

# INDEPENDENT AUDITOR'S REPORT



## TO THE SHAREHOLDERS OF WHEELOCK AND COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Wheelock and Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 53 to 121, which comprise the consolidated and company statements of financial position as at 31 December 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

### DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

### AUDITOR'S RESPONSIBILITY

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

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

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

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

### OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

### KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

28 March 2014

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

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

The notes and principal accounting policies on pages 60 to 121 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 7.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

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

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

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

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

**Douglas C K Woo**  
Chairman & Managing Director

**Paul Y C Tsui**  
Executive Director & Group Chief Financial Officer

## COMPANY STATEMENT OF FINANCIAL POSITION

At 31 December 2013

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

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

**Douglas C K Woo**  
Chairman & Managing Director

**Paul Y C Tsui**  
Executive Director & Group Chief Financial Officer

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Shareholders' equity							
	Share capital HK\$ Million	Share premium HK\$ Million	Investments revaluation and other reserves* HK\$ Million	Exchange reserves HK\$ Million	Revenue reserves HK\$ Million	Total Shareholders' equity HK\$ Million	Non-controlling interests HK\$ Million	Total equity HK\$ Million
<b>At 1 January 2012</b>	1,016	1,914	187	4,347	115,098	122,562	112,632	235,194
<b>Changes in equity for 2012:</b>								
Profit	-	-	-	-	26,935	26,935	24,421	51,356
Other comprehensive income	-	-	2,329	717	-	3,046	1,448	4,494
Total comprehensive income	-	-	2,329	717	26,935	29,981	25,869	55,850
Shares issued by subsidiaries	-	-	-	-	-	-	167	167
Acquisition of additional interest in a subsidiary	-	-	-	-	910	910	(2,399)	(1,489)
Equity settled share-based payments	-	-	31	-	-	31	29	60
2011 second interim dividend paid	-	-	-	-	(427)	(427)	-	(427)
2011 special dividend paid	-	-	-	-	(508)	(508)	-	(508)
2012 first interim dividend paid	-	-	-	-	(508)	(508)	-	(508)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(2,459)	(2,459)
<b>At 31 December 2012 and 1 January 2013</b>	1,016	1,914	2,547	5,064	141,500	152,041	133,839	285,880
<b>Changes in equity for 2013:</b>								
Profit	-	-	-	-	16,954	16,954	15,064	32,018
Other comprehensive income	-	-	(1,736)	1,228	12	(496)	986	490
Total comprehensive income	-	-	(1,736)	1,228	16,966	16,458	16,050	32,508
Shares issued by a subsidiary	-	-	(7)	-	-	(7)	55	48
Acquisition of additional interests in subsidiaries	-	-	-	-	417	417	(1,879)	(1,462)
Equity settled share-based payments	-	-	111	-	-	111	59	170
2012 second interim dividend paid	-	-	-	-	(1,219)	(1,219)	-	(1,219)
2012 special dividend paid	-	-	-	-	(508)	(508)	-	(508)
2013 first interim dividend paid	-	-	-	-	(711)	(711)	-	(711)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(3,134)	(3,134)
<b>At 31 December 2013</b>	1,016	1,914	915	6,292	156,445	166,582	144,990	311,572

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

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

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

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

## NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

### a) Reconciliation of operating profit to cash generated from operations

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

### b) Cash and cash equivalents

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

## NOTES TO THE FINANCIAL STATEMENTS

### 1. SEGMENT INFORMATION

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

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

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

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

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

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

Management evaluates performance primarily based on operating profit as well as the equity share of results of associates and joint ventures of each segment. Inter-segment pricing is generally determined on an arm’s length basis.

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

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

### a) Analysis of segment revenue and results

	Revenue HK\$ Million	Operating profit HK\$ Million	Increase in fair value of investment properties HK\$ Million	Other net income HK\$ Million	Finance costs HK\$ Million	Associates HK\$ Million	Joint ventures HK\$ Million	Profit before taxation HK\$ Million
For the year ended 31 December 2013								
Investment property	11,949	9,891	19,089	-	(1,293)	-	-	27,687
Hong Kong	10,250	8,813	15,995	-	(1,190)	-	-	23,618
Mainland China	1,261	761	3,064	-	(103)	-	-	3,722
Singapore	438	317	30	-	-	-	-	347
Development property	13,430	3,341	-	(511)	(143)	2,305	414	5,406
Hong Kong	1,972	790	-	-	-	-	(52)	738
Mainland China	11,442	2,565	-	170	(143)	2,305	466	5,363
Singapore	16	(14)	-	(681)	-	-	-	(695)
Hotels	1,498	377	-	(543)	(16)	-	-	(182)
Logistics	3,226	974	-	116	(160)	326	47	1,303
Terminals	3,106	944	-	157	(160)	199	47	1,187
Others	120	30	-	(41)	-	127	-	116
CME	3,789	212	-	(42)	(42)	-	-	128
i-CABLE	1,932	(88)	-	1	(3)	-	-	(90)
Telecommunications	1,857	300	-	(43)	(39)	-	-	218
Inter-segment revenue	(453)	-	-	-	-	-	-	-
Segment total	33,439	14,795	19,089	(980)	(1,654)	2,631	461	34,342
Investment and others	1,632	1,177	-	1,317	755	-	-	3,249
Corporate expenses	-	(1,034)	-	-	-	-	-	(1,034)
Group total	35,071	14,938	19,089	337	(899)	2,631	461	36,557
For the year ended 31 December 2012								
Investment property	10,613	8,731	35,924	73	(1,168)	-	-	43,560
Hong Kong	9,206	7,812	34,548	73	(1,032)	-	-	41,401
Mainland China	1,005	634	1,677	-	(136)	-	-	2,175
Singapore	402	285	(301)	-	-	-	-	(16)
Development property	13,370	5,458	-	2,273	(110)	1,229	578	9,428
Hong Kong	3,019	1,536	-	22	-	2	(7)	1,553
Mainland China	9,573	3,562	-	2,251	(110)	1,227	585	7,515
Singapore	778	360	-	-	-	-	-	360
Hotels	1,391	391	-	-	(8)	-	-	383
Logistics	3,070	1,161	-	(39)	(255)	392	56	1,315
Terminals	2,969	1,142	-	2	(255)	205	56	1,150
Others	101	19	-	(41)	-	187	-	165
CME	3,953	(22)	-	2	(41)	-	-	(61)
i-CABLE	2,127	(271)	-	2	(4)	-	-	(273)
Telecommunications	1,826	250	-	-	(37)	-	-	213
Others	-	(1)	-	-	-	-	-	(1)
Inter-segment revenue	(452)	-	-	-	-	-	-	-
Segment total	31,945	15,719	35,924	2,309	(1,582)	1,621	634	54,625
Investment and others	1,179	456	-	807	420	-	-	1,683
Corporate expenses	-	(605)	-	-	-	-	-	(605)
Group total	33,124	15,570	35,924	3,116	(1,162)	1,621	634	55,703

## NOTES TO THE FINANCIAL STATEMENTS

## b) Analysis of inter-segment revenue

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

## c) Analysis of segment business assets

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

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

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

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

## d) Other information

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

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

## e) Geographical information

	Revenue		Operating profit	
	2013 HK\$ Million	2012 HK\$ Million	2013 HK\$ Million	2012 HK\$ Million
Hong Kong	20,290	20,382	11,208	10,817
Mainland China	14,229	11,434	3,362	4,019
Singapore	552	1,308	368	734
Group total	35,071	33,124	14,938	15,570
	Specified non-current assets		Total business assets	
	2013 HK\$ Million	2012 HK\$ Million	2013 HK\$ Million	2012 HK\$ Million
Hong Kong	245,190	221,001	273,875	236,485
Mainland China	99,660	82,615	157,988	134,557
Singapore	7,531	7,757	12,912	10,837
Group total	352,381	311,373	444,775	381,879

## NOTES TO THE FINANCIAL STATEMENTS

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

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

## 2. OPERATING PROFIT

## a) Operating profit

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

Notes:

- (i) Staff costs included contributions to defined contribution pension schemes of HK\$256 million (2012: HK\$199 million) which included MPF schemes (after a forfeiture of HK\$3 million (2012: HK\$3 million)) and equity settled share-based payment expenses of HK\$170 million (2012: HK\$60 million).
- (ii) Rental income included contingent rentals of HK\$2,070 million (2012: HK\$1,953 million).
- (iii) Included in interest income are amounts totalling HK\$537 million (2012: HK\$490 million) in respect of financial assets, which mainly comprise bank deposits, that are stated at amortised cost.

## b) Directors' emoluments

Directors' emoluments are as follows:

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

Notes:

- (i) There were no compensation for loss of office and/or inducement for joining the Group paid/payable to the Directors of the Company in respect of the years ended 31 December 2013 and 2012.
- (ii) Includes Audit Committee Members' fee for the year ended 31 December 2013 of HK\$50,000 (2012: HK\$30,000) received/receivable by each of relevant Directors.
- (iii) Mr Douglas C K Woo was appointed as a director of the Company with effect from 1 July 2013. Mr Winston K W Leong and Ms Nancy S L Tse were appointed as directors of the Company with effect from 1 October 2013.
- (iv) Mr Stewart C K Leung was appointed as a director of the Company with effect from 1 February 2012. Mrs Mignonne Cheng and Mr Alan H Smith were appointed as directors of the Company with effect from 1 July 2012. Mr T H Chau and Mr Richard Y S Tang were appointed as directors of the Company with effect from 22 October 2012.
- (v) Mr Alexander S K Au resigned and ceased to be a director of the Company with effect from 22 October 2012.
- (vi) Mr B M Chang and Mr Herald L F Lau retired and ceased to be directors of the Company with effect from 31 May 2012 and 7 June 2013 respectively.
- (vii) In addition to the above emoluments, certain Directors of the Company were granted share options under the share option schemes adopted by the Company and The Wharf (Holdings) Limited ("Wharf"), details of which are disclosed in note 24.

## NOTES TO THE FINANCIAL STATEMENTS

**c) Five highest paid employees**

For the year ended 31 December 2013, information regarding emoluments of 3 (2012: 3) employees of the Group who, not being Directors of the Company, were among the top five highest paid individuals (including Directors of the Company and other employees of the Group) employed by the Group has been set out below:

**i) Aggregate emoluments**

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

**ii) Bandings**

	2013 Number	2012 Number
<b>Bands (in HK\$)</b>		
\$10,000,001–\$10,500,000	–	1
\$11,000,001–\$11,500,000	–	1
\$14,000,001–\$14,500,000	1	–
\$15,500,001–\$16,000,000	1	–
\$24,000,001–\$24,500,000	1	1
	<b>3</b>	3

**3. OTHER NET INCOME**

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

- a)** Net profit on disposal of available-for-sale investments of HK\$1,094 million (2012: HK\$492 million) which included a revaluation surplus, before deduction of non-controlling interests, of HK\$922 million (2012: HK\$260 million) transferred from the investments revaluation reserves.
- b)** Net foreign exchange gain of HK\$335 million (2012: HK\$274 million) which included a fair value gain on forward foreign exchange contracts of HK\$150 million (2012: HK\$280 million).
- c)** Provision for diminution in value of HK\$681 million (2012: HK\$Nil) was made by a listed subsidiary, Wheelock Properties (Singapore) Limited, for its Ang Mo Kio project (The Panorama) and HK\$543 million (2012: HK\$Nil) by a listed subsidiary, Harbour Centre Development Limited, for its Changzhou Marco Polo Hotel project.

