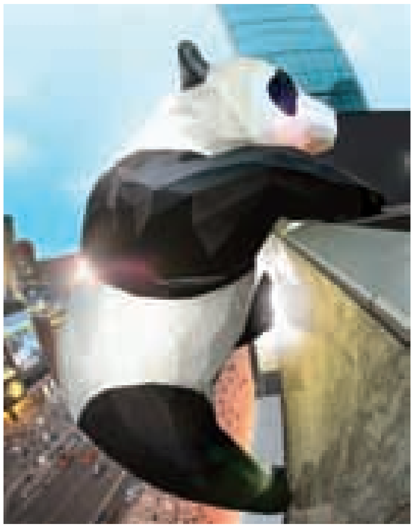
WHARF

Established 1886

The Wharf (Holdings) Limited

ANNUAL REPORT 2013

Stock Code: 4



With the opening of Chengdu IFS, Wharf has built another Harbour City in Chengdu. Strategically located at the intersection of three major commercial roads – Hongxing Road, Dacisi Road and Jiangnanguan Street, the 210,000-square-metre retail landmark also marked the maiden anchor of 100 world's most coveted brands.

Corporate Profile

Backed by a long standing mission of "Building for Tomorrow" and a distinguished track record, the Group has produced consistent and quality growth over the years. Wharf is among the top local blue chip stocks that are most actively traded, signalling high liquidity and attractiveness for investors. In addition, through years of value creation and new investment, the Group's investment properties ("IP") portfolio, with a book value of HK$261 billion as at the end of 2013, has grown to rank among the top five publicly-held portfolios in the world. It represented 70% of the Group's total operating profit.

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

With its leadership in retail management, the Group continued to maintain its pole position in the Hong Kong retail market. Harbour City and Times Square, the Group's landmark properties, had a combined value of HK$192 billion at the end of 2013, up from HK$177 billion in 2012, and represented 49% of the Group's business assets. Total retail sales at Harbour City, Times Square and Plaza Hollywood surged to a record of HK$45.8 billion in 2013, consolidating an unmatched 9% share of total Hong Kong retail sales.

Wharf's mission of Building for Tomorrow underlines the Group's asset expansion programme in recent years. The new base includes a land bank of 11.7 million square metres across 15 cities, a fast emerging hotel business and valuable port assets in China. Total contribution from China businesses represented 33% of the Group's core profit.

The Group's IP in China reported solid performance with total rental revenue increasing by 25% to HK$1.3 billion. A portfolio of five International Finance Squares ("IFS") under development will multiply the Group's commercial properties and retail area in Hong Kong and China as well as significantly strengthen Wharf's recurrent income base in China upon completion in 2014–2017.

The IFS retail malls in Chengdu and Changsha, with an aggregate retail area of 440,000 square metres, will be equivalent to the creation of more than two Harbour City malls. Chengdu IFS' shopping complex, a new landmark in this Capital of China West, officially opened in mid-January 2014. That in Changsha IFS is scheduled for completion in 2016. Three other IFS projects are also being built in Chongqing, Wuxi and Suzhou.

Sales from China Development Property continued to gain momentum in 2013 to underline the Group's proven execution capabilities. It is one of the key profit contributors of the Group with attributable property sales (excluding Greentown China Holdings Limited) in 2013 totalling RMB20.9 billion.

The Group's Marco Polo Hotels operates 13 owned or managed hotels in Asia Pacific, principally in China. A solid portfolio of the Group's 10 owned hotels (including six new hotels at an investment of more than HK$10 billion) serves as a core platform of an expanding hotel network in five years' time.

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

"Building for Tomorrow" also extends to Wharf's corporate social responsibility. In addition to its flagship school improvement programme "Project *WeCan*", the Group has supported a series of worthy "Business in Community" initiatives, in which staff volunteering plays a pivotal role. Much effort has been put into promoting professionals, retirees and citizens in community to play a part. In 2012, Wharf was awarded "Caring Company" logo by The Hong Kong Council of Social Service and was named a constituent member of the Hang Seng Sustainability Benchmark Index for the third consecutive year in recognition of the Group's sound performance in CSR.

In recognition of our excellent management and solid financial track record, the Group garnered numerous awards in 2013. In particular, Wharf was ranked the sixth in the "FAB 50" by Forbes Asia, won "Best Managed Company-Conglomerates" in the Asia Best managed Companies 2014 by Euromoney and some more.

Corporate Information

Board of Directors

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

Independent Non-executive Directors

Mr Alexander S K Au, OBE*
Professor Edward K Y Chen, GBS, CBE, JP
Dr Raymond K F Ch'ien, GBS, CBE, JP
Hon Vincent K Fang, SBS, JP*
Mr Hans Michael Jebsen, BBS*
Mr Wyman Li
Mr James E Thompson, GBS*
Mr David M Turnbull

*Members of the Audit Committee

Company Secretary

Mr Kevin C Y Hui, FCCA, HKICPA

Auditors

KPMG, Certified Public Accountants

Principal Banker

The Hongkong and Shanghai Banking Corporation Limited

Registrars

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Registered Office

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

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Achievement Highlights

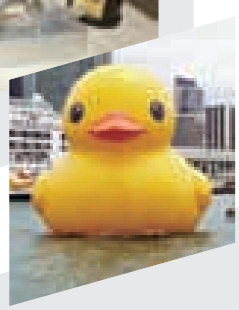
2013 was a fruitful year for the Group with encouraging recognitions from the market

Wharf

- Ranked sixth in the "FAB 50", the 2013 listing of fabulous Asian companies by Forbes Asia

- "Best Managed Company – Conglomerates" in Asia Best Managed Companies 2014 by Euromoney, ranked sixth for the Group's overall performance out of the 180 nominated Asian companies and fifth in "Most Transparent Accounts", "Best Shareholder Value" and "Most Improved"

- The "Best Investor Relations Company" in the Conglomerate Sector in Asia for the second year in a row by Institutional Investor



Harbour City

- Asia Pacific Shopping Center Awards by ICSC
  - "Public Relations & Events" Gold Award
  - "Social Media" Gold Award

- HKMA/TVB Awards for Marketing Excellence 2013
  - "Campaign Awards" Silver Award

Times Square

- Top 10 Favourite Shopping Malls and My Favourite Shopping Mall Activity by Hong Kong Economic Times

- The Most Popular Brands in Hong Kong and the Mainland by China Media Network

Plaza Hollywood

- "Best Strategy for Families" in Experiential Marketing Excellence Awards 2013 by Metro Finance Radio Station (1)
- Silver Award of "Excellence in Public Relations" in Marketing Magazine's Marketing Excellence Awards 2013 (2)


1

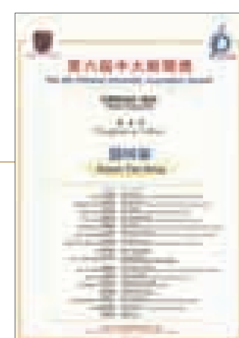

2

Marco Polo Hotels

- Marco Polo Hongkong, Gateway Hotel, Prince Hotel and The Marco Polo Xiamen received Certificate of Excellence 2013 by TripAdvisor
- The Marco Polo Xiamen was named "The Best Business Hotel in Xiamen" by Business Traveller China Magazine

CABLE TV

- Television News Merit Award of 2013 by The 6th Chinese University Journalism Award (1)
- Certificate of Merit under "Public Affairs / Video News Release" in 2013 Chicago International Film Festival Television Awards (2)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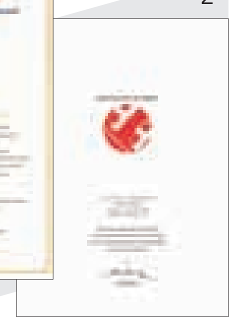
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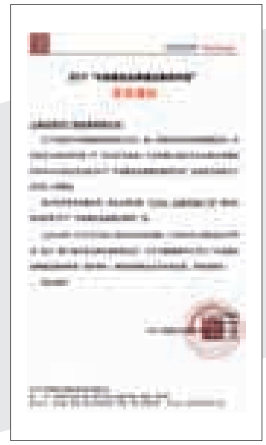
WHARF T&T

- "Technology Company of the Year 2013" of Computerworld Hong Kong Awards
- "The Best Fibre Business Broadband Service Provider" in the 13th Capital Outstanding Enterprise Awards

Achievement Highlights

Wheelock Square

- 2013 China's Commercial Real Estate Honour Roll – Most Valued Branding Award (Office Building) by China Business News
- 2013 China's Best International Brand-Building Case Award by 21 Century Business Herald



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Chengdu IFS

- "The Shopping Mall Potential Star in 2013" by the Association of Mall China in Beijing (1)
- "2013 The Most Demonstrative Commercial Complex in Western China" by Sichuan Chain Business Association, Chengdu Economic Daily, Western Economic Daily and Sina house.com (2)

China Development Properties

1

2

3

4

- Shanghai Songjiang Xianhe Road Project won 2013 E-commerce Top-sales Property in Shanghai by Sina house.com (1)
- 2013 Top 10 Real-estate Enterprise in Philanthropy in Chengdu organized by West China Media Group, and the project Sorrento (also known as The Orion) became one of the Most Deluxe Residence (2)
- Palazzo Pitti in Hangzhou became one of the Top 10 Best Quality Properties by QQ.com (3)
- Wharf named 2013 Brand Real-estate Company in Suzhou by Soufun.com
- Unique Garden in Beijing named Chinese Model Residential Property by Beijing Weibo (4)

The Group and our business units were recognised with a host of awards for our good corporate citizenship during the year.

For the third consecutive year, Wharf has been selected as a constituent member of the Hang Seng Corporate Sustainability Benchmark Index, a testament to the Group's sound performance and reporting on Corporate Social Responsibility and sustainability.

Wharf

– President Award by The Community Chest (1)

– Distinguished Award in 2013/2014 Corporate and Employee Contribution Programme by The Community Chest

– Overall 3rd Top Fund-raiser Award and 3rd Top Fund-raiser Award in "Companies and Organisations Category" in 2013 Dress Casual Day by The Community Chest (2)

– Wharf and 11 business units awarded Caring Company Logo in Caring Company 2013/14 by The Hong Kong Council of Social Service (3)

– Gateway Apartments, Harbour City, Plaza Hollywood, Times Square, Wharf China Estates and Wharf Estates were named "Manpower Developers (2013–15)" in ERB Manpower Developer Award Scheme by Employees Retraining Board

– Nine companies under the Group were honoured with the "Happiness-at-work 2013" Label co-organised by the Promoting Happiness Index Foundation and the Hong Kong Productivity Council

Achievement Highlights

The "Star" Ferry

- "Manpower Developer 1st (2012–14)" in ERB Manpower Developer Award Scheme by Employees Retraining Board (1)
- "Barrier-free Company" in Caring Company 2013/14 by The Hong Kong Council of Social Service

1

Pacific Club

- Honoured with 18 Districts Caring Employers 2013 Award presented by the Rehabilitation Advisory Committee of Labour & Welfare Bureau, the Hong Kong Joint Council for People with Disabilities and the Hong Kong Council of Social Services

Wharf T&T

- Accredited with the Gold Label of WWF's Low-carbon Office Operation Programme (LOOP) for four consecutive years

Group Business Structure

WHARF
Established 1886

Peter Woo
Chairman

DEVELOPMENT PROPERTIES (CHINA)

- Wharf China Development 100%

Andrew Chow
Chairman

T Y Ng
Vice Chairman & Senior Managing Director

INVESTMENT PROPERTIES

- Wharf China Estates 100%

Doreen Lee
Vice Chairman & Senior Managing Director

- Wharf Estates 100%
- HARBOUR CITY 海港城 100%
- 時代廣場 100%
- 荷里活廣場 PLAZA HOLLYWOOD 100%

Doreen Lee
Vice Chairman & Senior Managing Director

Yen Leng
Executive Director

LOGISTICS, HOTELS, COMMUNICATIONS, MEDIA & ENTERTAINMENT

- Modern Terminals 68%
- Marco Polo Hotels 100%
- Wharf T&T 100%
- 有線寬頻 i-CABLE / CABLE TV 有線電視 74%

Stephen Ng
Chairman

% refers to the effective equity interest held by the Group

Chairman's Statement

2013 was a year of challenge on the domestic and international fronts.

Although the global economy was in better shape than the worst days of the 2008-2009 global financial crisis, growth was weak due to the muted recovery of the advanced economies and the slower pace of activity expansion in the emerging markets. The uncertainties arising from US monetary and fiscal issues led to a bout of global financial jitters. The nascent economic recovery in the Eurozone remained fragile. On the other hand, China's economy was relatively resilient with GDP growing at 7.7%, exceeding the Government's 7.5% target, and growing faster than any other major economy. Under new leadership, China has initiated an era of more modest growth and is on track to steer the economy towards a more consumption-driven and sustainable economic model. It is a natural development after years of blistering growth.

Hong Kong registered moderate GDP growth of 2.9%, up from 1.5% a year earlier. The domestic sector held firm, with steady growth in private consumption expenditure. Inbound tourism remained vibrant with overall visitor arrivals rising by 12% to another record of 54.3 million, of which 75% came from Mainland China. This thriving sector fuelled demand for hotel rooms and consumer goods. Hong Kong retail sales posted a respectable 11% growth rate, which suggested the local retail sector was in vibrant health. While this success was the envy of cities around the world, there is a price to pay for it too. For the first time, we witnessed demonstrations targeted at visitors from the Mainland.

On the other hand, the property markets in Hong Kong and China where our main business is based, were overshadowed by a raft of cooling measures imposed by respective Governments, resulting in a challenging market environment. It is generally not anticipated that this policy framework will ease in the near term.

However, notwithstanding a series of headwinds, the fundamentals of Hong Kong and China remained solid, as reflected in the steady economic growth in the respective regions in 2013. Hong Kong continues to be a superb business and services platform for the Asian region, in particular for China.

The Third Plenary Session of the 18th Central Committee held in November, 2013, affirmed China's commitment to push forward urbanization, unleash domestic demand, and to embrace market dynamics to determine resource allocation, which bodes well for the longer-term outlook for the real estate market. The commitment to double GDP by 2020 will further propel economic growth and accelerate urbanization and wealth accumulation for the next decades. These pledges give rise to solid demand for quality urban living and unmatched "shoppertainment" experiences by the fast-expanding middle class. For services not available in the Mainland, they will seek them in Hong Kong.

Business Performance

The Group has produced consistent and quality growth over the years. Wharf is among the top local blue chip stocks that are most actively traded, signaling high liquidity and attractiveness for investors.

The investment properties ("IP") portfolio, our principal core business, contributed a solid performance. Total revenue increased by 13% to reach HK$11.1 billion and operating profit by 13% to HK$9.3 billion, representing 70% of the Group's total operating profit. Through years of value creation and new investment, the Group's IP portfolio, with a book value of HK$261 billion as at the end of 2013, has grown to rank among the Top 5 publicly-held portfolios in the world. Capital-intensive and long-term, quality IP presents two dimensions of value creation for our shareholders: one from rental income and the other from capital appreciation.

With its leadership in retail management, the Group continued to maintain its pole position in the Hong Kong retail market. Despite the substantial loss of 17% of retail space to a major renovation at Times Square for most of the year, total retail sales at Harbour City, Times Square and Plaza Hollywood surged to a record of HK$45.8 billion in 2013, consolidating an unmatched 9% share of total Hong Kong retail sales.

Harbour City's retail sales rose to more than HK$2,800 per square foot per month and Times Square to over HK$1,700. These two assets had a combined value of HK$192 billion at the end of 2013, up from HK$177 billion in 2012, and represented 49% of the Group's business assets.

Harbour City remained one of the world's leading shopping destinations with 2,000,000 square feet of contiguous mall space. With its premier location, critical mass, expertly-managed trade mix across a finely-calibrated price point matrix and powerful retail marketing, Harbour City is in an unparalleled position. In an ever-intensifying competitive landscape, premises enhancement is an ongoing initiative to provide shoppers with a captivating "shoppertainment" experience. Ocean Terminal renovation, an important part of Harbour City's substantial value-accretive initiatives, opens up many opportunities for trade mix refinement and premises enhancement. It is poised to be a medium-term growth driver for the Group.

Times Square, the Group's iconic shopping haven in Causeway Bay, is the world's most successful vertical mall with some 17 floors of retail. A major 18-month revamp with an investment of around HK$500 million was completed around the end of the year. The enhanced Times Square offers the most extensive product, entertainment and culinary choice at the heart of Causeway Bay. The new CINE TIMES on Levels 12-14 offers five screens with 900 seats in total to become the largest cinema complex on Hong Kong Island. This, together with the re-engineering Food Forum (on Levels 10-13) and outlet bazaar, add further appeal and attract foot traffic to the upper levels. To enable shoppers to travel to the upper levels more conveniently, bigger and faster elevators from ground level have been installed. In the meantime, coveted luxury brands including Chanel, De Beers, Dior Homme, Fendi, Louis Vuitton and Tiffany have opened on the ground and lower levels in premises vacated by the old cinema. All such new elements have sparked a new era of exhilarating shopping experiences for visitors. The highly value-accretive reconfiguration of the mall undoubtedly pushes the bar to a new height.

The Group's investment properties on the Mainland also reported solid performance. Total rental revenue increased by 25% to HK$1.3 billion. One of the key contributors was Shanghai Wheelock Square, the tallest building in Puxi and the preferred office location for multinationals due to its prime location, world-class management and elegant sense of arrival. The average spot rent achieved in 2013 was among the highest office rental rates in all of Shanghai. Dalian Times Square and Chongqing Times Square also delivered encouraging performance.

Looking ahead, the completion of five International Finance Squares ("IFS") on the Mainland by 2014–2017 will multiply the Group's commercial properties and retail area in Hong Kong and China as well as significantly strengthen our recurrent income base in China. In particular, the IFS' in the cities of Chengdu and Changsha will command scale comparable to or surpassing that of Harbour City in Hong Kong.

The mega-sized Chengdu IFS retail mall of 210,000 square metres is a new landmark in this Capital of China West, officially opened in mid-January 2014. The launch featured the world's largest giant panda art piece and marked the recruitment of nearly 300 of the world's most coveted brands, including the debut in Chengdu or even the whole of China West for close to 100 celebrated brands. More than 95% of total retail space was already committed at opening, at rental rates well above budget. When in full operation, the mall is expected to generate annual retail revenue of RMB600 million.

The IFS retail malls in Chengdu and Changsha, with an aggregate retail area of 440,000 square metres, will be equivalent to the creation of more than two Harbour City malls. The IFS mega mall of 230,000 square metres in Changsha is scheduled for completion in 2016.

Sales from China Development Properties ("DP") continued to gain momentum in 2013 to underline the Group's proven execution capabilities. Consolidated DP revenue increased by 20% to HK$11.4 billion. On an attributable basis, a total of 1.5 million square metres was sold or presold in 2013 to generate proceeds of RMB20.9 billion, 39% higher than in 2012 and 4% above target. That increased the net order book at year-end to RMB20.6 billion for 1.7 million square metres. The total attributable land bank at year-end was maintained at 11.7 million square metres, spanning 15 cities. The sales target for 2014 has been set at RMB23 billion. Attributable interest held through associated company Greentown China Holdings Limited ("Greentown") has not yet been included.

Total contribution from China represented 33% of core profit. The RMB portfolio expanded to RMB112 billion. Development of a strong and sustainable localized management team in China continues and remains our main priority.

Chairman's Statement

Financial Results

Group revenue increased by 3% to HK$31.9 billion on strong recurrent rental revenue and Mainland property completions. Operating profit decreased by 6% to HK$13.3 billion.

Profit attributable to Shareholders excluding net investment property revaluation surplus and exceptional items, increased by 2% to HK$11.3 billion. Including the net surplus from revaluation of investment properties and exceptional items, profit attributable to Shareholders was HK$29.4 billion and earnings per share was HK$9.70. Book net asset value increased to HK$90.94 per share.

The Group continues to practise prudent financial management with net debt of HK$58.1 billion at year-end. Gearing remained healthy at 20.4%. In an effort to lengthen maturity profile of debt and to reduce over-reliance on any single financing platform, funding sources were expanded.

The Board has maintained a payout ratio of 45%, which reflects the returns generated by our prime investment properties portfolio.

Business in Community

The Group never loses sight of its core values and its commitment to foster the betterment of the communities in which we operate. In pursuit of its "Building for Tomorrow" mission through its Business in Community ("BIC") initiatives, the Group has supported a series of worthy BIC projects, in which staff volunteering plays a pivotal role.

The flagship school improvement programme, Project *WeCan*, which launched in 2011 currently covers 14 participating secondary schools, supporting more than 12,000 deserving students from underprivileged backgrounds in Hong Kong. More than 400 staff volunteers across the Group work closely with partner schools and are continually impressed by the passion and caring from teachers. The next phase of the programme will include a total funding of more than HK$500 million over the next five years to help approximately 150 local secondary schools through the improvement of software and hardware.

With the launch of phase two, Project *WeCan* is now the largest youth development programme for underprivileged youth ever undertaken by a private corporation in Hong Kong. To date, over 120 activities and programmes have been attended by more than 25,000 student participants.

Apart from a joint school program called Business Bliss, a Chinese New Year Bazaar was held at Plaza Hollywood in January 2013 with more than 200 Project *WeCan* students taking the lead from planning to final execution, a host of summer programmes were organized for Project *WeCan* students, including a Job Tasting Programme, an English Learning camp, a Wu Zhi Qiao (Bridge to China) trip to Chongqing and a Mobile Library trip to Sichuan. The Job Tasting Programme held in the summer of 2013 involved more than 100 students who were placed in different posts across the Group. These varied summer jobs offered real-life work experience for the students. Project *WeCan* not only addresses the needs of students, but also drives the professional development of teachers. We organized the first-ever Joint School Teachers' Development Day in 2013, at which Principals of "*WeCan*" schools shared practical experiences through seminars and workshops on a wide range of subjects while teachers were given the opportunity for personal development, while meeting and exchanging ideas with their peers.

More recently, our Chief Executive of the HKSAR, The Honourable C Y Leung highlighted Project *WeCan* in his 2014 Policy Address as one of the examples of business sector leading the effort in assisting the underprivileged. In June, Mrs Carrie Lam, the Chief Secretary for Administration of the HKSAR and the Chairperson of the Commission on Poverty, while speaking at the "Poverty Alleviation and the Role of the Business Sector" Forum, commended Project *WeCan* as an example of how companies can really support the community, stating its continuity can enhance the effectiveness of poverty alleviation. We appreciate the Government's compliments and support.

The care-for-others spirit has long been a critical component of the Group's core values. I thank all our volunteers who take ownership of the project and devote great effort to serving the community. I thank our partner, The Chinese University of Hong Kong, which provides the necessary education software to help our schools. I also welcome Mr Henry Poon, the retired Principal of St Paul's Co-educational College to serve as Programme Director — Consultant for Project *WeCan*.

Outlook

Though the global economies have been restored to a healthier growth trajectory, 2014 will remain challenging as major advanced economies continue to work through varying fiscal and monetary issues. Possible further tapering of various Government quantitative easing programmes in major developed economies could impact capital flow reversals and asset market gyrations in emerging markets, causing uncertainty.

With a series of tough policies and local construction costs under continued upward pressure, the property markets in Hong Kong and China will continue to be difficult. That said, the long-term fundamentals of Hong Kong and China will remain solid given the steady economic growth forecasts in the respective markets.

China's growth target for this year is 7.5%, which remains unchanged from the previous two years, underlining its determination to ensure sustainable economic development. China's commitment to double 2010 GDP by 2020 is also equivalent to a sustainable economic growth of 7.5% per annum over the next seven years, signaling China's commitment to raise the quality and efficiency of its economic fundamentals. The next phase of growth will continue to be powered by accelerating urbanization and domestic consumption as well as further development of the services sector. The growing middle class with rising wealth will spur demand for quality consumer goods and urban living for the next decades.

The Mainland economy, being the second largest in the world, will benefit Hong Kong. The economic fundamentals in Hong Kong remain positive, with low unemployment rate, positive business sentiment, resilient consumption demand, ongoing large-scale infrastructure works and a solid expansion in inbound tourism. The local economy is projected to expand by 3-4% in 2014.

The Shenzhen to Hong Kong high-speed railway section, to be completed by 2015, will facilitate the spread of economic activities between Hong Kong and key cities on the Mainland and deepen Hong Kong's economic links with the vast hinterland. When completed, the bridge to Zhuhai and Macao will be the strategic link to the West Bank of the Pearl River Delta. These will continue to stimulate economic activities for our retail and personal services platform.

Mr James Thompson, Independent Non-Executive Director since 2001 and 74 years of age, will not seek re-election on retirement by rotation at the upcoming Annual General Meeting. He has given the Board and me tremendous and valuable guidance over the years and we will miss his counsel. I thank him most sincerely on behalf of the Company and wish him all of the very best.

On behalf of Shareholders and the Board, I also wish to express my heartfelt appreciation to all customers, staff and business partners for their unwavering support, enthusiasm, commitment and contribution. We will continue to rely on such support to deliver good returns on our investment.

Peter K C Woo
Chairman
Hong Kong
27 March 2014

Financial Highlights

	2013 HK$ Million	2012 HK$ Million	Change
Results			
Revenue	**31,887**	30,856	+3%
Operating profit	**13,280**	14,170	-6%
Core profit (note a)	**11,298**	11,040	+2%
Profit before property revaluation surplus	**12,206**	13,927	-12%
Profit attributable to equity shareholders	**29,380**	47,263	-38%
Total dividend for the year	**5,151**	4,998	+3%
Earnings per share (note b)			
Core profit	**HK$3.73**	HK$3.64	+2%
Before property revaluation surplus	**HK$4.03**	HK$4.60	-12%
Attributable to equity shareholders	**HK$9.70**	HK$15.60	-38%
Dividend per share			
First interim	**HK$0.50**	HK$0.45	+11%
Second interim	**HK$1.20**	HK$1.20	–
Total for the year	**HK$1.70**	HK$1.65	+3%
Financial Position			
Total assets	**415,052**	368,998	+12%
Total business assets (note c)	**387,696**	343,901	+13%
Net debt	**58,072**	55,625	+4%
Share capital (Ordinary shares of HK$1 each)	**3,030**	3,029	–
Shareholders' equity	**275,557**	248,501	+11%
Total equity	**284,255**	256,906	+11%
Net asset value per share	**HK$90.94**	HK$82.04	+11%
Net debt to total equity	**20.4%**	21.7%	-1.3% pt

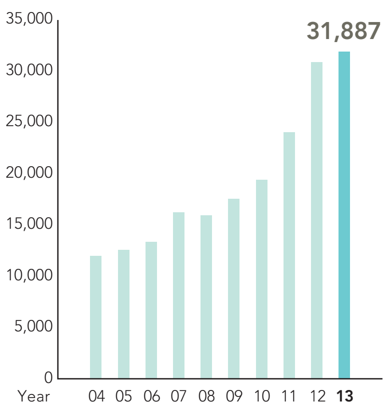
Notes:

(a) *Core profit excludes net property revaluation surplus, mark-to-market gains on financial instruments, net impairment provision for properties and the accounting gain arose from acquisition of the interests in Greentown in 2012.*

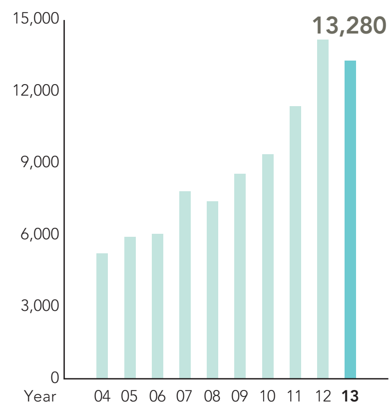
(b) *Earnings per share for 2013 is calculated based on 3,030 million ordinary shares in issue during the year (2012: 3,029 million ordinary shares).*

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

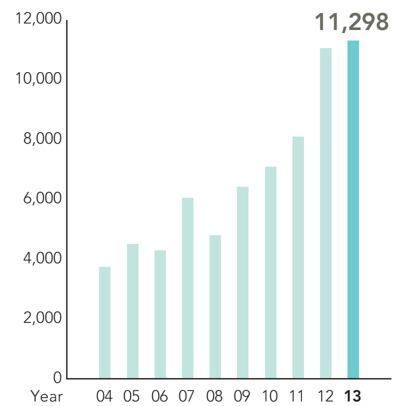
Revenue
(HK$ Million)



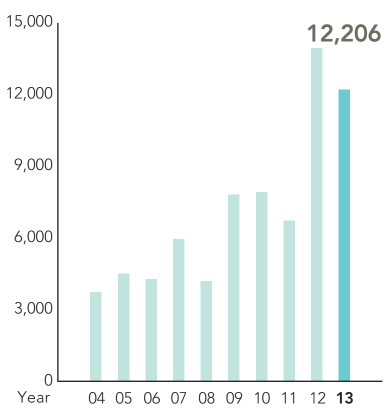
Operating Profit
(HK$ Million)



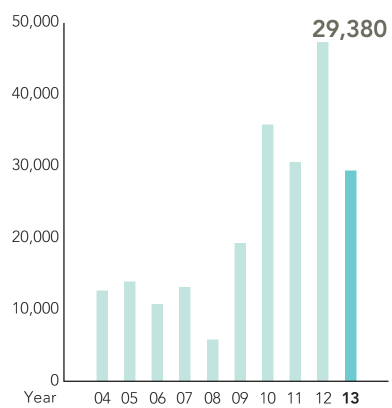
Core Profit
(HK$ Million)



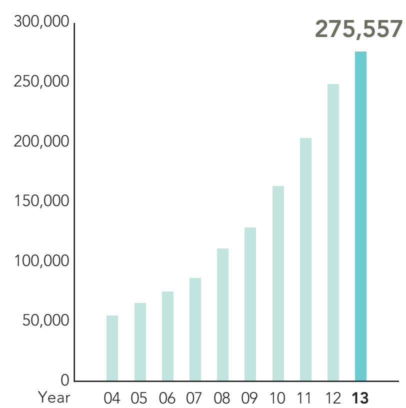
Profit Before Property Revaluation Surplus
(HK$ Million)



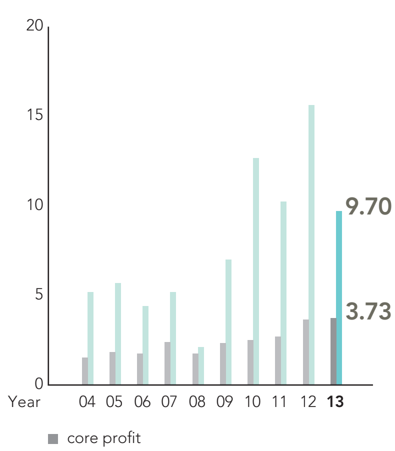
Profit Attributable to Equity Shareholders
(HK$ Million)



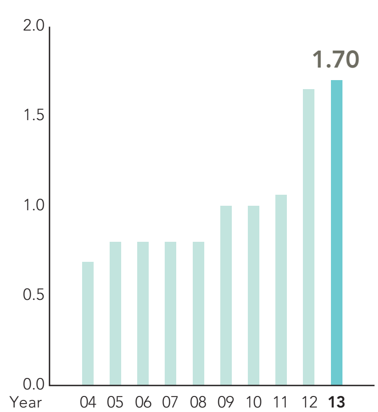
Shareholders' Equity
(HK$ Million)



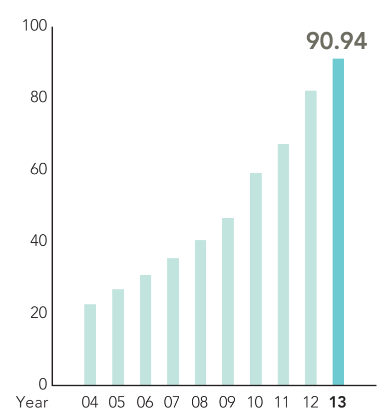
Earnings Per Share
(HK$)



Dividend Per Share
(HK$)



Net Asset Value Per Share
(HK$)



Managing Director's Report

Core business IP accounted for 58% of the Group's core profit in 2013. Through years of value creation and new investment, the IP portfolio with a book value of HK$261 billion as at 31 December 2013 has grown to one of the Top Five publicly-held portfolios in the world.

Revenue of Hong Kong IP increased by 11% to HK$9,872 million and operating profit by 13% to HK$8,507 million.

Business Assets

139,207 HK$ Million

Gross Revenue

8,471 HK$ Million

Operating Profit

6,582 HK$ Million

Harbour City

One of the world's leading shopping destinations with two million square feet of mall space.

Business Review
Harbour City

Business Assets
As at 31 December

	2013 HK$ Million	2012 HK$ Million	Change
Properties (at valuation)	**137,770**	125,370	+10%
Hotel and Club (cost less depreciation)	**370**	331	+12%
Other assets	**1,067**	892	+20%
Total business assets	**139,207**	126,593	+10%

Gross Revenue

	2013 HK$ Million	2012 HK$ Million	Change
Retail	**4,909**	4,223	+16%
Office	**1,885**	1,710	+10%
Serviced Apartments	**305**	310	-2%
Hotel and Club	**1,372**	1,265	+8%
Total gross revenue	**8,471**	7,508	+13%

Operating Profit

	2013 HK$ Million	2012 HK$ Million	Change
Retail	**4,384**	3,700	+18%
Office	**1,594**	1,450	+10%
Serviced Apartments	**211**	217	-3%
Hotel and Club	**393**	390	+1%
Total operating profit	**6,582**	5,757	+14%

HARBOUR CITY

Revenue (excluding hotels) increased by 14% to HK$7,099 million and operating profit by 15% to HK$6,189 million. Excluding the three hotels, Harbour City was valued at HK$138 billion at the end of 2013, representing an increase of 10% over 2012 and 36% of the Group's business assets.

Retail

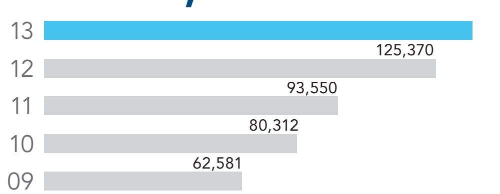
Hong Kong retail sales posted a respectable 11% growth rate in 2013, which suggested a healthy local retail sector. This, however, was partially sparked by the "gold rush" ensuing a slump in gold prices during the year. Harbour City, a minor beneficiary of the gold rush, registered a 10% growth rate in retail sales in 2013 in spite of its exceptionally high base built after a decade of outperforming the Hong Kong retail market. This reinforces its leadership in retail management.

Harbour City remained one of the world's leading shopping destinations with two million square feet of contiguous mall space. Its premier location, expertly-managed trade mix and powerful retail marketing offer Harbour City a proposition that is unrivalled in the region. Total retail sales in 2013 surged to a new record of HK$33.8 billion or HK$2,814 per square foot per month. Average sales per square foot in December also set a record of over HK$4,210. Market share was maintained at an unmatched 6.8% of total Hong Kong retail sales. Revenue from Harbour City's retail sector increased by 16% to HK$4,909 million.

2013

Property Value (Hotel and Club excluded)

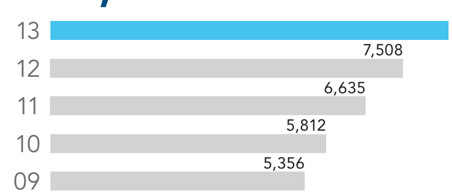
137,770 (HK$ Million)



2013

Gross Revenue

8,471 (HK$ Million)



Business Review
Harbour City

While Harbour City stepped up its game to enhance its captivating and renowned "shoppertainment" experience, new store openings continued to strengthen its trade mix across a finely-calibrated price point matrix. New brands included fine jeweller Boucheron, Chanel Watch & Jewellery, Dior Cosmetics, Giuseppe Zanotti Design, Loewe Men's, Van Cleef & Arpels and Zenith. Various celebrated brands opened debut stores in Hong Kong including internationally renowned Italian sneaker brand Aquascutum Junior, ASH, Superga, Zegna Sport and Donguri Republic which attracted long queues of shoppers to its Japanese animated film merchandise. Zara Home also made its 7,500-square-foot debut presence in Hong Kong in the fourth quarter of 2013. The culinary selection has been further refined with the recruitment of C'est la B, the French patisserie Pierre Hermé Paris, renowned Korean restaurant Kaya, premium Italian coffee house illy, renowned Parisian dessert Fauchon and modern duck-themed Chinese restaurant M&C Duck. Various European restaurants are set to debut in Hong Kong in March 2014 including renowned French fine dining restaurant Dalloyau and Michelin star chef's Italian restaurant La Locanda by Giancarlo Perbellini.

Harbour City is prominently located at the heart of Hong Kong's most dynamic retail district. Its 530-metre-retail shop street frontage along Canton Road is currently the most coveted premium location for international luxury brands by virtue of its great attraction for international customers. It has also become a showcase for retailing in the Mainland. The opening of Paul & Shark's flagship in Canton Road in April 2013 further enriched the unparalleled luxury line-up at Harbour City. Other high-end fashion brands including Berluti, Chanel, Givenchy, and Tod's have been undergoing expansion to better present their brand personalities. Chanel has expanded its presence by 10,000 square feet since January 2014 whereas Versace is set to open a three-level full concept store of 7,900 square feet. In addition, Uniqlo will open its largest, flagship store in Kowloon by mid-2014, with an 18,000-square-foot space converted from office use at Harbour City.

Harbour City has rolled out a host of fun and engaging marketing events attracting foot traffic and retail sales. In addition to the annual iconic Christmas and Chinese New Year festive decorations, the "Rubber Duck" in May 2013 became a talk-of-the-town event. Harbour City collaborated with the conceptual Dutch artist Florentijn Hofman to create and exhibit an inflatable 16.5-metre-tall giant Rubber Duck at Ocean Terminal. The gigantic Rubber Duck float in Hong Kong's Victoria Harbour, together with installations of rubber duck displays, attracted phenomenal foot traffic from locals and tourists alike, and created international media frenzy.

