THE WHARF (HOLDINGS) LIMITED

Annual Report 2011

WHARF

Established 1886

Stock Code: 4

Corporate Profile

"Building for Tomorrow" over 125 years has culminated in a record financial performance in 2011 and a return on Shareholders' equity of 17%. It has also culminated in a grade A asset base of over HK$300 billion and a management organisation with execution capability and governance to deliver even higher returns to Shareholders in the coming years.

While proud of its past achievements with Hong Kong as base, "Building for Tomorrow" in Mainland China underlines Wharf's asset expansion programme in recent years for the future. That new base includes a land bank of over 12 million square metres across 14 cities, a fast emerging hotel business and valuable port assets. 40% of the Group's business assets are already based in the Mainland. In 2011, Mainland contribution increased to 21% of the Group's core profit.

With prime real estate as the Group's primary strategic focus, site acquisition, financing, development planning, design, construction and marketing are its core competencies. Mall development and management remain its strategic differentiation.

Landmarks Harbour City and Times Square form the backbone of Wharf's prime real estate in Hong Kong. They represent 47% of total business assets and 58% of operating profit. They command a combined valuation of HK$131 billion, underpinned by respective compound annual growth rates in rental income of 12% and 9% since 2003. With unique critical mass and shopper stickiness, they accounted for an exceptional 9% share of total retail sales throughout Hong Kong in 2011.

Development properties in the Mainland are the new growth initiative. Wharf remains enthusiastic about the market fundamentals. Continuation of urbanisation and wealth creation at a breakneck pace will continue to stimulate demand not only quantitatively but also qualitatively. From a land bank of over 12 million square metres, presales in 2011 totaled RMB12.7 billion for 854,000 square metres to increase the net order book as at the end of 2011 to RMB13.5 billion for 903,000 square metres.

Another new tomorrow being built are the investment properties in the Mainland that will be comparable in scale and significance to Harbour City and Times Square in Hong Kong. The portfolio in Shanghai is already as big as Times Square in Hong Kong. In Changsha, Chengdu, Chongqing, Suzhou and Wuxi, five International Finance Centre projects with a total GFA of 2.4 million square metres (3 times the size of Harbour City) are being built to better the Harbour City model.

The Group's Marco Polo Hotels operates 13 owned or managed hotels in Asia Pacific, principally in China. In addition, nine new hotels are in the pipeline to nearly double its scale by 2016. Residences will also be added. In 2011, Marco Polo Hotels was awarded the "Best International Hotel Management Group of China" by China Hotel Starlight Awards.

Also contributing to Wharf's presence in the Mainland are key port assets along the China coast, the most dynamic coastline in the world for cargo movement in the coming decades.

Building for Tomorrow also extends to Wharf's corporate social responsibility ("CSR") and organisational development. Through our "Business-in-Community" initiative, we have stepped up our efforts in community service and are committed to making a difference by promoting staff volunteerism, building a better Hong Kong and the sustainability of the community.

In 2011, Wharf was again presented the "Global Chinese Business 1000 — Best Performance Awards" by Yazhou Zhoukan for its stellar performance. Wharf has also been awarded "Caring Company" by the Hong Kong Council of Social Service and a constituent member of Hang Sang Sustainability Benchmark Index with an A-rating for the Group's sound performance in CSR.

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Corporate Information

Board of Directors

Mr Peter K C Woo, GBS, JP, *Chairman*
Mr Stephen T H Ng, *Deputy Chairman & Managing Director*
Mr Andrew O K Chow, *Vice Chairman*
Ms Doreen Y F Lee, *Executive Director*
Mr T Y Ng, *Executive Director*
Mr Paul Y C Tsui, *Executive Director & Group Chief Financial Officer*

Independent Non-executive Directors

The Hon Paul M P Chan, JP*
The Professor Edward K Y Chen, GBS, CBE, JP
Dr Raymond K F Ch'ien, GBS, CBE, JP
The Hon Vincent K Fang, SBS, JP*
Mr Hans Michael Jebsen, BBS*
Mr James E Thompson, GBS*

* Members of the Audit Committee

Secretary

Mr Wilson W S Chan, FCIS

Auditors

KPMG, Certified Public Accountants

Principal Banker

The Hongkong and Shanghai Banking Corporation Limited

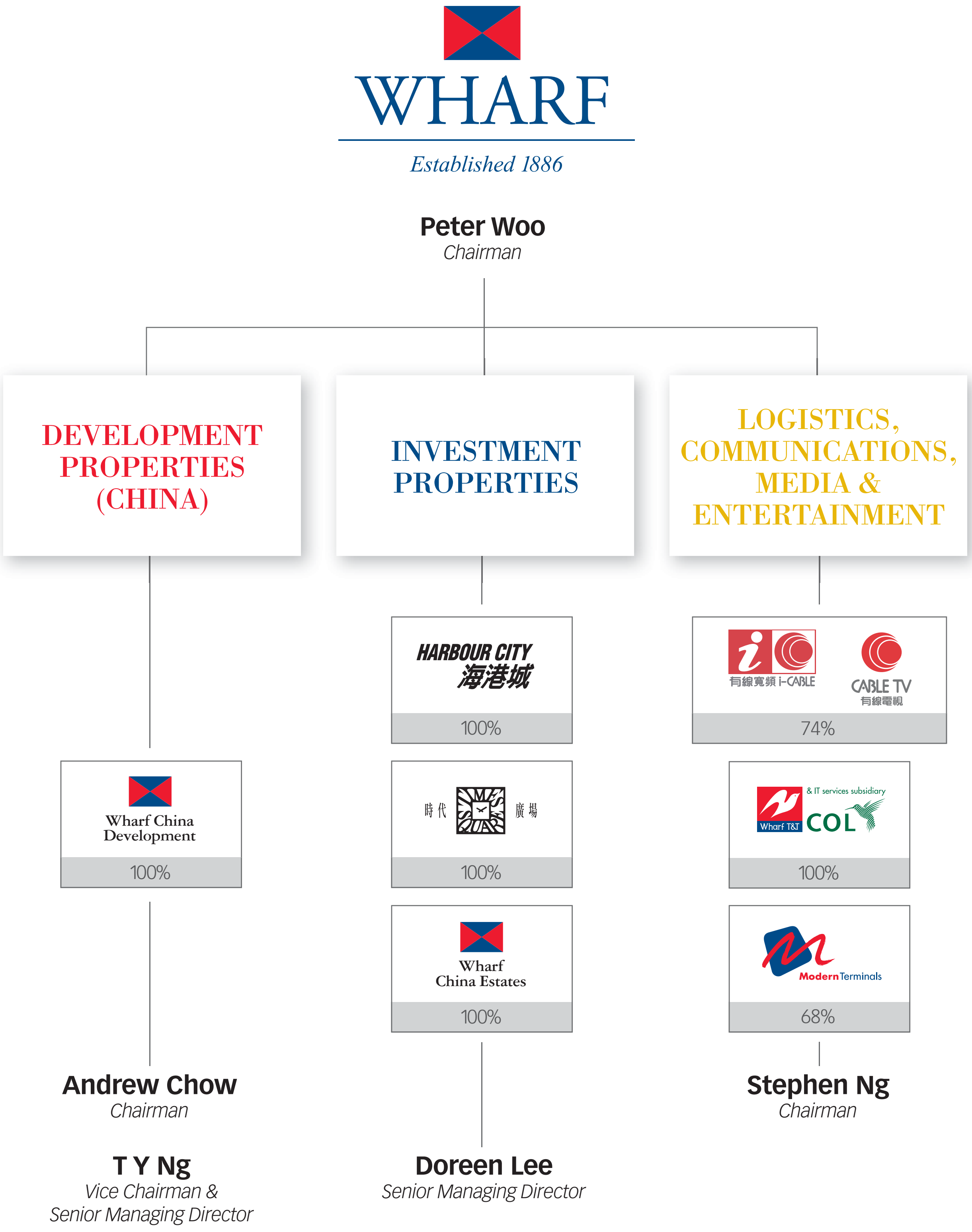
Registrars

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

Registered Office

16th Floor, Ocean Centre, Harbour City
Canton Road, Kowloon, Hong Kong
Tel: (852) 2118 8118 Fax: (852) 2118 8018
Website: www.wharfholdings.com

Group Business Structure



WHARF

Established 1886

Peter Woo
Chairman

DEVELOPMENT PROPERTIES (CHINA)

- Wharf China Development — 100%

Andrew Chow
Chairman

T Y Ng
Vice Chairman &
Senior Managing Director

INVESTMENT PROPERTIES

- HARBOUR CITY 海港城 — 100%
- 時代廣場 TIMES SQUARE — 100%
- Wharf China Estates — 100%

Doreen Lee
Senior Managing Director

LOGISTICS, COMMUNICATIONS, MEDIA & ENTERTAINMENT

- 有線寬頻 i-CABLE, CABLE TV 有線電視 — 74%
- Wharf T&T & IT services subsidiary COL — 100%
- Modern Terminals — 68%

Stephen Ng
Chairman

% refers to the effective equity interest held by the Group

Chairman's Statement

"Record turnover and operating profit.
Mainland contribution increased to 21% of core profit."

Hong Kong's economic growth continued with a 5% GDP expansion in 2011. Visitor arrivals rose by over 16% to another record of 41.9 million, two-thirds of whom from the Mainland. Total Hong Kong retail sales grew by 25%, the highest rate in the past decade, to exceed HK$400 billion for the first time. Businesses in the retail and servicing sectors experienced vibrant activities.

The development of Hong Kong as an offshore centre for Renminbi benefits the financial and trade sectors. The capital funneling process will help cultivate Hong Kong into an international asset management centre. Nevertheless, external trade faced challenges in 2011, as demand from the western economies remained weak and the European debt crisis created global financial uncertainties.

China's economic development continued with a solid 9.2% growth. The wealth creation momentum is increasing with the fast-expanding middle class aspiring to quality living and prosperity. This is an important component for China's shift towards a consumption driven economy. Restraining measures to cool the real estate market took effect with activities moderation during the year. This helps foster a healthier and more sustainable growth path for the market.

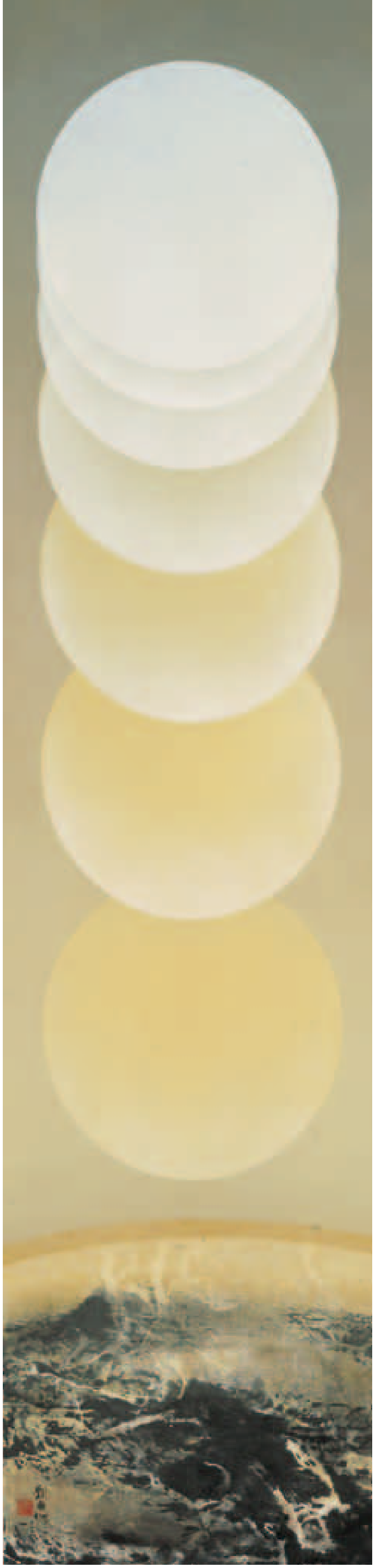
The process of rapid urbanisation continues, and the high-speed rail network will facilitate the spread of economic activities and capital. Metropolitan regions will emerge across the country, and quality commercial developments will transpire to serve the growing business demand, as China enters its next phase of economic development.

Increasingly, Hong Kong businesses are shifting their focus toward the Mainland's economic needs.

Business Performance

The Group reported record turnover and operating profit in 2011.

The investment properties and hotels segment posted over HK$10 billion of revenue for the first time, with an operating profit of HK$7.7 billion that represented over two-thirds of the Group's operating profit.



Business Performance (Cont'd)

Harbour City and Times Square commanded an unrivalled 9% share of total Hong Kong retail sales, up from 8.5% a year ago. The two assets were valued at a combined HK$131 billion at year end, representing 47% of the Group's business assets.

Total contribution from the Mainland increased to 21% of core profit, up from 9% in 2010. The Mainland land bank stood at 12.2 million square metres at year end. Property sales in 2011 increased to 854,000 square metres to generate attributable proceeds of RMB12.7 billion, 44% higher than 2010. The net order book at year end increased to RMB13.5 billion for 903,000 square metres. A cautious RMB10 billion sales target is set for 2012 to reflect near-term market sentiments. Total rental income from the Mainland increased by 69% to almost HK$800 million. Shanghai Wheelock Square made its first full year contribution. This premier development has attracted multinationals and major corporations at top market rates given its build quality and world-class management.

The pipeline of International Finance Centres under development will multiply the recurrent income base from the Mainland on completion. Retail pre-leasing for Chengdu IFC has progressed well ahead of plan. This 200,000-square-metre mall, similar in size to Harbour City, will be completed in the second half of 2013. The Changsha IFC will provide an even bigger mall at 240,000 square metres by 2016 to capture the growing consumption in the region. The quality of the IFC offices will attract international and local financial services tenants. Some of these towers may be monetised for value accretion.

The development of a sustainable organisation in the Mainland continues. Human resources remain one of the vital ingredients for business success.

Financial Results

Group turnover increased by 24% to HK$24 billion with strong recurrent rental income and Mainland property completions. Operating profit grew by 22% to HK$11.4 billion.

Profit attributable to Shareholders excluding net investment property revaluation surplus and exceptional items increased by 14% to HK$8.1 billion. Exceptional items declined by HK$2.2 billion due to one-off profits in 2010 and a larger mark-to-market charge of HK$1.4 billion. Including the net surplus from revaluation of investment properties and exceptional items, profit attributable to Shareholders was HK$30.6 billion. Earnings per share were HK$10.22.

The total valuation of the Group's investment property portfolio increased by 18% to HK$184 billion at the end of 2011. Book net asset value increased to HK$67.1 per share.

The Group continues to practise prudent financial management, with net debt stabilising at HK$43.5 billion at year end. Gearing stabilised at 20.6%. Funding sources were expanded to lengthen maturity and reduce over-reliance on any single financing platform.

In lieu of a final dividend, the Board has approved the payment of a second interim dividend of 70 cents per share to bring the total dividend for the year to HK$1.06 per share.

Business-in-Community

The Group's "Building for Tomorrow" extends to community service, with a particular focus on youth development.

In addition to on-going sponsorships, the Group launched Project *WeCan*, a 6-year pioneer, 360º school improvement programme in May in collaboration with The Chinese University of Hong

Kong, 10 participating secondary schools, business partners, and the Group’s business units to offer support to more than 10,000 students in Hong Kong through their secondary education. In addition to financial support, activities supported by over 400 volunteers from the Group's business units and designed to widen perspectives and exposure are organised to inspire and stimulate confidence among students during their critical stage of life development. Through social volunteering, our staff participate in and learn through community services to strike a balanced lifestyle that will inspire their kinship.

Separately, two talented architecture graduates from The Chinese University of Hong Kong are undertaking a 12-month internship in Switzerland through the Wharf Architectural Design Internship programme that aims at broadening their international outlook.

The care-for-others spirit extends into the Mainland. In August, we supported Wu Zhi Qiao with the building of a bridge in rural Yunnan for underprivileged villagers by volunteer students from The University of Hong Kong and Tsinghua University and our staff volunteers to commemorate the centennial anniversary of these two acclaimed universities, and the 125th anniversary of the Company.

Outlook

The Hong Kong government is forecasting a 1-3% GDP growth in 2012, reflecting the uncertain global outlook that might affect the local economy. Nevertheless, economic fundamentals remain strong. While the export services platform may be exposed to the challenge of soft global trade, the financial services platform continues to gain pace with the vast capital flow from China. Tourism and the associated retail services platform will continue to experience solid growth in supporting the local economy.

Integration with the Mainland economy deepens as Hong Kong businesses increasingly look inland. Policy initiatives from China’s 12th Five-Year Plan, including the stimulation of domestic demand, development of the service industries and acceleration of urbanisation, provide better and further opportunities for local companies. China's economic expansion continues with a growth target of 7.5% for 2012. However, analysts will probably not be too surprised if actual growth would eventually exceed 8%. While there remain external and internal challenges, the Mainland will continue to raise the quality and efficiency of its economic fundamentals. The rising middle class with high spending power will expand markets for consumer goods and spark demand for quality living over the next decades.

2011 marked the 125th anniversary of Wharf. Throughout our history, Wharf has evolved with the changing economies with success, captured opportunities and achieved many ‘firsts’. Harbour City, now capturing a 6.7% share of Hong Kong retail sales and envy of others, was previously docks and warehouses. The old tram depot was redeveloped into today’s Times Square that is the largest and most successful vertical mall in Hong Kong.

When the target to expand Mainland assets to 50% of Group’s assets was set in 2007, the Group’s total business assets stood at HK$135 billion. As at the end of 2011, total assets in the Mainland already exceeded HK$110 billion. However, the Group's total business assets had more than doubled to $281 billion, with Hong Kong assets also appreciating significantly in value in the intervening years. With the Mainland asset ratio close to 40% at year end, this benchmark is the solid foundation of capital for future growth in China. Mainland will become another significant earnings base of the Group going forward.

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

Peter K C Woo
Chairman
22 March 2012

Financial Highlights

Group profit attributable to Shareholders was HK$30,568 million (2010: HK$35,750 million). Earnings per share were HK$10.22 (2010: HK$12.64 as restated).

Core profit increased by 14% to HK$8,083 million.

	2011 **HK$ Million**	2010 HK$ Million	Change (%)
Results			
Turnover	**24,004**	19,380	+24
Operating profit	**11,388**	9,372	+22
Core profit (note a)	**8,083**	7,088	+14
Profit before property revaluation surplus	**6,727**	7,905	-15
Profit attributable to equity shareholders	**30,568**	35,750	-14
Earnings per share (note b)			
— Core profit	**HK$2.70**	HK$2.51	+8
— Before property revaluation surplus	**HK$2.25**	HK$2.79	-19
— Attributable to equity shareholders	**HK$10.22**	HK$12.64	-19
Total dividend per share	**HK$1.06**	HK$1.00	+6
Financial Position			
Total assets	**317,973**	242,768	+31
Total business assets	**280,837**	220,780	+27
Net debt	**43,465**	32,689	+33
Shareholders' equity	**203,257**	163,089	+25
Total equity	**210,874**	170,649	+24
Net asset value per share (note c)	**HK$67.10**	HK$59.22	+13
Net debt to total equity	**20.6%**	19.2%	+1.4%pt

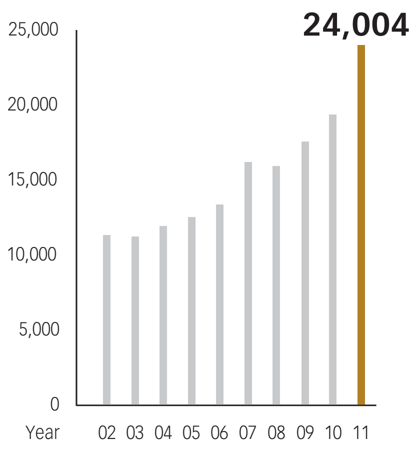
Notes:

(a) Core profit excludes net property revaluation surplus and mark-to-market changes on swaps, as well as HK$1,246 million in 2010 from the revaluation of Hactl interest / tax write-back.

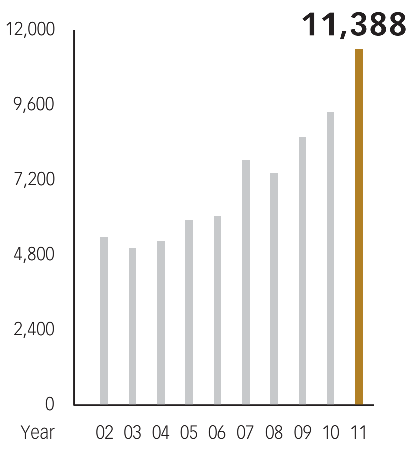
(b) Earnings per share for 2011 is calculated based on the weighted average of 2,991 million shares in issue during the year (2010: based on 2,829 million shares after adjusting for the rights issue completed in March 2011).

(c) Net asset value per share for 2011 is calculated based on 3,029 million shares after the rights issue completed in March 2011 (2010: based on 2,754 million shares).

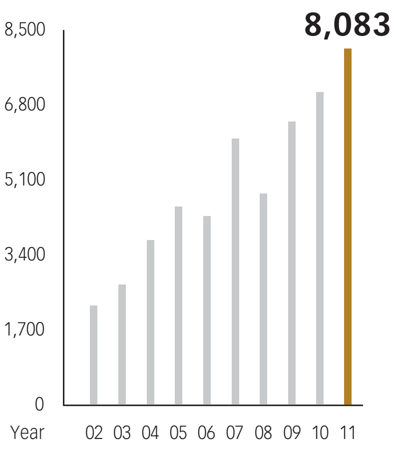
Turnover (HK$ Million)



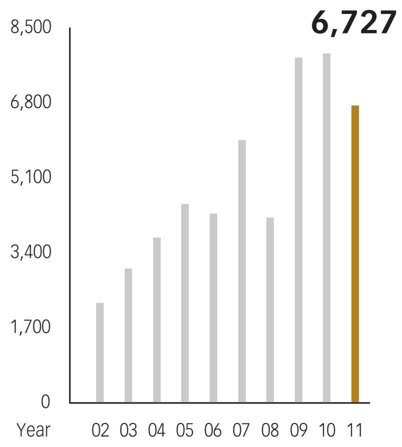
Operating Profit (HK$ Million)



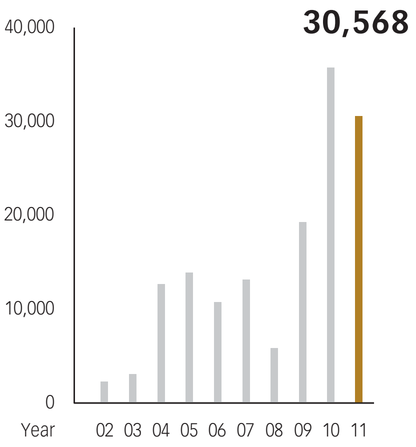
Core Profit (HK$ Million)



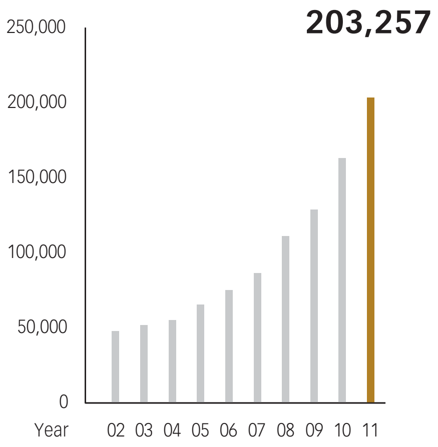
Profit Before Property Revaluation Surplus (HK$ Million)



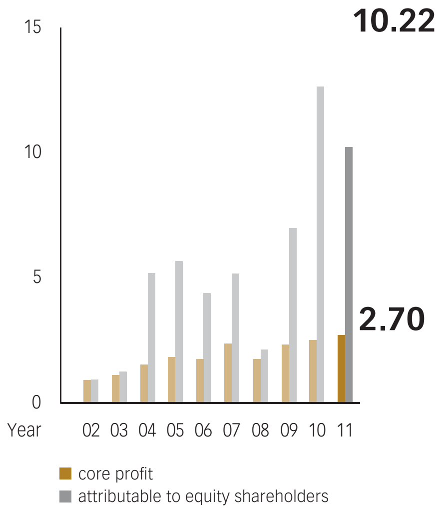
Profit Attributable to Equity Shareholders (HK$ Million)



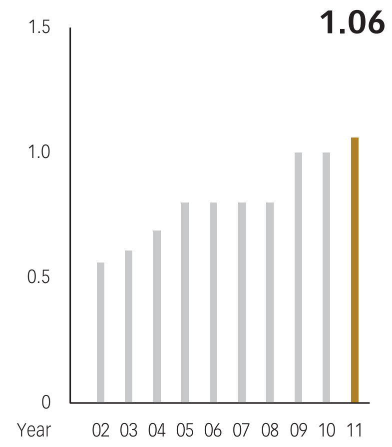
Shareholders' Equity (HK$ Million)



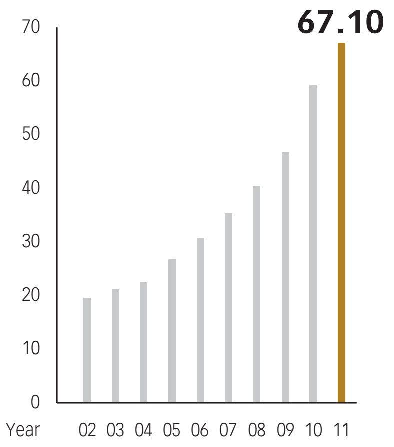
Earnings Per Share (HK$)

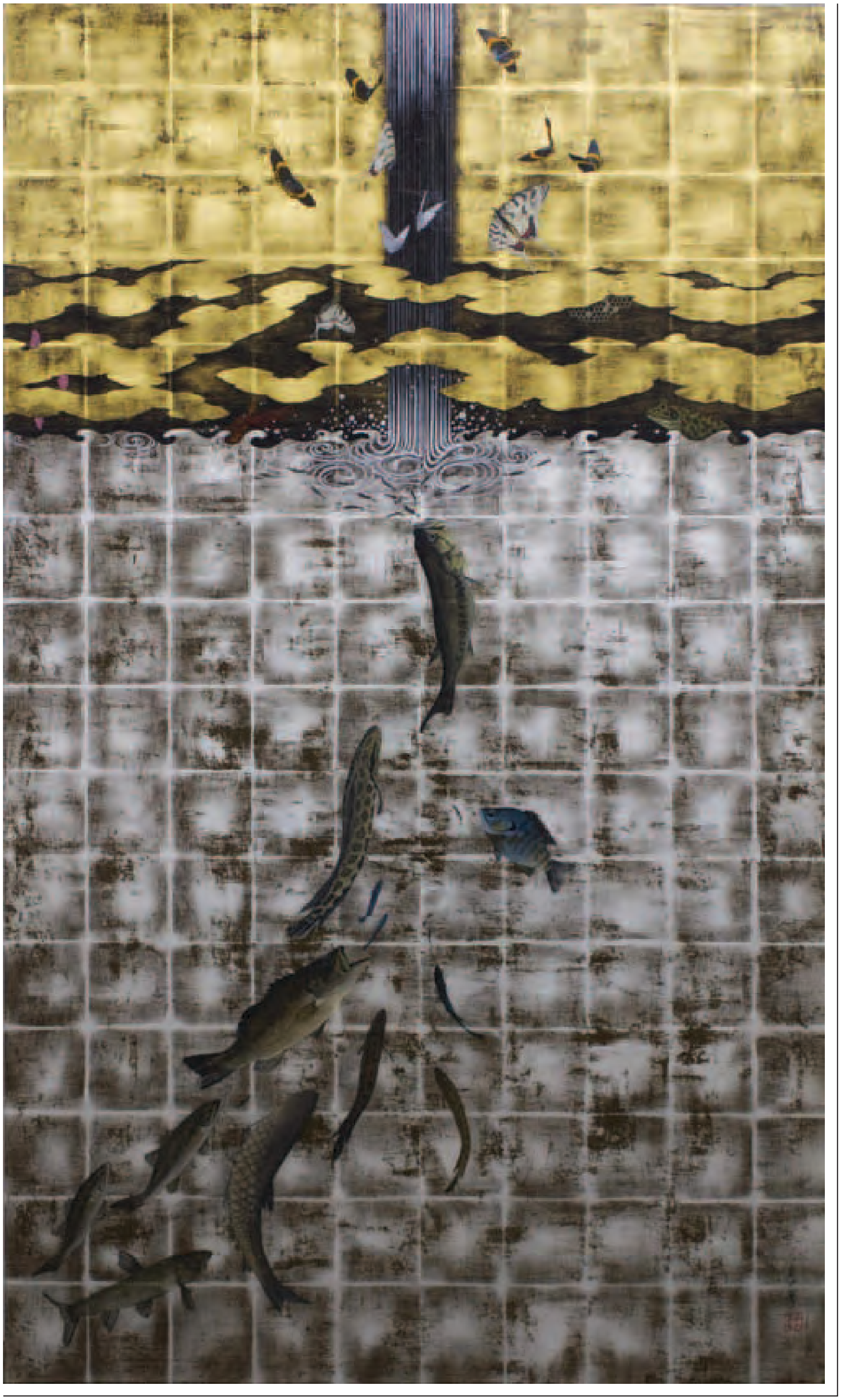


Dividend Per Share (HK$)



Net Asset Value Per Share (HK$)





Managing Director's Report

Harbour City | Times Square
The Peak Portfolio & Hong Kong Properties | China Properties
Marco Polo Hotels | Modern Terminals | Other Businesses

Harbour City

Harbour City

Business Assets

94,438
HK$ MILLION

Gross Revenue

6,635
HK$ MILLION

Operating Profit

5,095
HK$ MILLION

Business Assets

As at 31 December

	2011 **HK$ Million**	2010 HK$ Million
Properties (at valuation)	**93,550**	80,312
Hotel and Club (cost less depreciation)	**247**	234
Other assets	**641**	494
Total business assets	**94,438**	81,040

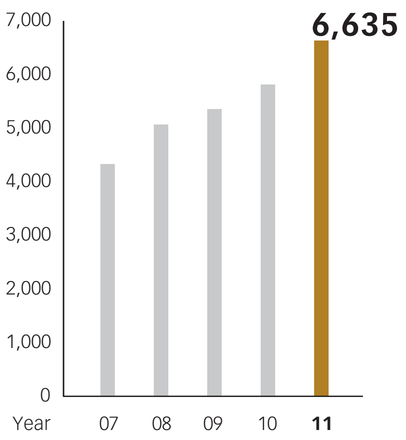
Gross Revenue

	2011 **HK$ Million**	2010 HK$ Million	Change (%)
Retail	**3,571**	2,928	+22
Office	**1,614**	1,553	+4
Serviced Apartments	**300**	275	+9
Hotel and Club	**1,150**	1,056	+9
Total gross revenue	**6,635**	5,812	+14

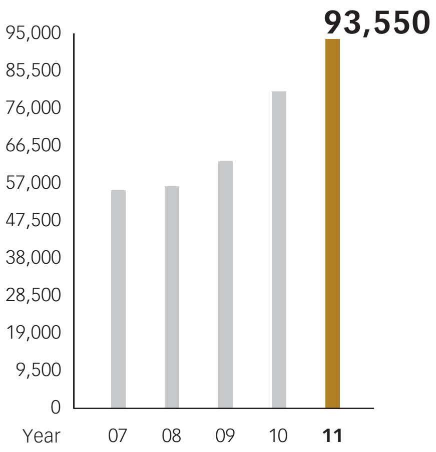
Operating Profit

	2011 **HK$ Million**	2010 HK$ Million	Change (%)
Retail	**3,154**	2,565	+23
Office	**1,365**	1,342	+2
Serviced Apartments	**215**	197	+9
Hotel and Club	**361**	329	+10
Total operating profit	**5,095**	4,433	+15

Gross Revenue (HK$ Million)



Property Value (HK$ Million)
(Hotel and Club Excluded)



Harbour City Gateway Boulevard

Harbour City

Harbour City offers a wide range of retail selection across a finely-calibrated price point matrix

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

Retail

Hong Kong retail sales grew by 25% in 2011, the highest rate in the past decade. Strong local consumption and upbeat tourist spending from the record 41.9 million arrivals generated solid retail sales. This stimulated many local and international retailers to expand their presence.

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

Turnover of Harbour City's retail sector increased by 22% to HK$3,571 million in 2011. Occupancy was maintained at virtually 100%.

As the largest retail complex in Hong Kong that represents 75% of the retail area of Canton Road, Harbour City offers the critical mass in the heart of the most dynamic retail location of Hong Kong for a captivating "shoppertainment" experience that enchants new and regular shoppers. The wide range of retail selection across a finely-calibrated price point matrix and the powerful marketing campaigns stimulate the joy of shopping.

To enhance its market leadership, Harbour City has recruited close to 60 new brands to open stores during 2011 and 2012, with some of them making their debut in Hong Kong or Kowloon. International renowned labels including 3.1 Philip Lim, Chloe, Fendi Kids, Gucci Kids, Roger Vivier and Tom Ford were opened during the year. LCX in Harbour City recruited the first American Eagle Outfitters, a favourite brand for youngsters, in Asia, as well as the debut presence of By Basi, Jack Wills, Pull-in and Snidel. The culinary selection was widened with the opening of Al Molo, Michael White's first Hong Kong restaurant at Ocean Terminal, Greyhound Café and Pizza Express.

The annual Christmas Eve Canton Road street party is now an iconic event of Hong Kong. The popular "Chocolate Trail" promotion that indulges shoppers with chocolate treats during the period of Valentine's Day and Chinese New Year Lantern Festival has been expanded into three main exhibitions – 'Fashion & The Chocolate', 'The Art & Taste of Chocolate' and 'Chocolate World Heritage'. The promotion has won Harbour City the International Council of Shopping Centre' Silver Award in the category of "Sales Promotion and Events" in 2011.

Harbour City launched a joint Christmas promotion campaign with Hong Kong Disneyland based on the opening of its new Toy Story Land, with popular cartoon character installation at Ocean Terminal Forecourt. Rewards and privilege campaigns continued with strategic partners including Bank of Communications, China Construction Bank, China Merchants Bank, China Union Pay (CUP), Citibank and Industrial and Commercial Bank of China (ICBC).

Harbour City will continue to enhance its product offering and strengthen its competitive edge in the marketplace.

Harbour City

Retail Tenant Mix (by Rental and Area)

	% by Rental	% by Area
Fashion	32.8	29.9
Leather Goods - Shoes Bags & Related Trades	24.8	12.0
Jewellery, Beauty and Accessories	16.8	7.8
Department Stores, Confectionery Products	12.8	19.4
Restaurant, Fast Food, F&B	3.5	13.6
Electrical & Audio-visual Equipments	2.9	2.9
Children's Wear & Related Trades, Toys	2.7	6.7
Sports Wear	2.2	2.8
Others	1.5	4.9
Total	100.0	100.0

The retail sales at Harbour City now represent 6.7% of total Hong Kong retail sales

Portfolio Information

	Gross Floor Area (sq ft)	Revenue (HK$ Million)	Average Occupancy (%)	Year-end Valuation (HK$ Million)
Retail	1,948,000	3,571	97	41,869
Office	4,435,000	1,614	94	43,881
Serviced Apartments	670,000	300	88	7,800
Hotel and Club	1,364,000	1,150	85	6,940

Harbour City

The convenient location, superb management and comprehensive ancillary features make Harbour City a preferred office location for multinationals, local and regional enterprises

Office

The buoyant Grade A office market of Hong Kong turned steadier towards the end of 2011, amid the global financial uncertainties triggered by the European debt crisis. Nevertheless, solid office demand remained from prospective US and European retailing and trading names leveraging on the Hong Kong commercial platform for investment into China, and from Chinese corporations wishing to develop international businesses.

Occupancy at Harbour City climbed to 96% at the end of 2011. Rental rates for new commitments trended up strongly during the first three quarters, and steadied towards the year end. Turnover increased by 4% to HK$1,614 million.

Office demand was driven by business expansion, corporate upgrades and decentralisation. Major new lettings included Hengdeli International Company, Lyoness Management Asia and Medtronic International, each of which having committed to over 10,000 square feet of space, along with in-house expansion from Estée Lauder, Hasbro, Louis Vuitton, Prudential, Ralph Lauren, Sony, Zara, etc. Lease retention held up solidly at 69%, with renewal from anchor tenants including AIA, Coach, Du Pont, Estée Lauder, Fancl, Hasbro, Hitachi, Mattel, Midea, Mitsubishi UFJ and Zara.