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

**4. FINANCE COSTS**

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

- a)** Interest was capitalised at an average annual rate of approximately 2.2% (2012: 2.1%).
- b)** Included in the total interest charge are amounts totalling HK\$2,320 million (2012: HK\$1,909 million) in respect of interest bearing borrowings that are stated at amortised cost.
- c)** The above interest charge has taken into account the interest paid/received in respect of interest rate swaps and cross currency interest rate swaps.

**5. INCOME TAX**

Taxation charged to the consolidated income statement includes:

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

## NOTES TO THE FINANCIAL STATEMENTS

- a) The provision for Hong Kong profits tax is based on the profit for the year as adjusted for tax purposes at the rate of 16.5% (2012: 16.5%).
- b) Income tax on profits assessable outside Hong Kong is mainly China corporate income tax calculated at a rate of 25% (2012: 25%), China withholding income tax at a rate of up to 10% (2012: 10%) and Singapore income tax at a rate of 17% (2012: 17%).
- c) Under the Provisional Regulations on LAT, all gains arising from transfer of real estate property in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights, borrowing costs and all property development expenditure.
- d) Taxation payable in the statement of financial position is expected to be settled within one year.
- e) Tax attributable to associates and joint ventures for the year ended 31 December 2013 of HK\$1,921 million (2012: HK\$1,481 million) is included in the share of results after tax of associates and joint ventures.
- f) The China tax law imposes a withholding tax at 10%, unless reduced by a treaty or agreement, for dividends distributed by a PRC-resident enterprise to its immediate holding company outside Mainland China for earnings generated since 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. For the year ended 31 December 2013, the Group has provided HK\$126 million (2012: HK\$144 million) for withholding taxes on accumulated earnings generated by its Mainland China subsidiaries which will be distributed to their immediate holding company outside Mainland China in the foreseeable future.
- g) **Reconciliation between the actual total tax charge and profit before taxation at applicable tax rates:**

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

## 6. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS

Profit attributable to equity shareholders for the year is dealt with in the financial statements of the Company to the extent of HK\$2,847 million (2012: HK\$1,332 million).

## 7. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

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

- a) The second interim dividend (2012: second interim dividend and special dividend) proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.
- b) The second interim dividend and special dividend of HK\$1,219 million and HK\$508 million respectively for 2012 were approved and paid in 2013.

## 8. EARNINGS PER SHARE

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

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

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

## b) Weighted average number of ordinary shares

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

## NOTES TO THE FINANCIAL STATEMENTS

## 9. INVESTMENT PROPERTIES

	Completed HK\$ Million	Group Under development HK\$ Million	Total HK\$ Million
<b>a) Cost or valuation</b>			
At 1 January 2012	184,387	16,110	200,497
Exchange differences	454	–	454
Additions	8,612	5,624	14,236
Disposals	(1,220)	–	(1,220)
Reclassification	(7,389)	8,227	838
Revaluation surplus	35,054	870	35,924
At 31 December 2012 and 1 January 2013	<b>219,898</b>	<b>30,831</b>	<b>250,729</b>
Exchange differences	275	657	932
Additions	1,235	10,093	11,328
Reclassification	7,975	(8,038)	(63)
Revaluation surplus	18,182	907	19,089
At 31 December 2013	<b>247,565</b>	<b>34,450</b>	<b>282,015</b>
<b>b) The analysis of cost or valuation of the above assets is as follows:</b>			
2013 valuation	<b>247,565</b>	<b>13,193</b>	<b>260,758</b>
At cost	–	21,257	21,257
	<b>247,565</b>	<b>34,450</b>	<b>282,015</b>
2012 valuation	219,898	8,485	228,383
At cost	–	22,346	22,346
	219,898	30,831	250,729
<b>c) Tenure of title to properties:</b>			
At 31 December 2013			
Held in Hong Kong			
Long term leases	184,070	243	184,313
Medium term leases	27,895	11,719	39,614
	<b>211,965</b>	<b>11,962</b>	<b>223,927</b>
Held outside Hong Kong			
Freehold	1,912	–	1,912
Long term leases	5,609	–	5,609
Medium term leases	28,079	22,488	50,567
	<b>247,565</b>	<b>34,450</b>	<b>282,015</b>
At 31 December 2012			
Held in Hong Kong			
Long term leases	170,127	9	170,136
Medium term leases	25,710	9,386	35,096
	195,837	9,395	205,232
Held outside Hong Kong			
Freehold	1,978	–	1,978
Long term leases	5,770	–	5,770
Medium term leases	16,313	21,436	37,749
	219,898	30,831	250,729

**d) Investment properties revaluation**

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

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

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

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

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

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

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

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

**Valuation processes**

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

**Valuation methodologies**

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

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

**Level 3 valuation methodologies**

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

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

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

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

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

**f)** The Group leases out properties under operating leases, which generally run for a period of one to ten years. Lease income may be varied periodically to reflect market rentals and may contain a contingent rental element which is based on various percentages of tenants' sales receipts.

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

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

## 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
<b>a) Cost</b>						
At 1 January 2012	4,468	1,264	2,086	16,348	11,028	35,194
Exchange differences	–	–	–	1	–	1
Additions	296	453	135	670	586	2,140
Disposals	–	–	–	(101)	(185)	(286)
Reclassification	39	280	(222)	2	(4)	95
At 31 December 2012 and 1 January 2013	<b>4,803</b>	<b>1,997</b>	<b>1,999</b>	<b>16,920</b>	<b>11,425</b>	<b>37,144</b>
Exchange differences	101	37	60	169	–	367
Additions	–	4,687	33	686	437	5,843
Disposals	–	–	–	(217)	(75)	(292)
Reclassification	–	49	(3)	57	(1)	102
At 31 December 2013	<b>4,904</b>	<b>6,770</b>	<b>2,089</b>	<b>17,615</b>	<b>11,786</b>	<b>43,164</b>
<b>Accumulated depreciation, amortisation and impairment losses</b>						
At 1 January 2012	717	684	–	6,646	8,145	16,192
Exchange differences	–	–	–	1	–	1
Charge for the year	95	51	–	645	547	1,338
Written back on disposals	–	–	–	(92)	(184)	(276)
Reclassification	–	–	–	(1)	2	1
At 31 December 2012 and 1 January 2013	<b>812</b>	<b>735</b>	<b>–</b>	<b>7,199</b>	<b>8,510</b>	<b>17,256</b>
Exchange differences	11	4	–	34	–	49
Charge for the year	86	68	–	670	534	1,358
Written back on disposals	–	–	–	(198)	(75)	(273)
Impairment	–	543	–	40	3	586
Reclassification	–	5	–	3	–	8
At 31 December 2013	<b>909</b>	<b>1,355</b>	<b>–</b>	<b>7,748</b>	<b>8,972</b>	<b>18,984</b>
<b>Net book value</b>						
At 31 December 2013	<b>3,995</b>	<b>5,415</b>	<b>2,089</b>	<b>9,867</b>	<b>2,814</b>	<b>24,180</b>
At 31 December 2012	3,991	1,262	1,999	9,721	2,915	19,888

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

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

## NOTES TO THE FINANCIAL STATEMENTS

**b) Tenure of title to properties:**

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

**c) Impairment of fixed assets**

The value of properties is assessed at the end of each reporting period for indications of impairment with reference to valuations undertaken by management. Such valuations assess the recoverable amount of each property being the higher of its value in use or its fair value less costs to sell. The Changzhou Marco Polo Hotel is part of a larger Changzhou development property project that is profitable overall. However, the hotel will open into a challenging market that is over-supplied. In addition, demand has been hard hit by the government's cooling measures. Therefore a 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" in the consolidated income statement, which was made for the Changzhou Marco Polo Hotel in Mainland China. The recoverable amount has been determined on the basis of its fair value less costs to sell on a market value basis and has taken into account the net income of the hotel property.

## 11. INTEREST IN SUBSIDIARIES

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

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

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

Amounts due to subsidiaries are unsecured and interest bearing with no fixed terms of repayment.

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

## 12. INTEREST IN ASSOCIATES

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

- a) Details of principal associates at 31 December 2013 are shown on page 120.
- b) The interest in the listed associate represents Wharf's 24.3% equity interest in Greentown at 31 December 2013.
- c) Amounts due from associates are unsecured, interest free and have no fixed terms of repayment, except for an advance of HK\$371 million (2012: HK\$371 million) made by the Group to an associate which is interest bearing. Amounts due from associates are not expected to be recoverable within the next twelve months. The amounts are neither past due nor impaired.
- Amounts due to associates are unsecured, interest free and have no fixed terms of repayment.
- d) Included in interest in unlisted associates is goodwill of HK\$1,853 million (2012: HK\$1,853 million) relating to the acquisition of Mega Shekou Container Terminals Limited which is held by Modern Terminals, a 67.6%-owned subsidiary of Wharf, under an agreement for rationalisation of the interests in Shekou Container Terminals Phases I, II and III in 2007.
- e) All of the above associates are accounted for using the equity method in the consolidated financial statements.

## f) Summary financial information of associates

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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

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

## 13. INTEREST IN JOINT VENTURES

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

- a) Details of principal joint ventures at 31 December 2013 are shown on page 120.
- b) Amounts due from joint ventures are unsecured, interest free and have no fixed terms of repayment, except for advances of HK\$4,864 million (2012: HK\$4,468 million) made by the Group to certain joint ventures which are interest bearing. Amounts due from joint ventures are not expected to be recoverable within the next twelve months. The amounts are neither past due nor impaired.
- Amounts due to joint ventures are unsecured, interest free and have no fixed terms of repayment.
- c) All of the above joint ventures are accounted for using the equity method in the consolidated financial statements.
- d) No joint venture is individually material to the Group. Aggregate information of joint ventures is summarised as below:

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

## 14. FINANCIAL INVESTMENTS

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

Investments listed outside Hong Kong include the Group's 20% (2012: 20%) interest in Hotel Properties Limited ("HPL"), which is incorporated and listed in Singapore. The equity interest in HPL is not classified as an associate as the Group does not have significant influence over HPL. The Group does not have representation on the board of directors and does not participate in the policy-making processes of HPL.

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

## 15. CONVERTIBLE SECURITIES

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

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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

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

## 16. GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

## 17. PROPERTIES FOR SALE

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

- a) At 31 December 2013, properties under development for sale of HK\$68,571 million (2012: HK\$51,331 million) are expected to be completed after more than one year.
- b) Included in properties under development for sale are deposits of HK\$2,890 million (2012: HK\$6,495 million) paid for the acquisition for certain land sites/properties located in Mainland China.
- c) Properties under development for sale and completed properties for sale are stated at the lower of cost and net realisable value. The total carrying value of properties stated at net realisable value at 31 December 2013 was HK\$3,261 million (2012: HK\$250 million).