In recognition of its marketing excellence, the Rubber Duck Project has garnered a slew of local and overseas awards including a couple of Gold awards in "Best Event Ambiance (Consumer)" and "Best Consumer Event", and several Silver and Bronze Awards by Marketing Magazine in Marketing Events Awards 2013; two Gold awards in "Excellence in Event Marketing" and "Excellence in Integrated Marketing" and other awards by Marketing Magazine in Marketing Excellence Awards 2013; two Gold awards in "Public Relations & Events" and "Social Media" by ICSC in Asia Pacific Shopping Centre Awards as well as the "Hottest Topic in 2013 (ranked first)" in the "Most Influential Sina Weibo Top Ten Hottest Topics" by Sina Weibo.

Ocean Terminal ("OT") renovation, an important part of Harbour City's substantial premises improvement initiatives, is highly value accretive. It involves a strategic relocation of the atrium at Levels 2 and 3 towards the centre of the mall in a bid to substantially extend OT's very valuable front portion to the rear of the mall. These initiatives, which commenced in April, are progressing to plan. The extension allows more brands to take up the new spaces and open new shops on Level 2 including prestige watch brands such as Qeelin, Rolex, Tag Heuer, Tudor, Wellendorff and Zenith. Best-of-class retailers are scouted for the transformation.

Internationally renowned architecture firm, Foster & Partners, designed an extension building at OT and the relevant building plan is pending approval. The extension building will offer new culinary options with fabulous panoramic views of the Hong Kong Island sky line and the Peak. Foundation works commenced in March 2014.

In an increasingly competitive retail landscape, Harbour City will continue to concentrate on value creation and to enrich its brand offerings and tenant mix as well as more exciting culinary selection to provide the discerning shoppers with a unique and unmatched "shoppertainment" experience.

Business Review
Harbour City

Office

Demand for office space at Harbour City continued to be fuelled by business expansion, corporate upgrades and decentralisation. Solid positive rental reversion increased revenue by 10% to HK$1,885 million. Rental rates for new commitments remained stable whereas occupancy reached 95% at the end of 2013.

Lease renewal held up solidly at 65% during the year, with favourable rental increments. These included a spate of key tenants such as Bank of China, Citibank, Estée Lauder, GlaxoSmithKline, Huawei Tech. and Marks and Spencer.

Harbour City remains a preferred office location for multinationals, Mainland and local enterprises, powered by its convenient location and transportation, superb management, comprehensive ancillary features including the mega mall, three Marco Polo hotels, serviced apartments, a fitness centre and a private recreational club. This has provided Harbour City with an unparalleled competitive edge compared to "pure offices".

The leasing and property management teams will continuously improve the premises and be flexible to market changes with a view to staying ahead in the increasingly competitive marketplace.

Retail Tenant Mix (by Rental, Area and Sales)

	% by Rental	% by Area	% by Sales
Fashion	34.0	27.6	24.1
Leather Goods - Shoes Bags & Related Trade	24.7	16.6	26.7
Department Store, Confectionery Products	11.5	19.6	12.8
Jewellery, Beauty and Accessories	17.9	8.0	21.4
Restaurant, Fast Food, F&B, and Entertainment	3.6	14.8	3.2
Children's Wear, Toy & Related Trades	2.8	6.2	2.2
Electrical & Audio-visual Equipment	2.5	1.9	7.6
Sports Wear	1.8	2.2	1.3
Others	1.2	3.1	0.7
Total	100.0	100.0	100.0

Portfolio Information

	Gross Floor Area (sq ft)	Revenue (HK$ Million)	Average Occupancy (%)	Year-end Valuation (HK$ Million)
Retail	2,049,000	4,909	98	80,185
Office	4,263,000	1,885	96	49,115
Serviced Apartments	670,000	305	78	8,470
Hotel and Club	1,368,000	1,372	85	8,340

Serviced Apartments

Revenue for serviced apartments was HK$305 million, with occupancy (excluding 47 apartments closed for renovation) increasing to 88% at the end of 2013. The substantial renovation underway is designed to completely refresh the apartments and to offer an unparalleled experience that caters to customers' sophisticated and unique demands.

Times Square

Business Assets

46,235 HK$ Million

Gross Revenue

2,096 HK$ Million

Operating Profit

1,830 HK$ Million

The most successful vertical mall … the new Times Square with enhanced tenant mix and shopper traffic distribution will bring a new era of exhilarating shopping experiences to all visitors.


LOUIS VUITTON
CHANEL

Business Assets

As at 31 December	2013 HK$ Million	2012 HK$ Million	Change
Properties (at valuation)	**46,200**	43,600	+6%
Other assets	**35**	43	-19%
Total business assets	**46,235**	43,643	+6%

Gross Revenue

	2013 HK$ Million	2012 HK$ Million	Change
Retail	**1,492**	1,352	+10%
Office	**604**	556	+9%
Total gross revenue	**2,096**	1,908	+10%

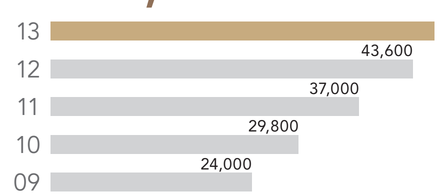
Operating Profit

	2013 HK$ Million	2012 HK$ Million	Change
Retail	**1,301**	1,198	+9%
Office	**529**	480	+10%
Total operating profit	**1,830**	1,678	+9%

2013

Property Value

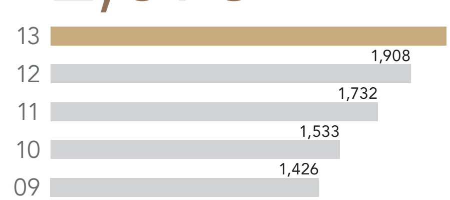
46,200 **(HK$ Million)**



2013

Gross Revenue

2,096 **(HK$ Million)**



TIMES SQUARE

In spite of a major renovation project undertaken at the mall in 2013, overall revenue increased by 10% to HK$2,096 million and operating profit by 9% to HK$1,830 million.

Retail

Riding on its unique 17-level retail mall design, diverse trade-mix and direct connection to the Mass Transit Railway, Times Square is among the most successful vertical malls in the world and remains a must-visit shopping landmark in Hong Kong. Times Square's success also stems from its prominent location at the heart of Causeway Bay, one of the most dynamic retail districts in Hong Kong. The basement levels of Times Square which are connected with the MTR continued to demonstrate themselves as an effective traffic feeder and hence have been immensely productive.

Despite a substantial drop of 17% in retail space for a major renovation for most of 2013, total retail sales at Times Square increased by 1.6% to a record of HK$9.4 billion or HK$1,729 per square foot per month. Retail revenue increased by 10% to HK$1,492 million with occupancy maintained at virtually 100% at the end of 2013.

A new Times Square

The substantial completion of the bold revamp by the end of 2013 stoked the formation of the new Times Square with the most extensive product range, entertainment and culinary choices at the heart of Causeway Bay. The new Times Square includes a line-up of coveted luxury brands, with Chanel, De Beers, Fendi, Louis Vuitton and Tiffany & Co. opening in the second half of 2013, as well as Dior Homme in early January 2014. It also complements the sky escalators in the atrium with a brand new and state-of-the-art 5-house cinema CINE TIMES across the 12th to 14th Floors with a wider range of movie choices. This iconic cinema with the most audience seats (approximately 900 seats) on Hong Kong Island, destined to offer a new movie experience for movie-goers with elegant leathered seating and top-notch audio/ visual facilities, opened in November 2013.

Also enhancing the value of the upper floors is a refined food and dining offer including three high-end new restaurants on the 10th floor – Yunyan Sichuan Restaurant and Pak Loh Chiu Chow Restaurant which opened in late 2013 and early 2014 respectively as well as Enmaru, the top-ranked Izakaya style Japanese restaurant which made its debut to HK in January 2014. Other additions across the 12th-13th Floors included PizzaExpress, Nha Trang, School Food and Zushi Ana. Food Forum elevators have been transformed into bigger and faster rides for customers from ground floor to the Food Forum and CINE TIMES levels. The much anticipated sky cinema alongside the outlet bazaar and refined culinary offerings will draw high volumes of foot traffic and create enormous value at the upper floors.

The new Times Square is set to generate an estimated incremental rental value of HK$200 million per year.

In addition, culinary offerings across the 3rd and 4th Floors were further refined with the addition of Ladurée Tea Room, the renowned French café famous for its macaroons, and LGB Rouge, the Parisian café with oriental elements introduced to the menu and setting. Toast Box, a popular Asian restaurant, also opened on the basement floor in May 2013 whereas agnès b. CAFÉ L.P.G /Delices was relocated to the 6th floor.

The atrium floors were further enriched with the addition of a.testoni, Daks, Loewe, MCM, Qeelin, TAG Heuer, Tissot and Versace Jeans. Some existing tenants including Aquascutum, Cerutti 1881, Jaeger-LeCoulture, Kent & Curwen and Saint Laurent Paris were relocated with new images with a view to uplifting the shopping atmosphere and experience.

Powerful and innovative marketing campaigns at Times Square continued to capture shoppers' attention, reinforcing its positioning of "The Place of Happenings". Apart from the New Year's Eve Apple Countdown which is among the most popular events in Hong Kong, Times Square hosted its first ever Hong Kong Music Festival on the Open Piazza in late 2013 and lined up over 120 performances from local musical groups to bring their unique sounds to Times Square. To position CINE TIMES as the entertainment focal point in Hong Kong, Times Square collaborated with UA Cinemas to launch high-profile movie premieres such as


CHANEL


citysuper

Business Review
Times Square

"As the Light Goes Out" and "The Monkey King" since the opening of CINE TIMES. The new Times Square TV commercial – "This is Your Time" featuring new elements of the mall through a series of six 15-second commercial clips was launched last December. It aims to build a personal connection with the audience through depicting the "voices" of "typical Times Square shoppers".

The highly value-accretive makeover has sparked an unparalleled position of the new Times Square in an ever-intensifying competitive landscape. With enhanced tenant-mix and shoppers' traffic distribution, the renewed and better Times Square captures an even wider range of shoppers who demand ever-higher levels of service, sophistication and entertainment. It brings a new era of exhilarating shopping experiences to all visitors and pushes the bar to new heights.

Office

On the back of positive rental reversion, revenue of the office sector increased by 9% to HK$604 million. Occupancy stood at 95% at the end of 2013.

Times Square remained the preferred office location for multinationals in the service and consumer goods industries. Lease renewal retention was maintained at 65%, with renewals from tenants including Apple Asia, Avaya, BMC Services and L'Oreal. New lettings in 2013 included Grand Central, SAP, and Vicini Apac. There were also in-house expansions from Bayin Resources, Google, Hitachi Data and SAIC.

Retail Tenant Mix (by Rental, Area and Sales)

	% by Rental	% by Area	% by Sales
Fashion	33.1	23.2	17.8
Jewellery, Beauty, Healthcare and Accessories	31.4	14.8	29.6
Department Store, Confectionery Products	13.6	21.3	25.0
Electrical & Audio-visual Equipment	7.2	6.4	16.6
Sports Wear	5.3	3.9	4.3
Restaurant, Fast Food, F&B, Entertainment	8.5	27.5	5.7
Others	0.9	2.9	1.0
Total	100.0	100.0	100.0

Remarks: :
Lux retailers only came on board from second half 2013 onwards, with majority of tenants opening from September onwards
New cinema Cine Times opened in November 2013
New restaurants at Food Forum opened in second half 2013 & first half 2014

Portfolio Information

	Gross Floor Area (sq ft)	Revenue (HK$ Million)	Average Occupancy (%)	Year-end Valuation (HK$ Million)
Retail	936,000	1,492	98	32,070
Office	1,033,000	604	95	14,130

Plaza Hollywood

The 10,000-square feet event space with a ceiling height of nearly 80 feet is among the largest retail mall atriums in HK.

PLAZA HOLLYWOOD

Plaza Hollywood is a market leading shopping mall in Kowloon East and poised for growth in coming years. Thanks to product and brand repositioning and enhanced tenant mix, retail sales increased by 7.5% to a record of HK$2.6 billion or HK$602 per square foot per month. Revenue increased by 13% to HK$475 million and operating profit by 18% to HK$363 million. Occupancy reached 100% at the end of 2013.

With its prominent location and efficient transport infrastructure, Plaza Hollywood is well-positioned to attract high volumes of foot traffic. It is located atop the Diamond Hill MTR Station, which will be the future interchange hub for the new Shatin-Central link in 2017 with the existing MTR network. It is also located at the entrance to Tate's Cairn tunnel, a vehicular artery linking Kowloon East with the New Territories and beyond to Shenzhen, and directly linked to the Diamond Hill bus terminus.

Plaza Hollywood is also in close proximity to various tourist attractions including the celebrated Wong Tai Sin Temple and Tang Dynasty-styled Chi Lin Nunnery and Nan Lian Garden. The prime location alongside the popular attractions set Plaza Hollywood apart from other malls. The mall has been working with the Chi Lin Nunnery in a series of cultural promotions that is proving highly popular. It is rapidly transforming itself from a successful community mall into a major destination for both locals and visiting tourists.

Plaza Hollywood is purposely-designed without towers above it, providing itself with maximum planning flexibility. With a highly efficient layout, the mall has lettable floor area representing 65% of gross floor area. Its over 250 retail outlets, 20 restaurants, as well as a purposely-built stadium seating six-screen multiplex with 1,614 seats create valuable critical mass for both shoppers and retailers.

Prominently located in Kowloon East with a population catchment area of 1.5 million residents, Plaza Hollywood is set to benefit from the government's "Energizing Kowloon East" initiative which is enhancing the attractiveness of the entire region.

Retail Tenant Mix (by Rental, Area and Sales)

	% by Rental	% by Area	% by Sales
Fashion	22.9	23.5	14.6
Restaurant, Fast Food, F&B, Entertainment	20.9	34.2	20.6
Jewellery, Beauty and Accessories	19.5	12.1	19.1
Department Store, Healthcare, Confectionery Products	13.2	12.6	15.4
Travel, Telecommunication and Other Services	8.7	4.9	7.5
Electrical & Audio-visual Equipment	6.7	5.9	16.9
Sports Wear	4.4	3.6	3.3
Others	3.7	3.2	2.6
Total	100.0	100.0	100.0

China

Business Assets

142,393 HK$ Million

Attributable Land Bank

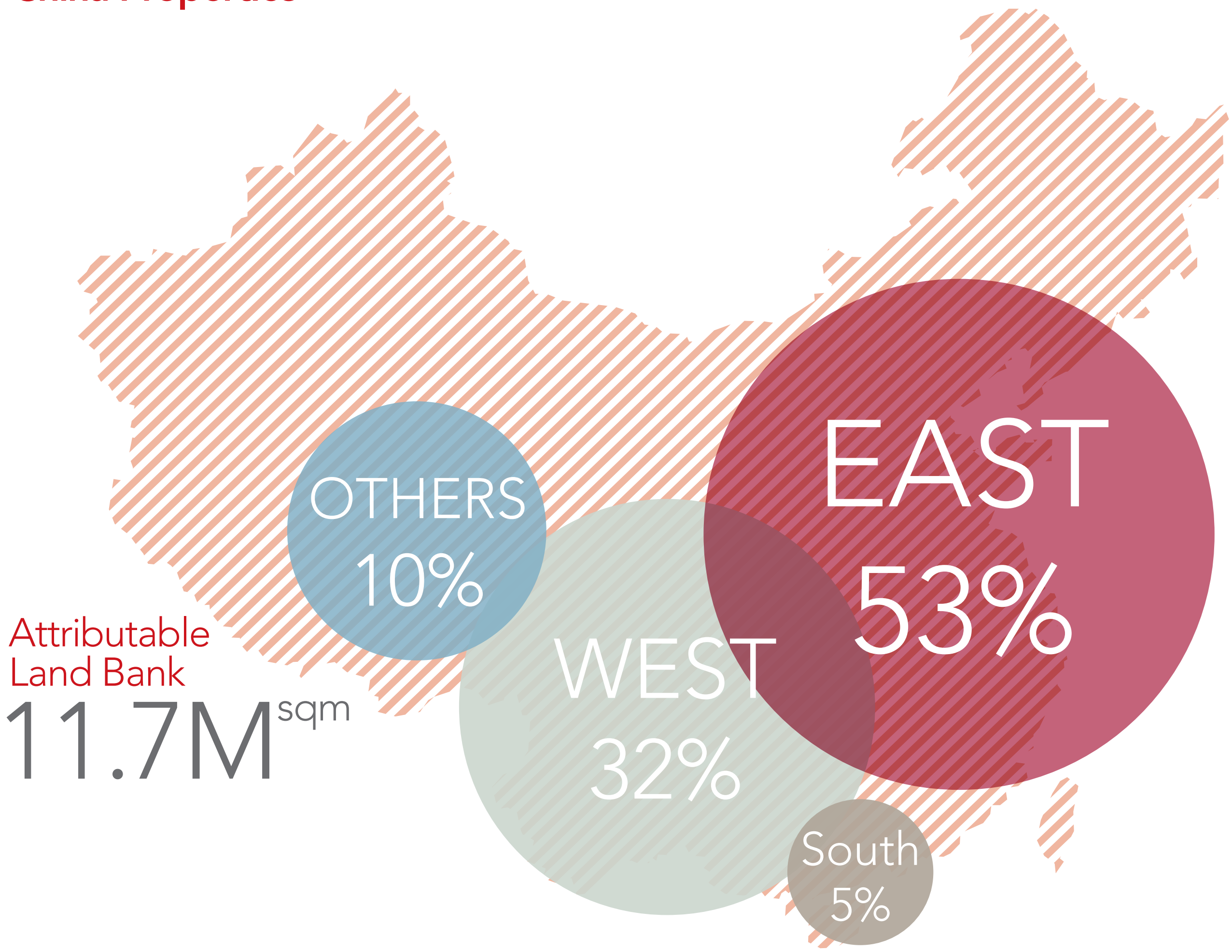
11.7 Million Square Metres

Attributable Land Bank (Including Greentown)

16.9 Million Square Metres

PROPERTIES

Business Review
China Properties



Business Assets

As at 31 December

	2013 HK$ Million	2012 HK$ Million	Change
Investment properties	**50,567**	37,748	+34%
Property inventory and development	**53,037**	47,367	+12%
Interest in associates/joint ventures	**22,704**	22,146	+3%
Investment in Greentown	**10,067**	8,621	+17%
Hotel properties and other fixed assets	**1,062**	1,321	-20%
Other assets and investments including Sino-Ocean Land	**4,956**	4,812	+3%
Total business assets	**142,393**	122,015	+17%

Project Nature

79% Development Properties for Sale

16% IFS under Development

5% Completed Investment Properties*

*include completed portion of Chengdu IFS

Shanghai Wheelock Square is an award-winning, premium office tower in Jing'an District, and the tallest in Puxi

Business Review
China Properties - Investment Properties

CHINA INVESTMENT PROPERTIES

Notwithstanding the renovation at the Shanghai Times Square retail mall, higher contribution from Shanghai Wheelock Square and Chengdu Times Outlet increased revenue from China IP by 25% to HK$ 1,261 million and operating profit by 20% to HK$761 million.

Shanghai Wheelock Square is a premier office tower on Nanjing Xi Road overlooking Jing'an Park in the heart of the Puxi CBD in Shanghai. Strategically located right opposite Jing'an Temple Metro Station from where frequent trains commute to Pudong International Airport, Wheelock Square is the tallest commercial building in Puxi at 270 metres. Sitting between the Bund and Zhong Shan West Road with Hongqiao International Airport further to the west, it is located next to the Yan An elevated expressway, a major east-west thoroughfare through the centre of the city. With its prestigious location, distinctive design and premium-quality management services, Wheelock Square continued to be the preferred location for multinational firms and major corporations.

Average office occupancy rate in 2013 was 93%, with average monthly spot rent for the year at RMB403 per square metre. The gross rental yield on cost stood at 16% in 2013. In recognition of its premium brand positioning and superb management, Wheelock Square was awarded "2013 China Property Ranking – Prime Office of Best Brand Value" by China Business News, "China Best International Brand-Building Case" by 21st Century Business Herald and "2013 China Commercial Real Estate Value List – Outstanding Brand Building (Office)" by The Economic Observer in the fourth quarter of 2013.

Dalian Times Square, a premier luxury shopping landmark and jewel in the heart of the city, houses a spate of luxury brands including Louis Vuitton at over 10,000 square feet, Celine, Dior, Gucci, Hermès and Prada. MCM and Salvatore Ferragamo have recently opened whereas Gucci and Hermès are set to expand. Occupancy stood at 100% at the end of 2013. Dalian Times Square, notwithstanding the challenges in the luxury market in the Mainland, posted a 7% growth in retail sales. The gross rental yield on cost rose to 65% in 2013.

Chongqing Times Square, located at "ground zero" Liberation Statue Square, the commercial and financial hub of Chongqing, is a renewed shopping mall with world-class facilities and services. It attracted Louis Vuitton to open its debut flagship of 17,000 square feet and it is the only store in Chongqing. Occupancy at the end of 2013 surged to 99%. Chongqing Times Square continued to deliver resilient sales performance, with a 10% growth in retail sales. During the year, a myriad of international fashion and shoe brands including ASH, DKNY, iBlues and Laurent Bright, were recruited on Level Three. Armani Junior and Ralph Lauren Child were added to the luxurious children-wear cluster on Level Five. The culinary spaces on Level six were fully leased, with the latest tenant Cuihe Kitchen opening in November 2013. A mini food court on the lower ground floor commenced operation in late 2013, which is expected to attract foot traffic from the metro. The gross rental yield on cost is 23%.

Conveniently located in close proximity to the Chengdu Shuangliu International Airport, **Chengdu Times Outlets** has instantly become one of the most-visited outlet destinations in Chengdu since opening in late 2009. Overall sales performance of the outlet is outstanding, with a 36% growth in retail sales in 2013. The gross rental yield on cost rose to 45%.

Shanghai Times Square, strategically located on Huaihai Road, has undergone substantial change. It has developed from high street retail to a high-end retail destination. Its retail mall was closed for renovation in May 2012 and re-opened in late 2013 providing a truely "one-stop-shopping" experience. The largest Lane Crawford store in China occupying a total of four floors and offering the largest assortment of designer brands to the China market opened in October whilst Salvatore Ferragamo opened in November 2013. Another mega lifestyle specialty store CitySuper occupying the entire basement opened in last November and a cinema on the top floor in last December. In addition to the cinema, the upper levels feature food and beverage outlets. An "all-inclusive" whole floor kids zone is set to be formed with fashion, dining and playing elements. The new Shanghai Times Square, along with the new cluster on Huaihai Road and the new Lane Crawford will seamlessly complement one another and create significant value.

Business Review

China Properties - Investment Properties - *International Finance Square*

INTERNATIONAL FINANCE SQUARE ("IFS")

The Group is developing a series of five IFSs in China, with a scale comparable to or surpassing that of Harbour City and Times Square in Hong Kong. Upon completion of these IFSs by 2017, the recurrent income base in China will be significantly strengthened.

Chengdu IFS

Strategically located at the intersection of three major commercial roads – Hongxing Road, Dacisi Road and Jiangnanguan Street, the busiest pedestrian shopping area of the city, Chengdu IFS is another Harbour City built by the Group. It has direct connections with the adjacent mass transit railway station where lines 2 and 3 intersect. This unrivalled location attracts a large concentration of mainstream consumers to thriving businesses and can be aptly dubbed a combination of Hong Kong's Central CBD, Causeway Bay and Tsim Sha Tsui. While enjoying an absolute advantage geographically, the development comprises a mega shopping mall designed by Benoy, two premium grade A office towers designed by Kohn Pederson Fox Associates, a luxurious residential tower and a five-star international hotel with a total development area of 760,000 square metres. Total investment cost exceeds RMB16 billion. Full completion is scheduled for 2015. The first phase of Chengdu IFS, including a 210,000-square-metre retail mall and office tower, was completed in late 2013 and early 2014, respectively.

Retail

A new city landmark in Western China, the mega mall was officially opened on 14 January 2014 and attracted wide attention from the public, local and international media. The launch also featured the world's largest giant panda artpiece and marked the arrival of nearly 300 of the world's most coveted brands, including the debut for over 100 celebrated brands in Chengdu or even in Western China. Hongxing Road, the equivalent of Hong Kong's Canton Road, is home to duplex flagship stores. Chengdu IFS has retail street frontage of more than 530 metres, on par with Harbour City's Canton Road frontage.

Leading brands including Chanel, Dior & Dior Homme, Dolce & Gabbana, Ermenegildo Zegna, Giorgio Armani, Louis Vuitton and Prada were attracted to take up the most sought-after spaces on the first two levels. Prestigious jewelry and watch labels including Bulgari, Chaumet, IWC and Tiffany Co. have taken up space on Level Three, the second ground floor. Fashion concept stores including I.T. Group and Uniqlo will offer hip and street fashion on the upper floors while UA IMAX movie theatre, a bowling lounge, ice rink, rooftop Sculpture Garden and Art Gallery, Great supermarket, MUJI and Page One book store will offer entertainment, culture and lifestyle elements. Lane Crawford is also opening its brand new store. All these made Chengdu IFS a "city-within-a-city" for shoppers. Capitalising on its superb location, top quality and world-class design and management, Chengdu IFS is destined to become a landmark for one-stop shopping in the Province of Sichuan and Western China with the most diversified trade mix and entertainment.

Retail leasing continued to exceed plan, with 95% of the retail space committed by year end at well above-budget rental rates. The strong demand underscored the desired location of Chengdu IFS and retailers' confidence in Wharf's retail management expertise. Currently over 70% of the retail tenants have commenced operation and some have delivered exceptional sales performance. The mall is expected to be almost in full swing by mid-2014 and to generate retail revenue of about RMB400 million in 2014, which has yet to reflect a full-year contribution. When the mall is in full operation, it is expected to reap an annual retail revenue of around RMB600 million. The resilient retail market continues to be supported by the increasingly sophisticated fast-growing middle class with diverse spending pattern. Aspirations for high quality products and lifestyle will boost retail demand in China. Mirroring the success of Harbour City, Chengdu IFS offers an unmatched and all-in-one shopping experience in Western China.

In recognition of its superior quality and positioning, Chengdu IFS was awarded "The Shopping Mall Potential Star in 2013" by the Association of Mall China in Beijing and "2013 The Most Anticipated Shopping Mall" by West China Media Group in Chengdu, both in January 2013 as well as "2013 The Most Demonstrative Commercial Complex in Western China" by Sichuan Chain Business Association, Chengdu Economic Daily, Western Economic Daily and Sina house.com.

Office, Hotel and Serviced Residence

Chengdu IFS will feature two top-grade office towers at 248-metres, the first of which with a GFA of 130,000 square metres was completed in early 2014. The premier twin towers are expected to attract leading financial institutions, Fortune 500, Forbes Global 2000 and multinational corporations. Chengdu IFS is poised to become a marketplace in which seamless business interaction among the financial tenants could be conducted. Distinctive with its contemporary architecture and premium-quality management services, the twin towers set a new standard in the commercial property market in Chengdu and Western China. The pre-leasing programme for the first tower commenced in the third quarter of 2013, with over 14% of the office space at low-mid levels committed by a host of prestigious companies including Australia and New Zealand Banking Group, Hang Seng Bank, Jones Lang LaSalle, King and Wood and Huao Credit & Financing. Chengdu IFS is set to offer a brand-new experience and lifestyle for tenants and executives. The 5-star international hotel is scheduled to open in mid-2015 whereas our luxury serviced residences will commence service in early 2015.

Business Review

China Properties - Investment Properties - *International Finance Square*

Changsha IFS

Changsha IFS is ideally located in the prime area of Jiefang Road in Furong District with a total GFA of 725,000 square metres. Similar to Chengdu IFS, it is modelled on Harbour City and well-positioned to be the landmark of the CBD. It commands direct underground linkage to a future interchange hub (Wuyi Plaza Station) for metro lines 1 and 2. The same underground passageway will connect with one of the busiest pedestrian streets in China – Huang Xing Pedestrian Shopping Street. Sitting at the intersection of Cai E Zhong Road and Jiefang Xi Road, Changsha IFS is flanked by financial institutions including the People's Bank of China and State Administration of Foreign Exchange on one side and a traditional shopping cluster on the other. Such an opportune location is comparable to a combination of Hong Kong's Central CBD, Causeway Bay and Tsim Sha Tsui, that is filled with retail dynamics amid business vibe. While occupying the city's most coveted location, the development features an iconic 452-metre tower and 315-metre tower above a 230,000-square metre mega mall, offering upscale retail, Grade A offices and a five-star sky hotel. Changsha IFS has retail street frontage of more than 700 metres that is greater than Harbour City's Canton Road frontage of 530 metres. Designed by Benoy, the retail mall is among the largest in Changsha and Central China and will offer a premium experience spanning entertainment, lifestyle and culture as well as food and dining under one roof. Full completion is scheduled for 2016.

The premier office towers, as with Chengdu IFS, will attract a myriad of financial institutions based in Hunan province.

Wharf is building another Harbour City in Changsha with Changsha IFS scheduled for completion in 2016

Business Review

China Properties - **Investment Properties -** *International Finance Square*

Chongqing IFS

Chongqing IFS, a 50:50 joint venture development with China Overseas Land ("COLI"), is strategically located in Jiangbei District, Chongqing's new CBD, where the Yangtze River meets the Jialing River. It enjoys a breathtaking panoramic river view and convenient connectivity through three nearby bridges. Transportation links are excellent with light railway lines 6 and 9 set to pass this area with respective stations nearby. The project is adjacent to the Chongqing City Grand Theatre, the Chongqing Science Museum and the Central Park. It comprises an iconic 300-metre landmark tower and four other towers above a 102,000-square metre retail podium (slightly larger than Times Square in Hong Kong), offering retail with diverse trade mix across a finely-calibrated price point matrix, Grade A offices and a five-star sky hotel. The planned mall with three levels designed by Benoy is positioned as a boutique-sized Harbour City, showcasing a host of celebrated brands and a wide spectrum of fine dining and entertainment anchors including a cinema and ice rink. Retail pre-leasing activities have commenced and leases are under close discussion. The office towers are slated for completion by the end of 2014. Full completion of the complex is scheduled for 2015.

Wuxi IFS

Wuxi IFS, a 339-metre landmark tower offering Grade A offices and a five-star sky hotel with a GFA of 190,000 square metres, is located in Taihu Plaza, Wuxi's new CBD. As the tallest building in Wuxi, it will sit on a 29,000-square metre site overlooking the 670,000-square metre Taihu Plaza which includes the large adjacent landscaped square, the public museum and a public library, as well as the historic Grand Canal. It is also flanked by a multi-use development of Wuxi Maoye City of 570,000 square metres. Full completion of Wuxi IFS is scheduled for 2014.

Suzhou IFS

Suzhou IFS is a 450-metre landmark commercial development located in Suzhou's new CBD, and overlooking Jinji Lake. Boasting a GFA of 278,000 square metres, the development comprises international Grade A offices, luxury apartments plus a 129-room premium sky hotel with full scenery of Suzhou. It will be directly connected to the future metro station. Adjacent to the development is a mall known as "Times Square" of 170,000 square metres not owned or operated by the Group. This mall, together with the development of another high-end mall of 35,000 square metres on the other side will form a multi-use complex of about 205,000 square metres of retail spaces in the vicinity.

Business Review

China Properties - Development Properties

Following a strong market in 2013, some softening in momentum is anticipated for 2014 with an increasingly high base for comparison. The Central government has been cooling the private housing market for a few years in an effort to rein in runaway home prices and to keep the property market from overheating. The market environment has become challenging against this policy headwind.

That said, China DP remains one of the key business drivers for the Group. In 2013, completion accelerated with 1,228,000 square metres completed and recognised (2012: 758,000 square metres). DP consolidated revenue increased by 20% to HK$11,442 million and core profit to HK$3,428 million. Profit recognised during the year primarily included contributions from Chengdu Tian Fu Times Square, Suzhou Times City and Changzhou Times Palace.

Core profit rose by 5% and contribution to the Group stood at 30%. Amidst various challenges in the market, contracted sales continued to gain pace bolstered by the Group's reputation for quality residences in sought-after locations. Various key regions posted solid growth underscoring the resilient local demand for quality housing and the Group's proven execution capabilities. A total of 41 development projects (including 11 newly launched projects in Changzhou, Chongqing, Hangzhou, Shanghai, Suzhou, Wuxi, Beijing and Ningbo) spanning 14 cities were launched for sale or pre-sale. On an attributable basis, a total of 1.5 million square metres were sold in 2013 to generate proceeds of RMB20.9 billion, 39% higher than in 2012 and 4% above target. The net order book (net of business tax) increased to RMB20.6 billion for 1.72 million square metres at the year end.

In 2013, the Group acquired seven DP sites in the cities of Shanghai, Ningbo, Tianjin, Foshan and Hangzhou with an attributable GFA of 0.67 million square metres for RMB6.8 billion. Inclusive of China IP, the current land bank was maintained at 11.7 million square metres, spanning 15 cities.

DEVELOPMENT PROPERTIES - EASTERN CHINA

Sales

Contracted sales in the Eastern China region reported a robust 78% growth from a year earlier. There are 21 projects on sale across six cities.

Nine new projects in six cities were offered in 2013. In Hangzhou, the initial phases of Shi Ji Hua Fu and Palazzo Pitti were launched for pre-sale. A total of 62,200 square metres and 69,100 square metres were promptly pre-sold for proceeds of RMB667 million and RMB1.8 billion respectively. In Shanghai, the first phase of Songjiang Xianhe Road Project was launched for pre-sale in August, with 26,000 square metres pre-sold for RMB737 million. In Suzhou, the first phase of Bellagio was offered for pre-sale in July/August, with 37,100 square metres pre-sold for RMB619 million. Initial phases of other new projects including The Berylville and Petrus Bay in Ningbo, Feng Huang Hu Shu in Changzhou and River Pitti in Wuxi have also met with enthusiastic responses.

In Suzhou, Times City and Ambassador Villa sold a further 131,500 square metres and 52,100 square metres for proceeds of RMB1.7 billion and RMB1.2 billion respectively. In Wuxi, Times City and Xiyuan sold a further 116,900 square metres and 44,900 square metres for proceeds of RMB1.1 billion and RMB519 million respectively. Changzhou Times Palace offered additional phases and sold a further 106,700 square metres for proceeds of RMB848 million.

Other projects for sale included Kingsville in Suzhou, Xiyuan and No. 1 Xin Hua Road in Shanghai, Glory of Time in Wuxi, Greentown Zhejiang No. 1 and Junting in Hangzhou.

Acquisitions

In March 2013, the Group acquired a residential project in Shanghai Pudong District with a GFA of 97,900 square metres for RMB1.3 billion. The development, surrounded by three rivers and in close proximity to MTR line-16 station, is scheduled for completion in 2017.

In July, the Group acquired a 51,800 square metre residential site in Ningbo's Jiangbei District with established vicinity. The development offers a GFA of 103,600 square metres and is scheduled for completion in 2015.

In December, the Group formed a 50:50 joint venture development with China Merchants Property ("CMP") for a 41,600 square metre residential site in Hangzhou's Gongshu District with established community facilities nearby. The development, with an attributable GFA of 62,500 square metres, forms part of a new residential town under the District's re-vitalisation plan. Full completion is scheduled for 2016. In addition, the Group acquired a 70,200 square metre residential site at the centre of Xiaoshan District with established vicinity in Hangzhou through a 50:50 joint venture development with Greentown. The site, at the intersection of Jinhui Road and Shixin Road, the major North-South thoroughfare, is in close proximity to the future metro interchange station for lines 2 and 5. The development, with an attributable GFA of 94,800 square metres, is scheduled for completion in 2018.

Development Progress

Initial or additional phases of the residential units of various projects were completed in 2013, including Times City, Ambassador Villa and Kingsville in Suzhou, Xiyuan, Times City and Glory of Time in Wuxi and Changzhou Times Palace. Construction progress of other developments in Eastern China is as planned.

Business Review

China Properties - Development Properties

DEVELOPMENT PROPERTIES - WESTERN CHINA

Sales

The Western China region registered a 6% growth rate in contracted sales against the previous year. There are 10 projects on sale in Chengdu and Chongqing.

In Chengdu, Tian Fu Times Square sold a further 60,700 square metres for proceeds of RMB1.3 billion in 2013. Le Palais launched additional phases and sold a further 39,100 square metres for proceeds of RMB415 million. Other projects for sale including ICC • Sirius, Crystal Park, The Orion and Times Town of Shuangliu Development Zone have met with favourable responses.

In Chongqing, International Community offered additional phases of retail and residential units and sold a further 103,200 square metres for proceeds of RMB834 million on an attributable basis. The U World, on an attributable basis, sold a further 40,300 square metres for proceeds of RMB865 million. The Throne and the office units at Chongqing IFS have met with good demand.

Development Progress

In Chengdu, the first phase of residential units at The Orion (Tower 1) and Le Palais (eight residential towers), the additional phases of residential and office units at Crystal Park as well as the last office tower at Tian Fu Times Square were completed in 2013.

In Chongqing, additional phases of International Community, The U World and The Throne were completed during the year. These projects are developed through various joint ventures with COLI.

All other developments in the cities of Chengdu and Chongqing are progressing as planned.

DEVELOPMENT PROPERTIES - SOUTHERN CHINA

Sales

Contracted sales in Southern China posted a 20% growth rate from a year ago. There are five projects for sale in Foshan and Guangzhou.

In Foshan, additional phases of Evian Riviera, Evian Buena Vista, Evian Town and Evian Uptown were launched for presales during the year. On an attributable basis, Evian Riviera and Evian Buena Vista sold a further 47,600 square metres and 34,600 square metres in 2013 for proceeds of RMB633 million and RMB343 million respectively. Evian Town and Evian Uptown sold 12,700 square metres and 28,700 square metres during the year for attributed proceeds of RMB422 million and RMB450 million respectively. These four projects are developed through 50:50 joint ventures with CMP.

In Guangzhou, Donghui City sold a further 37,800 square metres for proceeds of RMB592 million on an attributable basis. This is a joint venture development with China Vanke Co. Limited and CMP, in which the Group has a 33% interest.

