WHARF

Established 1886

THE WHARF (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)
Stock Code: 4

2012 Final Results Announcement

Record Year from Building for Tomorrow

HIGHLIGHTS

- Core profit exceeded HK$11 billion, 37% over 2011. A record for Wharf.
- Attributable profit HK$47 billion, 55% over 2011. Another record.
- In addition, the surplus in market value of HK$9 per share over the acquisition cost of Greentown shares at year end amounted to HK$4.7 billion.
- The new lease for Ocean Terminal consolidated Harbour City's footprint and leadership on Canton Road.
- Investment property portfolio was HK$232 billion at end 2012 (HK$115 billion at end 2009).
- Combined attributable value of Harbour City & Times Square amounted to about HK$58 per Wharf share.
- Rental income from the Mainland exceed HK$1 billion for the first time.
- Timely investment in Greentown added synergy to Wharf's China development initiative and paid instant dividend.
- Attributable development land bank in the Mainland increased by 50% (to 18 million sq.m.).
- Attributable Mainland property sales (excluding Greentown) RMB15 billion, 50% above target. 2013 target RMB20 billion.
- Net debt to total equity ratio maintained at a healthy 21.7% despite new long term investments.
- Full year dividend HK$1.65 (56% increase over 2011, 45% of core profit).
- Building for Hong Kong’s tomorrow, the Group targets to allocate up to 1% of annual core profit to support charitable and community activities.

GROUP RESULTS

Excluding investment property revaluation surplus and exceptional items, Group profit attributable to Shareholders for the financial year ended 31 December 2012 increased by 37% to HK$11,040 million. Underlying earnings per share were HK$3.64 (2011: HK$2.70).

Including investment property revaluation surplus and exceptional items, Group profit attributable to Shareholders amounted to HK$47,263 million (2011: HK$30,568 million). Basic earnings per share were HK$15.60 (2011: HK$10.22).

DIVIDENDS

A first interim dividend of HK$0.45 (2011: HK$0.36) per share was paid on 28 September 2012. The Board has declared a second interim dividend of HK$1.2 (2011: HK$0.7) per share, payable on 6 June 2013 to Shareholders on record as at 28 May 2013. This second interim dividend is to be paid in lieu of a final dividend in respect of the financial year ended 31 December 2012.

BUSINESS REVIEW

HONG KONG PROPERTY INVESTMENT

Harbour City
Turnover (excluding hotels) increased by 14% to HK$6,243 million and operating profit by 13% to HK$5,367 million. Excluding the three hotels, and with Ocean Terminal on a new lease for 21 years, Harbour City was valued at HK$125 billion at the end of 2012 representing an increase of 34% over 2011 and representing 36% of the Group's business assets.

Retail
Total Hong Kong retail sales reported a moderate 9.8% growth rate in 2012, after a record performance in the past decade to 2011. The retail market held up well at the beginning of the year before the adverse external environment started to affect consumer sentiments. Gradual revival returned in the later part of the year as a result of the stabilising European debt crisis and steady economic recovery in the US.

Harbour City performed solidly in 2012, riding on its premier location, craftily-managed trade mix and powerful retail marketing. Total retail sales registered a growth rate of 13% to reach a record of HK$31 billion or about HK$2,600 per square foot per month. Market share increased further to an unmatched 6.9% of total Hong Kong retail sales, demonstrating its continued leadership in the marketplace.

Turnover of Harbour City's retail sector increased by 18% to HK$4,223 million. Occupancy was maintained at virtually 100% at the end of 2012.

Prominently located at the heart of Hong Kong's most dynamic retail district, Harbour City is one of the world's leading shopping destinations. It is understood to be the largest shopping mall in the world, not in terms of size but total tenants' sales. With a 2 million square feet critical mass and craftily-managed tenant mix across a finely-calibrated price point matrix, Harbour City strives to provide the captivating "shoppertainment" experience for all shoppers.

During 2012, brand offerings were further enriched and diversified with a host of highly celebrated brands on board including *Miu Miu, Galliano, Emilio Pucci, Brunello Cucinelli, Repetto, Gap* and *Samsung* plus the debut of internationally renowned *Alexander Wang, Bathing Ape Kids, Silver Cross* and *Aland*. The Food and Beverage sector has been fine-tuned, with the recruitment of the Michelin-starred chef *Sergi Arola's Vi Cool Sergi Arola, Maison Eric Kayser, Laduree, Greyhound Café* and *Dressed Salad*. *Kid X* at Ocean Terminal has gradually transformed into a one-of-a-kind 'Petite Canton Road' with kidswear flagship stores including *Gucci Kids, Burberry Kids, Fendi Kids* and *Miss Blumarine*.

In the meantime, rejuvenation and conversion works continued to bring excitement to the market and maximise retail value. *Fendi* and *Giorgio Armani* opened their multi-level flagship stores on the Canton Road. *Gap* opened its 16,000-square foot store at Gateway Level 3. These new retail stores were converted from previous non-retail areas such as hotel and office lobbies.

On marketing, in addition to the annual iconic Christmas and Chinese New Year festive decorations, Harbour City has rolled out a series of fun and engaging events to boost foot traffic and retail sales. The acclaimed and popular 'Doraemon' and 'Yue Minjun' exhibitions during 2012 instantly became talk-of-the-town events and attracted many locals and tourists.

Harbour City will continue to focus on value creation by putting its best efforts to enhance its unrivalled position and fortify its competitive edge to stay ahead in the market.

Office

Office demand continued to be fueled by business expansion, new lettings and decentralisation. On the back of positive rental reversion, turnover grew by 6% to HK$1,710 million. Rental rates for new commitments increased modestly whereas occupancy climbed to 97% at the end of 2012.

Harbour City continues to be a popular choice for multinationals, as well as Mainland and local enterprises. Riding on its superb location, convenient transportation network and well-rounded ancillary services including the mega shopping mall, three Marco Polo hotels, a fitness centre and a private recreational club, Harbour City has an unrivalled competitive edge compared to 'pure offices'.

Lease renewal retention rates held up reasonably well at 62% during the year, with favourable rental increments. These included a host of anchor tenants such as *Sony Corporation, United Airlines, AIA, Prudential, Roberto Cavalli* and *Elegant Jewellery*.

To stay ahead in the increasingly competitive marketplace, the leasing and property management teams will continuously improve the premises and be flexible to market changes.

Serviced Apartments

Turnover grew by 3% to HK$310 million. Occupancy was maintained at 85% at the end of 2012.

Times Square

Withdrawal of 17% of total retail space from the market for a major renovation moderated the rate of growth compared to recent years. Turnover increased by 10% to HK$1,908 million and operating profit by 10% to HK$1,678 million. Times Square was valued at HK$44 billion at the end of 2012, an increase of 18% over 2011, representing 13% of the Group's business assets.

Retail
Times Square is the most successful vertical mall in Hong Kong. Its success stems from its unique 16-level design, comprehensive trade-mix and direct linkage to the Mass Transit Railway in the prime retail district of Causeway Bay on Hong Kong Island. Total retail sales at Times Square maintained a 1.5% growth to HK$9.3 billion despite the withdrawal of approximately 85,000 square feet of lettable area or 17% of total retail space from the market for cinema relocation during the year. On a per-square-foot basis, Times Square's retail sales posted a 15% growth rate over 2011 to over HK$1,700.

Turnover of Times Square's retail sector increased by 7% to HK$1,352 million. Occupancy was maintained at virtually 100% at the end of 2012 (excluding the areas vacated for refurbishment).

The cinema relocation, with a view to adding immense retail value to Times Square, progressed as planned. The new retail shops at the ground and lower floors, as well as the new cinema on 12th and 13th floors are scheduled to open in the second half of 2013.

