	S$18.2
– Office	4.3%	S$10.5

The fair value measurement of completed investment properties is negatively correlated to the capitalisation rate and positively correlated to the market rent.

For investment properties under development that are stated at fair value, estimated costs to complete construction and profit and margin for risk required are estimated by valuers based on market conditions at 31 December 2013. The estimates are largely consistent with the development budgets prepared by the Group based on management's experience and knowledge of market conditions. The fair value measurement of investment properties under development is negatively correlated to the costs and the margins.

e) Gross rental revenue from investment properties amounted to HK$11,949 million (2012: HK$10,588 million). Direct operating expenses amounted to HK$1,914 million (2012: HK$1,790 million).

f) 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.

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

	2013 HK$ Million	2012 HK$ Million
Within 1 year	**9,022**	7,065
After 1 year but within 5 years	**12,672**	8,585
After 5 years	**2,306**	1,196
	24,000	16,846

10. FIXED ASSETS

a)

	Group					
	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**
Cost						
At 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 and 1 January 2013	**4,803**	**1,997**	**1,999**	**16,920**	**11,425**	**37,144**
Exchange differences	**101**	**37**	**60**	**169**	**–**	**367**
Additions	**–**	**4,687**	**33**	**686**	**437**	**5,843**
Disposals	**–**	**–**	**–**	**(217)**	**(75)**	**(292)**
Reclassification	**–**	**49**	**(3)**	**57**	**(1)**	**102**
At 31 December 2013	**4,904**	**6,770**	**2,089**	**17,615**	**11,786**	**43,164**
Accumulated depreciation, amortisation and impairment losses						
At 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 and 1 January 2013	**812**	**735**	**–**	**7,199**	**8,510**	**17,256**
Exchange differences	**11**	**4**	**–**	**34**	**–**	**49**
Charge for the year	**86**	**68**	**–**	**670**	**534**	**1,358**
Written back on disposals	**–**	**–**	**–**	**(198)**	**(75)**	**(273)**
Impairment	**–**	**543**	**–**	**40**	**3**	**586**
Reclassification	**–**	**5**	**–**	**3**	**–**	**8**
At 31 December 2013	**909**	**1,355**	**–**	**7,748**	**8,972**	**18,984**
Net book value						
At 31 December 2013	**3,995**	**5,415**	**2,089**	**9,867**	**2,814**	**24,180**
At 31 December 2012	3,991	1,262	1,999	9,721	2,915	19,888

Included in hotel and club properties are amounts totalling HK$4,422 million relating to the Murray Building project for which the costs attributable to land and buildings cannot be allocated reliably.

The hotel properties under development under the Murray Building project as mentioned above and Changzhou Marco Polo Hotel of HK$187 million at 31 December 2013 were not subject to depreciation.

NOTES TO THE FINANCIAL STATEMENTS

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 2013						
Held in Hong Kong						
Long term leases	**82**	**163**	**–**	**7**	**–**	**252**
Medium term leases	**940**	**4,493**	**–**	**2,847**	**–**	**8,280**
	1,022	**4,656**	**–**	**2,854**	**–**	**8,532**
Held outside Hong Kong						
Medium term leases	**2,973**	**759**	**2,089**	**2,774**	**–**	**8,595**
	3,995	**5,415**	**2,089**	**5,628**	**–**	**17,127**
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

c) Impairment of fixed assets

The value of properties 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 being the higher of its value in use or its fair value less costs to sell. The Changzhou Marco Polo Hotel is part of a larger Changzhou development property project that is profitable overall. However, the hotel will open into a challenging market that is over-supplied. In addition, demand has been hard hit by the government's cooling measures. Therefore a pragmatio approach was adopted to write down this hotel's book value to more accurately reflect the current state of the market. During the year, impairment provision for hotel properties under development of HK$543 million (2012: HK$Nil) recognised in "Other net income" in the consolidated income statement, which was made for the Changzhou Marco Polo Hotel in Mainland China. The recoverable amount has been determined on the basis of its fair value less costs to sell on a market value basis and has taken into account the net income of the hotel property.

11. INTEREST IN SUBSIDIARIES

	Company	
	2013 HK$ Million	2012 HK$ Million
Unlisted shares, at cost	**1**	1
Amounts due from subsidiaries	**12,327**	16,560
Total	**12,328**	16,561
Amounts due to subsidiaries	**(1,274)**	(5,973)
	11,054	10,588

a) Details of principal subsidiaries at 31 December 2013 are shown on pages 117 to 119.

b) 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.

c) **Summary financial information of subsidiaries with material non-controlling interests**

Set out below is the summarised financial information of a material subsidiary, Wharf group, that has non-controlling interests that are material to the Group.

	Wharf	
	2013 HK$ Million	2012 HK$ Million
Summarised statement of financial position		
Current assets	**83,101**	72,990
Non-current assets	**331,951**	296,008
Current liabilities	**(46,745)**	(32,980)
Non-current liabilities	**(84,052)**	(79,112)
Net assets	**284,255**	256,906
Particulars of equity interest held by non-controlling interests ("NCI"):		
NCI percentage	**47.9%**	48.6%
Equity attributable to:		
Equity shareholders	**275,557**	248,501
NCI	**8,698**	8,405
	284,255	256,906
Carrying amount of NCI	**140,590**	129,089
Summarised statement of comprehensive income		
Revenue	**31,887**	30,856
Profit for the year	**30,132**	48,364
Other comprehensive income for the year	**2,751**	1,558
Total comprehensive income for the year	**32,883**	49,922
Profit allocated to NCI	**14,813**	24,052
Total comprehensive income allocated to NCI	**16,185**	24,888
Dividends paid to NCI	**3,006**	2,325
Summarised statement of cash flows		
Net cash generated from operating activities	**15,805**	13,339
Net cash used in investing activities	**(12,001)**	(21,676)
Net cash generated from/(used in) financing activities	**3,003**	(5,833)
Net increase/(decrease) in cash and cash equivalents	**6,807**	(14,170)
Cash and cash equivalents at 1 January	**17,235**	31,405
Effect of exchange rate changes	**443**	–
Cash and cash equivalents at 31 December	**24,485**	17,235

Note: The information above is the amount before inter-company eliminations.

NOTES TO THE FINANCIAL STATEMENTS

12. INTEREST IN ASSOCIATES

	Group	
	2013 HK$ Million	2012 HK$ Million
Listed in Hong Kong		
Share of net assets	**7,243**	5,912
Unlisted		
Share of net assets	**6,183**	4,555
Goodwill	**1,853**	1,853
	8,036	6,408
Amounts due from associates	**3,724**	3,726
	11,760	10,134
Total	**19,003**	16,046
Amounts due to unlisted associates (Note 21)	**(3,241)**	(2,694)
	15,762	13,352
Market value of listed associate	**6,214**	7,453

a) Details of principal associates at 31 December 2013 are shown on page 120.

b) The interest in the listed associate represents Wharf's 24.3% equity interest in Greentown at 31 December 2013.

c) Amounts due from associates are unsecured, interest free and have no fixed terms of repayment, except for an advance of HK$371 million (2012: 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) Included in interest in unlisted associates is goodwill of HK$1,853 million (2012: 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.

e) All of the above associates are accounted for using the equity method in the consolidated financial statements.

f) Summary financial information of associates

Set out below is the summarised financial information of a material associate, Greentown, adjusted for any differences in accounting policies and reconciled to the carrying amounts in the consolidated financial statements.

	Greentown	
	2013 RMB Million	2012 RMB Million
Current assets	**101,622**	93,334
Non-current assets	**20,714**	14,373
Current liabilities	**(65,127)**	(73,562)
Non-current liabilities	**(25,198)**	(6,657)
Net assets	**32,011**	27,488
Revenue	**28,991**	35,393
Profit and total comprehensive income for the year	**5,990**	6,053
Dividends received from associate	**263**	–
Reconciliation to the Group's interests in the associate		
Gross amounts of net assets of the associate	**32,011**	27,488
Non-controlling interests of the associate	**(7,064)**	(6,346)
Convertible securities issued by the associate (Note)	**(2,084)**	(2,084)
Net assets of the associate after deducting non-controlling interests and convertible securities	**22,863**	19,058
HK$ Million equivalent	**29,079**	23,508
Group's effective interest	**24.3%**	24.4%
	HK$ Million	HK$ Million
Group's share of net assets of the associate	**7,115**	5,736
Revaluation surplus on acquisition	**128**	176
Carrying amount in the consolidated financial statements	**7,243**	5,912

Note: Being accounting adjustment to exclude the convertible securities, which was deemed as equity by Greentown, but was accounted for as investment in the consolidated statement of financial position of the Group (Note 15).

NOTES TO THE FINANCIAL STATEMENTS

Aggregate information of associates that are not individually material is summarised as below:

	2013 HK$ Million	2012 HK$ Million
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**8,036**	6,408
Aggregate amounts of the Group's share of those associates		
Profit for the year	**1,134**	728
Other comprehensive income	**139**	(4)
Total comprehensive income	**1,273**	724

13. INTEREST IN JOINT VENTURES

	Group	
	2013 HK$ Million	2012 HK$ Million
Share of net assets	**9,147**	8,221
Goodwill	**54**	54
	9,201	8,275
Amounts due from joint ventures	**12,402**	12,944
Total	**21,603**	21,219
Amounts due to joint ventures (Note 21)	**(1,030)**	(549)
	20,573	20,670

a) Details of principal joint ventures at 31 December 2013 are shown on page 120.

b) Amounts due from joint ventures are unsecured, interest free and have no fixed terms of repayment, except for advances of HK$4,864 million (2012: HK$4,468 million) made by the Group to certain joint ventures which are interest bearing. Amounts due from joint ventures are not expected to be recoverable within the next twelve months. The amounts are neither past due nor impaired.

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

c) All of the above joint ventures are accounted for using the equity method in the consolidated financial statements.

d) No joint venture is individually material to the Group. Aggregate information of joint ventures is summarised as below:

	2013 HK$ Million	2012 HK$ Million
Aggregate carrying amount of joint ventures in the consolidated financial statements	**9,201**	8,275
Aggregate amounts of the Group's share of those joint ventures		
Profit for the year	**461**	634
Other comprehensive income	**347**	9
Total comprehensive income	**808**	643

14. FINANCIAL INVESTMENTS

	Group	
	2013 HK$ Million	2012 HK$ Million
Available-for-sale investments		
Listed investments stated at market value		
– in Hong Kong	**8,928**	9,057
– outside Hong Kong	**4,285**	5,363
Unlisted investments at cost	**33**	33
	13,246	14,453
Held-to-maturity investments		
Listed investments outside Hong Kong at amortised cost	**–**	390
Financial investments	**13,246**	14,843

Investments listed outside Hong Kong include the Group's 20% (2012: 20%) interest in Hotel Properties Limited ("HPL"), which is 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.