Deluxe studio at Gateway Apartments

The convenient location, reputable property management services and ancillary features including the mega mall, Marco Polo hotels, fitness centre and private recreational club, make Harbour City the natural office location for many multinational, Mainland and local enterprises. The property management team will continue to improve the premises and be flexible to market changes in the competitive landscape.

Serviced Apartments

Turnover increased by 9% to HK$300 million and occupancy stood at 89% at the end of 2011. In May, Gateway Apartments was awarded the "Best of the Best Serviced Apartments Award 2011" by Squarefoot Magazine, a leading property magazine, in recognition of its impeccable quality of services and facilities.

Times Square


CONVERSE

Times Square

Business Assets

37,051

HK$ MILLION

Gross Revenue

1,732

HK$ MILLION

Operating Profit

1,522

HK$ MILLION

Business Assets

As at 31 December

	2011 **HK$ Million**	2010 HK$ Million
Properties (at valuation)	**37,000**	29,800
Other assets	**51**	32
Total business assets	**37,051**	29,832

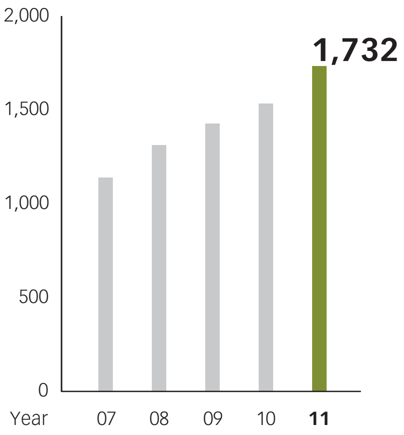
Gross Revenue

	2011 **HK$ Million**	2010 HK$ Million	Change (%)
Retail	**1,258**	1,076	+17
Office	**474**	457	+4
Total gross revenue	**1,732**	1,533	+13

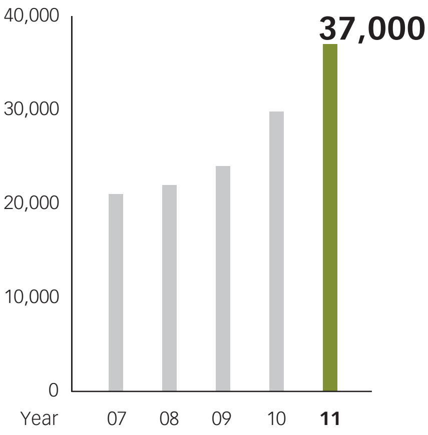
Operating Profit

	2011 **HK$ Million**	2010 HK$ Million	Change (%)
Retail	**1,121**	948	+18
Office	**401**	397	+1
Total operating profit	**1,522**	1,345	+13

Gross Revenue (HK$ Million)



Property Value (HK$ Million)



Times Square is recognised as the top venue for talk-of-the-town events and a leading shopping landmark in Hong Kong

Times Square remains the most successful and tallest vertical shopping mall in Hong Kong

BUSINESS REVIEW

Times Square

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

Retail

Times Square, featured by its unique 16-level podium design, diverse trade-mix and direct link to the MTR in the heart of the busiest Causeway Bay district on Hong Kong Island, remains the most successful vertical shopping mall in Hong Kong. Retail sales grew by over 24% in 2011. Retail revenue increased by 17% to HK$1,258 million with occupancy maintained at virtually 100%.

Tenant mix on the atrium floors was enriched with new recruits including Adidas Original, Denim & Supply Ralph Lauren, Harmont & Blaine, Lacoste L!VE, Marc by Marc Jacobs, MCM, Misto by Anteprima, Samatha Thavasa, Shanghai Tang, Tory Burch and Trippen, as well as relocation of some existing tenants including agnès b., Alfred Dunhill, Coach, and Vivienne Westwood to uplift the shopping ambiance. Elegant Watch & Jewellery has expanded its store, while Parsons Music has committed to open a new 17,000-square-foot music centre. The food and beverage offering was strengthened by the opening of Manzo, a premium Italian Steak house, and the commitment of BLT Burger.

To further enhance the retail offering, the cinema at Times Square will be relocated to the 12th and 13th floor, while the vacated space at the ground floor and lower floors will be refurbished to house new celebrated retail brands. The new retail shops are scheduled to open in mid 2013, and the new cinema in the fourth quarter of 2013. This asset enhancement will add immense value to Times Square.

Times Square has continuously refined its tenants mix to enhance the shopping environment

Retail Tenant Mix (by Rental and Area)

	% by Rental	% by Area
Fashion	33.1	21.2
Jewellery, Beauty and Accessories	25.1	12.4
Department Stores, Confectionery Products	15.5	20.7
Electrical & Audio-visual Equipment & Entertainment	10.2	12.3
Restaurant, Fast Food, F&B	8.6	25.7
Sports Wear	5.9	4.0
Others	1.6	3.7
Total	100.0	100.0

Times Square

The strong branding and innovative marketing campaigns at Times Square continued to capture market attention. The New Year's Eve Apple Countdown remains one of the most popular events in Hong Kong. The Harry Potter Exhibition and Barbie Christmas with various stunning haute masterpieces designed by Guo Pei, China's Top 10 Designer, attracted families with children and the young-at-heart kidults. The rewards and privilege campaigns with strategic partners including CUP, HSBC and ICBC and stimulated excitement and spending.

Times Square will continue to enhance its market position through brand-mix refinement and provide shoppers an exhilarating and rewarding shopping experience.

Office

Times Square enjoyed solid growth in occupancy and rental rates during 2011. Turnover grew by 4% to HK$474 million, with occupancy increasing to close to 99% by year end.

Times Square continues to be the preferred location for multinationals in the service and consumer goods industries. Hong Kong has experienced a sharp wave of decentralisation during 2011, and Times Square attracted renowned tenants including Alibaba, an e-commerce operator, EQ Corporate, an asset management company and Aon Hong Kong, a global insurance brokerage. There were in-house expansions from Balenciaga, G4S, L'Oreal, Neo Derm, etc. Lease renewal retention was 41% with some tenants moving to fringe locations but the vacated space was rapidly taken up by new tenants.

Portfolio Information

	Gross Floor Area (sq ft)	Revenue (HK$ Million)	Average Occupancy (%)	Year-end Valuation (HK$ Million)
Retail	936,000	1,258	100	25,179
Office	1,033,000	474	94	11,821

The New Year's Eve Countdown remains one of the most popular events in Hong Kong

The Peak Portfolio & Hong Kong

1 Plantation Road, The Peak

Properties

The Peak Portfolio & Hong Kong Properties

Business Assets

27,803

HK$ MILLION

Business Assets

As at 31 December

	2011 **HK$ Million**	2010 HK$ Million
Properties	**23,021**	20,142
Interest in associates/jointly controlled entities	**2,752**	2,685
Property inventory and development	**1,987**	916
Other assets	**43**	15
Total business assets	**27,803**	23,758

Average occupancy at No. 1 Plantation Road, Chelsea Court and Mountain Court were 94%, 96% and 98% respectively in 2011. Redevelopment of No. 77 Peak Road, No. 1 Plantation Road and Mountain Court is scheduled to commence in the second half of 2012.

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

Mount Nicholson is being developed through a 50:50 joint venture with Nan Fung Development, with an attributable gross floor area ("GFA") of 162,000 square feet. It will be developed into exclusive luxurious residences with ultimate privacy. Master layout plan and general building plan have been approved. Foundation works is underway.

One Midtown in Tsuen Wan is being developed into a high-rise industrial / loft building, with a GFA of 644,000 square feet. The development was launched for pre-sales in late 2011. Up to mid-March 2012, close to 80% have been pre-sold at an average price of HK$3,700 for proceeds of HK$1.9 billion. The development will be completed in the second half of 2012.

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

Yau Tong Godown was given approval for a residential and commercial development with a GFA of 256,000 square feet. Negotiation of lease modification premium is in progress.

The master layout plan for the Yau Tong joint venture project, in which the Group has a 15% interest, has been submitted to the Town Planning Board for consideration.

The redevelopment of Wharf T&T Square into a high-rise Grade A commercial building of 581,000 square feet of GFA has been approved. Lease modification was executed and premium has been paid. Redevelopment is not expected to commence before 2015.

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

(Left to middle): Mountain Court and Chelsea Court, The Peak (Right): One Midtown, Tsuen Wan

Other Hong Kong Properties Highlights

	Project Nature				Attributable GFA (sq ft)	% owned
	Retail	Office	Residential	Industrial		
Peak Portfolio						
1 Plantation Road#			•		97,000	100
Mountain Court#			•		49,900	100
Chelsea Court			•		43,000	100
77 Peak Road#			•		42,200	100
Strawberry Hill - various units			•		13,000	100
103 Mount Nicholson Road*			•		162,000	50
Plaza Hollywood	•				562,000	100
Wharf T&T Square#		•			581,000	100
Cable TV Tower - various units				•	566,000	100
Kowloon Godown#			•		829,000	100
Star House - various units	•				50,800	71
One Midtown*+				•	644,000	100
Yau Tong Godown#	•		•		256,000	100
Yau Tong JV Project#	•		•		651,400	15

* *under development*
\# *planning for redevelopment*
\+ *formerly known as Cable TV Tower South*

China Properties

Wheelock Square, 1717 Nanjing Xi Road, Shanghai

China Properties

Business Assets

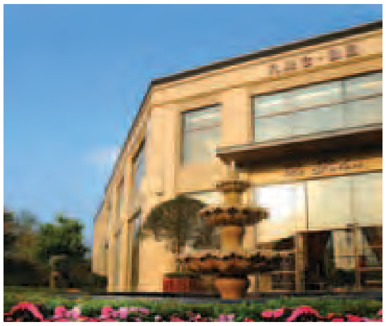
97,211

HK$ MILLION

Business Assets

As at 31 December

	2011 HK$ Million	2010 HK$ Million
Investment properties	**30,638**	18,147
Property inventory and development	**45,524**	28,816
Interest in associates/jointly controlled entities	**19,035**	12,903
Other properties and fixed assets	**874**	606
Other assets	**1,140**	1,794
Total business assets	**97,211**	62,266



Eastern China

6.3 million sq. m.

City	%
Suzhou	15
Wuxi	15
Changzhou	9
Hangzhou	7
Shanghai	5
Ningbo	1
Total	52

Western China

4.2 million sq. m.

City	%
Chengdu	21
Chongqing	13
Total	34

Other regions

1.7 million sq. m.

City	%
Changsha	6
Foshan	3
Tianjin	2
Others*	3
Total	14

* Others included Dalian, Guangzhou and Wuhan

GFA

Project Nature	%
Residential	72
Office	18
Retail	7
Hotel	3
Total	100

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

The China land bank stood at 12.2 million square metres at the end of 2011, spanning across 14 cities.

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

Property completion accelerated in 2011 with 546,000 square metres completed and recognised, compared with 270,000 square metres in 2010. Completion from subsidiary projects generated a turnover of HK$6,343 million, 76% higher than 2010. Operating profit grew by 84% to HK$2,274 million. Profit recognised during the year included significant contributions from Tian Fu Times Square and Crystal Park in Chengdu, Suzhou Ambassador Villa and Changzhou Times Palace.

China property sales continued to gain pace with nine new projects launched for pre-sales in the cities of Chengdu, Chongqing, Suzhou, Tianjin and Wuxi during 2011. Together with projects previously launched, the Group has 23 projects on sale across 11 cities in the marketplace.

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

The Group continues to develop its investment property portfolio in China for long-term recurrent incomes. Higher contribution from Shanghai Wheelock Square and the re-opening of Chongqing Times Square increased turnover of the China property investment segment by 69% to HK$796 million. Operating profit grew by 121% to HK$493 million. The completed investment properties were valued at HK$14.5 billion at the end of 2011.

The pipeline of five International Finance Centre (IFC) projects, with an attributable GFA of 2.1 million square metres, is progressing on plan, with the first phase of Chengdu IFC scheduled for completion in the second half of 2013. Upon the completion of the IFCs by 2016, the China recurrent rental base will multiply.

The Group continues the development of a sustainable organisation in the Mainland with local execution expertise and intelligence network for swift reaction to changes in the marketplace.

Total land bank: 12.2 million square metres.

China Properties

Property Development - Eastern China

Times Palace, Changzhou

Sales

Presales of Suzhou Times City commenced in May 2011. In total, 82,700 square metres were sold by year end at an average price of RMB13,400 per square metre for proceeds of RMB1.1 billion.

Wuxi Xiyuan was launched in July and generated proceeds of RMB233 million during the period. Suzhou Kingsville was launched in September, with units sold at an average price of RMB23,500 per square metre for total attributable proceeds of RMB129 million.

For projects previously launched, Shanghai Xiyuan sold a further 24,600 square metres at an average price of RMB51,300 per square metre for proceeds of RMB1.3 billion. Changzhou Times Palace sold 108,000 square metres at an average selling price of RMB24,400 per square metre for the villas and RMB7,800 per square metre for the towers, for proceeds of RMB886 million.

Ambassador Villa in Suzhou sold 38 additional villas at an average selling price of RMB53,900 per square metre to generate proceeds of RMB810 million. Wuxi Times City sold over 730 additional units to generate proceeds of RMB760 million.

Other projects on sale included Glory of Time in Wuxi, Golf Landmark in Hangzhou and No. 1 Xin Hua Road in Shanghai.

Suzhou Ambassador Villa

Acquisitions

The Group acquired two residential sites in Hangzhou in early 2011. The first site is in Fuyang District with attractive river and mountain views, with a GFA of 129,000 square metres. The second site is in Yuhang district in the new Qianjiang Development Area near the touristy Chaoshan Scenic District, with a developable GFA of 220,000 square metres. Design planning is ongoing.

In Suzhou, the Group acquired two prime sites for development into a high-end residential project next to Yin Shan Lake in Wuzhong District, a focal development area designated by the city government. The development offers a GFA of 385,000 square metres and will be near a future metro station. Design planning is underway.

Development Progress

The first phase of Changzhou Times Palace was completed in the second half of 2011. The State Guest House, a five-star hotel and serviced apartments will be completed in 2013. The whole project is scheduled for completion in 2014.

The first phase of Ambassador Villa in Suzhou, and certain phases of Glory of Time in Wuxi were completed during the year.

Superstructure work for Shanghai Xiyuan, which comprises 11 medium rise towers (510 fitted out units) and a luxurious club house is underway with full completion in 2012. Construction progress of other developments in Eastern China is as planned.

China Properties

Property Development - Western China

The Orion, Chengdu

Sales

In Chongqing, the U World was launched in April and, on an attributable basis, 49,000 square metres were sold during the year at an average price of over RMB20,000 per square metre for proceeds of RMB977 million. The Throne was launched in December and met with good demand. International Community sold further units during the year and generated attributable proceeds of RMB772 million.

In Chengdu, The Orion and Le Palais were launched during 2011 and met with favourable response. Tian Fu Times Square and Crystal Park sold further units for proceeds of RMB1.4 billion and RMB709 million respectively.

Development Progress

The final three residential towers and one office tower of Tian Fu Times Square were completed during 2011. The remaining office tower is scheduled for completion in 2013.

Ten residential towers of Crystal Park were completed during 2011. Another four residential towers are scheduled for completion in 2012.

Other projects in Chengdu are progressing as planned.

In Chongqing, another phase of International Community was completed during 2011. Construction of The U World and The Throne has commenced. These projects are developed through joint ventures with China Overseas Land & Investment ("COLI"), with the Group's shareholding ranging between 40% and 55%.

Property Development - Other Regions

Moon Lake (Site B), Wuhan

Sales

Presales of Peaceland Cove in Tianjin commenced in February. On an attributable basis, 60,000 square metres were sold during 2011 at an average price of RMB13,500 per square metre for proceeds of RMB805 million. The Magnificent in Tianjin was launched in May. On an attributable basis, 38,000 square metres were sold at an average price of RMB15,100 per square metre for proceeds of RMB575 million. In Foshan, Evian Town and Evian Uptown sold further units and generated proceeds of RMB1.1 billion and RMB358 million respectively on an attributable basis.

Acquisitions

In June, the Group acquired the 50% share in the joint ventures of four residential projects in Foshan from Wheelock and Company Limited for HK$3.4 billion, based on a property valuation of HK$5.1 billion. These projects are developed through 50:50 joint ventures with CMP.

In November, the Group acquired a residential development in Guangzhou through a 33%-owned joint venture with China Vanke Co. Ltd and CMP. The project, located in the Guangzhou Development District, is developable into an attributable GFA of 90,500 square metres of high-end residences. Construction will commence in the second quarter of 2012.

In early 2012, the Group acquired two prime sites for a residential development in Chaoyang District, Beijing, with close proximity to a future subway station and the surrounding recreational facilities. Located at the intersection of North Fifth Ring Road and Guangshun Bei Da Jie, it is within easy reach of the Beijing CBD and international airport. The development is through a 50:50 joint venture with CMP, with an attributable GFA of 91,000 square metres to the Group.

Development Progress

More phases of Evian Town and Evian Uptown in Foshan were completed in the second half of 2011. Construction of the initial phases of Shishan Town project and Evian Riviera have commenced. These projects are developed through 50:50 joint ventures with CMP. Other developments are progressing as planned.

China Properties

Property Investment

Clockwise from top left: Dalian Times Square, Shanghai Times Square, Shanghai Wheelock Square

Chongqing Times Square

Shanghai Wheelock Square is a landmark office development overlooking Jingan Park in the heart of the Puxi CBD in Shanghai. Completed in 2010, it is the tallest building in Puxi at 270-metre with a GFA of 114,000 square metres. With its distinctive design, world-class management and facilities, Wheelock Square was awarded bronze medal in the category of "Best Business Centres" in the internationally acclaimed MIPIM Asia Awards in 2011.

Over 80% of the office space at Wheelock Square was committed by the end of 2011, with strong interest from multinationals and major corporations. Average spot rent achieved in 2011 was close to RMB360 per square metre, with the highest headline rent at RMB480 per square metre. This is among the highest office rental rates in Shanghai. Celebrated tenants at Wheelock Square include AECOM, La Prairie, Reed Smith, Rio Tinto, Takeda and Tod's.

Chongqing Times Square completed its premises improvement and re-opened in July. The renewed shopping mall, with world-class facilities and services, has attracted Louis Vuitton to open its debut flagship and the only store in Chongqing. Other international brands that joined include Burberry, Cartier, Chaumet, Dunhill, Emporio Armani, Ermenegildo Zegna, Giorgio Armani, Salvatore Ferragamo, and Tod's. At the end of 2011, 93% of the retail space was committed. Foot traffic and retail sales have continued to increase since the re-opening.

Dalian Times Square continued to post remarkable performance with a 28% growth in retail sales in 2011. Occupancy stood at 99% at year end. Renowned international brands, Chanel and De Beers, have been recruited to open their debut stores in the North-east Provinces to strength the luxurious offering of the retail mall. Shanghai Times Square continued to perform satisfactorily in 2011. To enhance its competitiveness, the retail podium will undergo substantial premises improvement scheduled to commence in mid-2012.

China Properties

Property Investment - International Finance Centres

The Group is developing a series of five IFCs in China, which are comparable in scale to Harbour City and Times Square. Upon their completions between 2013 and 2016, the recurrent rental income base in China will multiply and become another important cashflow source for the Group.

Retail pre-leasing at Chengdu IFC has progressed exceptionally well, with over 30% of the areas already committed, and another 30% under final negotiation. Rental rates contracted were above budget. The strong demand reflects the desired location of Chengdu IFC and the trust of retailers on the development and retail management expertise of Wharf. The Hong Xing Road frontage will be modelled as a "Canton Road Phenomenon", similar to that of Harbour City in Hong Kong. The retail mall and one office tower are scheduled for completion in the second half of 2013. Full completion of the development is in 2014.

Chongqing IFC, located in the heart of Jiangbei City, the new CBD of Chongqing, is a 50:50 joint venture development with COLI, with an attributable GFA of 223,000 square metres to the Group. The development comprises an iconic 300-metre tower and four other towers atop a retail podium, offering up-market retail, Grade A offices and a 5-star hotel. Construction work is underway with full completion in late 2015.

Wuxi IFC is located in Taihu Plaza in Nanchang District, Wuxi's new CBD. It comprises a 340-metre tower, the tallest in Wuxi, and two other towers, offering Grade A offices and a five-star hotel, with total GFA of 280,000 square metres. Superstructure work is underway with completion of the first phase in late 2014.

Suzhou IFC is a 450-metre skyscraper landmark development, the tallest in Suzhou, overlooking Jinji Lake and the city skyline. It is an 80:20 joint venture development by the Group and Genway Housing Development, and comprises Grade A offices, a 5-star hotel and luxury apartments, with an attributable GFA of 351,000 square metres. Construction work is underway with full completion scheduled in 2016.

Changsha IFC will comprise an iconic 452-metre tower, the tallest landmark in Hunan, and another tower in excess of 300 metres in height atop a retail podium, offering upscale retail, Grade A offices and a 5-star international hotel with a total GFA of 725,000 square metres. It is ideally located in the prime area of Furong District and the mega sized retail podium of 240,000 square metres, larger than that of Harbour City retail in Hong Kong, will be among the largest in Changsha to capture the growing consumption demand in the region. Construction work is underway with full completion in 2016.

Changsha IFC (452 metres) - upscale retail,
Grade A offices and a five-star international hotel

Suzhou IFC (450 metres) - Grade A offices,
a five-star hotel and luxury apartments

China Properties

Property Investment - International Finance Centres (Cont'd)

Wuxi IFC (339 metres) - Grade A offices and a five-star hotel

Chongqing IFC (304 metres) – up market retail, Grade A offices and a five-star hotel

Chengdu IFC (247.6 metres) – upscale retail, Grade A offices and luxury apartments

China Properties

China Property List

	Project Nature						Status			
	Retail	Office	Residential	Hotel	Attributable GFA (sq m)		Completed	Under Construction	Under Planning	Effective % Owned
Eastern China - Changzhou										
Changzhou Times Palace			•	•	779,000*			•		71
Changzhou Feng Huang Hu Project			•		305,000				•	100
Eastern China - Hangzhou										
Hangzhou Hangyimian Lot C/D			•		225,000				•	100
Hangzhou Qianjiang Economic Development Area (previously named Hangzhou Yuhang District)			•		220,000				•	100
Golf Landmark	•		•		186,000*	(50%)**		•		50
Hangzhou Fuyang District	•		•		129,000				•	100
Hangzhou Wenhui Road Project			•		82,000				•	100
Eastern China - Ningbo										
Ningbo Eastern New Town Shuixianglinli Project			•		49,000	(50%)**			•	50
Ningbo Baoqingsi Project			•		39,000	(50%)**			•	50
Eastern China - Shanghai										
Shanghai Pudong Huangpujiang Project			•		136,000				•	100
Wheelock Square	•	•			114,000		•			98
Shanghai Xi Yuan			•		100,000*			•		71
Shanghai Times Square	•	•	•		90,000		•			100
Shanghai Songjiang Xianhe Road Project			•		82,000				•	100
Jingan Garden			•		71,000				•	55
No.1 Xin Hua Road			•		9,000		•			85
Eastern China - Suzhou										
Suzhou Industrial Park										
Suzhou IFC		•	•	•	351,000			•		57
Suzhou Times City (previously named Xiandai Da Dao			•		907,000*			•		57
Suzhou Yin Shan Lake			•		385,000				•	100
Suzhou Ambassador Villa			•		161,000*			•		100
Suzhou Kingsville (previously named Suzhou Industrial Park, Wei Ting Project)			•		84,000*	(50%)**		•		50
Eastern China - Wuxi										
Wuxi Taihu Plaza Project										
Wuxi IFC		•		•	280,000			•		100
Wuxi Times City			•		714,000*			•		100
Wuxi Glory of Time		•	•		218,000*			•		100
Wuxi Xiyuan (previously named Wuxi Old Canel Lot 71)			•		237,000*			•		100
Wuxi Old Canal Lot 73			•		367,000				•	100

	Project Nature				Attributable GFA (sq m)	Status			Effective % Owned
	Retail	Office	Residential	Hotel		Completed	Under Construction	Under Planning	
Western China - Chengdu									
Shuangliu Development Zone									
Times Outlets	●				63,000	●			100
Shuangliu Development Zone	●	●	●		848,000			●	100
Chengdu IFC	●	●	●	●	536,000		●		100
Chengdu Shahe Project	●	●	●	●	387,000 (30%)**			●	30
Le Palais	●		●		318,000*		●		100
Tian Fu Times Square	●	●	●		184,000*		●		100
Crystal Park	●	●	●		182,000*		●		100
The Orion			●		59,000*		●		100
Western China - Chongqing									
International Community	●		●		627,000* (40%)**		●		40
The Throne (previously named Jiangbei City Project, Zone C)			●		442,000* (50%)**		●		50
The U World (previously named Jiangbei City Project, Zone B)			●		234,000* (55%)**		●		39
Chongqing IFC	●	●		●	223,000 (50%)**		●		50
Chongqing Times Square	●	●			55,000	●			100
Other Regions									
Changsha IFC	●	●		●	725,000		●		100
Dalian Times Square	●		●		32,000	●			100
Foshan Nanhai District Shishan County Project	●		●		154,000 (50%)**		●		50
Evian Riviera (previously named Foshan Nanhai District Guicheng A18 and A21 Project)	●		●		111,000 (50%)**		●		50
Evian Uptown	●		●		99,000* (50%)**		●		50
Evian Town	●		●		98,000* (50%)**		●		50
Guangzhou Development Zone KXCD-D1-2 Project	●		●		90,500 (33%)**			●	33
Peaceland Cove, Tianjin			●		241,000* (50%)**		●		50
The Magnificent (previously named Tianjin Jin Jiang Lu Project)	●		●		60,000* (50%)**		●		50
Wuhan Moon Lake Site B			●		127,000			●	100
Wuhan Times Square, Tower 2	●			●	38,000	●			100
Wuhan Times Square, Tower 1, 3, 4, 8 & 9			●		1,700	●			100

For details of completion date of above properties, please refer to Schedule of Principal Properties on pages 198 to 209

* Partly pre-sold

** Being attributable percentage held through jointly controlled entities/associates and the respective GFA are shown on an attributable basis

Marco Polo Hotels

Marco Polo Jinjiang

Marco Polo Hotels

Marco Polo operates 13 owned or managed hotels in the Asia Pacific region. The Panwa Beach Resort in Phuket, Thailand was added in 2011. Marco Polo Lingnan Tiandi in Foshan and Marco Polo Suzhou were added in 2012.

A pipeline of nine new hotels are being rolled out in the Mainland cities of Changsha, Changzhou, Chengdu, Chongqing, Guiyang, Suzhou, Tianjin and Wuxi as well as Manila by 2016 to significantly expand Marco Polo's network. This is a HK$7.5 billion 5-year investment programme by the Group to expand its hotel presence in the Mainland and Asia Pacific, and diversify business with the introduction of Marco Polo Residences in Cebu, Foshan and Changzhou.

Strong business travel and inbound tourism increased the revenue from the Marco Polo hotels and club by 10% to HK$1,277 million in 2011. Operating profit increased by 13% to HK$374 million.

All Marco Polo hotels performed strongly during 2011, with each hotel achieving top tier Revpar (revenue per available room) position in their respective competitive sets.

Consolidated occupancy of the three Marco Polo hotels in Hong Kong reached 85%, with a 20% increase in average room rates. The room renovation at the Marco Polo Hongkong Hotel was completed during the year, while Prince and Gateway hotels will complete their renovation in 2012 and 2013 respectively.

In March 2011 Marco Polo Hotels was awarded "Best International Hotel Management Group of China" by China Hotel Starlight Awards, in recognition of its commitment and quality of hotel services in China.

Marco Polo Wuhan continued to achieve dominant market position and was awarded "China's most competitive Business Hotel 2011" by the prestigious Golden Pillow Awards 2011.

The Marco Polo Xiamen was named "The Best Business Hotel in Xiamen" in 2011 by Business Traveller China Magazine for the seventh consecutive year, as well as the "Best Service Business Hotel in South China 2011" by Golden Pillow Awards, while Marco Polo Parkside in Beijing was named the "Best Green Business Hotel for North China 2011".

Marco Polo Jinjiang was awarded the "Five Star" hotel rating by the Chinese National Tourism Bureau in October in recognition of the hotel's overall excellence in services.

Various marketing initiatives were conducted throughout the year to enhance the hotel business collectively and individually. The new "Discovery Loyalty" membership programme helped grow membership revenue by 116% in 2011, while corporate business grew by 26% as a result of focused marketing targeting multi-national corporations.

Clockwise from left: Marco Polo Jinjiang; Marco Polo Hotels was awarded "Best International Hotel Management Group of China" by China Hotel Starlight Awards; (bottom right) Marco Polo Hongkong Hotel

Marco Polo Hotels' Network (existing)

Hong Kong	Marco Polo Hongkong Hotel
	Gateway, Hong Kong
	Prince, Hong Kong
China	Marco Polo Parkside, Beijing
	Marco Polo Lingnan Tiandi, Foshan
	Marco Polo JinJiang
	Marco Polo Shenzhen
	Marco Polo Suzhou
	Marco Polo Xiamen
	Marco Polo Wuhan
The Philippines	Marco Polo Davao
	Marco Polo Plaza, Cebu
Thailand	The Panwa Beach Resort, Phuket

Modern Terminals


17
HAMBURG SÜD
CAPITAL
CGM

Modern Terminals

Business Assets

18,966

HK$ MILLION

Business Assets

As at 31 December

	2011 **HK$ Million**	2010 HK$ Million
Fixed assets	**14,061**	13,770
Interest in associates/jointly controlled entities	**4,168**	4,050
Goodwill	**297**	297
Other assets	**440**	385
Total business assets	**18,966**	18,503

The continued softness in the United States and European economies has affected global trade flow. The more buoyant Asian trade movements started to show signs of slowdown in late 2011 on worries of another global financial crisis.

Container throughput in South China grew modestly by 2.5% in 2011. Hong Kong's throughput grew by 2% while major Shenzhen terminals' decreased marginally by 0.3%. Nansha posted a strong growth of 38% from a much smaller base, as Maersk moved some cargoes from Hong Kong and Shenzhen to Nansha. Market shares of Shenzhen, Kwai Tsing and Nansha were 51%, 42% and 7% respectively for 2011.

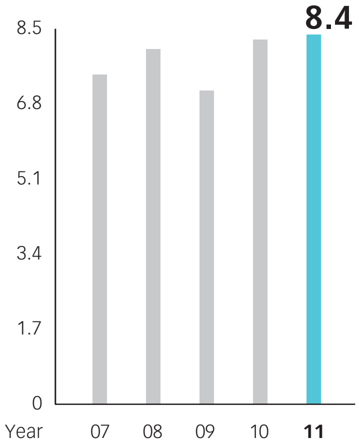
Modern Terminals' consolidated revenue increased by 5% to HK$3,416 million, but operating profit dropped by 10% to HK$1,546 million due to one-off gains in 2010 and higher operating costs. Throughput in Hong Kong dropped marginally to 5.3 million TEUs.

In the Mainland, throughput at Taicang International Gateway in Suzhou grew by 12% to 1.5 million TEUs, while Da Chan Bay Terminal One in Shenzhen increased by 5% to 707,000 TEUs. Throughput at Shekou Container Terminals in Shenzhen, in which Modern Terminals holds a 20% stake, increased by 2% to 4.1 million TEUs, while Chiwan Container Terminal, in which Modern Terminals holds an 8% attributable stake, handled 3.9 million TEUs for a 2% growth.

The established foothold in the Pearl River Delta and Yangtze River Delta, the two largest manufacturing regions in China, places Modern Terminals in excellent position to benefit from China's robust economy and drive towards increasing consumption.

Throughput (attributable total)

(Million TEUS)



Top: Modern Terminals in Hong Kong Bottom: Da Chan Bay Terminal One in Shenzhen

Other Businesses

(Left): i-CABLE renewed exclusive rights to the UEFA Champions League and Europa League 2015;
(Right): Wharf T&T Square, Kowloon Bay

The Group’s other businesses include i-CABLE, Wharf T&T, The “Star” Ferry and Hong Kong Air Cargo Terminals ("Hactl").

i-CABLE

i-CABLE’s efforts to sustain competitiveness and growth in the very challenging operating environment bore fruit in 2011. Operating margin, however, continued to come under pressure in the face of intense competition and rising costs.

Turnover increased by 5% to HK$2,110 million while the net loss improved to HK$179 million from HK$267 million a year earlier. The financial position remained solid with net cash of HK$338 million.

Pay TV subscribers grew steadily in 2011. Coupled with record-high advertising revenue, turnover for Pay TV increased by 12% to HK$1,749 million. Effective marketing and promotional campaigns were commissioned to leverage on the prized content and strong HD services, including Barclays English Premier League matches in 3D and a value-added service allowing customers to view live-streaming channels on mobile devices. i-CABLE also continued with broadband service and network upgrades to reduce customer attrition and protect revenue.

Wharf T&T

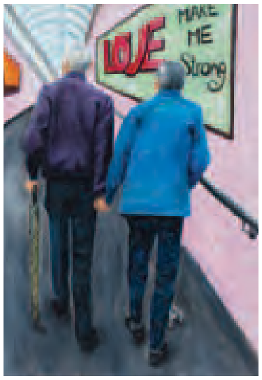
Wharf T&T reported record turnover and profit in 2011. It also achieved another key milestone in its +EN ambitions to bring ’Fibre-To-The-Desk’ to 95% of the business customers in the territory by 2013. Revenue rose by 4% to HK$1,753 million and operating profit by 14% to HK$230 million. Stable net cash inflow was maintained as planned despite aggressive investments in network and IT infrastructure.

The “Star” Ferry

The Star Ferry operates two inner harbour ferry services, namely Tsim Sha Tsui – Central and Tsim Sha Tsui – Wanchai. In a bid to improve its non-fare box revenue, The Star Ferry has been working on the Tsim Sha Tsui pier top redevelopment project with a view to convert the roof top of the piers into F&B outlets and public space to complement the future open piazza by the government.

Hactl

Hactl, a 20.8% associate of the Group, posted a 6% drop in throughput in 2011 as a result of weak demand from the European and US markets, supply chain disruption triggered by Japan’s disaster, labour shortage in Pearl River Delta and the inward migration of manufacturers in China. Nevertheless, 2011 still marked its second best year in throughput volume with 2.7 million tonnes.


LOVE
MAKE
ME
Strong


2012
福

Corporate Social Responsibility

Social & Workplace | The Environment | Corporate Governance

Introduction

"Building for Tomorrow" over 125 years has culminated in a record financial performance and value creation for shareholders. Over the years, Wharf has grown in tandem with the rapid development of Hong Kong and become one of the leading companies with a diversified business portfolio ranging from property development, logistics, hotels, communications, media and entertainment to public transportation. We are proud of our past achievements, but we are all the more committed to giving-back to Hong Kong, the community in which we conduct our business and our people live.

Any CSR vision would not have been meaningful without engaging stakeholders. Backed by our senior management, we make every effort to ensure our CSR initiatives are implemented effectively with active involvement of our staff, business associates and the supply chain along with a set of comprehensive policies and practices.

We believe in the fundamental value and dignity of individuals. As a member of the society, we continue to work with various organisations and partners as well as engaging our employees to support the vulnerable and improve people's quality of life. As a responsible employer, we strive to create an inclusive and encouraging work environment, in which every staff member can receive an equal opportunity for pursuing their career development. As a business organisation, we are committed to serving our customers beyond their expectations and leading a sustainable growth of our society. We endeavour to perform our various roles effectively for the best interest of our society, not only through a set of proven business practices but also a spirit of care and love for others.

Our Key Stakeholders:

- Employees
- Customers
- Business partners
- Suppliers
- General public
- Investors

In 2011, Wharf was selected a constituent member of Hang Seng Corporate Sustainability Benchmark Index with an "A" rating, which endorses the Group's sound performance and reporting in corporate social responsibility and sustainability.