In an attempt to enrich Times Square's product offerings, tenant-mix was further refined during the year with the recruitment of international and trendy labels including *Cartier, Chaumet, Loewe, George Jensen, Black Barrett, IWC, Omega, Jill Stuart, Repetto* and *Samsung*. Some existing tenants including *Chanel Beaute, Links of London, A.T. by Atsuro Tayama, Furla, Bose* and *Jurlique* were relocated to uplift the shopping experience. The opening of *BLT Burger* further widened the culinary selection at Times Square.

Innovative marketing campaigns at Times Square continued to capture shoppers attention and build up its branding as "The Place of Happenings". The New Year's Eve Apple Countdown remains one of the most popular events in Hong Kong. The 'Lego Christmas Village' was installed during Christmas to celebrate the 80th anniversary of the iconic Danish toy manufacturer. Large scale art and cultural events such as the Fang Lijun Art Exhibition, the Korean Contemporary Art Exhibition and the UK Festival were held at Times Square during the year.

Completion of the cinema relocation will further enhance Times Square's zoning strategy and shoppers' traffic distribution within the retail mall. Times Square will strive to strengthen its leading position as a must-visit shopping landmark in Hong Kong through brand-mix refinement for an all-round and unique shopping experience.

Office
Turnover of the office sector increased by 17% to HK$556 million, on the back of positive rental reversion. Occupancy stood high at 98% at the end of 2012.

Times Square remains the preferred office location for multinationals in the service and consumer goods industries. Lease renewal retention rates were maintained at 67%, with renewals from tenants including *Walt Disney, Dennis Lau & Ng Chun Man, Assicurazioni Generali, EF Education, Bates Asia* and *JT International*. New lettings during the year included *Alliance Global, Forex Trade, Chanel, Workday Asia, Unity* and *Kosei International*. There were also in-house expansions from *Apple, Aon Hong Kong, L'Oreal, Google, Lane Crawford, Honda Motor* and *Balenciaga*.

Plaza Hollywood
Turnover increased by 11% to HK$420 million and operating profit by 10% to HK$307 million. Average occupancy was maintained at 99%.

Retail sales of Plaza Hollywood grew by 15% in 2012 to HK$2.4 billion or HK$570 per square foot per month, riding on its success in brand repositioning and tenant mix refinement. As a regional shopping mall targeting primarily local shoppers, Plaza Hollywood has successfully established its presence in the Kowloon East region.

Marco Polo Hotels in Hong Kong

The Marco Polo Hongkong Hotel, Gateway Hotel and Prince Hotel in Harbour City continued to benefit from Hong Kong's thriving inbound tourism and strong hotel room demand in 2012. The favourable location in the heart of Tsimshatsui and close integration with Harbour City provide convenience for both business and leisure travelers.

Consolidated occupancy of the three Marco Polo hotels in Hong Kong reached 85% in 2012, with an increase of 8% in average room rates. Hongkong Hotel delivered a solid performance, with occupancy rising by 7 percentage points to 91%. Prince and Gateway are undergoing room renovation scheduled for completion in 2013.

CHINA PROPERTY INVESTMENT

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

Shanghai Wheelock Square continued to attract multinationals and major corporations, riding on its premier address on Nanjing Xi Road, distinctive design and world-class management. At the end of 2012, 92% of the office space was leased. Average spot rent achieved stood at RMB430 per square metre per month, with the highest headline rent at RMB476 per square metre per month, which is among the highest office rental rates in Shanghai. Celebrated tenants committed during the year including *Daiichi Sankyo, SAP, Tod's* and *Luenmei*. The gross rental yield on cost increased to 13% in 2012, with the property still in its first lease cycle. Wheelock Square was valued at HK$8.3 billion at the end of 2012.

Dalian Times Square retail mall's occupancy stood at 100% at the year end. The tenant mix was further refined with the introduction of *Chanel, Bottega Veneta, Tod's, Versace* and *Sportmax* plus the expansion of *Dior Homme*. It strives to maintain its leadership position for high-end luxuries in the North-east Provinces. The gross rental yield on cost soared to 59% in 2012, with only four years of operation.

Chongqing Times Square retail mall's occupancy was maintained at 94% at the year end, after the re-opening in July 2011. In addition to the existing first tier international labels on the ground level, more young fashion and accessories brands such as *Armani Exchange, Anteprima Wirebag, CARAT,* and *Pandora* were recruited at other floors to enrich the overall product offerings. The gross rental yield on cost was maintained at 22% in 2012.

Since the opening of Chengdu Times Outlets in December 2009, it has instantly become one of the most-visited outlets destinations in Chengdu. Located in close proximity to the Chengdu Shuangliu International Airport, it received 2.3 million visitors in 2012. The gross rental yield on cost rose gradually to 30% in 2012, with just three years of operation.

Shanghai Times Square's retail mall has been closed for renovation since May 2012, except for *Wagas Express Café* and *Zara*. It is scheduled to re-open in the third quarter of 2013 with a brand new tenant mix and anchor stores.

International Finance Square

The Group is developing a series of five International Finance Squares (IFSs) in China, with a scale comparable to Harbour City and Times Square. Upon their completion between 2013 and 2016, the Group's commercial properties and retail area in Hong Kong and China will multiply.

The first phase of Chengdu IFS, including a 200,000 square metre mega-sized retail mall and a Grade A office tower, is scheduled for completion in the second half of 2013. Retail pre-leasing has exceeded plan, with 80% of the retail space committed at the year end at rental rates above budget. Mirroring the success of Harbour City, Chengdu IFS retail mall is to become the one-stop flagship shopping landmark in Western China with the most diversified trade mix and entertainment anchors. Hongxing Road, the replica of Canton Road in Hong Kong, will emerge as the home of duplex flagship stores. The ground level obtained the most prestigious fashion brands' commitment, such as *Dolce & Gabbana, Emporio Armani, Fendi, Giorgio Armani, Prada* and *Tod's*, etc. A host of prestigious jewellery and watch labels including *Chaumet, Franck Muller, Jaeger-LeCoultre, Piaget* and *Van Cleef & Arpels* have taken up space on Level 3, the second ground floor. To enhance the shopping ambience, fashion concept stores including *Uniqlo* and the fashion trend leader *I.T Group* will offer hip and street fashion on the upper levels, whereas *UA Cineplex* and a bowling lounge will provide shoppers with comprehensive entertainment elements. The retail mall is scheduled to open by the first quarter of 2014. Full completion is scheduled for 2014.

Wuxi IFS is located in the Taihu Plaza, Wuxi's new CBD. The development comprises a 340-metre landmark tower and two other towers, offering Grade A offices and a 5-star hotel with total gross floor area ("GFA") of 271,000 square metres. Full completion is scheduled for 2014.

Chongqing IFS is located in Jiangbei District, Chongqing's new CBD, where the Yangtze River meets the Jialing River. The development enjoys a panoramic river view and convenient connectivity through three nearby bridges and light railway lines 6 and 9. It is a 50:50 joint venture development with China Overseas Land, with an attributable GFA of 234,000 square metres. It comprises an iconic 300-metre landmark tower and four other towers atop a 102,000 square meters retail podium, offering up-market retail, Grade A offices and a 5-star hotel. Full completion is scheduled for 2015.

Suzhou IFS is a 450-metre skyscraper landmark development located in Suzhou's new CBD, Suzhou Industrial Park, overlooking Jinji Lake. It comprises Grade A offices, a 5-star premium sky hotel and luxury apartments, with a GFA of 278,000 square metres attributable to the Group's 80% ownership. Full completion is scheduled for 2016.

Changsha IFS is located in the prime area of Jiefang Road in Furong District with a total GFA of 725,000 square metres. The development comprises an iconic 452-metre tower and another 300-metre tower atop a 229,000 square metres mega-sized retail mall, offering upscale retail, Grade A offices and a 5-star hotel. The planned retail mall will be larger than the retail malls at Chengdu IFS and Harbour City, and among the largest in Changsha and Central China to capture the growing consumption demand in the region. Full completion is scheduled for 2016.