As at 31 December 2013, the fair value of individually impaired available-for-sale investments amounted to HK$Nil (2012: HK$944 million).

15. CONVERTIBLE SECURITIES

In August 2012, Wharf completed the subscription for convertible securities 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 convertible securities are guaranteed by Greentown and convertible into shares of Greentown. The convertible securities confer on the holders a right to receive a distribution at a rate of 9% per annum on principal until the fifth anniversary of the issue date and subsequently at other rates as detailed in the Circular.

Wharf has the right to convert the convertible securities into shares in Greentown at any time after 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 convertible securities, together with all outstanding distributions and additional distributions accrued at the redemption date at certain prices and percentage of the principal amount.

In January 2014, Greentown issued a notice to Wharf of its intention to redeem all the convertible securities with an aggregate principal amount of HK$2,550 million at a price of 107% of the principal amount, together with the outstanding distributions accrued at the redemption date. The redemption was completed on 20 February 2014.

In accordance with Hong Kong Accounting Standard ("HKAS") 39 "Financial instruments – Recognition and Measurement", Wharf has accounted for the convertible securities at fair value and the changes in the fair value are recognised in profit or loss.

	2013 HK$ Million	2012 HK$ Million
At 1 January	**2,709**	–
Face value at date of issue	**–**	2,550
Fair value gain	**115**	159
At 31 December	**2,824**	2,709

NOTES TO THE FINANCIAL STATEMENTS

The fair value of the convertible securities was calculated using the Binomial Tree Pricing Model taking into account the terms and conditions of the convertible securities held by Wharf. Assumptions adopted in the valuation were as follows:

	2013	2012
Share price	**HK$11.84**	HK$14.20
Conversion price	**HK$7.40**	HK$7.40
Discount rate	**8.1%**	9.8%
Stock volatility	**56.5%**	57.9%

16. GOODWILL AND OTHER INTANGIBLE ASSETS

		Group	
	Goodwill HK$ Million	**Other intangible assets HK$ Million**	**Total HK$ Million**
Cost			
At 1 January 2012, 31 December 2012 and 31 December 2013	**297**	**12**	**309**
Accumulated amortisation			
At 1 January 2012, 31 December 2012 and 31 December 2013	**–**	**12**	**12**
Net carrying value			
At 31 December 2013	**297**	**–**	**297**
At 31 December 2012	297	–	297

Goodwill is mainly related to the Group's terminals business. As at 31 December 2013, 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 its value in use. No impairment was recorded.

17. PROPERTIES FOR SALE

	Group	
	2013 HK$ Million	2012 HK$ Million
Properties under development for sale	**83,373**	62,224
Completed properties for sale	**3,805**	2,783
	87,178	65,007

a) At 31 December 2013, properties under development for sale of HK$68,571 million (2012: HK$51,331 million) are expected to be completed after more than one year.

b) Included in properties under development for sale are deposits of HK$2,890 million (2012: HK$6,495 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 2013 was HK$3,261 million (2012: HK$250 million).

d) The carrying value of the properties under development for sale 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. For the year ended 31 December 2013, impairment losses of HK$681 million (2012: HK$Nil) were recognised in the consolidated income statement principally to reflect the current prevailing property market conditions.

e) At 31 December 2013, 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:

	2013 HK$ Million	2012 HK$ Million
Held in Hong Kong		
Long term leases	**1,889**	1,772
Medium term leases	**21,579**	9,856
	23,468	11,628
Held outside Hong Kong		
Freehold	**4,430**	1,526
Long term leases	**35,515**	35,495
Medium term leases	**1,820**	2,402
	41,765	39,423
	65,233	51,051

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 2013 as follows:

	Group	
	2013 HK$ Million	2012 HK$ Million
Trade receivables		
0 – 30 days	**872**	678
31 – 60 days	**168**	116
61 – 90 days	**141**	57
Over 90 days	**85**	78
	1,266	929
Accrued sales receivables	**3**	1,139
Other receivables and prepayments	**4,376**	4,625
	5,645	6,693

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 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.

NOTES TO THE FINANCIAL STATEMENTS

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:

	2013 HK$ Million	2012 HK$ Million
At 1 January	99	96
Impairment loss recognised	17	11
Uncollectible amounts written off	(25)	(8)
At 31 December	91	99

c) Trade receivables that are not impaired

As at 31 December 2013, 94% (2012: 91%) of the Group's trade receivables was not impaired, of which 92% (2012: 89%) 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			
	2013		2012	
	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	157	174	496	19
Floating-to-fixed interest rate swaps	105	272	–	963
Cross currency interest rate swaps	181	1,004	255	1,146
Forward foreign exchange contracts	79	125	225	–
Total	522	1,575	976	2,128
Analysis				
Current	346	283	489	215
Non-current	176	1,292	487	1,913
Total	522	1,575	976	2,128

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

	2013		2012	
	Assets HK$ Million	**Liabilities HK$ Million**	Assets HK$ Million	Liabilities HK$ Million
Fixed-to-floating interest rate swaps				
Expiring within 1 year	**6**	**–**	1	–
Expiring after more than 1 year but not exceeding 5 years	**94**	**121**	226	9
Expiring after 5 years	**57**	**53**	269	10
	157	**174**	496	19
Floating-to-fixed interest rate swaps				
Expiring after more than 1 year but not exceeding 5 years	**–**	**92**	–	–
Expiring after 5 years	**105**	**180**	–	963
	105	**272**	–	963
Cross currency interest rate swaps				
Expiring within 1 year	**3**	**22**	–	19
Expiring after more than 1 year but not exceeding 5 years	**129**	**380**	103	1,004
Expiring after 5 years	**49**	**602**	152	123
	181	**1,004**	255	1,146
Forward foreign exchange contracts				
Expiring within 1 year	**79**	**52**	225	–
Expiring after more than 1 year but not exceeding 5 years	**–**	**73**	–	–
	79	**125**	225	–
Total	**522**	**1,575**	976	2,128

NOTES TO THE FINANCIAL STATEMENTS

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

	2013 HK$ Million	2012 HK$ Million
Fixed-to-floating interest rate swaps	**20,746**	26,452
Floating-to-fixed interest rate swaps	**8,230**	8,230
Cross currency interest rate swaps	**29,894**	16,266
Forward foreign exchange contracts	**41,939**	5,967

b) Derivative financial assets represent the amounts the Group would receive whilst derivative financial liabilities represent the amounts the Group would pay if the positions are closed at the end of the reporting period. Derivative financial instruments do 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$150 million (2012: HK$280 million) in respect of forward foreign exchange contracts was recognised in the consolidated income statement.

d) During the year, fair value gains on cross currency interest rate swaps and interest rate swaps in the amounts of HK$470 million (2012: HK$875 million) and HK$735 million (2012: loss of HK$302 million) respectively have been included within finance costs in the consolidated income statement.

e) The Group enters into derivative transactions under International Swaps and Derivatives Association ("ISDA") master agreements providing offsetting mechanism under certain circumstances. At 31 December 2013, the Group has not offset any of the financial instruments as no parties have exercised their rights to offset the recognised amounts in the financial statements.

20. BANK DEPOSITS AND CASH

	Group	
	2013 HK$ Million	2012 HK$ Million
Bank deposits and cash	**29,345**	30,016

At 31 December 2013, bank deposits and cash included:

a) HK$19,963 million equivalent (2012: HK$15,031 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.

b) RMB3,649 million equivalent to HK$4,641 million (2012: RMB1,753 million equivalent to HK$2,162 million) which are solely for certain designated development property projects in Mainland China, and Singapore dollar balances of HK$Nil (2012: HK$143 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 2.6% (2012: 1.9%) per annum.

Bank deposits and cash are denominated in the following currencies:

	2013 HK$ Million	2012 HK$ Million
RMB	**19,930**	14,222
HKD	**4,969**	6,101
USD	**1,801**	2,886
SGD	**2,639**	5,910
Other currencies	**6**	897
	29,345	30,016

21. TRADE AND OTHER PAYABLES

Included in this item are trade payables with an ageing analysis as at 31 December 2013 as follows:

	Group	
	2013 HK$ Million	2012 HK$ Million
Trade payables		
0 – 30 days	**366**	535
31 – 60 days	**216**	192
61 – 90 days	**51**	50
Over 90 days	**209**	138
	842	915
Rental and customer deposits	**3,267**	2,751
Construction costs payable	**8,483**	4,949
Amounts due to associates (Note 12)	**3,241**	2,694
Amounts due to joint ventures (Note 13)	**1,030**	549
Other payables	**4,858**	4,228
	21,721	16,086

The amount of trade and other payables that is expected to be settled after more than one year is HK$2,452 million (2012: HK$1,945 million), which is mainly for rental and customer deposits. The Group considers the effect of discounting these items 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$4,314 million (2012: HK$4,298 million) are expected to be recognised as income in the consolidated income statement after more than one year.