> *"We are committed to fostering a harmonious society and an inclusive environment for every individual to pursue their goals and a better life."*

CORPORATE SOCIAL RESPONSIBILITY

Social & Workplace

Guided by our mission of Building for Tomorrow, we are keen to walk the talk by serving the society in the best possible way. The Group strives to fulfill its corporate social responsibility surrounding **Social and Workplace, Environment** and **Corporate Governance**.

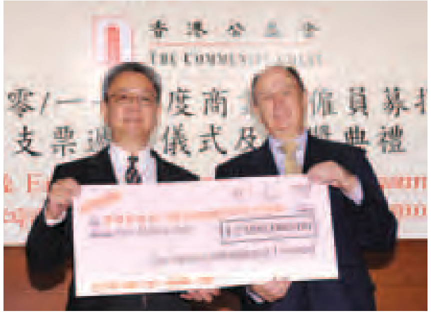
In 2011, the Group stepped up much efforts in CSR under the banner of "Business in Community" ("BIC") with clear objectives of balancing the corporate, social and economic responsibilities, instigating fundamental dignity and value of people, and building a better Hong Kong. The Group works closely with different constituencies and stakeholders and introduced a number of initiatives benefiting different segments of the public. Besides a host of ongoing community programmes, the Group has injected new funds and spearheaded a number of BIC initiatives.

A Caring Company

The Group together with its business units have been supporting numerous charitable and community programmes in good and challenging times over the years. During the year, we supported more than 300 programmes through cash or in-kind donations, venue sponsorships, advertising spaces and staff participation. Among others, the Group has been supporting The Community Chest, one of the leading NGOs in Hong Kong, for more than a decade. In 2012, Wharf has again pledged a donation to the *Corporate and Employee Contribution Programme* to support The Chest's work in local social welfare.

We are particularly proud of The "Star" Ferry which was the first and only public transport operator in Hong Kong to offer complimentary rides to holders of a valid senior citizen card in addition to providing concessionary fare to the physically-challenged.

To foster a harmonious society and promote a helping spirit, Times Square has sponsored the production and broadcast of a community care and education series called *Making-a-Difference*, on CABLE TV's news channel since last September (http://cablenews.i-cable.com/webapps/program/wish/wish.php). The segment features meaningful causes and stories undertaken by members of the public yet making a difference to the needy in the society.



商界展關懷
caringcompany 2010-12
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

5 years+
商界展關懷
caringcompany
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

Social & Workplace

Our Focus

Social

- Foster youth development
- Support the vulnerable
- Encourage volunteering
- Promote art and culture

Workplace

- Staff development
- Occupational safety and health
- Staff communications
- Work-life balance

Youth Development

Our flagship project - Project *WeCan* – was launched with a funding of HK$150 million in six years by the Group in May 2011. It is a pioneer, 360° school improvement programme whereby 10 secondary schools were selected to receive support benefiting more than 10,000 students in Hong Kong who are with few opportunities but great potential. The project is well-supported with expertise from the Quality School Improvement Project ("QSIP") of The Chinese University of Hong Kong as commissioned by Wharf as the programme planner providing a host of leading educational services to participating schools, teachers and students.

Besides financial support, staff volunteering is an important part of the programme. Wharf's 10 participating business units and fellow businesses have each connected with one school for the entire six-year period. Respective business units will provide support for the schools as needed, assist in a wide spectrum of activities ranging from teaching, academic learning, extra-curricular development, conduct and behaviour, life-goal planning, to learning environment and support, care and counseling as well as parent-teacher collaboration. Staff also paid visits to the schools and actively participated in school activities to build rapport with the schools and students. To ensure the project is on the right track, participating business units have formed their own core teams and communicated with their respective schools and QSIP on a regular basis.

Types of activities held	
Company visits and career talks	• Career talks by Modern Terminals, Wharf T&T, HACTL, Harbour City (Operation Centre), Marco Polo Hotel, i-CABLE news centre
Educational	• English conversation / reading club • The "Star" Ferry Civic Educational Tour • "One-hour Classics for Schools" by Hong Kong Sinfonietta
Liberal studies and other	• Table manner class by Marco Polo Hotels & Pacific Club • i-CABLE news reporting talk • 'Stars' talk by various experts • Times Square Christmas Lighting and party • Hiking • Student-Corporate Run
Serve together	• Charity walks • Ocean Park Fun Day with Hong Kong Christian Service Small Group Home by Wharf T&T

> *"In the first six months, over 30 activities and events of different varieties that tailored to students' needs were organized, with over 2,300 students counts participated."*

Participating Schools (in alphabetical order)

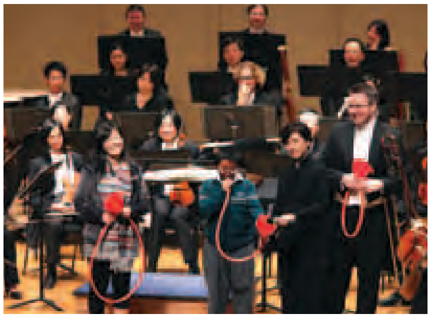
- Buddhist Ho Nam Kam College
- CCC Kei Heep Secondary School
- Chiu Chow Association Secondary School
- Cotton Spinners Association Secondary School
- Fung Kai No 1 Secondary School
- Lok Sin Tong Yu Kan Hing Secondary School
- Nam Wah Catholic Secondary School
- Ng Yuk Secondary School
- Po Chiu Catholic Secondary School
- Yan Oi Tong Chan Wong Suk Fong Memorial Secondary School

More initiatives such as mentoring scheme, English learning summer camp, art classes, job shadowing scheme as well as volunteering services in Gansu and Lijiang in China are in the pipeline.

With the framework established and the project up and running, Wharf welcomes other members of the society to join force by sponsoring more schools and enable more students to benefit. Efforts in promoting the project paid off with a long established high-end jewelry and watch retailer agreeing to join Project *WeCan* by taking up an additional school, making the total number of beneficiary schools to 11.

Young people are our future. Apart from Project *WeCan*, the **Wharf Architectural Design Internship Programme** was established through The Wharf ArchDesign Resource Trust in 2011. It aims at fostering excellence in architecture and grooming future star architects by providing students with placement opportunities in international design practices that are at the cutting edge of architectural design. Two talented architecture post-graduates of CUHK were selected to undertake a 12-month internship in two internationally-renowned architectural firms in Switzerland and an award presentation ceremony was held shortly before they embarked on their journey in early 2012.

The Group believes in life-long learning and the importance of self-learning. To provide more opportunities for people of different backgrounds and ages, the Group has supported a wide range of education-related projects during the year. Major projects included supporting the **Hong Kong Management Association's 2011 scholarship scheme** for their professional diplomas/bachelor degrees which encourage working adults to pursue further studies; offering internship spaces to students of **CCC Kung Lee College** in Marco Polo Hotels to gain real life working experience in hospitality field; Harbour City and Pacific Club supported the **Child Welfare Scheme's** Project Share by providing internship opportunities for students from less privileged families.



Social & Workplace

"In this trip, I have realised how much this bridge means to the local villagers. This trip also enlightened me on what I should do more in future. I would also ask every one to take a step further - do what you can to show your care to those in need."

— Lei Zhao, *Project Management Division - Chengdu Office, a volunteer in the Wu Zhi Qiao project*

"It is honourable for me to receive this award. I like volunteering especially I could do it on behalf of the company. It not only brings about new knowledge, but also widens my horizon and social circle, a meaningful deed!"

— Anna Hui, *outstanding volunteer, Wharf T&T*

"I rarely participated in volunteer work in the past until the company opens the door for me, the award was the last thing I thought about as I engaged in volunteer work. I feel rewarding by knowing that my little contributions actually help."

— Monica Tang, *outstanding volunteer, Wharf T&T*

The Group also sponsored the **Future Star** Beijing Study Tour organised by Wen Wei Po and Communications University of China whereby 100 undergraduates from the discipline of Communications in Hong Kong attended an eight-day tour to gain a deeper and wider understanding about the Mainland.

The Group supports the vulnerable in many ways. As part of the celebration for the Group's 125th anniversary, we took the opportunity to partner with others to bring joy to a wider group of audience in the community to express its heartfelt care for the society. In November, the Group joined hands with St. James' Settlement's "Grant-in-aid" Brightens Children's Lives Charity Project and invited 125 children of humble backgrounds to an exclusive and tailor-made Christmas party at Harbour City with a spectacular German band show and delicacies, aiming at bringing an unprecedented and memorable Christmas to the children.

The Group's associate Wheelock Properties HK co-organised with Hong Chi Association a Christmas e-card design competition providing great opportunities for people with mental challenges to release their potential and demonstrate their talent.

Plaza Hollywood supported Changing Young Lives Foundation ("CYLF") by funding the establishment of a computer training centre with facilities as well as acquiring musical instruments such that related classes can be provided for children who were not able to afford it elsewhere. This initiative received tremendous response with number of beneficiaries soaring from 125 to 299 by the year end. Additional classes on different subjects ranging from online learning, video and photo editing, magic and drama to violin and sound mixing and heritage learning were provided. Both participating students and their parents affirmed that the new classes were useful for improving participants' self-esteem, satisfaction and confidence. Staff participation adds great value to the programme. On a monthly basis, staff volunteering through serving as an instructor for a website building class, accompanying children for a heritage tour and co-organising CYLF Graduation Show 2011 were arranged. Volunteers and programme instructors witnessed a major change and uplift in learning effect of the classes.

The Group's CSR efforts have been extended to the Mainland China. In August 2011, the Group sponsored the Wu Zhi Qiao (Bridge to China) Charitable Foundation for building a centenary bridge at Sanchuanzhen in Lijiang, Yunnan. In addition to financial support, four colleagues from Wharf volunteered to help build the bridge together with the students from The University of Hong Kong and Tsinghua University in Beijing who spearheaded the design and planning. Not only did the project provide great aid to local villagers, but it also enabled interaction and cultural exchange and greater understanding of China among students in Hong Kong.

Staff Volunteering

Community service through volunteering is a critical component of CSR at Wharf. We encourage employees from all levels and members of the community to support organisations and initiatives that cultivate meaningful opportunities for civic engagement and serve together.

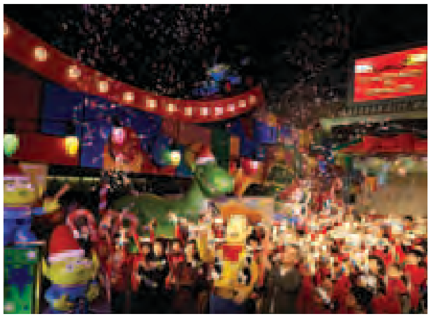
Whether it is mentoring students, visiting the elderly, a day out with the vulnerable, cleaning up the environment or making personal financial contributions, each year thousands of Wharf employees are inspired to serve the community.

The Group and its business units have established their own volunteer teams involving more than 700 staff members from all levels and this number continues to grow. Apart from intensive engagement in Project *WeCan*, in 2011, our volunteers collectively spent more than 4,000 hours to support 28 community programmes partnering with dozens of community organisations.

Other programmes included but were not limited to supporting The Salvation Army to repaint 24 homes for the elderly who live alone; donating moon cakes and other festive food to the needy; accompanying the less privileged children from Tung Wah Group of Hospitals Tuen Mun Integrated Services Centre to Ocean Park; as well as partnering with The Hong Kong Federation of Youth Groups to visit the elderly with primary school students. In the latter event in particular, volunteers' involvement started in the early preparation such as ordering of gifts, packing and personal delivery to the elderly. The senior citizens were most impressed with the effort while our staff volunteers considered it the best ever cause which not only served the people in need but also being able to 'serve together' with the young people to further emulate the effect.

Voluntary work benefits not only those who served but also the volunteers as they learn new skills and are inspired. To promote staff volunteering and a caring culture among staff, our shopping malls, Wharf T&T and Modern Terminals hosted annual recognition programmes for their volunteers who had made exceptional devotion to community outreach during the year. Workshops on volunteering and mentoring were organised. We make sure that our volunteers were well prepared for their tasks. For examples, training on how to engage with the intellectual challenged persons and oil painting skills were conducted by NGOs and our personnel to enable volunteers to better serve the needy.

Modern Terminals' volunteers were recognised with an Outstanding Volunteer Team Award for their dedicated support for the Pass-it-on Campaign 2011 Charity Sales organised by Hong Kong Red Cross.



"I am glad to see artistic talent of our next generation and hope that they will continue to make the best out of every opportunity available to upgrade themselves through different channels of learning, discover their own interest and exert their full potential."

— The Hon. Stephen Lam, GBS, JP, Chief Secretary for Administration

Art & Culture

Art and culture form a vital part of a quality life. The Group strives to promote people's interest in and appreciation for art and culture by bringing masterpieces of international standards to Hong Kong and nurturing opportunities for young talents.

In October, the Group launched The Wharf Hong Kong Secondary Schools Art Competition for Form One to Form Seven full-time students in Hong Kong, with an aim to promote art and creativity among young people. The response was overwhelming with more than 1,800 entries from 250 schools across 18 districts in Hong Kong. Among these high quality entries of diversified themes and sophisticated expression skills, 23 winners were selected after a stringent judging process by the panel comprising renowned art and design veterans. The competition was concluded with an award presentation ceremony officiated by The Hon. Stephen Sui-lung Lam, GBS, JP, Chief Secretary for Administration and other VIPs. Besides cash prizes and book vouchers, winners were awarded to join a Taipei art and culture exchange tour while their works were in the public showcase through a roving exhibition held in all our shopping malls in Hong Kong for a month.

Located at the heart of the city with the unmatched high foot traffic, the Group's landmarks Harbour City and Times Square play a leading role in bringing and enabling first-class art exhibitions and events to Hong Kong for appreciation by a wider audience.

Harbour City is among the first mall in Hong Kong to incorporate art elements into their mall events, making art appreciation a part of people's daily lives. It has devoted a 1,000-square-foot prime retail space on Level Two of Ocean Centre for a unique art gallery. Commanding an unrivalled view of the Victoria Harbour, *Gallery by the Harbour* is an admission-free gallery showcasing a wide variety of world-renowned artists' collections.

Times Square collaborates with local and internationally-acclaimed artists to bring inspiring art exhibitions and events to the people of Hong Kong. Highlighted programmes in the year included Korean Contemporary Art Exhibition, Qiu Zhijie Art Exhibition and Times Square Lomography Exhibition.

About 30 art exhibitions in the form of paintings, sculptures, glass art, installation art, and photography were held at Harbour City and Times Square during the year.

The Group is equally supportive of performing art. Harbour City initiated *Music in the City* at the mall more than a decade ago, providing a platform for singers and musicians alike to shine yet enhancing the shopping experience of shoppers.

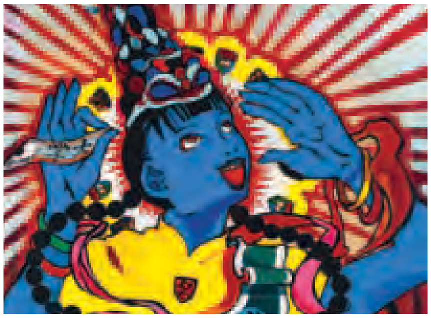
The Group has been a Platinum member of the Hong Kong Philharmonic Orchestra's Club Maestro since 2003 to further its support for art and culture. Other forms of support included complimentary hotel accommodation for exhibition organisers offered by Marco Polo Hotels as well as free advertising space and venue sponsored by The "Star" Ferry.

An Inclusive Work Environment

Human resources are the most valuable asset of the Group. Wharf and its business units have demonstrated their respect for people by implementing appropriate procedures and frameworks in the business process. The Group is an equal opportunity employer. We promote equal opportunities to job applicants, existing employees, scrutinising staff promotion and development in accordance with individual performance and the genuine job requirements, support with ongoing training programmes and development opportunities. A policy is in place to ensure non-discrimination against gender, disability, family, age and race.

The Group and its business units have clinched a host of awards and recognitions for their good corporate citizenship during the year:

Awardees	Awards / Recognitions	Schemes / Issuing Authorities
Wharf	Top Donor Award	The Community Chest
	Distinguished Award	Corporate and Employee Contribution Programme ("CECP") by The Community Chest
	• Overall 3rd Top Fund Raiser • 3rd Top Fund Raiser Award • Highest Donation Increment Award in the Companies & Organisations Category	Dress Special Day 2011 by The Community Chest
Wharf and nine business units	Caring Company Logo	Caring Company 2011/2012 by the Hong Kong Council of Social Service
Modern Terminals	Advocate Mark in 2011	HKQAA-HSBC CSR Index by Hong Kong Quality Assurance Agency
	Certificate of Appreciation	CECP by The Community Chest
The "Star" Ferry	Caring Company Logo (10 consecutive years)	Caring Company 2011/2012 by the Hong Kong Council of Social Service
	Bronze Award	Age-friendly Hong Kong Appreciation Scheme 2011 by The Hong Kong Council of Social Service
Pacific Club	18 Districts Caring Employers 2011 Award	Co-organised by the Labour & Welfare Bureau Rehabilitation Advisory Committee, Hong Kong Joint Council of People with Disabilities and the Hong Kong Council of Social Services



Social & Workplace

We put much emphasis on finding the right people for the right job and we are open to different ways of recruitment to enable us to reach the right calibers. We started our Management Executive Training Programme back in the 90s and it has proved to be successful with a number of executives groomed and taken up senior positions of the Group since then.

The Group has integrated CSR considerations into its workforce plan yet in an innovative way. Since 2010, the Group's shopping malls have introduced the "Bright Senior Ambassador Programme", offering training and re-employment opportunities for the retired senior citizens from all walks of life. Meanwhile, Pacific Club is a long-time supporter for providing full-time employment to people with disabilities through partnership with various NGOs.

Staff Development

We value our people, encourage their development and reward their performance. An appraisal scheme which is a two-way discussion between associates and their managers is in place to evaluate associates' performance and potential, discuss their business goals, training needs and career plans for their continued development. High potential staff are then identified for grooming as part of the Group's succession planning. Opportunities are also available for staff to move around within the Group in order to improve their knowledge and skills as well as to maximise their potential.

We provide development opportunities for staff at all levels. These include training, seminars and workshops that aim at developing management, language and other soft and hard skills. In 2011, the Group and its business units provided more than 350 in-house training for nearly 9,000 staff, covering a wide range of topics such as languages, business writing, computer softwares, law and regulations, business ethics, first aid, health talks, stress management, lateral thinking, negotiation skills, problem-solving, customer service, leadership training and more. Orientation programme and on-the-job training are offered to new staff enabling them to adapt to the new work environment as easy as possible. Staff is eligible for sponsorship to attend external job-related training consideration and courses.

Key statistics & facts:

350 training were conducted

9,000 staff attended

1,100 staff received company sponsorship for external training

People development consideration is given to outsourced associates as well. Supported by full-time trainers, Wharf Institute of Service Excellence ("WISE") serves as an in-house training academy offering regular core competence programmes and refresher courses for the malls' direct employed and outsourced staff. The programme aims to train and shape frontline service attitudes, service delivery standards and technical skills, ensuring a premier property management service is maintained.

Occupational Safety and Health

Occupational safety and health ("OSH") are the Group's priority. Policies, manuals, guidelines, procedures and circulars are issued with training held regularly to continuously promote workplace safety among staff. OSH committees made up of staff from all levels are established at various business units to review OSH policies, formulate safety management plans, monitor OSH performance and implement new preventive measures. Targets and objectives have been set respective of business nature and operational needs. Where applicable, regular site inspections, independent and/or internal audits are conducted to ensure workplace safety.

At Modern Terminals for example, a comprehensive safety working manual provides clear guidelines and procedures for the implementation of its safety management system. It sets out the company's safety policy and covers key areas from safety training, in-house safety rules, personal protective equipment, incident investigation, emergency preparedness, evaluation, selection and control of subcontractor, job hazard analysis, safety promotion, process control programme, health assurance programme to safety management audit. A report disclosing the company's injury rates, lost days and site inspection results with recommendations is published quarterly.

At our shopping malls, we appoint a Safety Coordinator at each property to look after OSH matters and coordinate training. In addition to providing health and safety tips for staff, a cross-property safety competition is held annually to raise awareness of workplace safety.

The Group's concern about OSH has extended to its supply chain partners who are required to fulfill the Group's and statutory requirements relating to OSH. For example, contractors of Modern Terminals have been given a safety handbook which provides a set of guidelines on fire prevention, work safety and security control. At our shopping malls, OSH requirements are set out in the tendering documents and only those contractors with a track record in work safety will be appointed. Risk assessment is performed before the commencement of works and regular safety audits are conducted to ensure they are in compliance with our OSH practices.

Staff Communications

To foster better understanding of corporate strategy and happenings across the board, the Group makes use of various channels to keep staff from different business units abreast of the latest developments of the Group. A wealth of information ranging from the Group's latest happenings, code of ethics, policies and practices, rules and procedures, to health tips are available on the company's Intranet. A bilingual staff bulletin "The LiNK" is another important channel for internal communications with featured stories, business updates, CSR pursuits and staff activities.

At business unit level, Modern Terminals maintains open communications with its staff through Town Hall meetings, "Monthly Get-Together" and bi-monthly staff newsletter. Employee Satisfaction Surveys ("ESS") are conducted by various business units on a regular basis to solicit staff opinions

about further improvement of work environment, procedures. Among others, Wharf T&T conducts its ESS biennially and communications with its latest one completed in 2010 with a high response rate. Two rounds of staff sharing sessions were arranged in 2011 to report the survey results.The “Star” Ferry conducts its ESS annually covering various topics from company policies and procedures, work environment, training needs, staff benefits, sense of belongings, mental health conditions to volunteering.

Work-life Balance

Wharf Staff Recreation Committee is charged with enabling staff wellness by providing a variety of activities for staff and their families meeting different interests and needs. In 2011, the Committee organised 16 interest classes, sports and recreational activities such as nature tours to Hong Kong Geopark, Hong Kong Wetland Park, Sai Kung and Mai Po; table tennis and chess competitions as well as cooking and photo taking classes.

Customer Engagement

Customers' feedback is critical to our success. Wharf is committed to providing a high standard of service not only to meet customer expectations but exceed them by all means. We conduct annual customer/tenant satisfaction surveys to gauge customer opinion and suggestions, identify service gaps and bring in new thoughts which enable us to better serve our customers. We also make available for customers a number of communication channels such as comment cards, customer service counters, hotlines, emails and social media platforms etc to ensure customer's voice heard.

Our shopping malls and service apartments have taken the lead to conduct annual tenant services surveys and make the yearly performance pledges to their tenants with measurable targets. They assess their service levels against the targets and results are shared with the tenants.

For other properties, Harriman Property Management performs a customer survey for each of its managed residential and commercial properties every year, and 'hand-over survey' for the newly completed developments such as One Island South. In early 2012, The Club Wheelock, a new customer engagement programme for homebuyers and the general public was established, with a vision to engage members in a lifestyle dialogue, customer-focused services and events, and promote the art of stylish living.

As a major supplier of communications for SMEs in Hong Kong, Wharf T&T has a Customer Charter in place and is dedicated to measuring and benchmarking its service against the industry through ongoing customer surveys. The results are posted on the company's website and updated from time to time.

The “Star” Ferry has commissioned a research institution to spearhead an annual passenger survey and focus groups to exchange view with passengers on service improvement.

Key statistics & facts:

20 years ago, Wharf Staff Recreation Committee has been set up in a bid to encourage a balanced work life for staff

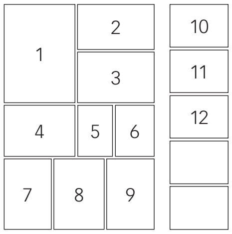
60 recreational activities were organised across the Group and its companies in 2011

More than **6,800** staff and their family members participated

We strive to maintain an open and timely communication with our customers. Apart from the abovementioned channels, our business units provide a wealth of information about the companies, products and services through their websites and publications.

Awards and recognitions on workplace practices received in 2011

Awardees	Awards / Recognitions	Scheme / Issuing Authorities
Harriman Property Management	• Silver Award in Best Property Management Company in OSH • Bronze Award in Best Presentation Award (Property Management Company in OSH) • Gold Award in Short Video Competition on Site Safety Exercise and Safety Briefing (Property Management)	Construction Safety Forum and Award Presentation 2011 by Occupational Safety & Health Council
Pacific Club	18 Districts Caring Employers 2011 Award	Co-organised by the Labour & Welfare Bureau Rehabilitation Advisory Committee, Hong Kong Joint Council of People with Disabilities and the Hong Kong Council of Social Services
The "Star" Ferry	Grand Award	Hong Kong Smoke-free Leading Company Awards by Hong Kong Council on Smoking and Health
The "Star" Ferry	Manpower Developer 1st	Manpower Developer Award Scheme by Employees Retraining Board



Selected entries from The Wharf Hong Kong Secondary School Art Competition in p.62: 1. Tang Shuk Lan, Po Leung Kuk Mrs Ma Kam Ming-Cheung Fook Sien College; 2. Tse Lok Yau Rainbow, Renaissance College; 3. Verna Leung, St. Paul's Convent School; 4. Yau Tsit Wing Helen, Sacred Heart Canossian College; 5. Yan Wing Yee, Stewards Pooi Tun Secondary School; 6. Abby Tai, Christian and Missionary Alliance Sun Kei Secondary School; 7. Lee Hang Na, Ko Lui Secondary School; 8. Fan Chung Yin, Sing Yin Secondary School; 9. Lau Suet Yi, Fanling Rhenish Church Secondary School Winning entries in p.71: 10. Chan Lee Ting, Methodist College (champion); 11. Au Yeung Hau Ting Nicole, Jockey Club Ti-I College (1st runner up); 12. Wong Chung Him Roy, Jockey Club Ti-I College (2nd runner up)

The Environment

Our Focus

- Green policies and practices
- Reduce, reuse and recycle
- Raising green awareness

> *"We are committed to minimising the footprint on nature in our business process to ensure a sustainable environment for future generations."*

Building a Greener Future

The Group is devoted to contributing to the sustainability and long term development of the environment for the many generations to come. Environmental policies and practices have been in place across various business units and extended to all business associates and the supply chain, with an aim of minimising the impact on environment. Numerous internal and external initiatives supporting the sustainable use and protection of natural resources have been implemented. Wherever possible, our business units manage their environmental impacts through the use of an environmental management system (EMS) and proper procedures to measure the performance and effectiveness against targets. Green initiatives are multi-facetted.

A Green Pioneer

The Group embraces the importance of environmental protection and the pivotal role of private sector in helping to conserve the environment.

- To support the preservation of the long-term economic, social and environmental interests of the Harbour, the Group has been a Patron member of the Harbour Business Forum since its launch in 2005.

- Wharf and its various business units have endorsed the Clean Air Charter initiated by the Hong Kong General Chamber of Commerce and the Hong Kong Business Coalition on the Environment in an effort to combat air pollution and improve air quality in the Greater Pearl River Delta.

- With its parent company Wheelock and Company, a founding member of the Business Environment Council.

- The Woo Wheelock Green Fund ("WWGF") was first incepted in 1994 in collaboration with the Environment and Conservation Fund. In the funding year of 2010-2011, WWGF provided monetary support to five environmental research and technology demonstration projects from four local universities concerning various topics such as carbon footprint analysis of hotels in Hong Kong, construction waste estimation and management, as well as quantification of antibiotic residues and microbial antibiotic-resistant genes in fish ponds and marine culture zones in Hong Kong, with a total grant of about HK$1 million.

- With climate change increasingly a major concern that requires imminent actions, we have applied sustainable and lean business practices in our operations across different sectors. Modern Terminals in particular made great strides in turning its "green ports" concept into a reality. The Green Terminal Model and Guideline has been introduced to provide a framework for major environmental considerations when developing a new terminal.

The company also invested HK$170 million in a massive project of converting 94 units of diesel-powered rubber-tyred gantry cranes ("RTGs") into electric-RTGs ("E-RTGs") with a view to achieve zero carbon dioxide directly emitted by these cranes during their operation. Each E-RTG reduces about 60% of carbon dioxide emission as compared to a traditional diesel-powered RTG. Upon the completion of the project, the company expects to own the largest E-RTG fleet in Hong Kong.

Green Policies and Practices

Green policies and practices have been adopted in the Group's diversified operations with green committees or task forces led by senior management established. Where appropriate, our business units extend their green policies to their suppliers and contractors through guidelines as well as terms and conditions in contracts to ensure that they are in full compliance with the Group's stringent requirements. Green procurement policies or guidelines are in place to ensure the procurement practices are in line with the environmental policy.

Wheelock Properties HK for example, has set up a Green Committee led by senior management, through which representatives from each department meet regularly to exchange insights about incorporating environmental considerations into the business. It also established a policy that incorporates a target of achieving the Hong Kong BEAM (Building Environmental Assessment Method) Plus certification or LEED (Leadership in Energy and Environmental Design) standards for all new building projects. Such requirements have also been documented in its contract with each supplier and contractor.

At Modern Terminals, an ISO14001 certified company, environmental considerations are made an integral part of its culture and decision-making. A cross-department Environmental Committee constituted by staff from all levels has been in place to oversee the execution of EMS, monitor and evaluate the green performance, set the annual targets and promote green awareness.

Reduce, Reuse and Recycle

Reduction in greenhouse gas emission is one of the Group's major targets. The Group's business units and fellow subsidiaries have become a Carbon Audit • Green Partner by signing the Carbon Reduction Charter and pledged to carry out activities to support the reduction of greenhouse gas emission.

The Group makes every effort to reduce the usage of energy, fuel, water, paper and different resources.

Led by Wheelock, the Group and all business units participated and attained a range of recognition for its bid to energy saving.

LOOP GOLD

LOOP is a WWF initiative with verification from third parties
Label no. 2010-003

CSR advocate
HKQAA-HSBC CSR INDEX
CSR Advocate since 2009

WWF
Double Diamond Member
雙鑽石會員2011
HONG KONG

The Environment


APPRECIATION

2011

九龍倉有限公司

The Wharf (Holdings) Limited

Accomplishments and Recognition in Environmental Friendly effort:

Gold Tier in Fuel Consumption Saver and Silver Tier in Fuel Efficiency Improvement in the Take a "Brake" Low Carbon Action, co-organised by Friends of the Earth, Green Power and WWF, for a reduction in fuel consumption of 6% and increase of 4% in the overall fuel efficiency.

The "Star" Ferry successfully reduced its annual energy and fuel usage by 14.8% and 30.9% respectively.

Wharf T&T lowered its water usage by 25.7% while Wharf cut down its paper usage by 3.4% compared with 2010. Gateway Hotel and Wharf T&T reduced their greenhouse gas emission by 13.2% and 5% respectively in 2011.

Friends of the Earth's Power Smart Energy Saving Contest 2011, in which Harriman Property Management was awarded a Certificate of Merit for their managed buildings achieving a substantial reduction in energy consumption during a designated period of time.

Modern Terminals was awarded ISO14001 accreditation for its Environmental Management System again in 2011, demonstrating the effectiveness and comprehensiveness of the system to constantly improve the company's environmental performance.

Wharf T&T and Wheelock Properties (Hong Kong) participated in the Low-Carbon Office Operation Programme ("LOOP") Labelling Scheme organised by WWF and clinched the Gold Label and Silver Label respectively. Wharf T&T was awarded with the label for the second year.

Our business units such as Star Ferry and Wharf T&T have also been proactive in energy saving. Various energy saving initiatives such as replacement of light bulbs, halogen lamps and neon light with LED lighting, adoption of new chiller sequencing control and replacement of AHU cooling coils have been implemented in our properties where appropriate. Times Square conducted energy audit for the whole building to ensure compliance with the newly enacted Buildings Energy Efficiency Ordinance.

A number of green initiatives in the likes of recycling programmes for paper, toner, used computer devices and equipment, plastic products and glass bottle; collecting and properly disposing of spent mercury-containing lamp; as well as promoting environmental protection and green living among tenants through seminars and green tips were implemented across various business units in the year.

At Gateway Apartments, a recycling scheme of paper, PET bottle and aluminium can has been in place since more than a decade ago. In total, 17,600 kg of such items were collected during the year.

Business units	Collected Items for Recycle	Quantity	Scheme / beneficiary NGOs
Gateway Apartments	Used clothes	900 kg	Used-clothing Collection Campaign by the Salvation Army
Harbour City	Waste paper	613,000 kg	Conscientious Recycling Charter by Friends of the Earth
	Plastic waste	35,300 kg	
	Glass bottle	370 kg	
	Used toner	330 pcs	
	Used computer	300 pcs	
	Used fluorescent lamps*	3,800 kg	
Pacific Club	Used clothes	2,000 kg	Used Clothes Recycling Programme by Friends of the Earth

* for disposal with care

Times Square has incorporated green elements into its fit-out handbook and guidelines to encourage its tenants not only to use environmental friendly materials and energy saving equipment but also reuse the fitting out materials.

At Modern Terminals, an in-house "Give and Take 2011" campaign was organised to promote reuse and recycling among colleagues. More than 130 used items including books, small electrical appliances and toys were collected from staff for a charity sales for The Salvation Army Hong Kong.

Raising Green Awareness

The Group teams up with green advocates to promote environmental conservation. Wharf is a long-time supporter of WWF-Hong Kong ("WWF") and has been its corporate member since 2001, and in recent years a Double-Diamond member. Modern Terminals also supports WWF as a Silver member. In addition to cash donation, the Group actively participated in WWF's events such as Earth Hour for which the Group and its business units render full support for the event by switching off external lights of the various shopping malls and properties during the designated time, as well as offering free advertising spaces to the campaign and promoting it to customers and staff. Nature tours with WWF were arranged every year for staff to promote nature conservation and enrich their knowledge about Hong Kong's nature and landscape.

The "Star" Ferry is also a co-organiser of One Tonne Challenge Carnival, which is held regularly at its Central Pier with an aim to call upon Hong Kong people to reduce carbon dioxide emissions.

Our shopping malls have been the venue sponsors for various promotional activities held by non-profit making organisations or the government to spread the environment conservation messages. Times Square joined hands with the Ocean Park Conservation Foundation Hong Kong in organising a "Love the Ocean" exhibition. An enormous model submarine was anchored at Times Square's open piazza providing visitors with an educational tour about marine conservation.

Nature conservation begins with every individual. The Group is a long time supporter of the Walk for the Environment, an annual fund-raising event organised by the Conservancy Association. In 2012, the Group not only made a cash donation, but also invited students from 10 participating schools of Project *WeCan* to join our staff and their family members to support this meaningful event, a step towards promoting the 'serve-together' spirit.

Modern Terminals continued its support for the CS4Schools programme organised by Business Environment Council as a Corporate Partner and hosted two rounds of visits for students to promote corporate sustainability among the youth.

Green Recognitions

In 2011, the Group and its business units received more than 40 awards and recognitions for overall environmental excellence, carbon reduction, indoor air and water qualities and waste reduction granted by Environmental Protection Department, Environmental Campaign Committee, Water Supplies Department, NGO, and District Council. These were in recognition for our continued effort in environmental conservation, underlying our group companies achievements and commitment to environmental sustainability.

Corporate Governance

"We are committed to maintaining high corporate governance standards with enhanced accountability and transparency by a responsible board, a sound internal control system as well as a comprehensive code of conduct."

WHARF

The LiNK

April 2011

A High Standard of Corporate Governance

Good corporate governance is essential to the long-term success of a business. The Group strives to achieve the highest standard of corporate governance through board responsibility, a sound internal control system as well as a comprehensive code of conduct. Starting 2010, the Group has enhanced its Corporate Governance Report with an expanded reporting scope, greater transparency and in a more reader-friendly presentation.

Wharf's management has been closely involved in the development of the Group's business conduct and ethics, risk management, audit and compliance as well as shareholders' rights and reporting. As a publicly-listed company, every effort has been made to ensure that the Group adheres to the best practices of corporate governance and is in good compliance status in all regulatory aspects.

To uphold its standard throughout the organisation, the Group has devised a sound internal control system. The Group's Board of Directors, through the Audit Committee, ensures the system's effectiveness by conducting an annual review and reporting to Shareholders.

Good corporate governance also requires the co-operation of every colleague. In addition to a set of policies and practices, staff is briefed and updated on the Group's comprehensive code of conduct and they are required to conduct their business in an ethically responsible manner and behave in accordance with the Group's norms, values and regulatory requirements. A regular column covering related topics has been established in our staff newsletters to heighten the awareness of best business practices among staff.