Acquisitions

The Group acquired two residential sites in Foshan through 50:50 joint ventures with CMP in 2013. In October, a 59,400-square metre residential site with a panoramic river view in Chancheng District was acquired. Transportation is very convenient with two major main roads and a future metro station nearby set to be in operation in 2018. The development, with an attributable GFA of 74,200 square metres, is scheduled for completion in 2016.

In December, the Group acquired a 99,300-square-metre residential site in Nanhai District. To the southern side of the site is a green park covering 153,000 square metres with various water features, which is being built. It is set to provide the residential neighborhood with spacious open area and a scenic spot. The development, with an attributable GFA of 149,000 square metres, is scheduled for completion in 2017.

Development Progress

In Foshan, additional phases of residential units at Evian Uptown, Evian Riviera and Evian Buena Vista were completed in 2013. Evian Uptown was fully completed while construction of the remaining phases for Evian Riviera and Evian Buena Vista is underway, with full completion scheduled for 2015. In Guangzhou, Donghui City is scheduled for completion in 2016.

Business Review
China Properties - Development Properties

DEVELOPMENT PROPERTIES - CENTRAL / NORTHERN CHINA

Sales
In Tianjin, Peaceland Cove, on an attributable basis, sold a further 60,600 square metres for proceeds of RMB825 million. The Magnificent has also met with enthusiastic response.

Acquisition
In September, the Group acquired an 83,800-square-metre residential and commercial site in Tianjin Hedong District through a 50:50 joint venture development with CMP. Located at the conjunction of Haihe (River) and Yueyahe (River), the development offers an attributable GFA of 90,900 square metres. Full completion is scheduled for 2017.

Development Progress
All developments in the cities of Tianjin, Wuhan and Beijing are progressing as planned.

China contracted sales breakdown by city:

Region	City	No. of projects on sale	Contracted Sales (%)	GFA Sold (%)
Eastern China	Changzhou	2	5	9
	Hangzhou	5	14	13
	Ningbo	2	2	1
	Shanghai	3	8	3
	Suzhou	4	19	18
	Wuxi	5	10	13
		21	**58**	**57**
Western China	Chengdu	6	12	12
	Chongqing	4	13	15
		10	**25**	**27**
Southern China	Foshan & Guangzhou	5	11	11
Central China	Tianjin	2	4	4
Northern China	Beijing, Dalian & Wuhan	3	2	1
		10	**17**	**16**

DEVELOPMENT PROPERTIES - GREENTOWN

The Group holds approximately 24.3% of the equity interest in Greentown China Holdings Limited. The investment in Greentown complements the Group's business strategy for China DP.

Greentown is a leading high-end real estate developer in China with strong brand recognition. In both 2011 and 2012, Greentown ranked top in "China Urban Residents' Overall Satisfaction" and first in six indices including Product Quality, Property & Sales Services and Customer Loyalty by the China Index Academy. In the "2013 China Real Estate Customer Satisfaction Survey" published by the China Index Research Institute, Greentown was ranked first in Resident Overall Satisfaction and Resident Loyalty. At the end of December 2013, Greentown had a landbank with a total GFA of 38.9 million square metres (of which 21.5 million square metres is attributable). Contracted sales in 2013 totalled RMB65.1 billion (RMB33.6 billion attributable), 19% higher than the RMB54.6 billion a year earlier.

The Group envisages that Greentown's strength in property development alongside the Group's strength in financial management and excellence in commercial properties management present strategic alliance opportunities. The Group will continue to explore and study other opportunities with Greentown.

Business Review

China Properties - Development Properties

China Property List

	Project Nature					Status			
	Retail	Office	Residential	Hotel	Attributable GFA (sqm)	Completed	Under Construction	Under Planning	Effective % Owned
Eastern China — Changzhou									
Changzhou Times Palace			•	•	596,000		•		71
Feng Huang Hu Shu			•		305,000		•		100
Feng Huang Hu Site 03 Project (Huang He Lu and Feng Xiang Lu)			•		245,000			•	100
Eastern China — Hangzhou									
Palazzo Pitti			•		225,000		•		100
Junting			•		220,000		•		100
Greenton Zhijiang No.1 (Formerly known as Golf Landmark)	•		•		172,000 (50%)*		•		50
Shi Ji Hua Fu	•		•		129,000		•		100
Greentown Wharf Qian Tang Ming Yue	•		•		95,000 (50%)*			•	50
Hangzhou Royal Seal (Formerly known as Jun Xi)			•		82,000		•		100
Hangzhou Gongshu district Shenhua Unit Project	•		•		62,000 (50%)*			•	50
Eastern China — Ningbo									
Park Mansion			•		104,000		•		100
The Berylville (Formerly known as Ningbo Eastern New Town)			•		49,000 (50%)*		•		50
Petrus Bay			•		39,000 (50%)*		•		50
Eastern China — Shanghai									
Shanghai Pudong Huangpujiang Project			•		136,000		•		100
Shanghai South Station	•	•			134,000 (27%)*		•		19
Wheelock Square	•	•			111,000	•			98
Shanghai Zhoupu			•		98,000			•	100
Shanghai Times Square	•	•	•		90,000	•			100
Shanghai Songjiang Xianhe Road Project			•		82,000		•		100
Jingan Garden			•		71,000			•	55
Shanghai Tangzhen	•		•		36,000 (50%)*		•		50
Shanghai Xi Yuan			•		4,000	•			71
No.1 Xin Hua Road			•		2,000	•			85
Eastern China — Suzhou									
Suzhou Industrial Park									
Suzhou International Finance Square		•	•	•	278,000		•		57
Suzhou Times City			•		739,000		•		57
Bellagio			•		385,000		•		100
Suzhou Ambassador Villa			•		142,000		•		100
Suzhou Kingsville	•		•		70,000 (50%)*		•		50
Eastern China — Wuxi									
Wuxi Taihu Plaza Project									
Wuxi International Finance Square		•		•	190,000		•		100
Wuxi Times City			•		555,000		•		100
River Pitti			•		367,000		•		100
Wuxi Xiyuan			•		192,000		•		100
Wuxi Glory of Time		•	•		163,000		•		100

	Project Nature						Status			
	Retail	Office	Residential	Hotel	Attributable GFA (sqm)		Completed	Under Construction	Under Planning	Effective % Owned
Western China — Chengdu										
Shuangliu Development Zone										
Times Outlets	•				63,000		•			100
Times Town	•	•	•		848,000			•		100
Chengdu International Finance Square										
Retail mall	•				213,000		•			100
Others		•	•	•	397,000			•		100
Chengdu ICC	•	•	•	•	358,000	(30%)*		•		30
Le Palais	•		•		255,000			•		100
Chengdu Times City	•		•		222,000			•		100
Sorrento (also known as The Orion)			•		46,000		•			100
Tian Fu Times Square	•	•	•		32,000		•			100
Crystal Park	•		•		19,000			•		100
Western China — Chongqing										
International Community	•		•		401,000	(40%)*		•		40
The Throne			•		386,000	(50%)*		•		50
Chongqing International Finance Square	•	•		•	228,000	(50%)*		•		50
The U World	•		•		137,000	(55%)*		•		39
Chongqing Times Square	•	•			55,000		•			100
Southern China										
Foshan Luocun Xiaodehu North Project	•		•		149,000	(50%)*			•	50
Evian Buena Vista, Foshan	•		•		111,000	(50%)*		•		50
Evian Riviera, Foshan	•		•		110,000	(50%)*		•		50
Foshan Chanxi Xincheng Ludaohu Project	•		•		74,000	(50%)*			•	50
Evian Uptown, Foshan	•		•		46,000	(50%)*	•			50
Evian Town, Foshan	•		•		8,000	(50%)*	•			50
Guangzhou Donghui City	•		•		90,000	(33%)*		•		33
Central/Northern China										
Unique Garden, Beijing	•		•		60,000	(33%)*		•		33
Changsha International Finance Square	•	•		•	725,000			•		100
Dalian Times Square	•		•		26,000		•			100
Dalian Buxiuxiang			•		144,000	(60%)*		•		60
Tianjin Haihe Project	•		•		91,000	(50%)*			•	50
Peaceland Cove, Tianjin			•		37,000	(50%)*		•		50
The Magnificent, Tianjin	•		•		8,000	(50%)*	•			50
Wuhan Moon Lake Site B			•		127,000			•		100
Wuhan Times Square	•		•	•	39,000		•			100

For details of completion date of above properties, please refer to Schedule of Principal Properties on pages 184 to 193

* Being attributable percentage held through joint ventures/associates and the respective GFA are shown on an attributable basis

Business Assets

22,530 HK$ Million

- Chelsea Court
- 8 Mount Nicholson Road
- 77 Peak Road
- 11 Plantation Road
- 1 Plantation Road
- Strawberry Hill

THE PEAK Portfolio

AND Other HK Properties

Business Assets

As at 31 December

	2013 HK$ Million	2012 HK$ Million	Change
Properties	**18,218**	17,179	+6%
Interest in associates/joint ventures	**3,562**	2,794	+27%
Property inventory and development	**727**	1,548	-53%
Other assets	**23**	212	-89%
Total business assets	**22,530**	21,733	+4%

THE PEAK PORTFOLIO

Wharf's Peak Portfolio provides the most prestigious addresses in Hong Kong. The portfolio consists of a number of premier residences located on the Peak including 1 Plantation Road, 11 Plantation Road, 77 Peak Road, Chelsea Court and various units of Strawberry Hill in addition to the exclusive Mount Nicholson site acquired in July 2010. These exclusive addresses, with an attributable GFA of more than 397,000 square feet, are estimated to have a combined value of HK$26.2 billion at an average accommodation value of about HK$66,000 per square foot of GFA, which far exceeds that of the general land bank.

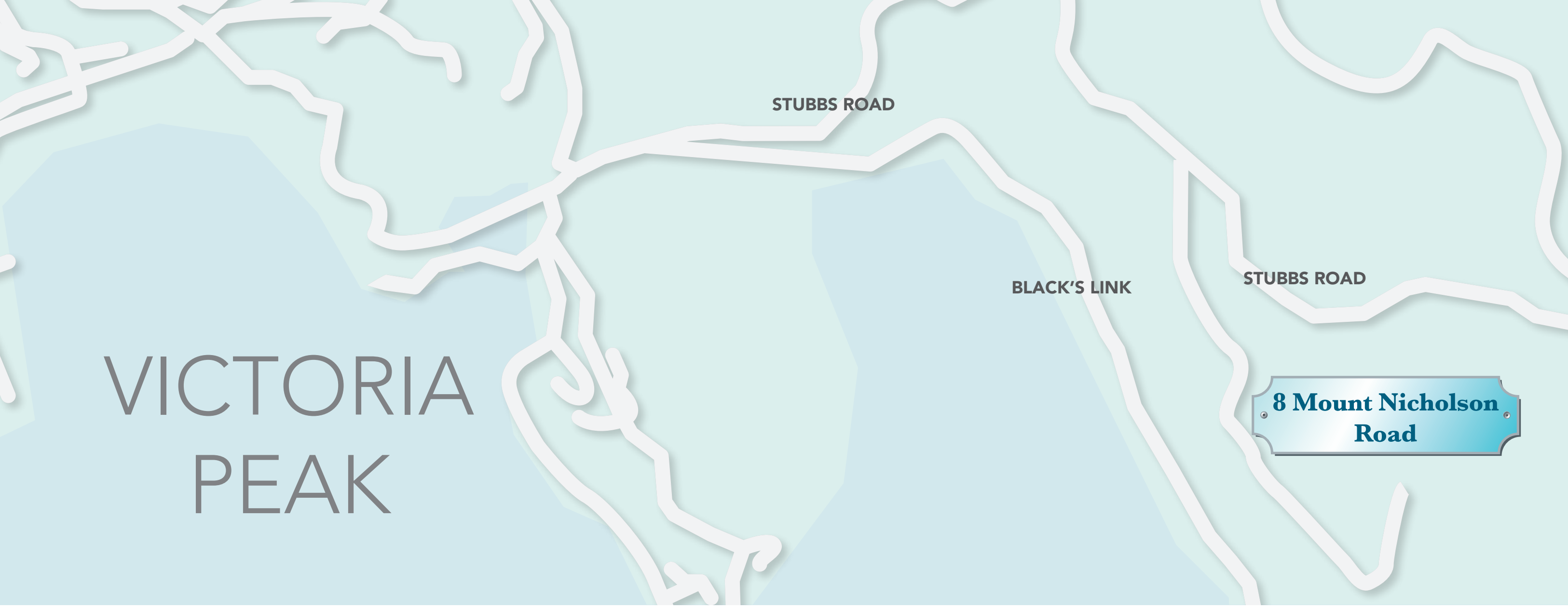
Mount Nicholson, a 50:50 joint venture development with Nan Fung with an attributable GFA of approximately 162,000 square feet, will be developed into exclusive luxury residences with a stunning panoramic view of Victoria Harbour. The master layout plan and general building plan have been approved. Construction is underway while the pre-sale consent application for the whole project has been submitted.

Redevelopment of the Peak Portfolio including 1 Plantation Road, 11 Plantation Road and 77 Peak Road is progressing as planned. The relevant redevelopment plan was approved.

1 Plantation Road will consist of 20 houses with a total GFA of 91,000 square feet while 11 Plantation Road will feature seven houses with a total GFA of 46,000 square feet. 77 Peak Road will feature eight houses with a total GFA of 42,200 square feet. Foundation work for the various projects is underway.

Chelsea Court was fully occupied at the year end.

	Project Nature					
The Peak Portfolio	Retail	Office	Residential	Industrial	Attributable GFA (sq ft)	Owned (%)
1 Plantation Road*			•		91,000	100
11 Plantation Road*			•		46,000	100
Chelsea Court			•		43,000	100
77 Peak Road*			•		42,200	100
Strawberry Hill - various units			•		13,000	100
8 Mount Nicholson Road*			•		162,000	50



Others

The Group boasts a cluster of projects under development or re-development in Kowloon East, a vibrant zone to be transformed into an attractive, alternative CBD spelt out in the Government's 2011-12 Policy Address, with a view to be benefiting from the development potential of the region. Wharf T&T Square, Kowloon Godown and Wheelock's One Bay East at the heart of the new CBD2 spanning a 500-metre coastline with an unobstructed view of Victoria Harbour form the "Kowloon East Waterfront Portfolio". The redevelopment of Kowloon Godown into a residential and commercial development with a GFA of 829,000 square feet has been approved.

The redevelopment of Wharf T&T Square into a high rise Grade A commercial building with a GFA of 596,200 square feet has been approved. The premium for lease modification was settled while the premium offer for permitting bonus GFA was accepted in February 2013. The relevant general building plan was submitted in November 2013.

The plan to redevelop Yau Tong Godown into a residential and commercial property with a total GFA of 256,000 square feet has been approved. The premium for lease modification was settled. Foundation work is underway.

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

	Project Nature					
Other Hong Kong Properties Highlights	Retail	Office	Residential	Industrial	Attributable GFA (sq ft)	Owned (%)
Wharf T&T Square[#+]		•			513,000	100
Cable TV Tower - various units				•	566,000	100
Kowloon Godown[#]			•		829,000	100
Star House - various units	•				50,800	71
One Midtown				•	1,900	100
Yau Tong Godown[*]	•		•		256,000	100
Yau Tong JV Project[#]	•		•		596,000	15

* under development
\# planning for redevelopment
\+ Including carpark area, total GFA amounted to 596,200 square feet

13 Hotels
OWNED AND MANAGED
in Asia Pacific

Hotels Development

& Management

Business Review
Hotels Development & Management

MARCO POLO HOTELS

The Group currently operates 13 hotels in the Asia Pacific region. Four of them are owned by the Group. The three in Hong Kong are prominently located in Harbour City while that in Wuhan is on the Bund and overlooks the Yangtze River.

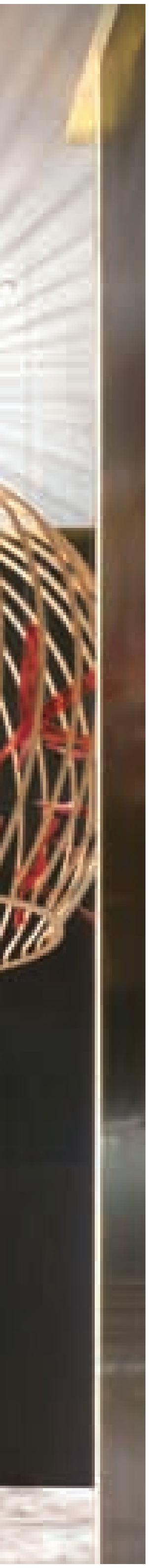
A solid portfolio of 10 owned hotels (including six new hotels at an investment of more than HK$10 billion) will serve as a core platform of an expanding hotel network in five years' time. Among the six new owned hotels, five are premium hotels in the cities of Chengdu, Changsha, Chongqing, Suzhou and Wuxi; all but one is sky hotel.

The sky hotel in Suzhou is a luxury boutique-sized hotel with 129 rooms, whereas the others are premium business hotels with more than 200 rooms each. Out of these six new hotels, three are part of the Group's multi-use retail-office complexes (in Changsha, Chengdu and Chongqing).

The hotel in Changzhou, surrounded by a vast private garden for major events and weddings, is set to be opened by the end of 2014. It is poised to become another showpiece for the Group's future development.

These hotels, destined to offer superior levels of design and impeccable quality of service, will take the hotel group to the next level of service and hospitality.

In 2013, the hotel segment was impacted by the room renovation underway at the Gateway Hotel in Hong Kong, contracting business travellers' spending and the pre-opening expenses for the hotel in Changzhou. While total revenue increased by 8% to HK$1,498 million, operating profit decreased by 4% to HK$377 million. Consolidated occupancy of the three Marco Polo hotels in Hong Kong reached 85% with a 5% increase in average room rate. The Marco Polo Wuhan, well-positioned on the Bund, continued to achieve excellent market position in the local market.



Business Review
Hotels Development & Management

Current Marco Polo Hotels' Network

Hong Kong
Marco Polo Hongkong Hotel
Gateway, Hong Kong
Prince, Hong Kong

The Philippines
Marco Polo Davao
Marco Polo Plaza, Cebu
Marco Polo Ortigas, Manila

China
Marco Polo Parkside, Beijing
Marco Polo Lingnan Tiandi, Foshan
Marco Polo Jinjiang
Marco Polo Shenzhen
Marco Polo Suzhou
Marco Polo Xiamen
Marco Polo Wuhan

MURRAY BUILDING

A conservation project for a unique lifestyle hotel

In November, the Group, through listed subsidiary Harbour Centre Development Limited, acquired the 27-storey Murray Building in Central for HK$4.4 billion. It is a majestic building with towering arches and quite possibly the last remaining prime site in Central for a major hotel.

With nearly 50 years of history, this prominent landmark building guards the intersection of traffic arteries in Central that run east-west and north-south, commands open green views over Hong Kong Park and is well connected to other buildings in the neighbourhood, as well as to the Mass Transit Railway.

The Group will convert this iconic building into a unique, fashionable lifestyle hotel for a total investment of over HK$7 billion. Target opening is scheduled for 2017. Design planning is underway by Foster and Partners.

Modern Terminals

Business Assets

19,138 HK$ Million

Throughput (attributable total)

8.9 Million TEU

Business Review
Modern Terminals

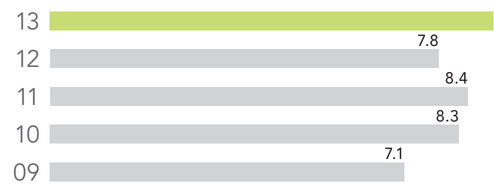
MODERN TERMINALS

While the US and European economies showed signs of stabilising, global trade flows staged a muted recovery in 2013. South China's container throughput remained steady. Kwai Tsing's throughput dropped by 2% while Shenzhen's throughput increased by 2%. The 2013 market shares of Shenzhen and Kwai Tsing were 56% and 44% respectively.

In 2013, throughput at Modern Terminals in Hong Kong increased by 16% to 5.5 million TEUs. Modern Terminals' gain in market share boosted consolidated revenue to HK$3,106 million. One-off costs brought about by the labour unrest in Kwai Tsing and the continuing multi-year trend of shifting mix of business to trans-shipment, however, reduced operating profit to HK$944 million.

2013
Throughput
(attributable total)

8.9 **(Million TEUs)**



In the Mainland, Da Chan Bay Terminal One in Shenzhen reached the one-million TEU throughput mark handling 1.0 million TEUs, 76% higher than in 2012. Taicang International Gateway in Suzhou handled 1.4 million TEUs. Shekou Container Terminals in Shenzhen, in which Modern Terminals holds a 20% stake, handled 4.3 million TEUs. Chiwan Container Terminal, in which Modern Terminals holds an 8% attributable stake, handled 2.8 million TEUs.

With a strong foothold in the Pearl River Delta and Yangtze River Delta, the two largest manufacturing and export regions in China, Modern Terminals is in an excellent position to benefit from China's robust economy and the steady recovery of the European and US markets.

Business Assets

As at 31 December	2013 HK$ Million	2012 HK$ Million	Change
Fixed assets	**14,293**	14,180	+1%
Interest in associates/joint ventures	**4,171**	4,189	–
Goodwill	**297**	297	–
Other assets	**377**	379	-1%
Total business assets	**19,138**	19,045	–

Communications, Media & Entertainment and Other Investments

i-CABLE

Competition continued to be intense among telephony, broadband and Pay TV service operators. Nevertheless, the market enjoyed relative price stability for the best part of the year. At rates well within expectations, contraction of CABLE TV customer base continued largely attributable to the residual impact of the expiry of Barclays Premier League broadcast rights in May 2013. Such TV customer and revenue erosion, however, were milder than expected and more than compensated by substantial reduction of operating expenses. On top of producing and acquiring quality programming, CABLE TV has been investing in cross-platform and multi-view initiatives to elevate viewing experience to a new level of convenience and mobility.

In October 2013, the government announced in principle the approval for Fantastic TV to provide a free TV service. Negotiations with the authorities for a formal license are underway. The new free TV business will open up new horizons for i-CABLE and create synergies with its existing businesses. Broadband business reported a moderate reduction in clientele but growth in sales for mid-range services remained strong with both new customers signing on and existing ones upgrading from lower speed services. Broadband revenue and EBITDA have been expanding again since early 2013.

i-CABLE's reduced focus on market share enabled financial recovery to begin. A small net profit was reported for the second half of 2013, resulting in net loss narrowing to HK$93 million in 2013. Cash flow improved on improving operating margin and capex. A healthy financial position was maintained with net cash of HK$182 million.

Business Review
Communications, Media & Entertainment and Other Investments

WHARF T&T

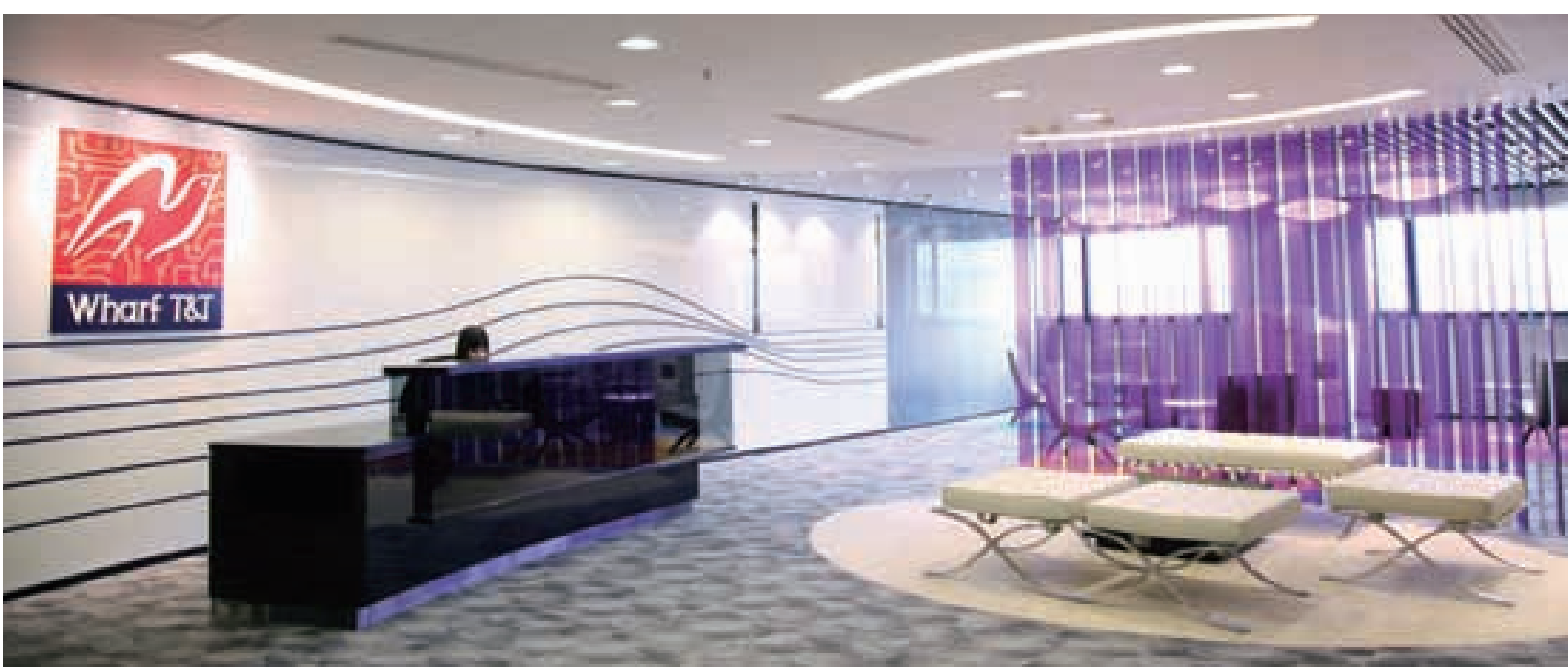
Wharf T&T's revenue and operating profit reached an "All Time High" in 2013, driven by the thriving data business. Despite a modest 2% growth in the overall revenue to HK$1,857 million, EBITDA rose by 9% to HK$704 million underpinned by a robust growth of 11% in core fixed line business. A respectable 38% of EBITDA margin was delivered which outperformed competition. Operating profit was up by 20%, and at 16% margin, to set a record of HK$300 million. The investment on +EN network continued to bear fruit and leapfrog Wharf T&T's competitiveness on data products, especially in the SME sector. Free cash flow improved to HK$245 million. In 2013, Wharf T&T won the 'Technology Company of the Year 2013' Grand award in the annual Computerworld Hong Kong Awards Ceremony, in recognition of its outstanding performance in technology development and excellence in business and operational execution.

THE "STAR" FERRY

The "Star" Ferry is a franchised public-service ferry operator with a mission to serve the community by providing passengers with reliable ferry crossings as well as one of the world's best value-for-money sightseeing trips. In addition to the two franchised ferry inner harbour crossing routes between Tsim Sha Tsui and Central and between Tsim Sha Tsui and Wanchai, the Star Ferry operates a harbour tour service running an hour circular route covering the central Victoria Harbour. A marked improvement in ferry receipts from the franchised services and the harbour tour service, as well as advertising revenue boosted Star Ferry's revenue and operating profits in 2013. The Star Ferry is working on various development projects designed to bring vibrancy to the Central Star Ferry Pier No. 7 and the reclaimed waterfront in Central.

HONG KONG AIR CARGO TERMINALS

Hong Kong is among the world's busiest airports in terms of international cargo handled. Hong Kong Air Cargo Terminals, a 20.8% associate of the Group, is the leading air cargo terminal operator in Hong Kong. It handled 2.4 million tonnes in 2013 which exceeded budget by 9%.



Building a Sustainable Community for our Future Generations

Corporate Social Responsibility

HIGHLIGHTS

We care about the sustainable development of the Group and strive to create positive impact we for the community. Many achievements were made in the past years and to have a better picture of what we have accomplished, we are going to issue a stand-alone report to capture our footprints on Corporate Social Responsibility. In the following section, we are presenting the highlights. The stand-alone report will be uploaded in our corporate website.

In 2013, 800 staff volunteers clocked up over 5,000 hours of service, helping the needy in Hong Kong. We have not only provided support that met the needs of the beneficiaries, but also created shared value for both the society and our staff.

The Group and our business units were recognised with a host of awards for our good corporate citizenship during the year. For the third consecutive year, Wharf has been selected as a constituent member of the Hang Seng Corporate Sustainability Benchmark Index, a testament to the Group's sound performance and reporting Corporate Social Responsibility and sustainability.

Major achievements and recognitions:

Companies	Awards/Recognition	Schemes/Issuing Organisations
Wharf	• President's Award • Distinguished Award	The Community Chest 2013/2014 Corporate and Employee Contribution Programme by The Community Chest
	• Overall 3rd Top Fund-raiser Award and 3rd Top fund-raiser Award in Companies and Organisations Category	2013 Dress Casual Day by The Community Chest
	• Caring Company Logo	Caring Company 2013/14 by The Hong Kong Council of Social Service
Gateway Apartments Harbour City Plaza Hollywood Times Square Wharf Estate	• Caring Company Logo	Caring Company 2013/14 by The Hong Kong Council of Social Service
	• Manpower Developers (2013 – 15)	ERB Manpower Developer Award Scheme by Employees Retraining Board
i-CABLE* Modern Terminals Wharf T&T	• Caring Company Logo *10 Years Plus Logo	Caring Company 2013/14 by The Hong Kong Council of Social Service
Wharf China Estates	• Manpower Developers (2013 – 15)	ERB Manpower Developer Award Scheme by Employees Retraining Board
The "Star" Ferry	• Manpower Developer 1st (2012 – 14)	ERB Manpower Developer Award Scheme by Employees Retraining Board
	• 10 Years Plus Caring Company Logo • Barrier-free Company	Caring Company 2013/14 by The Hong Kong Council of Social Service
Pacific Club	• 18 Districts Caring Employers 2013 Award	Co-organised by the Rehabilitation Advisory Committee of Labour & Welfare Bureau, the Hong Kong Joint Council for People with Disabilities and the Hong Kong Council of Social Services
	• Caring Company Logo	Caring Company 2013/14 by The Hong Kong Council of Social Service

"Building for Tomorrow" has been the mission for the Group. We have been conducting our businesses in a way that fosters the long term development of the society.

Our Community

In Hong Kong, approximately 82%* of Form 6 students who sat for the HKDSE examination were not able to enter a local university. The race for a chance to receive higher education is extremely competitive. Through our Business-in-Community initiatives, we are dedicated to nurturing the disadvantaged youth, supporting the needy and promoting art and culture.

Youth Development— Project *WeCan*

The Group spearheaded the flagship Business-in-Community programme — Project *WeCan* — in 2011 with a funding of HK$150 million for a period of six years. Our key mission is to empower students who are disadvantaged in learning with opportunities and programmes that will engage them, nurture their-confidence and inspire them to pursue higher studies and fulfilling careers.

14 secondary schools have joined the first phase of the programme which over the last three years have witnessed positive changes in students' motivation into learn and ability to communicate, as well as improvement in academic performance of students in the participating schools. More than 12,000 students benefitted. 400 staff volunteers from Wharf and group companies work closely with schools and offer care and guidance to the students.

The next phase — Project *WeCan 2* — is to kick start a HK$500 million funding commitment for five years to speed up to help more needy students. We aim to support 150 additional schools which are most resource-thirst and enable more than 150,000 disadvantaged students to grow and excel.

Project *WeCan* is an open platform where we call upon business sponsors, professionals and retirees to work closely with schools through financial and/or volunteer commitment in a multi-year partnership. We hope to harness the strengths and expertise of our network to expand the opportunities available to students.

* *Percentage based on the figures released by the Hong Kong Examination and Assessment Authorities in 2013*

Project WeCan
學校起動計劃

In addition to the existing funding granted to the Project *WeCan* participating schools, we donated around HK$6 million directly to non-profit organisations and also offered venue sponsorship to a number of charitable activities in 2013.

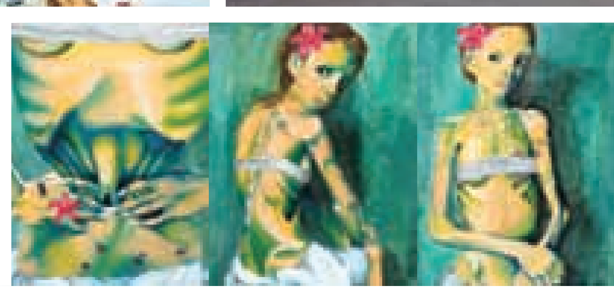
The Group continues to offer internship to architectural postgraduates through The Architectural Design Internship Programme established by The Wharf ArchDesign Resource Trust. In 2013, four students from The Chinese University of Hong Kong and The University of Hong Kong were awarded the internship to enjoy overseas work placement.

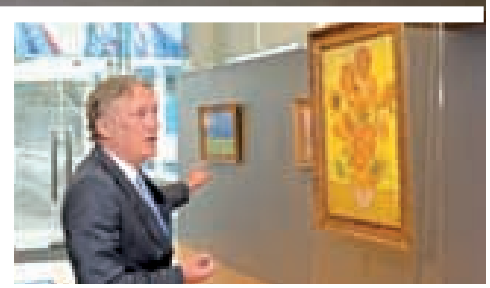
We supported, for the second year, the Youth Outreach by providing funding to enable them to extend the service hours of its youth centre "Hang Out". The centre offers a safe shelter for young people and helps re-integrate them into the society by going back to school or joining the job market. With the extended service, visitor count was doubled every month.

Art and Culture

Our landmarks Harbour City and Times Square play a leading role to bring first-class art exhibitions and events to Hong Kong. In 2013, more than 20 art exhibitions in different forms were held at both venues. Among them, the Rubber Duck Project brought to town a derivative art piece, spreading joy around the community.

For the third year, we organised The Wharf Hong Kong Secondary School Art Competition to boost young people's creativity and foster their interest in arts and culture. The competition received overwhelming response with over 2,000 entries of exceptional quality from 250 secondary schools in Hong Kong.





Corporate Social Responsibility

Our Environment

We are committed to building a greener future. We continue to strengthen our strategies towards environmental management as we strive our best to minimise the impact of our activities on the environment. Our business units have independent environment committees or task forces to set and review green policies that suit the needs of respective business functions.

We regularly review and identify a range of measures to green house gas emissions. Energy saving and power monitoring systems are in place for business units where appropriate. In 2013, a number of energy management initiatives were rolled out, such as the installation of more energy efficient fluorescent lighting in our premises, rearranging elevator operation schedules, optimising chiller plant control sequencing etc. Our working committees keep an eye on the most up-to-date government standards and best practices to ensure our adherence to laws and regulations as well as market standards.

Training and workshops on industry standards and best practices were offered to keep our staff and tenants abreast of latest green management. To further promote environmental protection, we implemented recycling programmes across various business units and materials collected including but not limited to paper, toners, computer devices, used clothes, plastic products and glass bottles. We endeavour to use environmentally friendly, chlorine-free and acid-free paper from well-managed sources for our publication. We also arranged guided tours to natural environment like Mai Po and Hoi Ha Wan to raise staff's awareness of wildlife conservation.

In 2013, the Group and its business units received close to 50 green related awards and certificates. These were granted by the government departments, quality assurance organisations and NGOs in recognition of our continued commitment to environmental sustainability and our group companies' achievements in this respect. In particular, Modern Terminals has been accredited the "ISO14001 EMS: 2004" by Lloyd's Register Quality Assurance Limited for the second year.

LOOP GOLD

WWF Double Diamond Member 雙鑽石會員2013/14 HONG KONG

Modern Terminals

Our People

Wharf is an equal opportunity employer. We offer an inclusive working environment that supports our employees' personal development and recognises their achievements. We have over 15,000 employees in Hong Kong and mainland China and they are the driving force for our sustainable growth.

As a learning organisation, we provide training, workshops and seminars for associates at all levels. We offer in-house training through our Wharf Institute of Service Excellence (WISE), covering a spectrum of programmes such as regular core competence training and refresher courses for shopping malls' direct employed and outsourced staff.

Staff wellness is a priority of the Group. We are committed to providing a healthy and safe work environment for all our staff. Policies, manuals, guidelines, procedures and circulars are issued with training held regularly to continuously promote work safety among staff. The Wharf Staff Recreation Committee has taken an active role to foster staff wellness by providing a variety of activities for staff and their families. Over 100 recreational activities were organised in 2013.

To keep our staff abreast of the latest developments of the Group and the business units, we spare no efforts to maintain an open communication through management briefings, departmental and cross-unit team meetings, luncheons, emails, staff newsletters, and etc. Surveys are conducted by various business units on a regular basis to solicit staff opinions about their work environment and room for improvement.

A full report on Wharf's 2013 Corporate Social Responsibility is available online: www.wharfholdings.com

Together with our staff and business associates, we are committed to improving people's quality of life and building a sustainable community for our future generations.

Corporate Social Responsibility

Financial Review

(I) REVIEW OF 2013 RESULTS

The Group continued delivering solid financial performance in 2013 with the reported core profit increasing by 2% to HK$11,298 million, despite the absence of the exceptionally large profit attributed from the Shanghai Xiyuan and Hong Kong One Midtown projects in 2012.

The profit attributable to shareholders was HK$29,380 million, decreased by 38% from last year resulting mainly from lower investment property revaluation gain and the absence of the one-time accounting gain on acquisition of an associate, Greentown China Holdings Limited ("Greentown"), in June 2012.

Revenue

Group revenue increased by 3% to HK$31,887 million (2012: HK$30,856 million), benefitting from the continuous rental revenue growth and the higher property sales in the Mainland more than offsetting the lower property sales recognised in Hong Kong.

Investment Property ("IP") has remained the major revenue and profit contributor of the Group, increasing its total revenue by 13% to HK$11,133 million (2012: HK$9,880 million). In Hong Kong, IP revenue increased by 11% to HK$9,872 million, attributable to the robust retail sales achieved by the tenants and the stable positive rental reversions for office areas particularly in Harbour City and Times Square. In the Mainland, IP revenue increased by 25% to HK$1,261 million as benefitted from the escalating revenue generated by Shanghai Wheelock Square and Chengdu Times Outlet.