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23. BANK LOANS AND OTHER BORROWINGS

	Group	
	2013 HK$ Million	2012 HK$ Million
Bonds and notes (Unsecured)		
Due within 1 year	**1,531**	300
Due after 1 year but within 2 years	**–**	1,573
Due after 2 years but within 5 years	**27,883**	19,395
Due after 5 years	**11,172**	14,260
	40,586	35,528
Convertible bonds (Unsecured)		
Due within 1 year	**6,214**	–
Due after 1 year but within 2 years	**–**	6,240
	6,214	6,240
Bank loans (Secured)		
Due within 1 year	**2,116**	1,790
Due after 1 year but within 2 years	**12,704**	2,434
Due after 2 years but within 5 years	**9,171**	14,865
Due after 5 years	**267**	265
	24,258	19,354
Bank loans (Unsecured)		
Due within 1 year	**2,103**	4,840
Due after 1 year but within 2 years	**13,689**	8,084
Due after 2 years but within 5 years	**35,790**	28,711
Due after 5 years	**1,000**	500
	52,582	42,135
Total bank loans and other borrowings	**123,640**	103,257
Analysis of maturities of the above borrowings		
Current borrowings		
Due within 1 year	**11,964**	6,930
Non-current borrowings		
Due after 1 year but within 2 years	**26,393**	18,331
Due after 2 year but within 5 years	**72,844**	62,971
Due after 5 years	**12,439**	15,025
	111,676	96,327
Total bank loans and other borrowings	**123,640**	103,257

	Company	
	2013 HK$ Million	2012 HK$ Million
Bank loans (Unsecured)		
Due after 2 years but within 5 years	**5,000**	5,000

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):

	2013 HK$ Million	2012 HK$ Million
USD	**64,500**	12,503
HKD	**46,767**	79,724
RMB	**5,151**	4,360
SGD	**2,855**	2,018
JPY	**4,367**	4,652
	123,640	103,257

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:

	2013		2012	
	Effective interest rate %	**HK$ Million**	Effective interest rate %	HK$ Million
Group				
Fixed rate borrowings				
Bonds and notes	**3.2**	**11,122**	4.0	8,499
Convertible bonds	**2.4**	**6,214**	–	–
Bank loans	**2.0**	**7,661**	2.6	7,980
		24,997		16,479
Floating rate borrowings				
Bonds and notes	**3.6**	**29,464**	3.4	27,029
Convertible bonds	**–**	**–**	1.6	6,240
Bank loans	**2.0**	**69,179**	1.7	53,509
		98,643		86,778
Total borrowings		**123,640**		103,257
Company				
Floating rate borrowings				
Bank loans	**1.2**	**5,000**	1.3	5,000

c) All the interest bearing borrowings are carried at amortised cost except for loans in an amount of HK$25,908 million (2012: HK$23,507 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$82,587 million and HK$3,873 million (2012: HK$74,420 million and HK$1,768 million) borrowed by Wharf and WPSL respectively. The loans are without recourse to the Company and its other subsidiaries.

e) At 31 December 2013, certain banking facilities of the Group are secured by mortgages over certain properties under development, fixed assets and investment properties with an aggregate carrying value of HK$57,852 million (2012: HK$31,735 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.

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g) On 7 June 2011, a subsidiary of Wharf issued an aggregate principal amount of HK$6,220 million 2.3% guaranteed convertible bonds ("Convertible Bonds") which are due on 7 June 2014. 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 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 an initial rate of HK$90.00 per share converted and an adjusted rate of HK$88.97 per share converted effective from 29 May 2013.

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 2013 and 2012, 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
Equity component on initial recognition	**99**
Liability component on initial recognition	**6,121**
Face value of Convertible Bonds at issue date	**6,220**

	2013 HK$ Million	2012 HK$ Million
Movement of liability component at amortised cost:		
Liability component at 1 January	**6,171**	6,139
Add: Imputed finance cost	**34**	32
Liability component at 31 December	**6,205**	6,171

As at 31 December 2013, the liability component was remeasured to fair value of HK$6,214 million (2012: HK$6,240 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

a) 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 of Hong Kong Limited (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 daily quotations sheets for the five business days immediately preceding the date of grant; and (iv) the nominal value of a Share. The granted options are divided into five tranches, of which the first tranche vests immediately after the date of grant and the remaining four tranches vest between one year and four years after the date of grant.

i) The terms and conditions of the grants are as follows:

	Number of options	Contractual life of options
Options granted to Directors of the Company:		
– on 14 June 2013	12,500,000	5 years after the date of grant

ii) 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 during the year ended 31 December 2013 was measured based on the Binomial Model taking into account the terms and conditions of the option granted. The fair value of share options and assumptions adopted in the valuations are as follows:

Date of grant	14 June 2013
Fair value at grant date	HK$8.32 to HK$10.93
Share price at grant date	HK$39.70
Exercise price	HK$39.98
Expected volatility	41.9%
Option life	5 years
Expected dividend yield	3.32%
Risk-free interest rate	0.76%

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 dividend yield is based on historic dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

iii) No share options were exercised, cancelled or lapsed throughout the years ended 31 December 2013 and 2012.

The options outstanding at 31 December 2013 had an exercise price of HK$39.98 and a weighted average remaining contractual life of 4.5 years.

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iv) In respect of share options granted to the Directors of the Company, the related charge recognised in the consolidated income statement for the year ended 31 December 2013, estimated in accordance with the Group's accounting policy in note (z)(i) was as follows:

	2013 HK$'000
Douglas C K Woo	**10,247**
Peter K C Woo	**7,400**
Stewart C K Leung	**11,101**
Paul Y C Tsui	**5,550**
Ricky K Y Wong	**11,101**
	45,399

b) **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 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 options are divided into five tranches, of which the first tranche vests immediately after the date of grant and the remaining four tranches vest between one year and four years after the date of grant.

i) **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 after
– on 5 June 2013	11,750,000	the date of grant
Options granted to employees of Wharf group:		
– on 4 July 2011	3,100,000	5 years after
– on 5 June 2013	1,500,000	the date of grant
Total share options granted	25,350,000	

ii) **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 during the year ended 31 December 2013 was measured based on the Binomial Model by taking into account the terms and conditions of the option granted. The fair value of share options and assumptions adopted in the valuations are as follows:

Date of grant	5 June 2013
Fair value at grant date	HK$14.83 to HK$19.71
Share price at grant date	HK$70.20
Exercise price	HK$70.20
Expected volatility	40.8%
Option life	5 years
Expected dividend yield	2.85%
Risk-free interest rate	0.78%

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 dividend yield is based on historic dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

iii) **Movements of the share options and the weighted average exercise prices of share options are as follows:**

			2013 Number of share options					
Date of grant	**Exercise price HK$**	**Exercise period**	**At 1 January 2013**	**Granted during the year**	**Exercised during the year**	**At 31 December 2013**	**Exercisable at 31 December 2013**	**Remaining contractual life**
4 July 2011	**55.15**	**5 July 2011 to 4 July 2016**	**12,100,000**	**–**	**(880,000)**	**11,220,000**	**6,380,000**	**2.5 years**
5 June 2013	**70.20**	**6 June 2013 to 5 June 2018**	**–**	**13,250,000**	**–**	**13,250,000**	**2,650,000**	**4.5 years**
			12,100,000	**13,250,000**	**(880,000)**	**24,470,000**	**9,030,000**	
Weighted average exercise price (HK$)			**55.15**	**70.20**	**55.15**	**63.30**	**59.57**	

			2012 Number of share options					
Date of grant	Exercise price HK$	Exercise period	At 1 January 2012	Granted during the year	Exercised during the year	At 31 December 2012	Exercisable at 31 December 2012	Remaining contractual life
4 July 2011	55.15	5 July 2011 to 4 July 2016	–	12,100,000	–	12,100,000	4,840,000	3.5 years
Weighted average exercise price (HK$)			55.15	55.15	55.15	55.15	55.15	

The weighted average share price at the date of exercise for share options exercised during the year was HK$71.94 (2012: HK$Nil).

iv) In respect of Wharf's share options granted to its directors and employees, who are also Directors of the Company, the related charge recognised in the consolidated income statement for the years ended 31 December 2013 and 2012, estimated in accordance with the Group's accounting policy in note (z)(i) was as follows:

	2013 HK$'000	2012 HK$'000
Douglas C K Woo	**1,096**	–
Peter K C Woo	**17,887**	7,375
Stephen T H Ng	**17,887**	7,375
Paul Y C Tsui	**10,998**	7,375
Ricky K Y Wong	**2,192**	3,933
	50,060	26,058

NOTES TO THE FINANCIAL STATEMENTS

25. DEFERRED TAXATION

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

	Group	
	2013 HK$ Million	2012 HK$ Million
Deferred tax liabilities	**9,726**	8,071
Deferred tax assets	**(730)**	(798)
Net deferred tax liabilities	**8,996**	7,273

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 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 and 1 January 2013	**2,694**	**5,330**	**(102)**	**(649)**	**7,273**
Charged to the consolidated income statement	**33**	**1,459**	**2**	**48**	**1,542**
Exchange differences	**4**	**187**	**(9)**	**(1)**	**181**
At 31 December 2013	**2,731**	**6,976**	**(109)**	**(602)**	**8,996**

b) Deferred tax assets not recognised

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

	2013		2012	
	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	**673**	**159**	185	32
Future benefits of tax losses				
– Hong Kong	**5,147**	**849**	6,274	1,035
– Outside Hong Kong	**1,010**	**252**	621	155
	6,157	**1,101**	6,895	1,190
	6,830	**1,260**	7,080	1,222

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 2013. 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 management 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 management 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 risks associated with 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$17,527 million (2012: HK$23,005 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 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 2013, after taking into account IRS and CCS, approximately 80% (2012: 84%) of the Group's borrowings was at floating rates and the remaining 20% (2012: 16%) was at fixed rates. (see note 23b).

Based on the sensitivity analysis performed as at 31 December 2013, it was estimated that a general increase/decrease of 1% (2012: 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$380 million (2012: HK$331 million) and HK$50 million (2012: HK$50 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 2012.

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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 development property and port-related operations and investments in Mainland China and WPSL's development property 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 are 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 are marked to market with the valuation movement recognised in 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.

	2013							2012						
	USD Million	RMB Million	JPY Million	SGD Million	HKD Million	GBP Million	EURO Million	USD Million	RMB Million	JPY Million	SGD Million	HKD Million	GBP Million	EURO Million
Bank deposits and cash	139	551	5	9	–	–	–	263	37	9,929	222	–	–	–
Financial investments	319	–	–	–	1,500	40	8	390	–	–	–	1,610	–	–
Trade and other receivables	26	–	–	–	–	–	–	110	–	–	–	–	–	1
Trade and other payables	(29)	(3)	(4)	–	–	–	(2)	(24)	(1)	–	–	–	–	–
Bank loans and other borrowings	(6,048)	(2,026)	(21,948)	(1,205)	–	–	–	(2,315)	(1,650)	(19,944)	(770)	–	–	–
Inter-company balances	50	300	–	–	–	–	–	55	302	–	(435)	–	–	–
Gross exposure arising from recognised assets and liabilities	(5,543)	(1,178)	(21,947)	(1,196)	1,500	40	6	(1,521)	(1,312)	(10,015)	(983)	1,610	–	1
Notional amount of forward foreign exchange contracts at fair value through profit or loss	(4,976)	–	(9,219)	–	(1,500)	(40)	(8)	404	–	(41,080)	–	(1,610)	–	–
Notional amount of CCS	(1,903)	1,650	(40,764)	1,205	–	–	–	1,147	1,650	(42,764)	1,020	–	–	–
Highly probable forecast purchases	(44)	–	–	–	–	–	(8)	(89)	–	–	–	–	–	(12)
Overall net exposure	(12,466)	472	(71,930)	9	–	–	(10)	(59)	338	(93,859)	37	–	–	(11)

At 31 December 2013, 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$724 million, HK$398 million, HK$4,564 million and HK$650 million respectively (2012: HK$844 million, HK$102 million, HK$5,021 million and HK$1,017 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 change in the movement in value of the USD against other currencies.