PROPERTY DEVELOPMENT

China Property Development

China property development continued to be a key source of additional growth. Completion accelerated in 2012 with 758,000 square metres completed and recognized, compared to 546,000 square metres in 2011. Turnover generated from subsidiary projects increased by 51% to HK$9,573 million and operating profit increased by 57% to HK$3,562 million. Recognition during the year primarily included Shanghai Xiyuan, Chengdu Tian Fu Times Square and Wuxi Times City.

Sales continued to gain pace. Seven new projects were launched for presales in 2012 in the cities of Chengdu, Foshan, Hangzhou and Guangzhou. Together with projects previously launched, the Group has 30 projects on sale across 12 cities.

On an attributable basis, a total of 1.3 million square metres were sold in 2012 which generated proceeds of RMB15 billion, 18% over 2011 and 50% above target. All key regions delivered solid growth, demonstrating the pent-up demand locally for quality developments and the Group's sales execution capability. The net order book (net of business tax) increased to RMB15.7 billion for 1,448,000 square metres of properties at the end of 2012.

The Group acquired six property development sites during the year in the cities of Beijing, Shanghai, Chengdu, Dalian and Changzhou with an attributable GFA of 0.84 million square metres for RMB4.8 billion. Total land bank was maintained at 12.3 million square metres at the end of 2012, spanning 15 cities.

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

Eastern China

Sales

The Eastern China region posted a 21% growth rate in contracted sales over 2011. There are 12 projects on sale across five cities.

In Hangzhou, the first phase of Palazzo Pitti and Junting were launched for presales in December. A total of 7,400 square metres and 14,500 square metres were promptly presold for proceeds of RMB250 million and RMB90 million respectively.

Suzhou Times City launched additional phases and sold a further 197,700 square metres for proceeds of RMB2.2 billion. Wuxi Times City sold 123,000 square metres for proceeds of RMB1.0 billion. Changzhou Times Palace launched additional phases and presold 112,600 square metres for proceeds of RMB770 million. Shanghai Xiyuan sold a further 15,900 square metres for proceeds of RMB705 million during the year.

Other projects for sale included Glory of Time and Xiyuan in Wuxi, Ambassador Villa and Kingsville in Suzhou, No. 1 Xin Hua Road in Shanghai and Golf Landmark in Hangzhou.

Acquisitions

In September 2012, the Group acquired a 60,200-square metre residential site in Shanghai's Pudong District through a joint venture development with Greentown China Holdings Limited ("Greentown") and Sunac China Holdings Limited's joint venture company. The Group has a 50% interest of the development, which has an attributable GFA of 36,100 square metres. Design planning is underway.

In December 2012, the Group acquired a 107,500-square metre commercial site in Shanghai's Xuhui District through a joint venture development with China Vanke Co Limited and Greenland Group Co Limited. The Group has a 27% interest in the development. The site, with an attributable GFA of 133,000 square meters, is situated next to the Shanghai South Railway Station and well-connected to existing Metro Line 1, Line 3 and future Line 15 stations. Design planning is underway.

In December, the Group acquired a 109,600-square metre residential site in Changzhou's Xinbei district adjacent to Feng Huang Lake. The development has a GFA of 245,000 square metres. Design planning is underway.

Development Progress
Construction of Shanghai Xiyuan, which consists of 11 medium-rise towers (510 fitted-out units) and a luxurious club house, was fully completed in June 2012. Certain phases of Wuxi Times City involving 127,000 square metres of GFA were completed during the period. Construction of Changzhou Times Palace is underway, with full completion scheduled for 2014. The State Guest House, a five-star hotel and serviced apartments will be completed in stages between 2013 and 2014. Construction progress of other developments in Eastern China is as planned.

Western China
Sales
The Western China region posted a 21% growth in contracted sales over 2011. There are 9 projects on sale in Chengdu and Chongqing.

In Chengdu, the Sirius of International Commerce Centre and Times Town of Shuangliu Development Area were launched for presales in April and December. Tian Fu Times Square and Crystal Park sold a further 82,800 square metres and 96,400 square metres for proceeds of RMB1,484 million and RMB1,049 million respectively. The Orion and Le Palais have met with a favourable response.

In Chongqing, initial phases of retail units and additional phases of residential units of the U World were launched to generate attributed proceeds of RMB555 million. International Community sold a further 85,300 square metres for attributed proceeds of RMB662 million. The Throne has also met with good demand.

Acquisitions
In November 2012, the Group acquired a 74,400-square metre residential site in Chengdu. The site is located in Shuangliu District with a GFA of 222,000 square metres. It is being planned as a quality residential community in the Southern part of Chengdu. Design planning is underway.

Development Progress
In Chengdu, construction of Times Town commenced in the second quarter of 2012. Four additional residential towers of Crystal Park were completed in June 2012. Construction of the remaining residential towers and one office block is under way, with full completion scheduled for 2014. The last office tower of Tian Fu Times Square is scheduled for completion in 2013. Tower 1 of The Orion and Phase 1 (eight residential towers) of Le Palais are scheduled for completion in 2013.

In Chongqing, construction of International Community, the U World and the Throne is underway. These projects are developed through joint ventures with COLI, with the Group's shareholding ranging between 40% and 55%.

Southern China

Sales

The Southern China region posted a 41% growth in contracted sales over 2011. There are five projects on sale in Foshan and Guangzhou.

In Foshan, the first phases of Evian Riviera and Evian Buena Vista were launched for presales in March and April. Total 34,300 square metres and 29,000 square metres were sold for attributed proceeds of RMB394 million and RMB220 million respectively. Evian Town and Evian Uptown sold a further 50,860 square metres and 35,100 square metres for proceeds of RMB842 million and RMB345 million respectively on an attributable basis. These four projects are developed through 50:50 joint ventures with China Merchants Property ("CMP").

In Guangzhou, the first phase of Donghui City was launched for presales in November. Total 17,700 square metres were promptly presold for proceeds of RMB233 million on an attributable basis. This is a joint venture development with China Vanke Co. Limited and CMP, in which the Group has a 33% interest.

Development Progress

The third phase of Evian Town and the second phase of Evian Uptown in Foshan were completed in 2012. Construction of Donghui City in Guangzhou commenced during the year, with full completion scheduled in 2015. All other developments are progressing as planned.

Other Regions

Sales

In Tianjin, the Peaceland Cove presold further 90,900 square metres for proceeds of RMB1,144 million on an attributable basis. The Magnificent has also met with a favourable response.

Acquisitions

In February 2012, the Group acquired an 72,700-square metre residential site in Beijing's Chaoyang District through a joint venture development, in which the Group has an interest of 33% with the remaining interest held by CMP and Overseas Chinese Town Group. The development offers an attributable GFA of 60,000 square metres and is in close proximity to a future subway station. Construction commenced in the fourth quarter of 2012. Completion is scheduled for 2015.

In November, the Group acquired an 85,700-square metre residential site in Dalian's Zhongshan District through a 60:40 joint venture development with Greentown. The development, with an attributable GFA of 144,000 square metres, enjoys picturesque scenery in the neighborhood and well-established transportation network nearby. Design planning is underway.

Development Progress

The Magnificent in Tianjin was completed in 2012. Construction of residential developments in Wuhan and Beijing commenced in the fourth quarter of 2012. The other developments are progressing as planned.

Greentown

On 8 June 2012, the Group entered into subscription and investment agreements with Greentown, under which Greentown issued new shares and perpetual subordinated convertible securities ("PSCS") respectively to the Group. Following completion of the transactions on 2 August 2012, the

Group holds approximately 24.6% of the equity interest of Greentown and together with the PSCS for a total consideration of approximately HK$5.3 billion. The investment in Greentown is for the long term, complementing the Group's business strategy of continual expansion in property investment and development businesses in China.

The Group envisages that with Greentown's strength in property development and the Group's strength in financial management and undisputed excellence in commercial properties management, there are many strategic co-operation opportunities ahead. The acquisitions of two residential sites in Shanghai and Dalian through joint ventures with Greentown in the second half of 2012 are good examples of closer co-operation and synergy, which will benefit the Group over the long term.