- d) The carrying value of the properties under development for sale is assessed at the end of each reporting period for indications of impairment with reference to valuations undertaken by management. Such valuations assess the recoverable amount of each property based on its value in use (using relevant discount rates) or on its net selling price (by reference to market prices), depending upon the anticipated future plans for the property. For the year ended 31 December 2013, impairment losses of HK\$681 million (2012: HK\$Nil) were recognised in the consolidated income statement principally to reflect the current prevailing property market conditions.
- e) At 31 December 2013, the carrying value of leasehold land (including land deposits) and freehold land included in properties under development for sale and completed properties for sale is summarised as follows:

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

## 18. TRADE AND OTHER RECEIVABLES

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

**b) Impairment of trade receivables**

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

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

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

**c) Trade receivables that are not impaired**

As at 31 December 2013, 94% (2012: 91%) of the Group's trade receivables was not impaired, of which 92% (2012: 89%) was either not past due or less than two months past due.

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

## 19. DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2013 Assets HK\$ Million	2013 Liabilities HK\$ Million	2012 Assets HK\$ Million	2012 Liabilities HK\$ Million
<b>At fair value through profit or loss</b>				
Fixed-to-floating interest rate swaps	157	174	496	19
Floating-to-fixed interest rate swaps	105	272	–	963
Cross currency interest rate swaps	181	1,004	255	1,146
Forward foreign exchange contracts	79	125	225	–
Total	522	1,575	976	2,128
<b>Analysis</b>				
Current	346	283	489	215
Non-current	176	1,292	487	1,913
Total	522	1,575	976	2,128

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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

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

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

**c)** During the year, a gain of HK\$150 million (2012: HK\$280 million) in respect of forward foreign exchange contracts was recognised in the consolidated income statement.

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

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

## 20. BANK DEPOSITS AND CASH

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

At 31 December 2013, bank deposits and cash included:

**a)** HK\$19,963 million equivalent (2012: HK\$15,031 million) placed with banks in Mainland China the remittance of which is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

**b)** RMB3,649 million equivalent to HK\$4,641 million (2012: RMB1,753 million equivalent to HK\$2,162 million) which are solely for certain designated development property projects in Mainland China, and Singapore dollar balances of HK\$Nil (2012: HK\$143 million) equivalent in respect of certain proceeds received from the pre-sale of properties in Singapore held under the "Project Account Rules-1997 Ed", withdrawals from which are designated for payments for expenditure incurred for the respective projects.

The effective interest rate on bank deposits was 2.6% (2012: 1.9%) per annum.

Bank deposits and cash are denominated in the following currencies:

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

## 21. TRADE AND OTHER PAYABLES

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

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

The amount of trade and other payables that is expected to be settled after more than one year is HK\$2,452 million (2012: HK\$1,945 million), which is mainly for rental and customer deposits. The Group considers the effect of discounting these items would be immaterial. All of the other trade and other payables are expected to be settled or recognised as income within one year or are payable on demand.

## 22. DEPOSITS FROM SALE OF PROPERTIES

Deposits from sale of properties in the amount of HK\$4,314 million (2012: HK\$4,298 million) are expected to be recognised as income in the consolidated income statement after more than one year.

## NOTES TO THE FINANCIAL STATEMENTS

## 23. BANK LOANS AND OTHER BORROWINGS

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

a) The Group's borrowings are considered by the management to be effectively denominated in the following currencies (after the effects of cross currency interest rate swaps arrangements as detailed in note 26b):

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

b) The interest rate profile of the Group's and the Company's borrowings (after the effects of interest rate swaps and cross currency interest rate swaps as detailed in notes 26a and 26b respectively) are as follows:

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

c) All the interest bearing borrowings are carried at amortised cost except for loans in an amount of HK\$25,908 million (2012: HK\$23,507 million) which are carried at their fair values. None of the non-current interest bearing borrowings are expected to be settled within one year.

d) Included in the Group's total loans are bank loans and other borrowings of HK\$82,587 million and HK\$3,873 million (2012: HK\$74,420 million and HK\$1,768 million) borrowed by Wharf and WPSL respectively. The loans are without recourse to the Company and its other subsidiaries.

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

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

## NOTES TO THE FINANCIAL STATEMENTS

- g) On 7 June 2011, a subsidiary of Wharf issued an aggregate principal amount of HK\$6,220 million 2.3% guaranteed convertible bonds (“Convertible Bonds”) which are due on 7 June 2014. The Convertible Bonds are guaranteed by Wharf, and are convertible into its ordinary shares at an initial conversion price of HK\$90.00 per share.

The rights of the bondholders to convert the Convertible Bonds into ordinary shares are as follows:

- Conversion rights are exercisable at any time on or after 17 July 2011 up to the close of business on the seventh day prior to maturity at the bondholders’ option or, if such Convertible Bonds shall have been called for redemption by Wharf before maturity, then up to the close of business on a date no later than seven days prior to the date fixed for redemption thereof.
- If a bondholder exercises its conversion rights, Wharf is required to deliver ordinary shares at an initial rate of HK\$90.00 per share converted and an adjusted rate of HK\$88.97 per share converted effective from 29 May 2013.

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

During the years ended 31 December 2013 and 2012, there was no conversion of the Convertible Bonds into shares of Wharf by the bondholders and no redemption of the Convertible Bonds by Wharf.

On the basis that the conversion option of the Convertible Bonds will be settled by exchange of a fixed amount or fixed number of equity instruments, the Convertible Bonds are accounted for as compound instruments under HKAS 32 “Financial instruments – Presentation” and the proceeds have been split into between a liability component and an equity component as set out below.

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

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

	<b>HK\$ Million</b>	
Equity component on initial recognition		<b>99</b>
Liability component on initial recognition		<b>6,121</b>
Face value of Convertible Bonds at issue date		<b>6,220</b>
	<b>2013</b>	2012
	<b>HK\$ Million</b>	HK\$ Million
Movement of liability component at amortised cost:		
Liability component at 1 January	<b>6,171</b>	6,139
Add: Imputed finance cost	<b>34</b>	32
Liability component at 31 December	<b>6,205</b>	6,171

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

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

## 24. EQUITY SETTLED SHARE-BASED TRANSACTIONS

a) **Company**

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

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

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

ii) **Fair value of share options and assumptions**

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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

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

## b) Wharf

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

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

	Number of Wharf options	Contractual life of options
Options granted to directors of Wharf:		
– on 4 July 2011	9,000,000	5 years after
– on 5 June 2013	11,750,000	the date of grant
Options granted to employees of Wharf group:		
– on 4 July 2011	3,100,000	5 years after
– on 5 June 2013	1,500,000	the date of grant
Total share options granted	25,350,000	

## ii) Fair value of share options and assumptions

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

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

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

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

## 25. DEFERRED TAXATION

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

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

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

	Depreciation allowances in excess of the related depreciation HK\$ Million	Surplus on investment properties HK\$ Million	Others HK\$ Million	Future benefit of tax losses HK\$ Million	Total HK\$ Million
At 1 January 2012	2,567	4,238	(158)	(613)	6,034
Charged/(credited) to the consolidated income statement	129	1,087	62	(63)	1,215
Disposal of an investment property	(17)	–	–	27	10
Exchange differences	15	5	(6)	–	14
At 31 December 2012 and 1 January 2013	<b>2,694</b>	<b>5,330</b>	<b>(102)</b>	<b>(649)</b>	<b>7,273</b>
Charged to the consolidated income statement	<b>33</b>	<b>1,459</b>	<b>2</b>	<b>48</b>	<b>1,542</b>
Exchange differences	<b>4</b>	<b>187</b>	<b>(9)</b>	<b>(1)</b>	<b>181</b>
At 31 December 2013	<b>2,731</b>	<b>6,976</b>	<b>(109)</b>	<b>(602)</b>	<b>8,996</b>

b) **Deferred tax assets not recognised**

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

	2013		2012	
	Deductible temporary differences/ tax losses HK\$ Million	Deferred tax assets HK\$ Million	Deductible temporary differences/ tax losses HK\$ Million	Deferred tax assets HK\$ Million
Deductible temporary differences	673	159	185	32
Future benefits of tax losses				
– Hong Kong	5,147	849	6,274	1,035
– Outside Hong Kong	1,010	252	621	155
	<b>6,157</b>	<b>1,101</b>	6,895	1,190
	<b>6,830</b>	<b>1,260</b>	7,080	1,222

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

## 26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

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

a) **Interest rate risk**

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

In line with the Group's prevailing strategy, the Group has entered into a number of interest rate swaps ("IRS") and cross currency interest rate swaps ("CCS") which have the economic effect of converting certain fixed rate interest bearing notes with notional amounts totalling HK\$17,527 million (2012: HK\$23,005 million) into floating rates borrowings. For each of the IRS and CCS entered into by the Group, the tenor and timing of the IRS and CCS cash flows matches those of the notes.

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

As at 31 December 2013, after taking into account IRS and CCS, approximately 80% (2012: 84%) of the Group's borrowings was at floating rates and the remaining 20% (2012: 16%) was at fixed rates. (see note 23b).

Based on the sensitivity analysis performed as at 31 December 2013, it was estimated that a general increase/decrease of 1% (2012: 1%) in interest rates, with all other variables held constant, would have decreased/increased the post-tax profit and total equity of the Group and the Company by approximately HK\$380 million (2012: HK\$331 million) and HK\$50 million (2012: HK\$50 million). This takes into account the effect of interest bearing bank deposits.

The sensitivity analysis above indicates the instantaneous change in the Group's post-tax profit and total equity that would have arisen assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to remeasure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's post-tax profit and total equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis has been performed on the same basis as for 2012.

## NOTES TO THE FINANCIAL STATEMENTS

**b) Foreign currency risk**

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

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

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

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

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

At 31 December 2013, the PRC subsidiaries of the Group with RMB as their functional currency are exposed to foreign currency risk with respect to HKD/USD by holding HKD/USD denominated bank deposits and cash, trade and other payables, bank loans and inter-company borrowings in the amount of HK\$724 million, HK\$398 million, HK\$4,564 million and HK\$650 million respectively (2012: HK\$844 million, HK\$102 million, HK\$5,021 million and HK\$1,017 million respectively).

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

- a 5% (2012: 5%) increase/decrease in the exchange rate of JPY against USD and HKD would have decreased/increased the Group's post-tax profit and total equity by approximately HK\$250 million (2012: HK\$404 million).
- the impact on the Group's post-tax profit and total equity is not expected to be material in response to possible changes in the foreign exchange rates of other currencies to which the Group is exposed.

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

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

**c) Equity price risk**

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

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

Based on the sensitivity analysis performed as at 31 December 2013, it is estimated that an increase/decrease of 10% (2012: 10%) in the market value of the Group's listed available-for-sale investments, with all other variables held constant, would not have affected the Group's post-tax profit unless there were impairments but would have increased/decreased the Group's total equity by HK\$1,321 million (2012: HK\$1,442 million). The analysis has been performed on the same basis as for 2012.