– a 5% (2012: 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$250 million (2012: HK$404 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 set out in the above represents an aggregation of the instantaneous effects on each of the Group entities' post-tax profit and total equity measured in the respective functional currencies, translated into HKD at the exchange rates 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 2012.

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 2013, it is estimated that an increase/decrease of 10% (2012: 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$1,321 million (2012: HK$1,442 million). The analysis has been performed on the same basis as for 2012.

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.

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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 rates prevailing at the end of the reporting period) and the earliest date the Group can be required to pay:

		Contractual undiscounted cash flows				
	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 2013						
Bank loans and other borrowings	**(123,640)**	**(135,989)**	**(14,014)**	**(27,477)**	**(78,769)**	**(15,729)**
Trade and other payables	**(21,721)**	**(21,721)**	**(19,269)**	**(1,021)**	**(1,124)**	**(307)**
Other deferred liabilities (Club debentures issued)	**(247)**	**(247)**	**–**	**–**	**–**	**(247)**
Interest rate swaps	**(184)**	**(683)**	**(76)**	**(78)**	**(199)**	**(330)**
Cross currency interest rate swaps	**(823)**	**(76)**	**148**	**124**	**(28)**	**(320)**
Forward foreign exchange contracts	**(46)**	**(46)**	**27**	**(28)**	**(45)**	**–**
	(146,661)	**(158,762)**	**(33,184)**	**(28,480)**	**(80,165)**	**(16,933)**
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)
Interest rate swaps	(486)	(524)	1	(21)	(106)	(398)
Cross currency interest rate swaps	(891)	(431)	140	94	272	(937)
Forward foreign exchange contracts	225	225	225	–	–	–
	(120,722)	(132,386)	(23,312)	(19,829)	(60,432)	(28,813)
Company						
At 31 December 2013						
Bank loans	**(5,000)**	**(5,131)**	**(60)**	**(60)**	**(5,011)**	**–**
Trade and other payables	**(7)**	**(7)**	**(7)**	**–**	**–**	**–**
	(5,007)	**(5,138)**	**(67)**	**(60)**	**(5,011)**	**–**
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)	–

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 2013 was HK$32,363 million (2012: HK$21,894 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 of assets and liabilities

i) Assets and liabilities carried at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as defined in note 9d.

Financial instruments carried at fair value

The fair value measurement information for financial instruments in accordance with HKFRS 13 is given below:

	Group Fair value measurements as at 31 December categorised into					
	2013			2012		
	Level 1 HK$ Million	**Level 2 HK$ Million**	**Total HK$ Million**	Level 1 HK$ Million	Level 2 HK$ Million	Total HK$ Million
Assets						
Available-for-sale investments:						
– Listed investments	**13,213**	**–**	**13,213**	14,420	–	14,420
Convertible securities	**–**	**2,824**	**2,824**	–	2,709	2,709
Derivative financial instruments:						
– Interest rate swaps	**–**	**262**	**262**	–	496	496
– Cross currency interest rate swaps	**–**	**181**	**181**	–	255	255
– Forward foreign exchange contracts	**–**	**79**	**79**	–	225	225
	13,213	**3,346**	**16,559**	14,420	3,685	18,105
Liabilities						
Derivative financial instruments:						
– Interest rate swaps	**–**	**(446)**	**(446)**	–	(982)	(982)
– Cross currency interest rate swaps	**–**	**(1,004)**	**(1,004)**	–	(1,146)	(1,146)
– Forward foreign exchange contracts	**–**	**(125)**	**(125)**	–	–	–
Bank loans and other borrowings:						
– Bonds and notes	**–**	**(18,120)**	**(18,120)**	–	(15,823)	(15,823)
– Convertible bonds	**–**	**(6,214)**	**(6,214)**	–	(6,240)	(6,240)
– Bank loans	**–**	**(1,574)**	**(1,574)**	–	(1,444)	(1,444)
	–	**(27,483)**	**(27,483)**	–	(25,635)	(25,635)

NOTES TO THE FINANCIAL STATEMENTS

During the years ended 31 December 2013 and 2012, there were no transfers of financial instruments between Level 1 and Level 2, or transfers into or out of Level 3.

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of forward foreign exchange contracts in Level 2 is determined by using the forward exchange rates at the end of the reporting period and comparing them to the contractual rates.

The fair value of IRS and CCS in Level 2 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 values of bank loans and other borrowings in Level 2 is determined based on cash flows discounted using the Group's current incremental borrowing rates for similar types of borrowings with maturities consistent with those remaining for the debt being valued.

The fair value of the liability component of the convertible bond is calculated using a market interest rate for a bond with the same tenure but with no conversion features.

The fair value of convertible securities is calculated by using the Binomial Tree Pricing Model taking into account the terms and conditions of the convertible securities held by Wharf.

ii) Assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 31 December 2013 and 2012. Amounts due from subsidiaries are unsecured and non-interest bearing with no fixed terms of repayment. Amounts due to subsidiaries are unsecured and interest bearing with no fixed terms of repayment.

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 flows requirements, taking into account 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 2013 and 2012 were as follows:

	Group	
	2013 HK$ Million	2012 HK$ Million
Total bank loans and other borrowings (Note 23)	**123,640**	103,257
Less: Bank deposits and cash (Note 20)	**(29,345)**	(30,016)
Net debt	**94,295**	73,241
Shareholders' equity	**166,582**	152,041
Total equity	**311,572**	285,880
Net debt-to-total equity ratio	**30.3%**	25.6%

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

27. SHARE CAPITAL

	2013 No. of shares	2012 No. of shares	**2013 HK$ Million**	2012 HK$ Million
Authorised				
Ordinary shares of HK$0.50 each	**2,800,000,000**	2,800,000,000	**1,400**	1,400
Issued and fully paid				
Ordinary shares of HK$0.50 each	**2,031,849,287**	2,031,849,287	**1,016**	1,016

28. CAPITAL AND RESERVES

a) The Group's equity, apart from share capital, share premium and the 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 note (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 2013 included HK$699 million (2012: HK$459 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.

NOTES TO THE FINANCIAL STATEMENTS

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	Other capital reserve HK$ Million	Revenue reserves HK$ Million	Total HK$ Million
Company						
At 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 and 1 January 2013	**1,016**	**1,914**	**19**	**–**	**2,686**	**5,635**
Profit	**–**	**–**	**–**	**–**	**2,847**	**2,847**
Equity settled share-based payments	**–**	**–**	**–**	**46**	**–**	**46**
2012 second interim dividend paid	**–**	**–**	**–**	**–**	**(1,219)**	**(1,219)**
2012 special dividend paid	**–**	**–**	**–**	**–**	**(508)**	**(508)**
2013 first interim dividend paid	**–**	**–**	**–**	**–**	**(711)**	**(711)**
At 31 December 2013	**1,016**	**1,914**	**19**	**46**	**3,095**	**6,090**

b) Reserves of the Company available for distribution to equity shareholders of the Company at 31 December 2013 amounted to HK$3,095 million (2012: HK$2,686 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	
	2013 HK$ Million	2012 HK$ Million	**2013 HK$ Million**	2012 HK$ Million
a) Guarantees given in respect of banking facilities available to:				
Subsidiaries	**–**	–	**42,920**	28,329
Associates and joint ventures	**12,980**	9,435	**4,500**	4,500

Of the banking facilities available to associates and joint ventures which are guaranteed by the Group, HK$10,745 million (2012: HK$6,730 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 joint venture, under or arising out of or in connection with an agreement dated 23 March 2010 for the development of the Austin Station Development Property project.

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

d) As at 31 December 2013, there were guarantees of HK$5,979 million (2012: HK$2,699 million) provided by Wharf group to the banks in favour of their customers in respect of the mortgage loan provided by the banks to those customers for the purchase of Wharf group's development properties. There were also mortgage loan guarantees of HK$946 million (2012: HK$286 million) provided by associates and joint ventures of Wharf group to the banks in favour of their customers.

30. COMMITMENTS

The Group's outstanding commitments as at 31 December 2013 are detailed as below:

a) Planned expenditure

	2013 Authorised and contracted for HK$ Million	2013 Authorised but not contracted for HK$ Million	2013 Total HK$ Million	2012 Authorised and contracted for HK$ Million	2012 Authorised but not contracted for HK$ Million	2012 Total HK$ Million
(I) Properties						
Investment property						
Hong Kong	1,138	475	1,613	1,020	788	1,808
Mainland China	8,581	11,318	19,899	6,983	19,696	26,679
Singapore	7	–	7	11	–	11
	9,726	11,793	21,519	8,014	20,484	28,498
Development property						
Hong Kong	6,996	11,392	18,388	5,640	6,554	12,194
Mainland China	17,776	37,120	54,896	15,512	43,965	59,477
Singapore	104	1,531	1,635	396	–	396
	24,876	50,043	74,919	21,548	50,519	72,067
Properties total						
Hong Kong	8,134	11,867	20,001	6,660	7,342	14,002
Mainland China	26,357	48,438	74,795	22,495	63,661	86,156
Singapore	111	1,531	1,642	407	–	407
	34,602	61,836	96,438	29,562	71,003	100,565
(II) Others						
Hotels	290	2,587	2,877	328	371	699
Modern Terminals	366	69	435	30	420	450
Wharf T&T	111	273	384	119	289	408
i-CABLE	10	196	206	23	128	151
	777	3,125	3,902	500	1,208	1,708
Group total	35,379	64,961	100,340	30,062	72,211	102,273

(i) Properties commitments are mainly for construction costs to be incurred in stages in the forthcoming years, including attributable land costs of HK$5.2 billion (2012: HK$8.5 billion) payable in 2014.

(ii) The expenditure for development properties includes attributable amounts for developments undertaken by associates and joint ventures of HK$2.2 billion (2012: HK$2.6 billion) in Hong Kong and of HK$19.9 billion (2012: HK$19.9 billion) in Mainland China.

b) In addition to the above, the CME segment is committed to programming and other expenditure totalling HK$558 million (2012: HK$934 million) with HK$486 million (2012: HK$834 million) being authorised and contracted for.

NOTES TO THE FINANCIAL STATEMENTS

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:

	2013 HK$ Million	2012 HK$ Million
Expenditure for operating leases		
Within one year	**46**	34
After one year but within five years	**121**	76
Over five years	**51**	46
	218	156

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 2013 are as follows:

a) In respect of the year ended 31 December 2013, the Group earned rental income totalling HK$874 million (2012: HK$744 million) from various tenants which are companies whose controlling shareholder is a trust, the settlor of which is Mr Peter K C Woo, who served as Chairman of the Company during the financial year under review. These transactions are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules.