Hong Kong

Sales

One Midtown in Tsuen Wan, a high-rise industrial/loft building with a GFA of 644,000 square feet, was completed in June 2012. This enabled the Group to recognise HK$2.6 billion of turnover and HK$1.3 billion of operating profit during the period.

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

Development Progress

The master layout plan for Mount Nicholson has been approved. This 50:50 joint venture development with Nan Fung Group offers an attributable GFA of 162,000 square feet and will be developed into exclusive luxurious residences with a panoramic view of the Victoria Harbour. Construction work is underway.

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

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

Yau Tong Godown's redevelopment plan into a residential and commercial development with a GFA of 256,000 square feet has been approved. Premium for the lease modification was settled in July. Foundation work is underway.

Master layout plan for the Yau Tong Bay joint venture project, in which the Group has approximately a 15% interest, was approved by the Town Planning Board in February 2013. The development comprises 12 blocks of residential and commercial buildings with GFA of approximately 4 million square feet.

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

MARCO POLO HOTELS

The Group currently operates 13 owned or managed hotels in the Asia Pacific region. The Marco Polo Lingnan Tiandi in Foshan and Marco Polo Suzhou were added in 2012. A pipeline of 10 new hotels in the cities of Changsha, Changzhou, Chengdu, Chongqing, Guiyang, Suzhou, Tianjin and

Wuxi in the Mainland, as well as Manila in the Philippines and Bangkok in Thailand, will come on stream over the next five years to significantly expand Marco Polo's network.

Vibrant business travel and strong inbound tourism propelled the hotel and hospitality industry in the region. Total revenue for the hotels and club grew by 9% to HK$1,391 million. Operating profit increased by 5% to HK$391 million.

All Marco Polo hotels performed strongly in their respective locations. Consolidated occupancy of the three Marco Polo hotels in Hong Kong was maintained at 85%, with an increase of 8% in average room rates. Marco Polo Wuhan continued to achieve dominant market position in the local market. The new Marco Polo hotels in Foshan and Suzhou have met with a favourable response.

MODERN TERMINALS

Global trade growth continued to be overshadowed by the debt crisis in Europe and economic slow-down in the US. South China's container throughput grew modestly by 0.7% in 2012. Hong Kong's throughput grew marginally by 0.3% while Shenzhen's throughput increased by 1.1%. Market shares of Shenzhen and Kwai Tsing were 55% and 45% respectively for 2012.

Modern Terminals' consolidated revenue decreased by 13% to HK$2,969 million mainly due to a one-off income recovery in 2011. Excluding this one-off impact, consolidated revenue decreased by 6.3%. Consolidated operating profit decreased by 26% to HK$1,142 million. Throughput in Hong Kong declined by 9% to 4.8 million TEUs.

In the Mainland, throughput at Taicang International Gateway in Suzhou grew by 1% to 1.5 million TEUs, while Da Chan Bay Terminal One in Shenzhen handled 572,000 TEUs during the period. Throughput at Shekou Container Terminals in Shenzhen, in which Modern Terminals holds a 20% stake, increased by 11% to 4.5 million TEUs. Chiwan Container Terminal, in which Modern Terminals holds an 8% attributable stake, handled 3.3 million TEUs.

Modern Terminals has an established presence in the Pearl River Delta and Yangtze River Delta, the two largest manufacturing and export regions in China. This places Modern Terminals in an excellent position to benefit from China's robust economy and recovery of the European and US markets.

OTHER BUSINESSES

The Group's other businesses include i-CABLE, Wharf T&T, The 'Star' Ferry and Hong Kong Air Cargo Terminals.

i-CABLE

Competitive pressure remained high during the year while the operating environment remained challenging.

Following the fast growth in previous years, there were signs of television customer base entering a new phase in a close to saturated market. Television turnover maintained at a similar level as 2011 but higher programming costs were incurred due to the London Olympics and European football leagues. Competition in the broadband and telephony sectors remained keen and aggressive price competition affected both turnover and customer base.

Consolidated turnover increased by 1% to HK$2,127 million with net loss at HK$278 million. A healthy financial position was maintained with net cash of HK$188 million.

Wharf T&T

Wharf T&T again reported record turnover and profit in 2012. Revenue increased by 4% to HK$1,826 million and operating profit rose by 9% to HK$250 million. The net cash inflow position started to recover as the investment in +EN rollout for a 95% Fibre-To-The-Desk (FTTD) network coverage for the business market passed its peak. 90% of the planned coverage was achieved at the end of 2012. Robust data and systems integration businesses, resulting from market share gain and contributions from signature projects including the Hong Kong Exchange SDNet Wide Area Network, fuelled the growth momentum.

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 into F&B outlets.

Hong Kong Air Cargo Terminals

Hong Kong Air Cargo Terminals, a 20.8% associate of the Group, posted a 2% growth in throughput in 2012 due to healthy growth from the Asia & Middle East markets despite continued weak demand from the European and US markets. 2012 marked its second best year in throughput volume with 2.8 million tonnes.

FINANCIAL REVIEW

(I) REVIEW OF 2012 RESULTS

The Group attained numerous new records for its financial results in 2012 with the reported core profit increased to a new high by 37% to HK$11,040 million from 2011 as prompted mainly by the Group's persistent growth in rental revenue and spiraling development property profit. Added to this by certain exceptional accounting gains and increase in investment property revaluation surplus, the Group's profit attributable to shareholders also increased to a new high by 55% to HK$47,263 million.

Revenue

Group revenue increased by 29% to HK$30,856 million (2011: HK$24,004 million), benefiting from the higher contribution from property sales achieved both in Hong Kong and the Mainland and the revenue increase achieved by the Property Investment segment.

Property Investment revenue from Hong Kong increased by 11% to HK$8,875 million, supported by the outstanding sales achieved by the retail tenants and the continuous positive rental reversions for office areas particularly in Harbour City and Times Square. In the Mainland, rental revenue increased by 26% to HK$1,005 million benefitting from the escalating revenue generated by Shanghai Wheelock Square as well as the renovated Chongqing Times Square. Hotel revenue increased by 9% to HK$1,391 million as sustained by the increase in room rates with occupancy remaining at a high level though this was adversely affected by the rooms renovation work for the Gateway Hotel. In aggregate, the segment reported an increase in revenue of 12% to HK$11,271 million.

Property Development continued to bear fruit with recognised sales increased by 92% to HK$12,207 million (2011: HK$6,343 million). Revenue recognition mainly derived from Chengdu Tian Fu Times Square, Shanghai Xi Yuan and Wuxi Times City in the Mainland totalling HK$9,573 million and from One Midtown in Hong Kong of HK$2,634 million.

During the year, inclusive of joint ventures and associates (other than Greentown) on an attributable basis, the Group recorded contracted property sales totalling RMB15.0 billion (2011: RMB12.7 billion) in more than ten cities in the Mainland, increasing its net order book to RMB15.7 billion by the year end 2012 (2011: RMB13.5 billion) pending for recognition on completion.

Logistics revenue dropped by 13% to HK$3,070 million (2011: HK$3,520 million) due to Modern Terminals' revenue decreased with lower throughput handled as adversely affected by the slowdown in global trade growth.

CME revenue increased by 2% to HK$3,953 million (2011: HK$3,863 million), with revenue of Wharf T&T and i-CABLE increased by 4% and 1%, respectively.

Operating Profit

Group operating profit increased by 24% to HK$14,170 million (2011: HK$11,388 million) as supported by favourable profit contributions from Property Investment and Property Development.

Property Investment remained the Group's largest profit contributor with an 11% increase in operating profit to HK$8,578 million (2011: HK$7,694 million). Contributions from Harbour City (excluding hotels) and Times Square increased by 13% and 10%, respectively. Operating profit generated from its expanding properties portfolio in the Mainland grew decently by 29%, particularly benefitting from the Group's promising Shanghai Wheelock Square.