To maintain the Group's accountability and transparency of its operation, we keep our stakeholders informed of our performance and activities through regular website updates, the Annual and Interim Reports, as well as announcements and press releases, which are accessible to the public through the corporate website.

A full Corporate Governance Report is available from page 88 to 106 of The Wharf (Holdings) Limited Annual Report 2011.

Channels used to ensure effective and timely communications:

- corporate website
- announcements
- intranet
- staff newsletters
- annual and interim reports
- press releases
- circulars
- client newsletters

The Outlook

Enabling capacity building and self-sustainability

With "Building for Tomorrow" as our long standing mission, the Group strives to be a good corporate citizenship through a sustainable and visionary approach. Going forward, our unwavering commitment for the society will continue to steer our leadership as we not only fulfill our social, environmental and governance obligations and expectations but also exceeding them.

Social and Workplace

- Leveraging on our resources and business networks, we will continue our efforts in fostering youth development and support for the vulnerable;
- An employer of choice – we strive to promote staff well-being by encouraging work-life balance, occupational safety and health, equal opportunities and human rights and providing opportunities for our people and potential calibres;
- The value of good corporate citizenship begins with staff. Wharf will focus on building a dedicated volunteer team to support the community, fostering the 'serve-together' spirit among people we deal with in order to maximise the impact of our CSR effort. We will also put more emphasis on the ways our people can bring their unique skills to the benefit of non-profit organisations and the less privileged.

Environment

The climate change issue calls for collective actions to save energy and reduce carbon emissions from all sectors alike. In our attempt to reduce our footprint on nature, we will:

- monitor and reduce the impact on the environment through an established environmental management system and effective energy saving and carbon reduction measures;
- incorporate green features in our properties where possible;
- promote green awareness to staff, business partners and an supplier chain.

Governance

The recent years see a rise in public expectation of how corporations run their business, their demonstration of ethical consideration, accountability and transparency. To protect the interest of our shareholders and other stakeholders, we will:

- implement corporate governance practices not only in accordance with requirement but exceeding them where possible;
- exercise the Board's accountability;
- enhance transparency.

We look forward to a better, brighter future and growing with our staff and continuing to contribute to society in Hong Kong.

Financial Review

(I) Review of 2011 Results

The Group keeps on its growth momentum and achieved robust operating results with the consolidated turnover and operating profit for the year rising by 24% and 22% respectively to new heights, principally from its continuous strong rental growth and increase in recognition of property sales.

Group core profit is HK$8,083 million (2010: HK$7,088 million), representing a 14% increase over 2010, on the basis of excluding the net revaluation surplus of HK$23,841 million (2010: HK$27,845 million), attributable mark-to-market accounting loss on swaps of HK$1,356 million (2010: HK$429 million) and the exceptional gains totaling HK$1,246 million in 2010, comprising a one-off tax write back and a surplus from revaluation of the interest in an associate.

Group profit attributable to shareholders decreased by 14% to HK$30,568 million (2010: HK$35,750 million), simply adversely affected by the lower revaluation gains and one-off exceptionals.

Turnover

Group turnover increased by 24% to another record high of HK$24,004 million (2010: HK$19,380 million) with all business segments recording revenue increases.

Property Investment revenue from Hong Kong increased by 14% to HK$8,012 million, primarily attributable to retail rental growth accelerated by the remarkable sales achieved by the retail tenants and the continuous positive rental reversions for office areas in particular in Harbour City and Times Square. In the Mainland, rental revenue increased substantially by 69% to HK$796 million as benefited from the new source of revenue generated by the brand new Shanghai Wheelock Square, as well as the reopened Chongqing Times Square, and solid rental reversions of other investment properties. Hotel reported revenue increase by 10% to HK$1,277 million as sustained by substantial increase in room rates with occupancy remained at high level. In aggregate, the segment recorded an increase in revenue of 16% to HK$10,085 million.

Property Development recognised property sales of HK$6,343 million, a year-on-year increase of 76%. The increase was mainly attributable to project completions at Chengdu Tian Fu Times Square, Crystal Park, Suzhou Ambassador Villa, Changzhou Times Palace and Wuxi Glory of Time in the Mainland.

During the year, inclusive of joint ventures on an attributable basis, the Group recorded contracted property sales totally HK$15.7 billion (2010: HK$10.3 billion) in more than ten cities in the Mainland, increasing its net order book to HK$16.7 billion by year end 2011 pending for recognition on completion of the respective properties by stages.

Logistics revenue rose by 3% to HK$3,520 million with Modern Terminals' revenue increased marginally for higher throughput handled.

CME revenue increased by 5% to HK$3,863 million, resulting from a 5% increase reported by i-CABLE and a 4% increase reported by Wharf T&T.

Operating Profit

Group operating profit for the year increased by 22% to HK$11,388 million with all segments reporting an increase except for Logistics.

Property Investment remained the largest profit contributor with a 18% increase in operating profit to HK$7,694 million. Contributions from Harbour City (excluding hotels) and Times Square increased by 15% and 13%, respectively. Operating profit from the Mainland increased by 121%, benefited from its expanding portfolio particularly Shanghai Wheelock Square.

Hotels operating profit increased by 13% to HK$374 million due to improved room rates with solid occupancies.

Property Development's operating profit increased impressively by 84% to HK$2,274 million as more Mainland property sales were recognised with respectable margins upon phased completions of various projects.

Logistics' profit contribution dropped by 13% to HK$1,563 million, mainly due to higher operating expenses were incurred for the expanding port activities and the lack of one-off gains that exceeded the increased revenue of Modern Terminals.

CME turned around from an operating loss to a profit of HK$45 million. Wharf T&T's operating profit increased by 14% to HK$230 million while i-CABLE's operating loss reduced by 26% to HK$186 million.

Profit contribution from Investment and Others increased by 53% to HK$288 million, primarily due to increase in interest income and dividend income.

Increase in Fair Value of Investment Properties

The book value of the Group's investment property portfolio as at 31 December 2011 increased to HK$184.1 billion (2010: HK$148.2 billion), with HK$168.0 billion thereof stated at fair value based on an independent valuation as at that date, which produced a revaluation surplus of HK$24,968 million (2010: HK$29,249 million). The attributable net revaluation surplus of HK$23,841 million (2010: HK$27,845 million), after deducting related deferred tax and non-controlling interests, was credited to the consolidated income statement.

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

Other Net Income

Other net income for the year decreased by 44% to HK$457 million mainly due to the inclusion in 2010 a one-off surplus of HK$437 million from revaluation of the interests in Hong Kong Air Cargo Terminals Limited ("Hactl") on its becoming the Group's associate.

Finance Costs

Finance costs charged to the consolidated income statement were HK$2,567 million (2010: HK$996 million). That included an unrealised mark-to-market loss of HK$1,387 million (2010: HK$448 million) on the cross currency/interest rate swaps in accordance with prevailing accounting standard. Net of non-controlling interests, the loss is HK$1,356 million (2010: HK$429 million).

Excluding the unrealised mark-to-market loss, finance cost after capitalisation was HK$1,180 million (2010: HK$548 million), representing an increase of HK$632 million mainly as a result of the increase in gross borrowings and rise in effective borrowing rates.

Finance cost was stated after capitalisation of HK$447 million (2010: HK$279 million) in respect of the Group’s related assets.

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

The share of profit of associates for the year amounted to HK$361 million (2010: HK$376 million) with contribution mainly from Hactl, which became an associate in May 2010. Share of profit of jointly controlled entities increased by HK$25 million to HK$34 million (2010: HK$9 million), reflecting the increased profit contributions from Modern Terminals’ port investment in the Mainland.

Income Tax

Taxation charge for the year was HK$3,304 million (2010: HK$2,358 million), which included deferred taxation of HK$901 million (2010: HK$1,158 million) provided for the current year’s revaluation gain attributable to investment properties in the Mainland.

Excluding the above deferred tax, the tax charge was HK$2,403 million (2010: HK$1,200 million). The tax charge in 2010 was exceptionally lower mainly due to the inclusion of a tax write back of HK$809 million upon reaching a settlement on various prolonged tax disagreements with the Inland Revenue Department.

Non-controlling Interests

Profit attributable to non-controlling interests increased by HK$54 million to HK$769 million, reflecting the increase in net profits of certain non-wholly-owned subsidiaries.

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders for the year ended 31 December 2011 amounted to HK$30,568 million (2010: HK$35,750 million), representing a decrease of 14%. Basic earnings per share were HK$10.22, based on weighted average of 2,991 million shares after taking the effect of the Rights Issue (2010: HK$12.64 based on 2,829 million shares as restated for the Rights Issue).

Excluding the net investment property revaluation surplus of HK$23,841 million (2010: HK$27,845 million), Group profit attributable to shareholders for the year was HK$6,727 million (2010: HK$7,905 million), representing a decrease of 15%, as a result of the absence of 2010’s exceptional income amounting to HK$1,246 million on tax write back and surplus from revaluation of Hactl and the current year’s attributable mark-to-market loss of HK$1,356 million on cross currency/interest rate swaps. Excluding the net investment property revaluation surplus and exceptionals, the core profit rose by 14% to HK$8,083 million (2010: HK$7,088 million). Core earnings per share were HK$2.70 (2010: HK$2.51).

(II) Liquidity, Financial Resources and Capital Commitments

Shareholders' and Total Equity

As at 31 December 2011, the Group's shareholders' equity increased by HK$40,168 million or 25% to HK$203,257 million, equivalent to HK$67.10 per share based on 3,029 million issued shares after the rights issue completed in March 2011 (2010: HK$59.22 per share based on 2,754 million issued shares).

Including the non-controlling interests, the Group's total equity increased by 24% to HK$210,874 million (2010: HK$170,649 million).

Rights Issue

In March 2011, the Company strengthened its equity base by completion of an issue of 275 million new ordinary shares at HK$36.5 each by way of rights with net proceeds of HK$10.0 billion received.

Total Assets

The Group's total assets increased by 31% to HK$318.0 billion (2010: HK$242.8 billion). Total business assets, excluding bank deposit and cash, available-for-sale investments, deferred tax assets and other derivative financial assets, increased by 27% to HK$280.8 billion (2010: HK$220.8 billion).

Included in the Group's total assets is the investment property portfolio of HK$184.1 billion, representing 66% of total business assets. The core assets in this portfolio are Harbour City and Times Square in Hong Kong, which are valued at HK$93.6 billion (excluding the 3 hotels) and HK$37.0 billion, respectively. Together, they represent 71% of the total value of the portfolio.

Other major business assets included other properties and fixed assets of HK$19.0 billion, interests in jointly controlled entities and associates (mainly for Mainland property and port projects) of HK$27.1 billion and properties under development and held for sale (mainly in the Mainland) of HK$47.5 billion.

Geographically, the Group's business assets in the Mainland, mainly properties and terminals, increased to HK$110.6 billion (2010: HK$74.8 billion), representing close to 40% of the Group's total business assets.

Debts and Gearing

Principally due to the increase in investments in China properties, the Group's net debt increased by HK$10.8 billion to HK$43.5 billion as at 31 December 2011 (2010: HK$32.7 billion), which was made up of HK$76.0 billion in debts and HK$32.5 billion in bank deposits and cash. Included in the Group's net debt were HK$8.1 billion (2010: HK$9.3 billion) attributable to Modern Terminals, Harbour Centre Development Limited ("HCDL") and other subsidiaries, which are without recourse to the Company and its other subsidiaries. Excluding these non-recourse debts, the Group's net debt was HK$35.4 billion (2010: HK$23.4 billion). Analysis of the net debt is as below:

Net debt/(cash)	**31 December 2011** ***HK$ Million***	31 December 2010 *HK$ Million*
Wharf (excluding below subsidiaries)	**35,348**	23,376
Modern Terminals	**11,155**	9,932
HCDL	**(2,700)**	(172)
i-CABLE	**(338)**	(447)
	43,465	32,689

As at 31 December 2011, the ratio of net debt to total equity was 20.6% (2010: 19.2%).

Finance and Availability of Facilities

The Group's total available loan facilities and issued debt securities as at 31 December 2011 amounting to HK$92.9 billion, of which HK$76.0 billion were utilised, are analysed as below:

	31 December 2011		
	Available Facility ***HK$ Billion***	**Total Debts** ***HK$ Billion***	**Undrawn Facility** ***HK$ Billion***
Company/wholly-owned subsidiaries			
Committed bank facilities	**51.3**	**37.7**	**13.6**
Uncommitted bank facilities	**0.4**	**–**	**0.4**
Debt securities	**18.9**	**18.9**	**–**
	70.6	**56.6**	**14.0**
Non-wholly-owned subsidiaries			
Committed and uncommitted			
– Modern Terminals	**14.0**	**12.8**	**1.2**
– HCDL	**4.6**	**3.2**	**1.4**
– i-CABLE	**0.3**	**–**	**0.3**
– Others	**3.4**	**3.4**	**–**
	92.9	**76.0**	**16.9**

Of the above debts, HK$20,056 million (2010: HK$18,137 million) was secured by mortgage over certain properties under development, fixed assets and shares with total carrying value of HK$27,348 million (2010: HK$18,360 million).

In June 2011, the Group issued guaranteed convertible bonds with a term of 3 years for an aggregate principal amount of HK$6,220 million. The initial conversion price of the bonds is HK$90 per share and full conversion of the bonds will increase the Group's issued capital by 69.11 million shares or 2.28%.

The Group diversified the debt portfolio across a bundle of currency including primarily Hong Kong dollar ("HKD"), United States dollar ("USD") and Renminbi ("RMB"). The funding sourced from such debt portfolio was mainly used to finance the Group's property development and port investments in the Mainland.

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

The Group continued to maintain a strong financial position with ample surplus cash denominated principally in HKD and RMB and undrawn committed facilities to facilitate the Group's expanding business and investment activities. As at 31 December 2011, the Group also maintained a portfolio of available-for-sale investments with an aggregate market value of HK$2.7 billion (2010: HK$3.4 billion), which is immediately available for liquidation for the Group's use.

Cash Flows for the Group's Operating and Investing Activities

For the year under review, the Group's net cash inflow before change in working capital increased to HK$12.5 billion (2010: HK$10.4 billion). The changes in working capital resulted in net cash outflow of HK$9.6 billion (2010: HK$7.2 billion), chiefly due to the payments for land and construction cost for trading properties under development in the Mainland. For investing activities, the Group recorded a net cash outflow of HK$18.4 billion (2010: HK$7.0 billion), mainly for additions to investment properties and investments in associates and jointly controlled entities involved in property development projects in the Mainland.

Major Expenditure and Commitments

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

			Commitments as at 31 December 2011	
Business Unit/Company		**Expenditure for 2011** *HK$ Million*	**Authorised and Contracted for** *HK$ Million*	**Authorised but not Contracted for** *HK$ Million*
a.	**Capital expenditure**			
	Property Investments	**10,930**	**10,353**	**22,502**
	Wharf T&T	**467**	**245**	**165**
	i-CABLE (73.8%-owned)	**187**	**31**	**175**
	Modern Terminals (67.6%-owned)	**350**	**820**	**720**
		11,934	**11,449**	**23,562**
b.	**Trading properties under development**			
	Subsidiaries	**18,442**	**5,897**	**41,074**
	Jointly controlled entities/ associates	**6,352**	**4,238**	**14,901**
		24,794	**10,135**	**55,975**
c.	**Programming and others**	**80**	**1,077**	**80**

For the Property Investment segment, the capital expenditure incurred during the year under review was mainly for the land cost and construction cost of Chengdu IFC and Changsha IFC. For i-CABLE and Wharf T&T, the capital expenditures were incurred substantially for procurement of production and broadcasting equipment, network rollout and internet service equipment while those for Modern Terminals were mainly for the construction of the Dachan Bay port project in the Mainland and addition of other fixed assets. i-CABLE and Modern Terminals, respectively 73.8% and 67.6% owned by the Group, independently funded their own capital expenditure programmes.

In addition to the capital expenditure, the Group also incurred HK$24.8 billion of expenditures for the development of its trading properties in the Mainland, either wholly-owned or undertaken through associates or jointly controlled entities. This included the amount of HK$3,388 million paid for the 50% interests in the four Foshan property joint ventures acquired from Wheelock and Company Limited during the year.

As at 31 December 2011, the Group's authorised and contracted commitments were mainly for development properties for investment of HK$11.4 billion and for trading of HK$10.1 billion, respectively, among these including attributable land cost of HK$5.3 billion payable by installments from 2012 to 2013. Apart from that, the Group intends to invest HK$23.6 billion for investment properties and HK$56.0 billion for trading properties, mainly on construction cost to complete the Group's China and Hong Kong development projects, which will be carried out by stages in the forthcoming years.

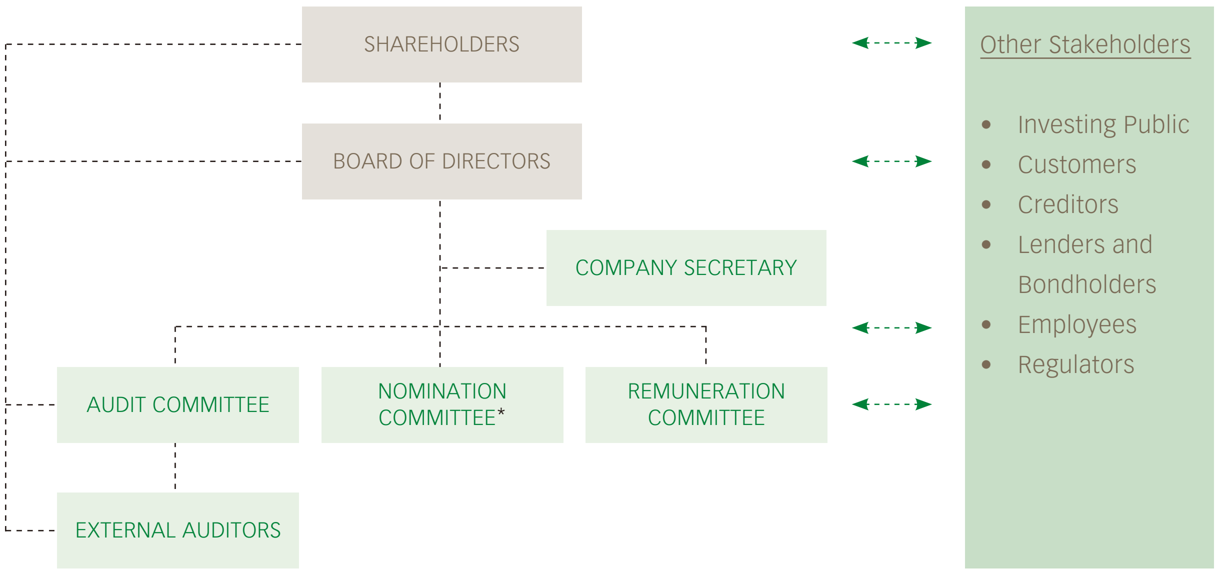
The above commitments and planned expenditures will be funded by Group's internal financial resources including its surplus cash of HK$32.5 billion, cash flow from operation, as well as bank and other financings with the construction costs self-financed mainly by pre-sale proceeds and project loans. Other available resources include available-for-sale investments.

(III) Human Resources

The Group had approximately 14,000 employees as at 31 December 2011, including about 2,400 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective group's achievement and results.

Corporate Governance Report

CORPORATE GOVERNANCE STRUCTURE



* *established in February 2012*

CORPORATE GOVERNANCE PRACTICES

During the financial year ended 31 December 2011, all the code provisions as set out in the Code on Corporate Governance Practices in Appendix 14 (the "Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), which were in force during the financial year, were met by the Company, with the exception of one deviation as set out under section A.2.1 below. The application of the relevant principles, and the reasons for the abovementioned deviation from a Code provision, are stated in the following sections.

Key corporate governance principles and corporate governance practices of the Company during the financial year are summarised below (with the Code Provisions numbers stated below being those in force during the financial year ended 31 December 2011):

I. Code Provisions

Code Ref.	Code Provisions
A.	**DIRECTORS**
A.1	**The Board** *Corporate Governance Principle* *The board should assume responsibility for leadership and control of the company and is collectively responsible for directing and supervising the company's affairs. Directors should take decisions objectively in the interests of the company.*

<table>
<tr><th>Compliance Status</th><th>Corporate Governance Practices</th></tr>
<tr><td>✓
Comply with Requirement</td><td>
<p>Five meetings of the board of directors of the Company (the “Board”) were held during the financial year ended 31 December 2011.</p>
<p>The records of attendance the directors of the Company (“Directors”) are set out below:</p>
<table>
<tr><th>Directors</th><th>Attendance/Number of Meeting(s) held</th></tr>
<tr><td><i>Chairman</i></td><td></td></tr>
<tr><td>Mr Peter K C Woo</td><td>4/5</td></tr>
<tr><td><i>Deputy Chairman & Managing Director</i></td><td></td></tr>
<tr><td>Mr Stephen T H Ng</td><td>5/5</td></tr>
<tr><td><i>Vice Chairman</i></td><td></td></tr>
<tr><td>Mr Andrew O K Chow
<i>(appointed as Vice Chairman & Director effective 1 July 2011)</i></td><td>2/2</td></tr>
<tr><td><i>Executive Director</i></td><td></td></tr>
<tr><td>Ms Doreen Y F Lee</td><td>5/5</td></tr>
<tr><td><i>Executive Director</i></td><td></td></tr>
<tr><td>Mr T Y Ng</td><td>3/5</td></tr>
<tr><td><i>Executive Director & Group Chief Financial Officer</i></td><td></td></tr>
<tr><td>Mr Paul Y C Tsui</td><td>5/5</td></tr>
<tr><td><i>Independent Non-executive Directors</i></td><td></td></tr>
<tr><td>Hon Paul M P Chan</td><td>2/5</td></tr>
<tr><td>Professor Edward K Y Chen</td><td>1/5</td></tr>
<tr><td>Dr Raymond K F Ch’ien</td><td>1/5</td></tr>
<tr><td>Hon Vincent K Fang</td><td>3/5</td></tr>
<tr><td>Mr Hans Michael Jebsen</td><td>3/5</td></tr>
<tr><td>Mr James E Thompson</td><td>5/5</td></tr>
</table>
<p>The Directors may attend meetings in person, by phone or through other means of electronic communication in accordance with the Company’s Articles of Association.</p>
<p>All Directors are consulted as to whether they may want to include any matter in the agenda before the agenda for each regular Board meeting is issued.</p>
<p>At least 14 days formal notice would be given before each regular meeting and reasonable notices are given for all other ad hoc meetings.</p>
</td></tr>
</table>

All Directors have access to the advice and services of the company secretary of the Company ("Company Secretary") who is responsible to the Board for ensuring that procedures are followed and that all applicable laws and regulations are complied with. The Company Secretary is also a source of advice to the Chairman and to the Board on corporate governance and the implementation of the Code.

The Company Secretary prepares minutes and/or written resolutions and keeps records of matters discussed and decisions resolved at all Board and Board Committee meetings.

Board and Board Committee minutes/resolutions are sent to all Directors/Board Committee members for their comments and record within a reasonable time after each Board and Board Committee meeting.

Board and Board Committee minutes/resolutions are available for inspection by Directors/Board Committee members. Final version of Board minutes is put on record within a reasonable time after the Board meeting.

Minutes record in sufficient detail the matters considered by the Board/Board Committees and decisions reached.

Directors are given an opportunity to comment on draft Board minutes.

The Company Secretary can arrange independent professional advice at the expense of the Company should such advice be considered necessary by any Director.

Important matters are decided by Directors by resolutions passed at Directors' meetings, or, on some occasions, dealt with by way of written resolutions so that all Directors (including Independent Non-executive Directors) can note and comment, as appropriate, the matters before approval is granted.

Under the Company's Articles of Association, a Director shall not vote or be counted in the quorum in respect of any contract or arrangement in which he/she or any of his/her associate is/are materially interested.

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent Board committee will be set up to deal with the matter.

Code Ref.	Code Provisions
A.2	**Chairman and Chief Executive Officer** *Corporate Governance Principle* *There should be a clear division of responsibilities at the board level to ensure a balance of power and authority, so that power is not concentrated in any one individual.*
Compliance Status	**Corporate Governance Practices**
✓ Comply with Requirement	The Chairman is responsible for the Board, focuses on Group strategies and Board issues, ensures a cohesive working relationship between members of the Board and management, and directly has responsibilities in certain major business units of the Group. The Executive Directors have full executive responsibilities in the business directions and operational efficiency of the business units under their respective responsibilities and are accountable to the Chairman. With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information on a timely basis. The Board meeting agenda documents including supporting analysis and related background information are normally sent to the Directors at least three days before Board meetings. Communications between Independent Non-executive Directors on the one hand, and the Company Secretary as co-ordinator for the business units of the Group on the other, is a dynamic and interactive process to ensure that queries raised and clarification sought by the Directors are dealt with and further supporting information and/or documentation is provided if appropriate.

Code Ref.	Code Provisions
A.2.1	**The roles of chairman and chief executive officer should be separate and should not be performed by the same individual.**
Compliance Status	**Corporate Governance Practices**
× Not Comply with Requirement	Mr Peter K C Woo serves as the Chairman and also as the *de facto* chief executive officer of the Company. This is a deviation from the Code provision with respect to the roles of chairman and chief executive officer to be performed by different individuals. Such deviation is deemed appropriate as it is considered to be more efficient to have one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive officer. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals, half thereof being Independent Non-executive Directors.

Code Ref.	Code Provisions
A.3	**Board composition** *Corporate Governance Principle* *The board should have a balance of skills and experience appropriate for the requirements of the business of the company and should include a balanced composition of executive and non-executive directors so that independent judgement can effectively be exercised.*

Compliance Status	**Corporate Governance Practices**
✓✓ Exceed Requirement	The composition of the Board, by category and position of Directors including the names of the Chairman, the Executive Directors, the Independent Non-executive Directors, is disclosed in all corporate communications. The Board consists of a total of twelve Directors, comprising six Executive Directors, and six Independent Non-executive Directors. Six out of twelve of the Directors (exceeding the one-third requirement under the Code) are Independent Non-executive Directors of which at least one have appropriate professional qualifications, or accounting or related financial management expertise. Details of the composition of the Board are set out on page 89. The Directors' biographical information is set out on pages 110 to 114. The structure, size and composition of the Board are reviewed from time to time to ensure the Board has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company. The independence of the Independent Non-executive Directors is assessed according to the relevant rules and requirements under the Listing Rules. Each of the Independent Non-executive Directors makes an annual confirmation of independence pursuant to the requirements of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in the relevant requirements of the Listing Rules and are independent in accordance with the terms of the guidelines.

Code Ref.	Code Provisions
A.4	**Appointments, re-election and removal** *Corporate Governance Principle* *There should be a formal, considered and transparent procedure for the appointment of new directors and plans in place for orderly succession for appointments to the board. All directors should be subject to re-election at regular intervals.*

Compliance Status	Corporate Governance Practices
✓ Comply with Requirement	All Directors are subject to retirement once every three years and are subject to re-election. The Board as a whole is responsible for the appointment of new Directors and Directors' nomination for re-election by shareholders at the general meeting of the Company. Under the Company's Articles of Association, the Board may from time to time appoint a Director either to fill a casual vacancy or as an addition to the Board. Any such new Director shall hold office until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and shall then be eligible for re-election at the same general meeting. The Company's Nomination Committee (established in February 2012) has its terms of reference which are aligned with the provisions set out in the Code as recently revised which comes into effect from 1 April 2012 onwards (the "Revised Code"). It comprises 3 members, namely, the Chairman of the Company, namely, Mr Peter K C Woo (as its Chairman), and two Independent Non-executive Directors, namely, Mr Hans Michael Jebsen and Mr James E Thompson. Given below are the main duties of the Nomination Committee: (a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (c) to assess the independence of Independent Non-executive Directors; and (d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman of the Board and the chief executive. The re-election of each of those Independent Non-executive Directors who has served on the Board for more than nine years is subject to (1) a separate resolution to be approved by Shareholders at the relevant Annual General Meeting; and (2) from 1 April 2012 onwards, 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.
Code Ref.	Code Provisions
A.5	**Responsibilities of directors** *Corporate Governance Principle* *Every director is required to keep abreast of his/her responsibilities as a director of the company and of the conduct, business activities and development of the company.*

Compliance Status	Corporate Governance Practices
✓ Comply with Requirement	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. The Independent Non-executive Directors exercise their independent judgement and advise on the future business direction and strategic plans of the Company. The Independent Non-executive Directors review the financial information and operational performance of the Company on a regular basis. The Independent Non-executive Directors are invited to serve on the Board Committees of the Company. There is satisfactory attendance at Board meetings during the year. Please refer to A.1 above for details of attendance records. Every Executive Director has hands-on knowledge and expertise in the areas and operation in which he/she is charged with. Appropriate attention to the affairs of the Group is measured in terms of time as well as the quality of such attention and the ability of the Directors to contribute with reference to his/her necessary knowledge and expertise. The Company had adopted the model code for securities transactions by directors of listed issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions effective from 31 March 2004. A revised Model Code has been adopted by the Company to comply with the new requirements set out in Appendix 10 to the Listing Rules effective from 1 April 2009. Confirmation has been received from all Directors that they have complied with the required standards set out in the Model Code for the year ended 31 December 2011.

Code Ref.	Code Provisions
A.6	**Supply of and access to information** *Corporate Governance Principle* *Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as directors of the company.*
Compliance Status	**Corporate Governance Practices**
✓ Comply with Requirement	Board papers are circulated not less than three days before regular Board meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings. The Company Secretary and the Group Financial Controller of the Accounts Department attend all regular Board meetings to advise on corporate governance, statutory compliance, and accounting and financial matters, as appropriate. Communications between Directors on the one hand, and the Company Secretary, who acts as co-ordinator for the business units of the Group on the other, is a dynamic and interactive process to ensure that queries raised and clarification sought by the Directors are dealt with and that further supporting information is provided if appropriate.

Code Ref.	Code Provisions
B.	**REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT**
B.1	**The level and make-up of remuneration and disclosure** *Corporate Governance Principle* *There should be a formal and transparent procedure for setting policy on executive directors' remuneration and for fixing the remuneration packages for all directors.*
Compliance Status	**Corporate Governance Practices**
✓ Comply with Requirement	In accordance with the Code, the Company has set up a remuneration committee ("Remuneration Committee") on 1 August 2001 with a majority of the members being Independent Non-executive Directors. The Remuneration Committee comprises the Chairman of the Board, Mr Peter K C Woo (formerly the Chairman of the Remuneration Committee during the financial year under review), and two Independent Non-executive Directors, namely, Mr Hans Michael Jebsen and Mr James E Thompson (appointed as the new Chairman of the Remuneration Committee on 1 February 2012). The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of Directors and senior management, and reviewing the specific remuneration packages of all Executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.

The terms of reference (as revised in February 2012) of the Remuneration Committee are aligned with the provisions set out in the Revised Code. Given below are the main duties of the Remuneration Committee:

(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:

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

  (2) 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.

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

Members	Attendance/Number of Meeting(s) held
Mr Peter K C Woo	1/1
Mr James E Thompson	1/1
Mr Hans Michael Jebsen	1/1

The work performed by the Remuneration Committee for the financial year ended 31 December 2011 is summarised below:

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

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

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

	The Remuneration Committee has consulted the Chairman about proposals relating to the remuneration packages and other human resources issues of the Directors and senior management, including, without limitation, succession plan and key personnel movements as well as policies for recruiting and retaining qualified personnel. 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$100,000 per annum, the fee payable to each of the other Directors of the Company, currently at the rate of HK$60,000 per annum (proposed to be increased to HK$70,000 per annum with retroactive effect from 1 January 2012), and the fee payable to each of those Directors who are also Members of the Audit Committee of the Company, currently at the rate of HK$20,000 per annum (proposed to be increased to HK$30,000 per annum with retroactive effect from 1 January 2012), is by reference to the level of fees of similar nature normally paid by a listed company in Hong Kong to its directors. To enable it to better advise on the Group's future remuneration policy and related strategies, the Remuneration Committee has been advised of the Group's existing remuneration policy and succession plan, such as guidelines on designing employees' remuneration packages and related market trends and information. The Personnel Department provides administrative support and implements the approved remuneration packages and other human resources related decisions approved by the Remuneration Committee.
Code Ref.	Code Provisions
C.	**ACCOUNTABILITY AND AUDIT**
C.1	**Financial reporting** *Corporate Governance Principle* *The Board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects.*
Compliance Status	**Corporate Governance Practices**
✓ Comply with Requirement	Directors are provided with a review of the Group's major business activities and key financial information on a quarterly basis. The Directors are responsible for overseeing the preparation of financial statements for the financial year ended 31 December 2011, which give a true and fair view of the affairs of the Company and of the Group and of the Group's results and cash flow for the year then ended and in compliance with the requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules. In preparing the financial statements for the financial year ended 31 December 2011: (i) appropriate accounting policies are selected, applied consistently and in accordance with the Hong Kong Financial Reporting Standards;

	(ii) prudent and reasonable judgements and estimates are made; and (iii) the reasons for any significant departure from applicable accounting standards are stated, if applicable. The Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern as referred to in C.1.2 of the Code. With the assistance of the Company's Accounts Department which is under the supervision of the Group Financial Controller who is a professional accountant, the Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the publication of the financial statements of the Group is in a timely manner. The statement by the external auditors of the Company regarding its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 125. The Board aims to present a clear, balanced and understandable assessment of the Group's performance and position in all shareholder communications. The Board is aware of the requirements under the applicable rules and regulations about timely disclosure of price-sensitive information or matters regarding the Company and will authorise the publication of such announcements as and when the occasion arises. The Company Secretary works closely and in consultation with legal advisers to review the materiality and sensitivity of transactions and proposed transactions and advise the Board accordingly.
Code Ref.	Code Provisions
C.2	**Internal controls** *Corporate Governance Principle* *The Board should ensure that the company maintains sound and effective internal controls to safeguard the shareholders' investment and the company's assets.*
Compliance Status	**Corporate Governance Practices**
✓ Comply with Requirement	The Directors are ultimately responsible for the internal control system of the Group and, through the Audit Committee, have reviewed the effectiveness of the system including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting functions, and their training programmes and budget. The internal control system comprises a well-defined organisational structure with specified limits of authority in place. Areas of responsibility of each business and operational units are also clearly defined to ensure effective checks and balances. Procedures have been designed for safeguarding assets against unauthorised use or disposition, maintenance of proper accounting records, assurance of the reliability of financial information for internal use or publication and compliance with relevant legislation and regulations. Such procedures are designed to manage risks of failure in operational systems and can provide reasonable assurance against material errors, losses or fraud.

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

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

Code Ref.	Code Provisions
C.3	**Audit Committee**

Corporate Governance Principle

The Board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company's auditors.

Compliance Status	Corporate Governance Practices
✓ Comply with Requirement	Minutes drafted by the Company Secretary are circulated to members of the Audit Committee within a reasonable time after each meeting.

All Members have sufficient experience in reviewing audited financial statements and are aided by the auditors of the Group as and when required. In addition, Hon Paul M P Chan has the appropriate professional qualifications and experience in financial matters.

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

Members	Attendance/Number of Meeting(s) held
Hon Vincent K Fang, *Chairman*	4/4
Hon Paul M P Chan	2/4
Mr Hans Michael Jebsen	3/4
Mr James E Thompson	4/4

No member of the Audit Committee is a former partner of the existing auditing firm of the Company during the one year after he/she ceases to be a partner of the auditing firm.

The terms of reference (as revised in February 2012) of the Audit Committee are aligned with provisions set out in the Revised Code and the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants. Given below are the main duties of Audit Committee:

(A) *Relationship with the Company's auditors*

- (a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of their resignation or dismissal;
- (b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor 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 Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

(B) *Review of financial information of the Company*

- (a) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Audit 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 Audit Committee should liaise with the Company's Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditors; and
  - (ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors.

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

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

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

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

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

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

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

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

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

(i) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit 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.

The work performed by the Audit Committee for the financial year ended 31 December 2011 is summarised below:

- (a) approval of the remuneration and terms of engagement of the external auditors;
- (b) review of the external auditors' independence and objectivity and the effectiveness of audit process in accordance with applicable standards;
- (c) review of the half-year and annual financial statements before submission to the Board, with particular consideration of the points mentioned C.3(B)(a) above regarding the duties of the Audit Committee;
- (d) discussion with the external auditors before the audit commences, the nature and scope of the audit;
- (e) review of the audit programme of the internal audit function;
- (f) review of the Group's financial controls, internal control and risk management systems; and
- (g) meeting with the external auditors without executive Board members present.