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

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

32. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued certain new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and amendments to HKFRSs that are first effective for the current accounting period of the Group and of the Company.

With effect from 1 January 2013, the Group has adopted the below new, revised and amendment to HKFRSs, which are relevant to the Group's financial statements:

Amendments to HKAS 1	Presentation of financial statements – Presentation of items of other comprehensive income
Amendments to HKFRS 7	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities
HKFRSs (Amendments)	Annual improvements to HKFRSs 2009-2011 Cycle
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (Revised)	Employee benefits

The amendments to HKAS 1 require companies to classify items within other comprehensive income under two categories: (i) items which may be reclassified to profit or loss in the future if certain conditions are met and (ii) items which would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in the financial statements has been modified accordingly.

The amendments to HKFRS 7 require companies to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement. The Group has outstanding derivative financial instruments presented as financial assets/liabilities in the consolidated statement of financial position which are under master netting agreements. The amendments to HKFRS 7 require retrospective application. The application of the amendments has had no impact on the results or financial position of the Group but results in additional disclosures in the consolidated financial statements of the Group.

HKFRS 10 introduces a single control model to determine whether an investee should be consolidated, based on the concept of power over the investee, exposure or rights to variability of returns and the ability to use power to affect the amount of returns. This replaces the previous approach which emphasised legal control under HKAS 27 (Revised) (for companies) or exposure to risks and rewards under HK(SIC)-INT 12 (for special purpose entities). The adoption of HKFRS 10 does not have any financial impact on the Group as all subsidiaries within the Group satisfied the requirements for control under HKFRS 10 as at 1 January 2013.

HKFRS 11 provides guidance on what constitutes a joint arrangement by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and are required to be accounted for using the equity method in the Group's consolidated financial statements. HKFRS 11 replaces HKAS 31 Interests in joint ventures and SIC-13 Jointly-controlled entities – Non-monetary contributions by ventures. Unlike HKAS 31, proportional consolidation of joint ventures is no longer allowed. As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified investments in jointly controlled entities as investments in joint ventures. The investments continue to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

HKFRS 12 consolidates and replaces the previous disclosure requirements for subsidiaries and associates in the old HKAS 27 (Revised) Consolidated and separate financial statements and HKAS 28 Investment in associates and introduces new disclosure requirements for unconsolidated structured entities, such as the judgement and basis of exclusion of the entities for consolidation. This new standard does not have a significant impact on the results and financial position of the Group. To the extent that the requirements are applicable to the Group, the Group provides these disclosures in notes 11, 12 and 13.

HKFRS 13 establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions. HKFRS 13 contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group provides these disclosures in notes 9, 19 and 26.

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

The "Principal accounting policies" set out on pages 104 to 116 summarise 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 2013 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 10, Consolidated financial statements, HKFRS 12, Disclosure of interests in other entities and HKAS 27, Separate financial statements "Investment entities"	1 January 2014
Amendments to HKAS 32, Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
Amendments to HKAS 36, Recoverable amounts disclosure for non-financial assets	1 January 2014
Amendments to HKAS 39, Novation of derivatives and continuation of hedge accounting	1 January 2014

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 28 March 2014.

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 joint ventures.

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. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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 cash flows, 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 the non-controlling interest's 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 joint venture (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 joint venturers

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 joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture 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 joint ventures 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 a joint venture, 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 joint venture 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 joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures 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.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, 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)).

(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.

PRINCIPAL ACCOUNTING POLICIES

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 measured at that time. Investment properties under development are stated at cost less impairment (see note (k)) if the fair value cannot be measured reliably. 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 of 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

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in debt and equity securities (other than investments in subsidiaries, associates and joint ventures) are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses 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 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. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note (k)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in note (t)(iv) and (t)(v), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

(iv) When the investments are derecognised or impaired (see note (k)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. 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. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in the consolidated income statement, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (note (h)).

PRINCIPAL ACCOUNTING POLICIES

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.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property or is held for development for sale.

(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 associates and joint ventures accounted for under the equity method in the consolidated financial statements (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.

PRINCIPAL ACCOUNTING POLICIES

– 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 the 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 in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in consolidated income statement.

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.

– **Calculation of recoverable amount**

  The recoverable amount of an asset is the greater of its fair value less costs of disposal 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 in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs 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 of disposal (if measurable), 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, 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 had 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.

PRINCIPAL ACCOUNTING POLICIES

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. 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 measured.

The results of foreign operations are translated into Hong Kong dollars at the monthly weighted average exchange rates for the year. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. 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.

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) 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.

PRINCIPAL ACCOUNTING POLICIES

(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.

(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 a 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 is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. 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 or Binomial Model, taking into account the terms and conditions upon which the share options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the share 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 share 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 share option is exercised (when it is transferred to the share premium account) or the share option expires (when it is released directly to revenue reserves).

PRINCIPAL ACCOUNTING POLICIES

(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 the 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 the 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 cash flows.

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

At 31 December 2013

	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	3,030,127,327 HK$1 shares	52.1%	Holding company
	Properties				
	Wharf Estates Limited	Hong Kong	2 HK$1 shares	52.1%	Holding company
	Harbour City Estates Limited	Hong Kong	20,000 HK$10 shares	52.1%	Property
	Wharf Realty Limited	Hong Kong	2 HK$1 shares	52.1%	Property
	Times Square Limited	Hong Kong	2 HK$10 shares	52.1%	Property
	Plaza Hollywood Limited	Hong Kong	10,000,000 HK$1 shares	52.1%	Property
	Wharf Development Limited	Hong Kong	7,000,000,000 HK$1 shares	52.1%	Holding company
	Wharf Peak Properties Limited	Hong Kong	3,000,000 HK$10 shares	52.1%	Property
	Hong Tai Yuen Limited	Hong Kong	500,000 HK$1 shares	52.1%	Property
	Olinda Limited	Hong Kong	2 HK$10 shares	52.1%	Property
	New Tech Centre Limited	Hong Kong	10,000 HK$1 shares	52.1%	Property
	Wharf China Holdings Limited	British Virgin Islands	5,129,000,000 US$1 shares	52.1%	Holding company
	Wharf China Estates Limited	British Virgin Islands	1,000,000 US$1 shares	52.1%	Holding company
iii	Shanghai Long Xing Property Development Company Limited	The People's Republic of China	US$45,000,000	52.1%	Property
ii	Dalian Times Square Development Company Limited	The People's Republic of China	RMB420,000,000	52.1%	Property
ii	Long Qing Property Development (Chongqing) Company Limited	The People's Republic of China	RMB194,000,000	52.1%	Property
i	Shanghai Wheelock Square Development Limited	The People's Republic of China	US$240,000,000	51%	Property
ii	龍昌綜合開發(成都)有限公司	The People's Republic of China	HK$330,000,000	52.1%	Property
ii	龍錦綜合開發(成都)有限公司	The People's Republic of China	US$1,978,000,000	52.1%	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	52.1%	Property
ii	九龍倉(長沙)置業有限公司	The People's Republic of China	US$1,037,000,000	52.1%	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	52.1%	Property
	Wharf China Development Limited	British Virgin Islands	1,000,000 US$1 shares	52.1%	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	52.1%	Property
ii	九龍倉(武漢)置業有限公司	The People's Republic of China	US$165,000,000	52.1%	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	29%	Property
ii	上海莉源地產開發有限公司	The People's Republic of China	US$745,000,000	52.1%	Property
ii	上海萊源地產開發有限公司	The People's Republic of China	US$155,000,000	52.1%	Property
ii	上海清源房地產開發有限公司	The People's Republic of China	US$220,000,000	52.1%	Property
ii	九龍倉(無錫)置業有限公司	The People's Republic of China	US$307,580,000	52.1%	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	52.1%	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	52.1%	Property
ii	龍嘉房地產開發(成都)有限公司	The People's Republic of China	HK$537,500,000	52.1%	Property
ii	蘇州蘇龍地產發展有限公司	The People's Republic of China	US$166,800,000	52.1%	Property
ii	蘇州瑞龍地產發展有限公司	The People's Republic of China	US$187,000,000	52.1%	Property
ii	蘇州銀龍地產發展有限公司	The People's Republic of China	US$274,000,000	52.1%	Property
ii	無錫港龍置業有限公司	The People's Republic of China	US$140,900,000	52.1%	Property
ii	無錫河畔置業有限公司	The People's Republic of China	US$111,400,000	52.1%	Property
ii	無錫都會置業有限公司	The People's Republic of China	US$144,600,000	52.1%	Property
ii	港盈房地產(杭州)有限公司	The People's Republic of China	US$146,990,000	52.1%	Property
ii	九龍倉(杭州)置業有限公司	The People's Republic of China	US$310,000,000	52.1%	Property
ii	堡盈房地產(杭州)有限公司	The People's Republic of China	US$320,000,000	52.1%	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	52.1%	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	52.1%	Property
ii	常州湖畔置業有限公司	The People's Republic of China	US$180,000,000	52.1%	Property
ii	常州河畔置業有限公司	The People's Republic of China	US$48,500,000	52.1%	Property
ii	寧波立成置業有限公司	The People's Republic of China	US$172,000,000	52.1%	Property