Hotels operating profit from the three Marco Polo hotels in Harbour City increased by 8% to HK$390 million though partly impacted by the above mentioned hotel renovation. Including the Mainland hotels, the operating profit increased by 5% only due to the adverse effects by the pre-operating expenses incurred for the new hotel which commenced operation in 2013.

Property Development, with higher property sales achieved and more property completions delivered, increased its operating profit by 114% to HK$4,869 million (2011: HK$2,274 million), including HK$3,562 million attributable to Mainland property projects and HK$1,307 million attributable to a Hong Kong property project, One Midtown.

Logistics' contribution dropped by 26% to HK$1,161 million (2011: HK$1,563 million), mainly due to a decrease in revenue of Modern Terminals.

CME reported loss of HK$22 million (2011: profit of HK$45 million). Wharf T&T's operating profit increased by 9% to HK$250 million against i-CABLE's operating loss of HK$271 million.

Profit contribution from Investment and Others was HK$134 million (2011: HK$288 million).

Increase in Fair Value of Investment Properties

The book value of the Group's investment property portfolio as at 31 December 2012 increased to HK$231.5 billion (2011: HK$184.1 billion), with HK$210.1 billion thereof stated at fair value based on an independent valuation as at that date, which produced a revaluation surplus of HK$34,751 million (2011: HK$24,968 million), mainly reflecting the continuous strong rental growth of the Group's investment properties. The attributable net revaluation surplus of HK$33,336 million (2011: HK$23,841 million), after deducting related deferred tax and non-controlling interests, was credited to the consolidated income statement.

Investment properties under development in the amount of HK$21.4 billion are carried at cost 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 amounted to HK$2,483 million (2011: HK$457 million), mainly including the book accounting gain of HK$2,233 million arising from the acquisition of a 24.6% interest in Greentown as detailed in note 4(a) to the financial statements.

Finance Costs

Finance costs charged to the consolidated income statement were HK$939 million (2011: HK$2,567 million). These included an unrealised mark-to-market gain of HK$573 million (2011: loss of HK$1,387 million) on the cross currency / interest rate swaps in accordance with prevailing accounting standards. Net of non-controlling interests, the mark-to-market gain is HK$590 million (2011: loss of HK$1,356 million).

Excluding the unrealised mark-to-market gain, finance costs before capitalisation were HK$2,108 million (2011: HK$1,627 million), representing an increase of HK$481 million mainly as a result of the increase in gross borrowings and rise in effective borrowing rates. The Group's effective borrowing rate for the year was 2.8% (2011: 2.3%).

Excluding the unrealised mark-to-market gain, finance costs after capitalisation of HK$596 million (2011: HK$447 million) in respect of the Group's related assets were HK$1,512 million (2011: HK$1,180 million), representing an increase of HK$332 million.

Share of Results (after tax) of Associates and Jointly Controlled Entities
The attributable profit from associates increased by 308% to HK$1,473 million (2011: HK$361 million), mainly due to the first-time share of profit of HK$893 million for the period from 15 June 2012 to 31 December in Greentown, in which the Group has acquired a 24.6% interest during the year, and increase in profit contributions from the Mainland development properties projects undertaken by other associates.

Jointly controlled entities' profit increased by HK$607 million to HK$641 million (2011: HK$34 million), reflecting their increased profit contributions from property development projects in the Mainland which began to bear fruit.

Income Tax
Taxation charge for the year was HK$4,215 million (2011: HK$3,304 million), which included deferred taxation of HK$1,087 million (2011: HK$901 million) provided for the current year's revaluation gain attributable to investment properties in the Mainland.

Excluding the above deferred tax, the tax charge increased by 30% to HK$3,128 million (2011: HK$2,403 million) mainly due to increase in profit recognised by Property Development segment.

Non-controlling Interests
Group profit attributable to non-controlling interests increased by HK$332 million to HK$1,101 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 2012 amounted to HK$47,263 million (2011: HK$30,568 million), representing an increase of 55%. Basic earnings per share were HK$15.60, based on 3,029 million shares (2011: HK$10.22 based on a weighted average of 2,991 million shares after taking into account the effect of the Rights Issue).

Excluding the net investment property revaluation surplus of HK$33,336 million (2011: HK$23,841 million), Group profit attributable to shareholders for the year was HK$13,927 million (2011: HK$6,727 million), representing an increase of 107%.

Excluding the net investment property revaluation surplus and exceptional items, which included the book accounting gain arising from the acquisition of the interests in Greentown of HK$2,233 million and the attributable mark-to-market gains totalling HK$654 million (2011: loss of HK$1,356 million) on swaps and other financial assets, the Group's core profit rose by 37% to HK$11,040 million (2011: HK$8,083 million). Core earnings per share were HK$3.64 (2011: HK$2.70).

(II) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL COMMITMENTS

Shareholders' and Total Equity

As at 31 December 2012, the Group's shareholders' equity increased by HK$45,244 million or 22% to HK$248,501 million, equivalent to HK$82.04 per share based on 3,029 million issued shares (31 December 2011: HK$67.10 per share based on 3,029 million issued shares).

Including the non-controlling interests, the Group's total equity increased by 22% to HK$256,906 million (31 December 2011: HK$210,874 million).

Total Assets

The Group's total assets increased by 16% to HK$369.0 billion (31 December 2011: HK$318.0 billion). Total business assets, excluding bank deposit and cash, certain available-for-sale investments, deferred tax assets and other derivative financial assets, increased by 22% to HK$343.9 billion (31 December 2011: HK$280.8 billion).

Included in the Group's total assets is the investment property portfolio of HK$231.5 billion, representing 67% of total business assets. The core assets in this portfolio are Harbour City and Times Square in Hong Kong, which are valued at HK$125.4 billion (excluding the three Marco Polo hotels) and HK$43.6 billion, respectively. Together, they represent 73% of the total value of the portfolio.

Other major business assets include other properties and fixed assets of HK$19.9 billion, interests in jointly controlled entities and associates (mainly for Mainland property and port projects) of HK$36.2 billion and properties under development and held for sale (mainly in the Mainland) of HK$48.9 billion.

Geographically, the Group's business assets in the Mainland, mainly properties and terminals, increased to HK$133.0 billion (31 December 2011: HK$110.6 billion), representing 39% of the Group's total business assets.

Debts and Gearing

The Group's net debt increased by HK$12.1 billion to HK$55.6 billion as at 31 December 2012 (31 December 2011: HK$43.5 billion), which was made up of HK$74.4 billion in debt and HK$18.8 billion in bank deposits and cash. Included in the Group's net debt was HK$6.4 billion (31 December 2011: HK$8.2 billion) attributable to Modern Terminals, Harbour Centre Development Limited ("HCDL") and other subsidiaries, which is without recourse to the Company and its other subsidiaries. Excluding these non-recourse debts, the Group's net debt was HK$49.2 billion (31 December 2011: HK$35.3 billion). Analysis of the net debt is set out below:

Net debt/(cash)	**31 December 2012 HK$ Million**	31 December 2011 HK$ Million
Wharf (excluding below subsidiaries)	49,201	35,348
Modern Terminals	11,193	11,155
HCDL	(4,581)	(2,700)
i-CABLE	(188)	(338)
	55,625	43,465

As at 31 December 2012, the ratio of net debt to total equity was 21.7% (31 December 2011: 20.6%).

Finance and Availability of Facilities

The Group's total available loan facilities and issued debt securities as at 31 December 2012 amounting to HK$92.2 billion, of which HK$74.4 billion were utilised, are analysed as below:

	31 December 2012		
	Available Facility HK$ Billion	**Total Debts HK$ Billion**	**Undrawn Facility HK$ Billion**
Company/wholly-owned subsidiaries			
Committed bank facilities	41.0	28.3	12.7
Uncommitted bank facilities	0.4	-	0.4
Debt securities	30.5	30.5	-
	71.9	58.8	13.1
Non-wholly-owned subsidiaries			
Committed and uncommitted			
- Modern Terminals	13.7	12.3	1.4
- HCDL	6.1	3.2	2.9
- i-CABLE	0.5	0.1	0.4
	92.2	74.4	17.8

Of the above debt, HK$17.6 billion (31 December 2011: HK$20.1 billion) was secured by mortgage over certain properties under development, fixed assets and shares with a total carrying value of HK$28.2 billion (31 December 2011: HK$27.3 billion).