The Audit Committee recommended to the Board that, subject to shareholders' approval at the forthcoming annual general meeting, KPMG be re-appointed as the Company's external auditor for 2012.

For the financial year ended 31 December 2011, the external auditor of the Company received approximately HK$18 million for audit services and HK$3 million for tax and other services.

The Company Secretary can arrange independent professional advice at the expense of the Company should the seeking of such advice be considered necessary by the Audit Committee.

Code Ref.	Code Provisions
D.	**DELEGATION BY THE BOARD**
D.1	**Management functions** *Corporate Governance Principle* *The Company should have a formal schedule of matters specifically reserved to the Board and those delegated to management.*
Compliance Status	**Corporate Governance Practices**
✓ Comply with Requirement	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.

Code Ref.	Code Provisions
D.2	**Board Committees** *Corporate Governance Principle* *Board committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.*
Compliance Status	**Corporate Governance Practices**
✓ Comply with Requirement	Three Board Committees, namely, Audit Committee, Remuneration Committee and Nomination Committee (established in February 2012) have been established with specific terms of reference as mentioned in C.3, B.1 and A.4 of above. Board Committees report to the Board of their decisions and recommendations at the Board meetings.

Code Ref.	Code Provisions
E.	**COMMUNICATION WITH SHAREHOLDERS**
E.1	**Effective communication** *Corporate Governance Principle* *The board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.*
Compliance Status	**Corporate Governance Practices**
✓ Comply with Requirement	The Company encourages its Shareholders to attend Annual General Meetings to ensure a high level of accountability and to stay informed of the Group's strategy and goals. The Company's notice to Shareholders for the 2011 Annual General Meeting of the Company was sent at least 20 clear business days before the meeting. Separate resolutions are proposed at the general meetings of the Company on each substantially separate issue, including the election of individual Directors. The Board and external auditors attend the Annual General Meetings to answer Shareholders' questions. The Company recognises the fundamental importance of transparency and accountability. Management believes that Shareholders' value can best be enhanced by articulating the corporate strategies, business strengths and weaknesses, growth opportunities and threats, and future prospects through a continuous and active dialogue with the investment community, the media and the public. To achieve this, the Company is committed to providing Shareholders and the general public access to key information that is reasonably required to make an investment decision on a fair and timely basis. The Company is aware of its obligations under the Listing Rules in relation to the disclosure of price-sensitive information and has established procedures to ensure that all communications with the public, including the investment community and the media, are fair; and that material non-public information is not disseminated on a selective basis. 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. Press releases are posted and available for download at the Company's corporate website www.wharfholdings.com. In addition, the Company makes full use of the Internet to make information widely available to Shareholders. The Company's website provides email address, postal address, fax number and telephone number by which enquiries may be put to the Company's Board. Constantly updated in a timely manner, the website also contains a wide range of additional information on the Group's business activities. As a standard part of the investor relations programme to maintain a constant dialogue on the Group's performance and objectives, senior executives hold regular briefings and attend conferences with institutional investors and financial analysts.

Code Ref.	Code Provisions
E.2	**Voting by poll** *Corporate Governance Principle* *The company should ensure that shareholders are familiar with the detailed procedures for conducting a poll.*
Compliance Status	**Corporate Governance Practices**
✓ Comply with Requirement	Shareholders have the opportunity to participate effectively and vote in general meetings and are informed of the rules, including voting procedures, that govern general meetings: (a) Shareholders are furnished with sufficient and timely information concerning the date, location and agenda of general meetings, as well as full and timely information regarding the issues to be decided at the meetings; (b) Shareholders have the opportunity to ask questions to the Board, including questions relating to the annual external audit, to place items on the agenda of general meetings, and to propose resolutions, subject to reasonable limitations; (c) Effective shareholder participation in key corporate governance decisions; (d) Shareholders can make their view known on the remuneration policy for Board members and key executives; and (e) Shareholders can vote in person or by proxy, and equal effect is given to votes whether cast in person or by proxy. The Company has the following procedures to Shareholders to vote by poll: (a) All resolutions put to shareholders in a general meetings are voted by a poll demanded by the Chairman at the beginning of the meetings. The circulars and notices of the general meetings express the Chairman's intention to call for voting by poll. (b) The Chairman or the Company Secretary explains the procedures for voting by poll to Shareholders and answer any questions from Shareholders before a poll is required to be conducted at the meetings. (c) The Company ensures votes cast are properly counted and recorded. Independent scrutineers are appointed to count the number of votes cast at general meetings. (d) Poll results are announced on the same day and also published on the Company's and the Stock Exchange's websites not later than the business day following the general meetings.

SHAREHOLDERS' RIGHTS

I. Convene an Extraordinary General Meeting

Pursuant to Section 113 of the Hong Kong Companies Ordinance, on requisition by one or more Shareholders in aggregate holding not less than 5% of the paid-up capital of the Company carrying the right to vote at general meetings, the Directors of the Company must convene an extraordinary general meeting.

II. Send Enquiries to the Board

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

III. Make Proposals at General Meetings

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

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

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

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

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

The written requisition must –

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

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

(c) be deposited at the Company's registered office (16th Floor, Ocean Centre, Harbour City, Canton Road, Kowloon, Hong Kong) for the attention of the Company Secretary, to be so deposited not less than 6 weeks (as required in most circumstances under the applicable laws) before the Shareholders' meeting in the case of a requisition requiring notice of a resolution and not less than 1 week before the Shareholders' meeting in the case of any other requisition; and

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

Report of the Directors

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 194 to 197.

SHARE CAPITAL

During the financial year, a total of 275,386,120 ordinary shares of HK$1.00 each of the Company were allotted and issued at HK$36.5 each as a result of a 1-for-10 rights issue by the Company, with net proceeds of HK$10.0 billion received by the Company.

By an ordinary resolution of the Company passed on 7 June 2011, the authorised share capital of the Company was increased from HK$3,600,000,000 divided into 3,600,000,000 shares of HK$1.00 each to HK$10,000,000,000 shares of HK$1.00 each by the creation of 6,400,000,000 new shares of HK$1.00 each.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the financial year ended 31 December 2011 are set out in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income on pages 126 to 127.

Appropriations of profits and movements in reserves during the financial year are set out in the Consolidated Statement of Change in Equity on page 131 and Note 26 to the Financial Statements on pages 171 to 172.

DIVIDENDS

A first interim dividend of 36 cents per share was paid on 30 September 2011. The Board has declared a second interim dividend of 70 cents per share, payable on Wednesday, 30 May 2012 to Shareholders on record as at 30 May 2012. This second interim dividend is to be paid in lieu of a final dividend in respect of the financial year ended 31 December 2011.

FIXED ASSETS

Movements in fixed assets during the financial year are set out in Note 9 to the Financial Statements on pages 145 to 147.

DONATIONS

The Group made donations during the financial year totalling HK$15 million.

DIRECTORS

The Directors of the Company during the financial year were Mr P K C Woo, Mr S T H Ng, Mr A O K Chow (appointed effective 1 July 2011), Ms D Y F Lee, Mr T Y Ng, Mr P Y C Tsui, Hon P M P Chan, Professor E K Y Chen, Dr R K F Ch'ien, Hon V K Fang, Mr Hans Michael Jebsen and Mr James E Thompson.

Mr A O K Chow, who was appointed as Director of the Company after the last Annual General Meeting, is due to retire from the Board in accordance with Article 94 of the Company's Articles of Association, and Mr P K C Woo, Mr S T H Ng, Ms D Y F Lee, Mr P Y C Tsui, Mr Hans Michael Jebsen and Mr James E Thompson are also due to retire from the Board at the forthcoming Annual General Meeting. 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, its subsidiaries or its ultimate holding company or any subsidiary of that ultimate holding company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during that financial year.

MANAGEMENT CONTRACTS

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the financial year was the Company, its subsidiaries or its ultimate holding company or any subsidiary of such ultimate holding company a party to any arrangement to enable the Directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, with the exception that there existed certain outstanding options to subscribe for ordinary shares of the Company granted under the Company's Share Option Scheme (the "Scheme") to certain executives/employees of companies in the Group, some of whom were Directors of the Company during the financial year.

Under the rules of the Scheme, shares of the Company would be issued at such prices as being equal to the highest of (a) the indicative price as specified in the written offer; (b) the closing price on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant of the options; (c) the average closing price on the Stock Exchange for the five trading days immediately preceding the date of grant; and (d) 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, as determined by the Board of Directors of the Company. During the financial year, no shares of the Company were allotted and issued to any Director of the Company under the Scheme.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the financial year.

AUDITORS

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

By Order of the Board
Wilson W S Chan
Secretary

Hong Kong, 22 March 2012

SUPPLEMENTARY CORPORATE INFORMATION

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

(i) Directors

Peter Kwong Ching Woo, *GBS, JP, Chairman* (Age: 65)

Mr Woo has resumed the role of Chairman of the Company since 2002 after having also served in that capacity from 1986 to 1994. He also serves as a member and the chairman of the Company's Nomination Committee and as a member of the Company's Remuneration Committee. He is also the chairman and a substantial shareholder of the Company's ultimate holding company, namely, Wheelock and Company Limited ("Wheelock"), a publicly-listed company in Hong Kong, and chairman of a fellow subsidiary of the Company, namely, Wheelock Properties (Singapore) Limited ("WPSL"), which is publicly listed in Singapore. Furthermore, he is a director of Wheelock Properties Limited ("WPL") (formerly a publicly-listed company until it was privatised and became a wholly-owned subsidiary of Wheelock in July 2010) as well as a director of certain subsidiaries of the Company. Mr Woo has for many years been actively engaged in community and related services, both locally and in the international arena, and has held various Government appointments.

Mr Woo serves as a member of the Standing Committee of the Eleventh National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He was appointed a Justice of the Peace in 1993 and awarded the Gold Bauhinia Star in 1998 by the Hong Kong SAR Government. He has been appointed a non-official member of the Commission on Strategic Development since June 2007. He had served as the chairman of Hospital Authority from 1995 to 2000, the council chairman of Hong Kong Polytechnic University from 1993 to 1997 and the Government-appointed chairman of the Hong Kong Trade Development Council from 2000 to 2007. He was the chairman of the Hong Kong Environment and Conservation Fund Committee set up in 1994 which he co-funded with the Government. He also served as a deputy chairman in 1991 to Prince of Wales Business Leaders Forum, and as a member of the International Advisory Council of JPMorgan Chase & Co., National Westminster Bank, Banca Nazionale del Lavoro, Elf Aquitaine of France and General Electric of America. He has received Honorary Doctorates from various universities in Australia, Hong Kong and the United States. Under the existing service contract between the Group and Mr Woo, his basic salary and various allowances for the year 2012, exclusive of the amounts which would be borne by Wheelock and/or its wholly-owned subsidiaries and calculated on annualised basis, would be approximately HK$11.89 million per annum (2011: HK$11.43 million).

Stephen Tin Hoi Ng, *Deputy Chairman & Managing Director* (Age: 59)

Mr Ng joined the Company in 1981. He has been the Managing Director of the Company since 1989 and became the Deputy Chairman in 1994. He is also the deputy chairman of Wheelock as well as the chairman and chief executive officer of i-CABLE Communications Limited ("i-CABLE") and the chairman of Harbour Centre Development Limited ("HCDL"), both being publicly-listed subsidiaries of the Company. Furthermore, Mr Ng is the chairman of Modern Terminals Limited ("Modern Terminals") (a subsidiary of the Company), the chairman and chief executive officer of Wharf T&T Limited (a wholly-owned subsidiary of the Company), and a director of certain other subsidiaries of the Company. Mr Ng is also the chairman of publicly-listed Joyce Boutique Holdings Limited ("Joyce"). Under the existing service contract between the Group and Mr Ng, his basic salary and various allowances for the year 2012, calculated on annualised basis, would be approximately HK$5.00 million per annum (2011: HK$4.77 million).

Andrew On Kiu Chow, *Vice Chairman* (Age: 61)
Mr Chow has been appointed a Director and elected as Vice Chairman of the Company since July 2011. He is also the chairman of Wharf China Development Limited ("WCDL") (a wholly-owned subsidiary of the Company), and a director of certain other subsidiaries of the Company. Mr Chow joined the Group in 2006. He has extensive experience in the banking, finance, trading, investment as well as property sectors in Mainland China. He is responsible for overseeing all of the Group's property development and related businesses in Mainland China.

Mr Chow is also an independent non-executive director of Hong Kong Economic Times Holdings Limited, a company publicly-listed in Hong Kong. He formerly held senior executive positions in Tian An China Investment Limited and Next Media Limited before he joined the Group. Mr Chow is a graduate of The University of Hong Kong where he obtained his bachelor's degree in Social Science. Under the existing service contract between the Group and Mr Chow, his basic salary and various allowances for the year 2012, calculated on annualised basis, would be approximately HK$5.07 million per annum (2011: HK$5.07 million).

Doreen Yuk Fong Lee, *Executive Director* (Age: 55)
Ms Lee joined the Company in 1984. She has been a Director of the Company since 2003 and became an Executive Director in March 2007. She is also a director of HCDL. She is the senior managing director of Harbour City Estates Limited, Times Square Limited, vice chairman and senior managing director of Wharf China Estates Limited ("WCEL") and the managing director of Wharf Estates Limited, all being wholly-owned subsidiaries of the Company, as well as a director of certain other subsidiaries of the Company. Ms Lee is responsible for overseeing the investment properties of the Group in Hong Kong and the Mainland China, particularly, two core properties of the Group, namely, Harbour City and Times Square in Hong Kong, and also the Group's Times Square developments in Shanghai, Chongqing, Wuhan and Dalian respectively. Ms Lee is also a director of Joyce. She is a graduate of The University of Hong Kong where she obtained her bachelor's degree in Arts (Hon). Under the existing service contract between the Group and Ms Lee, her basic salary and various allowances for the year 2012, calculated on annualised basis, would be approximately HK$4.09 million per annum (2011: HK$3.90 million).

Tze Yuen Ng, *Executive Director* (Age: 64)
Mr Ng, *ACPA, ACMA*, joined the Company in 1985 and has been a Director of the Company since 1998. He was re-designated as an Executive Director in June 2009. He is also a director of HCDL, the vice chairman and senior managing director of WCDL and the vice chairman of WCEL, both being wholly-owned subsidiaries of the Company, and a director of certain other subsidiaries of the Company. Furthermore, Mr Ng was formerly a director of Joyce from 2000 to 2008 and WPL from 1999 to 2010. Under the existing service contract between the Group and Mr Ng, his basic salary and various allowances for the year 2012, calculated on annualised basis, would be approximately HK$3.95 million per annum (2011: HK$3.76 million).

Paul Yiu Cheung Tsui, *Executive Director and Group Chief Financial Officer* (Age: 65)
Mr Tsui, *FCCA, FCPA, FCMA, FCIS, CGA-Canada*, is an Executive Director & Group Chief Financial Officer of both Wheelock and the Company. He joined Wheelock/Wharf group in 1996 and became Wheelock's director in 1998. He is also a director of HCDL and i-CABLE, the vice chairman and finance director of both WCDL and WCEL, and a director of certain other subsidiaries of the Company. Furthermore, Mr. Tsui is a director of WPSL, the vice chairman of WPL, as well as a director of Joyce. Under the existing service contract between the Group and Mr Tsui, his basic salary and various allowances for the year 2012, exclusive of the amounts which would be borne by Wheelock and/or its wholly-owned subsidiary(ies) and calculated on annualised basis, would be approximately HK$3.23 million per annum (2011: HK$2.39 million).

Hon Paul Mo Po Chan, *JP, Director* (Age: 57)
Mr Chan, *MBA, FCPA, FCCA, FCPA (Australia), FCIS, FCS, FTIHK*, has been an Independent Non-executive Director of the Company since September 2004. He also serves as a member of the Company's Audit Committee. He is the co-chairman of Crowe Horwath (HK) CPA Ltd. He is also an independent non-executive director of two companies publicly-listed in Hong Kong, namely, China Communications Services Corporation Limited and Hong Kong Economic Times Holdings Limited, and has become an independent director of a company publicly-listed on Shenzhen Stock Exchange, namely, China Vanke Co., Ltd., since March 2011. Mr Chan was formerly an independent non-executive director of China Resources Land Limited from 2006 to 2008 and Kingmaker Footwear Holdings Limited from 2004 to 2011, both being publicly-listed companies in Hong Kong.

In public service, Mr Chan is the chairman of Legal Aid Services Council and HKTDC Professional Services Advisory Committee. He is also a member of West Kowloon Cultural District Authority and The HKSAR Government's Strategic Development Commission. He is also a member of Shanghai Municipal Committee and Qingdao Municipal Committee of the Chinese People's Political Consultative Conference. Mr Chan was elected in September 2008 as a member of Legislative Council representing the Accountancy Functional Constituency. In 2007, he was appointed a Justice of the Peace.

Mr Chan has over 30 years' experience in accounting and finance field and is a former president of the Hong Kong Institute of Certified Public Accountants. He is also a former chairman of The Association of Chartered Certified Accountants – Hong Kong.

Edward Kwan Yiu Chen, *GBS, CBE, JP, Director* (Age: 67)
Professor Chen has been an Independent Non-executive Director of the Company since 2002. He was the president of Lingnan University in Hong Kong from September 1995 to August 2007. He is an honorary professor of the Open University of Hong Kong and a distinguished fellow of the Centre of Asian Studies at The University of Hong Kong. He was a member of the Legislative Council of Hong Kong from 1991 to 1992, and a member of the Executive Council of Hong Kong from 1992 to 1997. He was also a member of the Hong Kong SAR Basic Law Consultative Committee from 1985 to 1990. He is a director of two companies publicly-listed in Hong Kong, namely, Asia Satellite Telecommunications Holdings Limited and First Pacific Company Limited.

Professor Chen was educated at The University of Hong Kong (Bachelor of Arts and Master of Social Science) and Oxford University (Doctor of Philosophy). He was appointed a Justice of the Peace in 1993 and awarded a CBE in 1995. In 2003, he was awarded the Gold Bauhinia Star Medal by the Hong Kong SAR Government.

Raymond Kuo Fung Ch'ien, *GBS, CBE, JP, Director* (Age: 60)
Dr Ch'ien has been an Independent Non-executive Director of the Company since 2002. He is the chairman and a director of China.com Inc. (listed on Growth Enterprise Market) and is also the chairman of MTR Corporation Limited and Hang Seng Bank Limited as well as an independent non-executive director of China Resources Power Holdings Company Limited and Convenience Retail Asia Limited, all being companies publicly-listed in Hong Kong. He is also the chairman of Ascendas China Commercial Fund Management Limited. Dr Ch'ien also serves on the boards of The Hongkong and Shanghai Banking Corporation Limited, Hong Kong Mercantile Exchange Limited and Swiss Reinsurance Company Ltd which is listed in Switzerland. Dr Ch'ien was formerly a director of publicly-listed VTech Holdings Limited and also of CDC Corporation and Inchcape plc.

In public service, Dr Ch'ien is a member of the Standing Committee of the Tianjin Municipal Committee of the Chinese People's Political Consultative Conference. Dr. Ch'ien is an honorary president and past chairman of the Federation of Hong Kong Industries. From 1992 to 1997, Dr Ch'ien was a member of the Executive Council of Hong Kong, then under British administration. He was appointed a member of the Executive Council of the Hong Kong SAR on 1 July 1997 and served until June 2002.

Dr Ch'ien received a doctoral degree in Economics from the University of Pennsylvania in 1978 and became a Trustee of the University in 2006. He was appointed a Justice of the Peace in 1993 and a Commander in the Most Excellent Order of the British Empire in 1994. In 1999, he was awarded the Gold Bauhinia Star Medal by the Hong Kong SAR Government. In 2008, he was conferred the honour of Chevalier de l'Ordre du Merite Agricole of France.

Hon Vincent Kang Fang, *SBS, JP, Director* (Age: 68)
Mr Fang has been an Independent Non-executive Director of the Company since 1993. He also serves as a member and chairman of the Company's Audit Committee. He is the chief executive officer of Toppy Company (Hong Kong) Limited and managing director of Fantastic Garments Limited.

Mr Fang currently serves as a member of Legislative Council representing Wholesale and Retail in Functional Constituency. He is a member of the Hospital Authority and Hong Kong Tourism Board. He is also a member of the Operations Review Committee of the Independent Commission Against Corruption ("ICAC"). He is also a board member of the Airport Authority. He is the chairman of Hospital Governing Committee of Princess Margaret Hospital and Kwai Chung Hospital and the Quality Tourism Services Association. He is an honorary advisor of Hong Kong Retail Management Association and a director of The Federation of Hong Kong Garment Manufacturers.

Mr Fang is a graduate of North Carolina State University where he obtained both his bachelor's and master's degrees in Science of Textiles Engineering. Mr Fang was awarded the Silver Bauhinia Star by the Hong Kong SAR Government in 2008. He is also a Justice of the Peace.

Hans Michael Jebsen, *BBS, Director* (Age: 55)
Mr Jebsen has been an Independent Non-executive Director of the Company since 2001. He also serves as a member of the Company's Audit Committee, Nomination Committee and Remuneration Committee. He is the chairman of Jebsen and Company Limited and also a non-executive director of publicly-listed Hysan Development Company Limited as well as the vice chairman and a Board Member of Danfoss A/S, Denmark. He currently holds a number of public offices, namely, the vice-president and a trustee of World Wide Fund for Nature Hong Kong, the chairman of the Friend's Committee of the Asian Cultural Council Hong Kong, a Board Member of the Asian Cultural Council Board of Trustees, affiliate of the Rockefeller Brothers Fund, New York, an honorary fellow and a council member of the Hong Kong University of Science & Technology, as well as a member of the Advisory Council for the Environment, Hong Kong European Union Business Co-operation Committee of the Hong Kong Trade Development Council, Advisory Council as well as Board of Trustees of Asia Society Hong Kong Center and Advisory Board of the Hong Kong Red Cross. He is also an Honorary Citizen and Municipal Economic Advisor as well as a Committee Member of the CPPCC Jilin City, China.

After schooling in Germany and Denmark, he received a two-year banking education in Germany and the UK and studied Business Administration at the University of St. Gallen in Switzerland from 1978 to 1981.

Mr Jebsen was awarded the Bronze Bauhinia Star by the Hong Kong SAR Government in 2001, made a Knight of the Dannebrog by receiving the Silver Cross of the Order of Dannebrog by H. M. The Queen of Denmark in 2006, was awarded the Merit Cross of the Order of the Merit of the Federal Republic of Germany in 2008 and received the title "Hofjægermester" by H. M. The Queen of Denmark in January 2011.

James Edward Thompson, *GBS, Director* (Age: 72)
Mr Thompson has been an Independent Non-executive Director of the Company since 2001. He also serves as a member and the chairman of the Company's Remuneration Committee as well as a member of the Company's Audit Committee and Nomination Committee. He established his company, Crown Worldwide, in Japan in 1965. He is a member of the American Chamber of Commerce in Hong Kong and was appointed as its chairman in 2003. He also serves on Hong Kong – United States Business Council and Hong Kong-EU Business Co-operation Committee. Mr Thompson has lived in Hong Kong for over 33 years and has served on the Trade Development Council, the ICAC Advisory Committee as well as other government and charitable committees. He was awarded the Gold Bauhinia Star by the Hong Kong SAR Government in 2003.

Notes: (1) *Wheelock, WF Investment Partners Limited, Wheelock Investments Limited, and Lynchpin Limited (of which Mr P K C Woo, Mr S T H Ng, Mr P Y C Tsui and/or Mr T Y Ng is/are director(s)) have interests in the share capital of the Company discloseable to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO").*

(2) *The Company confirms that it has received written confirmation from each of the Independent Non-executive Directors confirming their independence pursuant to Rule 3.13 of the Listing Rules and considers them independent.*

(ii) *Senior Management*
Various businesses of the Group are respectively under the direct responsibility of the Chairman, the Deputy Chairman & Managing Director, the Vice Chairman and the three Executive Directors as named under (A)(i) above. Only those six Directors are regarded as members of the Group's senior management.

(B) Directors' Interests in Shares

At 31 December 2011, Directors of the Company had the following beneficial interests, all being long positions, in the share capitals of the Company, Wheelock (which is the Company's parent company), and two subsidiaries of the Company, namely, i-CABLE and Modern Terminals, and the percentages which the relevant shares represented to the issued share capitals of the four companies respectively are also set out below:

	No. of Ordinary Shares (percentage of issued capital)	**Nature of Interest**
The Company		
Stephen T H Ng	804,445 (0.0266%)	Personal Interest
T Y Ng	220,294 (0.0073%)	Personal Interest
Wheelock		
Peter K C Woo	1,207,357,330 (59.4216%)	Personal Interest in 8,847,510 shares, Corporate Interest in 203,288,142 shares and Other Interest in 995,221,678 shares
Stephen T H Ng	300,000 (0.0148%)	Personal Interest
T Y Ng	70,000 (0.0034%)	Personal Interest
i-CABLE		
Stephen T H Ng	1,265,005 (0.0629%)	Personal Interest
T Y Ng	17,801 (0.0009%)	Personal Interest
Modern Terminals		
Hans Michael Jebsen	3,787 (5.40%)	Corporate Interest

Notes: (1) *The 995,221,678 shares of Wheelock 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 SFO which are applicable to a director or chief executive of a listed company, to be interested.*

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

Set out below are particulars of interests (all being personal interests) in options to subscribe for ordinary shares of the Company granted/exercisable under the Share Option Scheme of the Company held by Directors of the Company during the financial year:

		No. of Shares under Option				
Name of Director	**Date granted** *(Day/Month/Year)*	**Granted during the year**	**Exercised during the year**	**As at 31 December 2011**	**Subscription Price per Share** *(HK$)*	**Period during which rights exercisable** *(Day/Month/Year)*
Peter K C Woo	04/07/2011	1,500,000	Nil	1,500,000	55.15	05/07/2011 – 04/07/2016
Stephen T H Ng	04/07/2011	1,500,000	Nil	1,500,000	55.15	05/07/2011 – 04/07/2016
Andrew O K Chow	04/07/2011	1,500,000	Nil	1,500,000	55.15	05/07/2011 – 04/07/2016
Doreen Y F Lee	04/07/2011	1,500,000	Nil	1,500,000	55.15	05/07/2011 – 04/07/2016
T Y Ng	04/07/2011	1,500,000	Nil	1,500,000	55.15	05/07/2011 – 04/07/2016
Paul Y C Tsui	04/07/2011	1,500,000	Nil	1,500,000	55.15	05/07/2011 – 04/07/2016

Notes: (1) *There was no outstanding share option held by any Director as at 1 January 2011.*

(2) *The share options were/will be vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant options, i.e. exercisable to the extent of one-fifth of the relevant total number of shares, as follows:*

- (i) *First tranche is exercisable from 5 July 2011 to 4 July 2016;*
- (ii) *Second tranche is exercisable from 5 July 2012 to 4 July 2016;*
- (iii) *Third tranche is exercisable from 5 July 2013 to 4 July 2016;*
- (iv) *Fourth tranche is exercisable from 5 July 2014 to 4 July 2016; and*
- (v) *Fifth tranche is exercisable from 5 July 2015 to 4 July 2016;*

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

(4) *Except as disclosed above, no share option of the Company held by Directors was exercised, cancelled or lapsed throughout the financial year ended 31 December 2011.*

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the SFO in respect of information required to be notified to the Company and the Stock Exchange by the Directors and/or Chief Executive of the Company pursuant to the SFO or to the Model Code for Securities Transactions by Directors of Listed Issuers, there were no interests, both long and short positions, held as at 31 December 2011 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), nor had there been any rights to subscribe for any shares, underlying shares or debentures of the Company held by any of them at any time as at 31 December 2011.

(C) Substantial Shareholders' Interests

Given below are the names of all parties which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company as at 31 December 2011, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at the 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)	Lynchpin Limited	**213,267,072**	**(7.04%)**
(ii)	WF Investment Partners Limited	**1,302,017,536**	**(42.98%)**
(iii)	Wheelock Investments Limited	**1,515,284,608**	**(50.02%)**
(iv)	Wheelock and Company Limited	**1,515,284,608**	**(50.02%)**
(v)	HSBC Trustee (Guernsey) Limited	**1,515,284,608**	**(50.02%)**
(vi)	JPMorgan Chase & Co.	**154,481,700**	**(5.10%)**

Note: For the avoidance of doubt and double counting, it should be noted that duplication occurs in respect of the shareholdings stated against parties (i) to (v) above to the extent that the shareholding stated against party (i) above was entirely duplicated or included in that against party (iii) above, with the same duplication of the shareholdings in respect of (ii) in (iii), (iii) in (iv) and (iv) in (v).

All the interests stated above represented long positions. As at 31 December 2011, JPMorgan Chase & Co. had a short position in 3,517,815 shares (0.12%) and a lending pool of 80,674,047 shares (2.66%) with regard to the issued share capital of the Company according to the record in the Register.

(D) Share Option Scheme

(i) Summary of the Share Option Scheme (the "Scheme")

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

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

(c) (i) Total number of ordinary shares of HK$1.00 each in the capital of the Company (the "Shares") available for issue under the Scheme as at the date of this annual report:
290,824,732

(ii) Percentage of the issued share capital that it represents as at the date of this annual report:
9.6%

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

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

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

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

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

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

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

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

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

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

(iv) the nominal value of a Share.

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

(ii) Details of Share Options Granted

Details of share options granted to Directors of the Company and the relevant movement(s) during the financial year are set out in the section headed "(B) Directors' Interests in Shares".

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

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

Notes: (1) *There was no outstanding share option as at 1 January 2011.*

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

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

(E) Retirement Benefits Schemes

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

For defined contribution schemes, both the Group and the employees contribute respectively to the schemes sums which represent certain percentage of the employees' salaries. The contribution by the Group are expensed as incurred and may be reduced by contribution forfeited for those employees who have left the scheme prior to full vesting of the related contribution. During the year ended 31 December 2011, total contribution expense amounted to HK$125 million after a forfeiture of the Group's contribution of HK$3 million.

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

(F) Directors' Interests in Competing Business

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

Five Directors of the Company, namely, Mr P K C Woo, who is also the chairman and a substantial shareholder of Wheelock, and Messrs S T H Ng, A O K Chow, T Y Ng and P Y C Tsui, being also directors of Wheelock and/or certain wholly-owned subsidiaries of Wheelock, are considered as having an interest in Wheelock under Rule 8.10 of the Listing Rules.

The ownership of commercial premises for rental purposes and the development of properties for sale and/or investment purposes by Wheelock and its wholly-owned subsidiaries (the "Wheelock Group") are considered as competing businesses for the Group. However, the Group itself has adequate experience in property leasing and property development and is therefore capable of carrying on its property leasing and property development business independently of the Wheelock Group.

For safeguarding the interests of the Group, the Independent Non-executive Directors and the Audit Committee of the Company would on a regular basis review the business and operational results of the Group to ensure, *inter alia*, that the Group's development of properties for sale and/or investment and property leasing businesses are and continue to be run on the basis that they are independent of, and at arm's length from, those of the Wheelock Group.

(G) Major Customers and Suppliers

For the financial year ended 31 December 2011:

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

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

(H) Bank Loans, Overdrafts and other Borrowings

Particulars of any and all bank loans, overdrafts and/or other borrowings of the Company and of the Group as at 31 December 2011 which are repayable on demand or within a period not exceeding one year are set out in Note 21 to the Financial Statements on pages 157 to 160. Those which would fall due for repayment after a period of one year are particularised in Note 21 to the Financial Statements on page 157 to 160. Details of the convertible bonds are set out in Note 21 to the Financial Statements on pages 157 to 160.

Set out below is information regarding certain borrowings of the Group outstanding as at 31 December 2011, all in the form of debt securities issued by wholly-owned subsidiaries of and guaranteed by the Company:

Name of Subsidiary/Borrower	**Description of Debt Securities Issued**	**Outstanding Principal Amount**
(1) Wharf Finance (BVI) Limited	HK$ Guaranteed Floating Rate Notes due 2013	HK$300 Million
	HK$ Guaranteed Fixed Rate Notes due 2016	HK$250 Million
(2) Wharf Finance Limited	HK$ 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$400 Million
	HK$ Zero Coupon Callable Notes due 2019	HK$353 Million
	HK$ Zero Coupon Callable Notes due 2019	HK$177 Million
	HK$ Guaranteed Fixed Rate Notes due 2021	HK$345 Million
	HK$ Guaranteed Fixed Rate Notes due 2040	HK$250 Million
(3) Wharf Finance (No. 1) Limited	HK$ Guaranteed Fixed Rate Notes due 2016	HK$167 Million
	SG$ Guaranteed Fixed Rate Notes due 2016	SG$160 Million
	RMB Guaranteed Floating Rate Notes due 2016	RMB150 Million
	US$ Guaranteed Floating Rate Notes due 2016	US$58 Million
	HK$ Guaranteed Fixed Rate Notes due 2019	HK$240 Million
	HK$ Guaranteed Fixed Rate Notes due 2020	HK$550 Million

Name of Subsidiary/Borrower	Description of Debt Securities Issued	Outstanding Principal Amount
(3) Wharf Finance (No. 1) Limited (cont'd)	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$100 Million
	SG$ Guaranteed Fixed Rate Notes due 2021	SG$260 Million
	JPY Guaranteed Fixed Rate Notes due 2026	JPY10,000 Million
(4) Wharf Finance (2014) Limited	HK$ Guaranteed Fixed Rate Convertible Bonds due 2014	HK$6,220 Million
(5) Wharf MTN (Singapore) Pte. Ltd.	SG$ Guaranteed Fixed Rate Notes due 2018	SG$250 Million

(I) Interest Capitalised

The amount of interest (all being borrowing costs) capitalised by the Group during the financial year is set out in Note 4 to the Financial Statements on page 141.

(J) Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules throughout the financial year ended 31 December 2011.

(K) 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 announcements of the Company dated 15 June 2011 and 30 December 2011 respectively and are required under the Listing Rules to be disclosed in the Annual Report and Financial Statements of the Company:

(i) Acquisition of Property Interests in Foshan

On 15 June 2011, Wharf China Development Limited, a wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement with Wheelock Properties Limited ("WPL"), for the acquisition of (i) the entire issued share capital of Wheelock Properties (China) Limited ("WPCL") at a consideration of HK$1,448,628,653 and (ii) the outstanding shareholder loan on a dollar-for-dollar basis (in the amount of HK$1,936.3 million at the date of completion, i.e. 30 June 2011) (the "Foshan Transaction"). WPCL is an investment holding company, and its only major assets are the 50% effective interests in the properties under each of the projects, being owned by joint venture(s) regarding developments of residential properties originally owned in equal shares by the China Merchants Property Development Co., Ltd. group and the WPL group in Foshan, Guangzhou, China. The purpose of this transaction is for acquisition of development property interests in China which is one of the Group's major businesses.

As WPL is a wholly-owned subsidiary of Wheelock, which in turn is the parent company of the Company, the entering into of the Foshan Transaction constituted a connected transaction for the Company under the Listing Rules.