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

At 31 December 2013

	Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/registered and paid up capital	Percentage of equity attributable to Shareholders	Principal activities
*	**Harbour Centre Development Limited**	Hong Kong	708,750,000 HK$0.5 shares	37%	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	30%	Property
ii	九龍倉(常州)置業有限公司	The People's Republic of China	US$229,800,000	37%	Property
ii	上海綠源房地產開發有限公司	The People's Republic of China	RMB770,000,000	37%	Property
	Logistics				
	Wharf Transport Investments Limited	Hong Kong	2 HK$1 shares	52.1%	Holding company
	The "Star" Ferry Company, Limited	Hong Kong	1,440,000 HK$5 shares	52.1%	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	52.1%	Holding company
	Marco Polo Hotels Management Limited	Hong Kong	2 HK$10 shares	52.1%	Hotel
	The Hongkong Hotel Limited	Hong Kong	100,000 HK$1 shares	37%	Hotel and property
	The Marco Polo Hotel (Hong Kong) Limited	Hong Kong	1,000 HK$1 shares	52.1%	Hotel
	The Prince Hotel Limited	Hong Kong	2 HK$1 shares	52.1%	Hotel
	Smart Event Investments Limited	Hong Kong	1 HK$1 share	52.1%	Hotel
ii	武漢馬哥孛羅酒店有限公司	The People's Republic of China	US$3,850,000	52.1%	Hotel
ii	成都馬哥孛羅酒店有限公司	The People's Republic of China	US$1,200,015	52.1%	Hotel
ii	常州馬哥孛羅酒店有限公司	The People's Republic of China	US$1,050,000	37%	Hotel
	CME				
	Wharf Communications Limited	Hong Kong	1,000,000 HK$10 shares	52.1%	Holding company
*	i-CABLE Communications Limited	Hong Kong	2,011,512,400 HK$1 shares	39%	Holding company
	Hong Kong Cable Enterprises Limited	Hong Kong	2 HK$1 shares	39%	Advertising sale
	Hong Kong Cable Television Limited	Hong Kong	750,000,000 HK$1 shares	39%	Pay TV, Internet and multimedia
	i-CABLE Entertainment Limited	Hong Kong	10,000,000 HK$1 shares	39%	Programme production and channel operation
	i-CABLE News Limited	Hong Kong	10,000,000 HK$1 shares	39%	Programme production and channel operation
	i-CABLE Sports Limited	Hong Kong	10,000,000 HK$1 shares	39%	Programme production and channel operation
	i-CABLE Network Limited	Hong Kong	100 HK$1 shares 2 HK$1 non-voting deferred shares	39%	Network operation
	Sundream Motion Pictures Limited	Hong Kong	300,000,000 HK$1 shares	39%	Film production
	Wharf T&T Limited	Hong Kong	740,000,000 HK$1 shares	52.1%	Telecommunication
	Wharf T&T eBusiness Limited	Hong Kong	1 HK$1 share	52.1%	Telecommunication
	Wharf T&T Outsourcing Services Limited	Hong Kong	1 HK$1 share	52.1%	Telecommunication
	EC Telecom Limited	Hong Kong	2 HK$1 shares	52.1%	Telecommunication
	COL Limited	Hong Kong	40,000 HK$500 shares	52.1%	IT services

	Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/registered and paid up capital	Percentage of equity attributable to Shareholders	Principal activities
	Investment and others				
	Wharf Limited	Hong Kong	2 HK$10 shares	52.1%	Management services
iv	Wharf Finance Limited	Hong Kong	2 HK$1 shares	52.1%	Finance
iv	Wharf Finance (BVI) Limited	British Virgin Islands/Hong Kong	500 US$1 shares	52.1%	Finance
	Wharf Hong Kong Limited	Cayman Islands	500,000,000 US$1 shares	52.1%	Holding company
	Wharf China Finance Limited	Hong Kong	5,000,000 HK$1 shares	52.1%	Finance
iv	Wharf Finance (No.1) Limited	Hong Kong	2 HK$1 shares	52.1%	Finance
	Wharf Finance (BVI) No. 1 Limited	British Virgin Islands/Hong Kong	500 US$1 shares	52.1%	Finance
iv	Wharf Finance (2014) Limited	British Virgin Islands/Hong Kong	10 US$1 shares	52.1%	Finance
iv	Wharf MTN (Singapore) Pte. Ltd.	Singapore	2 S$1 shares	52.1%	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
	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	1,000,000 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$262,000,000	76%	Property
	Others				
	Amblegreen Company Limited	Hong Kong	1 HK$1 share	100%	Property
	Active Talent Holdings Limited	Hong Kong	1 HK$1 share	100%	Property
	Easy Merit Holdings 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	10,000 HK$1 shares	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
	Precise Treasure 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
	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

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

At 31 December 2013

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
天津雍景灣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
上海萬九綠合置業有限公司	The People's Republic of China	Registered	10%	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

Joint ventures	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	16%	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
大連九龍倉綠城置業有限公司	The People's Republic of China	Registered	31%	Property
上海龍驤房地產開發有限公司	The People's Republic of China	Registered	26%	Property
Wharf – Logistics				
Taicang International Container Terminals Company Limited	The People's Republic of China	Registered	18%	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 joint ventures were held indirectly by the Company.

(b) The above list gives the principal subsidiaries, associates and joint ventures 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 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$160 Million
	HK$ Guaranteed Fixed Rate Notes due 2018	HK$326 Million
	HK$ Guaranteed Fixed Rate Notes due 2018	HK$300 Million
	HK$ Guaranteed Floating Rate Notes due 2018	HK$100 Million
	JPY Guaranteed Fixed Rate Notes due 2018	JPY2,000 Million
	HK$ Guaranteed Fixed Rate Notes due 2018	HK$300 Million
	HK$ Guaranteed Fixed Rate Notes due 2018	HK$100 Million
	HK$ Guaranteed Fixed Rate Notes due 2018	HK$150 Million
	HK$ Guaranteed Zero Coupon Callable Notes due 2019	HK$386 Million
	HK$ Guaranteed Zero Coupon Callable Notes due 2019	HK$193 Million
	US$ Guaranteed Floating Rate Notes due 2020	US$20 Million
	HK$ 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$382 Million
	US$ Guaranteed Fixed Rate Notes due 2022	US$60 Million
	HK$ Guaranteed Fixed Rate Notes due 2023	HK$100 Million
	HK$ Guaranteed Fixed Rate Notes due 2023	HK$100 Million
	HK$ 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$100 Million
	RMB Guaranteed Fixed Rate Notes due 2020	RMB100 Million
	RMB Guaranteed Fixed Rate Notes due 2020	RMB200 Million
	S$ Guaranteed Fixed Rate Notes due 2021	S$260 Million
	RMB Guaranteed Fixed Rate Notes due 2023	RMB200 Million
	JPY Guaranteed Fixed Rate Notes due 2026	JPY10,000 Million
Wharf Finance (2014) Limited	HK$ 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 2018	HK$100 Million
	HK$ Guaranteed Fixed Rate Notes due 2018	HK$200 Million
	US$ Guaranteed Fixed Rate Notes due 2018	US$500 Million
	HK$ 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 2013

	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 397-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	–	–	–	
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	–	
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	188,700	105,400	83,300	–	–	
3/F-24/F, Wheelock House, 20 Pedder Street, Central	199,400	199,400	–	–	–	
One Island South, 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	
Murray Building, Cotton Tree Drive, Central	325,000	–	–	–	325,000	
Total Hong Kong Property – Investment	13,878,600	6,113,800	3,777,600	1,728,200	2,259,000	

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	52.1%
126,488	KML 11 S.A.	2880	1977	N/A	52.1%
(a)	KML 11 S.B.	2880	1981	N/A	52.1%
(a)	KML 11 S.B.	2880	1981	N/A	52.1%
(a)	KML 11 S.D.	2880	1983	N/A	52.1%
(a)	KML 11 S.B. & D.	2880	1981/83	N/A	52.1%
(a)	KML 11 R.P.	2880	1994	N/A	52.1%
(a)	KML 11 S.B. & D.	2880	1998/99	N/A	52.1%
58,814	KML 91 S.A. & KML 10 S.B.	2863	1969	N/A	37%
(a)	KML 11 S.B.	2880	1981	N/A	52.1%
(a)	KML 11 S.D.	2880	1983	N/A	52.1%
48,309	KIL 11179	2021	1990	N/A	52.1%
112,441	IL 731, IL 728, IL 727, IL 725 S.A. & R.P., IL 724 S.A.	2850/60/80	1993	N/A	52.1%
280,510	NKIL 6160	2047	1997	N/A	52.1%
48,438	KTIL 713	2047	1991	Planning for redevelopment	52.1%
N/A	TWTL 218	2047	1992	N/A	52.1%
N/A	RBL 512 & 1004	2027/28	1974/77	N/A	52.1%
29,640	RBL 556 S.A.R.P. & S.B.	2035	2001	N/A	52.1%
32,145	RBL 522, 639, 661	2027	2017	Foundation in progress	52.1%
97,670	RBL 534 S.E., S.F. & R.P.	2028	2018	Foundation in progress	52.1%
76,725	RBL 836	2029	2016	Foundation in progress	52.1%
165,809	NKIL 5805, 5806 & 5982	2047	1984	Planning for redevelopment	52.1%
N/A	KML 10 S.A.	2863	1966	N/A	37%
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%
68,136	9036	2063	2017	Planning for redevelopment	37%