Development Property ("DP") recognised 6% lower property sales to HK$11,514 million (2012: HK$12,207 million), principally due to the absence of the exceptionally large contribution attributed from Shanghai Xiyuan and Hong Kong One Midtown projects in 2012. DP sales in the Mainland increased by 20%, largely compensating the decrease in reported sales from Hong Kong. Revenue recognition mainly derived from Chengdu Tian Fu Times Square, Suzhou Times City and Changzhou Times Palace in the Mainland totalling HK$11,442 million and from Hong Kong totalling HK$72 million.

During the year, inclusive of associates and joint ventures (other than Greentown) on an attributable basis, the Group recorded a 39% increase in contracted property sales totalling RMB20,850 million (2012: RMB14,955 million) spreading over more than ten cities in the Mainland, increasing the net order book by 31% to RMB20,604 million by the year end 2013 (2012: RMB15,687 million) and pending for recognition in stages of completion.

Hotel revenue increased by 8% to HK$1,498 million (2012: HK$1,391 million) as sustained by the increase in room rates during the year.

Logistics revenue increased by 5% to HK$3,226 million (2012: HK$3,070 million), mainly reflecting the increase in throughput handled in both Hong Kong and the Mainland by Modern Terminals.

CME revenue fell by 4% to HK$3,789 million (2012: HK$3,953 million). Wharf T&T's revenue increased by 2% against i-CABLE's fell by 9%.

Operating Profit

Group operating profit decreased by 6% to HK$13,280 million (2012: HK$14,170 million), principally impacted by lower DP contribution.

IP as the Group's largest profit contributor reported a 13% increase in operating profit to HK$9,268 million (2012: HK$8,187 million). Contributions from Harbour City (excluding hotels) and Times Square increased by 15% and 9%, respectively. Operating profit from the Mainland IP grew by 20%, benefiting mainly from the positive rental reversion achieved by Shanghai Wheelock Square and Chengdu Times Outlet.

DP's operating profit declined by 46% to HK$2,633 million (2012: HK$4,869 million). Mainland DP's contribution dropped by 28% to HK$2,565 million principally due to tighter operating margin, whereas Hong Kong DP's contribution dropped by 95% to HK$68 million due to a decrease in recognised sales.

Hotels operating profit from the three Marco Polo hotels in Harbour City rose by 1% to HK$393 million as benefitted from higher room rates achieved, though impacted by the renovation being undertaken for Gateway Hotel. Including the Mainland hotels, the operating profit decreased by 4% to HK$377 million (2012: HK$391 million) as adversely affected by the pre-operating expenses incurred for the Changzhou Marco Polo Hotel and the operating loss from the Marco Polo Wuhan Hotel.

Logistics' contribution dropped by 16% to HK$974 million (2012: HK$1,161 million) primarily due to an increase in operating costs more than benefitting from the increase in revenue recorded by Modern Terminals.

CME turned around from loss to a profit of HK$212 million (2012: loss of HK$22 million) as Wharf T&T's operating profit increased by 20% to HK$300 million while i-CABLE's operating loss reduced by 68% to HK$88 million.

Profit contribution from Investment and Others increased to HK$750 million (2012: HK$134 million) with an increase in interest and dividend income.

Fair Value Gain of Investment Properties

The book value of the Group's IP portfolio as at 31 December 2013 increased to HK$261.1 billion (2012: HK$231.5 billion), with HK$242.3 billion thereof stated at fair value based on an independent valuation as at that date, which produced a revaluation gain of HK$18,739 million (2012: HK$34,751 million), mainly reflecting the continuous rental growth of the IP portfolio. The attributable net revaluation gain of HK$17,174 million (2012: HK$33,336 million), after deducting related deferred tax and non-controlling interests, was credited to the consolidated income statement.

IP under development in the amount of HK$18,754 million is carried at cost and will not be carried at fair value until the earlier of their fair values first becoming reliably measurable or the dates of completion.

Other Net Income

Other net income decreased by 89% to HK$277 million (2012: HK$2,483 million) mainly due to the absence of the one-time book accounting gain of HK$2,233 million, representing the negative goodwill which arose from the acquisition of additional interests in Greentown as reported last year. Apart from this, for the year under review, Harbour Centre Development Limited ("HCDL") made an impairment provision of HK$543 million (2012: HK$ Nil) for its Changzhou Marco Polo Hotel which is expected to open into a challenging market environment in mid-2014.

Finance Costs

Finance costs charged to the consolidated income statement amounted HK$552 million (2012: HK$939 million), which had been reduced by an unrealised mark-to-market gain of HK$1,256 million (2012: HK$573 million) on the cross currency/interest rate swaps in accordance with the prevailing accounting standards. Net of non-controlling interests, the mark-to-market gain is HK$1,231 million (2012: HK$590 million).

Excluding the unrealised mark-to-market gain, finance costs before capitalisation were HK$2,555 million (2012: HK$2,108 million), representing an increase of HK$447 million mainly as a result of the increase in gross borrowings and rise in effective borrowing rates. The Group's effective borrowing rate for the year was 3.2% (2012: 2.8%).

Excluding the unrealised mark-to-market gain, finance costs after capitalisation of HK$747 million (2012: HK$596 million) in respect of the Group's related assets were HK$1,808 million (2012: HK$1,512 million), representing an increase of HK$296 million.

Share of Results (after tax) of Associates and Joint Ventures

The attributable profit after tax from associates increased by 50% to HK$2,207 million (2012: HK$1,473 million) mainly due to inclusion of Greentown's full-year attributable profit of HK$1,497 million (2012: HK$893 million for the period from June to December 2012), and an increase in profit contributions from the Mainland DP projects undertaken by other associates.

Joint ventures reported a profit of HK$509 million (2012: HK$641 million) with lower profit contributions recognised from the DP projects in the Mainland.

Income Tax

Taxation charge for the year was HK$4,328 million (2012: HK$4,215 million), which included deferred taxation of HK$1,459 million (2012: HK$1,087 million) provided for the current year's revaluation gain attributable to investment properties in the Mainland.

Excluding the above deferred tax, the tax charge decreased by 8% to HK$2,869 million (2012: HK$3,128 million) mainly due to a decrease in profit recognised by DP segment.

Non-controlling Interests

Group profit attributable to non-controlling interests decreased by HK$349 million to HK$752 million (2012: HK$1,101 million), reflecting the decrease in net profits of certain non-wholly-owned subsidiaries.

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders for the year ended 31 December 2013 amounted to HK$29,380 million (2012: HK$47,263 million), representing a decrease of 38%. Basic earnings per share were HK$9.70, based on weighted average of 3,030 million shares (2012: HK$15.60 based on 3,029 million shares).

Excluding the net IP revaluation gain of HK$17,174 million (2012: HK$33,336 million), Group profit attributable to shareholders for the year was HK$12,206 million (2012: HK$13,927 million), representing a decrease of 12%.

Excluding the net IP revaluation gain and exceptional items, which included the attributable net mark-to-market gains on certain financial instruments totalling HK$1,231 million (2012: HK$654 million), net impairment provision for properties in the Mainland totaling HK$323 million (2012: HK$Nil) and the book accounting gain arising from the acquisition of the interests in Greentown of HK$2,233 million as reported in last year, the Group's underlying core profit rose by 2% to HK$11,298 million (2012: HK$11,040 million). Core earnings per share were HK$3.73 (2012: HK$3.64).

(II) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL COMMITMENTS

Shareholders' and Total Equity

As at 31 December 2013, the Group's shareholders' equity increased by HK$27,056 million or 11% to HK$275,557 million, equivalent to HK$90.94 per share based on 3,030 million issued shares (31 December 2012: HK$82.04 per share based on 3,029 million issued shares).

The Group's total equity including the non-controlling interests increased by 11% to HK$284,255 million (31 December 2012: HK$256,906 million).

Assets

The Group's total assets increased by 12% to HK$415.1 billion (31 December 2012: HK$369.0 billion). Total business assets, excluding bank deposit and cash, certain available-for-sale investments, deferred tax assets and other derivative financial assets, increased by 13% to HK$387.7 billion (31 December 2012: HK$343.9 billion).

The Group's IP portfolio continued to grow in value and by new investment and reached HK$261.1 billion as at 31 December 2013, representing 67% of the Group's total business assets. Hong Kong IP increased by 9% to HK$210.5 billion (2012: HK$193.8 billion), comprising mainly Harbour City and Times Square, which are valued at HK$137.8 billion (excluding the three Marco Polo hotels) and HK$46.2 billion, respectively, together representing 70% of the IP portfolio. Mainland IP increased by 34% to HK$50.6 billion (2012: HK$37.7 billion), including those under development of HK$22.5 billion (2012: HK$21.4 billion).

The Group's DP (mainly in the Mainland) increased by 10% to HK$53.8 billion (2012: HK$48.9 billion). In addition, DP investments undertaken through associates and joint ventures amounted to HK$33.5 billion (2012: HK$30.9 billion). Other major business assets included other properties and fixed assets of HK$24.2 billion.

Geographically, the Group's business assets in the Mainland, mainly comprising properties and terminals, increased to HK$155.6 billion (31 December 2012: HK$133.0 billion), representing 40% (2012: 39%) of the Group's total business assets.

Debts and Gearing

The Group's net debt as at 31 December 2013 increased by HK$2.5 billion to HK$58.1 billion (31 December 2012: HK$55.6 billion), which was made up of HK$82.6 billion in debts and HK$24.5 billion in bank deposits and cash. Included in the Group's net debt were HK$11.4 billion (31 December 2012: HK$6.4 billion) attributable to Modern Terminals, HCDL and other subsidiaries, which are without recourse to the Company and its other subsidiaries. Excluding these non-recourse debts, the Group's net debt was HK$46.7 billion (31 December 2012: HK$49.2 billion). Analysis of the net debt is as below:

Net debt/(cash)	**31 December 2013** ***HK$ Million***	31 December 2012 *HK$ Million*
Wharf (excluding below subsidiaries)	**46,656**	49,201
Modern Terminals	**11,185**	11,193
HCDL	**413**	(4,581)
i-CABLE	**(182)**	(188)
	58,072	55,625

As at 31 December 2013, the ratio of net debt to total equity was 20.4% (31 December 2012: 21.7%).

Finance and Availability of Facilities

The Group's total available loan facilities and issued debt securities as at 31 December 2013 amounting to HK$103.0 billion, of which HK$82.6 billion was utilised, are analysed as below:

	31 December 2013		
	Available Facility *HK$ Billion*	Total Debts *HK$ Billion*	Undrawn Facility *HK$ Billion*
Company/wholly-owned subsidiaries			
Committed bank facilities	**50.4**	**33.0**	**17.4**
Debt securities	**31.7**	**31.7**	**–**
	82.1	**64.7**	**17.4**
Non-wholly-owned subsidiaries			
Committed and uncommitted			
— Modern Terminals	**13.4**	**11.7**	**1.7**
— HCDL	**7.1**	**6.2**	**0.9**
— i-CABLE	**0.4**	**–**	**0.4**
	103.0	**82.6**	**20.4**

Of the above debts, HK$18.2 billion (31 December 2012: HK$17.6 billion) was secured by a mortgage over certain fixed assets, IP, DP and shares with total carrying value of HK$44.0 billion (31 December 2012: HK$28.2 billion).

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

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

The Group continued to maintain a strong financial position with ample surplus cash denominated principally in RMB, HKD and USD and undrawn committed facilities to facilitate the Group's business and investment activities. In addition, the Group also maintained a portfolio of available-for-sale investments with an aggregate market value of HK$3.7 billion (31 December 2012: HK$3.9 billion), which is immediately available for liquidation for the Group's use.

Cash Flows for the Group's Operating and Investing Activities

For the year under review, the Group recorded net cash inflows before changes in working capital of HK$14.0 billion (2012: HK$15.1 billion). The changes in working capital resulted in a net cash inflow of HK$5.5 billion (2012: HK$1.9 billion). For investing activities, the Group recorded a net cash outflow of HK$12.0 billion (2012: HK$21.7 billion), mainly for additions to investment properties and other fixed assets, including land and construction costs for Chengdu IFS and the payment for the acquisition of the Murray Building in Hong Kong.

Major Capital and Development Expenditure and Commitments

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

A. *Major capital and development expenditure*

		Hong Kong *HK$ Million*	Mainland China *HK$ Million*	Total *HK$ Million*
Properties	IP	1,063	8,669	9,732
	DP	56	12,830	12,886
		1,119	21,499	22,618
Others	Hotels	4,631	237	4,868
	Modern Terminals	271	38	309
	Wharf T&T	381	2	383
	i-CABLE	150	–	150
		5,433	277	5,710
Group total		6,552	21,776	28,328

i. IP expenditure incurred during the year was mainly for the land and construction costs for Chengdu IFS.
ii. Hotels expenditure included HK$4.4 billion for the acquisition of the Murray Building in Hong Kong for hotel development purpose.
iii. The Group also incurred HK$12.9 billion for investment in DP mainly related to Mainland projects, including HK$2.7 billion cash contribution to associates and joint ventures.
iv. For Modern Terminals, the capital expenditure was mainly for the additions of other fixed assets and terminal equipment in the Mainland while those for Wharf T&T and i-CABLE were incurred substantially for procurement of production and broadcasting equipment, network rollout and internet service equipment. Modern Terminals and i-CABLE, respectively 67.6% and 73.8% owned by the Group, independently funded their own capital expenditure programmes.

B. *Commitments to capital and development expenditure*

As at 31 December 2013, the Group's major commitments to capital and development expenditures that are to be incurred in the forthcoming years was estimated at HK$78.5 billion, of which HK$28.6 billion was authorised and contracted for. By segment, the commitments are analysed as below:

		As at 31 December 2013		
		Authorised and contracted for *HK$ Million*	Authorised but not contracted for *HK$ Million*	Total *HK$ Million*
IP	Hong Kong	1,136	475	1,611
	Mainland China	8,581	11,318	19,899
		9,717	11,793	21,510
DP	Hong Kong	754	–	754
	Mainland China	17,304	35,043	52,347
		18,058	35,043	53,101
Others	Hotels	290	2,587	2,877
	Modern Terminals	366	69	435
	Wharf T&T	111	273	384
	i-CABLE	10	196	206
		777	3,125	3,902
Group total		28,552	49,961	78,513

Properties commitments are mainly for land and construction cost, inclusive of attributable commitments to associates and joint ventures, to be incurred by stages in the forthcoming years. Attributable committed land cost of HK$5.2 billion is payable in 2014.

The above commitments and planned expenditure will be funded by Group's internal financial resources including its surplus cash of HK$24.5 billion, cash flow from operation, as well as bank and other financings with the construction costs self-financed mainly by pre-sale proceeds and project loans. Other available resources include available-for-sale investments.

(III) HUMAN RESOURCES

The Group had approximately 15,700 employees as at 31 December 2013, including about 2,600 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective group's achievement and results.

(IV) BUSINESS MODEL

Select investment properties form the backbone of Wharf's business model. The total value they generate combine rental yield growth with annual capital appreciation. Their recurrent cash flow underpins a stable and rising dividend to shareholders. The conservatively leveraged equity cushion offers ample financial capacity to seize new investment opportunities in a timely and selective manner.

Including capital appreciation, the investment properties in operation offered a total return of HK$27 billion in 2013 on an asset base of HK$219 billion at the beginning of 2013. Harbour City and Times Square lead this prized portfolio of select investment properties and accounted for about 9% of total Hong Kong retail sales. With a combined GFA of over 10 million square feet and a market value of HK$192 billion, they generated HK$10.6 billion of revenue and HK$8.4 billion of operating profit in 2013.

New select investment properties under development are led by International Finance Square (IFS) in the very heart of Chengdu and Changsha. At a combined development cost of HK$40 billion, each of them will be as large as Harbour City and designed to be just as dominant in their respective markets. The first phase of Chengdu IFS including a retail mall and an office tower was completed in late 2013 and early 2014, respectively. Three other IFSs are also under development in Chongqing, Wuxi and Suzhou.

This prized portfolio of select investment properties has also provided the financial capacity to enable Wharf to build other businesses. At a total value of HK$261 billion, it represents one of the most valuable in the world that are publicly held.

From nearly a standing start in 2007, Wharf has built itself into one of the most active Hong Kong developers in the Mainland. Inclusive of associated company Greentown, its attributable land bank comprises 16.9 million square metres across more than 40 cities. Excluding Greentown, contracted sales in 2013 totalled RMB20.9 billion for 1.5 million square metres. Including the investment in Sino-Ocean Land, Wharf's total RMB portfolio relating to property investment in the Mainland totalled RMB112 billion or HK$142 billion.

In Hong Kong, the development land bank has a different scale and with a much higher AV per square foot comprises 3.2 million square feet. To selectively turn over this portfolio with timely acquisitions is the plan. The peak portfolio is a unique collection of properties which is being redeveloped over the next few years.

Outside of properties, other main business interests include hotel operation, container terminals and communications. All are recurrent earning based and many are land based.

(V) BUSINESS STRATEGY

The Group endeavours to continuously enhance its competitiveness and drive sustainable growth through:

1. Product leadership on new development projects to lead the local markets and on existing premises replanning & improvement, tenant-mix refinement and effective marketing to maximise operating investment properties' rental growth and value;

2. Replicating the success of Harbour City and Times Square, location advantage, and our special relationship with leading tenants, soft power advantage, to expand the portfolio of select investment properties selectively in the Mainland to create substantial new value;

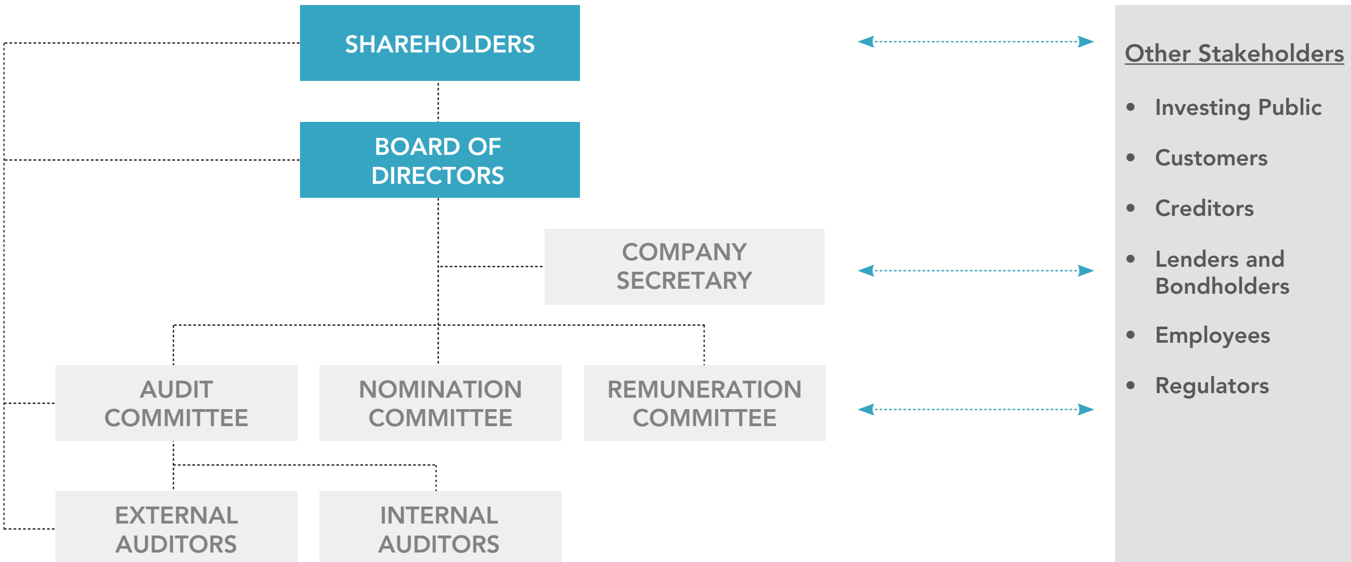
3. Applying core competencies in site selection and acquisition, development planning and design, construction, premium brand building and marketing to build up a young, fast growing and sustainable property development business in the Mainland to dovetail with the urbanisation programme locally;

4. Continuous development of sustainable and localised organisations in the different regions in the Mainland with local market know how and international standards and execution expertise; and

5. Exercising prudent and disciplined financial management to ensure sustainability at all times.

Corporate Governance Report

CORPORATE GOVERNANCE STRUCTURE



CORPORATE GOVERNANCE PRACTICES

During the financial year ended 31 December 2013, all the code provisions in the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") then in force, were met by the Company, with the exception of two deviations as set out under sections A.2.1 and F.1.3 respectively.

The application of the relevant principles and the reasons for the abovementioned deviations from the Code provisions are stated in the relevant sections below. Key corporate governance principles and corporate governance practices of the Company during the financial year are summarized below:

I. Code Provisions

Code Ref.	Code Provisions
A.	**DIRECTORS**
A.1	**The Board** *Corporate Governance Principle* *The board should assume responsibility for its leadership and control and is collectively responsible for promoting its success by directing and supervising its affairs. Directors should take decisions objectively in the best interests of the company.* *The board should regularly review the contribution required from a director to perform his responsibilities to the company, and whether he is spending sufficient time performing them.*
Compliance Status	**Corporate Governance Practices**
✓✓ Exceed Requirement	Four regular meetings of the board of directors of the Company (the "Board") were held during the financial year ended 31 December 2013, all of which were attended by the large majority of the directors of the Company (the "Directors") entitled to attend. Please refer to the table set out on page 92 for details of the attendance records of the Directors. The Directors may attend meetings in person, by phone or through other means of electronic communication in accordance with the Company's Articles of Association. All Directors are consulted as to whether they may want to include any matter in the agenda before the agenda for each regular Board meeting is issued.

One month formal notice would be given before each regular meeting and reasonable notices are given for all other ad hoc meetings.

The company secretary of the Company ("Company Secretary") prepares minutes and/or written resolutions and keeps records of matters discussed and decisions resolved at all Board and Board Committee meetings.

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

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

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

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

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

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

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by Directors' meeting rather than a written resolution. INEDs who, and whose associates, have no material interest in the transaction will be present at that Directors' meeting.

The Company has arranged appropriate insurance cover of Directors' and Officers' liability.

Code Ref.	Code Provisions
A.2	**Chairman and Chief Executive** *Corporate Governance Principle* *There are two key aspects of the management of every issuer — the management of the board and the day-to-day management of business. There should be a clear division of responsibilities to ensure a balance of power and authority, so that power is not concentrated in any one individual.*

Compliance Status	Corporate Governance Practices
✓ Comply with Requirement	The Chairman is responsible for the Board, focuses on Group strategies and Board issues, ensures a cohesive working relationship between members of the Board and management, and also in his capacity as *de facto* chief executive, he directly has responsibilities in certain major business units of the Group. The Executive Directors have full executive responsibilities in the business directions and operational efficiency of the business units under their respective responsibilities and are accountable to the Chairman. With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive accurate, clear, adequate and reliable information on a timely basis. The Chairman takes into account, where appropriate, any matters proposed by other Directors for inclusion in the agenda. The Chairman may delegate this responsibility to a designated director or the Company Secretary. The Chairman takes primary responsibility for ensuring that good corporate governance practices and procedures are established. The Chairman encourages all Directors to make a full and active contribution to the Board's affairs and takes the lead to ensure that it acts in the best interests of the Company. The Chairman encourages Directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that Board decisions fairly reflect Board consensus.

	The Chairman ensures that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the Board as a whole. The Chairman promotes a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors. The Chairman at least annually holds meetings with Non-executive Directors (including INEDs) without the executive directors present.
Code Ref.	Code Provisions
A.2.1	*The roles of chairman and chief executive should be separate and should not be performed by the same individual.*
Compliance Status	**Corporate Governance Practices**
X Not Comply with Requirement	Hon Peter K C Woo serves as the Chairman and also as the *de facto* chief executive of the Company. This is a deviation from the Code provision with respect to the roles of chairman and chief executive to be performed by different individuals. Such deviation is deemed appropriate as it is considered to be more efficient to have one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals, with more than half of them being INEDs.
Code Ref.	Code Provisions
A.3	**Board composition** *Corporate Governance Principle* *The board should have a balance of skills, experience and diversity of perspective appropriate for the requirements of the Company's business and should include a balanced composition of executive and non-executive directors so that independent judgement can effectively be exercised.*
Compliance Status	**Corporate Governance Practices**
✓✓ Exceed Requirement	The Board has a balance of skills and experience appropriate for the Company's business. Given below are names of the Directors in office during the year: *Chairman* Hon Peter K C Woo *Deputy Chairman & Managing Director* Mr Stephen T H Ng *Vice Chairman* Mr Andrew O K Chow *Executive Director* Ms Doreen Y F Lee *Executive Director* Mr T Y Ng *Executive Director & Group Chief Financial Officer* Mr Paul Y C Tsui *Director* Ms Y T Leng *(appointed effective from 11 April 2013)*

Independent Non-executive Directors
Mr Alexander S K Au
Professor Edward K Y Chen
Dr Raymond K F Ch'ien
Hon Vincent K Fang
Mr Hans Michael Jebsen
Prof the Hon Arthur K C Li *(resigned effective from 16 August 2013)*
Mr Wyman Li *(appointed effective from 2 September 2013)*
Mr James E Thompson
Mr David M Turnbull *(appointed effective from 18 November 2013)*

The Directors' biographical information is set out on pages 106 to 109.

The Board consists of a total of fifteen Directors, comprising eight INEDs.

The structure, size and composition of the Board are reviewed from time to time to ensure the Board has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company. The independence of the INEDs is assessed according to the relevant rules and requirements under the Listing Rules.

The composition of the Board, by category and position of Directors including the names of the Chairman, the Deputy Chairman and Managing Director, the Vice Chairman, the Executive Directors, the INEDs, is disclosed in all corporate communications.

The Company maintains on its corporate website and on the Stock Exchange's website an updated list of Directors identifying their roles and functions and whether they are INEDs.

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

Compliance Status	Corporate Governance Practices
✓ Comply with Requirement	All Directors, including the INEDs, are subject to retirement once every three years and are subject to re-election. The Board as a whole is responsible for the appointment of new Directors and Directors' nomination for re-election by shareholders at the general meeting of the Company. Under the Company's Articles of Association, the Board may from time to time appoint a Director either to fill a casual vacancy or as an addition to the Board. Any such new Director shall hold office until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and shall then be eligible for re-election at the same general meeting. Each of the INEDs makes an annual confirmation of independence pursuant to the requirements of the Listing Rules. The Company is of the view that all INEDs meet the independence guidelines set out in the relevant requirements of the Listing Rules and are independent in accordance with the terms of the guidelines. The re-election of each of those INEDs who has served on the Board for more than nine years is subject to (1) a separate resolution to be approved by Shareholders at the relevant Annual General Meeting; and (2) further information being given to Shareholders together with the notice of meeting regarding the reasons why the Board believes the relevant Director is still independent and should be re-elected.

Code Ref.	Code Provisions
A.5	**Nomination Committee**
Compliance Status	**Corporate Governance Practices**
✓ Comply with Requirement	In accordance with the Code, the Company set up a nomination committee (the "NC") with the majority of its members being INEDs. The NC comprises the Chairman of the Company, namely, Hon Peter K C Woo (as the chairman of the NC), and two INEDs, namely, Mr Hans Michael Jebsen and Mr James E Thompson. The terms of reference of the NC are aligned with the Code provisions set out in the Code. The NC is principally responsible for nominating candidates, for the Board's approval, to fill Board vacancies as and when they arise. Given below are the main duties of the NC: (a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (c) to assess the independence of INEDs; and (d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman of the Board and the chief executive. The roles and authorities of the NC were set out in its terms of reference which are available at the Company's corporate website at www.wharfholdings.com. During the year ended 31 December 2013, decisions to nominate the appointments of two INEDs, namely, Mr Wyman Li and Mr David M Turnbull, were taken by way of circulated resolutions and the NC had not conducted any meeting. For the nomination by the Board of Professor Edward K Y Chen and Dr Raymond K F Ch'ien to stand for re-election as INEDs at the Annual General Meeting in 2013, explanatory statements were included in the circular accompanying the relevant notice of meeting to set out the reasons why the Board consider them to be independent. The Board has adopted the Board Diversity Policy during the year. Under the Policy, the Company recognizes and embraces the benefits of having a diverse Board towards enhancement of its overall performance. With a vision to achieving a sustainable and balanced development, the Company regards increasing diversity at the Board level as an essential element of its strategic goals. Appointments of directors are made on merits having due regard for the benefits of diversity on the Board. At present, more than half of the directors on the Board are INEDs. They represent diverse career experience in both international and local enterprises. They bring with them diverse professional backgrounds, spanning property development and investment, media and communications, banking, logistics and transportation, health services, academician and entrepreneurship. They also hold or have held important public service positions in Hong Kong and China, covering business, industry and commerce, sports, educations, regulatory and politics. The Board composition reflects various cultural and educational backgrounds, professional development, length of service, knowledge of the Company and a broad range of individual attributes, interests and values. The Board considers the current Board composition has provided the Company with a good balance and diversity of skills and experience appropriate to the requirements of its business. The Board will continue to review its composition from time to time taking into consideration specific needs for the Group's business.

Code Ref.	Code Provisions
A.6	**Responsibilities of directors** *Corporate Governance Principle* *Every director must always know his/her responsibilities as a director of the company and its conduct, business activities and development.*
Compliance Status	**Corporate Governance Practices**
✓ Comply with Requirement	Newly appointed Directors receive briefings and orientation on their legal and other responsibilities as a Director and the role of the Board. The Company has also provided appropriate information in a timely manner to the Directors to enable them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company.

The Company's management has closely monitored changes to regulations that affect its corporate affairs and businesses, and changes to accounting standards, and adopted appropriate reporting format in its interim report, annual report and other related documents to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. Where these changes are pertinent to the Company or Directors' disclosure obligations, the Directors are either briefed during Board meetings or issued with regular updates and materials to keep them abreast of their responsibilities and of the conduct, business activities and development of the Group.

The Company has also arranged for Directors to attend training sessions and forums which place emphasis on the roles, functions and duties of a listed company director, as well as the development of regulatory updates and issues. Since January 2012, all Directors have been required to provide training records to the Company and the training records have been maintained by the Company Secretary.

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

Directors	Type of trainings *(See Remarks)*
Hon Peter K C Woo	C
Mr Stephen T H Ng	A, C
Mr Andrew O K Chow	A, C
Ms Doreen Y F Lee	A, C
Mr T Y Ng	A, C
Mr Paul Y C Tsui	A, C
Ms Y T Leng *(appointed effective from 11 April 2013)*	C
Mr Alexander S K Au	A, C
Professor Edward K Y Chen	A, C
Dr Raymond K F Ch'ien	A, B, C
Hon Vincent K Fang	A, C
Mr Hans Michael Jebsen	C
Mr Wyman Li *(appointed effective from 2 September 2013)*	A, C
Mr James E Thompson	C
Mr David M Turnbull *(appointed effective from 18 November 2013)*	A, C

Remarks:
A: attending seminars and/or conferences and/or forums
B: giving talks at seminars and/or conferences and/or forums
C: reading journals, updates, articles and/or materials, etc

The INEDs exercise their independent judgement and advise on the future business direction and strategic plans of the Company.

The INEDs review the financial information and operational performance of the Company on a regular basis.

The INEDs are invited to serve on the Board Committees of the Company.

Every Executive Director has hands-on knowledge and expertise in the areas and operation in which he/she is charged with. Appropriate attention to the affairs of the Company is measured in terms of time as well as the quality of such attention and the ability of the Directors to contribute with reference to his/her necessary knowledge and expertise.

The Company has established written guideline, no less exacting the Model Code under the Listing Rules, for all the staff regarding dealings in securities issued by the Group and its associated companies.

Each Director discloses to the Company at the time of his/her appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments with indication of relevant time commitment.

Individual attendance records of our Directors at Board meetings, Board Committees meetings and Annual General Meeting during the financial year ended 31 December 2013, are set out below:

	Numbers of Meetings (Attended/Eligible to attend)			
Name of Directors	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Annual general meeting
Hon Peter K C Woo	4/4	n/a	2/2	1/1
Mr Stephen T H Ng	4/4	n/a	n/a	1/1
Mr Andrew O K Chow	4/4	n/a	n/a	1/1
Ms Doreen Y F Lee	4/4	n/a	n/a	1/1
Mr T Y Ng	2/4	n/a	n/a	0/1
Mr Paul Y C Tsui	4/4	n/a	n/a	1/1
Ms Y T Leng *(appointed effective from 11 April 2013)*	3/3	n/a	n/a	0/1
Mr Alexander S K Au	4/4	5/5	n/a	1/1
Professor Edward K Y Chen	4/4	n/a	n/a	1/1
Dr Raymond K F Ch'ien	1/4	n/a	n/a	0/1
Hon Vincent K Fang	4/4	5/5	n/a	0/1
Mr Hans Michael Jebsen	4/4	4/5	2/2	1/1
Prof the Hon Arthur K C Li *(resigned effective from 16 August 2013)*	1/2	n/a	n/a	1/1
Mr Wyman Li *(appointed effective from 2 September 2013)*	1/1	n/a	n/a	n/a
Mr James E Thompson	3/4	4/5	2/2	1/1
Mr David M Turnbull *(appointed effective from 18 November 2013)*	1/1	n/a	n/a	n/a
Total No. of Meetings Held	4	5	2	1

A large majority of our INEDs attended the last Annual General Meeting of the Company held in June 2013, with absence of two INEDs, due to their other important engagements at the relevant time. Please refer to the table set out above for details of attendance records of all Directors at the last Annual General Meeting of the Company held in June 2013.

Code Ref.	Code Provisions
A.7	**Supply of and access to information** *Corporate Governance Principle* *Directors should be provided in a timely manner with appropriate information in the form and quality to enable them to make an informed decision and perform their duties and responsibilities.*
Compliance Status	**Corporate Governance Practices**
✓ Comply with Requirement	Board papers are circulated not less than three days before regular Board meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings. The Company Secretary and the Group Financial Controller attend all regular Board meetings to advise on corporate governance, statutory compliance, and accounting and financial matters, as appropriate. Communications between Directors on the one hand, and the Company Secretary, who acts as co-ordinator for the business units of the Group on the other, is a dynamic and interactive process to ensure that queries raised and clarification sought by the Directors are dealt with and that further supporting information is provided if appropriate.

Code Ref.	Code Provisions
B.	**REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION**
B.1	**The level and make-up of remuneration and disclosure** *Corporate Governance Principle* *The procedure for setting policy on executive directors' remuneration and all directors' remuneration packages should be formal and transparent.*
Compliance Status	**Corporate Governance Practices**
✓ Comply with Requirement	The Company set up a remuneration committee (the "RC") on 1 August 2001 with majority of the members being INEDs. The RC comprises the Chairman of the Board, Hon Peter K C Woo and two INEDs, namely, Mr James E Thompson (as the chairman of RC) and Mr Hans Michael Jebsen. The principal responsibilities of the RC include making recommendations to the Board on the Company's policy and structure for Directors and Senior Management remuneration, and reviewing the specific remuneration packages of all Executive Directors and Senior Management by reference to corporate goals and objectives resolved by the Board from time to time. The terms of reference of the RC are aligned with the Code provisions set out in the Code. Given below are the main duties of the RC: (a) to make recommendations to the Board on the Company's policy and structure for all Directors' and Senior Management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (b) to review and approve the management's remuneration proposals by reference to the Board's corporate goals and objectives; (c) either: (i) to determine, with delegated responsibility, the remuneration packages of individual executive Directors and Senior Management; or (ii) to make recommendations to the Board on the remuneration packages of individual executive Directors and Senior Management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(d) to make recommendations to the Board on the remuneration of non-executive Directors;

(e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(f) to review and approve compensation payable to Executive Directors and Senior Management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

(h) to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration; and

(i) to advise Shareholders on how to vote with respect to any service contracts of Directors that require Shareholders' approval under the Listing Rules.

The roles and authorities of the RC were set out in its terms of reference which are available at the Company's corporate website at www.wharfholdings.com.

There were two RC meetings held during the financial year ended 31 December 2013. Please refer to the table set out on page 92 for the details of attendance of the RC members.

The work performed by the RC, which has the delegated authority and responsibility, for the financial year ended 31 December 2013 is summarised below:

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

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

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

The RC has consulted the Chairman about proposals relating to the remuneration packages and other human resources issues of the Directors and Senior Management, including, without limitation, succession plan and key personnel movements as well as policies for recruiting and retaining qualified personnel.

The basis of determining the emoluments payable to its Directors and Senior Management by the Company is by reference to the level of emoluments normally paid by a listed company in Hong Kong to directors and senior executives of comparable calibre and job responsibilities so as to ensure a fair and competitive remuneration package as is fit and appropriate. The basis of determining the fee payable to the Chairman of the Company, currently at the rate of HK$200,000 per annum, the fee payable to each of the other Directors of the Company, currently at the rate of HK$100,000 per annum, and the fee payable to each of those Directors who are also Members of the Audit Committee of the Company, currently at the rate of HK$50,000 per annum, is by reference to the level of fees of similar nature normally paid by a listed company in Hong Kong to its directors. In respect of the remuneration payable to the Senior Management, please refer to Note 2(b) to the financial statements on page 130 for details.

To enable it to better advise on the Group's future remuneration policy and related strategies, the RC has been advised of the Group's existing remuneration policy and succession plan, such as guidelines on designing employees' remuneration packages and related market trends and information.

The Personnel Department provides administrative support and implements the approved remuneration packages and other human resources related decisions approved by the RC.