**d) Liquidity risk**

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

## NOTES TO THE FINANCIAL STATEMENTS

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

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

	Contractual undiscounted cash flows					
	Carrying amount HK\$ Million	Total HK\$ Million	Within 1 year or on demand HK\$ Million	More than 1 year but less than 2 years HK\$ Million	More than 2 years but less than 5 years HK\$ Million	More than 5 years HK\$ Million
<b>Group</b>						
At 31 December 2013						
Bank loans and other borrowings	(123,640)	(135,989)	(14,014)	(27,477)	(78,769)	(15,729)
Trade and other payables	(21,721)	(21,721)	(19,269)	(1,021)	(1,124)	(307)
Other deferred liabilities						
(Club debentures issued)	(247)	(247)	-	-	-	(247)
Interest rate swaps	(184)	(683)	(76)	(78)	(199)	(330)
Cross currency interest rate swaps	(823)	(76)	148	124	(28)	(320)
Forward foreign exchange contracts	(46)	(46)	27	(28)	(45)	-
	(146,661)	(158,762)	(33,184)	(28,480)	(80,165)	(16,933)
At 31 December 2012						
Bank loans and other borrowings	(103,257)	(115,343)	(9,537)	(18,893)	(59,802)	(27,111)
Trade and other payables	(16,086)	(16,086)	(14,141)	(1,009)	(796)	(140)
Other deferred liabilities						
(Club debentures issued)	(227)	(227)	-	-	-	(227)
Interest rate swaps	(486)	(524)	1	(21)	(106)	(398)
Cross currency interest rate swaps	(891)	(431)	140	94	272	(937)
Forward foreign exchange contracts	225	225	225	-	-	-
	(120,722)	(132,386)	(23,312)	(19,829)	(60,432)	(28,813)
<b>Company</b>						
At 31 December 2013						
Bank loans	(5,000)	(5,131)	(60)	(60)	(5,011)	-
Trade and other payables	(7)	(7)	(7)	-	-	-
	(5,007)	(5,138)	(67)	(60)	(5,011)	-
At 31 December 2012						
Bank loans	(5,000)	(5,201)	(63)	(63)	(5,075)	-
Trade and other payables	(15)	(15)	(15)	-	-	-
	(5,015)	(5,216)	(78)	(63)	(5,075)	-

The Company on its own is exposed to liquidity risk that arises from financial guarantees given by the Company on behalf of subsidiaries. The guarantees are callable if the respective subsidiary is unable to meet its obligations. The maximum amount callable as at 31 December 2013 was HK\$32,363 million (2012: HK\$21,894 million).

**e) Credit risk**

The Group's credit risk is primarily attributable to rental, trade and other receivables, cash and cash equivalents, held-to-maturity investments and over-the-counter derivative financial instruments. The exposures to these credit risks are closely monitored on an ongoing basis by established credit policies and procedures in each of the Group's core businesses. In respect of rental receivables, sufficient rental deposits from tenants are held to cover potential exposure to credit risk. Further, evaluations are made for the customers with reference to their repayment history and financial strength, as well as the economic environment in which the customer operates.

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

The Group has no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. Except for the financial guarantees given by the Group or the Company as set out in note 29, the Group does not provide any other guarantee which would expose the Group or the Company to material credit risk.

**f) Fair value of assets and liabilities****i) Assets and liabilities carried at fair value**

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

**Financial instruments carried at fair value**

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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

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

**Valuation techniques and inputs used in Level 2 fair value measurements**

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

The fair value of IRS and CCS in Level 2 is determined based on the amount that the Group would receive or pay to terminate the swaps at the end of the reporting period taking into account current interest rates and current creditworthiness of the swap counter-parties.

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

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

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

**ii) Assets and liabilities carried at other than fair value**

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

**g) Capital management**

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

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

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

The net debt-to-equity ratios as at 31 December 2013 and 2012 were as follows:

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

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

**27. SHARE CAPITAL**

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

**28. CAPITAL AND RESERVES**

- a)** The Group's equity, apart from share capital, share premium and the capital redemption reserve, includes investments revaluation reserves for dealing with the movements on revaluation of available-for-sale investments, other capital reserves for dealing with the unexercised equity component of convertible bonds issued and the grant date fair value of the granted unexercised share options in accordance with accounting policy note (o) and (z)(i) respectively, and the exchange reserves mainly for dealing with the exchange differences arising from the translation of the financial statements of foreign operations in accordance with the accounting policy (note (s)).

The revenue reserves for the Group at 31 December 2013 included HK\$699 million (2012: HK\$459 million) in respect of statutory reserves of the subsidiaries in Mainland China.

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

## NOTES TO THE FINANCIAL STATEMENTS

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

	Share capital HK\$ Million	Share premium HK\$ Million	Capital redemption reserve HK\$ Million	Other capital reserve HK\$ Million	Revenue reserves HK\$ Million	Total HK\$ Million
<b>Company</b>						
At 1 January 2012	1,016	1,914	19	-	2,797	5,746
Profit	-	-	-	-	1,332	1,332
2011 second interim dividend paid	-	-	-	-	(427)	(427)
2011 special dividend paid	-	-	-	-	(508)	(508)
2012 first interim dividend paid	-	-	-	-	(508)	(508)
At 31 December 2012 and 1 January 2013	<b>1,016</b>	<b>1,914</b>	<b>19</b>	-	<b>2,686</b>	<b>5,635</b>
Profit	-	-	-	-	<b>2,847</b>	<b>2,847</b>
Equity settled share-based payments	-	-	-	<b>46</b>	-	<b>46</b>
2012 second interim dividend paid	-	-	-	-	<b>(1,219)</b>	<b>(1,219)</b>
2012 special dividend paid	-	-	-	-	<b>(508)</b>	<b>(508)</b>
2013 first interim dividend paid	-	-	-	-	<b>(711)</b>	<b>(711)</b>
At 31 December 2013	<b>1,016</b>	<b>1,914</b>	<b>19</b>	<b>46</b>	<b>3,095</b>	<b>6,090</b>

**b)** Reserves of the Company available for distribution to equity shareholders of the Company at 31 December 2013 amounted to HK\$3,095 million (2012: HK\$2,686 million).

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

## 29. CONTINGENT LIABILITIES

	Group		Company	
	2013 HK\$ Million	2012 HK\$ Million	2013 HK\$ Million	2012 HK\$ Million
<b>a)</b> Guarantees given in respect of banking facilities available to:				
Subsidiaries	-	-	<b>42,920</b>	28,329
Associates and joint ventures	<b>12,980</b>	9,435	<b>4,500</b>	4,500

Of the banking facilities available to associates and joint ventures which are guaranteed by the Group, HK\$10,745 million (2012: HK\$6,730 million) had been drawn at the end of the reporting period.

**b)** Wheelock Properties Limited, a wholly-owned subsidiary, and New World Development Company Limited as guarantors (on a several basis) have provided a guarantee in favour of MTR Corporation Limited to guarantee the performance and fulfilment of all obligations of Fast New Limited, a 50%-owned joint venture, under or arising out of or in connection with an agreement dated 23 March 2010 for the development of the Austin Station Development Property project.

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

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

## 30. COMMITMENTS

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

### a) Planned expenditure

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

- c) The Group leases a number of properties and telecommunication network facilities under operating leases. The leases typically run for an initial period of two to fifteen years, with an option to renew each lease upon expiry when all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals. Total operating leases commitments are detailed as below:

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

### 31. MATERIAL RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Material transactions between the Group and other related parties during the year ended 31 December 2013 are as follows:

- a) In respect of the year ended 31 December 2013, the Group earned rental income totalling HK\$874 million (2012: HK\$744 million) from various tenants which are companies whose controlling shareholder is a trust, the settlor of which is Mr Peter K C Woo, who served as Chairman of the Company during the financial year under review. These transactions are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules.
- b) Remuneration for key management personnel of the Group, including amounts paid to the Directors of the Company and the five highest paid employees are disclosed in notes 2b and 2c.

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

### 32. CHANGES IN ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

The "Principal accounting policies" set out on pages 104 to 116 summarise the accounting policies of the Group and the Company after the adoption of these policies to the extent that they are relevant to the Group and the Company.

### 33. FUTURE CHANGES IN ACCOUNTING POLICIES

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

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

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of the new standards is unlikely to have a significant impact on the Group's consolidated financial statements.

### 34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Directors on 28 March 2014.

## PRINCIPAL ACCOUNTING POLICIES

### A. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the principal accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 32 to the financial statements provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

### B. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements made up to 31 December comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except where stated otherwise in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note (AA).

### C. BASIS OF CONSOLIDATION

#### (i) Subsidiaries and non-controlling interests

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

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and cash flows, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interest’s proportionate share of the subsidiary’s net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes (p) or (q) depending on the nature of the liability.

Changes in the Group’s interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note (f)) or when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note (c)(iii)).

In the Company’s statement of financial position, an investment in a subsidiary is stated at cost less impairment losses.

#### (ii) Associates and joint venturers

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

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

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group’s share of the acquisition-date fair values of the investee’s identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group’s share of the investee’s net assets and any impairment loss relating to the investment (see notes (c)(iii) and (k)). Any acquisition-date excess over cost, the Group’s share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group’s share of the post-acquisition post-tax items of the investees’ other comprehensive income is recognised in the consolidated statement of comprehensive income. Adjustments are made on consolidation to the financial information of associates and joint ventures where necessary to ensure consistency with the accounting policies adopted by the Group.

When the Group’s share of losses exceeds its interest in an associate or a joint venture, the Group’s interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group’s interest in the associate or joint venture is the carrying amount of the investment under the equity method together with the Group’s long term interests that, in substance, form part of the Group’s net investment in the associate or joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group’s interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated income statement.

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

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note (f)).

#### (iii) Goodwill

Goodwill represents the excess of

- (a) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group’s previously held equity interest in the acquiree; over
- (b) the net fair value of the acquiree’s identifiable assets and liabilities measured as at the acquisition date.

## PRINCIPAL ACCOUNTING POLICIES

When (b) is greater than (a), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note (k)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

### D. FIXED ASSETS

#### (i) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated in the statement of financial position at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Investment properties under development are stated at cost less impairment (see note (k)) if the fair value cannot be measured reliably. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in the consolidated income statement. Rental income from investment properties is accounted for as described in note (t)(i).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease, and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note (i).

#### (ii) Hotel and club properties

Hotel and club properties are stated at cost less accumulated depreciation and impairment losses. Hotel properties under development are stated at cost less impairment losses.

#### (iii) Broadcasting and communications equipment

Broadcasting and communications equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes materials, direct labour and an appropriate proportion of overheads and borrowing costs directly attributable to the acquisition, construction or production of such equipment which necessarily takes a substantial period of time to get ready for its intended use.

#### (iv) Other properties and fixed assets held for own use

Other properties and fixed assets held for own use are stated at cost less accumulated depreciation and impairment losses.

#### (v) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement on the date of retirement or disposal.

### E. DEPRECIATION OF FIXED ASSETS

Depreciation is calculated to write-off the cost of items of fixed assets, less their estimated residual value, if any, using a straight line method over their estimated useful lives as follows:

#### (i) Investment properties

No depreciation is provided on investment properties.

#### (ii) Hotel and club properties

Depreciation is provided on the cost of the leasehold land of hotel and club properties over the unexpired period of the lease. Costs of buildings thereon are depreciated on a straight line basis over their estimated useful lives of not more than 40 years.

Depreciation of hotel properties under development commences when they are available for use.

#### (iii) Broadcasting and communications equipment

Depreciation is provided on a straight line basis on the cost of the equipment at rates determined by the estimated useful lives of the assets of 2 to 20 years.

#### (iv) Other properties and fixed assets held for own use

Depreciation is provided on the cost of the leasehold land of all other properties held for own use over the unexpired period of the lease. Costs of the buildings thereon are depreciated on a straight line basis over their unexpired period of leases or estimated useful lives whichever is shorter.