SCHEDULE OF PRINCIPAL PROPERTIES

At 31 December 2013

	Approximate Gross Floor Areas (sq.ft.)					
Address	**Total**	**Office**	**Retail**	**Residential**	**Others**	**(Remarks)**
Property – Development						
Yau Tong Godown, 5 Tung Yuen Street, Yau Tong	256,000	–	43,000	213,000	–	
Lexington Hill, 11 Rock Hill Street, Kennedy Town	102,900	–	3,600	99,300	–	
One Bay East, 83 Hoi Bun Road, Kwun Tong	1,024,700	971,700	53,000	–	–	
One HarbourGate, junction of Hung Luen Road and Kin Wan Street, Hung Hom	590,000	519,900	70,100	–	–	
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	–	85,900	343,800	–	
Site at area 65C1, Tseung Kwan O	569,500	–	74,900	494,600	–	
Site at area 68B2, Tseung Kwan O	856,000	–	147,600	708,400	–	
Site at So Kwun Wat, Tuen Mun	376,900	–	–	376,900	–	
Site at junction of Sheung Foo Street and Fak Kwong Street, Ho Man Tin	387,700	–	–	387,700	–	
171, 175-179 Shau Kei Wan Road, Sai Wan Ho	96,100	–	23,600	72,500	–	
	5,246,900	1,491,600	546,100	3,209,200	–	
Associates/Joint ventures						
(Attributable – Note g)						
Various Lots at Yau Tong Bay, Yau Tong	596,000	–	11,000	585,000	–	
8 Mount Nicholson Road, The Peak	162,000	–	–	162,000	–	
Phase One, The Austin, 8 Wui Cheung Road, South West Kowloon	225,100	–	–	225,100	–	
Phase Two, The Austin, 8 Wui Cheung Road, South West Kowloon	369,400	–	–	369,400	–	
	1,352,500	–	11,000	1,341,500	–	
Total Hong Kong Property – Development	6,599,400	1,491,600	557,100	4,550,700	–	
HONG KONG TOTAL	20,478,000	7,605,400	4,334,700	6,278,900	2,259,000	
MAINLAND CHINA						
Property – Investment						
Completed Investment Properties						
Shanghai Times Square, 93-111 Huai Hai Zhong Road, Shanghai	973,000	331,000	447,000	195,000	–	
Chongqing Times Square, 100 Zou Rong Road, Yuzhong District, Chongqing	591,800	13,800	578,000	–	–	
Wuhan Times Square, 160 Yan Jiang Da Dao, Jiangan District, Wuhan	8,000	–	8,000	–	–	
Dalian Times Square, 50 Ren Min Road, Zhongshan District, Dalian	188,000	–	188,000	–	–	
Chengdu Times Outlets, No. 633 Shuangnan Avenue (Middle Section) Shuangliu County, Chengdu	680,000	–	680,000	–	–	
Chengdu International Finance Square, Junction of Hongxing Road and Da Ci Si Road, Jinjiang District	2,291,000	–	2,291,000	–	–	
Shanghai Wheelock Square, 1717 Nan Jing Xi Road, Jingan District, Shanghai	1,199,000	1,149,000	50,000	–	–	
	5,930,800	1,493,800	4,242,000	195,000	–	
Investment Properties under Development						
Chengdu International Finance Square, Junction of Hongxing Road and Da Ci Si Road, Jinjiang District	4,275,000	3,058,000	–	774,000	443,000	(A 238-room hotel)
Wuxi International Finance Square, Taihu Plaza, Nanchang District, Wuxi	2,045,000	1,591,000	–	–	454,000	(A 222-room hotel)
Suzhou International Finance Square, Xing Hu Jie, Suzhou Industrial Park, Suzhou	2,992,000	1,905,000	–	786,000	301,000	(A 129-room hotel)
Changsha International Finance Square, Furong District, Changsha	7,804,000	4,726,000	2,470,000	–	608,000	(A 247-room hotel)
Chongqing International Finance Square, Zone A of Jiangbei City, Jiang Bei District, Chongqing (Attributable – Note g)	2,454,000	1,715,000	547,000	–	192,000	(A 219-room hotel)
	19,570,000	12,995,000	3,017,000	1,560,000	1,998,000	
Marco Polo Wuhan, 160 Yan Jiang Da Dao, Jiangan District, Wuhan	405,000	–	–	–	405,000	(A 370-room hotel)
Total Mainland China Property – Investment	25,905,800	14,488,800	7,259,000	1,755,000	2,403,000	

Site Area (sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
42,625	YTIL 4SA	2047	2016	Foundation in progress	52.1%
10,949	IL 953 R.P.	2891	2014	Superstructure in progress	100%
76,241	NKIL 6269	2061	2015	Superstructure 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	Foundation in progress	100%
88,760	TKOTL 119	2062	2016	Foundation in progress	100%
171,890	TKOTL 125	2063	2017	Foundation in progress	100%
149,856	TKOTL 112	2063	2017	Planning stage	100%
295,160	TKOTL 126	2063	2017	Planning stage	100%
289,918	TMTL 427	2063	2017	Foundation in progress	100%
83,034	KIL 11228	2063	2018	Planning stage	100%
9,629	SIL 547 R.P. & various lots of SIL 481 S.B.	2071	2018	Planning stage	100%
816,872	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	Superstructure in progress	26%
135,443	KIL 11126 and KIL 11129	2060	2014	Superstructure in progress	50%
159,738	KIL 11126 and KIL 11129	2060	2015	Superstructure in progress	50%
148,703	N/A	2043	1999	N/A	52.1%
95,799	N/A	2050	2004	N/A	52.1%
(b)	N/A	2053	2008	N/A	52.1%
(c)	N/A	2039	2008	N/A	52.1%
(d)	N/A	2047	2009	N/A	52.1%
(e)	N/A	2047	2013	N/A	52.1%
136,432	N/A	2049	2010	N/A	51%
(e)	N/A	2047	2015	Superstructure in progress	52.1%
313,867	N/A	2047/57	2014	Superstructure completed	52.1%
229,069	N/A	2047/77	2017	Foundation in progress	30%
800,452	N/A	2051	2016	Foundation in progress	52.1%
516,021	N/A	2050/60	2015	Superstructure in progress	26%
(b)	N/A	2053	2008	N/A	52.1%

SCHEDULE OF PRINCIPAL PROPERTIES

At 31 December 2013

	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	6,414,000	–	–	5,897,000	517,000	(A 271-room hotel and a State Guest House)
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, Xin Bei District and abutting Huang He Lu and Feng Xiang Lu, Changzhou	2,638,000	–	–	2,638,000	–	
Hangzhou Palazzo Pitti, Hangzhou Hangyimian Lot C/D, Gongshu District Gongchen Bridge West, Hangzhou	2,422,000	–	–	2,422,000	–	
Hangzhou Royal Seal, 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	–	
No.1 Xin Hua Road, 176 Huai Hai Xi Road, Changning District, Shanghai	17,000	–	–	17,000	–	
Shanghai Xi Yuan, D1 of Xinjiangwancheng of Yangpu District, Shanghai	44,000	–	–	44,000	–	
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	–	
Shanghai Pudong Zhoupu, Site #08, Lot 06-05 of Zhoupu Town, Pudong District, Shanghai	1,053,000	–	–	1,053,000	–	
Suzhou Ambassador Villa, Lot No. 68210 Suzhou Industrial Park, Suzhou	1,531,000	–	–	1,531,000	–	
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	7,954,000	–	–	7,954,000	–	
Wuxi Glory of Time, Nanchang District and abutting on Jinhang Canal, Wuxi	1,755,000	337,000	–	1,418,000	–	
Wuxi Times City, Taihu Plaza, Nanchang District, Wuxi	5,972,000	–	–	5,972,000	–	
Wuxi Xiyuan, Nanchang District and abutting on Jinhang Canal, Wuxi	2,068,000	–	–	2,068,000	–	
River Pitti, Nanchang District and abutting on Jinhang Canal, Wuxi	3,946,000	–	–	3,946,000	–	
Park Mansion, Southeast of Kang Zhuang Road and Beihuan West, Road crossings (North of Tianhe community), Jiangbei District,Ningbo	1,116,000	–	–	1,116,000	–	
The Orion, Bounded by Dongdajie South, Jinhua Nan Lu East and Datiankan Jie North, Jinjiang District, Chengdu	492,000	–	–	492,000	–	
Tian Fu Times Square, Junction of Dong Da Jie & Fu He, Jinjiang District, Chengdu	343,000	193,000	46,000	104,000	–	
Crystal Park, No.10 Gaoxin District Junction of Zhan Hua Road and Fu Cheng Avenue, Chengdu	200,000	–	8,000	192,000	–	
Times Town, Shuangliu Development Zone Junction of Shuang Nan Avenue and Guang Hua Avenue, Shuangliu County, Chengdu	9,127,000	3,923,000	1,281,000	3,923,000	–	
Chengdu Times City, Shuangliu Huayang Street, Qinghe Community Group 8 and Gongxing Street Outang Village Group 5	2,392,000	–	87,000	2,305,000	–	
Le Palais, Lot No. 8 along Section 3 of the 2nd Ring Road East, Chenghua District, Chengdu	2,743,000	–	34,000	2,709,000	–	
Wuhan Times Square, 160 Yan Jiang Da Dao, Jiangan District, Wuhan	7,000	–	–	7,000	–	
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	94,000	–	–	94,000	–	
Yu Dong Ya Yuan, Lot No. S2, Dong Feng Lu, Guangzhou	357,600	–	113,900	243,700	–	
Hangzhou Fuyang Shijiayuan, Xianzhu Road/Xiangyang Road, Shouxiang Shijiayuan Village, Fuyang	3,371,300	–	–	3,371,300	–	
	72,581,900	4,453,000	1,647,900	65,964,000	517,000	

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	2016	Superstructure in progress	37%
2,563,134	N/A	2050/80	2016	Superstructure in progress	52.1%
1,180,262	N/A	2083	2016	Planning stage	52.1%
914,000	N/A	2080	2015	Superstructure in progress	52.1%
258,358	N/A	2080	2015	Superstructure in progress	52.1%
553,442	N/A	2051/81	2015	Superstructure in progress	52.1%
1,315,296	N/A	2081	2015	Superstructure in progress	52.1%
118,220	N/A	2070	2010	N/A	44%
638,000	N/A	2077	2012	N/A	37%
877,772	N/A	2081	2014	Superstructure in progress	52.1%
585,723	N/A	2081	2015	Foundation in progress	52.1%
170,825	N/A	2043/63	2016	Planning stage	29%
526,905	N/A	2083	2017	Planning stage	52.1%
3,654,152	N/A	2076	2015	Superstructure in progress	52.1%
2,501,747	N/A	2081	2015	Superstructure in progress	52.1%
5,425,454	N/A	2077	2018	Superstructure in progress	30%
1,276,142	N/A	2078	2015	Superstructure in progress	52.1%
3,314,418	N/A	2078	2015	Superstructure in progress	52.1%
1,416,822	N/A	2078	2015	Superstructure in progress	52.1%
2,121,662	N/A	2048/78	2015	Superstructure in progress	52.1%
558,000	N/A	2083	2015	Foundation in progress	52.1%
160,000	N/A	2079	2013	N/A	52.1%
761,520	N/A	2045/75	2013	N/A	52.1%
884,459	N/A	2046/76	2014	Superstructure in progress	52.1%
(d)	N/A	2047/77	2017	Superstructure in progress	52.1%
800,882	N/A	2053/83	2015	Foundation in progress	52.1%
1,130,000	N/A	2050/80	2017	Superstructure in progress	52.1%
(b)	N/A	2053/73	2007/08	N/A	52.1%
454,000	N/A	2080	2015	Superstructure in progress	52.1%
(c)	N/A	2069	2009	N/A	52.1%
60,020	N/A	2059/79	2015	Superstructure in progress	100%
3,210,772	N/A	2082	2020	Superstructure in progress	76%