Code Ref.	Code Provisions
C.	**ACCOUNTABILITY AND AUDIT**
C.1	**Financial reporting** *Corporate Governance Principle* *The board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects.*
Compliance Status	**Corporate Governance Practices**
✓ Comply with Requirement	All Directors are provided with a review of the Group's major business activities and key financial information on a monthly basis. The Directors are responsible for overseeing the preparation of financial statements for the financial year ended 31 December 2013, which give a true and fair view of the affairs of the Company and of the Group and of the Group's results and cash flow for the year then ended and in compliance with the requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules. In preparing the financial statements for the financial year ended 31 December 2013: (i) appropriate accounting policies are selected, applied consistently and in accordance with the Hong Kong Financial Reporting Standards; (ii) appropriate and reasonable judgments and estimates are made; and (iii) the reasons for any significant departure from applicable accounting standards are stated, if applicable. The Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern as referred to in C.1.3 of the Code. The Directors are satisfied with the Group's performance on the basis that the Company generates or preserves value over the longer term (the business model) and delivers the Company's objectives as referred to in C.1.4 of the Code. With the assistance of the Company's Accounts Department which is under the supervision of the Group Financial Controller who is a professional accountant, the Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the publication of the financial statements of the Group is in a timely manner. The statement by the external auditors of the Company regarding its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 117. The Board aims to present a clear, balanced and understandable assessment of the Group's performance and position in all shareholder communications. The Board is aware of the requirements under the applicable rules and regulations about timely disclosure of price-sensitive information or matters regarding the Company and will authorise the publication of such announcements as and when the occasion arises. The Company Secretary works closely and in consultation with legal advisers to review the materiality and sensitivity of transactions and proposed transactions and advise the Board accordingly.

Code Ref.	Code Provisions
C.2	**Internal controls** *Corporate Governance Principle* *The board should ensure that the company maintains sound and effective internal controls to safeguard shareholders' investment and the company's assets.*
Compliance Status	**Corporate Governance Practices**
✓ Comply with Requirement	The Directors are ultimately responsible for the internal control system of the Group and, through the AC, have reviewed the effectiveness of the system including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting functions, and their training programmes and budget. The internal control system comprises a well-defined organisational structure with specified limits of authority in place. Areas of responsibility of each business and operational units are also clearly defined to ensure effective checks and balances. Procedures have been designed for safeguarding assets against unauthorised use or disposition, maintenance of proper accounting records, assurance of the reliability of financial information for internal use or publication and compliance with relevant legislation and regulations. Such procedures are designed to manage risks of failure in operational systems and can provide reasonable assurance against material errors, losses or fraud. The internal audit function monitors compliance with policies and standards and the effectiveness of internal control structures across the whole Group. Findings regarding internal control matters are reported to the AC. The external auditors have access to the full set of internal audit reports. A review of the effectiveness of the Group's internal control system and procedures covering all controls, including financial, operational and compliance and risk management, and the adequacy of, *inter alia*, resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function was conducted by the AC and subsequently reported to the Board during the financial year ended 31 December 2013. Based on the result of the review, in respect of the financial year ended 31 December 2013, the Directors considered that the internal control system and procedures of the Group were effective and adequate.

Code Ref.	Code Provisions
C.3	**Audit Committee** *Corporate Governance Principle* *The board should establish formal and transparent arrangements to consider how it will apply financial reporting and internal control principles and maintain an appropriate relationship with the auditors.*
Compliance Status	**Corporate Governance Practices**
✓✓ Exceed Requirement	Minutes drafted by the Company Secretary are circulated to members of the AC within a reasonable time after each meeting. The Company set up an audit committee (the "AC") on 1 January 1999 with all members being INEDs, namely, Mr Vincent K Fang (as its chairman), Mr Alexander S K Au, Mr Han Michael Jebsen and Mr James E Thompson. No member of the AC is a former partner of the existing auditing firm of the Company during the one year after he/she ceases to be a partner of the auditing firm. All Members have sufficient experience in reviewing audited financial statements as aided by the auditors of the Group whenever required. The terms of reference (as revised in February 2012) of the AC are aligned with provisions set out in the Code and the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants. Given below are the main duties of AC: (I) *Relationship with the Company's auditors* (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of their resignation or dismissal;

(b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The AC should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences; and

(c) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The AC should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

(II) Review of the Company's financial information

(a) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the AC should focus particularly on:

(i) any changes in accounting policies and practices;

(ii) major judgmental areas;

(iii) significant adjustments resulting from audit;

(iv) the going concern assumptions and any qualifications;

(v) compliance with accounting standards; and

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

(b) regarding (II) (a) above:

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

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

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

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

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

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

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

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

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

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

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

(i) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The AC should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

(j) to act as the key representative body for overseeing the Company's relations with the external auditors; and

(k) to consider other topics, as defined by the Board.

(IV) Oversight of the Company's Corporate Governance Matters

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of Directors and Senior Management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to consider other topics, as defined by the Board.

The roles and authorities of the AC, including those set out in the code provision of C.3.3 of the Code, were set out in its terms of reference which are available at the Company's corporate website at www.wharfholdings.com.

There were five AC meetings held during the financial year ended 31 December 2013. Please refer to the table set out on page 92 for the details of attendance of the AC members.

The work performed by the AC for the financial year ended 31 December 2013 is summarised below:

(a) review of the annual audit plan of the external auditors before the audit commences, and discussion with them about the nature and scope of the audit;

(b) approval of the remuneration and terms of engagement of the external auditors;

(c) review of the external auditors' independence and objectivity and the effectiveness of audit process in accordance with applicable standards;

(d) review of the half-year and annual financial statements before submission to the Board, with particular consideration of the points mentioned C.3(II)(a) above regarding the duties of the AC;

(e) review of the audit programme of the internal audit function;

(f) review of the Group's financial controls, internal control and risk management systems;

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

(h) review of the whistle-blowing cases and relevant investigation results;

(i) review of the corporate governance matters and the relevant reports of the Group; and

(j) review of and monitoring of the Group's compliance with legal and regulatory requirements.

The AC recommended to the Board that, subject to shareholders' approval at the forthcoming annual general meeting, KPMG be re-appointed as the Company's external auditor for 2014.

For the financial year ended 31 December 2013, the external auditors of the Company received approximately HK$23 million for audit services and HK$2 million for tax and other services.

	The Company Secretary can arrange independent professional advice at the expense of the Company should the seeking of such advice be considered necessary by the AC. Since March 2012, the Group has adopted and established a Whistleblowing Policy & Procedures. The Company's AC has the delegated authority and responsibility, for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Company Secretary, and any and all relevant complaints received may then be referred to the AC and/or the Managing Director and/or Group Financial Officer about possible improprieties in any matter related to the Company.
Code Ref.	Code Provisions
D.	**DELEGATION BY THE BOARD**
D.1	**Management functions** *Corporate Governance Principle* *The company should have a formal schedule of matters specifically reserved for board approval and those delegated to management.*
Compliance Status	**Corporate Governance Practices**
✓ Comply with Requirement	There is a clear division of responsibilities between the Board and the management. Decisions on important matters are specifically reserved to the Board while decisions on the Group's general operations are delegated to the management. Important matters include those affecting the Group's strategic policies, major investment and funding decisions and major commitments relating to the Group's operations.
Code Ref.	Code Provisions
D.2	**Board Committees** *Corporate Governance Principle* *Board committees should be formed with specific written terms of reference which deal clearly with their authority and duties.*
Compliance Status	**Corporate Governance Practices**
✓ Comply with Requirement	Three Board Committees, namely, Audit Committee, Remuneration Committee and Nomination Committee have been established with specific terms of reference as mentioned in C.3, B.1 and A.5 of above. Board Committees report to the Board of their decisions and recommendations at the Board meetings.
Code Ref.	Code Provisions
D.3	**Corporate Governance Functions**
Compliance Status	**Corporate Governance Practices**
✓ Comply with Requirement	While the Board is and remains to be principally responsible for the corporate governance functions of the Company, it has delegated the relevant duties to the AC to ensure the proper performance of corporate governance functions of the Company. In this connection, the terms of reference of the AC includes various duties relating to corporate governance matters which are set out in paragraph "*(IV) Oversight of the Company's Corporate Governance Matters*" on page 98.

Code Ref.	Code Provisions
E.	**COMMUNICATION WITH SHAREHOLDERS**
E.1	**Effective communication** *Corporate Governance Principle* *The board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with them and encourage their participation.*
Compliance Status	**Corporate Governance Practices**
✓ Comply with Requirement	The Company encourages its Shareholders to attend Annual General Meetings to ensure a high level of accountability and to stay informed of the Group's strategy and goals. The Company's notice to Shareholders for the 2013 Annual General Meeting ("2013 AGM") of the Company was sent at least 20 clear business days before the meeting. Separate resolutions are proposed at the general meetings of the Company on each substantially separate issue, including the election of individual Directors. The Chairman of the Board, chairmen of the respective board committees and external auditors attend the Annual General Meetings to answer Shareholders' questions. The 2013 AGM of the Company was held on 6 June 2013 in the Centenary Room, Ground Floor, The Marco Polo Hongkong Hotel, 3 Canton Road, Kowloon, Hong Kong. The Directors, including the Chairman of the Board, the Chairmen of the Board Committees attended the 2013 AGM, with exception that Hon Vincent K Fang being the chairman of the AC was absent due to other important engagement but was represented by other three AC members during the meeting. Please refer to the table set out on page 92 for the details of attendance of the Directors in the 2013 AGM. The external auditors of the Company, Messrs KPMG, attended the 2013 AGM, during which its representative read out the report of the auditors and was available to answer questions raised by the shareholders. The Company recognises the fundamental importance of transparency and accountability. Management believes that Shareholders' value can best be enhanced by articulating the corporate strategies, business strengths and weaknesses, growth opportunities and threats, and future prospects through a continuous and active dialogue with the investment community, the media and the public. To achieve this, the Company is committed to providing Shareholders and the general public access to key information that is reasonably required to make an investment decision on a fair and timely basis. The Company is aware of its statutory obligations in relation to the disclosure of inside information which is likely to have a material price effect and has established procedures to ensure that all communications with the public, including the investment community and the media, are fair; and that material non-public information is not disseminated on a selective basis. The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities. Annual and interim reports are published/printed and printed copies of such reports or notifications of publication thereof on the Company's website are sent to all Shareholders. Press releases are posted and available for download at the Company's corporate website www.wharfholdings.com. In addition, the Company makes full use of the Internet to make information broadly available to Shareholders. The Company's website provides email address, postal address, fax number and telephone number by which enquiries may be put to the Company's Board. Constantly being updated in a timely manner, the website also contains a wide range of additional information on the Group's business activities. As a standard part of the investor relations programme to maintain a constant dialogue on the Group's performance and objectives, senior executives hold regular briefings and attend conferences with institutional investors and financial analysts. The Shareholders Communication Policy was established and approved by the AC and the Board of the Company, such policy is reviewed by the Board on a regular basis to ensure its effectiveness.

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

Code Ref.	Code Provisions
F	**Company Secretary** *Corporate Governance Principle* *The company secretary plays an important role in supporting the board by ensuring good information flow within the board and that board policy and procedures are followed. The company secretary is responsible for advising the board through the chairman and/or the chief executive on governance matters and should also facilitate induction and professional development of directors.*
Compliance Status	**Corporate Governance Practices**
✓ Comply with Requirement	The Company Secretary is an experienced employee of the Company and has day-to-day knowledge of the Company's affairs. All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures, and all applicable law, rules and regulations, are followed. The Company Secretary has also played the role of coordinator to arrange for Directors' participation in the training sessions organised by the Company's auditors.

Code Ref.	Code Provisions
F.1.3	The company secretary should report to the board chairman and/or the chief executive.
Compliance Status	**Corporate Governance Practices**
X Not Comply with Requirement	The Company Secretary of the Company has for some years directly reported to, and continues to report to, the Deputy Chairman of the Company, which is considered appropriate and reasonable given the size of the Group. In the view of the Directors, this reporting arrangement would in no way adversely affect the efficient discharge by the Company Secretary of his job duties.

MODEL CODE FOR DIRECTORS' DEALING IN SECURITIES

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors and all the Directors have complied with the required standard set out in the Model Code and the code of conduct adopted by the Company regarding directors' securities transactions during the financial year ended 31 December 2013.

SHAREHOLDERS' RIGHTS

I. Convene an Extraordinary General Meeting

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

II. Send Enquiries to the Board

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

III. Make Proposals at General Meetings

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

(ii) The procedures for proposing resolution(s) to be moved at the Company's annual general meeting(s) are as follows:

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

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

The relevant written requisition must–

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

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

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

Any written requisitions from Shareholders to the Company pursuant to Sections 566 and 615 of the CO must be deposited at the Company's registered office (16th Floor, Ocean Centre, Harbour City, Canton Road, Kowloon, Hong Kong).

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

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

However, in accordance with the CO which came into effect on 3 March 2014, the Company's memorandum of association is technically regarded to have ceased to be in existence and all provisions thereof are deemed to form part of the Company's articles of association by operation of laws. A special resolution for the adoption of a revised set of articles of association ("New Articles") in line with the CO is proposed for consideration and, if thought fit, approval by the Shareholders at the forthcoming Annual General Meeting to be held on 9 June 2014. Please refer to the Company's circular to shareholders dated 29 April 2014 for details of those major changes to be effected by the proposed adoption of the New Articles.

Report of the Directors

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 180 to 183.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the financial year ended 31 December 2013 are set out in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income on pages 118 to 119.

Appropriations of profits and movements in reserves during the financial year are set out in the Consolidated Statement of Changes in Equity on page 122 and Note 28 to the Financial Statements on page 162.

DIVIDENDS

A first interim dividend of 50 cents per share was paid on 30 September 2013. The Board has declared a second interim dividend of 120 cents per share, payable on Monday, 9 June 2014 to Shareholders on record as at 3 June 2014. This second interim dividend is to be paid in lieu of a final dividend in respect of the financial year ended 31 December 2013.

FIXED ASSETS

Movements in fixed assets during the financial year are set out in Notes 9 and 10 to the Financial Statements on pages 136 to 140.

DONATIONS

The Group made donations during the financial year totalling HK$33 million.

SHARE CAPITAL

During the financial year, 880,000 ordinary shares were issued at the subscription price of HK$55.15 per share for a total cash consideration of HK$48,532,000 on the exercise of options previously granted under the Company's Share Option Scheme (the "Scheme").

Details of movements in share capital of the Company during the financial year are set out in Note 27 to the Financial Statements on page 161.

DIRECTORS

The Directors of the Company during the financial year were Hon P K C Woo, Mr S T H Ng, Mr A O K Chow, Ms D Y F Lee, Mr T Y Ng, Mr P Y C Tsui, Ms Y T Leng (appointed effective from 11 April 2013), Mr A S K Au, Professor E K Y Chen, Dr R K F Ch'ien, Hon V K Fang, Mr H M Jebsen, Prof the Hon A K C Li (resigned effective from 16 August 2013), Mr W Li (appointed effective from 2 September 2013), Mr J E Thompson and Mr D M Turnbull (appointed effective from 18 November 2013).

Mr W Li and Mr D M Turnbull, appointed as Directors of the Company after the last Annual General Meeting, are due to retire from the Board at the forthcoming Annual General Meeting in accordance with Article 94 of the Company's Articles of Association. Messrs V K Fang, H M Jebsen and J E Thompson will also retire by rotation from the Board in accordance with Article 103A. Mr J E Thompson has decided not to stand for re-election. The other retiring Directors, being eligible, offer themselves for re-election. None of the retiring Directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

INTERESTS IN CONTRACTS

No contract of significance in relation to the Company's business to which the Company, its subsidiaries or its ultimate holding company or any subsidiary of that ultimate holding company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during that financial year.

MANAGEMENT CONTRACTS

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

Under the respective rules of the two schemes, shares of the Company or Wheelock would be issued at such prices as being not less than the highest of (a) the indicative price as specified in the written offer; (b) the closing price on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant of the options; (c) the average closing price on the Stock Exchange for the five trading days immediately preceding the date of grant; and (d) the nominal value of a share; and the relevant options would be exercisable during such periods, not being beyond the expiration of 10 years from the date of grant of relevant options, as determined by the board of directors of the Company or Wheelock.

During the financial year, a total of 780,000 shares of the Company were allotted and issued to Ms D Y F Lee, Mr T Y Ng and Mr P Y C Tsui (all being Executive Directors of the Company) on their exercises of options under the Company's Scheme, while no share of Wheelock was allotted and issued to any Director of the Company under Wheelock's share option scheme.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

AUDITORS

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

By Order of the Board
Kevin C Y Hui
Company Secretary

Hong Kong, 27 March 2014

SUPPLEMENTARY CORPORATE INFORMATION

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

(i) Directors

Hon Peter Kwong Ching Woo, *GBM, GBS, JP, Chairman* (Age: 67)
Mr Woo has been Chairman of the Company since 2002. He was first appointed to the Board of the Company in 1978 and served his first term as Chairman from 1986 to 1994. He also serves as a member and the chairman of the Company's Nomination Committee and as a member of the Company's Remuneration Committee. He is also a Senior Director (and was Chairman until 2014) of the Company's ultimate holding company, namely, Wheelock and Company Limited ("Wheelock"), also listed in Hong Kong. He had begun his career with Chase Manhattan Bank in New York in 1972 and joined World-Wide Shipping Group in Hong Kong in 1975.

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

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

In Hong Kong, he was awarded the Grand Bauhinia Medal in June 2012 and the Gold Bauhinia Star in 1998 by the Hong Kong SAR Government and appointed a Justice of the Peace in 1993. He has been a non-official member of the Commission on Strategic Development since June 2007. Previously, he served as chairman of Hospital Authority from 1995 to 2000, council chairman of Hong Kong Polytechnic University from 1993 to 1997 and chairman of Hong Kong Trade Development Council from 2000 to 2007. He was chairman of the Hong Kong Environment and Conservation Fund Committee set up in 1994 which he co-funded with the Government.

Internationally, he served as a deputy chairman in 1991 to Prince of Wales Business Leaders Forum, and as a member of the International Advisory Council of JPMorgan Chase & Co., National Westminster Bank, Banca Nazionale del Lavoro, Elf Aquitaine and General Electric.

Mr Woo received an MBA from Columbia University in New York, U.S.A. in 1972. He has also received Honorary Doctorates from various universities in Australia, Hong Kong and the United States.

Under the existing service contract between the Group and Mr Woo, his basic salary and various allowances for the year 2014, exclusive of the amounts which would be borne by Wheelock and/or its wholly-owned subsidiaries and calculated on an annualised basis, would be approximately HK$13.9 million per annum (2013: HK$13.22 million).

Mr Stephen Tin Hoi Ng, *Deputy Chairman & Managing Director* (Age: 61)
Mr Ng joined the Company in 1981. He has been Managing Director of the Company since 1989 and became Deputy Chairman in 1994. He is deputy chairman of Wheelock and chairman of Wheelock Properties (Singapore) Limited ("WPSL"), a fellow subsidiary of the Company publicly-listed in Singapore. He is also chairman and chief executive officer of i-CABLE Communications Limited ("i-CABLE") and chairman of Harbour Centre Development Limited ("HCDL"), both being publicly-listed subsidiaries of the Company. Furthermore, Mr Ng is chairman of Modern Terminals Limited ("Modern Terminals") (a subsidiary of the Company), chairman and chief executive officer of Wharf T&T Limited (a wholly-owned subsidiary of the Company), and a director of certain other subsidiaries of the Company. Mr Ng is also chairman of Joyce Boutique Holdings Limited ("Joyce") and a non-executive director of Greentown China Holdings Limited ("Greentown") (an associated company of the Company), both being publicly-listed companies in Hong Kong. Mr Ng attended Ripon College in Ripon, Wisconsin, U.S.A. and the University of Bonn, Germany, from 1971 to 1975, and graduated with a major in mathematics. He is a vice chairman of Hong Kong General Chamber of Commerce and a council member of Employers' Federation of Hong Kong. Under the existing service contract between the Group and Mr Ng, his basic salary and various allowances for the year 2014, calculated on an annualised basis, would be approximately HK$6.33 million per annum (2013: HK$6.03 million).

Mr Andrew On Kiu Chow, *Vice Chairman* (Age: 63)
Mr Chow has been Vice Chairman of the Company since July 2011. He is also the chairman of Wharf China Development Limited ("WCDL") (a wholly-owned subsidiary of the Company), and a director of certain other subsidiaries of the Company. Mr Chow joined the Group in 2006. He has extensive experience in the banking, finance, trading, investment as well as property sectors in Mainland China. He is responsible for overseeing all of the Group's property development and related businesses in Mainland China.

Mr Chow is also an independent non-executive director ("INED") of Hong Kong Economic Times Holdings Limited, a company publicly-listed in Hong Kong. He formerly held senior executive positions in Tian An China Investment Limited and Next Media Limited before he joined the Group. Mr Chow is a graduate of The University of Hong Kong where he obtained his bachelor's degree in Social Science. Under the existing service contract between the Group and Mr Chow, his basic salary and various allowances for the year 2014, calculated on an annualised basis, would be approximately HK$5.06 million per annum (2013: HK$5.06 million).

Ms Doreen Yuk Fong Lee, *Executive Director* (Age: 57)
Ms Lee joined the Company in 1984. She has been a Director of the Company since 2003 and became an Executive Director in March 2007. She is the senior managing director of Harbour City Estates Limited ("HCEL"), Plaza Hollywood Limited ("PHL") and Times Square Limited ("TSL"), the vice chairman and senior managing director of Wharf China Estates Limited ("WCEL") and Wharf Estates Limited ("WEL") (all these five companies being wholly-owned subsidiaries of the Company), as well as a director of certain other subsidiaries of the Company. She was formerly a director of HCDL from 1 July 2010 to 1 July 2012. Ms Lee is responsible for overseeing the investment properties of the Group in Hong Kong and the Mainland China, namely, Harbour City and Times Square in Hong Kong, the Group's Times Square in Shanghai, Chongqing, Wuhan and Dalian respectively, and also the Group's International Finance Square developments in Chengdu, Chongqing and Changsha respectively. Ms Lee is also a director of Joyce. She is a graduate of The University of Hong Kong where she obtained her bachelor's degree in Arts (Hon). Under the existing service contract between the Group and Ms Lee, her basic salary and various allowances for the year 2014, calculated on an annualised basis, would be approximately HK$4.82 million per annum (2013: HK$4.58 million).

Mr Tze Yuen Ng, *Executive Director* (Age: 66)
Mr Ng, *ACPA, ACMA*, joined the Company in 1985 and has been a Director of the Company since 1998. He was re-designated as an Executive Director in June 2009. He is also the vice chairman and senior managing director of WCDL and the vice chairman of WCEL, both being wholly-owned subsidiaries of the Company, and a director of certain other subsidiaries of the Company. Furthermore, Mr Ng was formerly a director of HCDL until he resigned with effect from 11 April 2013 and of WPL from 1999 to 2010. Under the existing service contract between the Group and Mr Ng, his basic salary and various allowances for the year 2014, exclusive of the amounts which would be borne by Wheelock and/or its wholly-owned subsidiary(ies) and calculated on an annualised basis, would be approximately HK$4.82 million per annum (2013: HK$4.4 million).

Mr Paul Yiu Cheung Tsui, *Executive Director and Group Chief Financial Officer* (Age: 67)
Mr Tsui, *FCCA, FCPA, FCMA, FCIS, CGA-Canada*, is an Executive Director & Group Chief Financial Officer of both Wheelock and the Company. He joined Wheelock/Wharf group in 1996 and became Wheelock's director in 1998. He is also a director of HCDL and i-CABLE, the vice chairman and finance director of both WCDL and WCEL, and a director of certain other subsidiaries of the Company. Furthermore, Mr Tsui is a director of WPSL and the vice chairman of WPL. He is also a director of Joyce and a non-executive director of Greentown. Under the existing service contract between the Group and Mr Tsui, his basic salary and various allowances for the year 2014, exclusive of the amounts which would be borne by Wheelock and/or its wholly-owned subsidiary(ies) and calculated on an annualised basis, would be approximately HK$3.38 million per annum (2013: HK$2.9 million).

Ms Yen Thean Leng, *Director* (Age: 42)
Ms Leng, *BSc(Hons), MRICS, MHKIS, RPS*, has been a Director of the Company since 11 April 2013. She joined the Group in 2004. She is an executive director of HCEL, PHL, TSL and WEL. She was formerly a director of HCDL from 1 July 2012 to 10 April 2013. Ms Leng has extensive experience in the real estate industry and is responsible, *inter alia*, for managing the Group's core investment properties in Hong Kong, namely, Harbour City, Times Square and Plaza Hollywood. Ms Leng is a chartered surveyor and holds a Bachelor Degree in Land Management with first class honors. Under the existing service contract between the Group and Ms Leng, her basic salary and various allowances for the year 2014, calculated on an annualised basis, would be approximately HK$3.52 million per annum (2013: HK$3.28 million).

Mr Alexander Siu Kee Au, *OBE, Director* (Age: 67)
Mr Au, *ACA, FCCA, FCPA, AAIA, FCIB, FHKIB*, has been an INED of the Company since 22 October 2012. He also serves as a member of the Company's Audit Committee. A banker by profession, he was the chief executive officer of Hang Seng Bank Limited from October 1993 to March 1998 and of Oversea-Chinese Banking Corporation Limited in Singapore from September 1998 to April 2002. Currently, Mr Au is the chairman and non-executive director of Henderson Sunlight Asset Management Limited, being the manager of the publicly-listed Sunlight Real Estate Investment Trust. He is an INED of publicly-listed Henderson Land Development Company Limited, and also a non-executive director of two other companies publicly-listed in Hong Kong, namely, Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited. Mr Au was formerly an INED of Wheelock during the period from 5 September 2002 to 21 October 2012. An accountant by training, Mr Au is a Chartered Accountant as well as a fellow of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Professor Edward Kwan Yiu Chen, *GBS, CBE, JP, Director* (Age: 69)
Professor Chen has been an INED of the Company since 2002. He was the president of Lingnan University in Hong Kong from September 1995 to August 2007. He is an honorary professor of the Open University of Hong Kong and a distinguished fellow of the Centre of Asian Studies at The University of Hong Kong. He was a member of the Legislative Council of Hong Kong from 1991 to 1992, and a member of the Executive Council of Hong Kong from 1992 to 1997. He is a director of a publicly-listed company in Hong Kong, namely, First Pacific Company Limited. He was formerly a director of publicly-listed Asia Satellite Telecommunications Holdings Limited.

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

Dr Raymond Kuo Fung Ch'ien, *GBS, CBE, JP, Director* (Age: 62)
Dr Ch'ien has been an INED of the Company since 2002. He is the chairman of MTR Corporation Limited and Hang Seng Bank Limited as well as an INED of China Resources Power Holdings Company Limited, all being companies publicly-listed in Hong Kong. He is also a non-executive director of UGL Limited, which is publicly-listed in Australia. Dr Ch'ien also serves on the boards of The Hongkong and Shanghai Banking Corporation Limited; and Swiss Re Ltd which is listed in Switzerland. Dr Ch'ien was formerly the chairman and a director of Sino Splendid Holdings Limited (formerly known as China.com Inc.) (listed on Growth Enterprise Market) and a former INED of Convenience Retail Asia Limited until he resigned with effect from 1 April 2014.

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

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

Hon Vincent Kang Fang, *SBS, JP, Director* (Age: 70)
Mr Fang has been an INED of the Company since 1993. He also serves as a member and chairman of the Company's Audit Committee. He is the chief executive officer of Toppy Company (Hong Kong) Limited and managing director of Fantastic Garments Limited.

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

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

Mr Hans Michael Jebsen, *BBS, Director* (Age: 57)
Mr Jebsen has been an INED of the Company since 2001. He also serves as a member of the Company's Audit Committee, Nomination Committee and Remuneration Committee. He is the chairman of Jebsen and Company Limited and also a non-executive director of publicly-listed Hysan Development Company Limited. He currently holds a number of public offices, namely, a trustee of World Wide Fund for Nature Hong Kong, the vice chairman and a board member of the Asian Cultural Council Board of Trustees, affiliate of the Rockefeller Brothers Fund, New York; a member of the Advisory Council of the School of Business and Management and a member of the Institutional Advancement and Outreach Committee of the Hong Kong University of Science & Technology, Hong Kong European Union Business Co-operation Committee of the Hong Kong Trade Development Council, Advisory Council as well as Board of Trustees of Asia Society Hong Kong Center and Advisory Board of the Hong Kong Red Cross.

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

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

Mr Wyman Li, *Director* (Age: 69)
Mr Li has been an INED of the Company since 2 September 2013. He is currently a member of the board of directors and the Manager (Administration) of Hong Kong Sanatorium & Hospital, Limited. He is also the President of Hong Kong Gun Club, the Chairman of Clearwater Bay Golf & Country Club and the Chairman of Hong Kong Shooting Association. He formerly served as a member of corruption prevention advisory committee of the Independent Commission Against Corruption. Mr Li is a graduate of Pepperdine University where he obtained his master's degree in Business Administration.

Mr James Edward Thompson, *GBS, Director* (Age: 74)
Mr Thompson has been an INED of the Company since 2001. He also serves as a member and the chairman of the Company's Remuneration Committee as well as a member of the Company's Audit Committee and Nomination Committee. He established his company, Crown Worldwide, in Japan in 1965. He is a member of the American Chamber of Commerce in Hong Kong and was appointed as its chairman in 2003. He also serves on Hong Kong-United States Business Council and Hong Kong-EU Business Co-operation Committee. Mr Thompson has lived in Hong Kong for over 35 years and has served on the Trade Development Council, the ICAC Advisory Committee as well as other government and charitable committees. He was awarded the Gold Bauhinia Star by the Hong Kong SAR Government in 2003.

Mr David Muir Turnbull, *Director* (Age: 59)
Mr Turnbull has been an INED of the Company since 18 November 2013. Mr Turnbull graduated from Cambridge University in 1976 with a Bachelor of Arts degree in Economics and subsequently earned a Master of Arts degree. He joined the Swire Group upon graduation and held various senior management positions with international responsibilities covering aviation, shipping and property during his 30 years' service thereof. He was appointed as a director of Cathay Pacific Airways Limited in 1994 and took up the positions of deputy managing director in 1994, managing director in 1996 and deputy chairman and chief executive in 1998 before his appointment as the chairman in 2005. He is also the former chairman of Swire Pacific Limited from January 2005 to January 2006, and of Hong Kong Aircraft Engineering Company Limited from March 1995 to August 2006.

Mr Turnbull is currently the executive chairman of Pacific Basin Shipping Limited and an INED of Sands China Ltd., both being companies publicly-listed in Hong Kong. Mr Turnbull also serves as non-executive director of Green Dragon Gas Limited and Greka Drilling Limited, both being companies publicly-listed on Alternative Investment Market, a sub-market of the London Stock Exchange.

Notes:

(1) *Wheelock (of which Hon P K C Woo, Mr S T H Ng and Mr P Y C Tsui are directors) has interests in the share capital of the Company discloseable to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO").*

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

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

(ii) *Senior Management*

Various businesses of the Group are respectively under the direct responsibility of the first seven Directors named under (A) (i) above, led by the Chairman. Only those seven Directors are regarded as members of the Group's senior management.

(B) Directors' Interests in Securities

(i) *Interests in Shares*

At 31 December 2013, Directors of the Company had the following beneficial interests, all being long positions, in the shares of the Company, Wheelock (the Company's parent company), two subsidiaries of the Company (namely, i-CABLE and Modern Terminals) and an associated corporation of the Company (namely, Greentown). The percentages which the relevant securities represented to the issued share capitals of the five companies respectively are also set out below:

	No. of Ordinary Shares (percentage of issued capital)	Nature of Interest
The Company		
Alexander S K Au	100,000 (0.0033%)	Personal Interest
Vincent K Fang	100,000 (0.0033%)	Personal Interest
Stephen T H Ng	804,445 (0.0266%)	Personal Interest
T Y Ng	520,294 (0.0172%)	Personal Interest
Wheelock		
Peter K C Woo	1,223,823,330 (60.232%)	Personal Interest in 8,847,510 shares, Corporate Interest in 219,754,142 shares and Other Interest in 995,221,678 shares
Stephen T H Ng	300,000 (0.0148%)	Personal Interest
T Y Ng	70,000 (0.0034%)	Personal Interest
i-CABLE		
Stephen T H Ng	1,265,005 (0.0629%)	Personal Interest
T Y Ng	17,801 (0.0009%)	Personal Interest
Modern Terminals		
Hans Michael Jebsen	3,787 (5.40%)	Corporate Interest
Greentown		
Andrew O K Chow	430,000 (0.02%)	Personal Interest

Notes:

(1) *The interests in shares disclosed above do not include interests in share options of the Company and/or associated corporation(s) held by Directors of the Company as at 31 December 2013. Details of such interests in share options are separately set out below under the sub-sections headed "(B) Interests in Share Options of the Company" and "(C) Interests in Share Options of Wheelock".*

(2) *The 995,221,678 shares of Wheelock stated above as "Other Interest" against the name of Hon Peter K C Woo represented an interest comprised in certain trust properties in which Mr Woo was taken, under certain provisions in Part XV of the Securities and Futures Ordinance (the "SFO") which are applicable to a director or chief executive of a listed company, to be interested.*

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

(ii) Interests in Share Options of the Company

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

Name of Director	Total as at 31 December 2013 *(percentage of issued share capital)*	Date of grant *(Day/Month/Year)*	No. of Shares under Option: As at 1 January 2013	Granted during the year	Exercised during the year	As at 31 December 2013	Subscription Price per Share *(HK$)*	Period during which rights exercisable *(Day/Month/Year)*
Peter K C Woo	3,500,000 (0.12%)	04/07/2011	1,500,000	–	–	1,500,000	55.15	05/07/2011 – 04/07/2016[5]
		05/06/2013	–	2,000,000[1]	–	2,000,000	70.20	06/06/2013 – 05/06/2018[6]
Stephen T H Ng	3,500,000 (0.12%)	04/07/2011	1,500,000	–	–	1,500,000	55.15	05/07/2011 – 04/07/2016[5]
		05/06/2013	–	2,000,000[1]	–	2,000,000	70.20	06/06/2013 – 05/06/2018[6]
Andrew O K Chow	3,500,000 (0.12%)	04/07/2011	1,500,000	–	–	1,500,000	55.15	05/07/2011 – 04/07/2016[5]
		05/06/2013	–	2,000,000[1]	–	2,000,000	70.20	06/06/2013 – 05/06/2018[6]
Doreen Y F Lee	3,320,000 (0.11%)	04/07/2011	1,500,000	–	180,000[2]	1,320,000	55.15	05/07/2011 – 04/07/2016[5]
		05/06/2013	–	2,000,000[1]	–	2,000,000	70.20	06/06/2013 – 05/06/2018[6]
T Y Ng	3,200,000 (0.11%)	04/07/2011	1,500,000	–	300,000[3]	1,200,000	55.15	05/07/2011 – 04/07/2016[5]
		05/06/2013	–	2,000,000[1]	–	2,000,000	70.20	06/06/2013 – 05/06/2018[6]
Paul Y C Tsui	2,200,000 (0.07%)	04/07/2011	1,500,000	–	300,000[4]	1,200,000	55.15	05/07/2011 – 04/07/2016[5]
		05/06/2013	–	1,000,000[1]	–	1,000,000	70.20	06/06/2013 – 05/06/2018[6]
Y T Leng	1,250,000 (0.04%)	04/07/2011	500,000	–	–	500,000	55.15	05/07/2011 – 04/07/2016[5]
		05/06/2013	–	750,000[1]	–	750,000	70.20	06/06/2013 – 05/06/2018[6]

Notes:

(1) The closing price of the Shares on the last trading day immediately before the share options grant on 5 June 2013 was HK$71.00 per share.

(2) The closing price of the Shares of the Company immediately before the date(s) of exercise(s) of the options (all exercised on the same day) by Ms Doreen Y F Lee during the year was HK$75.00 per share.

(3) The closing price of the Shares of the Company immediately before the date(s) of exercise(s) of the options (all exercised on the same day) by Mr T Y Ng during the year was HK$70.00 per share.

(4) The closing price of the Shares of the Company immediately before the date(s) of exercise(s) of the options (all exercised on the same day) by Mr Paul Y C Tsui during the year was HK$75.50 per share.

(5) The options granted by the Company on 4 July 2011, being outstanding as at both 1 January 2013 and 31 December 2013, were/will be vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant options, i.e. exercisable to the extent of one-fifth of the relevant total number of Shares and with the 1st, 2nd, 3rd, 4th and 5th tranche becoming exercisable from 5th of July in the years 2011, 2012, 2013, 2014 and 2015 respectively, with the exception that:

(i) the relevant options held by Mr Paul Y C Tsui as at 31 December 2013 were/will be vested in four tranches, with each tranche covering options for 300,000 Shares becoming exercisable from 5th of July in the years 2012, 2013, 2014 and 2015 respectively;

(ii) the relevant options held by Ms Doreen Y F Lee as at 31 December 2013 were/will be vested in five tranches, with the 1st tranche covering options for 120,000 Shares becoming exercisable from 5 July 2011, and the remaining four tranches each covering options for 300,000 Shares becoming exercisable from 5th July in the years 2012, 2013, 2014 and 2015 respectively; and

(iii) The relevant options held by Mr T Y Ng as at 31 December 2013 were/will be vested in four tranches, with each tranche covering options for 300,000 Shares becoming exercisable from 5th of July in the years 2012, 2013, 2014 and 2015 respectively.

(6) The options granted by the Company on 5 June 2013, being outstanding as at both the date of grant and 31 December 2013, were/will be vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant options, i.e. exercisable to the extent of one-fifth of the relevant total number of shares and with the 1st, 2nd, 3rd, 4th and 5th tranche becoming exercisable from 6th of June in the years 2013, 2014, 2015, 2016 and 2017 respectively.

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

(iii) Interests in Share Options of Wheelock

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

Name of Director	Date of grant *(Day/Month/Year)*	No. of Wheelock Shares under Option: As at date of grant	No. of Wheelock Shares under Option: As at 31 December 2013 *(percentage of issued capital)*	Subscription price per Share *(HK$)*	Exercise period *(Day/Month/Year)*
Peter K C Woo	14/06/2013	2,000,000	2,000,000 (0.098%)	39.98	15/06/2013 – 14/06/2018
Paul Y C Tsui	14/06/2013	1,500,000	1,500,000 (0.074%)	39.98	15/06/2013 – 14/06/2018

Notes:

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

(b) The share options of Wheelock outstanding as at both the date of grant and 31 December 2013 were/will be vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant options, i.e. exercisable to the extent of one-fifth of the relevant total number of Wheelock's shares and with the 1st, 2nd, 3rd, 4th and 5th tranche becoming exercisable from 15th of June in the years 2013, 2014, 2015, 2016 and 2017 respectively.