(ii) Master Tenancy Agreements

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

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

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

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

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

(iii) *Confirmation from the Directors etc.*

(a) The Directors, including the Independent Non-executive Directors, of the Company have reviewed the MTA Transactions mentioned under Section (K)(ii) above and confirmed that the MTA Transactions were entered into:

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

(2) 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

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

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

The auditors of the Company have advised the following:

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

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

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

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

Independent Auditor's Report

TO THE SHAREHOLDERS OF THE WHARF (HOLDINGS) LIMITED

(INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)

We have audited the consolidated financial statements of The Wharf (Holdings) Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 126 to 197, which comprise the consolidated and company statements of financial position as at 31 December 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
22 March 2012

Consolidated Income Statement

For the year ended 31 December 2011

	Note	**2011** ***HK$ Million***	2010 *HK$ Million*
Turnover	1	**24,004**	19,380
Direct costs and operating expenses		**(9,095)**	(7,072)
Selling and marketing expenses		**(900)**	(774)
Administrative and corporate expenses		**(1,226)**	(834)
Operating profit before depreciation, amortisation, interest and tax		**12,783**	10,700
Depreciation and amortisation	2	**(1,395)**	(1,328)
Operating profit	2	**11,388**	9,372
Increase in fair value of investment properties		**24,968**	29,249
Other net income	3	**457**	813
		36,813	39,434
Finance costs	4	**(2,567)**	(996)
Share of results after tax of:			
Associates	12(e)	**361**	376
Jointly controlled entities	13	**34**	9
Profit before taxation		**34,641**	38,823
Income tax	5	**(3,304)**	(2,358)
Profit for the year		**31,337**	36,465
Profit attributable to:			
Equity shareholders	6	**30,568**	35,750
Non-controlling interests		**769**	715
		31,337	36,465
Earnings per share	8		
Basic		**HK$10.22**	HK$12.64
Diluted		**HK$10.13**	HK$12.64

The notes and principal accounting policies on pages 134 to 197 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 7.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	2011 ***HK$ Million***	2010 *HK$ Million*
Profit for the year	**31,337**	36,465
Other comprehensive income		
Exchange gain on translation of foreign operations	**3,014**	1,197
Net revaluation reserves of available-for-sale investments:	**(1,005)**	280
(Deficit)/surplus on revaluation	**(1,007)**	371
Transferred to consolidated income statement:		
— on disposal	**2**	(93)
— on impairment	**—**	2
Acquisition of additional interest in a subsidiary	**—**	24
Share of other comprehensive income of associates/jointly controlled entities	**555**	276
Others	**(12)**	(28)
Other comprehensive income for the year	**2,552**	1,749
Total comprehensive income for the year	**33,889**	38,214
Total comprehensive income attributable to:		
Equity shareholders	**33,037**	37,297
Non-controlling interests	**852**	917
	33,889	38,214

The notes and principal accounting policies on pages 134 to 197 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2011

	Note	**2011** ***HK$ Million***	2010 *HK$ Million*
Non-current assets			
Investment properties		**184,057**	148,241
Other property, plant and equipment		**15,233**	14,679
Leasehold land		**3,751**	3,718
Total fixed assets	9	**203,041**	166,638
Goodwill and other intangible assets	11	**297**	297
Interest in associates	12	**10,198**	5,510
Interest in jointly controlled entities	13	**16,934**	15,350
Available-for-sale investments	14	**2,703**	3,362
Programming library		**107**	113
Deferred tax assets	23	**683**	463
Derivative financial assets	17	**181**	587
Other non-current assets		**15**	21
		234,159	192,341
Current assets			
Properties for sale	15	**47,511**	29,732
Inventories		**130**	113
Trade and other receivables	16	**3,420**	3,518
Derivative financial assets	17	**225**	164
Bank deposits and cash	18	**32,528**	16,900
		83,814	50,427
Current liabilities			
Trade and other payables	19	**(10,316)**	(7,082)
Deposits from sale of properties	20	**(9,704)**	(6,855)
Derivative financial liabilities	17	**(232)**	(244)
Taxation payable	5(d)	**(1,601)**	(1,242)
Bank loans and other borrowings	21	**(8,903)**	(7,829)
		(30,756)	(23,252)
Net current assets		**53,058**	27,175
Total assets less current liabilities		**287,217**	219,516

	Note	**2011** ***HK$ Million***	2010 *HK$ Million*
Non-current liabilities			
Derivative financial liabilities	17	**(2,470)**	(1,587)
Deferred tax liabilities	23	**(6,508)**	(5,237)
Other deferred liabilities		**(275)**	(283)
Bank loans and other borrowings	21	**(67,090)**	(41,760)
		(76,343)	(48,867)
NET ASSETS		**210,874**	170,649
Capital and reserves			
Share capital	25	**3,029**	2,754
Reserves		**200,228**	160,335
Shareholders' equity		**203,257**	163,089
Non-controlling interests		**7,617**	7,560
TOTAL EQUITY		**210,874**	170,649

The notes and principal accounting policies on pages 134 to 197 form part of these financial statements.

Peter K C Woo
Chairman

Stephen T H Ng
Deputy Chairman & Managing Director

Company Statement of Financial Position

At 31 December 2011

	Note	**2011** ***HK$ Million***	2010 *HK$ Million*
Non-current assets			
Interest in subsidiaries	10	**68,806**	56,037
Amount due from an associate	12	**417**	417
		69,223	56,454
Current assets			
Receivables		**2**	1
Taxation recoverable	5(d)	**1**	2
Bank deposits and cash	18	**2**	2
		5	5
Current liabilities			
Trade and other payables		**(34)**	(28)
Amount due to an associate	12	**(533)**	(533)
Amounts due to subsidiaries	10	**(21,203)**	(30,571)
		(21,770)	(31,132)
Net current liabilities		**(21,765)**	(31,127)
NET ASSETS		**47,458**	25,327
Capital and reserves			
Share capital	25	**3,029**	2,754
Reserves		**44,429**	22,573
TOTAL EQUITY	26(a)	**47,458**	25,327

The notes and principal accounting policies on pages 134 to 197 form part of these financial statements.

Peter K C Woo
Chairman

Stephen T H Ng
Deputy Chairman & Managing Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Shareholders' equity								
	Share capital HK$ Million	Share premium HK$ Million	Capital redemption reserves HK$ Million	Investments revaluation and other reserves HK$ Million	Exchange reserves HK$ Million	Revenue reserves HK$ Million	Total Shareholders' equity HK$ Million	Non-controlling interests HK$ Million	Total equity HK$ Million
At 1 January 2010	2,754	16,566	7	503	1,535	107,181	128,546	7,042	135,588
Change in equity for 2010:									
Profit	—	—	—	—	—	35,750	35,750	715	36,465
Other comprehensive income	—	—	—	185	1,341	21	1,547	202	1,749
Total comprehensive income	—	—	—	185	1,341	35,771	37,297	917	38,214
Shares issued by subsidiaries	—	—	—	—	—	—	—	49	49
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	(86)	(86)
Final dividends paid for 2009	—	—	—	—	—	(1,763)	(1,763)	—	(1,763)
Interim dividends paid for 2010 (Note 7)	—	—	—	—	—	(991)	(991)	—	(991)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(362)	(362)
At 31 December 2010 and 1 January 2011	**2,754**	**16,566**	**7**	**688**	**2,876**	**140,198**	**163,089**	**7,560**	**170,649**
Changes in equity for 2011:									
Profit	**—**	**—**	**—**	**—**	**—**	**30,568**	**30,568**	**769**	**31,337**
Other comprehensive income	**—**	**—**	**—**	**(841)**	**3,318**	**(8)**	**2,469**	**83**	**2,552**
Total comprehensive income	**—**	**—**	**—**	**(841)**	**3,318**	**30,560**	**33,037**	**852**	**33,889**
Rights Issue	**275**	**9,712**	**—**	**—**	**—**	**—**	**9,987**	**—**	**9,987**
Shares issued by subsidiaries	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**12**	**12**
Issuance of convertible bonds	**—**	**—**	**—**	**99**	**—**	**—**	**99**	**—**	**99**
Equity settled share-based payment	**—**	**—**	**—**	**75**	**—**	**—**	**75**	**—**	**75**
Final dividends paid for 2010 (Note 7)	**—**	**—**	**—**	**—**	**—**	**(1,939)**	**(1,939)**	**—**	**(1,939)**
First interim dividends paid for 2011 (Note 7)	**—**	**—**	**—**	**—**	**—**	**(1,091)**	**(1,091)**	**—**	**(1,091)**
Dividends paid to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(807)**	**(807)**
At 31 December 2011	**3,029**	**26,278**	**7**	**21**	**6,194**	**167,728**	**203,257**	**7,617**	**210,874**

The notes and principal accounting policies on pages 134 to 197 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Note	**2011** ***HK$ Million***	2010 *HK$ Million*
Operating cash inflow	(a)	**12,461**	10,415
Changes in working capital	(a)	**(9,623)**	(7,218)
Cash generated from operations	(a)	**2,838**	3,197
Interest paid		**(1,587)**	(926)
Interest received		**302**	169
Dividends received from associates/jointly controlled entities		**456**	348
Dividends received from investments		**83**	119
Hong Kong profits tax paid		**(1,299)**	(530)
Overseas tax paid		**(833)**	(910)
Net cash (used in)/generated from operating activities		**(40)**	1,467
Investing activities			
Purchase of fixed assets		**(11,950)**	(3,681)
Additions to programming library		**(80)**	(93)
Net (increase)/decrease in interest in associates		**(3,049)**	25
Net increase in interest in jointly controlled entities		**(1,888)**	(7,554)
Net proceeds from disposal of a subsidiary		**—**	2,585
Net proceeds from disposal of fixed assets		**6**	19
Purchase of available-for-sale investments		**(398)**	(2,140)
Acquisition of additional interest in a subsidiary		**—**	(62)
Proceeds from disposal of available-for-sale investments		**50**	1,242
Repayment of long term receivables		**1**	4
(Placement)/release of bank deposits with maturity greater than three months		**(1,123)**	2,700
Net cash used in investing activities		**(18,431)**	(6,955)
Financing activities			
Net proceeds from the Rights Issue of shares	25	**9,987**	—
Drawdown of bank loans and other borrowings		**34,377**	19,031
Repayment of bank loans and other borrowings		**(8,194)**	(9,487)
Issue of shares by subsidiaries to non-controlling interests		**12**	49
Dividends paid to equity shareholders		**(3,030)**	(2,754)
Dividends paid to non-controlling interests		**(807)**	(362)
Net cash generated from financing activities		**32,345**	6,477
Increase in cash and cash equivalents		**13,874**	989
Cash and cash equivalents at 1 January		**16,900**	15,712
Effect of exchange rate changes		**631**	199
Cash and cash equivalents at 31 December		**31,405**	16,900
Analysis of the balance of cash and cash equivalents			
Bank deposits and cash	(b)	**31,405**	16,900

The notes and principal accounting policies on pages 134 to 197 form part of these financial statements.

NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

a. Reconciliation of operating profit to cash generated from operations

	2011 ***HK$ Million***	2010 *HK$ Million*
Operating profit	**11,388**	9,372
Adjustments for:		
Interest income	**(307)**	(159)
Dividends receivable from investments	**(90)**	(121)
Depreciation and amortisation	**1,395**	1,328
Profit on disposal of fixed assets	**—**	(5)
Equity settled share-based payment expenses	**75**	—
Operating cash inflow	**12,461**	10,415
Increase in properties under development for sale	**(18,442)**	(13,394)
Decrease in completed properties for sale	**3,800**	2,156
Increase in inventories	**(17)**	(6)
Decrease/(increase) in trade and other receivables	**211**	(1,398)
Increase in trade and other payables	**2,059**	1,147
Increase in deposits from sale of properties	**2,849**	4,247
Decrease in derivative financial instruments	**(70)**	(104)
Other non-cash items	**(13)**	134
Changes in working capital	**(9,623)**	(7,218)
Cash generated from operations	**2,838**	3,197

b. Cash and cash equivalents

	2011 ***HK$ Million***	2010 *HK$ Million*
Bank deposits and cash in the consolidated statement of financial position (Note 18)	**32,528**	16,900
Less: Bank deposits with maturity greater than three months	**(1,123)**	—
Cash and cash equivalents in the consolidated statement of cash flows	**31,405**	16,900

Notes to the Financial Statements

1. SEGMENT INFORMATION

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

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

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

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

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

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

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

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

a. Analysis of segment revenues and results

For the year ended 2011	Turnover *HK$ Million*	Operating profit *HK$ Million*	Increase in fair value of investment properties *HK$ Million*	Other net income *HK$ Million*	Finance costs *HK$ Million*	Associates *HK$ Million*	Jointly controlled entities *HK$ Million*	Profit before taxation *HK$ Million*
Property investment	**10,085**	**7,694**	**24,968**	**127**	**(709)**	**—**	**—**	**32,080**
Hong Kong	**8,012**	**6,827**	**23,342**	**—**	**(506)**	**—**	**—**	**29,663**
Mainland China	**796**	**493**	**1,626**	**127**	**(196)**	**—**	**—**	**2,050**
Hotels	**1,277**	**374**	**—**	**—**	**(7)**	**—**	**—**	**367**
Property development	**6,343**	**2,274**	**—**	**172**	**(102)**	**(49)**	**(37)**	**2,258**
Hong Kong	**—**	**—**	**—**	**30**	**—**	**10**	**—**	**40**
Mainland China	**6,343**	**2,274**	**—**	**142**	**(102)**	**(59)**	**(37)**	**2,218**
Logistics	**3,520**	**1,563**	**—**	**210**	**(266)**	**410**	**71**	**1,988**
Terminals	**3,416**	**1,546**	**—**	**231**	**(266)**	**201**	**71**	**1,783**
Others	**104**	**17**	**—**	**(21)**	**—**	**209**	**—**	**205**
CME	**3,863**	**45**	**—**	**3**	**—**	**—**	**—**	**48**
i-CABLE	**2,110**	**(186)**	**—**	**3**	**—**	**—**	**—**	**(183)**
Telecommunications	**1,753**	**230**	**—**	**—**	**—**	**—**	**—**	**230**
Others	**—**	**1**	**—**	**—**	**—**	**—**	**—**	**1**
Inter-segment revenue	**(327)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Segment total	**23,484**	**11,576**	**24,968**	**512**	**(1,077)**	**361**	**34**	**36,374**
Investment and others	**520**	**288**	**—**	**(55)**	**(1,490)**	**—**	**—**	**(1,257)**
Corporate expenses	**—**	**(476)**	**—**	**—**	**—**	**—**	**—**	**(476)**
Group total	**24,004**	**11,388**	**24,968**	**457**	**(2,567)**	**361**	**34**	**34,641**
For the year ended 2010								
Property investment	8,669	6,545	29,249	87	(390)	—	—	35,491
Hong Kong	7,043	5,991	26,908	—	(281)	—	—	32,618
Mainland China	470	223	2,341	87	(101)	—	—	2,550
Hotels	1,156	331	—	—	(8)	—	—	323
Property development	3,609	1,235	—	162	(95)	38	(39)	1,301
Hong Kong	1	1	—	99	—	45	—	145
Mainland China	3,608	1,234	—	63	(95)	(7)	(39)	1,156
Logistics	3,426	1,792	—	447	(189)	379	48	2,477
Terminals	3,252	1,712	—	10	(189)	224	48	1,805
Others	174	80	—	437	—	155	—	672
CME	3,682	(62)	—	1	—	(41)	—	(102)
i-CABLE	2,002	(250)	—	1	—	(41)	—	(290)
Telecommunications	1,680	201	—	—	—	—	—	201
Others	—	(13)	—	—	—	—	—	(13)
Inter-segment revenue	(297)	—	—	—	—	—	—	—
Segment total	19,089	9,510	29,249	697	(674)	376	9	39,167
Investment and others	291	188	—	116	(322)	—	—	(18)
Corporate expenses	—	(326)	—	—	—	—	—	(326)
Group total	19,380	9,372	29,249	813	(996)	376	9	38,823

b. Analysis of inter-segment revenue

	2011 Total Revenue *HK$ Million*	2011 Inter-segment revenue *HK$ Million*	2011 Group Revenue *HK$ Million*	2010 Total Revenue *HK$ Million*	2010 Inter-segment revenue *HK$ Million*	2010 Group Revenue *HK$ Million*
Property investment	**10,085**	**(144)**	**9,941**	8,669	(143)	8,526
Property development	**6,343**	**—**	**6,343**	3,609	—	3,609
Logistics	**3,520**	**—**	**3,520**	3,426	—	3,426
CME	**3,863**	**(151)**	**3,712**	3,682	(143)	3,539
Investment and others	**520**	**(32)**	**488**	291	(11)	280
	24,331	**(327)**	**24,004**	19,677	(297)	19,380

c. Analysis of segment business assets

	2011 ***HK$ Million***	2010 *HK$ Million*
Property investment	**186,076**	149,973
Hong Kong	**154,015**	130,549
Mainland China	**31,028**	18,438
Hotels	**1,033**	986
Property development	**70,428**	46,931
Hong Kong	**4,754**	3,614
Mainland China	**65,674**	43,317
Logistics	**20,155**	19,744
Terminals	**18,966**	18,503
Others	**1,189**	1,241
CME	**4,178**	4,132
i-CABLE	**1,482**	1,510
Telecommunications	**2,696**	2,622
Total segment business assets	**280,837**	220,780
Unallocated corporate assets	**37,136**	21,988
Total assets	**317,973**	242,768

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

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

	2011 ***HK$ Million***	2010 *HK$ Million*
Property development	**21,787**	15,598
Logistics	**5,345**	5,262
Group total	**27,132**	20,860

d. Other information

	Capital expenditure		Increase in interests in associates and jointly controlled entities		Depreciation and amortisation	
	2011 HK$ Million	2010 HK$ Million	**2011 HK$ Million**	2010 HK$ Million	**2011 HK$ Million**	2010 HK$ Million
Property investment	**10,930**	2,828	**—**	—	**168**	133
Hong Kong	**770**	512	**—**	—	**18**	17
Mainland China	**10,040**	2,215	**—**	—	**40**	23
Hotels	**120**	101	**—**	—	**110**	93
Property development	**—**	—	**6,284**	7,719	**—**	—
Hong Kong	**—**	—	**60**	2,664	**—**	—
Mainland China	**—**	—	**6,224**	5,055	**—**	—
Logistics	**350**	262	**68**	17	**481**	460
Terminals	**350**	260	**68**	2	**476**	455
Others	**—**	2	**—**	15	**5**	5
CME	**654**	603	**—**	—	**746**	735
i-CABLE	**187**	251	**—**	—	**346**	347
Telecommunications	**467**	352	**—**	—	**400**	388
Group total	**11,934**	3,693	**6,352**	7,736	**1,395**	1,328

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

e. Geographical information

	Revenue		Operating Profit	
	2011 HK$ Million	2010 HK$ Million	**2011 HK$ Million**	2010 HK$ Million
Hong Kong	**15,972**	14,635	**8,843**	7,977
Mainland China	**8,000**	4,711	**2,512**	1,228
Singapore	**32**	34	**33**	167
Group total	**24,004**	19,380	**11,388**	9,372

	Specified non-current assets		Total business assets	
	2011 HK$ Million	2010 HK$ Million	**2011 HK$ Million**	2010 HK$ Million
Hong Kong	**166,759**	143,879	**170,232**	146,015
Mainland China	**63,821**	44,033	**110,605**	74,765
Group total	**230,580**	187,912	**280,837**	220,780

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

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

2. OPERATING PROFIT

a. Operating profit is arrived at:

	2011 ***HK$ Million***	2010 *HK$ Million*
After charging/(crediting):		
Depreciation and amortisation on		
— assets held for use under operating leases	**132**	118
— other fixed assets	**1,082**	1,025
— leasehold land (Note 9)	**94**	92
— programming library	**87**	93
Total depreciation and amortisation	**1,395**	1,328
Impairment loss on trade receivables	**22**	1
Staff costs (Note i)	**2,867**	2,449
Auditors' remuneration		
— audit services	**18**	15
— other services	**3**	3
Cost of trading properties for recognised sales	**3,822**	2,196
Rental charges under operating leases in respect of telecommunications equipment and services	**81**	98
Rental income less direct outgoings (Note ii)	**(7,314)**	(6,351)
Interest income	**(307)**	(159)
Dividend income from listed investments	**(90)**	(51)
Dividend income from unlisted investments	**—**	(70)
Profit on disposal of fixed assets	**—**	(5)
Rental income under operating leases in respect of owned plant and machinery	**(15)**	(20)

Notes:

i. Staff costs included contributions to defined contribution pension schemes of HK$125 million (2010: HK$111 million) which including MPF schemes after a forfeiture of HK$3 million (2010: HK$3 million), and equity-settled share-based payment expenses of HK$75 million (2010: HK$ nil).

ii. Rental income included contingent rentals of HK$1,699 million (2010: HK$1,063 million).

b. Directors' emoluments

Directors' emoluments are as follows:

	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Discretionary bonuses *HK$'000*	Contributions to pension schemes *HK$'000*	2011 Total emoluments *HK$'000*	2010 Total emoluments *HK$'000*
Board of Directors						
Peter K C Woo	**100**	**11,428**	**11,000**	**9**	**22,537**	30,782
Stephen T H Ng	**60**	**4,769**	**10,000**	**294**	**15,123**	13,982
Andrew O K Chow (Note iii)	**30**	**2,535**	**–**	**6**	**2,571**	—
Doreen Y F Lee	**60**	**3,896**	**6,000**	**437**	**10,393**	9,222
T Y Ng	**60**	**3,763**	**5,000**	**12**	**8,835**	7,708
Paul Y C Tsui	**60**	**3,079**	**4,500**	**9**	**7,648**	6,379
Independent Non-executive Directors						
Paul M P Chan (Note ii)	**80**	**–**	**–**	**–**	**80**	80
Edward K Y Chen	**60**	**–**	**–**	**–**	**60**	60
Raymond K F Ch'ien	**60**	**–**	**–**	**–**	**60**	60
Vincent K Fang (Note ii)	**80**	**–**	**–**	**–**	**80**	80
Hans Michael Jebsen (Note ii)	**80**	**–**	**–**	**–**	**80**	80
James E Thompson (Note ii)	**80**	**–**	**–**	**–**	**80**	80
Past Director						
Gonzaga W J Li (Note iv)	**–**	**–**	**–**	**–**	**–**	15,204
	810	**29,470**	**36,500**	**767**	**67,547**	83,717
Total for 2010	822	30,670	51,500	725		83,717

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

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

iii. Mr. Andrew O K Chow was appointed as a Director of the Company with effect from 1 July 2011.

iv. Mr. Gonzaga W J Li retired and ceased to be a Director of the Company with effect from 1 April 2010.

v. In addition to the above emoluments, certain Directors and employees of the Company or its subsidiaries were granted share options under the share option schemes adopted by the Company. Details of the share options granted by the Company to the individuals are disclosed in note 22(d).

c. Emoluments of the highest paid employees

For the year ended 31 December 2011, information regarding emoluments (excluding amounts, if any, paid or payable by way of commissions on sales generated by the employees concerned) of two employees (2010: two) of the Group who, being person(s) who is/are not Director(s) of the Company or who did not hold office of Director(s) of the Company throughout the financial year, were among the top five highest paid individuals (including Directors of the Company and other employees of the Group) employed by the Group is set out below.

Aggregate emoluments	**2011** ***HK$ Million***	2010 *HK$ Million*
Salaries, allowances and benefits in kind	**16**	16
Contributions to pension schemes	**—**	—
Discretionary bonuses	**9**	8
Compensation for loss of office	**—**	—
Inducement for joining the Group	**—**	—
Total	**25**	24

Bands (in HK$)	**2011** ***Number***	2010 *Number*
$10,500,001 — $11,000,000	**—**	1
$12,000,001 — $12,500,000	**1**	—
$12,500,001 — $13,000,000	**1**	—
$13,500,001 — $14,000,000	**—**	1

3. OTHER NET INCOME

Other net income for the year 2011 amounted to HK$457 million (2010: HK$813 million) mainly includes (i) net foreign exchange gain of HK$449 million (2010: HK$17 million), which included the impact of forward foreign exchange contracts (ii) write-back of provision for properties of HK$30 million (2010: HK$99 million) and (iii) net loss on disposal of available-for-sale investment of HK$1 million (2010: profit of HK$133 million) which includes a revaluation deficit of HK$2 million (2010: surplus of HK$93 million) transferred from the investments revaluation reserves of the Group.

In 2010, other net income mainly included a one-off surplus of HK$437 million on revaluation of the interests in Hactl on its becoming the Group's associate.

4. FINANCE COSTS

	2011 ***HK$ Million***	2010 *HK$ Million*
Interest charged on:		
Bank loans and overdrafts		
— repayable within five years	**721**	372
— repayable after five years	**222**	151
Other borrowings		
— repayable within five years	**99**	6
— repayable after five years	**241**	167
Total interest charge	**1,283**	696
Other finance costs	**344**	131
Less: Amount capitalised	**(447)**	(279)
	1,180	548
Fair value cost/(gain):		
Cross currency interest rate swaps	**382**	574
Interest rate swaps	**1,005**	(126)
	1,387	448
Total	**2,567**	996

a. Interest was capitalised at an average annual rate of approximately 1.2 % (2010: 0.8%).

b. Included in total interest charge are amounts totalling HK$1,185 million (2010: HK$687 million) in respect of interest bearing borrowings that are stated at amortised cost.

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

5. INCOME TAX

Taxation charged to the consolidated income statement represents:

	2011 ***HK$ Million***	2010 *HK$ Million*
Current income tax		
Hong Kong		
— provision for the year	**1,298**	1,208
— overprovision in respect of prior years (Note 5(g))	**(28)**	(809)
Outside Hong Kong		
— provision for the year	**660**	319
— (over)/underprovision in respect of prior years	**(5)**	59
	1,925	777
Land appreciation tax ("LAT") (Note 5(c))	**509**	302
Deferred tax		
Change in fair value of investment properties	**901**	1,158
Origination and reversal of temporary differences	**23**	156
Benefit of previously unrecognised tax losses now recognised	**(54)**	(35)
	870	1,279
Total	**3,304**	2,358

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

b. Income tax on profits assessable outside Hong Kong is mainly China corporate income tax calculated at a rate of 25%.

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

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

e. Tax attributable to associates and jointly controlled entities for the year ended 31 December 2011 of HK$101 million (2010: HK$94 million) is included in the share of results of associates and jointly controlled entities.

f. The China tax law also imposes a withholding tax at 10% unless reduced by a treaty or agreement, for dividends distributed by a PRC-resident enterprise to its immediate holding company outside Mainland China for earnings generated beginning on 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. For the year ended 31 December 2011, the Group has provided HK$61 million (2010: HK$79 million) for withholding taxes on accumulated earnings generated by its Mainland China subsidiaries which will be distributed to its immediate holding company outside Mainland China in the foreseeable future.

g. In 2010, the Group wrote back HK$809 million over-provisions on reaching a settlement with the Inland Revenue Department on various tax disagreements in respect of the deductibility of interest expenses incurred in previous years.

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

	2011 ***HK$ Million***	2010 *HK$ Million*
Profit before taxation	**34,641**	38,823
Notional tax on profit before taxation calculated at applicable tax rates	**6,012**	6,773
Tax effect of non-deductible expenses	**222**	103
Tax effect of non-taxable income	**(271)**	(335)
Tax effect of non-taxable fair value gain on investment properties	**(3,851)**	(4,494)
Net overprovision in respect of prior years	**(33)**	(750)
Tax effect of tax losses not recognised	**282**	174
Tax effect of unrecognised tax losses utilised	**(75)**	(88)
Tax effect of previously unrecognised tax losses now recognised as deferred tax assets	**(54)**	(35)
Effect of temporary differences not recognised	**8**	3
LAT on trading properties	**509**	302
Deferred LAT on change in fair value of investment properties	**494**	626
Withholding tax on distributed/undistributed earnings	**61**	79
Actual total tax charge	**3,304**	2,358

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$15,000 million (2010: HK$4,754 million).

7. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2011 ***HK$ Million***	2010 *HK$ Million*
First interim dividend declared and paid of 36 cents (2010: interim dividend of 36 cents) per share	**1,091**	991
Second interim dividend of 70 cents (2010: final dividend of 64 cents) per share proposed after the end of the reporting period	**2,120**	1,939
	3,211	2,930

a. The proposed second interim dividend based on 3,029 million issued ordinary shares (2010: final dividend based on 3,029 million shares) after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

b. The final dividend of HK$1,939 million for 2010 was approved and paid in 2011.

8. EARNINGS PER SHARE

a. Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders for the year of HK$30,568 million (2010: HK$35,750 million) and the weighted average of 2,991 million ordinary shares in issue during the year (2010: 2,829 million ordinary shares after adjusting for the rights issue completed in March 2011), calculated as follows:

Weighted average number of ordinary shares

	2011 **No. of shares** ***Million***	2010 No. of shares *Million*
Issued ordinary shares at 1 January	**2,754**	2,754
Effect of rights issue	**237**	75
Weighted average number of ordinary shares	**2,991**	2,829

b. Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders for the year of HK$30,651 million (2010: HK$35,750 million) and the weighted average of 3,026 million ordinary shares in issue during the year (2010: 2,829 million ordinary shares after adjusting for the rights issue completed in March 2011), calculated as follows:

i. Profit attributable to ordinary equity shareholders (diluted)

	2011 ***HK$ Million***	2010 *HK$ Million*
Profit attributable to ordinary equity shareholders	**30,568**	35,750
After tax effect of effective interest on the liability component of convertible bonds	**83**	—
	30,651	35,750

ii. Weighted average number of ordinary shares (diluted)

	2011 **No. of shares** ***Million***	2010 No. of shares *Million*
Weighted average number of ordinary shares at 31 December	**2,991**	2,829
Effect of conversion of convertible bonds	**35**	—
	3,026	2,829

9. FIXED ASSETS

		Group					
	Investment properties *HK$ Million*	**Properties under or held for redevelopment** *HK$ Million*	**Hotel and club properties** *HK$ Million*	**Broadcasting & communications equipment** *HK$ Million*	**Other properties and fixed assets** *HK$ Million*	**Leasehold land** *HK$ Million*	**Total** *HK$ Million*
a. Cost or valuation							
At 1 January 2010	115,492	1,991	1,185	10,199	14,861	4,307	148,035
Exchange adjustment	441	—	18	—	71	20	550
Additions	2,653	178	3	514	345	—	3,693
Disposals	—	—	—	(155)	(170)	—	(325)
Reclassification	406	(412)	—	(1)	408	4	405
Revaluation surpluses	29,249	—	—	—	—	—	29,249
At 31 December 2010 and 1 January 2011	**148,241**	**1,757**	**1,206**	**10,557**	**15,515**	**4,331**	**181,607**
Exchange adjustment	**907**	**83**	**27**	**—**	**241**	**137**	**1,395**
Additions	**10,595**	**163**	**31**	**543**	**602**	**—**	**11,934**
Disposals	**—**	**—**	**—**	**(45)**	**(113)**	**—**	**(158)**
Reclassification	**(654)**	**83**	**—**	**(27)**	**62**	**—**	**(536)**
Revaluation surpluses	**24,968**	**—**	**—**	**—**	**—**	**—**	**24,968**
At 31 December 2011	**184,057**	**2,086**	**1,264**	**11,028**	**16,307**	**4,468**	**219,210**
Accumulated depreciation and impairment losses							
At 1 January 2010	—	—	606	7,265	5,643	519	14,033
Exchange adjustment	—	—	1	—	9	2	12
Charge for the year	—	—	35	539	569	92	1,235
Written back on disposals	—	—	—	(153)	(158)	—	(311)
At 31 December 2010 and 1 January 2011	**—**	**—**	**642**	**7,651**	**6,063**	**613**	**14,969**
Exchange adjustment	**—**	**—**	**4**	**—**	**30**	**10**	**44**
Charge for the year	**—**	**—**	**38**	**553**	**623**	**94**	**1,308**
Written back on disposals	**—**	**—**	**—**	**(42)**	**(110)**	**—**	**(152)**
Reclassification	**—**	**—**	**—**	**(17)**	**17**	**—**	**—**
At 31 December 2011	**—**	**—**	**684**	**8,145**	**6,623**	**717**	**16,169**
Net book value							
At 31 December 2011	**184,057**	**2,086**	**580**	**2,883**	**9,684**	**3,751**	**203,041**
At 31 December 2010	148,241	1,757	564	2,906	9,452	3,718	166,638

	Group						
	Investment properties *HK$ Million*	Properties under or held for redevelopment *HK$ Million*	Hotel and club properties *HK$ Million*	Broadcasting & communications equipment *HK$ Million*	Other properties and fixed assets *HK$ Million*	Leasehold land *HK$ Million*	Total *HK$ Million*
b. The analysis of cost or valuation of the above assets is as follows:							
2011 valuation	**167,947**	**—**	**—**	**—**	**—**	**—**	**167,947**
Cost less provisions	**16,110**	**2,086**	**1,264**	**11,028**	**16,307**	**4,468**	**51,263**
	184,057	**2,086**	**1,264**	**11,028**	**16,307**	**4,468**	**219,210**
2010 valuation	142,213	—	—	—	—	—	142,213
Cost less provisions	6,028	1,757	1,206	10,557	15,515	4,331	39,394
	148,241	1,757	1,206	10,557	15,515	4,331	181,607

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

	Investment properties *HK$ Million*	Properties under or held for redevelopment *HK$ Million*	Hotel and club properties *HK$ Million*	Broadcasting & communications equipment *HK$ Million*	Other properties and fixed assets *HK$ Million*	Leasehold land *HK$ Million*	Total *HK$ Million*
c. Tenure of title to properties:							
At 31 December 2011							
Held in Hong Kong							
Long term leases	**130,715**	**—**	**97**	**—**	**2**	**82**	**130,896**
Medium term leases	**22,404**	**—**	**1**	**—**	**2,822**	**1,007**	**26,234**
Short term leases	**300**	**—**	**—**	**—**	**—**	**—**	**300**
	153,419	**—**	**98**	**—**	**2,824**	**1,089**	**157,430**
Held outside Hong Kong							
Medium term leases	**30,638**	**2,086**	**482**	**—**	**2,787**	**2,662**	**38,655**
	184,057	**2,086**	**580**	**—**	**5,611**	**3,751**	**196,085**
At 31 December 2010							
Held in Hong Kong							
Long term leases	109,837	—	78	—	1	82	109,998
Medium term leases	19,557	—	1	—	2,814	1,040	23,412
Short term leases	700	—	—	—	—	—	700
	130,094	—	79	—	2,815	1,122	134,110
Held outside Hong Kong							
Medium term leases	18,147	1,757	485	—	2,569	2,596	25,554
	148,241	1,757	564	—	5,384	3,718	159,664

d. Investment properties revaluation

The Group's investment properties under development are stated at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Those investment properties stated at fair value as at 31 December 2011 were revalued by Knight Frank Petty Limited ("Knight Frank"), an independent firm of professional surveyors who have among their staff Fellows of the Hong Kong Institute of Surveyors with extensive experience in valuing properties in Hong Kong and the PRC. Knight Frank has valued the investment properties on a market value basis and has taken into account the net income of the respective properties, allowing for reversionary potential and the redevelopment potential of the properties where appropriate.

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

Gross rental revenue from investment properties amounted to HK$8,808 million (2010: HK$7,513 million).

e. Impairment of fixed assets

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

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

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

	Group	
	2011 ***HK$ Million***	2010 *HK$ Million*
Within 1 year	**5,669**	4,992
After 1 year but within 5 years	**6,891**	5,631
After 5 years	**259**	118
	12,819	10,741

10. INTEREST IN SUBSIDIARIES

	Company	
	2011 ***HK$ Million***	2010 *HK$ Million*
Unlisted shares, at cost less provision	**49,035**	27,765
Amounts due from subsidiaries, less provision	**19,771**	28,272
	68,806	56,037
Amounts due to subsidiaries	**(21,203)**	(30,571)

Details of principal subsidiaries at 31 December 2011 are shown on pages 194 to 197.

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

11. GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

12. INTEREST IN ASSOCIATES

	Group		Company	
	2011 ***HK$ Million***	2010 *HK$ Million*	**2011** ***HK$ Million***	2010 *HK$ Million*
Share of net assets	**5,470**	3,020	**—**	—
Goodwill	**1,853**	1,853	**—**	—
	7,323	4,873	**—**	—
Amounts due from associates	**2,875**	637	**417**	417
	10,198	5,510	**417**	417
Amounts due to associates (Note 19)	**(2,133)**	(543)	**(533)**	(533)
	8,065	4,967	**(116)**	(116)

a. Details of principal associates at 31 December 2011 are shown on page 196.

Included in amounts due from associates are advances totalling HK$371 million (2010: HK$371 million) which are interest bearing. Amounts due from associates are unsecured and have no fixed terms of repayment and not expected to be repayable within twelve months from the end of the reporting period. The amounts are neither past due nor impaired.

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

b. On 15 June 2011, the Group entered into an agreement with Wheelock Properties Limited ("WPL"), a wholly-owned subsidiary of the ultimate holding company, in respect of the acquisition of the entire 50% equity interests in 4 Foshan property projects ("Foshan projects") held by WPL for a consideration of HK$3,388 million. Accordingly, the financial results of the Foshan projects have been accounted for as associates of the Group since then.