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

The Group continued to maintain a strong financial position with ample surplus cash denominated principally in HKD, USD and RMB and undrawn committed facilities to facilitate the Group's business and investment activities. As at 31 December 2012, the Group also maintained a portfolio of available-for-sale investments with an aggregate market value of HK$3.9 billion (31 December 2011: HK$2.7 billion), which is immediately available for liquidation for the Group's use.

Cash Flows for the Group's Operating and Investing Activities

For the year under review, the Group's net cash inflow before change in working capital increased to HK$15.1 billion (2011: HK$12.5 billion). The changes in working capital resulted in a net cash inflow of HK$1.9 billion (2011: outflow of HK$9.6 billion). For investing activities, the Group recorded a net cash outflow of HK$21.7 billion (2011: HK$18.4 billion), mainly for additions to investment properties, including the payment for the lease renewal premium of Ocean Terminal of HK$7.9 billion, land and construction costs for Chengdu IFS, investments in associates and jointly controlled entities involved in property development projects in the Mainland, including HK$2.7 billion paid for the acquisition of a 24.6% equity interest in Greentown, and subscription for Greentown's perpetual subordinated convertible securities of HK$2.6 billion. The net cash outflow was partly compensated by the proceeds received from disposal of certain non-core properties during the year.

Major Capital and Development Expenditure and Commitments

The Group's major capital and development expenditure incurred in 2012 are analysed as follows:

A. Major capital and development expenditure

	Hong Kong HK$ Million	**Mainland China HK$ Million**	**Total HK$ Million**
Properties			
Property investment	8,884	5,860	14,744
Development properties	787	13,321	14,108
	9,671	19,181	28,852
Non-properties			
Modern Terminals	175	436	611
Wharf T&T	504	2	506
i-CABLE	207	2	209
Others	5	-	5
	891	440	1,331
Group total	10,562	19,621	30,183

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

ii. The Group also incurred HK$14.1 billion for investment in development properties mainly related to Mainland projects, including HK$4.2 billion cash contribution to jointly controlled entities and associates and HK$2.7 billion incurred for the acquisition of a 24.6% interest in Greentown during the year under review.

iii. For Modern Terminals, the capital expenditure was mainly for the addition of other fixed assets and the construction of the Da Chan Bay port project in the Mainland while that for Wharf T&T and i-CABLE was incurred substantially for procurement of production and broadcasting equipment, network rollout and internet service equipment. Modern Terminals and i-CABLE, respectively 67.6% and 73.8% owned by the Group, independently funded their own capital expenditure programmes.

B. Commitments to capital and development expenditure

As at 31 December 2012, the Group's major commitments to capital and development expenditure that to be incurred in the forthcoming years was estimated at HK$87.5 billion, of which HK$24.0 billion was authorised and contracted for. By segment, the commitments are analysed as below:

	As at 31 December 2012		
	Authorised and contracted for HK$ Million	**Authorised but not contracted for HK$ Million**	**Total HK$ Million**
Property investment			
Hong Kong	1,132	824	1,956
Mainland China	7,197	20,031	27,228
	8,329	20,855	29,184
Development properties			
Hong Kong	164	638	802
Mainland China	15,383	41,133	56,516
	15,547	41,771	57,318
Non-properties			
Modern Terminals	30	420	450
Wharf T&T	119	289	408
i-CABLE	23	128	151
	172	837	1,009
Group total	24,048	63,463	87,511

Properties commitments are mainly for land and construction costs, inclusive of attributable commitments to joint ventures, to be incurred by stages in the forthcoming years. The attributable committed land cost is HK$6.1 billion payable by 2013.

The above commitments and planned expenditure will be funded by Group's internal financial resources including its surplus cash of HK$18.8 billion, cash flow from operations, as well as bank and other financings with the construction costs self-financed mainly by pre-sale proceeds and project loans. Other available resources include available-for-sale investments.

(III) HUMAN RESOURCES

The Group had approximately 15,200 employees as at 31 December 2012, including about 2,800 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective group's achievement and results.

CONSOLIDATED INCOME STATEMENT
For The Year Ended 31 December 2012

	Note	**2012 HK$ Million**	2011 HK$ Million
Revenue	2	**30,856**	24,004
Direct costs and operating expenses		**(12,604)**	(9,095)
Selling and marketing expenses		**(1,170)**	(900)
Administrative and corporate expenses		**(1,482)**	(1,226)
Operating profit before depreciation, amortisation, interest and tax		**15,600**	12,783
Depreciation and amortisation		**(1,430)**	(1,395)
Operating profit	2 & 3	**14,170**	11,388
Increase in fair value of investment properties		**34,751**	24,968
Other net income	4	**2,483**	457
		51,404	36,813
Finance costs	5	**(939)**	(2,567)
Share of results after tax of:			
Associates		**1,473**	361
Jointly controlled entities		**641**	34
Profit before taxation		**52,579**	34,641
Income tax	6	**(4,215)**	(3,304)
Profit for the year		**48,364**	31,337
Profit attributable to:			
Equity shareholders		**47,263**	30,568
Non-controlling interests		**1,101**	769
		48,364	31,337
Earnings per share	7		
Basic		**HK$15.60**	HK$10.22
Diluted		**HK$15.30**	HK$10.13

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended 31 December 2012

	2012 HK$ Million	2011 HK$ Million
Profit for the year	**48,364**	31,337
Other comprehensive income		
Exchange gain on translation of foreign operations	**14**	3,014
Net revaluation of available-for-sale investments:	**1,483**	(1,005)
Surplus/(deficit) on revaluation	**1,393**	(1,007)
Transferred to consolidated income statement on disposal	**90**	2
Share of other comprehensive income of associates / jointly controlled entities	**62**	555
Others	**(1)**	(12)
Other comprehensive income for the year	**1,558**	2,552
Total comprehensive income for the year	**49,922**	33,889
Total comprehensive income attributable to:		
Equity shareholders	**48,667**	33,037
Non-controlling interests	**1,255**	852
	49,922	33,889

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2012

	Note	**2012 HK$ Million**	2011 HK$ Million
Non-current assets			
Investment properties		**231,522**	184,057
Fixed assets		**19,870**	18,984
Interest in associates		**16,673**	10,198
Interest in jointly controlled entities		**19,530**	16,934
Available-for-sale investments		**3,868**	2,703
Perpetual subordinated convertible securities		**2,709**	-
Goodwill and other intangible assets		**297**	297
Programming library		**109**	107
Deferred tax assets		**739**	683
Derivative financial assets		**311**	181
Other non-current assets		**380**	15
		296,008	234,159
Current assets			
Properties for sale		**48,915**	47,511
Inventories		**45**	130
Trade and other receivables	9	**4,796**	3,420
Derivative financial assets		**439**	225
Bank deposits and cash		**18,795**	32,528
		72,990	83,814
Current liabilities			
Trade and other payables	10	**(14,801)**	(10,316)
Deposits from sale of properties		**(10,654)**	(9,704)
Derivative financial liabilities		**(215)**	(232)
Taxation payable		**(1,980)**	(1,601)
Bank loans and other borrowings		**(5,330)**	(8,903)
		(32,980)	(30,756)
Net current assets		**40,010**	53,058
Total assets less current liabilities		**336,018**	287,217

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2012

	2012	2011
	HK$ Million	HK$ Million
Non-current liabilities		
Derivative financial liabilities	**(1,912)**	(2,470)
Deferred tax liabilities	**(7,827)**	(6,508)
Other deferred liabilities	**(283)**	(275)
Bank loans and other borrowings	**(69,090)**	(67,090)
	(79,112)	(76,343)
NET ASSETS	**256,906**	210,874
Capital and reserves		
Share capital	**3,029**	3,029
Reserves	**245,472**	200,228
Shareholders' equity	**248,501**	203,257
Non-controlling interests	**8,405**	7,617
TOTAL EQUITY	**256,906**	210,874

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The annual results set out in the announcement are extracted from the Group's financial statements for the year ended 31 December 2012.