Depreciation is provided on a straight line basis on the cost of other fixed assets held for own use at rates determined by the estimated useful lives of these assets of 3 to 25 years.

Where parts of an item of fixed assets have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

### F. INVESTMENTS IN DEBT AND EQUITY SECURITIES

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

Investments in debt and equity securities (other than investments in subsidiaries, associates and joint ventures) are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

(i) Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in the consolidated income statement as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in the consolidated income statement. The net gain or loss recognised in the consolidated income statement does not include any dividends or interest earned as these are recognised in accordance with the policies set out in notes (t)(iv) and (t)(v).

(ii) Dated debt securities that the Group and/or the Company has the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the statement of financial position at amortised cost less impairment losses.

(iii) Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the investments revaluation reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note (k)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in note (t)(iv) and (t)(v), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

(iv) When the investments are derecognised or impaired (see note (k)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

### G. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in the consolidated income statement, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (note (h)).

## PRINCIPAL ACCOUNTING POLICIES

### H. HEDGING

#### (i) Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the consolidated income statement. The gain or loss from remeasuring the hedging instrument at fair value together with the gain or loss on the hedged item attributable to the hedged risk are recorded in the consolidated income statement.

#### (ii) Cash flow hedge

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gain or loss on remeasurement of the derivative financial instrument to fair value is recognised directly in other comprehensive income and accumulated separately in equity. The ineffective portion of any gain or loss is recognised immediately in the consolidated income statement.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to the consolidated income statement in the same period or periods during which the asset acquired or liability assumed affects the consolidated income statement (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to the consolidated income statement in the same period or periods during which the hedged forecast transaction affects the consolidated income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to the consolidated income statement immediately.

#### (iii) Hedge of net investment in a foreign operation

The portion of the gain or loss on remeasurement to fair value of an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in other comprehensive income and accumulated separately in equity in the exchange reserve until the disposal of the foreign operation, at which time the cumulative gain or loss is reclassified from equity to the consolidated income statement. The ineffective portion is recognised immediately in the consolidated income statement.

### I. LEASED ASSETS

An arrangement comprising a transaction or a series of transactions is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

#### (i) Classification of leased assets

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as an investment property, is accounted for as if held under a finance lease (see note (d)(i)); and
- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

#### (ii) Assets held under operating leases

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the consolidated income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the consolidated income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the consolidated income statement in the accounting period in which they are incurred.

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

#### (iii) Assets held under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note (e). Impairment losses are accounted for in accordance with the accounting policy as set out in note (k)(ii). Finance charges implicit in the lease payments are charged to the consolidated income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to the consolidated income statement in the accounting period in which they are incurred.

### J. PROGRAMMING LIBRARY

Programming library consists of presentation rights for commissioned programmes and acquired programmes for showing on the Group's television channels, and commissioned programmes and films for licensing purposes.

Presentation rights are stated in the statement of financial position at cost less accumulated amortisation (where the estimated useful life is other than indefinite) and any impairment losses. Amortisation is charged to consolidated income statement on an accelerated basis over the licence period or over the estimated number of future showings. Subsequent expenditure on programmes after initial acquisition is recognised as an expense when incurred. Costs of in-house programmes are written off in the period in which they are incurred.

Commissioned programmes and films for licensing purposes comprise direct production costs and production overheads, and are stated at the lower of amortised cost or net realisable value. Costs are amortised on an individual programme/film basis in the ratio of the current year's gross revenues to management's forecast of the total ultimate gross revenues from all sources.

Both the period and method of amortisation are reviewed annually.

### K. IMPAIRMENT OF ASSETS

#### (i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale investments are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements (see note (c)(ii)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note (k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note (k)(ii).
- For unquoted equity securities and other financial assets carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses arising on equity securities carried at cost are not reversed.

## PRINCIPAL ACCOUNTING POLICIES

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets) where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the consolidated income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

- For available-for-sale investments, the cumulative loss that has been recognised directly in the investments revaluation reserve is reclassified to the consolidated income statement. The amount of the cumulative loss that is recognised in the consolidated income statement is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the consolidated income statement.

Impairment losses recognised in the consolidated income statement in respect of available-for-sale equity investments are not reversed through the consolidated income statement. Any subsequent increase in the fair value of such assets is recognised directly in other comprehensive income.

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

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the consolidated income statement.

### (ii) Impairment of other assets

The carrying amounts of non-current assets, other than properties carried at revalued amounts and deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- **Calculation of recoverable amount**  
The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).
- **Recognition of impairment losses**  
An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs exceeds the recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use, (if determinable).

- **Reversals of impairment losses**  
In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed (including those provided during the interim financial reporting).

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the consolidated income statement in the year in which the reversals are recognised.

- **Interim financial reporting and impairment**  
Under the Rules Governing the Listing of Securities on the Stock Exchange, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not in the consolidated income statement.

## L. PROPERTIES FOR SALE

### (i) Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total development costs, including borrowing costs capitalised, attributable to unsold units. Net realisable value is estimated by the management, based on prevailing market conditions which represents the estimated selling price less costs to be incurred in selling the property. Cost of completed properties for sale comprises all costs of purchase, costs of conversion and costs incurred in bringing the inventories to their present location and condition.

The amount of any write down of or provision for completed properties for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down or provision arising from an increase in net realisable value is recognised in the consolidated income statement in the period in which the reversal occurs.

### (ii) Properties under development for sale

Properties under development for sale are classified as current assets and stated at the lower of cost and net realisable value. Cost includes identified costs including the acquisition cost of land, aggregate cost of development, borrowing costs capitalised, material and supplies, wages, other direct expenses and an appropriate proportion of overheads. Net realisable value is estimated by the management, taking into account the expected price that can ultimately be achieved, based on prevailing market conditions and the anticipated costs of completion and costs to be incurred in selling the property.

The amount of any write down of or provision for properties under development for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down or provision arising from an increase in net realisable value is recognised in the consolidated income statement in the period in which the reversal occurs.

## M. INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is estimated by the management, based on the expected selling price in the ordinary course of business less the anticipated costs of completion and the estimated costs necessary to make the sale.

## PRINCIPAL ACCOUNTING POLICIES

### N. TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of bad and doubtful debts.

### O. CONVERTIBLE BONDS THAT CONTAIN AN EQUITY COMPONENT

Convertible bonds that can be converted to equity share capital at the option of holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the bond is converted or redeemed.

A liability component with a hedging relationship with a derivative financial instrument that does not qualify for hedge accounting is remeasured at fair value at the end of each reporting period and any change in fair value is recognised in the consolidated income statement.

If the bond is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the capital reserve is released directly to revenue reserves.

### P. INTEREST-BEARING BORROWINGS

Interest-bearing borrowings for which there is a hedging relationship with a derivative financial instrument, which does not qualify for hedge accounting, are initially recognised at fair value less transaction costs. At the end of each reporting period the fair value is remeasured and any change in fair value is recognised in the consolidated income statement.

Other interest-bearing borrowings are initially recognised at fair value less transaction costs. Subsequent to initial recognition, the interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the consolidated income statement over the period of the borrowings together with any interest and fees payable using the effective interest method.

### Q. TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

### R. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

### S. FOREIGN CURRENCIES

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary foreign currency balances and the statements of financial position of foreign operations are translated into Hong Kong dollars at the exchange rates ruling at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the monthly weighted average exchange rates for the year. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. Differences arising from the translation of the financial statements of foreign operations are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve and those arising from the financing of properties under development by foreign currency borrowings are capitalised as part of the development costs. All other exchange differences are dealt with in the consolidated income statement.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is reclassified from equity to the consolidated income statement and is included in the calculation of the profit or loss on disposal.

### T. RECOGNITION OF REVENUE

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated income statement as follows:

- (i) Rental income under operating leases is recognised in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised in the accounting period in which they are earned.
- (ii) Income arising from the sale of properties held for sale is recognised upon the later of the execution of the formal sale and purchase agreement or the issue of occupation permit/completion certificate by the relevant government authorities, which is taken to be the point in time when the risk and rewards of ownership of the property have passed to the buyer. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position.
- (iii) Income from communications, media and entertainment operations, logistics operations and hotels operations is recognised at the time when the services are provided.
- (iv) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.  
Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.
- (v) Interest income is recognised as it accrues using the effective interest method.
- (vi) Income received in advance attributable to long term service contracts is deferred and recognised over the contract period on a straight line basis.

### U. BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

### V. INCOME TAX

- (i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the consolidated income statement except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.
- (ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

## PRINCIPAL ACCOUNTING POLICIES

- (iii)** Deferred tax assets and liabilities arise from deductible and taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases respectively. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may be capable to support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided that they are not part of a business combination).

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note (d)(i), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting period unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that will probably arise from the distribution of dividends are recognised when the related dividends are likely to be payable in the foreseeable future.

- (iv)** Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Group has the legally enforceable right to set off current tax assets against current tax liabilities.

## W. RELATED PARTIES

- (i)** A person, or a close member of that person's family, is related to the Group if that person:
- has control or joint control over the Group;
  - has significant influence over the Group; or
  - is a member of the key management personnel of the Group.
- (ii)** An entity is related to the Group if any of the following conditions applies:
- 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).
  - 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).
  - Both entities are joint ventures of the same third party.
  - One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - The entity is controlled or jointly controlled by a person identified in (i).
  - A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

## X. FINANCIAL GUARANTEES ISSUED, PROVISIONS AND CONTINGENT LIABILITIES

### (i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

### (ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

## Y. SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's top management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## Z. EMPLOYEE BENEFITS

### (i) Share based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black-Scholes Option-pricing Model or Binomial Model, taking into account the terms and conditions upon which the share options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the share options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the consolidated income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the respective company's shares. The equity amount is recognised in the capital reserve until either the share option is exercised (when it is transferred to the share premium account) or the share option expires (when it is released directly to revenue reserves).

## PRINCIPAL ACCOUNTING POLICIES

**(ii) Employee benefits and contributions to defined contribution retirement plans**

Short term employee benefits, including salaries, annual bonuses, paid annual leave, leave passage, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

**(iii) Central Provident Fund in Singapore**

Contributions to the Central Provident Fund in Singapore as required under the Central Provident Fund Act are charged to the consolidated income statement when incurred.

## AA. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Note 26 contains information about the assumptions and their risk relating to financial instruments. Other key sources of estimation uncertainty are as follows:

**(i) Valuation of investment properties**

Investment properties are included in the statement of financial position at their market value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably determined at that time. The market value of investment properties is assessed annually by independent qualified valuers, after taking into consideration the net income allowing for reversionary potential and redevelopment potential of the properties.

The assumptions adopted in the property valuations are based on the market conditions existing at the end of the reporting period, with reference to current market sales prices and the appropriate capitalisation rate.

**(ii) Assessment of the useful economic lives for depreciation of fixed assets**

In assessing the estimated useful lives of fixed assets, management takes into account factors such as the expected usage of the asset by the Group based on past experience, the expected physical wear and tear (which depends on operational factors), technical obsolescence arising from changes or improvements in production or from a change in the market demand for the product or service output of the asset. The estimation of the useful life is a matter of judgement based on the experience of the Group.

Management reviews the useful lives of fixed assets annually and if expectations are significantly different from previous estimates of useful economic lives, the useful lives and, therefore, the depreciation rate for the future periods will be adjusted accordingly.