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

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

e. Summary financial information on associates

	2011		2010	
	Total	**Attributable interest**	Total	Attributable interest
	HK$ Million	***HK$ Million***	*HK$ Million*	*HK$ Million*
Assets	**44,105**	**12,302**	29,390	5,099
Liabilities	**(19,449)**	**(6,832)**	(10,196)	(2,079)
Equity	**24,656**	**5,470**	19,194	3,020
Revenue	**8,853**	**2,527**	5,312	977
Profit before taxation	**2,684**	**452**	2,552	449
Income tax	**(515)**	**(91)**	(395)	(73)
Profit for the year	**2,169**	**361**	2,157	376

13. INTEREST IN JOINTLY CONTROLLED ENTITIES

	Group	
	2011	2010
	HK$ Million	*HK$ Million*
Share of net assets	**7,570**	6,114
Goodwill	**54**	54
	7,624	6,168
Amounts due from jointly controlled entities	**9,310**	9,182
	16,934	15,350
Amounts due to jointly controlled entities (Note 19)	**(210)**	—
	16,724	15,350

Details of principal jointly controlled entities at 31 December 2011 are shown on page 197.

Included in amounts due from jointly controlled entities are advances totalling HK$2,708 million (2010: HK$2,663 million) which are interest bearing. The amounts due from jointly controlled entities are unsecured and have no fixed terms of repayment. It is not expected to be recovered within the next twelve months. The amounts are neither past due nor impaired.

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

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

	2011 ***HK$ Million***	2010 *HK$ Million*
Non-current assets	**2,588**	1,019
Current assets	**21,635**	19,146
Current liabilities	**(6,099)**	(3,918)
Non-current liabilities	**(10,554)**	(10,133)
Net assets	**7,570**	6,114
Revenue	**361**	296
Profit for the year	**34**	9

14. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2011 ***HK$ Million***	2010 *HK$ Million*
Available-for-sale investments		
Listed investments stated at market value		
— in Hong Kong	**1,740**	1,891
— outside Hong Kong	**937**	1,445
Unlisted investments	**26**	26
	2,703	3,362

Available-for-sale investments totalling HK$26 million (2010: HK$26 million) are stated at cost less impairment losses, if any.

As at 31 December 2011, the fair value of individually impaired available-for-sale investments amounted to HK$94 million (2010: HK$104 million) and no impairment losses (2010: HK$2 million) was recognised in the consolidated income statement for the year.

15. PROPERTIES FOR SALE

	Group	
	2011 ***HK$ Million***	2010 *HK$ Million*
Properties under development for sale	**45,445**	28,851
Completed properties for sale	**2,066**	881
	47,511	29,732

a. At 31 December 2011, properties under development for sale of HK$37,854 million are expected to be completed after more than one year.

b. Included in properties under development for sale are deposits of HK$5,942 million (2010: HK$8,175 million) paid for the acquisition of certain land sites/properties located in Mainland China.

c. Properties under development for sale and completed properties for sale are stated at the lower of cost and net realisable value. The total carrying value of properties stated at net realisable value at 31 December 2011 was HK$178 million (2010: HK$147 million).

d. In 2011, net provisions totalling HK$30 million (2010: HK$99 million) charged to the consolidated income statement in prior years for properties under development for sale were written back as a result of the increase in net realisable value of certain properties.

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

	Group	
	2011 ***HK$ Million***	2010 *HK$ Million*
Held in Hong Kong		
Medium term leases	**1,015**	941
Held outside Hong Kong		
Long term leases	**35,326**	21,456
Medium term leases	**2,585**	2,477
	38,926	24,874

16. TRADE AND OTHER RECEIVABLES

a. Ageing analysis

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

	Group	
	2011 ***HK$ Million***	2010 *HK$ Million*
Trade receivables		
0-30 days	**656**	583
31-60 days	**116**	108
61-90 days	**73**	52
Over 90 days	**63**	50
	908	793
Other receivables	**2,512**	2,725
	3,420	3,518

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

b. Impairment of trade receivables

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

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

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

c. Trade receivables that are not impaired

As at 31 December 2011, 91% (2010: 91%) of the Group's trade receivables were not impaired, of which 85% (2010: 83%) was either not past due or less than two months past due.

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

17. DERIVATIVE FINANCIAL INSTRUMENTS

	2011		2010	
	Assets ***HK$ Million***	**Liabilities** ***HK$ Million***	Assets *HK$ Million*	Liabilities *HK$ Million*
At fair value through profit or loss				
Fixed-to-floating interest rate swaps	**319**	**15**	111	23
Floating-to-fixed interest rate swaps	**—**	**641**	561	192
Cross currency interest rate swaps	**87**	**2,016**	77	1,570
Forward foreign exchange contracts	**—**	**30**	2	46
Total	**406**	**2,702**	751	1,831
Analysis				
Current	**225**	**232**	164	244
Non-current	**181**	**2,470**	587	1,587
Total	**406**	**2,702**	751	1,831

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

	2011		2010	
	Assets	**Liabilities**	Assets	Liabilities
	HK$ Million	***HK$ Million***	*HK$ Million*	*HK$ Million*
Fixed-to-floating interest rate swaps				
Expiring within 1 year	**8**	**—**	11	—
Expiring after more than 1 year but not exceeding 5 years	**122**	**9**	17	11
Expiring after 5 years	**189**	**6**	83	12
	319	**15**	111	23
Floating-to-fixed interest rate swaps				
Expiring after 5 years	**—**	**641**	561	192
	—	**641**	561	192
Cross currency interest rate swaps				
Expiring within 1 year	**2**	**2**	—	8
Expiring after more than 1 year but not exceeding 5 years	**28**	**84**	17	11
Expiring after 5 years	**57**	**1,930**	60	1,551
	87	**2,016**	77	1,570
Forward foreign exchange contracts				
Expiring within 1 year	**—**	**30**	2	46
	—	**30**	2	46
Total	**406**	**2,702**	751	1,831

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

	2011 ***HK$ Million***	2010 *HK$ Million*
Fixed-to-floating interest rate swaps	**16,017**	8,202
Floating-to-fixed interest rate swaps	**8,230**	8,230
Cross currency interest rate swaps	**12,558**	10,117
Forward foreign exchange contracts	**1,217**	1,279

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

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

c. During the year, a loss of HK$57 million (2010: HK$146 million) in respect of forward foreign exchange contracts was recognised in the consolidated income statement.

d. During the year, fair value cost on cross currency interest rate swaps and interest rate swaps in the amounts of HK$382 million (2010: HK$574 million) and HK$1,005 million (2010: gain of HK$126 million) respectively have been included under finance costs in the consolidated income statement.

18. BANK DEPOSITS AND CASH

	Group		**Company**	
	2011 **HK$ Million**	2010 HK$ Million	**2011** **HK$ Million**	2010 HK$ Million
Bank deposits and cash	**32,528**	16,900	**2**	2

Bank deposits and cash as at 31 December 2011 include HK$18,633 million equivalent (2010: HK$12,710 million) placed with banks in Mainland China, the remittance of which are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

At 31 December 2011, bank deposits and cash included bank deposits of RMB2,171 million equivalent to HK$2,678 million (2010: RMB2,216 million equivalent to HK$2,605 million) which are solely for certain designated property development projects in Mainland China.

The effective interest rate on bank deposits was 1.2% (2010: 0.9%).

Bank deposits and cash are denominated in the following currencies:

	Group	
	2011 **HK$ Million**	2010 HK$ Million
RMB	**18,693**	12,479
HKD	**11,905**	3,804
USD	**442**	616
SGD	**1,486**	—
Other currencies	**2**	1
	32,528	16,900

19. TRADE AND OTHER PAYABLES

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

	Group	
	2011 ***HK$ Million***	2010 *HK$ Million*
Trade payables		
0-30 days	**314**	242
31-60 days	**172**	133
61-90 days	**54**	44
Over 90 days	**90**	146
	630	565
Rental and customer deposits	**2,124**	1,790
Construction costs payable	**2,644**	1,746
Amount due to associates	**2,133**	543
Amount due to jointly controlled entities	**210**	—
Other payables	**2,575**	2,438
	10,316	7,082

The amount of trade and other payables that is expected to be settled after more than one year is HK$1,136 million (2010: HK$1,023 million), which is mainly for rental and customer deposits. The Group considers the effect of discounting these would be immaterial. All of the other trade and other payables are expected to be settled or recognised as income within one year or are payable on demand.

20. DEPOSITS FROM SALE OF PROPERTIES

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

21. BANK LOANS AND OTHER BORROWINGS

	Group	
	2011 ***HK$ Million***	2010 *HK$ Million*
Bonds and notes (unsecured)		
Due within 1 year	**—**	202
Due after more than 1 year but not exceeding 2 years	**300**	—
Due after more than 2 years but not exceeding 5 years	**2,689**	500
Due after more than 5 years	**9,745**	5,468
	12,734	6,170
Convertible bonds (unsecured)		
Due after more than 2 years but not exceeding 5 years	**6,205**	—
Bank loans (secured)		
Due within 1 year	**888**	323
Due after more than 1 year but not exceeding 2 years	**3,183**	629
Due after more than 2 years but not exceeding 5 years	**15,544**	15,250
Due after more than 5 years	**441**	1,935
	20,056	18,137
Bank loans (unsecured)		
Due within 1 year	**8,015**	7,304
Due after more than 1 year but not exceeding 2 years	**5,966**	5,791
Due after more than 2 years but not exceeding 5 years	**21,217**	9,367
Due after more than 5 years	**1,800**	2,820
	36,998	25,282
Total bank loans and other borrowings	**75,993**	49,589
Analysis of maturities of the above borrowings:		
Current borrowings		
Due within 1 year	**8,903**	7,829
Non-current borrowings		
Due after more than 1 year but not exceeding 5 years	**55,104**	31,537
Due after more than 5 years	**11,986**	10,223
	67,090	41,760
Total bank loans and other borrowings	**75,993**	49,589

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 24(b)):

	2011 ***HK$ Million***	2010 *HK$ Million*
HKD	**63,868**	41,651
RMB	**6,426**	4,818
USD	**382**	—
SGD	**1,495**	—
JPY	**3,822**	3,120
	75,993	49,589

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

	2011		2010	
	Effective interest rate %	***HK$ Million***	Effective interest rate %	*HK$ Million*
Fixed rate borrowings				
Bonds and notes	**3.4**	**5,068**	3.1	3,120
Bank loans	**2.7**	**3,630**	2.5	2,500
		8,698		5,620
Floating rate borrowings				
Bonds and notes	**3.0**	**7,666**	2.1	3,050
Convertible bonds	**1.4**	**6,205**	—	—
Bank loans	**1.9**	**53,424**	1.8	40,919
		67,295		43,969
Total borrowings		**75,993**		49,589

c. All the interest bearing borrowings are carried at amortised cost except for loans in an amount of HK$11,238 million (2010: HK$2,060 million) which are carried at their fair values. None of the non-current interest bearing borrowings are expected to be settled within one year.

d. Included in the Group's total loans are bank loans totalling HK$16,932 million (2010: HK$14,193 million) borrowed by certain subsidiaries in Mainland China, Modern Terminals and HCDL. The loans are without recourse to the Company and its other subsidiaries.

e. As at 31 December 2011, certain banking facilities of the Group are secured by mortgages over certain properties under development, fixed assets and shares with an aggregate carrying value of HK$27,348 million (2010: HK$18,360 million).

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

g. On 7 June 2011, Wharf Finance (2014) Limited, a wholly-owned subsidiary of the Company, issued an aggregate principal amount of HK$6,220 million 2.3% guaranteed convertible bonds which are due on 7 June 2014 ("Convertible Bonds"). The Convertible Bonds are guaranteed by the Company, and are convertible into ordinary shares of HK$1 per share in the Company 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 the Company before the maturity, then up to the close of business on a date no later than seven days prior to the date fixed for redemption thereof.

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

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

During the year ended 31 December 2011, there had been no conversion of the convertible bonds into shares of the Company by the bondholders and no redemption of the convertible bonds by Wharf Finance (2014) Limited.

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 components and an equity component as below.

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

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

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

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

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

22. EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

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

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

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

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

c. Fair value of share options and assumptions

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

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

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

d. In respect of share options of the Company granted to the directors of the Company, the related charge recognised for the year ended 31 December 2011, estimated in accordance with the Group's accounting policy in note (z)(i) was as follows:

	2011 ***HK$'000***	2010 *HK$'000*
Peter K C Woo	**9,370**	—
Stephen T H Ng	**9,370**	—
Andrew O K Chow	**9,370**	—
Doreen Y F Lee	**9,370**	—
T Y Ng	**9,370**	—
Paul Y C Tsui	**9,370**	—
	56,220	—

23. DEFERRED TAXATION

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

	Group	
	2011 ***HK$ Million***	2010 *HK$ Million*
Deferred tax liabilities	**6,508**	5,237
Deferred tax assets	**(683)**	(463)
Net deferred tax liabilities	**5,825**	4,774

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

	Depreciation allowances in excess of the related depreciation ***HK$ Million***	**Surplus on investment properties** ***HK$ Million***	**Others** ***HK$ Million***	**Future benefit of tax losses** ***HK$ Million***	**Total** ***HK$ Million***
At 1 January 2010	2,120	1,936	(38)	(593)	3,425
Charged to the consolidated income statement	105	1,158	7	9	1,279
Exchange adjustment	5	66	(1)	—	70
At 31 December 2010 and 1 January 2011	**2,230**	**3,160**	**(32)**	**(584)**	**4,774**
Charged/(credited) to the consolidated income statement	**106**	**901**	**(120)**	**(17)**	**870**
Exchange adjustment	**11**	**177**	**(6)**	**(1)**	**181**
At 31 December 2011	**2,347**	**4,238**	**(158)**	**(602)**	**5,825**

b. Deferred tax assets not recognised

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

	Group	
	2011 ***HK$ Million***	2010 *HK$ Million*
Deductible temporary differences	**(42)**	(42)
Future benefit of tax losses	**(991)**	(1,069)
Net deferred tax assets not recognised	**(1,033)**	(1,111)

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

24. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

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

a. Interest rate risk

The Group's main exposure to interest rate risk relates principally to the Group's borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk whilst borrowings at fixed rate expose the Group to fair value interest rate risk. The Group manages its interest rate risk exposure in accordance with defined policies and regular review with a focus on reducing the Group's overall cost of funding as well as having regard to the floating/fixed rate mix appropriate to its current business portfolio.

In line with the Group's prevailing strategy, the Group has entered into a number of interest rate swaps ("IRS") and cross currency interest rate swaps ("CCS") which have the economic effect of converting certain fixed rate interest bearing notes with the notional amounts totalling HK$11,085 million (2010: HK$1,981 million) into floating rates borrowings. For each of the IRS and CCS entered into by the Group, the tenor and timing of the IRS and CCS cash flows matches with those of the notes.

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

As at 31 December 2011, after taking into account of IRS and CCS, approximately 89% (2010: 89%) of the Group's borrowings were at floating rates and the remaining 11% (2010: 11%) were at fixed rates (see Note 21(b)).

Based on the sensitivity analysis performed as at 31 December 2011, it was estimated that a general increase/decrease of 1% (2010: 1%) in interest rates, with all other variables held constant, would decrease/increase the Group's post-tax profit and total equity by approximately HK$66 million (2010: HK$124 million). This takes into account the effect of interest bearing bank deposits.

The sensitivity analysis above indicates the instantaneous change in the Group's post-tax profit and total equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the 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 is performed on the same basis for 2010.

b. Foreign currency risk

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

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

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

The following table details the Group's exposure at the end of 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.

	2011					2010			
	USD	**RMB**	**JPY**	**SGD**	**EURO**	USD	RMB	JPY	EURO
	Million	***Million***	***Million***	***Million***	***Million***	*Million*	*Million*	*Million*	*Million*
The Group									
Bank deposits and cash	**24**	**498**	**—**	**248**	**—**	23	72	—	—
Available-for-sale investments	**120**	**—**	**—**	**—**	**—**	185	—	—	—
Trade and other receivables	**127**	**1**	**—**	**—**	**3**	87	62	—	—
Trade and other payables	**(12)**	**(3)**	**—**	**—**	**—**	(14)	(170)	—	—
Bank loans and other borrowings	**(1,125)**	**(650)**	**(9,941)**	**(420)**	**—**	(1,298)	—	—	—
Inter-company balances	**61**	**302**	**—**	**(250)**	**—**	57	231	—	—
Gross exposure arising from recognised assets and liabilities	**(805)**	**148**	**(9,941)**	**(422)**	**3**	(960)	195	—	—
Notional amount of forward foreign exchange contracts									
— at fair value through profit or loss	**156**	**—**	**(12,381)**	**—**	**3**	151	—	(12,772)	2
— at cashflow hedge	**—**	**—**	**—**	**—**	**—**	—	68	—	—
Notional amount of cross currency IRS	**1,125**	**650**	**(42,764)**	**420**	**—**	1,298	—	(45,764)	—
Highly probable forecast purchase	**(127)**	**—**	**—**	**—**	**(2)**	(212)	—	—	(7)
Overall net exposure	**349**	**798**	**(65,086)**	**(2)**	**4**	277	263	(58,536)	(5)

At 31 December 2011, 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$589 million, HK$92 million, HK$5,415 million and HK$1,269 million respectively (2010: HK$441 million, HK$71 million, HK$883 million and HK$1,255 million respectively).

As at 31 December 2011, the Company with HKD as their functional currency is not exposed to any foreign currency risk.

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

— a 5% (2010: 5%) increase/decrease in the exchange rate of JPY against USD will decrease/increase the Group's post-tax profit and total equity by approximately HK$336 million (2010: HK$292 million).

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

The sensitivity analysis performed in the above represents an aggregation of the instantaneous effects on each of the Group entities' post-tax profit and total equity measured in the respective functional currencies, translated into HKD at the exchange rate ruling at the end of 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 is performed at the same basis for 2010.

c. Equity price risk

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

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

Based on the sensitivity analysis performed as at 31 December 2011, it is estimated that an increase/decrease of 10% in the market value of the Group's listed available-for-sale investments, with all other variables held constant, would not affect the Group's post-tax profit unless there are impairments but would increase/decrease the Group's total equity by HK$268 million (2010: HK$334 million). The analysis is performed on the same basis for 2010.

d. Liquidity risk

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

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

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

		Contractual undiscounted cash flow				
	Carrying amount *HK$ Million*	**Total** *HK$ Million*	**Within 1 year or on demand** *HK$ Million*	**More than 1 year but less than 2 years** *HK$ Million*	**More than 2 years but less than 5 years** *HK$ Million*	**More than 5 years** *HK$ Million*
At 31 December 2011						
Bank loans and other borrowings	**(75,993)**	**(83,797)**	**(10,348)**	**(10,779)**	**(46,954)**	**(15,716)**
Trade and other payables	**(10,316)**	**(10,316)**	**(9,180)**	**(493)**	**(557)**	**(86)**
Other deferred liabilities (Club debentures issued)	**(215)**	**(215)**	**—**	**—**	**—**	**(215)**
Forward foreign exchange contracts	**(30)**	**(30)**	**(30)**	**—**	**—**	**—**
Cross currency interest rate swaps	**(1,929)**	**(1,169)**	**85**	**53**	**169**	**(1,476)**
Interest rate swaps	**(337)**	**(972)**	**(48)**	**(53)**	**(299)**	**(572)**
	(88,820)	**(96,499)**	**(19,521)**	**(11,272)**	**(47,641)**	**(18,065)**
At 31 December 2010						
Bank loans and other borrowings	(49,589)	(53,453)	(7,495)	(7,727)	(26,792)	(11,439)
Trade and other payables	(7,082)	(7,082)	(6,059)	(498)	(473)	(52)
Other deferred liabilities (Club debentures issued)	(215)	(215)	—	—	—	(215)
Forward foreign exchange contracts	(44)	(44)	(44)	—	—	—
Cross currency interest rate swaps	(1,493)	(784)	99	77	179	(1,139)
Interest rate swaps	457	(1,349)	(105)	(119)	(385)	(740)
	(57,966)	(62,927)	(13,604)	(8,267)	(27,471)	(13,585)

The Company is expected on its own to expose to liquidity risk that arise from financial guarantees given by the Company on behalf of subsidiaries. The guarantees are callable if the respective subsidiary is unable to meet its obligation and the maximum amount callable as at 31 December 2011 was HK$62.5 billion (2010: HK$38.5 billion).

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

The Group has no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. Except for the financial guarantees given by the Company as set out in Note 28, the Group does not provide any other guarantee which would expose the Group or the Company to material credit risk.

f. Fair value

i. Fair value estimation

The fair value of financial instruments are determined as follows:

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

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

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

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2011 and 2010. Amounts due (to)/from subsidiaries are unsecured, interest free and have no fixed repayment terms. Given these terms it is not meaningful to disclose fair values.

ii. *Financial instruments carried at fair value*

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

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

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

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

	Group					
	At 31 December 2011			At 31 December 2010		
	Level 1 *HK$ Million*	**Level 2 *HK$ Million***	**Total *HK$ Million***	Level 1 *HK$ Million*	Level 2 *HK$ Million*	Total *HK$ Million*
Assets						
Available-for-sale investments:						
— Listed	**2,677**	**—**	**2,677**	3,336	—	3,336
Derivative financial instruments:						
— Interest rate swaps	**—**	**319**	**319**	—	672	672
— Cross currency interest rate swaps	**—**	**87**	**87**	—	77	77
— Forward foreign exchange contracts	**—**	**—**	**—**	—	2	2
	2,677	**406**	**3,083**	3,336	751	4,087
Liabilities						
Derivative financial instruments:						
— Interest rate swaps	**—**	**(656)**	**(656)**	—	(215)	(215)
— Cross currency interest rate swaps	**—**	**(2,016)**	**(2,016)**	—	(1,570)	(1,570)
— Forward foreign exchange contracts	**—**	**(30)**	**(30)**	—	(46)	(46)
	—	**(2,702)**	**(2,702)**	—	(1,831)	(1,831)

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

g. Capital management

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

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

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

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

	Group	
	2011 ***HK$ Million***	2010 *HK$ Million*
Bank loans and other borrowings (Note 21)	**75,993**	49,589
Less: Bank deposits and cash (Note 18)	**(32,528)**	(16,900)
Net debt	**43,465**	32,689
Shareholders' equity	**203,257**	163,089
Total equity	**210,874**	170,649
Net debt-to-shareholders' equity ratio	**21.4%**	20.0%
Net debt-to-total equity ratio	**20.6%**	19.2%

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

25. SHARE CAPITAL

	2011 **No. of shares** ***Million***	2010 No. of shares *Million*	**2011** ***HK$ Million***	*2010* *HK$ Million*
Authorised				
Ordinary shares of HK$1 each	**10,000**	3,600	**10,000**	3,600
Issued and fully paid				
Ordinary shares of HK$1 each				
At 1 January	**2,754**	2,754	**2,754**	2,754
Rights issue	**275**	—	**275**	—
At 31 December	**3,029**	2,754	**3,029**	2,754

a. In March 2011, the Company completed its Rights Issue for 275 million new ordinary shares at the face value of HK$1 each for HK$36.50 which were allotted and were fully paid. Of the total consideration of HK$9,987 million received, HK$275 million has been credited to share capital and the balance of HK$9,712 million has been credited to the share premium account.

b. By an ordinary resolution passed at the annual general meeting held on 7 June 2011, the Company's authorised ordinary share capital was increased to HK$10,000 million by the creation of an additional 6,400 million ordinary shares of HK$1 each, ranking pari passu with the existing ordinary shares of the Company in all respects.

26. CAPITAL AND RESERVES

a. The Group's equity, apart from share capital, share premium and capital redemption reserve, includes investments revaluation reserves for dealing with the movements on revaluation of available-for-sale investments, 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.

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

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

	Share capital *HK$ Million*	**Share premium** *HK$ Million*	**Capital redemption reserve** *HK$ Million*	**Other capital reserves** *HK$ Million*	**Revenue reserves** *HK$ Million*	**Total** *HK$ Million*
The Company						
At 1 January 2010	2,754	16,566	7	—	4,000	23,327
Profit	—	—	—	—	4,754	4,754
Final dividends paid for 2009	—	—	—	—	(1,763)	(1,763)
Interim dividends paid for 2010 (Note 7)	—	—	—	—	(991)	(991)
At 31 December 2010 and 1 January 2011	**2,754**	**16,566**	**7**	**—**	**6,000**	**25,327**
Profit	**—**	**—**	**—**	**—**	**15,000**	**15,000**
Rights Issue	**275**	**9,712**	**—**	**—**	**—**	**9,987**
Issurance of convertible bonds	**—**	**—**	**—**	**99**	**—**	**99**
Equity settled share-based payment	**—**	**—**	**—**	**75**	**—**	**75**
Final dividends paid for 2010 (Note 7)	**—**	**—**	**—**	**—**	**(1,939)**	**(1,939)**
First interim dividends paid for 2011 (Note 7)	**—**	**—**	**—**	**—**	**(1,091)**	**(1,091)**
At 31 December 2011	**3,029**	**26,278**	**7**	**174**	**17,970**	**47,458**

b. Reserves of the Company available for distribution to equity shareholders of the Company as at 31 December 2011 amounted to HK$17,970 million (2010: HK$6,000 million).

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

d. After the end of the reporting period, the Directors proposed a second interim dividend of 70 cents per share (2010: final dividend of 64 cents per share) amounting to HK$2,120 million based on 3,029 million issued ordinary shares (2010: HK$1,939 million based on 3,029 million issued ordinary shares). This dividend has not been recognised as a liability at the end of the reporting period.

27. MATERIAL RELATED PARTIES TRANSACTIONS

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

a. In respect of the year ended 31 December 2011, the Group earned rental income totalling HK$644 million (2010: HK$562 million) from various tenants which are wholly-owned by, or are non-wholly-owned subsidiaries of, companies which in turn are wholly-owned by the family interests of, or by a trust the settlor of which is, the Chairman of the Company. Such transactions are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules.

b. During the year, the Group acquired 50% interests in the four Foshan property joint ventures from a subsidiary of the ultimate holding company for a consideration of HK$3,388 million. Such transactions are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules. Details of which are set out in note 12(b).

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

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

28. CONTINGENT LIABILITIES

As at 31 December 2011, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to overdrafts, short term loans and credit facilities, bonds and notes of up to HK$74,485 million (2010: HK$50,705 million). There were also contingent liabilities in respect of guarantees given by the Company on behalf of jointly controlled entities of HK$4,871 million (2010: HK$3,600 million) of which HK$3,519 million (2010: HK$2,607 million) had been drawn. The Company has not recognised any deferred income for the guarantees given in respect of borrowings and other banking facilities for subsidiaries and jointly controlled entity as their fair value cannot be reliably measured and their transaction price was HK$Nil.

As at the end of the reporting period, the Directors do not consider it is probable that a claim will be made against the Company under any of the guarantees.

29. COMMITMENTS

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

		2011 Hong Kong HK$ Million	2011 Mainland China HK$ Million	2011 Total HK$ Million	2010 Hong Kong HK$ Million	2010 Mainland China HK$ Million	2010 Total HK$ Million
a.	**Capital expenditure** (including investment properties)						
	Authorised and contracted for	**1,321**	**10,128**	**11,449**	937	5,853	6,790
	Authorised but not contracted for	**634**	**22,928**	**23,562**	739	16,242	16,981
		1,955	**33,056**	**35,011**	1,676	22,095	23,771
b.	**Programming and others**						
	Authorised and contracted for	**1,077**	**—**	**1,077**	1,761	—	1,761
	Authorised but not contracted for	**80**	**—**	**80**	142	—	142
		1,157	**—**	**1,157**	1,903	—	1,903
c.	**Properties under development** (other than investment properties)						
	Authorised and contracted for	**129**	**5,768**	**5,897**	7	10,973	10,980
	Authorised but not contracted for	**—**	**41,074**	**41,074**	—	37,060	37,060
		129	**46,842**	**46,971**	7	48,033	48,040
d.	**Properties under development undertaken by jointly controlled entities and associates attributable to the Group**						
	Authorised and contracted for	**199**	**4,039**	**4,238**	41	4,550	4,591
	Authorised but not contracted for	**655**	**14,246**	**14,901**	853	16,149	17,002
		854	**18,285**	**19,139**	894	20,699	21,593
e.	**Expenditure for operating leases**						
	Within one year	**34**	**—**	**34**	24	—	24
	After one year but within five years	**87**	**—**	**87**	33	—	33
	Over five years	**53**	**—**	**53**	59	—	59
		174	**—**	**174**	116	—	116

i. Commitments for properties under development by the Group's subsidiaries or through jointly controlled entities included outstanding land cost attributable to the Group of HK$5.3 billion payable by instalments from 2012 to 2013. Other commitments under the categories are mainly construction cost for the forthcoming years.

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

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

30. CHANGES IN ACCOUNTING POLICIES

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

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

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

The "Principal accounting policies" set out on pages 176 to 193 summarises the accounting policies of the Group and the Company after the adoption of these policies to the extent that they are relevant to the Group and the Company.

The impacts of the above developments are discussed below:

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

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

31. FUTURE CHANGES IN ACCOUNTING POLICIES

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

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

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

32. EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period the Directors proposed a second interim dividend. Further details are disclosed in Note 7.

33. COMPARATIVE FIGURES

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

34. PARENT AND ULTIMATE HOLDING COMPANY

The Directors consider the parent and ultimate holding company at 31 December 2011 to be Wheelock and Company Limited, incorporated and listed in Hong Kong. Wheelock and Company Limited produces financial statements available for public use.

35. APPROVAL OF THE FINANCIAL STATEMENTS

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

Principal Accounting Policies

a. Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 30 to the financial statements provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

b. Basis of preparation of the financial statements

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

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

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

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

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

c. Basis of consolidation

i. *Subsidiaries and non-controlling interests*

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

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes (p) or (q) depending on the nature of the liability.

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

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

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

ii. *Associates and jointly controlled entities*

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

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

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes (c)(iii) and (k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income. The accounting policies of associates and jointly controlled entities have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

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

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

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

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

iii. Goodwill

Goodwill represents the excess of

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

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

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

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

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

d. Fixed assets

i. Investment properties

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

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

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

ii. Hotel and club properties

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

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

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

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

e. Depreciation of fixed assets

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

i. *Investment properties*
No depreciation is provided on investment properties.

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

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

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

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

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

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

f. Investments in debt and equity securities

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

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 (v).

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.

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

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the investments revaluation reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in the consolidated profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in consolidated profit or loss. When these investments are derecognised or impaired, the cumulative gain or loss is reclassified from equity 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. Subsequent to initial recognition, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in the consolidated income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

h. Hedging

i. Fair value hedge

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

ii. Cash flow hedge

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

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

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

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

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

iii. Hedge of net investment in a foreign operation

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

i. Leased assets

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

i. Classification of leased assets

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

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

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

ii. Assets held under operating leases

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

iii. Assets held under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note (e). Impairment losses are accounted for in accordance with the accounting policy as set out in note (k). 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 profit or loss on an accelerated basis over the licence period or over the estimated number of future showings. Subsequent expenditure on programmes after initial acquisition is recognised as an expense when incurred. Cost of in-house programmes are written-off in the period in which they are incurred.

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

Both the period and method of amortisation are reviewed annually.

k. Impairment of assets

i. Impairment of investments in debt and equity securities and other receivables

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

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

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

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets) where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the consolidated income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

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

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

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

ii. Impairment of other assets

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

— Recoverable amount

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

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

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

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

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

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

I. Properties for sale

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

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

ii. *Properties under development for sale*

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

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

m. Inventories

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

n. Trade and other receivables

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

o. Convertible bonds that contain an equity component

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

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

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

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

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

p. Interest-bearing borrowings

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

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

q. Trade and other payables

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

r. Cash and cash equivalents

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

s. Foreign currencies

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

t. Recognition of revenue

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

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

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

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

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

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

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

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

u. Borrowing costs

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

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

v. Income tax

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

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

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

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

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

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note (d)(i), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting period unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other case, 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 each of reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that will probably arise from the distribution of dividends are recognised when the related dividends are payable in the foreseeable future.

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

w. Related parties

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

- *(a)* has control or joint control over the Group;
- *(b)* has significant influence over the Group; or
- *(c)* is a member of the key management personnel of the Group or the Group's parent.

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

- *(a)* The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- *(b)* One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
- *(c)* Both entities are joint ventures of the same third party.
- *(d)* One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- *(e)* The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- *(f)* The entity is controlled or jointly controlled by a person identified in (i).
- *(g)* A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

x. Financial guarantees issued, provisions and contingent liabilities

i. *Financial guarantees issued*

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

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

ii. *Other provisions and contingent liabilities*

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

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or nonoccurrence 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. Shared based payments

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

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

ii. Employee benefits and contributions to defined contribution retirement plans

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

aa. Significant accounting estimates and judgements

Note 24 contain information about the assumptions and their risk relating to financial instruments. Other key sources of estimation uncertainty are as follows:

— 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.