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

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the SFO in respect of information required to be notified to the Company and the Stock Exchange by the Directors and/or Chief Executive of the Company pursuant to the SFO or to the Model Code for Securities Transactions by Directors of Listed Issuers, there were no interests, whether long or short positions, held as at 31 December 2013 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), nor had there been any rights to subscribe for any shares, underlying shares or debentures of the Company and its associated corporations held by any of them at any time as at 31 December 2013.

(C) Substantial Shareholders' Interests

Given below are the names of all parties which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company as at 31 December 2013, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register") and the percentages which the shares represented to the issued share capital of the Company:

Names	No. of Ordinary Shares (percentage of issued capital)	
(i) Wheelock and Company Limited	1,575,511,608	(52.00%)
(ii) HSBC Trustee (Guernsey) Limited	1,575,511,608	(52.00%)
(iii) JPMorgan Chase & Co.	178,944,798	(5.91%)

Notes:

(1) For the avoidance of doubt and double counting, it should be noted that the shareholdings stated against parties (i) and (ii) represented the same block of shares.

(2) Wheelock and Company Limited's deemed shareholding interests stated above included interests held through its wholly-owned subsidiaries, namely, Lynchpin Limited ("LL"), WF Investment Partners Limited ("WIPL") and Wheelock Investments Limited ("WIL"), with 213,267,072 shares (7.04%) being the deemed interests held by LL, 1,302,017,536 shares (42.97%) being the deemed interests held by WIPL and 1,515,284,608 shares (50.01%) being the deemed interests held by WIL.

All the interests stated above represented long positions. As at 31 December 2013, JPMorgan Chase & Co. had a short position in 12,176,443 shares (0.40%) and a lending pool of 114,318,538 shares (3.77%) with regard to the issued share capital of the Company according to the record in the Register.

(D) Share Option Scheme

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

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

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

(c) (1) Total number of ordinary shares in the capital of the Company (the "Shares") available for issue under the Scheme as at the date of this annual report:
277,574,732

(2) Percentage of the issued share capital that it represents as at the date of this annual report:
9.16%

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

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

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

(g) (1) Price payable on application or acceptance of the option:
HK$10.00

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

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

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

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

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

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

(4) the nominal value of a Share (abolished with implementation of the new Companies Ordinance (Cap 622 of the Laws of Hong Kong) on 3 March 2014).

(i) The remaining life of the Scheme:
Approximately 7 years (expiring on 8 June 2021)

(ii) Details of Share Options Granted

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

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

	No. of shares under option					
Date of grant *(Day/Month/Year)*	**As at 1 January 2013**	**Granted during the year**	**Exercised during the year**	**As at 31 December 2013**	**Vesting/Exercise Period** *(Day/Month/Year)*	**Price per share to be paid on exercise of options** *(HK$)*
04/07/2011	2,420,000	–	880,000	1,540,000	05/07/2011 – 04/07/2016	55.15
	2,420,000	–	–	2,420,000	05/07/2012 – 04/07/2016	
	2,420,000	–	–	2,420,000	05/07/2013 – 04/07/2016	
	2,420,000	–	–	2,420,000	05/07/2014 – 04/07/2016	
	2,420,000	–	–	2,420,000	05/07/2015 – 04/07/2016	
	12,100,000	–	880,000	11,220,000		
05/06/2013	–	2,650,000	–	2,650,000	06/06/2013 – 05/06/2018	70.20
	–	2,650,000	–	2,650,000	06/06/2014 – 05/06/2018	
	–	2,650,000	–	2,650,000	06/06/2015 – 05/06/2018	
	–	2,650,000	–	2,650,000	06/06/2016 – 05/06/2018	
	–	2,650,000	–	2,650,000	06/06/2017 – 05/06/2018	
	–	13,250,000	–	13,250,000		
Total:	12,100,000	13,250,000	880,000	24,470,000		

Notes:

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

(2) The weighted average closing price of the Shares of the Company immediately before the date(s) of exercise(s) of share options during the financial year was HK$72.35 per share.

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

(E) Retirement Benefits Schemes

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

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

(F) Directors' Interests in Competing Business

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

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

The development and/or investment in property assets by Wheelock and its wholly-owned subsidiaries (the "Wheelock Group") are considered as competing businesses for the Group. However, the Group itself has adequate experience in the property business, which it is capable of carrying on independently of the Wheelock Group.

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

(G) Major Customers and Suppliers

For the financial year ended 31 December 2013:

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

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

(H) Bank Loans, Overdrafts and other Borrowings

Particulars of any and all bank loans, overdrafts and/or other borrowings of the Company and of the Group as at 31 December 2013 which are repayable on demand or within a period not exceeding one year are set out in Note 23 to the Financial Statements on pages 150 and 152. Those which would fall due for repayment after a period of one year are particularised in Note 23 to the Financial Statements on pages 150 and 152. Certain information regarding the convertible bonds issued in June 2011 (the "Convertible Bonds") are set out in Note 23(g) to the Financial Statements on page 152.

(I) Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules throughout the financial year ended 31 December 2013.

(J) Disclosure of Connected Transaction

Set out below is information in relation to a connected transaction involving the Company and/or its subsidiaries, particulars of which were previously disclosed in announcements of the Company dated 30 December 2011, and is required under the Listing Rules to be disclosed in the Annual Report and Financial Statements of the Company.

(i) Master Tenancy Agreements

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

On 30 December 2011, the Company entered into a master tenancy agreement (the "MTA") with WGL for a term of three years from 1 January 2012 to 31 December 2014. The MTA is for the purpose of providing, *inter alia*, for the aggregate annual cap amount of rentals in respect of the leasing of premises owned by members of the Group to the Eligible Tenants during the said three-year term.

As WGL is indirectly wholly-owned by a trust, the settlor of which is the Chairman of the Company, namely, Hon P K C Woo, the MTA and various transactions contemplated and/or governed thereunder constitute continuing connected transactions for the Company under the Listing Rules.

The aggregate amount of rental receivable by the Group under the MTA is subject to an annual cap amount previously disclosed in the abovementioned announcement dated 30 December 2011 and the aggregate amount of rent received by the Group for the financial year ended 31 December 2013 was HK$788 million.

(ii) Confirmation from the Directors etc.

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

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

(2) either on normal commercial terms or, if there are not sufficient comparable transactions, on terms that are no less favourable than those available to or from (as appropriate) independent third parties; and

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

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

The auditors of the Company have advised the following:

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

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

(3) the relevant cap amounts, where applicable, have not been exceeded during the financial year ended 31 December 2013; and

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

Independent Auditor's Report

TO THE SHAREHOLDERS OF 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 118 to 183, which comprise the consolidated and company statements of financial position as at 31 December 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
27 March 2014

Consolidated Income Statement

For the year ended 31 December 2013

	Note	2013 HK$ Million	2012 HK$ Million
Revenue	1	31,887	30,856
Direct costs and operating expenses		(14,141)	(12,604)
Selling and marketing expenses		(1,329)	(1,170)
Administrative and corporate expenses		(1,692)	(1,482)
Operating profit before depreciation, amortisation, interest and tax		14,725	15,600
Depreciation and amortisation	2	(1,445)	(1,430)
Operating profit	2	13,280	14,170
Increase in fair value of investment properties		18,739	34,751
Other net income	3	277	2,483
		32,296	51,404
Finance costs	4	(552)	(939)
Share of results after tax of:			
Associates		2,207	1,473
Joint ventures	13	509	641
Profit before taxation		34,460	52,579
Income tax	5	(4,328)	(4,215)
Profit for the year		30,132	48,364
Profit attributable to:			
Equity shareholders	6	29,380	47,263
Non-controlling interests		752	1,101
		30,132	48,364
Earnings per share	8		
Basic		HK$9.70	HK$15.60
Diluted		HK$9.52	HK$15.30

The notes and principal accounting policies on pages 125 to 183 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 7.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	2013 HK$ Million	2012 HK$ Million
Profit for the year	30,132	48,364
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange gain on translation of foreign operations	2,638	14
Net revaluation reserves of available-for-sale investments:	(615)	1,483
(Deficit)/surplus on revaluation	(496)	1,393
Transferred to consolidated income statement on disposal	(119)	90
Share of other comprehensive income of associates/joint ventures	697	62
Others	31	(1)
Other comprehensive income for the year	2,751	1,558
Total comprehensive income for the year	32,883	49,922
Total comprehensive income attributable to:		
Equity shareholders	32,026	48,667
Non-controlling interests	857	1,255
	32,883	49,922

The notes and principal accounting policies on pages 125 to 183 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2013

	Note	2013 HK$ Million	2012 HK$ Million
Non-current assets			
Investment properties	9	261,097	231,522
Fixed assets	10	24,161	19,870
Interest in associates	12	19,205	16,673
Interest in joint ventures	13	19,585	19,530
Available-for-sale investments	14	3,744	3,868
Convertible securities	15	2,824	2,709
Goodwill and other intangible assets	16	297	297
Programming library		137	109
Deferred tax assets	25	721	739
Derivative financial assets	19	142	311
Other non-current assets		38	380
		331,951	296,008
Current assets			
Properties for sale	17	53,764	48,915
Inventories		47	45
Trade and other receivables	18	4,456	4,796
Derivative financial assets	19	319	439
Bank deposits and cash	20	24,515	18,795
		83,101	72,990
Current liabilities			
Trade and other payables	21	(20,089)	(14,801)
Deposits from sale of properties	22	(15,330)	(10,654)
Derivative financial liabilities	19	(209)	(215)
Taxation payable	5(d)	(1,615)	(1,980)
Bank loans and other borrowings	23	(9,502)	(5,330)
		(46,745)	(32,980)
Net current assets		36,356	40,010
Total assets less current liabilities		368,307	336,018
Non-current liabilities			
Derivative financial liabilities	19	(1,034)	(1,912)
Deferred tax liabilities	25	(9,630)	(7,827)
Other deferred liabilities		(303)	(283)
Bank loans and other borrowings	23	(73,085)	(69,090)
		(84,052)	(79,112)
NET ASSETS		284,255	256,906
Capital and reserves			
Share capital	27	3,030	3,029
Reserves		272,527	245,472
Shareholders' equity		275,557	248,501
Non-controlling interests		8,698	8,405
TOTAL EQUITY		284,255	256,906

The notes and principal accounting policies on pages 125 to 183 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 2013

	Note	2013 HK$ Million	2012 HK$ Million
Non-current assets			
Interest in subsidiaries	11	82,184	78,083
Amount due from an associate	12	379	379
		82,563	78,462
Current assets			
Receivables		8	8
Taxation recoverable	5(d)	–	1
		8	9
Current liabilities			
Payables		(41)	(36)
Amounts due to subsidiaries	11	(22,383)	(23,459)
Amount due to an associate	12	(533)	(533)
		(22,957)	(24,028)
Net current liabilities		(22,949)	(24,019)
NET ASSETS		59,614	54,443
Capital and reserves			
Share capital	27	3,030	3,029
Reserves		56,584	51,414
TOTAL EQUITY	28(a)	59,614	54,443

The notes and principal accounting policies on pages 125 to 183 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 2013

	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 2012	3,029	26,278	7	21	6,194	167,728	203,257	7,617	210,874
Changes in equity for 2012:									
Profit	–	–	–	–	–	47,263	47,263	1,101	48,364
Other comprehensive income	–	–	–	1,389	15	–	1,404	154	1,558
Total comprehensive income	–	–	–	1,389	15	47,263	48,667	1,255	49,922
Shares issued by subsidiaries	–	–	–	–	–	–	–	167	167
Equity settled share-based payments	–	–	–	60	–	–	60	–	60
2011 second interim dividend paid	–	–	–	–	–	(2,120)	(2,120)	–	(2,120)
2012 first interim dividend paid	–	–	–	–	–	(1,363)	(1,363)	–	(1,363)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(634)	(634)
At 31 December 2012 and 1 January 2013	3,029	26,278	7	1,470	6,209	211,508	248,501	8,405	256,906
Changes in equity for 2013:									
Profit	–	–	–	–	–	29,380	29,380	752	30,132
Other comprehensive income	–	–	–	(500)	3,123	23	2,646	105	2,751
Total comprehensive income	–	–	–	(500)	3,123	29,403	32,026	857	32,883
Shares issued under the share option scheme	1	61	–	(14)	–	–	48	–	48
Equity settled share-based payments	–	–	–	124	–	–	124	–	124
Acquisition of additional interest in a subsidiary	–	–	–	–	–	8	8	(23)	(15)
2012 second interim dividend paid	–	–	–	–	–	(3,635)	(3,635)	–	(3,635)
2013 first interim dividend paid	–	–	–	–	–	(1,515)	(1,515)	–	(1,515)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(541)	(541)
At 31 December 2013	3,030	26,339	7	1,080	9,332	235,769	275,557	8,698	284,255

The notes and principal accounting policies on pages 125 to 183 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Note	2013 HK$ Million	2012 HK$ Million
Operating cash inflow	(a)	13,999	15,067
Changes in working capital	(a)	5,543	1,867
Cash generated from operations	(a)	19,542	16,934
Net interest paid		(1,832)	(1,550)
Interest paid		(2,552)	(1,917)
Interest received		720	367
Dividends received from associates/joint ventures		1,085	422
Dividends received from investments		115	121
Hong Kong profits tax paid		(1,444)	(1,326)
Overseas tax paid		(1,661)	(1,262)
Net cash generated from operating activities		15,805	13,339
Investing activities			
Additions to investment properties		(8,266)	(13,224)
Additions to fixed assets		(5,648)	(1,485)
Additions to programming library		(122)	(100)
Net decrease/(increase) in interest in associates		385	(3,148)
Net decrease/(increase) in interest in joint ventures		375	(1,977)
Net proceeds from disposal of fixed assets		3	13
Purchase of available-for-sale investments		(672)	(442)
Purchase of convertible securities		–	(2,550)
Acquisition of additional interest in a subsidiary		(15)	–
Proceeds from disposal of investment properties		–	1,287
Proceeds from disposal of available-for-sale investments		428	749
Repayment/(addition) of long term receivables		1	(362)
Net release/(placement) of bank deposits with maturity greater than three months		1,530	(437)
Net cash used in investing activities		(12,001)	(21,676)
Financing activities			
Proceeds from the issue of shares under the share option scheme		48	–
Drawdown of bank loans and other borrowings		21,727	18,755
Repayment of bank loans and other borrowings		(13,081)	(20,638)
Issue of shares by subsidiaries to non-controlling interests		–	167
Dividends paid to equity shareholders		(5,150)	(3,483)
Dividends paid to non-controlling interests		(541)	(634)
Net cash generated from/(used in) financing activities		3,003	(5,833)
Increase/(decrease) in cash and cash equivalents		6,807	(14,170)
Cash and cash equivalents at 1 January		17,235	31,405
Effect of exchange rate changes		443	–
Cash and cash equivalents at 31 December		24,485	17,235
Analysis of the balance of cash and cash equivalents			
Bank deposits and cash	(b)	24,485	17,235

The notes and principal accounting policies on pages 125 to 183 form part of these financial statements.

Consolidated Statement of Cash Flows

At 31 December 2013

NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

a. Reconciliation of operating profit to cash generated from operations

	2013 HK$ Million	2012 HK$ Million
Operating profit	13,280	14,170
Adjustments for:		
Interest income	(718)	(474)
Dividends receivable from listed investments	(148)	(115)
Depreciation and amortisation	1,445	1,430
Loss/(profit) on disposal of fixed assets	16	(4)
Equity settled share-based payment expenses	124	60
Operating cash inflow	13,999	15,067
Increase in properties under development for sale	(10,224)	(6,840)
Decrease in completed properties for sale	8,378	6,950
(Increase)/decrease in inventories	(2)	85
Decrease/(increase) in trade and other receivables	323	(1,327)
Increase in trade and other payables	1,731	2,037
Increase in deposits from sale of properties	4,676	950
Increase in derivative financial instruments	639	5
Other non-cash items	22	7
Changes in working capital	5,543	1,867
Cash generated from operations	19,542	16,934

b. Cash and cash equivalents

	2013 HK$ Million	2012 HK$ Million
Bank deposits and cash in the consolidated statement of financial position (Note 20)	24,515	18,795
Less: Bank deposits with maturity greater than three months	(30)	(1,560)
Cash and cash equivalents in the consolidated statement of cash flows	24,485	17,235

Notes to the Financial Statements

1. SEGMENT INFORMATION

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

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

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

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

Logistics segment mainly includes the container terminal operations in Hong Kong and Mainland China undertaken by Modern Terminals Limited ("Modern Terminals"), Hong Kong Air Cargo Terminals Limited ("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 joint ventures of each segment. Inter-segment pricing is generally determined on an arm's length basis.

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

Notes to the Financial Statements

a. Analysis of segment revenue and results

For the year ended 31 December 2013	Revenue HK$ Million	Operating profit HK$ Million	Increase in fair value of investment properties HK$ Million	Other net income HK$ Million	Finance costs HK$ Million	Associates HK$ Million	Joint ventures HK$ Million	Profit before taxation HK$ Million
Investment property	11,133	9,268	18,739	–	(1,162)	–	–	26,845
Hong Kong	9,872	8,507	15,675	–	(1,059)	–	–	23,123
Mainland China	1,261	761	3,064	–	(103)	–	–	3,722
Development property	11,514	2,633	–	170	(143)	1,881	462	5,003
Hong Kong	72	68	–	–	–	12	(4)	76
Mainland China	11,442	2,565	–	170	(143)	1,869	466	4,927
Hotels	1,498	377	–	(543)	(16)	–	–	(182)
Logistics	3,226	974	–	116	(160)	326	47	1,303
Terminals	3,106	944	–	157	(160)	199	47	1,187
Others	120	30	–	(41)	–	127	–	116
CME	3,789	212	–	(42)	(42)	–	–	128
i-CABLE	1,932	(88)	–	1	(3)	–	–	(90)
Telecommunications	1,857	300	–	(43)	(39)	–	–	218
Inter-segment revenue	(353)	–	–	–	–	–	–	–
Segment total	30,807	13,464	18,739	(299)	(1,523)	2,207	509	33,097
Investment and others	1,080	750	–	576	971	–	–	2,297
Corporate expenses	–	(934)	–	–	–	–	–	(934)
Group total	31,887	13,280	18,739	277	(552)	2,207	509	34,460
For the year ended 31 December 2012								
Investment property	9,880	8,187	34,751	73	(1,107)	–	–	41,904
Hong Kong	8,875	7,553	33,074	73	(971)	–	–	39,729
Mainland China	1,005	634	1,677	–	(136)	–	–	2,175
Development property	12,207	4,869	–	2,273	(110)	1,081	585	8,698
Hong Kong	2,634	1,307	–	22	–	70	–	1,399
Mainland China	9,573	3,562	–	2,251	(110)	1,011	585	7,299
Hotels	1,391	391	–	–	(8)	–	–	383
Logistics	3,070	1,161	–	(39)	(255)	392	56	1,315
Terminals	2,969	1,142	–	2	(255)	205	56	1,150
Others	101	19	–	(41)	–	187	–	165
CME	3,953	(22)	–	2	(41)	–	–	(61)
i-CABLE	2,127	(271)	–	2	(4)	–	–	(273)
Telecommunications	1,826	250	–	–	(37)	–	–	213
Others	–	(1)	–	–	–	–	–	(1)
Inter-segment revenue	(382)	–	–	–	–	–	–	–
Segment total	30,119	14,586	34,751	2,309	(1,521)	1,473	641	52,239
Investment and others	737	134	–	174	582	–	–	890
Corporate expenses	–	(550)	–	–	–	–	–	(550)
Group total	30,856	14,170	34,751	2,483	(939)	1,473	641	52,579

b. Analysis of inter-segment revenue

	2013 Total Revenue HK$ Million	2013 Inter-segment revenue HK$ Million	2013 Group Revenue HK$ Million	2012 Total Revenue HK$ Million	2012 Inter-segment revenue HK$ Million	2012 Group Revenue HK$ Million
Investment property	11,133	(148)	10,985	9,880	(145)	9,735
Development property	11,514	–	11,514	12,207	–	12,207
Hotels	1,498	–	1,498	1,391	–	1,391
Logistics	3,226	–	3,226	3,070	–	3,070
CME	3,789	(105)	3,684	3,953	(104)	3,849
Investment and others	1,080	(100)	980	737	(133)	604
	32,240	(353)	31,887	31,238	(382)	30,856

c. Analysis of segment business assets

	2013 HK$ Million	2012 HK$ Million
Investment property	262,412	232,507
Hong Kong	211,275	194,399
Mainland China	51,137	38,108
Development property	94,715	85,067
Hong Kong	4,288	4,538
Mainland China	90,427	80,529
Hotels	6,189	1,953
Logistics	20,260	20,223
Terminals	19,138	19,045
Others	1,122	1,178
CME	4,120	4,151
i-CABLE	1,295	1,336
Telecommunications	2,825	2,815
Total segment business assets	387,696	343,901
Unallocated corporate assets	27,356	25,097
Total assets	415,052	368,998

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

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

	2013 HK$ Million	2012 HK$ Million
Development property	33,509	30,852
Logistics	5,281	5,351
Group total	38,790	36,203

d. Other information

	Capital expenditure		Increase in interests in associates and joint ventures		Depreciation and amortisation	
	2013 HK$ Million	2012 HK$ Million	2013 HK$ Million	2012 HK$ Million	2013 HK$ Million	2012 HK$ Million
Investment property	9,732	14,042	–	–	115	61
Hong Kong	1,063	8,522	–	–	68	20
Mainland China	8,669	5,520	–	–	47	41
Development property	–	–	3,209	6,905	–	–
Hong Kong	–	–	771	67	–	–
Mainland China	–	–	2,438	6,838	–	–
Hotels	4,868	702	–	–	132	129
Logistics	309	616	3	33	462	492
Terminals	309	611	3	33	458	488
Others	–	5	–	–	4	4
CME	533	715	–	–	736	748
i-CABLE	150	209	–	–	331	350
Telecommunications	383	506	–	–	405	398
Group total	15,442	16,075	3,212	6,938	1,445	1,430

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

e. Geographical information

	Revenue		Operating Profit	
	2013 HK$ Million	2012 HK$ Million	2013 HK$ Million	2012 HK$ Million
Hong Kong	17,626	19,392	9,882	10,121
Mainland China	14,229	11,434	3,362	4,019
Singapore	32	30	36	30
Group total	31,887	30,856	13,280	14,170

	Specified non-current assets		Total business assets	
	2013 HK$ Million	2012 HK$ Million	2013 HK$ Million	2012 HK$ Million
Hong Kong	229,754	207,810	232,129	210,937
Mainland China	99,874	83,265	155,567	132,964
Group total	329,628	291,075	387,696	343,901

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

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

2. OPERATING PROFIT

a. Operating profit is arrived at:

	2013 HK$ Million	2012 HK$ Million
After charging/(crediting):		
Depreciation and amortisation on		
— assets held for use under operating leases	155	141
— other fixed assets	1,110	1,096
— leasehold land	86	95
— programming library	94	98
Total depreciation and amortisation	1,445	1,430
Impairment loss recognised on		
— fixed assets	586	–
— trade receivables	17	11
Staff costs (Note (i))	3,444	3,003
Auditors' remuneration		
— audit services	23	20
— other services	2	3
Cost of trading properties for recognised sales	8,387	6,916
Rental charges under operating leases in respect of telecommunications equipment and services	57	53
Rental income less direct outgoings (Note (ii))	(9,352)	(8,198)
Rental income under operating leases in respect of owned plant and equipment	(11)	(13)
Interest income (Note (iii))	(718)	(474)
Dividend income from listed investments	(148)	(115)
Loss/(profit) on disposal of fixed assets	16	(4)

Notes:

i. *Staff costs included contributions to defined contribution pension schemes of HK$238 million (2012: HK$184 million), which included MPF schemes after a forfeiture of HK$3 million (2012: HK$3 million), and equity-settled share-based payment expenses of HK$124 million (2012: HK$60 million).*

ii. *Rental income included contingent rentals of HK$2,069 million (2012: HK$1,952 million).*

iii. *Included in the interest income are amounts totalling HK$488 million (2012: HK$378 million) in respect of financial assets, mainly comprising bank deposits, that are stated at amortised cost.*

b. Directors' emoluments

Directors' emoluments are as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Contributions to pension schemes HK$'000	2013 Total emoluments HK$'000	2012 Total emoluments HK$'000
Board of Directors						
Peter K C Woo	200	13,244	26,000	–	39,444	23,011
Stephen T H Ng	100	6,033	20,000	15	26,148	15,273
Andrew O K Chow	100	5,066	20,000	15	25,181	10,153
Doreen Y F Lee	100	4,584	10,500	684	15,868	11,129
T Y Ng	100	4,403	10,000	–	14,503	9,036
Paul Y C Tsui	100	3,622	8,500	–	12,222	7,804
Y T Leng (Note iii)	73	2,372	5,000	234	7,679	–
Independent Non-executive Directors						
Alexander S K Au (Note ii)	150	–	–	–	150	20
Edward K Y Chen	100	–	–	–	100	70
Raymond K F Ch'ien	100	–	–	–	100	70
Vincent K Fang (Note ii)	150	–	–	–	150	100
Hans Michael Jebsen (Note ii)	150	–	–	–	150	100
Wyman Li (Note iv)	33	–	–	–	33	–
Arthur K C Li (Note v)	62	–	–	–	62	35
James E Thompson (Note ii)	150	–	–	–	150	100
David M Turnbull (Note vi)	12	–	–	–	12	–
Paul M P Chan (Notes ii and vii)	–	–	–	–	–	57
	1,680	39,324	100,000	948	141,952	76,958
Total for 2012	1,002	33,270	42,000	686	–	76,958

i. There was no compensation for loss of office and/or inducement for joining the Group paid/payable to the Directors of the Company in respect of the years ended 31 December 2013 and 2012.

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

iii. Ms. Y T Leng was appointed as a Director of the Company with effect from 11 April 2013.

iv. Mr. Wyman Li was appointed as a Director of the Company with effect from 2 September 2013.

v. Prof. the Hon. Arthur K C Li was appointed as a Director of the Company with effect from 1 July 2012 and resigned and ceased to be a Director of the Company with effect from 16 August 2013.

vi. Mr. David M Turnbull was appointed as a Director of the Company with effect from 18 November 2013.

vii. Mr. Paul M P Chan resigned and ceased to be a Director of the Company with effect from 28 July 2012.

viii. 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 24(d).

c. Emoluments of the highest paid employees

For the year ended 31 December 2013, the top five highest paid individuals are also Directors of the Group and set out in Note 2(b) above. For the year ended 31 December 2012, one employee of the Group who, not being a Director of the Company, was among the top five highest paid individuals (including Directors of the Company and other employees of the Group) employed by the Group.

Aggregate emoluments	2013 *HK$ Million*	2012 *HK$ Million*
Salaries, allowances and benefits in kind	–	8
Discretionary bonuses	–	2
Total	–	10

Bands (in HK$)	2013 Number	2012 Number
$10,000,001 — $10,500,000	–	1

3. OTHER NET INCOME

Other net income for the year which amounted to HK$277 million (2012: HK$2,483 million) mainly comprises:

a. Net foreign exchange gain of HK$449 million (2012: HK$144 million) which included the fair value gain on forward foreign exchange contracts of HK$186 million (2012: HK$210 million).

b. Net profit on disposal of available-for-sale investments of HK$121 million (2012: loss of HK$11 million) which included a revaluation surplus of HK$119 million (2012: deficit of HK$90 million) transferred from the investments revaluation reserves of the Group.

c. An impairment provision of HK$543 million (2012: HK$ Nil) made in respect of the Changzhou Marco Polo Hotel by a listed subsidiary, Harbour Centre Development Limited.

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

4. FINANCE COSTS

	2013 HK$ Million	2012 HK$ Million
Interest charged on:		
Bank loans and overdrafts		
— repayable within five years	953	797
— repayable after five years	157	141
Other borrowings		
— repayable within five years	823	684
— repayable after five years	357	308
Total interest charge	2,290	1,930
Other finance costs	265	178
Less: Amount capitalised	(747)	(596)
	1,808	1,512
Fair value (gain)/loss:		
Cross currency interest rate swaps	(521)	(875)
Interest rate swaps	(735)	302
	(1,256)	(573)
Total	552	939

a. Interest was capitalised at an average annual rate of approximately 1.7% (2012: 1.6%).

b. Included in the total interest charge are amounts totalling HK$1,836 million (2012: HK$1,650 million) in respect of interest bearing borrowings that are stated at amortised cost.

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

5. INCOME TAX

Taxation charged to the consolidated income statement includes:

	2013 HK$ Million	2012 HK$ Million
Current income tax		
Hong Kong		
— provision for the year	1,345	1,531
— overprovision in respect of prior years	(102)	(38)
Outside Hong Kong		
— provision for the year	816	892
— under/(over)-provision in respect of prior years	17	(5)
	2,076	2,380
Land appreciation tax ("LAT") (Note 5(c))	618	584
Deferred tax		
Change in fair value of investment properties	1,459	1,087
Origination and reversal of temporary differences	196	190
Benefit of previously unrecognised tax losses now recognised	(21)	(26)
	1,634	1,251
Total	4,328	4,215

a. The provision for Hong Kong profits tax is based on the profit for the year as adjusted for tax purposes at a rate of 16.5% (2012: 16.5%).

b. Income tax on profits assessable outside Hong Kong is mainly China corporate income tax calculated at a rate of 25% (2012: 25%) and China withholding tax at a rate of up to 10%.

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 the land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights, borrowings costs and all property development expenditure.

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

e. Tax attributable to associates and joint ventures for the year ended 31 December 2013 of HK$1,623 million (2012: HK$1,331 million) is included in the share of results of associates and joint ventures.

f. The China tax law imposes a withholding tax at 10%, unless reduced by a treaty or agreement, for dividends distributed by a PRC-resident enterprise to its immediate holding company outside Mainland China for earnings generated since 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. For the year ended 31 December 2013, the Group has provided HK$126 million (2012: HK$144 million) for withholding taxes on accumulated earnings generated by its Mainland China subsidiaries which will be distributed to its immediate holding company outside Mainland China in the foreseeable future.

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

	2013 *HK$ Million*	2012 *HK$ Million*
Profit before taxation	34,460	52,579
Notional tax on profit before taxation calculated at applicable tax rates	5,818	9,056
Tax effect of non-deductible expenses	269	366
Tax effect of non-taxable income	(379)	(1,055)
Tax effect of non-taxable fair value gain on investment properties	(2,755)	(5,376)
Net overprovision in respect of prior years	(85)	(43)
Tax effect of tax losses not recognised	155	106
Tax effect of previously unrecognised tax losses utilised	(112)	(211)
Tax effect of previously unrecognised tax losses now recognised as deferred tax assets	(21)	(26)
Effect of temporary differences not recognised	1	2
LAT on trading properties	618	584
Deferred LAT on change in fair value of investment properties	693	668
Withholding tax on distributed/undistributed earnings	126	144
Actual total tax charge	4,328	4,215

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$10,149 million (2012: HK$10,408 million).

7. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2013 HK$ Million	2012 HK$ Million
First interim dividend declared and paid of 50 cents (2012: 45 cents) per share	1,515	1,363
Second interim dividend of 120 cents (2012: 120 cents) per share proposed after the end of the reporting period	3,636	3,635
	5,151	4,998

a. The proposed second interim dividend based on 3,030 million issued ordinary shares (2012: 3,029 million shares) after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

b. The second interim dividend of HK$3,635 million for 2012 was approved and paid in 2013.

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$29,380 million (2012: HK$47,263 million) and the weighted average of 3,030 million ordinary shares in issue during the year (2012: 3,029 million ordinary shares).

b. Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders for the year of HK$29,527 million (2012: HK$47,410 million) and the weighted average of 3,100 million ordinary shares in issue during the year (2012: 3,098 million ordinary shares), calculated as follows:

i. *Profit attributable to ordinary equity shareholders (diluted)*

	2013 HK$ Million	2012 HK$ Million
Profit attributable to ordinary equity shareholders	29,380	47,263
After tax effect of effective interest on the liability component of convertible bonds	147	147
	29,527	47,410

ii. *Weighted average number of ordinary shares (diluted)*

	2013 No. of shares Million	2012 No. of shares Million
Weighted average number of ordinary shares at 31 December	3,030	3,029
Effect of conversion of convertible bonds	69	69
Effect of share options	1	–
	3,100	3,098

9. INVESTMENT PROPERTIES

	Completed HK$ Million	Under development HK$ Million	Total HK$ Million
a. Cost or valuation			
At 1 January 2012	167,947	16,110	184,057
Exchange adjustment	6	–	6
Additions	8,544	5,396	13,940
Disposals	(1,220)	–	(1,220)
Transfer	(7,579)	7,567	(12)
Revaluation surpluses	33,881	870	34,751
At 31 December 2012 and 1 January 2013	201,579	29,943	231,522
Exchange adjustment	533	657	1,190
Additions	1,231	8,376	9,607
Transfer	7,975	(7,936)	39
Revaluation surpluses	17,832	907	18,739
At 31 December 2013	229,150	31,947	261,097
b. The analysis of cost or valuation of the above assets is as follows:			
2013 valuation	229,150	13,193	242,343
At cost	–	18,754	18,754
	229,150	31,947	261,097
2012 valuation	201,579	8,485	210,064
At cost	–	21,458	21,458
	201,579	29,943	231,522

During the year, additions to investment properties under development which are stated at cost amounted to HK$8,194 million (2012: HK$5,348 million).

	Completed HK$ Million	Under development HK$ Million	Total HK$ Million
c. Tenure of title to properties:			
At 31 December 2013			
Held in Hong Kong			
Long term leases	173,176	–	173,176
Medium term leases	27,895	9,459	37,354
	201,071	9,459	210,530
Held outside Hong Kong			
Medium term leases	28,079	22,488	50,567
	229,150	31,947	261,097
At 31 December 2012			
Held in Hong Kong			
Long term leases	159,556	–	159,556
Medium term leases	25,710	8,507	34,217
	185,266	8,507	193,773
Held outside Hong Kong			
Medium term leases	16,313	21,436	37,749
	201,579	29,943	231,522

d. Investment properties revaluation

The Group's investment properties under development are stated at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property.

The investment properties stated at fair value as at 31 December 2013 were revalued by Knight Frank Petty Limited ("Knight Frank"), 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 Mainland China. 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 revaluation surplus or deficit arising on revaluation on investment properties is recognised in the line item "Increase in fair value of investment properties" on the face of the consolidated income statement.

The following table presents the investment properties which are measured at fair value at the end of the reporting period across the three levels of the inputs to the revaluation methodologies in accordance with HKFRS13, Fair value measurement. The levels are defined as follows:

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

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

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

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

	Group — Level 3				
	Retail *HK$ Million*	Office *HK$ Million*	Residential *HK$ Million*	Others *HK$ Million*	Total *HK$ Million*
Recurring fair value measurements					
At 31 December 2013					
Hong Kong	121,330	66,137	22,680	219	210,366
Mainland China	16,241	14,444	1,292	–	31,977
	137,571	80,581	23,972	219	242,343

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

	Completed *HK$ Million*	Under development *HK$ Million*	Total *HK$ Million*
At 1 January 2013	201,579	8,485	210,064
Exchange adjustment	533	4	537
Additions	1,231	182	1,413
Transfer	7,975	3,615	11,590
Revaluation surpluses	17,832	907	18,739
At 31 December 2013	229,150	13,193	242,343

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

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

Valuation processes

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

Valuation methodologies

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

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

Level 3 valuation methodologies

Completed investment properties

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

	Weighted average Capitalisation rate	Market rent
Hong Kong		
— Retail	5.2%	HK$251 psf
— Office	4.2%	HK$42 psf
— Residential	3.9%	HK$49 psf
China		
— Retail	7.5%	RMB371 psm
— Office	6.4%	RMB243 psm
— Residential	5.0%	RMB233 psm

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

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

e. Gross rental revenue from investment properties amounted to HK$11,133 million (2012: HK$9,880 million). Direct operating expenses amounted to HK$1,757 million (2012: HK$1,630 million).

f. The Group leases out properties under operating leases, which generally run for a period of two to six years. 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 2013 HK$ Million	Group 2012 HK$ Million
Within 1 year	8,309	6,434
After 1 year but within 5 years	11,945	7,273
After 5 years	1,019	240
	21,273	13,947

10. FIXED ASSETS

	Leasehold land HK$ Million	Hotel and club properties HK$ Million	Group Properties under redevelopment HK$ Million	Other properties and fixed assets HK$ Million	CME equipment HK$ Million	Total HK$ Million
a. Cost						
At 1 January 2012	4,468	1,264	2,086	16,307	11,028	35,153
Additions	296	453	135	665	586	2,135
Disposals	–	–	–	(101)	(185)	(286)
Reclassification	39	280	(222)	2	(4)	95
At 31 December 2012 and 1 January 2013	4,803	1,997	1,999	16,873	11,425	37,097
Exchange adjustment	101	37	60	170	–	368
Additions	–	4,687	33	678	437	5,835
Disposals	–	–	–	(216)	(75)	(291)
Reclassification	–	49	(3)	57	(1)	102
At 31 December 2013	4,904	6,770	2,089	17,562	11,786	43,111
Accumulated depreciation and impairment losses						
At 1 January 2012	717	684	–	6,623	8,145	16,169
Exchange adjustment	–	–	–	1	–	1
Charge for the year	95	51	–	639	547	1,332
Written back on disposals	–	–	–	(92)	(184)	(276)
Reclassification	–	–	–	(1)	2	1
At 31 December 2012 and 1 January 2013	812	735	–	7,170	8,510	17,227
Exchange adjustment	11	4	–	35	–	50
Charge for the year	86	68	–	663	534	1,351
Written back on disposals	–	–	–	(197)	(75)	(272)
Impairment	–	543	–	40	3	586
Reclassification	–	5	–	3	–	8
At 31 December 2013	909	1,355	–	7,714	8,972	18,950
Net book value						
At 31 December 2013	3,995	5,415	2,089	9,848	2,814	24,161
At 31 December 2012	3,991	1,262	1,999	9,703	2,915	19,870

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

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

	Group					
	Leasehold Land *HK$ Million*	Hotel and club properties *HK$ Million*	Properties under redevelopment *HK$ Million*	Other properties and fixed assets *HK$ Million*	CME equipment *HK$ Million*	Total *HK$ Million*
b. Tenure of title to properties:						
At 31 December 2013						
Held in Hong Kong						
Long term leases	82	163	–	7	–	252
Medium term leases	940	4,493	–	2,847	–	8,280
	1,022	4,656	–	2,854	–	8,532
Held outside Hong Kong						
Medium term leases	2,973	759	2,089	2,774	–	8,595
	3,995	5,415	2,089	5,628	–	17,127
At 31 December 2012						
Held in Hong Kong						
Long term leases	82	187	–	7	–	276
Medium term leases	974	1	–	2,766	–	3,741
	1,056	188	–	2,773	–	4,017
Held outside Hong Kong						
Medium term leases	2,935	1,074	1,999	2,748	–	8,756
	3,991	1,262	1,999	5,521	–	12,773

c. Impairment of fixed assets

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

11. INTEREST IN SUBSIDIARIES

	Company	
	2013 *HK$ Million*	2012 *HK$ Million*
Unlisted shares, at cost less provision	71,864	66,347
Amounts due from subsidiaries, less provision	10,320	11,736
	82,184	78,083
Amounts due to subsidiaries	(22,383)	(23,459)

Details of principal subsidiaries at 31 December 2013 are shown on pages 180 to 183.