**(iii) Assessment of impairment of non-current assets**

Management assesses the recoverable amount of each asset based on its value in use (using relevant rates) or on its net selling price (by reference to market prices), depending upon the anticipated future plans for the asset. Estimating the value in use of an asset involves estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and applying the appropriate discount rate to these future cash flows. Cash flow projections for the remaining useful life of the asset and the most recent financial budgets/forecasts are approved by management.

**(iv) Assessment of provision for properties for sale**

Management determines the net realisable value of properties for sale by using (i) prevailing market data such as most recent sale transactions and market survey reports available from independent property valuers; and (ii) internal estimates of costs based on quotes by suppliers.

Management's assessment of the net realisable value of properties under development for sale requires the application of a risk-adjusted discount rate to estimate future discounted cash flows to be derived from the properties under development for sale. These estimates require judgement as to the anticipated sale prices by reference to recent sale transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions. The Group's estimates may be inaccurate and estimates may need to be adjusted in later periods.

**(v) Recognition of deferred tax assets**

The recognition of deferred tax assets requires formal assessment by the Group of the future profitability of related operations. In making this judgement, the Group evaluates, amongst other factors, the forecast financial performance, changes in technology and operational and financing cash flows.

## PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

At 31 December 2013

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/registered and paid up capital	Percentage of equity attributable to Shareholders	Principal activities
<b>A) Wharf</b>				
* <b>The Wharf (Holdings) Limited</b>	Hong Kong	3,030,127,327 HK\$1 shares	52.1%	Holding company
<b>Properties</b>				
<b>Wharf Estates Limited</b>	Hong Kong	2 HK\$1 shares	52.1%	Holding company
Harbour City Estates Limited	Hong Kong	20,000 HK\$10 shares	52.1%	Property
Wharf Realty Limited	Hong Kong	2 HK\$1 shares	52.1%	Property
Times Square Limited	Hong Kong	2 HK\$10 shares	52.1%	Property
Plaza Hollywood Limited	Hong Kong	10,000,000 HK\$1 shares	52.1%	Property
<b>Wharf Development Limited</b>	Hong Kong	7,000,000,000 HK\$1 shares	52.1%	Holding company
Wharf Peak Properties Limited	Hong Kong	3,000,000 HK\$10 shares	52.1%	Property
Hong Tai Yuen Limited	Hong Kong	500,000 HK\$1 shares	52.1%	Property
Olinda Limited	Hong Kong	2 HK\$10 shares	52.1%	Property
New Tech Centre Limited	Hong Kong	10,000 HK\$1 shares	52.1%	Property
<b>Wharf China Holdings Limited</b>	British Virgin Islands	5,129,000,000 US\$1 shares	52.1%	Holding company
Wharf China Estates Limited	British Virgin Islands	1,000,000 US\$1 shares	52.1%	Holding company
iii Shanghai Long Xing Property Development Company Limited	The People's Republic of China	US\$45,000,000	52.1%	Property
ii Dalian Times Square Development Company Limited	The People's Republic of China	RMB420,000,000	52.1%	Property
ii Long Qing Property Development (Chongqing) Company Limited	The People's Republic of China	RMB194,000,000	52.1%	Property
i Shanghai Wheelock Square Development Limited	The People's Republic of China	US\$240,000,000	51%	Property
ii 龍昌綜合開發(成都)有限公司	The People's Republic of China	HK\$330,000,000	52.1%	Property
ii 龍錦綜合開發(成都)有限公司	The People's Republic of China	US\$1,978,000,000	52.1%	Property
ii 成都時代奧特萊斯商業有限公司	The People's Republic of China	HK\$170,000,000	52.1%	Property
ii 九龍倉(長沙)置業有限公司	The People's Republic of China	US\$1,037,000,000	52.1%	Property
ii 龍潤房地產開發(成都)有限公司	The People's Republic of China	HK\$820,000,000	52.1%	Property
Wharf China Development Limited	British Virgin Islands	1,000,000 US\$1 shares	52.1%	Holding company
ii 漢龍實業綜合開發(武漢)有限公司	The People's Republic of China	US\$33,100,000	52.1%	Property
ii 九龍倉(武漢)置業有限公司	The People's Republic of China	US\$165,000,000	52.1%	Property
iii 上海九洲物業發展有限公司	The People's Republic of China	US\$30,000,000	44%	Property
i 上海龍申房地產發展有限公司	The People's Republic of China	US\$22,330,000	29%	Property
ii 上海利源地產開發有限公司	The People's Republic of China	US\$745,000,000	52.1%	Property
ii 上海萊源地產開發有限公司	The People's Republic of China	US\$155,000,000	52.1%	Property
ii 上海清源房地產開發有限公司	The People's Republic of China	US\$220,000,000	52.1%	Property
ii 九龍倉(無錫)置業有限公司	The People's Republic of China	US\$307,580,000	52.1%	Property
ii 龍茂房地產開發(成都)有限公司	The People's Republic of China	HK\$1,233,000,000	52.1%	Property
ii 龍悅房地產開發(成都)有限公司	The People's Republic of China	US\$240,000,000	52.1%	Property
ii 龍嘉房地產開發(成都)有限公司	The People's Republic of China	HK\$537,500,000	52.1%	Property
ii 蘇州蘇龍地產發展有限公司	The People's Republic of China	US\$166,800,000	52.1%	Property
ii 蘇州瑞龍地產發展有限公司	The People's Republic of China	US\$187,000,000	52.1%	Property
ii 蘇州銀龍地產發展有限公司	The People's Republic of China	US\$274,000,000	52.1%	Property
ii 無錫港龍置業有限公司	The People's Republic of China	US\$140,900,000	52.1%	Property
ii 無錫河畔置業有限公司	The People's Republic of China	US\$111,400,000	52.1%	Property
ii 無錫都會置業有限公司	The People's Republic of China	US\$144,600,000	52.1%	Property
ii 港盈地產(杭州)有限公司	The People's Republic of China	US\$146,990,000	52.1%	Property
ii 九龍倉(杭州)置業有限公司	The People's Republic of China	US\$310,000,000	52.1%	Property
ii 堡盈地產(杭州)有限公司	The People's Republic of China	US\$320,000,000	52.1%	Property
ii 錦興房地產開發(杭州)有限公司	The People's Republic of China	US\$126,000,000	52.1%	Property
ii 富景房地產開發(富陽)有限公司	The People's Republic of China	US\$106,000,000	52.1%	Property
ii 常州湖畔置業有限公司	The People's Republic of China	US\$180,000,000	52.1%	Property
ii 常州河畔置業有限公司	The People's Republic of China	US\$48,500,000	52.1%	Property
ii 寧波立成置業有限公司	The People's Republic of China	US\$172,000,000	52.1%	Property

## PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

At 31 December 2013

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/registered and paid up capital	Percentage of equity attributable to Shareholders	Principal activities
<b>* Harbour Centre Development Limited</b>	Hong Kong	708,750,000 HK\$0.5 shares	37%	Holding company
i 蘇州高龍房產發展有限公司	The People's Republic of China	RMB3,317,041,045	30%	Property
ii 九龍倉(常州)置業有限公司	The People's Republic of China	US\$229,800,000	37%	Property
ii 上海綠源房地產開發有限公司	The People's Republic of China	RMB770,000,000	37%	Property
<b>Logistics</b>				
Wharf Transport Investments Limited	Hong Kong	2 HK\$1 shares	52.1%	Holding company
The "Star" Ferry Company, Limited	Hong Kong	1,440,000 HK\$5 shares	52.1%	Public transport
Modern Terminals Limited	Hong Kong	70,116 HK\$1,000 shares	35%	Container terminal
i Shenzhen Dachan Bay Modern Port Development Company, Limited	The People's Republic of China	RMB2,475,550,000	23%	Container terminal
i Suzhou Modern Terminals Limited	The People's Republic of China	RMB822,500,000	25%	Container terminal
<b>Hotels</b>				
<b>Marco Polo Hotels Limited</b>	Cayman Islands	500,000,000 US\$1 shares	52.1%	Holding company
Marco Polo Hotels Management Limited	Hong Kong	2 HK\$10 shares	52.1%	Hotel
The Hongkong Hotel Limited	Hong Kong	100,000 HK\$1 shares	37%	Hotel and property
The Marco Polo Hotel (Hong Kong) Limited	Hong Kong	1,000 HK\$1 shares	52.1%	Hotel
The Prince Hotel Limited	Hong Kong	2 HK\$1 shares	52.1%	Hotel
Smart Event Investments Limited	Hong Kong	1 HK\$1 share	52.1%	Hotel
ii 武漢馬哥孛羅酒店有限公司	The People's Republic of China	US\$3,850,000	52.1%	Hotel
ii 成都馬哥孛羅酒店有限公司	The People's Republic of China	US\$1,200,015	52.1%	Hotel
ii 常州馬哥孛羅酒店有限公司	The People's Republic of China	US\$1,050,000	37%	Hotel
<b>CME</b>				
<b>Wharf Communications Limited</b>	Hong Kong	1,000,000 HK\$10 shares	52.1%	Holding company
* i-CABLE Communications Limited	Hong Kong	2,011,512,400 HK\$1 shares	39%	Holding company
Hong Kong Cable Enterprises Limited	Hong Kong	2 HK\$1 shares	39%	Advertising sale
Hong Kong Cable Television Limited	Hong Kong	750,000,000 HK\$1 shares	39%	Pay TV, Internet and multimedia
i-CABLE Entertainment Limited	Hong Kong	10,000,000 HK\$1 shares	39%	Programme production and channel operation
i-CABLE News Limited	Hong Kong	10,000,000 HK\$1 shares	39%	Programme production and channel operation
i-CABLE Sports Limited	Hong Kong	10,000,000 HK\$1 shares	39%	Programme production and channel operation
i-CABLE Network Limited	Hong Kong	100 HK\$1 shares 2 HK\$1 non-voting deferred shares	39%	Network operation
Sundream Motion Pictures Limited	Hong Kong	300,000,000 HK\$1 shares	39%	Film production
Wharf T&T Limited	Hong Kong	740,000,000 HK\$1 shares	52.1%	Telecommunication
Wharf T&T eBusiness Limited	Hong Kong	1 HK\$1 share	52.1%	Telecommunication
Wharf T&T Outsourcing Services Limited	Hong Kong	1 HK\$1 share	52.1%	Telecommunication
EC Telecom Limited	Hong Kong	2 HK\$1 shares	52.1%	Telecommunication
COL Limited	Hong Kong	40,000 HK\$500 shares	52.1%	IT services