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

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

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

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

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

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

Principal Subsidiaries, Associates and Jointly Controlled Entities

At 31 December 2011

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/ registered and paid up capital	Percentage of equity attributable to Shareholders	Principal activities
Properties				
[#] **Wharf Estates Limited**	Hong Kong	2 HK$1 shares	100	Holding company
Harbour City Estates Limited	Hong Kong	20,000 HK$10 shares	100	Property
Wharf Realty Limited	Hong Kong	2 HK$1 shares	100	Property
Times Square Limited	Hong Kong	2 HK$10 shares	100	Property
Plaza Hollywood Limited	Hong Kong	10,000 HK$1 shares	100	Property
[#] **Wharf Development Limited**	Hong Kong	2 HK$1 shares	100	Holding company
HKRT Peak Properties Limited	Hong Kong	3,000,000 HK$10 shares	100	Property
Hong Tai Yuen Limited	Hong Kong	500,000 HK$1 shares	100	Property
Olinda Limited	Hong Kong	2 HK$10 shares	100	Property
New Tech Centre Limited	Hong Kong	10,000 HK$1 shares	100	Property
[#] **Wharf China Holdings Limited**	British Virgin Islands	5,129,000,000 US$1 shares	100	Holding company
Wharf China Estates Limited	British Virgin Islands	1,000,000 US$1 shares	100	Holding company
[iii] Shanghai Long Xing Property Development Company Limited	The People's Republic of China	US$45,000,000	100	Property
[ii] Dalian Times Square Development Company Limited	The People's Republic of China	RMB420,000,000	100	Property
[ii] Long Qing Property Development (Chongqing) Company Limited	The People's Republic of China	RMB194,000,000	100	Property
[i] Shanghai Wheelock Square Development Limited	The People's Republic of China	US$240,000,000	98	Property
[ii] 龍昌綜合開發（成都）有限公司	The People's Republic of China	HK$330,000,000	100	Property
[ii] 龍錦綜合開發（成都）有限公司	The People's Republic of China	US$883,000,000	100	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	100	Property
[ii] 九龍倉（長沙）置業有限公司	The People's Republic of China	US$892,000,000	100	Property
Wharf China Development Limited	British Virgin Islands	1,000,000 US$1 shares	100	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	100	Property
[ii] 九龍倉（武漢）置業有限公司	The People's Republic of China	US$165,000,000	100	Property
[iii] 上海九洲物業發展有限公司	The People's Republic of China	US$30,000,000	85	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	55	Property
[ii] 上海莉源地產開發有限公司	The People's Republic of China	US$745,000,000	100	Property
[ii] 上海萊源房地產開發有限公司	The People's Republic of China	US$155,000,000	100	Property
[ii] 九龍倉（無錫）置業有限公司	The People's Republic of China	US$267,580,000	100	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	100	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	100	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	100	Property
[ii] 蘇州蘇龍地產發展有限公司	The People's Republic of China	US$166,800,000	100	Property
[ii] 蘇州瑞龍地產發展有限公司	The People's Republic of China	US$187,000,000	100	Property
[ii] 蘇州銀龍地產發展有限公司	The People's Republic of China	US$274,000,000	100	Property
[ii] 無錫港龍置業有限公司	The People's Republic of China	US$140,900,000	100	Property
[ii] 無錫河畔置業有限公司	The People's Republic of China	US$111,400,000	100	Property
[ii] 無錫都會置業有限公司	The People's Republic of China	US$123,000,000	100	Property
[ii] 港盈房地產（杭州）有限公司	The People's Republic of China	US$146,990,000	100	Property
[ii] 九龍倉（杭州）置業有限公司	The People's Republic of China	US$310,000,000	100	Property
[ii] 堡盈房地產（杭州）有限公司	The People's Republic of China	US$310,000,000	100	Property

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/ registered and paid up capital	Percentage of equity attributable to Shareholders	Principal activities
[ii] 錦興房地產開發（杭州）有限公司	The People's Republic of China	US$88,000,000	100	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	100	Property
[ii] 常州湖畔置業有限公司	The People's Republic of China	US$180,000,000	100	Property
* Harbour Centre Development Limited	Hong Kong	708,750,000 HK$0.5 shares	71	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	57	Property
[ii] 九龍倉（常州）置業有限公司	The People's Republic of China	US$229,800,000	71	Property
[ii] 上海綠源房地產開發有限公司	The People's Republic of China	RMB770,000,000	71	Property
Logistics				
Wharf Transport Investments Limited	Hong Kong	2 HK$1 shares	100	Holding company
The "Star" Ferry Company, Limited	Hong Kong	1,440,000 HK$5 shares	100	Public transport
Modern Terminals Limited	Hong Kong	70,116 HK$1,000 shares	68	Container terminal
[i] Shenzhen Dachan Bay Modern Port Development Company, Limited	The People's Republic of China	RMB2,475,550,000	44	Container terminal
[i] Suzhou Modern Terminals Limited	The People's Republic of China	RMB822,500,000	48	Container terminal
Hotels				
# **Marco Polo Hotels Limited**	Cayman Islands	500,000,000 US$1 shares	100	Holding company
Marco Polo Hotels Management Limited	Hong Kong	2 HK$10 shares	100	Hotel
The Hongkong Hotel Limited	Hong Kong	100,000 HK$1 shares	71	Hotel and property
The Marco Polo Hotel (Hong Kong) Limited	Hong Kong	1,000 HK$1 shares	100	Hotel
The Prince Hotel Limited	Hong Kong	2 HK$1 shares	100	Hotel
[ii] 武漢馬哥孛羅酒店有限公司	The People's Republic of China	US$3,850,000	100	Hotel
[ii] 常州馬哥孛羅酒店有限公司	The People's Republic of China	US$1,050,000	71	Hotel
CME				
# **Wharf Communications Limited**	Hong Kong	1,000,000 HK$10 shares	100	Holding company
* i-CABLE Communications Limited	Hong Kong	2,011,512,400 HK$1 shares	74	Holding company
Hong Kong Cable Enterprises Limited	Hong Kong	2 HK$1 shares	74	Advertising sales
Hong Kong Cable Television Limited	Hong Kong	750,000,000 HK$1 shares	74	Pay television and Internet and multimedia
i-CABLE Entertainment Limited	Hong Kong	10,000,000 HK$1 shares	74	Programme production and channel operation
i-CABLE News Limited	Hong Kong	10,000,000 HK$1 shares	74	Programme production and channel operation
i-CABLE Sports Limited	Hong Kong	10,000,000 HK$1 shares	74	Programme production and channel operation
i-CABLE Network Limited	Hong Kong	100 HK$1 shares 2 HK$1 non-voting deferred shares	74	Network operation

Principal Subsidiaries, Associates and Jointly Controlled Entities

At 31 December 2011

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/ registered and paid up capital	Percentage of equity attributable to Shareholders	Principal activities
Sundream Motion Pictures Limited	Hong Kong	10,000,000 HK$1 shares	74	Film production
Wharf T&T Limited	Hong Kong	740,000,000 HK$1 shares	100	Telecommunication
Wharf T&T eBusiness Limited	Hong Kong	1 HK$1 share	100	Telecommunication
Wharf T&T Outsourcing Services Limited	Hong Kong	1 HK$1 share	100	Telecommunication
EC Telecom Limited	Hong Kong	2 HK$1 shares	100	Telecommunication
COL Limited	Hong Kong	40,000 HK$500 shares	100	IT services
Investment and others				
Wharf Limited	Hong Kong	2 HK$10 shares	100	Management services
Wharf Finance Limited	Hong Kong	2 HK$1 shares	100	Finance
Wharf Finance (BVI) Limited	British Virgin Islands/Hong Kong	500 US$1 shares	100	Finance
# Wharf Hong Kong Limited	Cayman Islands	500,000,000 US$1 shares	100	Holding company
Wharf China Finance Limited	Hong Kong	5,000,000 HK$1 shares	100	Finance
Wharf Finance (No.1) Limited	Hong Kong	2 HK$1 shares	100	Finance
Wharf Finance (BVI) No. 1 Limited	British Virgin Islands/Hong Kong	500 US$1 shares	100	Finance
Wharf Finance (2014) Limited	British Virgin Islands/Hong Kong	10 US$1 shares	100	Finance
Wharf MTN (Singapore) Pte. Ltd.	Singapore	2 S$1 shares	100	Finance

Associates	Place of incorporation/ operation	Class of shares	Percentage of equity attributable to Shareholders	Principal activities
Properties				
Start Treasure Limited	Hong Kong	Ordinary	15	Property
蘇州雙湖房地產有限公司	The People's Republic of China	Registered	50	Property
天津港威房地產開發有限公司	The People's Republic of China	Registered	50	Property
佛山招商九龍倉房地產有限公司	The People's Republic of China	Registered	50	Property
佛山依雲房地產有限公司	The People's Republic of China	Registered	50	Property
佛山鑫城房地產有限公司	The People's Republic of China	Registered	50	Property
佛山信捷房地產有限公司	The People's Republic of China	Registered	50	Property
廣州市萬尚房地產有限公司	The People's Republic of China	Registered	33	Property
Logistics				
Hong Kong Air Cargo Terminals Limited	Hong Kong	Ordinary	21	Air cargo terminal
Mega Shekou Container Terminals Limited	British Virgin Islands	Ordinary	14	Holding company

Jointly controlled entities	Place of incorporation/ operation	Class of shares	Percentage of equity attributable to Shareholders	Principal activities
Properties				
Market Prospect Limited	Hong Kong	Ordinary	50	Property
重慶嘉江房地產開發有限公司	The People's Republic of China	Registered	40	Property
重慶嘉益房地產開發有限公司	The People's Republic of China	Registered	50	Property
浙江金盈置業有限公司	The People's Republic of China	Registered	50	Property
祥寶投資（成都）有限公司	The People's Republic of China	Registered	30	Property
天津贏超房地產開發有限公司	The People's Republic of China	Registered	50	Property
寧波姚景房地產開發有限公司	The People's Republic of China	Registered	50	Property
寧波瑞峰置業有限公司	The People's Republic of China	Registered	50	Property
Logistics				
Taicang International Container Terminals Company Limited	The People's Republic of China	Registered	34	Container terminal

Notes:

a) All the subsidiaries listed above were, as at 31 December 2011, indirect subsidiaries of the Company except where marked #.

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

\# Subsidiaries held directly
* Listed companies
i This entity is registered as a sino-foreign joint venture company under PRC law
ii This entity is registered as a wholly foreign owned enterprise under PRC law
iii This entity is registered as a foreign owned enterprise under PRC law

Schedule of Principal Properties

As at 31 December 2011

	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)					
Address	**Total**	**Office**	**Retail**	**Residential**	**Others**	**(Remarks)**
Investment Properties in Hong Kong						
Harbour City, Tsimshatsui						
Ocean Terminal	658,000	—	658,000	—	—	
Ocean Centre	901,000	677,000	224,000	—	—	
Wharf T & T Centre	257,000	257,000	—	—	—	
World Commerce Centre	257,000	257,000	—	—	—	
World Finance Centre	512,000	512,000	—	—	—	
Ocean Galleries	386,000	—	386,000	—	—	
Gateway I	1,236,000	1,128,000	108,000	—	—	
Gateway II	2,640,000	1,570,000	400,000	670,000	—	
The Marco Polo Hongkong Hotel (Commercial Section)	206,000	34,000	172,000	—	—	
Times Square						
Sharp Street East, Causeway Bay	1,969,000	1,033,000	936,000	—	—	
Others						
Plaza Hollywood, 3 Lung Poon Street, Diamond Hill	562,000	—	562,000	—	—	
Wharf T&T Square, Hoi Bun Road, Kwun Tong	581,000	581,000	—	—	—	
Delta House, 3 On Yiu Street, Shatin	349,000	349,000	—	—	—	
Units at Cable TV Tower, Hoi Shing Road, Tsuen Wan	566,000	—	—	—	566,000	(Industrial)
Units at Strawberry Hill, 8 Plunkett's Road, The Peak	13,000	—	—	13,000	—	
Chelsea Court, 63 Mount Kellett Road, The Peak	43,000	—	—	43,000	—	
Mountain Court, 11-13 Plantation Road, The Peak	49,900	—	—	49,900	—	
1 Plantation Road, The Peak	97,000	—	—	97,000	—	
77 Peak Road, The Peak	42,200	—	—	42,200	—	
Kowloon Godown, 1-5 Kai Hing Road, Kowloon Bay	829,000	—	—	829,000	—	
Units at Star House, 3 Salisburg Road, Kowloon	50,800	—	50,800	—	—	
	12,204,900	6,398,000	3,496,800	1,744,100	566,000	

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	2012	1966	N/A	100%
126,488	KML 11 S.A.	2880	1977	N/A	100%
(a)	KML 11 S.B.	2880	1981	N/A	100%
(a)	KML 11 S.B.	2880	1981	N/A	100%
(a)	KML 11 S.D.	2880	1983	N/A	100%
(a)	KML 11 S.B. & D.	2880	1981/83	N/A	100%
(a)	KML 11 R.P.	2880	1994	N/A	100%
(a)	KML 11 S.B. & D.	2880	1998/99	N/A	100%
(b)	KML 91 S.A. & KML 10 S.B.	2863	1969	N/A	71%
112,441	IL 731, IL 728, IL 727, IL 725 S.A. & R.P., IL 724 S.A. B & R.P., IL 722 & IL 718	2850/60/80	1993	N/A	100%
280,510	NKIL 6160	2047	1997	N/A	100%
48,438	KTIL 713	2047	1991	Planning for redevelopment	100%
70,127	STTL 422	2047	1999	N/A	100%
N/A	TWTL 218	2047	1992	N/A	100%
N/A	RBL 512 & 1004	2027/28	1974/77	N/A	100%
29,640	RBL 556 R.P.S.A. & S.B.	2035	2001	N/A	100%
32,145	RBL 522, 639, 661	2027	2001	Planning for redevelopment	100%
97,670	RBL 534 S.E. & S.F.	2028	2002	Planning for redevelopment	100%
76,728	RBL 836	2029	1951	Planning for redevelopment	100%
165,809	NKIL 5805, 5806 & 5982	2047	1984	Planning for redevelopment	100%
N/A	KML 10 S.A.	2863	1966	N/A	71%

Schedule of Principal Properties

As at 31 December 2011

	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)					
Address	**Total**	**Office**	**Retail**	**Residential**	**Others**	**(Remarks)**
Investment Properties in China						
Shanghai Times Square 93-111 Huai Hai Zhong Road, Shanghai	973,000	331,000	447,000	195,000	—	
Chongqing Times Square 100 Zou Rong Road, Yuzhong District, Chongqing	591,800	13,800	578,000	—	—	
Wuhan Times Square 160 Yan Jiang Da Dao, Jiangan District, Wuhan	8,000	—	8,000	—	—	
Dalian Times Square 50 Ren Min Road, Zhongshan District, Dalian	188,000	—	188,000	—	—	
Times Outlets No. 633 Shuangnan Avenue (Middle Section) Shuangliu County, Chengdu	680,000	—	680,000	—	—	
Wheelock Square 1717 Nan Jing Xi Road, Jingan District, Shanghai	1,228,000	1,149,000	79,000	—	—	
Chengdu IFC Junction of Hongxing Road and Da Ci Si Road, Jinjiang District	5,770,000	2,948,490	1,384,030	1,099,430	338,050	(A 238-room hotel)
Wuxi IFC Taihu Plaza, Nanchang District, Wuxi	3,013,000	2,574,000	—	—	439,000	(A 208-room hotel)
Suzhou IFC Xing Hu Jie, Suzhou Industrial Park, Suzhou	3,780,000	2,728,000	—	800,000	252,000	(A 96-room hotel)
Changsha IFC Furong District, Changsha	7,804,000	4,414,000	2,583,000	—	807,000	(A 380-room hotel)
	24,035,800	14,158,290	5,947,030	2,094,430	1,836,050	
Hotels and Clubs in Hong Kong						
Harbour City, Tsimshatsui						
The Marco Polo Hongkong Hotel	553,000	—	—	—	553,000	(A 665-room hotel)
Gateway	313,000	—	—	—	313,000	(A 399-room hotel)
Prince	359,000	—	—	—	359,000	(A 393-room hotel)
Pacific Club Kowloon	139,000	—	—	—	139,000	(Club House)
	1,364,000	—	—	—	1,364,000	
Hotels and Clubs in China						
Marco Polo Wuhan 160 Yan Jiang Da Dao, Jiangan District, Wuhan	405,000	—	—	—	405,000	(A 370-room hotel)

Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
148,703	N/A	2043	1999	N/A	100%
95,799	N/A	2050	2004	N/A	100%
(c)	N/A	2053	2008	N/A	100%
(d)	N/A	2039	2008	N/A	100%
(e)	N/A	2047	2009	N/A	100%
136,432	N/A	2049	2010	N/A	98%
590,481	N/A	2047	2014	Superstructure in progress	100%
313,867	N/A	2047/57	2014	Superstructure in progress	100%
229,069	N/A	2047/77	2016	Foundation in progress	57%
800,452	N/A	2051	2016	Excavation work in progress	100%
58,814	KML 91 S.A. & KML 10 S.B.	2863	1969	N/A	71%
(a)	KML 11 S.B.	2880	1981	N/A	100%
(a)	KML 11 S.D.	2880	1983	N/A	100%
48,309	KIL 11179	2021	1990	N/A	100%
(c)	N/A	2053	2008	N/A	100%

Schedule of Principal Properties

As at 31 December 2011

	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)					
Address	**Total**	**Office**	**Retail**	**Residential**	**Others**	**(Remarks)**
Development Property in Hong Kong						
One Midtown, 11 Hoi Shing Road, Tsuen Wan	644,000	—	—	—	644,000	(137,000 s.f. pre-sold)
Yau Tong Godown, 5 Tung Yuen Street, Yau Tong	256,000	—	43,000	213,000	—	
	900,000	—	43,000	213,000	644,000	
Development Property in Hong Kong (undertaken by associates)						
Various Lots at Yau Tong Bay, Yau Tong	651,400	—	20,100	631,300	—	(Attributable — Note f)
Development Property in Hong Kong (undertaken by jointly controlled entities)						
103 Mount Nicholson Road, The Peak	162,000	—	—	162,000	—	(Attributable — Note f)
Development Properties in China						
Changzhou Times Palace China Dinosaur Park, Xinbei District, Jiangsu Province, Changzhou	8,381,000	—	—	7,864,000	517,000	(A 272-room hotel and a State Guest House) (2,019,000 s.f. pre-sold)
Changzhou Feng Huang Hu Xin Bei District and abutting Han Jiang Lu and Yu Long Lu. Changzhou	3,283,000	—	—	3,283,000	—	
Hangzhou Hangyimian Lot C/D Gongshu District Gongchen Bridge West, Hangzhou	2,422,000	—	—	2,422,000	—	
Hangzhou Wenhui Road Lot#FG05 of Wenhui Road, Hangzhou	883,000	—	—	883,000	—	
Hangzhou Fuyang Yingbin North Road Yingbin North Road/Fenshou Road, Fuchun District, Fuyang	1,384,000	—	78,000	1,306,000	—	
Hangzhou Qianjiang Economic Development Area 09 Provincial Road/Kangxin Road, Yuhang District, Hangzhou	2,368,000	—	—	2,368,000	—	
No.1 Xin Hua Road 176 Huai Hai Xi Road, Changning District, Shanghai	102,000	—	—	102,000	—	

Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
66,000	TWIL 36	2047	2012	Superstructure in progress	100%
42,625	YTIL 4SA & adjoining Government land	2047	2015	Planning stage	100%
673,055	R.P. of YTML 22 & ext., YTML 28 & ext., YTML 29 & ext., and YTML 12, 32 and 33 together with adjoining lots at Yau Tong Bay	2047	N/A	Planning stage	14.9%
250,930	IL9007	2060	2014	Foundation in progress	50%
4,427,804	N/A	2047/77	2014	Superstructure in progress	71%
2,563,134	N/A	2050/80	2014	Planning stage	100%
914,000	N/A	2080	2014	Planning stage	100%
258,358	N/A	2080	2015	Planning stage	100%
553,442	N/A	2051/81	2015	Planning stage	100%
1,315,296	N/A	2081	2015	Planning stage	100%
118,220	N/A	2070	2010	N/A	85%

	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)					
Address	**Total**	**Office**	**Retail**	**Residential**	**Others**	**(Remarks)**
Development Properties in China *(Continued)*						
Shanghai Xi Yuan D1 of Xinjiangwancheng of Yangpu District, Shanghai	1,074,000	—	—	1,074,000	—	(808,000 s.f. pre-sold)
Shanghai Songjiang Xianhe Road Site #2 of Songjiang Xianhe Road, Shanghai	878,000	—	—	878,000	—	
Shanghai Pudong Huangpujiang Site #E18 of Pudong Huangpujiang Riverside, Shanghai	1,464,000	—	—	1,464,000	—	
Jingan Garden 398 Wanhangdu Road, Jingan District, Shanghai	763,000	—	—	763,000	—	
Suzhou Ambassador Villa Lot No. 68210 Suzhou Industrial Park, Suzhou	1,729,000	—	—	1,729,000	—	(151,000 s.f. pre-sold)
Suzhou Wu Chong District Yin Shan Lake Project Wang Wu Lu, Guo Sin Lu, Wu Chong New District, Suzhou	4,140,000	—	—	4,140,000	—	
Suzhou Times City Xiandai Da Dao, Suzhou Industrial Park, Suzhou	9,765,000	—	—	9,765,000	—	(890,000 s.f. pre-sold)
Wuxi Glory of Time Nanchang District and abutting on Jinhang Canal, Wuxi	2,351,000	646,000	—	1,705,000	—	(19,000 s.f. pre-sold)
Wuxi Times City Taihu Plaza, Nanchang District, Wuxi	7,685,000	—	—	7,685,000	—	(1,394,000 s.f. pre-sold)
Wuxi Xiyuan Nanchang District and abutting on Jinhang Canal, Wuxi	2,551,000	—	—	2,551,000	—	(171,000 s.f. pre-sold)
Wuxi Old Canal Lot#73 Nanchang District and abutting on Jinhang Canal, Wuxi	3,946,000	—	—	3,946,000	—	
The Orion Bounded by Dongdajie south, Jinhua Nan Lu east and Datiankan Jie north, Jinjiang District, Chengdu	633,000	—	—	633,000	—	(50,000 s.f. pre-sold)
Tian Fu Times Square Junction of Dong Da Jie & Fu He, Jinjiang District, Chengdu	1,977,000	1,259,000	66,000	652,000	—	(286,000 s.f. pre-sold)
Crystal Park, No.10 Gaoxin District Junction of Zhan Hua Road and Fu Cheng Avenue, Chengdu	1,960,000	443,000	5,000	1,512,000	—	(769,000 s.f. pre-sold)
Shuangliu Development Zone Junction of Shuang Nan Avenue and Guang Hua Avenue, Shuangliu County, Chengdu	9,127,000	3,922,800	1,281,400	3,922,800	—	

Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
638,000	N/A	2077	2012	Superstructure in progress	71%
877,772	N/A	2081	2014	Planning stage	100%
585,723	N/A	2081	2015	Planning stage	100%
170,825	N/A	2043/63	2016	Planning stage	55%
3,654,152	N/A	2076	2015	Superstructure in progress	100%
2,501,747	N/A	2081	2015	Planning stage	100%
5,425,454	N/A	2077	2018	Superstructure in progress	57%
1,276,142	N/A	2078	2015	Superstructure in progress	100%
3,314,418	N/A	2078	2015	Superstructure in progress	100%
1,416,822	N/A	2078	2015	Superstructure in progress	100%
2,121,662	N/A	2048/78	2015	Planning stage	100%
160,000	N/A	2079	2013	Superstructure in progress	100%
761,520	N/A	2045/75	2013	Superstructure in progress	100%
884,459	N/A	2046/76	2014	Superstructure in progress	100%
(e)	N/A	2047/77	2015	Planning stage	100%

Schedule of Principal Properties

As at 31 December 2011

	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)					
Address	**Total**	**Office**	**Retail**	**Residential**	**Others**	**(Remarks)**
Development Properties in China *(Continued)*						
Le Palais Lot No. 8 along Section 3 of the 2nd Ring Road East, Chenghua District, Chengdu	3,424,000	—	70,000	3,354,000	—	(98,000 s.f. pre-sold)
Wuhan Times Square 160 Yan Jiang Da Dao, Jiangan District, Wuhan	18,000	—	—	18,000	—	
Wuhan Lake Moon Site B Hanyang District, Qintai Road, Wuhan	1,362,000	—	—	1,362,000	—	
Dalian Times Square 50 Ren Min Road, Zhongshan District, Dalian	154,000	—	—	154,000	—	
	73,824,000	6,270,800	1,500,400	65,535,800	517,000	
Property Development in China (undertaken by associates)						
Suzhou Kingsville South of Lin Hu Road, East & West sides of Ying Hu Road, Suzhou	908,000	—	—	908,000	—	(Attributable – Note f) (59,000 s.f. pre-sold)
Evian Town South of Tian Hong Lu and North of Yu He Lu Xincheng District, Foshan	1,057,000	—	68,000	989,000	—	(Attributable – Note f) (409,000 s.f. pre-sold)
Evian Uptown North side of Kin Jin Lu, Chancheng District, Foshan	1,061,700	—	115,200	946,500	—	(Attributable – Note f) (303,000 s.f. pre-sold)
Foshan Nanhai District Shishan County Project	1,653,500	—	163,800	1,489,700	—	(Attributable – Note f)
Evian Riviera Foshan Nanhai District Guicheng A18 and A21 Project	1,197,500	—	97,200	1,100,300	—	(Attributable – Note f)
Guangzhou Develompent Zone KXCD-D1-2 Project	974,600	—	54,600	920,000	—	(Attributable – Note f)
The Magnificent Junction of Weiguo Road & Jingjiang Road, Hedong District, Tianjin	646,900	—	173,000	473,900	—	(Attributable – Note f) (410,000 s.f. pre-sold)
	7,499,200	—	671,800	6,827,400	—	

Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
1,130,000	N/A	2050/80	2015	Foundation in progress	100%
(c)	N/A	2053/73	2007/08	N/A	100%
454,000	N/A	2080	2015	Planning stage	100%
(d)	N/A	2069	2009	N/A	100%
1,976,237	N/A	2077	2014	Superstructure in progress	50%
2,867,600	N/A	2047/77	2013	Superstructure in progress	50%
1,155,000	N/A	2048/78	2014	Superstructure in progress	50%
1,526,900	N/A	2070	2015	Superstructure in progress	50%
603,900	N/A	2080	2015	Superstructure in progress	50%
1,181,300	N/A	2081	2015	Planning stage	33%
511,560	N/A	2079	2014	Superstructure in progress	50%

Schedule of Principal Properties

As at 31 December 2011

	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)					
Address	**Total**	**Office**	**Retail**	**Residential**	**Others**	**(Remarks)**
Property Development in China (undertaken by jointly controlled entities)						
Golf Landmark Zhuantang Town, Zhijiang National Tourist Holiday Resort, Xihi District, Hangzhou	2,004,000	—	83,000	1,921,000	—	(Attributable — Note f) (186,000 s.f. pre-sold)
Ningbo Baoqingsi Site 3#-2 of Baoqingsi, Ningbo	419,000	—	—	419,000	—	(Attributable — Note f)
Ningbo Eastern New Town Site E-4#, 7#, 8#, 12# & 13#, Shuixianglinli, Eastern New Town, Ningbo	529,000	—	—	529,000		(Attributable — Note f)
Chengdu Shahe Project South of Shuanggui Road, North of Niusha Road, East of Erhuan Road, West of Shahe, Jinjiang District, Chengdu	4,170,000	1,211,000	500,000	2,340,000	119,000	(Attributable — Note f)
Chongqing IFC Zones A of Jiangbei City, Jiang Bei District, Chongqing	2,403,000	1,756,000	427,000	—	220,000	(A 219-room hotel) (Attributable — Note f)
The U World Zone B of Jiangbei City, Jiang Bei District, Chongqing	2,524,000	—	—	2,524,000	—	(Attributable — Note f) (523,000 s.f. pre-sold)
The Throne Zones C of Jiangbei City, Jiang Bei District, Chongqing	4,763,000	—	—	4,763,000	—	(Attributable —Note f) (57,000 s.f. pre-sold)
International Community Zone C of Danzishi, Nanan District, Chongqing	6,745,000	—	1,151,000	5,594,000	—	(Attributable — Note f) (443,000 s.f. pre-sold)
Peaceland Cove Tiedonglu, Hebei District, Tianjin	2,599,000	—	—	1,790,000	809,000	(Others for commercial use) (Attributable — Note f) (642,000 s.f. pre-sold)
	26,156,000	2,967,000	2,161,000	19,880,000	1,148,000	
TOTAL	**147,202,300**	**29,794,090**	**13,840,130**	**97,088,030**	**6,480,050**	

Notes:

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

(b) Part of The Marco Polo Hongkong Hotel building.

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

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

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

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

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

Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
2,046,685	N/A	2047/77	2016	Superstructure in progress	50%
524,250	N/A	2080	2014	Planning stage	50%
708,142	N/A	2080	2014	Planning stage	50%
2,212,128	N/A	2048/78	2014 and beyond	Planning stage	30%
516,021	N/A	2050/60	2015	Excavation work in progress	50%
1,002,408	N/A	2057	2015	Superstructure in progress	39%
2,335,535	N/A	2050/60	2016	Superstructure in progress	50%
6,080,656	N/A	2047/57	2017	Superstructure in progress	40%
1,619,360	N/A	2050/80	2014	Superstructure in progress	50%

Ten-Year Financial Summary

	2011	2010	2009	2008	2007
Year ended 31/12	***HK$ Million***	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*
Consolidated Income Statement					
Turnover	**24,004**	19,380	17,553	15,940	16,208
Operating Profit	**11,388**	9,372	8,554	7,406	7,832
Core profit (Note a)	**8,083**	7,088	6,420	4,796	6,043
Profit before property revaluation surplus	**6,727**	7,905	7,817	4,194	5,947
Profit attributable to equity shareholders	**30,568**	35,750	19,256	5,816	13,143
Dividends attributable to shareholders	**3,211**	2,930	2,754	2,203	2,093
Consolidated Statement of Financial Position					
Fixed assets	**203,041**	166,638	134,002	119,593	114,613
Interest in associates/jointly controlled entities	**27,132**	20,860	11,789	11,998	8,737
Available-for-sale investments	**2,703**	3,362	1,331	706	2,858
Properties for sale	**47,511**	29,732	17,797	17,272	9,235
Bank deposits and cash	**32,528**	16,900	18,412	15,886	7,717
Other assets	**5,058**	5,276	7,130	3,099	3,011
Total assets	**317,973**	242,768	190,461	168,554	146,171
Bank loan/other borrowings	**(75,993)**	(49,589)	(39,844)	(38,009)	(31,282)
Other liabilities	**(31,106)**	(22,530)	(15,029)	(13,030)	(22,887)
Net assets	**210,874**	170,649	135,588	117,515	92,002
Share capital	**3,029**	2,754	2,754	2,754	2,448
Reserves	**200,228**	160,335	125,792	108,321	83,916
Shareholders' equity	**203,257**	163,089	128,546	111,075	86,364
Non-controlling interests	**7,617**	7,560	7,042	6,440	5,638
Total equity	**210,874**	170,649	135,588	117,515	92,002
Net debt	**43,465**	32,689	21,432	22,123	23,565
Financial Data					
Per share data					
Earnings per share (HK$)					
— Core profit	**2.70**	2.51	2.33	1.75	2.38
— Before property revaluation surplus	**2.25**	2.79	2.84	1.53	2.34
— Attributable to equity shareholders	**10.22**	12.64	6.99	2.12	5.17
Net asset value per share (HK$)	**67.10**	59.22	46.68	40.33	35.28
Dividends per share (Cents)	**106.00**	100.00	100.00	80.00	80.00
Financial ratios					
Net debt to Shareholders' equity (%)	**21.4%**	20.0%	16.7%	19.9%	27.3%
Net debt to total equity (%)	**20.6%**	19.2%	15.8%	18.8%	25.6%
Return on Shareholders' equity (%) (Note b)	**16.7%**	24.5%	16.1%	5.9%	16.3%
Dividend cover (Times)					
— Core profit	**2.5**	2.4	2.3	2.2	2.9
— Before property revaluation surplus	**2.1**	2.8	2.8	1.9	2.9
— Attributable to equity shareholders	**9.6**	12.6	7.0	2.7	6.5
Interest cover (Times) (Note c)	**10.8**	19.5	25.7	9.8	10.3

Year ended 31/12	2006 *HK$ Million*	2005 *HK$ Million*	2004 *HK$ Million*	2003 *HK$ Million*	2002 *HK$ Million*
Consolidated Income Statement					
Turnover	13,364	12,543	11,953	11,253	11,333
Operating Profit	6,056	5,929	5,242	5,017	5,370
Core profit (Note a)	4,285	4,499	3,740	2,731	2,259
Profit before property revaluation surplus	4,285	4,499	3,740	3,043	2,259
Profit attributable to equity shareholders	10,757	13,888	12,677	3,043	2,259
Dividends attributable to shareholders	1,958	1,958	1,683	1,487	1,370
Consolidated Statement of Financial Position					
Fixed assets	102,198	90,658	78,916	71,120	69,044
Interest in associates/jointly controlled entities	1,569	2,534	1,931	2,075	3,367
Available-for-sale investments	2,921	1,677	1,654	1,392	1,178
Properties for sale	5,784	4,370	2,915	2,589	2,776
Bank deposits and cash	3,769	2,508	2,209	1,512	1,518
Other assets	3,036	2,745	2,513	2,474	3,239
Total assets	119,277	104,492	90,138	81,162	81,122
Bank loans/other borrowings	(20,670)	(18,558)	(16,442)	(18,674)	(22,653)
Other liabilities	(18,689)	(17,408)	(15,072)	(6,839)	(7,054)
Net assets	79,918	68,526	58,624	55,649	51,415
Share capital	2,448	2,448	2,447	2,447	2,447
Reserves	72,714	62,926	52,502	49,181	45,287
Shareholders' equity	75,162	65,374	54,949	51,628	47,734
Non-controlling interests	4,756	3,152	3,675	4,021	3,681
Total equity	79,918	68,526	58,624	55,649	51,415
Net debt	16,901	16,050	14,233	17,162	21,135
Financial Data					
Per share data					
Earnings per share (HK$)					
— Core profit	1.75	1.84	1.53	1.12	0.92
— Before property revaluation surplus	1.75	1.84	1.53	1.24	0.92
— Attributable to equity shareholders	4.39	5.67	5.18	1.24	0.92
Net asset value per share (HK$)	30.70	26.71	22.46	21.09	19.50
Dividends per share (Cents)	80.00	80.00	68.80	60.80	56.00
Financial ratios					
Net debt to Shareholders' equity (%)	22.5%	24.6%	25.9%	33.2%	44.3%
Net debt to total equity (%)	21.1%	23.4%	24.3%	30.8%	41.1%
Return on Shareholders' equity (%) (Note b)	15.3%	23.1%	23.8%	6.1%	4.4%
Dividend cover (Times)					
— Core profit	2.2	2.3	2.2	1.8	1.7
— Before property revaluation surplus	2.2	2.3	2.2	2.0	1.6
— Attributable to equity shareholders	5.5	7.1	7.5	2.0	1.6
Interest cover (Times) (Note c)	9.4	12.8	27.8	13.2	8.7

Notes:

(a) Core profit excludes net property revaluation surplus, mark-to-market changes on swaps, and other non-recurring items including revaluation of Hactl interest/tax write-back of HK$1,246 million in 2010 and profit on disposal of Beijing Capital Times Square of HK$1,393 million in 2009.

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

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

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

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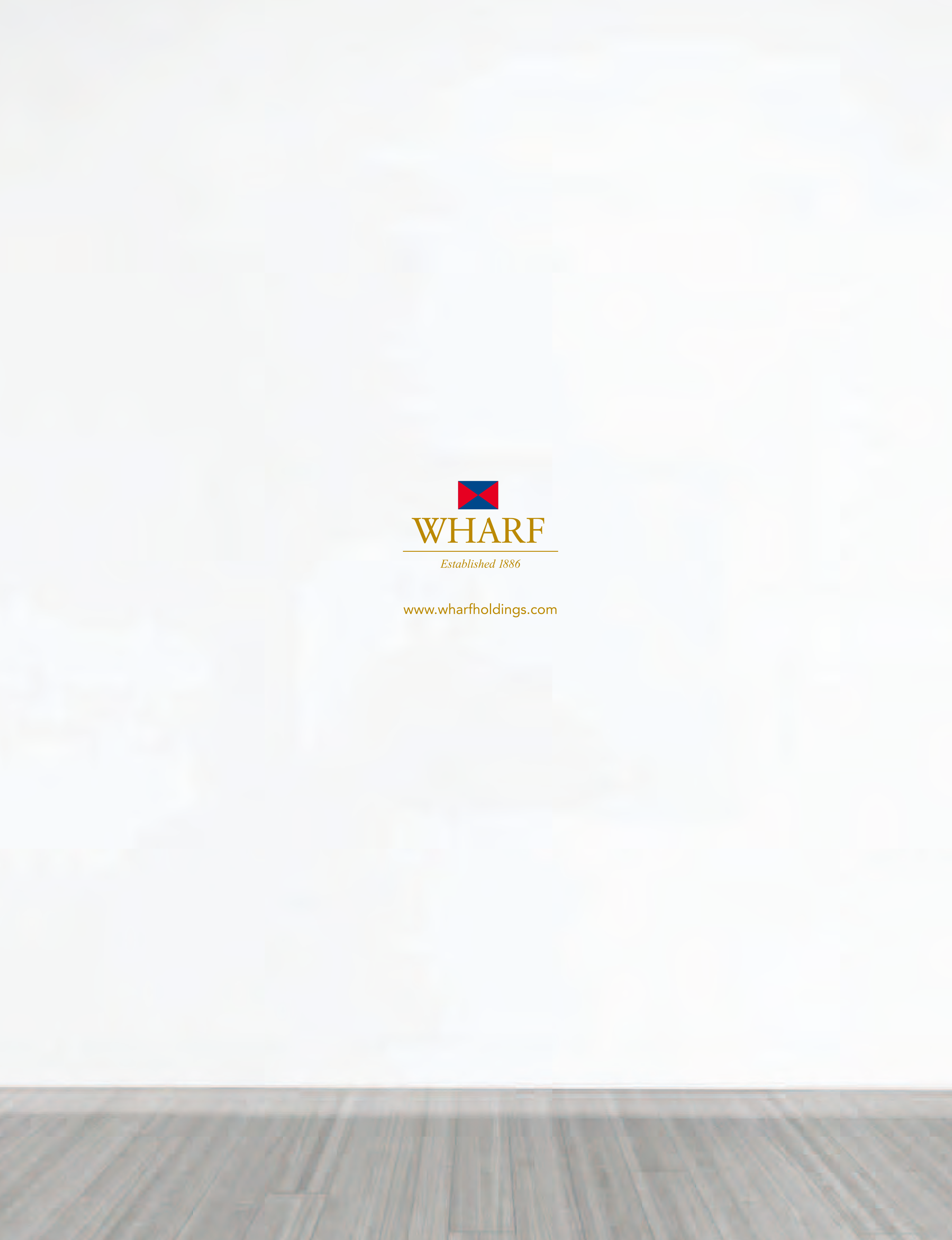

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