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 redeve-lopment *HK$ Million*	Hotel and club properties *HK$ Million*	Broad-casting & commun-ications 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	2010
	HK$ Million	*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	2010	**2011**	2010
	HK$ Million	*HK$ Million*	***HK$ Million***	*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 Total HK$ Million	2011 Attributable interest HK$ Million	2010 Total HK$ Million	2010 Attributable interest 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 HK$ Million	Group 2010 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	2010
	HK$ Million	*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	**Liabilities**	Assets	Liabilities
	HK$ Million	***HK$ Million***	*HK$ Million*	*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	2010
	HK$ Million	*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	2010
	HK$ Million	*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	2010
	HK$ Million	*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 **Effective interest rate** **%**	**_HK$ Million_**	2010 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	2010
	HK$ Million	*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	2010
	HK$ Million	*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 龍悅房地產開發（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%

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)*						
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%

	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

Address	Total	Office	Retail	Residential	Others	(Remarks)
	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)					
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

Year ended 31/12	**2011 HK$ Million**	2010 HK$ Million	2009 HK$ Million	2008 HK$ Million	2007 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.