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") 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. The 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.

The accounting policies and methods of computation used in the preparation of the financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2011 except for the changes mentioned below.

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

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

Amendments to HKFRS 7, Financial instruments: Disclosures – Transfers of financial assets

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

2. SEGMENT INFORMATION

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

Property investment segment primarily includes property leasing and hotel operations. Currently, the Group's properties portfolio, which mainly consists of retail, office, serviced apartments and hotels, is primarily located in Hong Kong 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 on an arm's length basis.

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

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

2. SEGMENT INFORMATION

a. Analysis of segment revenue and results

For the year ended 2012	Revenue HK$ Million	Operating profit HK$ Million	Increase in fair value of investment properties HK$ Million	Other net income HK$ Million	Finance costs HK$ Million	Associates HK$ Million	Jointly controlled entities HK$ Million	Profit before taxation HK$ Million
Property investment	**11,271**	**8,578**	**34,751**	**73**	**(1,115)**	**-**	**-**	**42,287**
Hong Kong	**8,875**	**7,553**	**33,074**	**73**	**(971)**	**-**	**-**	**39,729**
Mainland China	**1,005**	**634**	**1,677**	**-**	**(136)**	**-**	**-**	**2,175**
Hotels	**1,391**	**391**	**-**	**-**	**(8)**	**-**	**-**	**383**
Property development	**12,207**	**4,869**	**-**	**2,273**	**(110)**	**1,081**	**585**	**8,698**
Hong Kong	**2,634**	**1,307**	**-**	**22**	**-**	**70**	**-**	**1,399**
Mainland China	**9,573**	**3,562**	**-**	**2,251**	**(110)**	**1,011**	**585**	**7,299**
Logistics	**3,070**	**1,161**	**-**	**(39)**	**(255)**	**392**	**56**	**1,315**
Terminals	**2,969**	**1,142**	**-**	**2**	**(255)**	**205**	**56**	**1,150**
Others	**101**	**19**	**-**	**(41)**	**-**	**187**	**-**	**165**
CME	**3,953**	**(22)**	**-**	**2**	**(41)**	**-**	**-**	**(61)**
i-CABLE	**2,127**	**(271)**	**-**	**2**	**(4)**	**-**	**-**	**(273)**
Telecommunications	**1,826**	**250**	**-**	**-**	**(37)**	**-**	**-**	**213**
Others	**-**	**(1)**	**-**	**-**	**-**	**-**	**-**	**(1)**
Inter-segment revenue	**(382)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Segment total	**30,119**	**14,586**	**34,751**	**2,309**	**(1,521)**	**1,473**	**641**	**52,239**
Investment and others	**737**	**134**	**-**	**174**	**582**	**-**	**-**	**890**
Corporate expenses	**-**	**(550)**	**-**	**-**	**-**	**-**	**-**	**(550)**
Group total	**30,856**	**14,170**	**34,751**	**2,483**	**(939)**	**1,473**	**641**	**52,579**

For the year ended 2011	Revenue HK$ Million	Operating profit HK$ Million	Increase in fair value of investment properties HK$ Million	Other net income HK$ Million	Finance costs HK$ Million	Associates HK$ Million	Jointly controlled entities HK$ Million	Profit before taxation HK$ Million
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

2. SEGMENT INFORMATION

b. Analysis of inter-segment revenue

	2012			2011		
	Total Revenue HK$ Million	**Inter-segment revenue HK$ Million**	**Group Revenue HK$ Million**	Total Revenue HK$ Million	Inter-segment revenue HK$ Million	Group Revenue HK$ Million
Property investment	**11,271**	**(145)**	**11,126**	10,085	(144)	9,941
Property development	**12,207**	**-**	**12,207**	6,343	-	6,343
Logistics	**3,070**	**-**	**3,070**	3,520	-	3,520
CME	**3,953**	**(104)**	**3,849**	3,863	(151)	3,712
Investment and others	**737**	**(133)**	**604**	520	(32)	488
	31,238	**(382)**	**30,856**	24,331	(327)	24,004

c. Analysis of segment business assets

	2012 HK$ Million	2011 HK$ Million
Property investment	**234,460**	186,076
Hong Kong	**194,399**	154,015
Mainland China	**38,108**	31,028
Hotels	**1,953**	1,033
Property development	**85,067**	70,428
Hong Kong	**4,538**	4,754
Mainland China	**80,529**	65,674
Logistics	**20,223**	20,155
Terminals	**19,045**	18,966
Others	**1,178**	1,189
CME	**4,151**	4,178
i-CABLE	**1,336**	1,482
Telecommunications	**2,815**	2,696
Total segment business assets	**343,901**	280,837
Unallocated corporate assets	**25,097**	37,136
Total assets	**368,998**	317,973

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

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

	2012 HK$ Million	2011 HK$ Million
Property development	**30,852**	21,787
Logistics	**5,351**	5,345
Group total	**36,203**	27,132

d. Other information

	Capital expenditure		Increase in interests in associates and jointly controlled entities		Depreciation and amortisation	
	2012 HK$ Million	2011 HK$ Million	**2012 HK$ Million**	2011 HK$ Million	**2012 HK$ Million**	2011 HK$ Million
Property investment	**14,744**	10,930	**-**	-	**190**	168
Hong Kong	**8,522**	770	**-**	-	**20**	18
Mainland China	**5,520**	10,040	**-**	-	**41**	40
Hotels	**702**	120	**-**	-	**129**	110
Property development	**-**	-	**6,905**	6,284	**-**	-
Hong Kong	**-**	-	**67**	60	**-**	-
Mainland China	**-**	-	**6,838**	6,224	**-**	-
Logistics	**616**	350	**33**	68	**492**	481
Terminals	**611**	350	**33**	68	**488**	476
Others	**5**	-	**-**	-	**4**	5
CME	**715**	654	**-**	-	**748**	746
i-CABLE	**209**	187	**-**	-	**350**	346
Telecommunications	**506**	467	**-**	-	**398**	400
Group total	**16,075**	11,934	**6,938**	6,352	**1,430**	1,395

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

e. Geographical information

	Revenue		Operating Profit	
	2012 HK$ Million	2011 HK$ Million	**2012 HK$ Million**	2011 HK$ Million
Hong Kong	**19,392**	15,972	**10,121**	8,843
Mainland China	**11,434**	8,000	**4,019**	2,512
Singapore	**30**	32	**30**	33
Group total	**30,856**	24,004	**14,170**	11,388

	Specified non-current assets		Total business assets	
	2012 HK$ Million	2011 HK$ Million	**2012 HK$ Million**	HK$ Million
Hong Kong	**207,810**	166,759	**210,937**	170,232
Mainland China	**83,265**	63,821	**132,964**	110,605
Group total	**291,075**	230,580	**343,901**	280,837

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

3. OPERATING PROFIT

Operating profit is arrived at :

	2012	2011
	HK$ Million	HK$ Million
After charging/(crediting):		
Depreciation and amortisation on		
- assets held for use under operating leases	**141**	132
- other fixed assets	**1,096**	1,082
- leasehold land	**95**	94
- programming library	**98**	87
Total depreciation and amortisation	**1,430**	1,395
Impairment loss on trade receivables	**11**	22
Staff costs (Note a)	**3,003**	2,867
Auditors' remuneration		
- audit services	**20**	18
- other services	**3**	3
Cost of trading properties for recognised sales	**6,916**	3,822
Rental charges under operating leases in respect of telecommunications equipment and services	**53**	81
Rental income less direct outgoings (Note b)	**(8,198)**	(7,314)
Rental income under operating leases in respect of owned plant and machinery	**(13)**	(15)
Interest income (Note c)	**(474)**	(307)
Dividend income from listed investments	**(115)**	(90)
Profit on disposal of fixed assets	**(4)**	-

Notes:

a. Staff costs included contributions to defined contribution pension schemes of HK$184 million (2011: HK$125 million), which included MPF schemes after a forfeiture of HK$3 million (2011: HK$3 million), and equity-settled share-based payment expenses of HK$60 million (2011: HK$75 million).

b. Rental income included contingent rentals of HK$1,952 million (2011: HK$1,699 million).

c. Included in the interest income are amounts totalling HK$378 million (2011: HK$307 million) in respect of financial assets (mainly bank deposits) that are stated at amortised cost.