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.

12. INTEREST IN ASSOCIATES

	Group		Company	
	2013 HK$ Million	2012 HK$ Million	2013 HK$ Million	2012 HK$ Million
Listed in Hong Kong				
Share of net assets	7,243	5,912	–	–
Unlisted				
Share of net assets	6,391	5,191	–	–
Goodwill	1,853	1,853	–	–
	8,244	7,044	–	–
Amounts due from associates	3,718	3,717	379	379
	11,962	10,761	379	379
Total	19,205	16,673	379	379
Amounts due to unlisted associates (Note 21)	(3,263)	(2,703)	(533)	(533)
	15,942	13,970	(154)	(154)
Market value of listed associate	6,214	7,453	–	–

a. Details of principal associates at 31 December 2013 are shown on page 182.

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

c. Included in amounts due from associates are advances totalling HK$371 million (2012: 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 recoverable 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.

d. Included in interest in unlisted associates is goodwill of HK$1,853 million (2012: HK$1,853 million) relating to the acquisition of Mega Shekou Container Terminals Limited 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. All of the above associates are accounted for using the equity method in the consolidated financial statements.

f. Summary financial information on associates

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

	Greentown	
	2013 *RMB Million*	2012 *RMB Million*
Current assets	101,622	93,334
Non-current assets	20,714	14,373
Current liabilities	(65,127)	(73,562)
Non-current liabilities	(25,198)	(6,657)
Net assets	32,011	27,488
Revenue	28,991	35,393
Profit and total comprehensive income for the year	5,990	6,053
Dividends received from associate	263	–

	2013 *RMB Million*	2012 *RMB Million*
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	32,011	27,488
Non-controlling interests of the associate	(7,064)	(6,346)
Convertible securities issued by the associate (Note)	(2,084)	(2,084)
Net assets of the associate after deducting non-controlling interests and convertible securities	22,863	19,058
HK$Million equivalent	29,079	23,508
Group's effective interest	24.3%	24.4%
	HK$ Million	*HK$ Million*
Group's share of net assets of the associate	7,115	5,736
Revaluation surplus on acquisition	128	176
Carrying amount in the consolidated financial statements	7,243	5,912

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

Aggregate information of associates that are not individually material:

	2013 *HK$ Million*	2012 *HK$ Million*
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	8,244	7,044
Aggregate amounts of the Group's share of those associates'		
Profit for the year	710	580
Other comprehensive income	139	(4)
Total comprehensive income	849	576

13. INTEREST IN JOINT VENTURES

	Group 2013 HK$ Million	Group 2012 HK$ Million
Share of net assets	9,202	8,227
Goodwill	54	54
	9,256	8,281
Amounts due from joint ventures	10,329	11,249
	19,585	19,530
Amounts due to joint ventures (Note 21)	(1,030)	(549)
	18,555	18,981

Details of principal joint ventures at 31 December 2013 are shown on page 182. The Group's interest in the joint ventures are accounted for using the equity method in the consolidated financial statements.

Included in amounts due from joint ventures are advances totalling HK$2,796 million (2012: HK$2,776 million) which are interest bearing. The amounts due from joint ventures are unsecured and have no fixed terms of repayment. They are not expected to be recovered within the next twelve months. The amounts are neither past due nor impaired.

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

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

	2013 HK$ Million	2012 HK$ Million
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	9,256	8,281
Aggregate amounts of the Group's share of those joint ventures'		
Profit from continuing operations	509	641
Other comprehensive income	347	9
Total comprehensive income	856	650

14. AVAILABLE-FOR-SALE INVESTMENTS

	Group 2013 HK$ Million	Group 2012 HK$ Million
Listed investments stated at market value		
— in Hong Kong	2,630	2,433
— outside Hong Kong	1,088	1,409
Unlisted investment at cost	26	26
	3,744	3,868

Available-for-sale investments totalling HK$26 million (2012: HK$26 million) are stated at cost less impairment losses, if any.

As at 31 December 2013, the fair value of individually impaired available-for-sale investments amounted to HK$Nil (2012: HK$111 million).

15. CONVERTIBLE SECURITIES

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

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

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

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

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

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

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

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

	31 December 2013	31 December 2012
Share price	HK$11.84	HK$14.20
Conversion price	HK$7.40	HK$7.40
Discount rate	8.1%	9.8%
Stock volatility	56.5%	57.9%

16. GOODWILL AND OTHER INTANGIBLE ASSETS

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

Goodwill is mainly related to the Group's terminals business. As at 31 December 2013, an impairment test was performed by comparing the attributable carrying amount of the business with the recoverable amount. The recoverable amount of the terminals business is based on its value in use. No impairment was recorded.

17. PROPERTIES FOR SALE

	Group	
	2013 HK$ Million	2012 HK$ Million
Properties under development for sale	50,513	46,620
Completed properties for sale	3,251	2,295
	53,764	48,915

a. At 31 December 2013, properties under development for sale of HK$38,255 million (2012: HK$36,805 million) are expected to be completed after more than one year.

b. Included in properties under development for sale are deposits of HK$2,890 million (2012: HK$6,495 million) paid for the acquisition of certain land sites/properties located in Mainland China.

c. Properties under development for sale and completed properties for sale are stated at cost less impairment, if any.

d. At 31 December 2013, 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	
	2013 HK$ Million	2012 HK$ Million
Held in Hong Kong		
Medium term leases	614	941
Held outside Hong Kong		
Long term leases	33,616	33,655
Medium term leases	1,820	2,402
	36,050	36,998

18. TRADE AND OTHER RECEIVABLES

a. Ageing analysis

Included in this item are trade receivables (net of allowance for bad and doubtful debts) with an ageing analysis based on the invoice date as at 31 December 2013 as follows:

	Group	
	2013 HK$ Million	2012 HK$ Million
Trade receivables		
0 – 30 days	**860**	656
31 – 60 days	**164**	114
61 – 90 days	**48**	57
Over 90 days	**83**	78
	1,155	905
Accrued sales receivable	**–**	194
Other receivables and prepayments	**3,301**	3,697
	4,456	4,796

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

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

b. Impairment of trade receivables

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

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

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

c. Trade receivables that are not impaired

As at 31 December 2013, 94% (2012: 91%) of the Group's trade receivables was not impaired, of which 91% (2012: 89%) was either not past due or less than two months past due.

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

19. DERIVATIVE FINANCIAL INSTRUMENTS

	2013 Assets HK$ Million	2013 Liabilities HK$ Million	2012 Assets HK$ Million	2012 Liabilities HK$ Million
At fair value through profit or loss				
Fixed-to-floating interest rate swaps	134	127	439	18
Floating-to-fixed interest rate swaps	105	272	–	963
Cross currency interest rate swaps	170	783	136	1,146
Forward foreign exchange contracts	52	61	175	–
Total	461	1,243	750	2,127
Analysis				
Current	319	209	439	215
Non-current	142	1,034	311	1,912
Total	461	1,243	750	2,127

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

	2013 Assets HK$ Million	2013 Liabilities HK$ Million	2012 Assets HK$ Million	2012 Liabilities HK$ Million
Fixed-to-floating interest rate swaps				
Expiring within 1 year	6	–	1	–
Expiring after more than 1 year but not exceeding 5 years	71	82	180	8
Expiring after 5 years	57	45	258	10
	134	127	439	18
Floating-to-fixed interest rate swaps				
Expiring after more than 1 year but not exceeding 5 years	–	92	–	–
Expiring after 5 years	105	180	–	963
	105	272	–	963
Cross currency interest rate swaps				
Expiring within 1 year	3	–	–	19
Expiring after more than 1 year but not exceeding 5 years	119	372	103	1,004
Expiring after 5 years	48	411	33	123
	170	783	136	1,146
Forward foreign exchange contracts				
Expiring within 1 year	52	–	175	–
Expiring after more than 1 year but not exceeding 5 years	–	61	–	–
	52	61	175	–
Total	461	1,243	750	2,127

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

	2013 HK$ Million	2012 HK$ Million
Fixed-to-floating interest rate swaps	13,626	19,679
Floating-to-fixed interest rate swaps	8,230	8,230
Cross currency interest rate swaps	22,408	14,118
Forward foreign exchange contracts	33,229	3,295

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

c. During the year, a gain of HK$186 million (2012: HK$210 million) in respect of forward foreign exchange contracts was recognised in the consolidated income statement.

d. During the year, fair value gains on cross currency interest rate swaps and interest rate swaps in the amounts of HK$521 million (2012: HK$875 million) and HK$735 million (2012: loss of HK$302 million) respectively have been included within finance costs in the consolidated income statement.

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

20. BANK DEPOSITS AND CASH

	Group	
	2013 HK$ Million	2012 HK$ Million
Bank deposits and cash	24,515	18,795

At 31 December 2013, bank deposits and cash included:

a. HK$19,946 million equivalent (2012: HK$15,026 million) placed with banks in Mainland China, the remittance of which is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

b. RMB3,649 million equivalent to HK$4,641 million (2012: RMB1,753 million equivalent to HK$2,162 million) which are solely for certain designated property development projects in Mainland China.

c. There were HK$447,000 (2012: HK$393,000) bank deposits and cash held by the Company.

The effective interest rate on bank deposits was 2.7% (2012: 2.1%).

Bank deposits and cash are denominated in the following currencies:

	Group	
	2013 HK$ Million	2012 HK$ Million
RMB	19,919	14,217
HKD	2,978	2,083
USD	1,558	2,488
SGD	54	4
Other currencies	6	3
	24,515	18,795

21. TRADE AND OTHER PAYABLES

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

	Group	
	2013 HK$ Million	2012 HK$ Million
Trade payables		
0 – 30 days	352	507
31 – 60 days	209	189
61 – 90 days	49	50
Over 90 days	184	95
	794	841
Rental and customer deposits	3,019	2,503
Construction costs payable	7,656	4,395
Amounts due to associates	3,263	2,703
Amounts due to joint ventures	1,030	549
Other payables	4,327	3,810
	20,089	14,801

The amount of trade and other payables that is expected to be settled after more than one year is HK$2,267 million (2012: HK$1,750 million), which is mainly for rental and customer deposits. The Group considers the effect of discounting these items would be immaterial. All of the other trade and other payables are expected to be settled or recognised as income within one year or are payable on demand.

22. DEPOSITS FROM SALE OF PROPERTIES

Deposits from sale of properties in the amount of HK$3,821 million (2012: HK$3,838 million) are expected to be recognised as income in the consolidated income statement after more than one year.

23. BANK LOANS AND OTHER BORROWINGS

	Group 2013 HK$ Million	Group 2012 HK$ Million
Bonds and notes (unsecured)		
Due within 1 year	200	300
Due after more than 1 year but not exceeding 2 years	–	200
Due after more than 2 years but not exceeding 5 years	17,182	12,836
Due after more than 5 years	8,084	10,887
	25,466	24,223
Convertible bonds (unsecured)		
Due within 1 year	6,214	–
Due after more than 1 year but not exceeding 2 years	–	6,240
	6,214	6,240
Bank loans (secured)		
Due within 1 year	2,116	1,790
Due after more than 1 year but not exceeding 2 years	11,646	2,434
Due after more than 2 years but not exceeding 5 years	4,175	13,087
Due after more than 5 years	267	265
	18,204	17,576
Bank loans (unsecured)		
Due within 1 year	972	3,240
Due after more than 1 year but not exceeding 2 years	8,113	7,032
Due after more than 2 years but not exceeding 5 years	22,618	15,609
Due after more than 5 years	1,000	500
	32,703	26,381
Total bank loans and other borrowings	82,587	74,420
Analysis of maturities of the above borrowings:		
Current borrowings		
Due within 1 year	9,502	5,330
Non-current borrowings		
Due after more than 1 year but not exceeding 5 years	63,734	57,438
Due after more than 5 years	9,351	11,652
	73,085	69,090
Total bank loans and other borrowings	82,587	74,420

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 26(b)):

	2013 HK$ Million	2012 HK$ Million
HKD	33,627	58,975
RMB	4,927	4,308
USD	40,405	7,385
JPY	3,628	3,752
	82,587	74,420

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 26(a) and (b)) were as follows:

	2013		2012	
	Effective interest rate %	HK$ Million	Effective interest rate %	HK$ Million
Fixed rate borrowings				
Bonds and notes	3.4	6,922	4.0	5,891
Convertible bonds	2.4	6,214	–	–
Bank loans	2.0	7,661	2.6	7,980
		20,797		13,871
Floating rate borrowings				
Bonds and notes	3.4	18,544	3.1	18,332
Convertible bonds	–	–	1.6	6,240
Bank loans	2.2	43,246	1.7	35,977
		61,790		60,549
Total borrowings		82,587		74,420

c. All the interest bearing borrowings are carried at amortised cost except for loans in an amount of HK$15,422 million (2012: HK$14,411 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$20,190 million (2012: HK$16,851 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 2013, certain banking facilities of the Group are secured by mortgages over certain properties under development, fixed assets, investment properties and shares with an aggregate carrying value of HK$44,016 million (2012: HK$28,161 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 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 an initial rate of HK$90.00 per share converted and an adjusted rate of HK$88.97 per share converted effective from 29 May 2013.

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

During the years ended 31 December 2012 and 31 December 2013, there was 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 component and an equity component as set out below.

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

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

	HK$ Million
Face value of convertible bonds at issue date	6,220
Including:	
Equity component on initial recognition	99
Liability component on initial recognition	6,121
	6,220

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

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

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

24. EQUITY SETTLED SHARE-BASED TRANSACTIONS

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 after the date of grant and the remaining four tranches vest between one year and four years after 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 after
— on 5 June 2013	11,750,000	the date of grant
Options granted to employees:		
— on 4 July 2011	3,100,000	5 years after
— on 5 June 2013	1,500,000	the date of grant
Total share options granted	25,350,000	

b. Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted during the year ended 31 December 2013 is measured based on the Binomial Model by taking into account the terms and conditions of the option granted. Fair value of share options and assumptions were as follows:

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

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

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c. Movements of the share options and the weighted average exercise prices of share options are as follows:

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

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

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

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

	2013 *HK$'000*	2012 *HK$'000*
Peter K C Woo	17,887	7,375
Stephen T H Ng	17,887	7,375
Andrew O K Chow	17,887	7,375
Doreen Y F Lee	17,887	7,375
T Y Ng	17,887	7,375
Paul Y C Tsui	10,998	7,375
Y T Leng	6,193	–
	106,626	44,250

25. DEFERRED TAXATION

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

	Group	
	2013 HK$ Million	2012 HK$ Million
Deferred tax liabilities	**9,630**	7,827
Deferred tax assets	**(721)**	(739)
Net deferred tax liabilities	**8,909**	7,088

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

	Depreciation allowances in excess of the related depreciation HK$ Million	Surplus on investment properties HK$ Million	Others HK$ Million	Future benefit of tax losses HK$ Million	Total HK$ Million
At 1 January 2012	2,347	4,238	(158)	(602)	5,825
Charged/(credited) to the consolidated income statement	118	1,087	62	(16)	1,251
Disposal of an investment property	(17)	–	–	27	10
Exchange adjustment	3	5	(6)	–	2
At 31 December 2012 and 1 January 2013	**2,451**	**5,330**	**(102)**	**(591)**	**7,088**
Charged/(credited) to the consolidated income statement	**183**	**1,459**	**2**	**(10)**	**1,634**
Exchange adjustment	**10**	**187**	**(9)**	**(1)**	**187**
At 31 December 2013	**2,644**	**6,976**	**(109)**	**(602)**	**8,909**

b. **Deferred tax assets not recognised**

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

	2013		2012	
	Deductible temporary differences/ tax losses HK$ Million	**Deferred tax assets HK$ Million**	Deductible temporary differences/ tax losses HK$ Million	Deferred tax assets HK$ Million
Deductible temporary differences	**573**	**142**	46	9
Future benefit of tax losses				
— Hong Kong	**4,157**	**686**	5,339	881
— Outside Hong Kong	**1,010**	**252**	621	155
	5,167	**938**	5,960	1,036
	5,740	**1,080**	6,006	1,045

The Group has not recognised the deferred tax assets attributable to the future benefit of tax losses sustained in the operations of certain subsidiaries as the availability of future taxable profits against which the assets can be utilised is uncertain at 31 December 2013. The tax losses arising from Hong Kong operations do not expire under current tax legislation. The tax losses arising from operations outside Hong Kong (mainly from Mainland China) can be carried forward to offset against taxable profits of subsequent years for up to five years from the year in which they arose.

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

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

a. Interest rate risk

The Group's main exposure to interest rate risk relates principally to the Group's borrowings. Borrowings at variable rates expose the Group 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 maintaining 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 notional amounts totalling HK$5,768 million (2012: HK$14,084 million) into floating rate borrowings. For each of the IRS and CCS entered into by the Group, the tenor and timing of the IRS and CCS cash flows matches those of the notes.

To ensure the certainty of a proportion of funding costs in the forthcoming years, the Group has entered into various floating-to-fixed IRS with notional amounts totalling HK$8,230 million with maturities of 10 to 15 years together with another HK$8,230 million fixed-to-floating IRS with a maturity of 2 years. Effectively, this arrangement has locked in fixed interest rates ranging from 2.1% to 3.6% per annum for a certain portion of the Group's floating rate loan portfolio for a period of 8 to 13 years from 2011 to 2012 onwards.

As at 31 December 2013, after taking into account of IRS and CCS, approximately 75% (2012: 81%) of the Group's borrowings were at floating rates and the remaining 25% (2012: 19%) were at fixed rates (see Note 23(b)).

Based on a sensitivity analysis performed as at 31 December 2013, it was estimated that a general increase/decrease of 1% (2012: 1%) in interest rates, with all other variables held constant, would have decreased/increased the Group's post-tax profit and total equity by approximately HK$279 million (2012: HK$300 million). This takes into account the effect of interest bearing bank deposits.

The sensitivity analysis above indicates the instantaneous change in the Group's post-tax profit and total equity that would have arisen assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to 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 has been performed on the same basis as for 2012.

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 HKD, their borrowings are mostly denominated in HKD or USD. For managing the overall financing costs of existing and future capital requirements for the projects in Mainland China, the Group has adopted a diversified funding approach and entered into certain 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 advantage of lower interest rates for the JPY borrowings but exposing the Group to exchange rate risk with respect to JPY. The swaps entered into under this arrangement have effectively converted the USD400 million ten-year fixed-rate notes issued in 2007 into JPY borrowings, which has and is anticipated going forward to save the Group interest of approximately 3% per annum for and over the tenure of the notes. Concurrently, the swaps expose the Group to fluctuations in the JPY exchange rate. Based on the prevailing accounting standards, such swaps are marked to market with the valuation movement recognised in the consolidated income statement.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets/(liabilities) denominated in a currency other than the functional currency of the Group's entities to which they relate. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency and exposure arising from inter-company balances which are considered to be in the nature of investment in a subsidiary are excluded.

	2013					2012				
	USD *Million*	RMB *Million*	JPY *Million*	SGD *Million*	EURO *Million*	USD *Million*	RMB *Million*	JPY *Million*	SGD *Million*	EURO *Million*
The Group										
Bank deposits and cash	108	542	–	8	–	212	33	–	–	–
Available-for-sale investments	139	–	–	–	–	184	–	–	–	–
Trade and other receivables	22	–	–	–	–	108	–	–	–	1
Trade and other payables	(29)	(3)	(4)	–	(2)	(24)	(1)	–	–	–
Bank loans and other borrowings	(3,461)	(1,650)	(11,948)	(670)	–	(1,661)	(1,650)	(9,944)	(420)	–
Inter-company balances	50	300	–	–	–	55	302	–	(250)	–
Gross exposure arising from recognised assets and liabilities	(3,171)	(811)	(11,952)	(662)	(2)	(1,126)	(1,316)	(9,944)	(670)	1
Notional amount of forward foreign exchange contracts										
— at fair value through profit or loss	(4,057)	–	(12,381)	–	–	320	–	(34,442)	–	–
Notional amount of cross currency IRS	(1,396)	1,450	(40,764)	670	–	1,147	1,650	(42,764)	670	–
Highly probable forecast purchases	(44)	–	–	–	(8)	(89)	–	–	–	(12)
Overall net exposure	(8,668)	639	(65,097)	8	(10)	252	334	(87,150)	–	(11)

At 31 December 2013, the PRC subsidiaries of the Group with RMB as their functional currency are exposed to foreign currency risk with respect to HKD/USD by holding HKD/USD denominated bank deposits and cash, trade and other payables, bank loans and inter-company borrowings in the amount of HK$724 million, HK$398 million, HK$4,564 million and HK$561 million respectively (2012: HK$844 million, HK$102 million, HK$5,021 million and HK$931 million respectively).

As at 31 December 2013, the Company with HKD as its 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 have arisen if foreign exchange rates to which the Group had significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between HKD and the USD would be materially unaffected by any changes movement in value of the USD against other currencies.

— a 5% (2012: 5%) increase/decrease in the exchange rate of JPY against USD and HKD would have decrease/increase the Group's post-tax profit and total equity by approximately HK$222 million (2012: HK$374 million).

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

The sensitivity analysis set out in the above represents an aggregation of the instantaneous effects on each of the Group entities' post-tax profit and total equity measured in the respective functional currencies, translated into HKD at the exchange rates ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including balances between Group companies which are denominated in a currency other than the functional currencies of the Group's entities to which they relate. The analysis excludes the differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis has been performed at the same basis as for 2012.

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

Based on a sensitivity analysis performed as at 31 December 2013, 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 have affected the Group's post-tax profit unless there were impairments but would have increased/decreased the Group's total equity by HK$372 million (2012: HK$384 million). The analysis has been performed on the same basis as for 2012.

d. Liquidity risk

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

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

The following tables detail the remaining contractual maturities at the end of the reporting period of the Group's derivative and non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates at the end of the reporting period and carried at the exchange rates 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 2013						
Bank loans and other borrowings	(82,587)	(91,142)	(10,531)	(21,897)	(46,500)	(12,214)
Trade and other payables	(20,089)	(20,089)	(17,822)	(977)	(1,030)	(260)
Other deferred liabilities						
(Club debentures issued)	(247)	(247)	–	–	–	(247)
Forward foreign exchange contracts	(9)	(9)	52	(23)	(38)	–
Cross currency interest rate swaps	(613)	(270)	124	100	(88)	(406)
Interest rate swaps	(160)	(895)	(108)	(110)	(315)	(362)
	(103,705)	(112,652)	(28,285)	(22,907)	(47,971)	(13,489)
At 31 December 2012						
Bank loans and other borrowings	(74,420)	(83,043)	(7,195)	(15,738)	(36,958)	(23,152)
Trade and other payables	(14,801)	(14,801)	(13,051)	(948)	(709)	(93)
Other deferred liabilities						
(Club debentures issued)	(227)	(227)	–	–	–	(227)
Forward foreign exchange contracts	175	175	175	–	–	–
Cross currency interest rate swaps	(1,010)	(619)	100	78	224	(1,021)
Interest rate swaps	(542)	(713)	(24)	(48)	(231)	(410)
	(90,825)	(99,228)	(19,995)	(16,656)	(37,674)	(24,903)

The Company is exposed to liquidity risk that arises from financial guarantees given by the Company on behalf of subsidiaries. The guarantees are callable if the respective subsidiary is unable to meet its obligations and the maximum amount callable as at 31 December 2013 was HK$70.5 billion (2012: HK$61.3 billion).

e. Credit risk

The Group's credit risk is primarily attributable to rental, trade and other receivables, cash and cash equivalents, 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 30, the Group does not provide any other guarantee which would expose the Group or the Company to material credit risk.

f. Fair values of assets and liabilities

i. Assets and liabilities carried at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement ("HKFRS13"). The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as defined in Note 9(d).

Financial instruments carried at fair value

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

	Group Fair value measurements as at 31 December 2013 categorised into		
	Level 1 *HK$ Million*	Level 2 *HK$ Million*	Total *HK$ Million*
Assets			
Available-for-sale investments:			
— Listed investments	3,718	–	3,718
— Convertible securities	–	2,824	2,824
Derivative financial instruments:			
— Forward foreign exchange contracts	–	52	52
— Interest rate swaps	–	239	239
— Cross currency interest rate swaps	–	170	170
	3,718	3,285	7,003
Liabilities			
Derivative financial instruments:			
— Forward foreign exchange contracts	–	61	61
— Interest rate swaps	–	399	399
— Cross currency interest rate swaps	–	783	783
Bank loans and other borrowings:			
— Bonds and notes	–	8,290	8,290
— Convertible bonds	–	6,214	6,214
— Bank loans	–	918	918
	–	16,665	16,665

	Group Fair value measurements as at 31 December 2012 categorised into Level 1 *HK$ Million*	Level 2 *HK$ Million*	Total *HK$ Million*
Assets			
Available-for-sale investments:			
— Listed investments	3,842	–	3,842
— Convertible securities	–	2,709	2,709
Derivative financial instruments:			
— Forward foreign exchange contracts	–	175	175
— Interest rate swaps	–	439	439
— Cross currency interest rate swaps	–	136	136
	3,842	3,459	7,301
Liabilities			
Derivative financial instruments:			
— Interest rate swaps	–	981	981
— Cross currency interest rate swaps	–	1,146	1,146
Bank loans and other borrowings:			
— Bonds and notes	–	7,126	7,126
— Convertible bonds	–	6,240	6,240
— Bank loans	–	1,045	1,045
	–	16,538	16,538

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

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

Valuation techniques and inputs used in Level 2 fair value measurements:

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

The fair value of interest rate swaps and cross currency interest rate swaps in Level 2 is determined based on the amount that the Group would receive or pay to terminate the swaps at the end of the reporting period taking into account current interest rates and current creditworthiness of the swap counter-parties.

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

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

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

ii. Assets and liabilities carried at other than fair value

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

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 2013 and 2012 were as follows:

	Group	
	2013 HK$ Million	2012 HK$ Million
Bank loans and other borrowings (Note 23)	**82,587**	74,420
Less: Bank deposits and cash (Note 20)	**(24,515)**	(18,795)
Net debt	**58,072**	55,625
Shareholders' equity	**275,557**	248,501
Total equity	**284,255**	256,906
Net debt-to-shareholders' equity ratio	**21.1%**	22.4%
Net debt-to-total equity ratio	**20.4%**	21.7%

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

27. SHARE CAPITAL

	2013 No. of shares Million	2012 No. of shares Million	**2013 HK$ Million**	2012 HK$ Million
Authorised				
Ordinary shares of HK$1 each	**10,000**	10,000	**10,000**	10,000
Issued and fully paid				
Ordinary shares of HK$1 each				
At 1 January	**3,029**	3,029	**3,029**	3,029
Shares issued under the share option scheme	**1**	–	**1**	–
At 31 December	**3,030**	3,029	**3,030**	3,029

28. CAPITAL AND RESERVES

a. The Group's equity, apart from share capital, share premium and the capital redemption reserve, includes investments revaluation reserves for dealing with the movements on revaluation of available-for-sale investments, other capital reserves for dealing with the unexercised equity component of convertible bonds issued and the grant date fair value of the granted unexercised share options in accordance with accounting policy note (o) and (z)(i) respectively, and the exchange reserves mainly for dealing with the exchange differences arising from the translation of the financial statements of foreign operations in accordance with the accounting policy note (s).

The revenue reserves for the Group at 31 December 2013 included HK$699 million (2012: HK$459 million) in respect of statutory reserves of the subsidiaries in Mainland China.

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

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 2012	3,029	26,278	7	174	17,970	47,458
Profit	–	–	–	–	10,408	10,408
Equity settled share-based payments	–	–	–	60	–	60
2011 second interim dividend paid	–	–	–	–	(2,120)	(2,120)
2012 first interim dividend paid	–	–	–	–	(1,363)	(1,363)
At 31 December 2012 and 1 January 2013	3,029	26,278	7	234	24,895	54,443
Shares issued under the share option scheme	1	61	–	(14)	–	48
Profit	–	–	–	–	10,149	10,149
Equity settled share-based payments	–	–	–	124	–	124
2012 second interim dividend paid	–	–	–	–	(3,635)	(3,635)
2013 first interim dividend paid	–	–	–	–	(1,515)	(1,515)
At 31 December 2013	3,030	26,339	7	344	29,894	59,614

b. Reserves of the Company available for distribution to equity shareholders of the Company as at 31 December 2013 amounted to HK$29,894 million (2012: HK$24,895 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 declared a second interim dividend of 120 cents per share (2012: second interim dividend of 120 cents per share) amounting to HK$3,636 million based on 3,030 million issued ordinary shares (2012: HK$3,635 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.

29. 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 2013 are as follows:

a. In respect of the year ended 31 December 2013, the Group earned rental income totalling HK$871 million (2012: HK$741 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, of which HK$788 million also constitute connected transactions as defined under the Listing Rules.

b. Remuneration for key management personnel of the Group, including amounts paid to the Directors of the Company and the five highest paid employees are disclosed in Notes 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 Notes 12 and 13.

30. CONTINGENT LIABILITIES

As at 31 December 2013, 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$77,281 million (2012: HK$72,032 million). There were also contingent liabilities in respect of guarantees given by the Company on behalf of joint ventures and associates of HK$9,103 million (2012: HK$4,935 million) of which HK$7,599 million (2012: HK$3,731 million) had been drawn.

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

The Group and the Company have not recognised any deferred income of the above guarantees for subsidiaries, joint ventures and associates 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 Group and the Company under any of the guarantees.

31. COMMITMENTS

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

a. Planned expenditure

		2013			2012		
		Authorised and contracted for HK$ Million	Authorised but not contracted for HK$ Million	Total HK$ Million	Authorised and contracted for HK$ Million	Authorised but not contracted for HK$ Million	Total HK$ Million
(I)	**Properties**						
	Investment properties						
	Hong Kong	1,136	475	1,611	1,018	788	1,806
	Mainland China	8,581	11,318	19,899	6,983	19,696	26,679
		9,717	11,793	21,510	8,001	20,484	28,485
	Development properties						
	Hong Kong	754	–	754	164	638	802
	Mainland China	17,304	35,043	52,347	15,383	41,133	56,516
		18,058	35,043	53,101	15,547	41,771	57,318
	Properties total						
	Hong Kong	1,890	475	2,365	1,182	1,426	2,608
	Mainland China	25,885	46,361	72,246	22,366	60,829	83,195
		27,775	46,836	74,611	23,548	62,255	85,803
(II)	**Non-properties**						
	Hotels	290	2,587	2,877	328	371	699
	Modern Terminals	366	69	435	30	420	450
	Wharf T&T	111	273	384	119	289	408
	i-CABLE	10	196	206	23	128	151
		777	3,125	3,902	500	1,208	1,708
Group total		28,552	49,961	78,513	24,048	63,463	87,511

i. Properties commitments are mainly for construction costs to be incurred in the forthcoming years and HK$5.2 billion (2012: HK$6.1 billion) attributable land costs payable by 2014.

ii. The expenditure for development properties included attributable amounts for developments undertaken by joint ventures and associates of HK$703 million (2012: HK$705 million) in Hong Kong and of HK$19,880 million (2012: HK$19,884 million) in Mainland China.

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

c. The Group leases a number of properties and telecommunication network facilities under operating leases. The leases typically run for an initial period of two to fifteen years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals. Total operating leases commitments are detailed as below:

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

32. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued certain new and revised HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company.

With effect from 1 January 2013, the Group has adopted the below new, revised and amendment to Hong Kong Financial Reporting Standards ("HKFRSs"), which are relevant to the Group's financial statements:

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

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

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

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

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

HKFRS 12 consolidates and replaces the previous disclosure requirements for subsidiaries, associates in the old HKAS 27 (Revised) Consolidated and Separate Financial Statements and HKAS 28 Investment in Associates and introduces new disclosure requirements for unconsolidated structured entities, such as the judgement and basis of exclusion of the entities for consolidation. This new standard does not have a significant impact on the results and financial position of the Group.

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

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

The "Principal accounting policies" set out on pages 167 to 179 summarise the accounting policies of the Group and the Company after the adoption of these policies to the extent that they are relevant to the Group and the Company.

33. FUTURE CHANGES IN ACCOUNTING POLICIES

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

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

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of the new standards is unlikely to have a significant impact on the Group's consolidated financial statements.

34. EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period the Directors declared a second interim dividend. Further details are disclosed in Note 7.

35. PARENT AND ULTIMATE HOLDING COMPANY

The Directors consider the parent and ultimate holding company at 31 December 2013 to be Wheelock and Company Limited, which is incorporated and listed in Hong Kong. Wheelock and Company Limited produces financial statements available for public use.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Directors on 27 March 2014.

Principal Accounting Policies

a. Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the principal accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 32 to the financial statements provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

b. Basis of preparation of the financial statements

The consolidated financial statements made up to 31 December comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except where stated otherwise in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note (aa).

c. Basis of consolidation

i. Subsidiaries and non-controlling interests

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

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and cash flows, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interest's proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes (p) or (q) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note (f)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note (c)(ii)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses.

ii. Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

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

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes (c)(iii) and (k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income. Adjustments are made on consolidation to the financial information of associates and joint ventures where necessary to ensure consistency with the accounting policies adopted by the Group.

When the Group's share of losses exceeds its interest in an associate or a joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest in the associate or joint venture is the carrying amount of the investment under the equity method together with the Group's long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated income statement.

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

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note (f)).

In the individual Company's statement of financial position, investments in associates and joint ventures 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 measured at that time. Investment properties under development are stated at cost less impairment (see note (k)) if the fair value cannot be measured reliably. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in the consolidated income statement. Rental income from investment properties is accounted for as described in note (t)(i).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease, and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note (i).

ii. Hotel and club properties

Hotel and club properties are stated at cost less accumulated depreciation and impairment losses. Hotel properties under development are stated at cost less impairment losses.

iii. Broadcasting and communications equipment

Broadcasting and communications equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes materials, direct labour and an appropriate proportion of overheads and borrowing costs directly attributable to the acquisition, construction or production of such equipment which necessarily takes a substantial period of time to get ready for its intended use.

iv. Other properties and fixed assets held for own use

Other properties and fixed assets held for own use are stated at cost less accumulated depreciation and impairment losses.

v. Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement on the date of retirement or disposal.

e. Depreciation of fixed assets

Depreciation is calculated to write-off the cost of items of fixed assets, less their estimated residual value, if any, using a straight line method over their estimated useful lives as follows:

i. *Investment properties*

No depreciation is provided on investment properties.

ii. *Hotel and club properties*

Depreciation is provided on the cost of the leasehold land of hotel and club properties over the unexpired period of the lease. Costs of buildings thereon are depreciated on a straight line basis over their estimated useful lives of not more than 40 years.

Depreciation of hotel properties under development commences when they are available for use.

iii. *Broadcasting and communications equipment*

Depreciation is provided on a straight line basis on the cost of the equipment at rates determined by the estimated useful lives of the assets of 2 to 20 years.

iv. *Other properties and fixed assets held for own use*

Depreciation is provided on the cost of the leasehold land of all other properties held for own use over the unexpired period of the lease. Costs of the buildings thereon are depreciated on a straight line basis over their unexpired period of leases or estimated useful 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

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

Investments in debt and equity securities (other than investments in subsidiaries, associates and joint ventures) are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair vale is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification.

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 securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the investments revaluation reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note (k)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in note t(iv) and t(v), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments are derecognised or impaired (see note (k)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

g. Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (note (h)).

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 profit or loss.

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 profit or loss.

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 profit or loss.

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 profit or loss 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 profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

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

iii. Assets held under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note (e). Impairment losses are accounted for in accordance with the accounting policy as set out in note (k). Finance charges implicit in the lease payments are charged to profit or loss 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 profit or loss 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 channel, 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. Costs of in-house programmes are written-off in the period in which they are incurred.

Commissioned programmes and films for licensing purposes comprise direct production costs and production overheads and are stated at the lower of amortised cost or net realisable value. Costs are amortised on an individual programme/film basis in the ratio of the current year's gross revenues to management's forecast of the total ultimate gross revenues from all sources.

Both the period and method of amortisation are reviewed annually.

k. Impairment of assets

i. Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale investments are reviewed at 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 associates and joint ventures accounted for under the equity method in the consolidated financial statements (see note (c)(ii)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note (k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note (k)(ii).

— For unquoted equity securities and other financial assets carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses arising on equity securities carried at cost are not reversed.