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/registered and paid up capital	Percentage of equity attributable to Shareholders	Principal activities
<b>Investment and others</b>				
Wharf Limited	Hong Kong	2 HK\$10 shares	52.1%	Management services
iv Wharf Finance Limited	Hong Kong	2 HK\$1 shares	52.1%	Finance
iv Wharf Finance (BVI) Limited	British Virgin Islands/Hong Kong	500 US\$1 shares	52.1%	Finance
Wharf Hong Kong Limited	Cayman Islands	500,000,000 US\$1 shares	52.1%	Holding company
Wharf China Finance Limited	Hong Kong	5,000,000 HK\$1 shares	52.1%	Finance
iv Wharf Finance (No.1) Limited	Hong Kong	2 HK\$1 shares	52.1%	Finance
Wharf Finance (BVI) No. 1 Limited	British Virgin Islands/Hong Kong	500 US\$1 shares	52.1%	Finance
iv Wharf Finance (2014) Limited	British Virgin Islands/Hong Kong	10 US\$1 shares	52.1%	Finance
iv Wharf MTN (Singapore) Pte. Ltd.	Singapore	2 S\$1 shares	52.1%	Finance
<b>B) Wheelock (other than Wharf)</b>				
* <b>Wheelock Properties (Singapore) Limited</b>	Singapore	398,853,292 S\$1 shares & 797,706,584 shares issued at S\$0.825 per share	76%	Holding company/ Property
Botanica Pte. Ltd.	Singapore	1,000,000 S\$1 shares	76%	Property
Everbilt Developers Pte Ltd	Singapore	160,000,000 S\$1 shares	76%	Property
Nassim Developments Pte. Ltd.	Singapore	2 S\$1 shares	76%	Investment
Pinehill Investments Pte. Ltd.	Singapore	1,000,000 S\$1 shares	76%	Property
ii 富麗房地產開發(富陽)有限公司	The People's Republic of China	US\$262,000,000	76%	Property
<b>Others</b>				
Amblegreen Company Limited	Hong Kong	1 HK\$1 share	100%	Property
Active Talent Holdings Limited	Hong Kong	1 HK\$1 share	100%	Property
Easy Merit Holdings Limited	Hong Kong	1 HK\$1 share	100%	Property
Fortune Precision Limited	Hong Kong	2 HK\$1 shares	100%	Property
Great Horwood Limited	Hong Kong	2 HK\$1 shares	100%	Property
Harriman Property Management Limited	Hong Kong	198 HK\$100 shares	100%	Property management
Harriman Leasing Limited	Hong Kong	100,049 HK\$10 shares & 50 HK\$10 non-voting shares	76%	Letting agent
Janeworth Company Limited	Hong Kong	550,000,000 HK\$1 shares	100%	Property
Joint Vision Limited	Hong Kong	10,000 HK\$1 shares	100%	Property
Mamav Holdings Limited	Hong Kong	1,000,000 HK\$1 shares	100%	Property
Max Bloom International Development Limited	Hong Kong	1 HK\$1 share	100%	Investment
Meritgold Holdings Limited	Hong Kong	1 HK\$1 share	100%	Property
Precise Treasure Limited	Hong Kong	1 HK\$1 share	100%	Property
Ridge Limited	Hong Kong	10,000 HK\$1 shares	100%	Property
Samover Company Limited	Hong Kong	2 HK\$1 shares	100%	Property
Talent Ace Limited	Hong Kong	1 HK\$1 share	100%	Property
Titano Limited	Hong Kong	2 HK\$1 shares	100%	Property
Universal Sight Limited	Hong Kong	1 HK\$1 share	100%	Property
Wascott Property Limited	Hong Kong	1 HK\$1 share	100%	Property
Wheelock China Limited	Hong Kong	2 HK\$1 shares	100%	Holding company
Wheelock Corporate Services Limited	Hong Kong	10,000,000 HK\$1 shares	100%	Management services
iv Wheelock Finance Limited	Hong Kong	2 HK\$1 shares	100%	Finance
Wheelock Finance (BVI) Limited	British Virgin Islands/Hong Kong	500 US\$1 shares	100%	Finance
Wheelock Finance (No. 1) Limited	Hong Kong	2 HK\$1 shares	100%	Finance
iv Wheelock MTN (Singapore) Pte. Ltd.	Singapore	2 S\$1 shares	100%	Finance
Wheelock Properties Limited	Hong Kong	40,000,000,000 HK\$0.2 shares	100%	Holding company
Wheelock Properties (Hong Kong) Limited	Hong Kong	10 HK\$100 shares	100%	Property services and management
Wheelock Travel Limited	Hong Kong	50,000 HK\$10 shares	100%	Travel agency
i 廣州市廣隆房地產有限公司	The People's Republic of China	HK\$150,000,000	100%	Property

## PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

At 31 December 2013

Associates	Place of incorporation/ operation	Class of shares	Percentage of equity attributable to Shareholders	Principal activities
<b>Wharf – Properties</b>				
* Greentown China Holdings Limited	Cayman Islands/ The People's Republic of China	Ordinary	13%	Property
Start Treasure Limited	Hong Kong	Ordinary	8%	Property
蘇州雙湖房地產有限公司	The People's Republic of China	Registered	26%	Property
天津港威房地產開發有限公司	The People's Republic of China	Registered	26%	Property
天津雍景灣房地產開發有限公司	The People's Republic of China	Registered	26%	Property
佛山招商九龍倉房地產有限公司	The People's Republic of China	Registered	26%	Property
佛山依雲房地產有限公司	The People's Republic of China	Registered	26%	Property
佛山鑫城房地產有限公司	The People's Republic of China	Registered	26%	Property
佛山信捷房地產有限公司	The People's Republic of China	Registered	26%	Property
廣州市萬尚房地產有限公司	The People's Republic of China	Registered	17%	Property
北京廣盈房地產開發有限公司	The People's Republic of China	Registered	17%	Property
上海萬九綠合置業有限公司	The People's Republic of China	Registered	10%	Property
<b>Wharf – Logistics</b>				
Hong Kong Air Cargo Terminals Limited	Hong Kong	Ordinary	11%	Air cargo terminal
Mega Shekou Container Terminals Limited	British Virgin Islands	Ordinary	7%	Holding company

Joint ventures	Place of incorporation/ operation	Class of shares	Percentage of equity attributable to Shareholders	Principal activities
<b>Wharf – Properties</b>				
Market Prospect Limited	Hong Kong	Ordinary	26%	Property
重慶嘉江房地產開發有限公司	The People's Republic of China	Registered	21%	Property
重慶嘉益房地產開發有限公司	The People's Republic of China	Registered	26%	Property
重慶豐盈房地產開發有限公司	The People's Republic of China	Registered	20%	Property
浙江金盈置業有限公司	The People's Republic of China	Registered	26%	Property
祥寶投資(成都)有限公司	The People's Republic of China	Registered	16%	Property
天津贏超房地產開發有限公司	The People's Republic of China	Registered	26%	Property
寧波姚景房地產開發有限公司	The People's Republic of China	Registered	26%	Property
寧波瑞峰置業有限公司	The People's Republic of China	Registered	26%	Property
大連九龍倉綠城置業有限公司	The People's Republic of China	Registered	31%	Property
上海龍驤房地產開發有限公司	The People's Republic of China	Registered	26%	Property
<b>Wharf – Logistics</b>				
Taicang International Container Terminals Company Limited	The People's Republic of China	Registered	18%	Container terminal

<b>Wheelock – Properties</b>				
Fast New Limited	Hong Kong	Ordinary	50%	Property

\* Listed companies

i This entity is registered as a sino-foreign joint venture company under PRC law.

ii This entity is registered as a wholly foreign owned enterprise under PRC law.

iii This entity is registered as a foreign owned enterprise under PRC law.

Notes:

(a) The subsidiaries, associates and joint ventures were held indirectly by the Company.

(b) The above list gives the principal subsidiaries, associates and joint ventures of the Group which, in the opinion of the Directors, principally affect the profit and assets of the Group.

(c) Set out below is details of debt securities issued by subsidiaries of the Group:

Name of subsidiary/borrower	Description of debt securities	Outstanding principal amount
<b>A) Wharf</b> (guaranteed by Wharf)		
Wharf Finance (BVI) Limited	HK\$ Guaranteed Fixed Rate Notes due 2016 HK\$ Guaranteed Fixed Rate Notes due 2022	HK\$250 Million HK\$200 Million
Wharf Finance Limited	HK\$ Guaranteed Floating Rate Notes due 2014 HK\$ Guaranteed Fixed Rate Notes due 2016 US\$ Guaranteed Fixed Rate Notes due 2017 US\$ Guaranteed Fixed Rate Notes due 2017 US\$ Guaranteed Fixed Rate Notes due 2017 HK\$ Guaranteed Fixed Rate Notes due 2018 HK\$ Guaranteed Fixed Rate Notes due 2018 HK\$ Guaranteed Fixed Rate Notes due 2018 HK\$ Guaranteed Floating Rate Notes due 2018 JPY Guaranteed Fixed Rate Notes due 2018 HK\$ Guaranteed Zero Coupon Callable Notes due 2019 HK\$ Guaranteed Zero Coupon Callable Notes due 2019 US\$ Guaranteed Floating Rate Notes due 2020 HK\$ Guaranteed Fixed Rate Notes due 2021 HK\$ Guaranteed Fixed Rate Notes due 2022 HK\$ Guaranteed Fixed Rate Notes due 2022 HK\$ Guaranteed Fixed Rate Notes due 2022 HK\$ Guaranteed Fixed Rate Notes due 2022 US\$ Guaranteed Fixed Rate Notes due 2022 HK\$ Guaranteed Fixed Rate Notes due 2023 HK\$ Guaranteed Fixed Rate Notes due 2023 HK\$ Guaranteed Fixed Rate Notes due 2027 HK\$ Guaranteed Fixed Rate Notes due 2040	HK\$200 Million HK\$430 Million US\$400 Million US\$300 Million US\$600 Million HK\$160 Million HK\$326 Million HK\$300 Million HK\$100 Million JPY2,000 Million HK\$300 Million HK\$100 Million HK\$150 Million HK\$386 Million HK\$193 Million US\$20 Million HK\$345 Million HK\$424 Million HK\$60 Million HK\$312 Million HK\$382 Million US\$60 Million HK\$100 Million HK\$100 Million HK\$230 Million HK\$250 Million
Wharf Finance (No.1) Limited	HK\$ Guaranteed Fixed Rate Notes due 2016 S\$ Guaranteed Fixed Rate Notes due 2016 RMB Guaranteed Fixed Rate Notes due 2016 US\$ Guaranteed Floating Rate Notes due 2016 HK\$ Guaranteed Fixed Rate Notes due 2017 RMB Guaranteed Fixed Rate Notes due 2018 HK\$ Guaranteed Fixed Rate Notes due 2018 RMB Guaranteed Fixed Rate Notes due 2019 HK\$ Guaranteed Fixed Rate Notes due 2019 HK\$ Guaranteed Fixed Rate Notes due 2020 HK\$ Guaranteed Fixed Rate Notes due 2020 HK\$ Guaranteed Fixed Rate Notes due 2020 RMB Guaranteed Fixed Rate Notes due 2020 RMB Guaranteed Fixed Rate Notes due 2020 S\$ Guaranteed Fixed Rate Notes due 2021 RMB Guaranteed Fixed Rate Notes due 2023 JPY Guaranteed Fixed Rate Notes due 2026	HK\$167 Million S\$160 Million RMB150 Million US\$58 Million HK\$113 Million RMB800 Million HK\$300 Million RMB200 Million HK\$240 Million HK\$550 Million HK\$180 Million HK\$200 Million HK\$100 Million RMB100 Million RMB200 Million S\$260 Million RMB200 Million JPY10,000 Million
Wharf Finance (2014) Limited	HK\$ Guaranteed Fixed Rate Convertible Bonds due 2014	HK\$6,220 Million
Wharf MTN (Singapore) Pte. Ltd.	S\$ Guaranteed Fixed Rate Notes due 2018	S\$250 Million
<b>B) Wheelock (other than Wharf)</b> (guaranteed by the Company)		
Wheelock Finance Limited	HK\$ Guaranteed Fixed Rate Notes due 2014 HK\$ Guaranteed Fixed Rate Notes due 2016 HK\$ Guaranteed Fixed Rate Notes due 2017 HK\$ Guaranteed Fixed Rate Notes due 2017 HK\$ Guaranteed Fixed Rate Notes due 2017 US\$ Guaranteed Fixed Rate Notes due 2017 HK\$ Guaranteed Fixed Rate Notes due 2018 HK\$ Guaranteed Fixed Rate Notes due 2018 US\$ Guaranteed Fixed Rate Notes due 2018 HK\$ Guaranteed Fixed Rate Notes due 2021 S\$ Guaranteed Fixed Rate Notes due 2021 HK\$ Guaranteed Fixed Rate Notes due 2022 HK\$ Guaranteed Fixed Rate Notes due 2022	HK\$200 Million HK\$440 Million HK\$300 Million HK\$500 Million HK\$1,100 Million US\$535 Million HK\$100 Million HK\$200 Million US\$500 Million HK\$200 Million S\$350 Million HK\$445 Million HK\$450 Million
Wheelock MTN (Singapore) Pte. Ltd.	S\$ Guaranteed Fixed Rate Notes due 2014	S\$185 Million