4. OTHER NET INCOME

Other net income for the year which amounted to HK$2,483 million (2011: HK$457 million) mainly includes:

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

b. Net foreign exchange gain of HK$144 million (2011: HK$449 million) which included the impact of forward foreign exchange contracts.

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

d. Net loss on disposal of available-for-sale investment of HK$11 million (2011: HK$1 million) which included a revaluation deficit of HK$90 million (2011: HK$2 million) transferred from the investments revaluation reserves of the Group.

e. Write-back of provision for properties of HK$22 million (2011: HK$30 million).

5. FINANCE COSTS

	2012 HK$ Million	2011 HK$ Million
Interest charged on:		
Bank loans and overdrafts		
– repayable within five years	**797**	721
– repayable after five years	**141**	222
Other borrowings		
– repayable within five years	**684**	99
– repayable after five years	**308**	241
Total interest charge	**1,930**	1,283
Other finance costs	**178**	344
Less: Amount capitalised	**(596)**	(447)
	1,512	1,180
Fair value (gain)/loss:		
Cross currency interest rate swaps	**(875)**	382
Interest rate swaps	**302**	1,005
	(573)	1,387
Total	**939**	2,567

6. INCOME TAX

Taxation charged to the consolidated income statement represents :

	2012	2011
	HK$ Million	HK$ Million
Current income tax		
Hong Kong		
- provision for the year	**1,531**	1,298
- overprovision in respect of prior years	**(38)**	(28)
Outside Hong Kong		
- provision for the year	**892**	660
- overprovision in respect of prior years	**(5)**	(5)
	2,380	1,925
Land appreciation tax ("LAT")	**584**	509
Deferred tax		
Change in fair value of investment properties	**1,087**	901
Origination and reversal of temporary differences	**190**	23
Benefit of previously unrecognised tax losses now recognised	**(26)**	(54)
	1,251	870
Total	**4,215**	3,304

a. The provision for Hong Kong profits tax is based on the profit for the year as adjusted for tax purposes at the rate of 16.5% (2011: 16.5%).

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

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

d. Tax attributable to associates and jointly controlled entities for the year ended 31 December 2012 of HK$1,331 million (2011: HK$101 million) is included in the share of results of associates and jointly controlled entities.

7. 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$47,263 million (2011: HK$30,568 million) and the weighted average of 3,029 million ordinary shares in issue during the year (2011: 2,991 million ordinary shares).

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$47,410 million (2011: HK$30,651 million) and the weighted average of 3,098 million ordinary shares in issue during the year (2011: 3,026 million ordinary shares), calculated as follows:

i. Profit attributable to ordinary equity shareholders (diluted)

	2012	2011
	HK$ Million	HK$ Million
Profit attributable to ordinary equity shareholders	**47,263**	30,568
After tax effect of effective interest on the liability component of convertible bonds	**147**	83
	47,410	30,651

ii. Weighted average number of ordinary shares (diluted)

	2012	2011
	No. of shares Million	No. of shares Million
Weighted average number of ordinary shares at 31 December	**3,029**	2,991
Effect of conversion of convertible bonds	**69**	35
	3,098	3,026

8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2012	2011
	HK$ Million	HK$ Million
First interim dividend declared and paid of 45 cents (2011: 36 cents) per share	**1,363**	1,091
Second interim dividend of 120 cents (2011: 70 cents) per share proposed after the end of the reporting period	**3,635**	2,120
	4,998	3,211

a. The proposed second interim dividend based on 3,029 million issued ordinary shares (2011: 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 second interim dividend of HK$2,120 million for 2011 was approved and paid in 2012.

9. TRADE AND OTHER RECEIVABLES

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 2012 as follows:

	2012	2011
	HK$ Million	HK$ Million
Trade receivables		
0 - 30 days	**656**	656
31 – 60 days	**114**	116
61 – 90 days	**57**	73
Over 90 days	**78**	63
	905	908
Accrued sales receivables	**194**	-
Other receivables and prepayments	**3,697**	2,512
	4,796	3,420

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

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

10. TRADE AND OTHER PAYABLES

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

	2012	2011
	HK$ Million	HK$ Million
Trade payables		
0 - 30 days	**507**	314
31 - 60 days	**189**	172
61 - 90 days	**50**	54
Over 90 days	**95**	90
	841	630
Rental and customer deposits	**2,503**	2,124
Construction costs payable	**4,395**	2,644
Amounts due to associates	**2,703**	2,133
Amounts due to jointly control entities	**549**	210
Other payables	**3,810**	2,575
	14,801	10,316

11. REVIEW OF RESULTS

The financial results for the year ended 31 December 2012 have been reviewed with no disagreement by the Audit Committee of the Company. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2012 have been agreed with the Company's Auditors to the amounts set out in the Group's consolidated financial statements for the year.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the first three-month period in the financial year under review, all the applicable code provisions in the Code on Corporate Governance Practices (which were effective during that three-month period), as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") then in force, were met by the Company, except in respect of one code provision (viz. Code Provision A.2.1) providing for the roles of the chairman and chief executive officer (or chief executive) to be preformed by different individuals (the "First Deviation"). The deviation is deemed appropriate as it is considered to be more efficient to have one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high-calibre individuals, with half of them being Independent Non-executive Directors ("INED(s)").

During the remaining nine-month period in the financial year under review (i.e. from 1 April to 31 December 2012), all the code provisions in the Corporate Governance Code (which is set out in the current version of Appendix 14 of the Listing Rules) were met by the Company, with the exception of three deviations, namely, (i) the First Deviation (as explained above); (ii) code provision F.1.3 (the "Second Deviation") providing for the company secretary to report to the board chairman or the chief executive; and (iii) code provision A.6.7 (the "Third Deviation") providing for INEDs and other Non-executive Directors of the Company to, inter alia, attend general meetings. Regarding the Second Deviation, the Company Secretary of the Company has for some years directly reported to, and continues to report to, the Deputy Chairman of the Company, which is considered appropriate and reasonable given the size of the Group. In the view of the Directors, this reporting arrangement would in no way adversely affect the efficient discharge by the Company Secretary of his job duties. As regards the Third Deviation, a few INEDs were absent from the last Annual General Meeting of the Company held in May 2012 due to their other important engagements at the relevant time.

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 under review.

BOOK CLOSURE

The Registers of Members of the Company will be closed from Tuesday, 28 May 2013 to Thursday, 6 June 2013, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to qualify for the abovementioned second interim dividend and to ascertain Shareholders' rights for the purpose of attending and voting at the forthcoming Annual General Meeting to be held on 6 June 2013, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 27 May 2013.

By Order of the Board
Wilson W. S. Chan
Company Secretary

Hong Kong, 26 March 2013

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Peter K. C. Woo, Mr. Stephen T. H. Ng, Mr. Andrew O. K. Chow, Ms. Doreen Y. F. Lee, Mr. T. Y. Ng and Mr. Paul Y. C. Tsui, together with seven Independent Non-executive Directors, namely, Mr. Alexander S. K. Au, Professor Edward K. Y. Chen, Dr. Raymond K. F. Ch'ien, Hon. Vincent K. Fang, Mr. Hans Michael Jebsen, Prof. the Hon. Arthur K. C. Li and Mr. James E. Thompson.