SCHEDULE OF PRINCIPAL PROPERTIES

At 31 December 2013

Address	Approximate Gross Floor Areas (sq.ft.) Total	Office	Retail	Residential	Others	(Remarks)
Associates/Joint ventures						
(Attributable – Note g)						
Suzhou Kingsville, South of Lin Hu Road, East & West sides of Ying Hu Road Suzhou	757,000	–	11,000	746,000	–	
Evian Town, South of Tian Hong Lu and North of Yu He Lu Xincheng District, Foshan	84,000	–	18,000	66,000	–	
Evian Uptown, North side of Kin Jin Lu, Chancheng District, Foshan	496,000	–	62,000	434,000	–	
Evian Buena Vista, Foshan Nanhai District Shishan County Project	1,200,000	–	162,000	1,038,000	–	
Evian Riviera, Foshan Nanhai District Guicheng A18 and A21 Project	1,184,000	–	89,000	1,095,000	–	
Chanxi Xincheng Ludaohu Project, North of Jihua Bridge, Chancheng District, Foshan	799,000	–	67,000	732,000	–	
Luocun Xiaodehu North Project, Beihu Yi Road, Luocun, Shishan, Nanhai District, Foshan	1,603,000	–	97,000	1,491,000	15,000	
Donghui City, Guangzhou Development Zone KXCD-D1-2 Project	964,000	–	38,000	926,000	–	
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	85,000	–	6,000	79,000	–	
Haihe Project, Intersection of Hedong Road and Kunlun Road, Hedong District,Tianjin	979,000	–	50,000	883,000	46,000	
Shanghai Tangzhen, Tangzhen 5 Jiefang 180/1 Qiu, Pudong District, Shanghai	389,000	–	17,500	371,500	–	
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	–	–	
Greentown Zhijiang No.1, Zhuantang Town, Zhijiang National Tourist Holiday Resort, Xihi District, Hangzhou	1,854,000	–	83,000	1,771,000	–	
Greentown Wharf Qian Tang Ming Yue, Hangzhou Xiaoshan Jinhui Road	1,021,000	–	72,000	949,000	–	
Hangzhou, Gongshu District, Shenhua Unit Project, Site R21-02-A and Site R21-01, Shenhua Unit, Gongshu District, Hangzhou	667,000	–	50,000	617,000	–	
Petrus Bay, Site 3#–2 of Baoqingsi, Ningbo	419,000	–	–	419,000	–	
The Berylville, 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	–	
Chengdu ICC, South of Shuanggui Road, North of Niusha Road, East of Erhuan Road, West of Shahe, Jinjiang District, Chengdu	3,858,000	1,242,000	550,000	1,942,000	124,000	
U World, Zone B of Jiangbei City, Jiang Bei District, Chongqing	1,472,000	–	56,000	1,416,000	–	
The Throne, Zone C of Jiangbei City, Jiang Bei District, Chongqing	4,152,000	–	–	4,152,000	–	
International Community, Zone C of Danzishi, Nanan District, Chongqing	4,317,000	–	1,015,000	3,302,000	–	
Peaceland Cove, Tiedonglu, Hebei District, Tianjin	402,000	–	270,000	–	132,000	
	30,864,000	2,563,000	2,840,500	25,143,500	317,000	
Total Mainland China Property – Development	103,445,900	7,016,000	4,488,400	91,107,500	834,000	
MAINLAND CHINA TOTAL	129,351,700	21,504,800	11,747,400	92,862,500	3,237,000	
SINGAPORE						
Property – Investment						
Wheelock Place, 501 Orchard Road	465,700	221,600	244,100	–	–	
Scotts Square (Retail Podium), 6 & 8 Scotts Road	130,900	–	130,900	–	–	
Total Singapore Property – Investment	596,600	221,600	375,000	–	–	
Property – Development						
Ardmore Three, 3 Ardmore Park	143,300	–	–	143,300	–	
Units at Scotts Square, 6 & 8 Scotts Road	44,000	–	–	44,000	–	
The Panorama, Ang Mo Kio Avenue	655,600	–	–	655,600	–	
Total Singapore Property – Development	842,900	–	–	842,900	–	
SINGAPORE TOTAL	1,439,500	221,600	375,000	842,900	–	
GROUP PROPERTY – INVESTMENT	40,381,000	20,824,200	11,411,600	3,483,200	4,662,000	
GROUP PROPERTY – DEVELOPMENT	110,888,200	8,507,600	5,045,500	96,501,100	834,000	
GROUP TOTAL (Note i)	**151,269,200**	**29,331,800**	**16,457,100**	**99,984,300**	**5,496,000**	

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 Chengdu International Finance Square which has a total site area of 590,481 sq.ft.

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

(g) The floor areas of properties held through associates and joint ventures are shown on an attributable basis.

(h) The above areas included pre-sold development properties of 19,303,400 sq.ft. (Hong Kong 838,100 sq.ft., Mainland China 18,460,000 sq.ft. and Singapore 5,300 sq.ft.), which have not been recognised in the financial statements.

(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.

Site Area (sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
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	2013	N/A	26%
1,526,900	N/A	2070	2015	Superstructure in progress	26%
603,900	N/A	2080	2015	Superstructure in progress	26%
639,000	N/A	2083	2016	Planning stage	26%
1,069,000	N/A	2083	2017	Planning stage	26%
1,181,300	N/A	2081	2016	Superstructure in progress	17%
783,000	N/A	2082	2015	Superstructure in progress	17%
511,560	N/A	2079	2012	N/A	26%
902,000	N/A	2083	2017	Planning stage	26%
648,056	N/A	2082	2016	Foundation in progress	26%
1,156,979	N/A	2052/62	2018	Superstructure in progress	10%
2,046,685	N/A	2047/77	2016	Superstructure in progress	26%
756,000	N/A	2053/83	2018	Planning stage	26%
448,224	N/A	2054/84	2016	Planning stage	26%
524,250	N/A	2080	2014	Superstructure in progress	26%
708,142	N/A	2080	2016	Superstructure in progress	26%
922,475	N/A	2083	2017	Superstructure in progress	31%
2,212,128	N/A	2048/78	2017 and beyond	Superstructure in progress	16%
1,002,408	N/A	2057	2016	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%
(f)	N/A	Freehold	2011	N/A	76%
54,981	N/A	Freehold	2014	Superstructure in progress	76%
(f)	N/A	Freehold	2011	N/A	76%
198,942	N/A	2112	2017	Planning stage	76%

TEN-YEAR FINANCIAL SUMMARY

HK$ Million	**2013**	2012	2011	2010	2009	2008	2007	2006/07	2005/06	2004/05
							(Note e)			
Consolidated Income Statement										
Revenue	**35,071**	33,124	34,558	24,186	18,957	22,583	17,915	16,096	4,235	4,521
Operating profit	**14,938**	15,570	17,730	11,384	9,507	9,420	10,428	7,650	1,792	1,408
Core profit (Note a)	**7,822**	7,267	9,038	4,582	3,711	3,385	3,460	3,008	3,313	3,502
Profit before property revaluation surplus	**7,724**	8,734	8,359	4,974	4,408	2,284	3,361	3,008	3,313	3,502
Profit attributable to equity shareholders	**16,954**	26,935	22,866	20,194	10,459	3,432	7,615	6,310	10,316	8,337
Dividends attributable to shareholders	**2,032**	2,235	1,016	254	254	254	254	254	254	224
Consolidated Statement of Financial Position										
Investment properties	**282,015**	250,729	200,497	161,953	126,789	108,830	105,836	95,085	8,560	5,314
Fixed assets	**24,180**	19,888	19,002	18,410	18,522	21,866	19,554	16,171	105	12
Interest in associates	**19,003**	16,046	9,331	7,725	5,513	5,438	5,096	531	32,012	26,562
Interest in joint ventures	**21,603**	21,219	18,297	16,485	7,551	7,989	4,555	788	–	–
Financial investments	**13,246**	14,843	7,065	10,676	4,885	2,279	7,622	7,088	2,187	1,488
Properties for sale	**87,178**	65,007	60,909	37,233	25,824	24,660	19,805	15,386	9,169	10,204
Bank deposits and cash	**29,345**	30,016	42,668	27,540	27,756	22,927	13,079	10,235	4,518	3,502
Other assets	**10,244**	12,018	6,343	6,214	7,966	4,217	3,578	3,743	1,627	1,673
Total assets	**486,814**	429,766	364,112	286,236	224,806	198,206	179,125	149,027	58,178	48,755
Bank and other borrowings	**(123,640)**	(103,257)	(95,682)	(65,682)	(46,634)	(45,623)	(34,991)	(25,806)	(7,205)	(8,023)
Other liabilities	**(51,602)**	(40,629)	(33,236)	(27,478)	(19,621)	(16,681)	(29,975)	(23,679)	(3,605)	(4,066)
Net assets	**311,572**	285,880	235,194	193,076	158,551	135,902	114,159	99,542	47,368	36,666
Share capital	**1,016**	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016
Reserves	**165,566**	151,025	121,546	99,356	75,882	64,092	55,635	48,246	40,000	30,419
Shareholders' equity	**166,582**	152,041	122,562	100,372	76,898	65,108	56,651	49,262	41,016	31,435
Non-controlling interests	**144,990**	133,839	112,632	92,704	81,653	70,794	57,508	50,280	6,352	5,231
Total equity	**311,572**	285,880	235,194	193,076	158,551	135,902	114,159	99,542	47,368	36,666
Net debt	**94,295**	73,241	53,014	38,142	18,878	22,696	21,912	15,571	2,687	4,521
Financial Data										
Per share data										
Earnings per share (HK$)										
– Core profit	**3.85**	3.58	4.45	2.26	1.83	1.67	1.70	1.48	1.63	1.72
– Before property revaluation surplus	**3.80**	4.30	4.11	2.45	2.17	1.12	1.65	1.48	1.63	1.72
– Attributable to equity shareholders	**8.34**	13.26	11.25	9.94	5.15	1.69	3.75	3.11	5.08	4.10
Net assets value per share (HK$)	**81.99**	74.83	60.32	49.40	37.85	32.04	27.88	24.25	20.19	15.47
Dividends per share (¢) (Note b)	**100.0**	110.0	50.0	12.5	12.5	12.5	12.5	12.5	12.5	11.0
Financial ratios										
Net debt to total equity (%)	**30.3%**	25.6%	22.5%	19.8%	11.9%	16.7%	19.2%	15.6%	5.7%	12.3%
Return on Shareholders' equity (%) (Note c)	**10.6%**	19.6%	20.5%	22.8%	14.7%	5.6%	14.4%	14.0%	28.5%	28.8%
Dividend payout (%)										
– Core profit	**26.0%**	30.8%	11.2%	5.5%	6.8%	7.5%	7.3%	8.4%	7.7%	6.4%
– Before property revaluation surplus	**26.3%**	25.6%	12.2%	5.1%	5.8%	11.1%	7.6%	8.4%	7.7%	6.4%
– Attributable to equity shareholders	**12.0%**	8.3%	4.4%	1.3%	2.4%	7.4%	3.3%	4.0%	2.5%	2.7%
Interest cover (Times) (Note d)	**4.6**	6.2	10.2	13.5	16.1	8.2	8.6	7.7	6.9	12.7

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 mainly including the provision for diminution in value of properties in 2013, the accounting gain arising from the acquisition of the interest 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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