— 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 profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— For available-for-sale investments, the cumulative loss that has been recognised directly in the investments revaluation reserve is reclassified to profit or loss. 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 profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity investments are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in other comprehensive income.

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

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the consolidated income statement.

ii. Impairment of other assets

The carrying amounts of non-current assets, other than properties carried at revalued amounts and deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount
The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses
An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds the recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a *pro rata* basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

— Reversals of impairment losses
In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed (including those provided during the interim financial reporting).

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss 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 had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

l. Properties for sale

i. Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total development costs, including borrowing costs capitalised, attributable to unsold units. Net realisable value is estimated by the management, based on prevailing market conditions which represents the estimated selling price less costs to be incurred in selling the property. Cost of completed properties for sale comprises all costs of purchase, costs of conversion and costs incurred in bringing the inventories to their present location and condition.

The amount of any write down of or provision for 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.

A liability component with a hedging relationship with a derivative financial instrument that does not qualify for hedge accounting is remeasured at fair value at the end of each reporting period and any change in fair value is recognised in profit or loss.

If the bond is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the capital reserve is released directly to revenue reserves.

p. Interest-bearing borrowings

Interest-bearing borrowings for which there is a hedging relationship with a derivative financial instrument, which does not qualify for hedge accounting are initially recognised at fair value less transaction costs. At the end of each reporting period the fair value is remeasured and any change in fair value is recognised in the consolidated income statement.

Other interest-bearing borrowings are initially recognised at fair value less transaction costs. Subsequent to initial recognition, the interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the consolidated income statement over the period of the borrowings together with any interest and fees payable using the effective interest method.

q. Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

r. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

s. Foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary foreign currency balances and the statements of financial position of foreign operations are translated into Hong Kong dollars at the exchange rates ruling at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the monthly weighted average exchange rates for the year. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. Differences arising from the translation of the financial statements of foreign operations are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve and those arising from the financing of properties under development by foreign currency borrowings are capitalised as part of the development costs. All other exchange differences are dealt with in the consolidated income statement.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is reclassified from equity to the consolidated income statement and is included in the calculation of the profit or loss on disposal.

t. Recognition of revenue

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated income statement as follows:

i. Rental income under operating leases is recognised in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised in the accounting period in which they are earned.

ii. Income arising from the sale of properties held for sale is recognised upon the later of the execution of the formal sale and purchase agreement 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. 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 cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at 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 likely to be payable in the foreseeable future.

iv. Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Group has the legally enforceable right to set off current tax assets against current tax liabilities.

w. Related parties

i. A person, or a close member of that person's family, is related to the Group if that person:

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or the Group's parent.

ii. An entity is related to the Group if any of the following conditions applies:

(a) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(b) One entity is an associate or joint venture of the other entity (or an associate or a joint venture of a member of a Group of which the other entity is a member).

(c) Both entities are joint ventures of the same third party.

(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(f) The entity is controlled or jointly controlled by a person identified in (i).

(g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

x. Financial guarantees issued, provisions and contingent liabilities

i. *Financial guarantees issued*

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

ii. *Other provisions and contingent liabilities*

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or 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 and Binomial 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 26 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 the useful economic lives for depreciation of fixed assets
In assessing the estimated useful lives of fixed assets, management takes into account factors such as the expected usage of the asset by the Group based on past experience, the expected physical wear and tear (which depends on operational factors), technical obsolescence arising from changes or improvements in production or from a change in the market demand for the product or service output of the asset. The estimation of the useful life is a matter of judgement based on the experience of the Group.

Management reviews the useful lives of fixed assets annually and if expectations are significantly different from previous estimates of useful economic lives, the useful lives and, therefore, the depreciation rate for the future periods will be adjusted accordingly.

— Assessment of impairment of non-current assets
Management assesses the recoverable amount of each asset based on its value in use (using relevant rates) or on its net selling price (by reference to market prices), depending upon the anticipated future plans for the asset. Estimating the value in use of an asset involves estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and applying the appropriate discount rate to these future cash flows. Cash flow projections for the remaining useful life of the asset and the most recent financial budgets/forecasts are approved by management.

— Assessment of provision for properties for sale
Management determines the net realisable value of properties for sale by using (i) prevailing market data such as most recent sale transactions and market survey reports available from independent property valuers; and (ii) internal estimates of costs based on quotes by suppliers.

Management's assessment of the net realisable value of properties under development for sale requires the application of a risk-adjusted discount rate to estimate future discounted cash flows to be derived from the properties under development for sale. These estimates require judgement as to the anticipated sale prices by reference to recent sale transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions. The Group's estimates may be inaccurate and estimates may need to be adjusted in later periods.

— 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 Joint Ventures

At 31 December 2013

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/ registered and paid up capital	Percentage of equity attributable to Shareholders	Principal activities
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	10,000,000 HK$1 shares	100	Property
# **Wharf Development Limited**	Hong Kong	7,000,000,000 HK$1 shares	100	Holding company
Wharf 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$1,978,000,000	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$1,037,000,000	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
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] 上海莉源房地產開發有限公司	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] 上海清源房地產開發有限公司	The People's Republic of China	US$220,000,000	100	Property
[ii] 九龍倉(無錫)置業有限公司	The People's Republic of China	US$307,580,000	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.] 龍悦房地產開發(成都)有限公司	The People"s Republic of China	US$240,000,000	100	Property
[ii.] 龍嘉房地產開發(成都)有限公司	The People"s Republic of China	HK$537,500,000	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$144,600,000	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$320,000,000	100	Property
[ii] 錦興房地產開發(杭州)有限公司	The People's Republic of China	US$126,000,000	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
[ii] 常州河畔置業有限公司	The People's Republic of China	US$48,500,000	100	Property
[ii] 寧波立成置業有限公司	The People's Republic of China	US$172,000,000	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

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/ registered and paid up capital	Percentage of equity attributable to Shareholders	Principal activities
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
Smart Event Investments Limited	Hong Kong	1 HK$1 share	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 成都馬哥孛羅酒店有限公司	The People's Republic of China	US$1,200,015	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 sale
Hong Kong Cable Television Limited	Hong Kong	750,000,000 HK$1 shares	74	Pay TV 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
Sundream Motion Pictures Limited	Hong Kong	300,000,000 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
iv Wharf Finance Limited	Hong Kong	2 HK$1 shares	100	Finance
iv 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
iv 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
iv Wharf Finance (2014) Limited	British Virgin Islands/Hong Kong	10 US$1 shares	100	Finance
iv Wharf MTN (Singapore) Pte. Ltd	Singapore	2 SG$1 shares	100	Finance

Principal Subsidiaries, Associates and Joint Ventures

At 31 December 2013

Associates	Place of incorporation/ operation	Class of shares	Percentage of equity attributable to Shareholders	Principal activities
Properties				
* Greentown China Holdings Limited	Cayman Islands/The People's Republic of China	Ordinary	24	Property
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
天津雍景灣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
北京廣盈房地產開發有限公司	The People's Republic of China	Registered	33	Property
上海萬九綠合置業有限公司	The People's Republic of China	Registered	19	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

Joint ventures	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
重慶豐盈房地產開發有限公司	The People's Republic of China	Registered	39	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
大連九龍倉綠城置業有限公司	The People's Republic of China	Registered	60	Property
上海龍驤房地產開發有限公司	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

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*

Notes:
a) *All the subsidiaries listed above were, as at 31 December 2013, indirect subsidiaries of the Company except where marked #.*
b) *The above list gives the principal subsidiaries, associates and joint ventures of the Group which, in the opinion of the Directors, principally affect the profit and assets of the Group.*

c) *Set out below is details of debt securities issued by wholly-owned subsidiaries of and guaranteed by the Company:*

Name of subsidiary/Borrower	Description of debt securities	Outstanding principal amount
Wharf Finance (BVI) Limited	HK$ Guaranteed Fixed Rate Notes due 2016	HK$250 Million
	HK$ Guaranteed Fixed Rate Notes due 2022	HK$200 Million
Wharf Finance Limited	HK$ Guaranteed Floating Rate Notes due 2014	HK$200 Million
	HK$ Guaranteed Fixed Rate Notes due 2016	HK$430 Million
	US$ Guaranteed Fixed Rate Notes due 2017	US$400 Million
	US$ Guaranteed Fixed Rate Notes due 2017	US$300 Million
	US$ Guaranteed Fixed Rate Notes due 2017	US$600 Million
	HK$ Guaranteed Fixed Rate Notes due 2018	HK$160 Million
	HK$ Guaranteed Fixed Rate Notes due 2018	HK$326 Million
	HK$ Guaranteed Fixed Rate Notes due 2018	HK$300 Million
	HK$ Guaranteed Floating Rate Notes due 2018	HK$100 Million
	JPY Guaranteed Fixed Rate Notes due 2018	JPY2,000 Million
	HK$ Guaranteed Fixed Rate Notes due 2018	HK$300 Million
	HK$ Guaranteed Fixed Rate Notes due 2018	HK$100 Million
	HK$ Guaranteed Fixed Rate Notes due 2018	HK$150 Million
	HK$ Guaranteed Zero Coupon Callable Notes due 2019	HK$386 Million
	HK$ Guaranteed Zero Coupon Callable Notes due 2019	HK$193 Million
	US$ Guaranteed Floating Rate Notes due 2020	US$20 Million
	HK$ Guaranteed Fixed Rate Notes due 2021	HK$345 Million
	HK$ Guaranteed Fixed Rate Notes due 2022	HK$424 Million
	HK$ Guaranteed Fixed Rate Notes due 2022	HK$60 Million
	HK$ Guaranteed Fixed Rate Notes due 2022	HK$312 Million
	HK$ Guaranteed Fixed Rate Notes due 2022	HK$382 Million
	US$ Guaranteed Fixed Rate Notes due 2022	US$60 Million
	HK$ Guaranteed Fixed Rate Notes due 2023	HK$100 Million
	HK$ Guaranteed Fixed Rate Notes due 2023	HK$100 Million
	HK$ Guaranteed Fixed Rate Notes due 2027	HK$230 Million
	HK$ Guaranteed Fixed Rate Notes due 2040	HK$250 Million
Wharf Finance (No.1) Limited	HK$ Guaranteed Fixed Rate Notes due 2016	HK$167 Million
	SG$ Guaranteed Fixed Rate Notes due 2016	SG$160 Million
	RMB Guaranteed Fixed Rate Notes due 2016	RMB150 Million
	US$ Guaranteed Floating Rate Notes due 2016	US$58 Million
	HK$ Guaranteed Fixed Rate Notes due 2017	HK$113 Million
	RMB Guaranteed Fixed Rate Notes due 2018	RMB800 Million
	HK$ Guaranteed Fixed Rate Notes due 2018	HK$300 Million
	RMB Guaranteed Fixed Rate Notes due 2019	RMB200 Million
	HK$ Guaranteed Fixed Rate Notes due 2019	HK$240 Million
	HK$ Guaranteed Fixed Rate Notes due 2020	HK$550 Million
	HK$ Guaranteed Fixed Rate Notes due 2020	HK$180 Million
	HK$ Guaranteed Fixed Rate Notes due 2020	HK$200 Million
	HK$ Guaranteed Fixed Rate Notes due 2020	HK$100 Million
	RMB Guaranteed Fixed Rate Notes due 2020	RMB100 Million
	RMB Guaranteed Fixed Rate Notes due 2020	RMB200 Million
	SG$ Guaranteed Fixed Rate Notes due 2021	SG$260 Million
	RMB Guaranteed Fixed Rate Notes due 2023	RMB200 Million
	JPY Guaranteed Fixed Rate Notes due 2026	JPY10,000 Million
Wharf Finance (2014) Limited	HK$ Guaranteed Fixed Rate Convertible Bonds due 2014	HK$6,220 Million
Wharf MTN (Singapore) Pte. Limited	SG$ Guaranteed Fixed Rate Notes due 2018	SG$250 Million

Schedule of Principal Properties

At 31 December 2013

Address	Total	Office	Retail	Residential	Others
	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)				
HONG KONG					
Properties — Investment					
Harbour City , Tsimshatsui					
Ocean Terminal	511,000	–	511,000	–	–
Ocean Centre	987,000	613,000	374,000	–	–
Wharf T & T Centre	223,000	223,000	–	–	–
World Commerce Centre	223,000	223,000	–	–	–
World Finance Centre	512,000	512,000	–	–	–
Ocean Galleries	460,000	–	460,000	–	–
Gateway I	1,241,000	1,127,000	114,000	–	–
Gateway II	2,636,000	1,551,000	415,000	670,000	–
Marco Polo Hongkong Hotel	760,000	14,000	175,000	–	571,000
Gateway	308,000	–	–	–	308,000
Prince	350,000	–	–	–	350,000
Pacific Club Kowloon	139,000	–	–	–	139,000
	8,350,000	4,263,000	2,049,000	670,000	1,368,000
Times Square					
Sharp Street East, Causeway Bay	1,969,000	1,033,000	936,000	–	–
Plaza Hollywood					
3 Lung Poon Street, Diamond Hill	562,000	–	562,000	–	–
Others					
Wharf T&T Square, Hoi Bun Road, Kwun Tong	513,000	513,000	–	–	–
Units at Cable TV Tower, Hoi Shing Road, Tsuen Wan	566,000	–	–	–	566,000
Units at Strawberry Hill, 8 Plunkett's Road, The Peak	13,000	–	–	13,000	–
Chelsea Court, 63 Mount Kellett Road, The Peak	43,000	–	–	43,000	–
11-13 Plantation Road, The Peak	46,000	–	–	46,000	–
1 Plantation Road, The Peak	91,000	–	–	91,000	–
77 Peak Road, The Peak	42,200	–	–	42,200	–
Kowloon Godown, 1-5 Kai Hing Road, Kowloon Bay	829,000	–	6,000	823,000	–
Units at Star House, 3 Salisbury Road, Kowloon	50,800	–	50,800	–	–
	4,725,000	1,546,000	1,554,800	1,058,200	566,000
Murray Building, Cotton Tree Drive, Central	325,000	–	–	–	325,000
Total Hong Kong Property — Investment	13,400,000	5,809,000	3,603,800	1,728,200	2,259,000
Property — Development					
One Midtown, 11 Hoi Shing Road, Tsuen Wan	1,900	–	–	–	1,900
Yau Tong Godown, 5 Tung Yuen Street, Yau Tong	256,000	–	43,000	213,000	–
	257,900	–	43,000	213,000	1,900
Associates/joint ventures					
(Attributable — Note f)					
Various Lots at Yau Tong Bay, Yau Tong	596,000	–	11,000	585,000	–
8 Mount Nicholson Road, The Peak	162,000	–	–	162,000	–
	758,000	–	11,000	747,000	–
Total Hong Kong Property — Development	1,015,900	–	54,000	960,000	1,900
HONG KONG TOTAL	**14,415,900**	**5,809,000**	**3,657,800**	**2,688,200**	**2,260,900**

(Remarks)	Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
	346,719	KPP 83	2033	1966	N/A	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%
(A 665-room hotel)	58,814	KML 91 S.A. & KML 10 S.B.	2863	1969	N/A	71%
(A 397-room hotel)	(a)	KML 11 S.B.	2880	1981	N/A	100%
(A 393-room hotel)	(a)	KML 11 S.D.	2880	1983	N/A	100%
(Club House)	48,309	KIL 11179	2021	1990	N/A	100%
	112,441	IL 731, IL 728, IL 727, IL 725 S.A. & R.P., IL 724 S.A.	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%
(Industrial)	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 S.A.R.P. & S.B.	2035	2001	N/A	100%
	32,145	RBL 522, 639, 661	2027	2017	Foundation in progress	100%
	97,670	RBL 534 S.E., S.F. & R.P.	2028	2018	Foundation in progress	100%
	76,725	RBL 836	2029	2016	Foundation in progress	100%
	165,809	NKIL 5805, 5806 & 5982	2047	1984	Planning for redevelopment	100%
	N/A	KML 10 S.A.	2863	1966	N/A	71%
	68,136	9036	2063	2017	Planning for redevelopment	71%
	66,000	TWIL 36	2047	2012	N/A	100%
	42,625	YTIL 4SA	2047	2016	Foundation in progress	100%
	816,872	R.P. of YTML 22 & ext., YTML 28 & ext., YTML 29 & ext., and YTML 12, 32 and 33 together with adjoining lots at Yau Tong Bay	2047	N/A	Planning stage	14.9%
	250,930	IL9007	2060	2015	Superstructure in progress	50%

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At 31 December 2013

Address	Total	Office	Retail	Residential	Others
	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)				
MAINLAND CHINA					
Property — Investment					
Completed Investment Properties					
Shanghai Times Square 93-111 Huai Hai Zhong Road, Shanghai	973,000	331,000	447,000	195,000	–
Chongqing Times Square 100 Zou Rong Road, Yuzhong District, Chongqing	591,800	13,800	578,000	–	–
Wuhan Times Square 160 Yan Jiang Da Dao, Jiangan District, Wuhan	8,000	–	8,000	–	–
Dalian Times Square 50 Ren Min Road, Zhongshan District, Dalian	188,000	–	188,000	–	–
Chengdu Times Outlets No. 633 Shuangnan Avenue (Middle Section) Shuangliu County, Chengdu	680,000	–	680,000	–	–
Chengdu International Finance Square Junction of Hongxing Road and Da Ci Si Road, Jinjiang District, Chengdu	2,291,000	–	2,291,000	–	–
Shanghai Wheelock Square 1717 Nan Jing Xi Road, Jingan District, Shanghai	1,199,000	1,149,000	50,000	–	–
	5,930,800	1,493,800	4,242,000	195,000	–
Investment Properties Under Development					
Chengdu International Finance Square Junction of Hongxing Road and Da Ci Si Road, Jinjiang District, Chengdu	4,275,000	3,058,000	–	774,000	443,000
Wuxi International Finance Square Taihu Plaza, Nanchang District, Wuxi	2,045,000	1,591,000	–	–	454,000
Suzhou International Finance Square Xing Hu Jie, Suzhou Industrial Park, Suzhou	2,992,000	1,905,000	–	786,000	301,000
Changsha International Finance Square Furong District, Changsha	7,804,000	4,726,000	2,470,000	–	608,000
Chongqing International Finance Square Zones A of Jiangbei City, Jiang Bei District, Chongqing (Attributable — Note f)	2,454,000	1,715,000	547,000	–	192,000
	19,570,000	12,995,000	3,017,000	1,560,000	1,998,000
Marco Polo Wuhan 160 Yan Jiang Da Dao, Jiangan District, Wuhan	405,000	–	–	–	405,000
Total Mainland China Property — Investment	25,905,800	14,488,800	7,259,000	1,755,000	2,403,000

(Remarks)	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%
	(b)	N/A	2053	2008	N/A	100%
	(c)	N/A	2039	2008	N/A	100%
	(d)	N/A	2047	2009	N/A	100%
	(e)	N/A	2047	2013	N/A	100%
	136,432	N/A	2049	2010	N/A	98%
(A 238-room hotel)	(e)	N/A	2047	2015	Superstructure in progress	100%
(A 222-room hotel)	313,867	N/A	2047/57	2014	Superstructure completed	100%
(A 129-room hotel)	229,069	N/A	2047/77	2017	Foundation in progress	57%
(A 247-room hotel)	800,452	N/A	2051	2016	Foundation in progress	100%
(A 219-room hotel)	516,021	N/A	2050/60	2015	Superstructure in progress	50%
(A 370-room hotel)	(b)	N/A	2053	2008	N/A	100%

Schedule of Principal Properties

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		APPROXIMATE GROSS FLOOR AREAS (sq.ft.)			
Address	**Total**	**Office**	**Retail**	**Residential**	**Others**
Property — Development					
Changzhou Times Palace China Dinosaur Park, Xinbei District, Jiangsu Province, Changzhou	6,414,000	–	–	5,897,000	517,000
Changzhou Feng Huang Hu Xin Bei District and abutting Han Jiang Lu and Yu Long Lu. Changzhou	3,283,000	–	–	3,283,000	–
Changzhou Feng Huang Hu Xin Bei District and abutting Huang He Lu and Feng Xiang Lu, Changzhou	2,638,000	–	–	2,638,000	–
Hangzhou Palazzo Pitti Hangzhou Hangyimian Lot C/D Gongshu District Gongchen Bridge West, Hangzhou	2,422,000	–	–	2,422,000	–
Hangzhou Royal Seal Lot#FG05 of Wenhui Road, Hangzhou	883,000	–	–	883,000	–
Shi Ji Hua Fu Yingbin North Road/Fenshou Road, Fuchun District, Fuyang, Hangzhou	1,384,000	–	78,000	1,306,000	–
Junting Hangzhou Qianjiang Economic Development Area 09 Provincial Road/Kangxin Road, Yuhang District, Hangzhou	2,368,000	–	–	2,368,000	–
No.1 Xin Hua Road 176 Huai Hai Xi Road, Changning District, Shanghai	17,000	–	–	17,000	–
Shanghai Xi Yuan D1 of Xinjiangwancheng of Yangpu District, Shanghai	44,000	–	–	44,000	–
Shanghai Songjiang Xianhe Road Site #2 of Songjiang Xianhe Road, Shanghai	878,000	–	–	878,000	–
Shanghai Pudong Huangpujiang Site #E18 of Pudong Huangpujiang Riverside, Shanghai	1,464,000	–	–	1,464,000	–
Jingan Garden 398 Wanhangdu Road, Jingan District, Shanghai	763,000	–	–	763,000	–
Shanghai Pudong Zhoupu Site #08, lot 06-05 of Zhoupu Town, Pudong District, Shanghai	1,053,000	–	–	1,053,000	–
Suzhou Ambassador Villa Lot No. 68210 Suzhou Industrial Park, Suzhou	1,531,000	–	–	1,531,000	–
Bellagio Wang Wu Lu, Guo Sin Lu, Wu Chong New District, Suzhou	4,140,000	–	–	4,140,000	–
Suzhou Times City Xiandai Da Dao, Suzhou Industrial Park, Suzhou	7,954,000	–	–	7,954,000	–
Wuxi Glory of Time Nanchang District and abutting on Jinhang Canal, Wuxi	1,755,000	337,000	–	1,418,000	–
Wuxi Times City Taihu Plaza, Nanchang District, Wuxi	5,972,000	–	–	5,972,000	–
Wuxi Xiyuan Nanchang District and abutting on Jinhang Canal, Wuxi	2,068,000	–	–	2,068,000	–
River Pitti Nanchang District and abutting on Jinhang Canal, Wuxi	3,946,000	–	–	3,946,000	–

(Remarks)	Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
(A 271-room hotel and a State Guest House)	4,427,804	N/A	2047/77	2016	Superstructure in progress	71%
	2,563,134	N/A	2050/80	2016	Superstructure in progress	100%
	1,180,262	N/A	2083	2016	Planning stage	100%
	914,000	N/A	2080	2015	Superstructure in progress	100%
	258,358	N/A	2080	2015	Superstructure in progress	100%
	553,442	N/A	2051/81	2015	Superstructure in progress	100%
	1,315,296	N/A	2081	2015	Superstructure in progress	100%
	118,220	N/A	2070	2010	N/A	85%
	638,000	N/A	2077	2012	N/A	71%
	877,772	N/A	2081	2014	Superstructure in progress	100%
	585,723	N/A	2081	2015	Foundation in progress	100%
	170,825	N/A	2043/63	2016	Planning stage	55%
	526,905	N/A	2083	2017	Planning stage	100%
	3,654,152	N/A	2076	2015	Superstructure in progress	100%
	2,501,747	N/A	2081	2015	Superstructure in progress	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	Superstructure in progress	100%

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	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)				
Address	**Total**	**Office**	**Retail**	**Residential**	**Others**
Park Mansion Southeast of Kang Zhuang road and Beihuan west Road crossings (north of Tianhe community), Jiangbei District, Ningbo	1,116,000	–	–	1,116,000	–
The Orion Bounded by Dongdajie south, Jinhua Nan Lu east and Datiankan Jie north, Jinjiang District, Chengdu	492,000	–	–	492,000	–
Tian Fu Times Square Junction of Dong Da Jie & Fu He, Jinjiang District, Chengdu	343,000	193,000	46,000	104,000	–
Crystal Park, No.10 Gaoxin District Junction of Zhan Hua Road and Fu Cheng Avenue, Chengdu	200,000	–	8,000	192,000	–
Times Town, Shuangliu Development Zone Junction of Shuang Nan Avenue and Guang Hua Avenue, Shuangliu County, Chengdu	9,127,000	3,923,000	1,281,000	3,923,000	–
Chengdu Times City Shuangliu Huayang Street, Qinghe Community Group 8 and Gongxing Street Outang Village Group 5	2,392,000	–	87,000	2,305,000	–
Le Palais Lot No. 8 along Section 3 of the 2nd Ring Road East, Chenghua District, Chengdu	2,743,000	–	34,000	2,709,000	–
Wuhan Times Square 160 Yan Jiang Da Dao, Jiangan District, Wuhan	7,000	–	–	7,000	–
Wuhan Lake Moon Site B Hanyang District, Qintai Road, Wuhan	1,362,000	–	–	1,362,000	–
Dalian Times Square 50 Ren Min Road, Zhongshan District, Dalian	94,000	–	–	94,000	–
	68,853,000	4,453,000	1,534,000	62,349,000	517,000
Associates/joint ventures (Attributable — Note f)					
Suzhou Kingsville South of Lin Hu Road, East & West sides of Ying Hu Road Suzhou	757,000	–	11,000	746,000	–
Evian Town South of Tian Hong Lu and North of Yu He Lu Xincheng District, Foshan	84,000	–	18,000	66,000	–
Evian Uptown North side of Kin Jin Lu, Chancheng District, Foshan	496,000	–	62,000	434,000	–
Evian Buena Vista Foshan Nanhai District Shishan County Project	1,200,000	–	162,000	1,038,000	–
Evian Riviera Foshan Nanhai District Guicheng A18 and A21 Project	1,184,000	–	89,000	1,095,000	–
Chanxi Xincheng Ludaohu Project North of Jihua Bridge, Chancheng District, Foshan	799,000	–	67,000	732,000	–
Luocun Xiaodehu North Project Beihu Yi Road, Luocun, Shishan, Nanhai District, Foshan	1,603,000	–	97,000	1,491,000	15,000
Donghui City Guangzhou Development Zone KXCD-D1-2 Project	964,000	–	38,000	926,000	–
Unique Garden Laiguangying Central Street, Chaoyang District, Beijing	646,000	–	11,000	635,000	–
The Magnificent Junction of Weiguo Road & Jingjiang Road, Hedong District Tianjin	85,000	–	6,000	79,000	–
Haihe Project Intersection of Hedong Road and Kunlun Road, Hedong District,Tianjin	979,000	–	50,000	883,000	46,000

(Remarks)	Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
	558,000	N/A	2083	2015	Foundation in progress	100%
	160,000	N/A	2079	2013	N/A	100%
	761,520	N/A	2045/75	2013	N/A	100%
	884,459	N/A	2046/76	2014	Superstructure in progress	100%
	(d)	N/A	2047/77	2017	Superstructure in progress	100%
	800,882	N/A	2053/83	2015	Foundation in progress	100%
	1,130,000	N/A	2050/80	2017	Superstructure in progress	100%
	(b)	N/A	2053/73	2007/08	N/A	100%
	454,000	N/A	2080	2015	Superstructure in progress	100%
	(c)	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	2012	N/A	50%
	1,155,000	N/A	2048/78	2013	N/A	50%
	1,526,900	N/A	2070	2015	Superstructure in progress	50%
	603,900	N/A	2080	2015	Superstructure in progress	50%
	639,000	N/A	2083	2016	Planning stage	50%
	1,069,000	N/A	2083	2017	Planning stage	50%
	1,181,300	N/A	2081	2016	Superstructure in progress	33%
	783,000	N/A	2082	2015	Superstructure in progress	33%
	511,560	N/A	2079	2012	N/A	50%
	902,000	N/A	2083	2017	Planning stage	50%

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	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)				
Address	**Total**	**Office**	**Retail**	**Residential**	**Others**
Shanghai Tangzhen Tangzhen 5 Jiefang 180/1 Qiu, Pudong District, Shanghai	389,000	–	17,500	371,500	–
Shanghai South Station Caohejing Area Lot 278a-05/278b-02/278b-04 South Station Business Zone, Xuhui District, Shanghai	1,437,000	1,321,000	116,000	–	–
Greentown Zhijiang No.1 Zhuantang Town, Zhijiang National Tourist Holiday Resort, Xihi District, Hangzhou	1,854,000	–	83,000	1,771,000	–
Greentown Wharf Qian Tang Ming Yue Hangzhou Xiaoshan Jinhui Road	1,021,000	–	72,000	949,000	–
Hangzhou, Gongshu District, Shenhua Unit Project Site R21-02-A and Site R21-01, Shenhua Unit, Gongshu District, Hangzhou	667,000	–	50,000	617,000	–
Petrus Bay Site 3#-2 of Baoqingsi, Ningbo	419,000	–	–	419,000	–
The Berylville Site E-4#, 7#, 8#, 12# & 13#, Shuixianglinli Eastern New Town, Ningbo	529,000	–	–	529,000	–
Dalian Buxiuxiang Taoyuan Area, Jiefang Road, Zhongshan District, Dalian	1,550,000	–	–	1,550,000	–
Chengdu ICC South of Shuanggui Road, North of Niusha Road East of Erhuan Road, West of Shahe, Jinjiang District, Chengdu	3,858,000	1,242,000	550,000	1,942,000	124,000
U World Zone B of Jiangbei City, Jiang Bei District, Chongqing	1,472,000	–	56,000	1,416,000	–
The Throne Zones C of Jiangbei City, Jiang Bei District, Chongqing	4,152,000	–	–	4,152,000	–
International Community Zone C of Danzishi, Nanan District, Chongqing	4,317,000	–	1,015,000	3,302,000	–
Peaceland Cove Tiedonglu, Hebei District, Tianjin	402,000	–	270,000	–	132,000
	30,864,000	2,563,000	2,840,500	25,143,500	317,000
Total Mainland China Property — Development	99,717,000	7,016,000	4,374,500	87,492,500	834,000
MAINLAND CHINA TOTAL	**125,622,800**	**21,504,800**	**11,633,500**	**89,247,500**	**3,237,000**
GROUP PROPERTY — INVESTMENT	**39,305,800**	**20,297,800**	**10,862,800**	**3,483,200**	**4,662,000**
GROUP PROPERTY — DEVELOPMENT	**100,732,900**	**7,016,000**	**4,428,500**	**88,452,500**	**835,900**
GROUP TOTAL (Note h)	**140,038,700**	**27,313,800**	**15,291,300**	**91,935,700**	**5,497,900**

Notes:

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

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

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

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

(e) This property forms part of Chengdu International Finance Square which has a total site area of 590,481 sq. ft.

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

(g) Total Mainland development properties area included 18,460,000 sq. ft. pre-sold areas which have not yet been recognised in the financial statements.

(h) In addition to the above floor areas, the Group has total attributable carpark areas of approximately 40 million sq. ft. mainly in Mainland China.

(Remarks)	Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
	648,056	N/A	2082	2016	Foundation in progress	50%
	1,156,979	N/A	2052/62	2018	Superstructure in progress	19%
	2,046,685	N/A	2047/77	2016	Superstructure in progress	50%
	756,000	N/A	2053/83	2018	Planning stage	50%
	448,224	N/A	2054/84	2016	Planning stage	50%
	524,250	N/A	2080	2014	Superstructure in progress	50%
	708,142	N/A	2080	2016	Superstructure in progress	50%
	922,475	N/A	2083	2017	Superstructure in progress	60%
	2,212,128	N/A	2048/78	2017 and beyond	Superstructure in progress	30%
	1,002,408	N/A	2057	2016	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 December	2013 HK$ Million	2012 HK$ Million	2011 HK$ Million	2010 HK$ Million	2009 HK$ Million
Consolidated Income Statement					
Revenue	31,887	30,856	24,004	19,380	17,553
Operating profit	13,280	14,170	11,388	9,372	8,554
Core profit (Note a)	11,298	11,040	8,083	7,088	6,420
Profit before property revaluation surplus	12,206	13,927	6,727	7,905	7,817
Profit attributable to equity shareholders	29,380	47,263	30,568	35,750	19,256
Dividends attributable to shareholders	5,151	4,998	3,211	2,930	2,754
Consolidated Statement of Financial Position					
Investment properties	261,097	231,522	184,057	148,241	115,492
Fixed assets	24,161	19,870	18,984	18,397	18,510
Interest in associates	19,205	16,673	10,198	5,510	4,238
Interest in joint ventures	19,585	19,530	16,934	15,350	7,551
Available-for-sale investments	3,744	3,868	2,703	3,362	1,331
Properties for sale	53,764	48,915	47,511	29,732	17,797
Bank deposits and cash	24,515	18,795	32,528	16,900	18,412
Other assets	8,981	9,825	5,058	5,276	7,130
Total assets	415,052	368,998	317,973	242,768	190,461
Bank and other borrowings	(82,587)	(74,420)	(75,993)	(49,589)	(39,844)
Other liabilities	(48,210)	(37,672)	(31,106)	(22,530)	(15,029)
Net assets	284,255	256,906	210,874	170,649	135,588
Share capital	3,030	3,029	3,029	2,754	2,754
Reserves	272,527	245,472	200,228	160,335	125,792
Shareholders' equity	275,557	248,501	203,257	163,089	128,546
Non-controlling interests	8,698	8,405	7,617	7,560	7,042
Total equity	284,255	256,906	210,874	170,649	135,588
Net debt	58,072	55,625	43,465	32,689	21,432
Financial Data					
Per share data					
Earnings per share (HK$)					
— Core profit	3.73	3.64	2.70	2.51	2.33
— Before property revaluation surplus	4.03	4.60	2.25	2.79	2.84
— Attributable to equity shareholders	9.70	15.60	10.22	12.64	6.99
Net asset value per share (HK$)	90.94	82.04	67.10	59.22	46.68
Dividends per share (HK$ Cents)	170.00	165.00	106.00	100.00	100.00
Financial ratios					
Net debt to shareholders' equity (%)	21.1%	22.4%	21.4%	20.0%	16.7%
Net debt to total equity (%)	20.4%	21.7%	20.6%	19.2%	15.8%
Return on shareholders' equity (%) (Note b)	11.2%	20.9%	16.7%	24.5%	16.1%
Dividend payout (%)					
— Core profit	45.6%	45.3%	39.7%	41.3%	42.9%
— Before property revaluation surplus	42.2%	35.9%	47.7%	37.1%	35.2%
— Attributable to equity shareholders	17.5%	10.6%	10.5%	8.2%	14.3%
Interest cover (Times) (Note c)	5.8	7.4	7.9	12.9	16.5

Year ended 31 December	2008 HK$ Million	2007 HK$ Million	2006 HK$ Million	2005 HK$ Million	2004 HK$ Million
Consolidated Income Statement					
Revenue	15,940	16,208	13,364	12,543	11,953
Operating profit	7,406	7,832	6,056	5,929	5,242
Core profit (Note a)	4,796	6,043	4,285	4,499	3,740
Profit before property revaluation surplus	4,194	5,947	4,285	4,499	3,740
Profit attributable to equity shareholders	5,816	13,143	10,757	13,888	12,677
Dividends attributable to shareholders	2,203	2,093	1,958	1,958	1,683
Consolidated Statement of Financial Position					
Investment properties	98,410	95,782	86,684	78,224	66,288
Fixed assets	21,183	18,831	15,514	12,434	12,628
Interest in associates	4,009	4,182	781	1,638	1,583
Interest in joint ventures	7,989	4,555	788	896	348
Available-for-sale investments	706	2,858	2,921	1,677	1,654
Properties for sale	17,272	9,235	5,784	4,370	2,915
Bank deposits and cash	15,886	7,717	3,769	2,508	2,209
Other assets	3,099	3,011	3,036	2,745	2,513
Total assets	168,554	146,171	119,277	104,492	90,138
Bank and other borrowings	(38,009)	(31,282)	(20,670)	(18,558)	(16,442)
Other liabilities	(13,030)	(22,887)	(18,689)	(17,408)	(15,072)
Net assets	117,515	92,002	79,918	68,526	58,624
Share capital	2,754	2,448	2,448	2,448	2,447
Reserves	108,321	83,916	72,714	62,926	52,502
Shareholders' equity	111,075	86,364	75,162	65,374	54,949
Non-controlling interests	6,440	5,638	4,756	3,152	3,675
Total equity	117,515	92,002	79,918	68,526	58,624
Net debt	22,123	23,565	16,901	16,050	14,233
Financial Data					
Per share data					
Earnings per share (HK$)					
— Core profit	1.75	2.38	1.75	1.84	1.53
— Before property revaluation surplus	1.53	2.34	1.75	1.84	1.53
— Attributable to equity shareholders	2.12	5.17	4.39	5.67	5.18
Net asset value per share (HK$)	40.33	35.28	30.70	26.71	22.46
Dividends per share (HK$ Cents)	80.00	80.00	80.00	80.00	68.80
Financial ratios					
Net debt to shareholders' equity (%)	19.9%	27.3%	22.5%	24.6%	25.9%
Net debt to total equity (%)	18.8%	25.6%	21.1%	23.4%	24.3%
Return on shareholders' equity (%) (Note b)	5.9%	16.3%	15.3%	23.1%	23.8%
Dividend payout (%)					
— Core profit	45.9%	34.6%	45.7%	43.5%	45.0%
— Before property revaluation surplus	52.5%	35.2%	45.7%	43.5%	45.0%
— Attributable to equity shareholders	37.9%	15.9%	18.2%	14.1%	13.3%
Interest cover (Times) (Note c)	8.1	8.7	8.7	12.6	25.2

Notes:

(a) *Core profit excludes net property revaluation surplus, mark-to-market changes on financial instruments, impairment provision for properties and other non-recurring items including the accounting gain arose from the acquisition of interests in Greentown of HK$2,233 million in 2012, 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 EBITDA over finance costs (before capitalisation and fair value loss/gain).*

(d) *Certain figures have been reclassified or restated to comply with the prevailing HKFRSs.*

A Chinese version of this Annual Report is available from the Company upon request.
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