## SCHEDULE OF PRINCIPAL PROPERTIES

At 31 December 2013

Address	Approximate Gross Floor Areas (sq.ft.)					(Remarks)
	Total	Office	Retail	Residential	Others	
<b>HONG KONG</b>						
<b>Property – Investment</b>						
<b>Harbour City, Tsimshatsui</b>						
Ocean Terminal	511,000	–	511,000	–	–	
Ocean Centre	987,000	613,000	374,000	–	–	
Wharf T & T Centre	223,000	223,000	–	–	–	
World Commerce Centre	223,000	223,000	–	–	–	
World Finance Centre	512,000	512,000	–	–	–	
Ocean Galleries	460,000	–	460,000	–	–	
Gateway I	1,241,000	1,127,000	114,000	–	–	
Gateway II	2,636,000	1,551,000	415,000	670,000	–	
Marco Polo Hongkong Hotel	760,000	14,000	175,000	–	571,000	(A 665-room hotel)
Gateway	308,000	–	–	–	308,000	(A 397-room hotel)
Prince	350,000	–	–	–	350,000	(A 393-room hotel)
Pacific Club Kowloon	139,000	–	–	–	139,000	(Club House)
	8,350,000	4,263,000	2,049,000	670,000	1,368,000	
<b>Times Square</b>						
Sharp Street East, Causeway Bay	1,969,000	1,033,000	936,000	–	–	
<b>Plaza Hollywood</b>						
3 Lung Poon Street, Diamond Hill	562,000	–	562,000	–	–	
<b>Others</b>						
Wharf T&T Square, Hoi Bun Road, Kwun Tong	513,000	513,000	–	–	–	
Units at Cable TV Tower, Hoi Shing Road, Tsuen Wan	566,000	–	–	–	566,000	(Industrial)
Units at Strawberry Hill, 8 Plunkett's Road, The Peak	13,000	–	–	13,000	–	
Chelsea Court, 63 Mount Kellett Road, The Peak	43,000	–	–	43,000	–	
11-13 Plantation Road, The Peak	46,000	–	–	46,000	–	
1 Plantation Road, The Peak	91,000	–	–	91,000	–	
77 Peak Road, The Peak	42,200	–	–	42,200	–	
Kowloon Godown, 1-5 Kai Hing Road, Kowloon Bay	829,000	–	6,000	823,000	–	
Units at Star House, 3 Salisbury Road, Kowloon	50,800	–	50,800	–	–	
Crawford House, 64-70A Queen's Road Central, Central	188,700	105,400	83,300	–	–	
3/F-24/F, Wheelock House, 20 Pedder Street, Central	199,400	199,400	–	–	–	
One Island South, 2 Heung Yip Road, Wong Chuk Hang	90,500	–	90,500	–	–	
	5,203,600	1,850,800	1,728,600	1,058,200	566,000	
Murray Building, Cotton Tree Drive, Central	325,000	–	–	–	325,000	
<b>Total Hong Kong Property – Investment</b>	<b>13,878,600</b>	<b>6,113,800</b>	<b>3,777,600</b>	<b>1,728,200</b>	<b>2,259,000</b>	

Site Area (sq.ft.)	Lot Number	Lease Expiry	Year of Completion/Expected Completion	Stage of Completion	Effective Equity Interest to the Company
346,719	KPP 83	2033	1966	N/A	52.1%
126,488	KML 11 S.A.	2880	1977	N/A	52.1%
(a)	KML 11 S.B.	2880	1981	N/A	52.1%
(a)	KML 11 S.B.	2880	1981	N/A	52.1%
(a)	KML 11 S.D.	2880	1983	N/A	52.1%
(a)	KML 11 S.B. & D.	2880	1981/83	N/A	52.1%
(a)	KML 11 R.P.	2880	1994	N/A	52.1%
(a)	KML 11 S.B. & D.	2880	1998/99	N/A	52.1%
58,814	KML 91 S.A. & KML 10 S.B.	2863	1969	N/A	37%
(a)	KML 11 S.B.	2880	1981	N/A	52.1%
(a)	KML 11 S.D.	2880	1983	N/A	52.1%
48,309	KIL 11179	2021	1990	N/A	52.1%
112,441	IL 731, IL 728, IL 727, IL 725 S.A. & R.P., IL 724 S.A.	2850/60/80	1993	N/A	52.1%
280,510	NKIL 6160	2047	1997	N/A	52.1%
48,438	KTIL 713	2047	1991	Planning for redevelopment	52.1%
N/A	TWTL 218	2047	1992	N/A	52.1%
N/A	RBL 512 & 1004	2027/28	1974/77	N/A	52.1%
29,640	RBL 556 S.A.R.P. & S.B.	2035	2001	N/A	52.1%
32,145	RBL 522, 639, 661	2027	2017	Foundation in progress	52.1%
97,670	RBL 534 S.E., S.F. & R.P.	2028	2018	Foundation in progress	52.1%
76,725	RBL 836	2029	2016	Foundation in progress	52.1%
165,809	NKIL 5805, 5806 & 5982	2047	1984	Planning for redevelopment	52.1%
N/A	KML 10 S.A.	2863	1966	N/A	37%
12,286	IL 7 R.P. & IL 45 S.A. R.P.	2842	1977	N/A	100%
N/A	ML 99 S.A., S.C. & R.P. & ML 100 S.A., S.B. & R.P.	2854	1984	N/A	100%
N/A	AIL 374	2121	2011	N/A	100%
68,136	9036	2063	2017	Planning for redevelopment	37%

## SCHEDULE OF PRINCIPAL PROPERTIES

At 31 December 2013

Address	Approximate Gross Floor Areas (sq.ft.)					(Remarks)
	Total	Office	Retail	Residential	Others	
<b>Property – Development</b>						
Yau Tong Godown, 5 Tung Yuen Street, Yau Tong	256,000	–	43,000	213,000	–	
Lexington Hill, 11 Rock Hill Street, Kennedy Town	102,900	–	3,600	99,300	–	
One Bay East, 83 Hoi Bun Road, Kwun Tong	1,024,700	971,700	53,000	–	–	
One HarbourGate, junction of Hung Luen Road and Kin Wan Street, Hung Hom	590,000	519,900	70,100	–	–	
92-98 High Street, Sai Ying Pun	69,200	–	–	69,200	–	
Site at area 66B2, Tseung Kwan O	488,200	–	44,400	443,800	–	
Site at area 68A1, Tseung Kwan O	429,700	–	85,900	343,800	–	
Site at area 65C1, Tseung Kwan O	569,500	–	74,900	494,600	–	
Site at area 68B2, Tseung Kwan O	856,000	–	147,600	708,400	–	
Site at So Kwun Wat, Tuen Mun	376,900	–	–	376,900	–	
Site at junction of Sheung Foo Street and Fak Kwong Street, Ho Man Tin	387,700	–	–	387,700	–	
171, 175-179 Shau Kei Wan Road, Sai Wan Ho	96,100	–	23,600	72,500	–	
	5,246,900	1,491,600	546,100	3,209,200	–	
<b>Associates/Joint ventures</b> (Attributable – Note g)						
Various Lots at Yau Tong Bay, Yau Tong	596,000	–	11,000	585,000	–	
8 Mount Nicholson Road, The Peak	162,000	–	–	162,000	–	
Phase One, The Austin, 8 Wui Cheung Road, South West Kowloon	225,100	–	–	225,100	–	
Phase Two, The Austin, 8 Wui Cheung Road, South West Kowloon	369,400	–	–	369,400	–	
	1,352,500	–	11,000	1,341,500	–	
<b>Total Hong Kong Property – Development</b>	6,599,400	1,491,600	557,100	4,550,700	–	
<b>HONG KONG TOTAL</b>	20,478,000	7,605,400	4,334,700	6,278,900	2,259,000	
<b>MAINLAND CHINA</b>						
<b>Property – Investment</b>						
<b>Completed Investment Properties</b>						
Shanghai Times Square, 93-111 Huai Hai Zhong Road, Shanghai	973,000	331,000	447,000	195,000	–	
Chongqing Times Square, 100 Zou Rong Road, Yuzhong District, Chongqing	591,800	13,800	578,000	–	–	
Wuhan Times Square, 160 Yan Jiang Da Dao, Jiangan District, Wuhan	8,000	–	8,000	–	–	
Dalian Times Square, 50 Ren Min Road, Zhongshan District, Dalian	188,000	–	188,000	–	–	
Chengdu Times Outlets, No. 633 Shuangnan Avenue (Middle Section) Shuangliu County, Chengdu	680,000	–	680,000	–	–	
Chengdu International Finance Square, Junction of Hongxing Road and Da Ci Si Road, Jinjiang District	2,291,000	–	2,291,000	–	–	
Shanghai Wheelock Square, 1717 Nan Jing Xi Road, Jingan District, Shanghai	1,199,000	1,149,000	50,000	–	–	
	5,930,800	1,493,800	4,242,000	195,000	–	
<b>Investment Properties under Development</b>						
Chengdu International Finance Square, Junction of Hongxing Road and Da Ci Si Road, Jinjiang District	4,275,000	3,058,000	–	774,000	443,000	(A 238-room hotel)
Wuxi International Finance Square, Taihu Plaza, Nanchang District, Wuxi	2,045,000	1,591,000	–	–	454,000	(A 222-room hotel)
Suzhou International Finance Square, Xing Hu Jie, Suzhou Industrial Park, Suzhou	2,992,000	1,905,000	–	786,000	301,000	(A 129-room hotel)
Changsha International Finance Square, Furong District, Changsha	7,804,000	4,726,000	2,470,000	–	608,000	(A 247-room hotel)
Chongqing International Finance Square, Zone A of Jiangbei City, Jiang Bei District, Chongqing (Attributable – Note g)	2,454,000	1,715,000	547,000	–	192,000	(A 219-room hotel)
	19,570,000	12,995,000	3,017,000	1,560,000	1,998,000	
Marco Polo Wuhan, 160 Yan Jiang Da Dao, Jiangan District, Wuhan	405,000	–	–	–	405,000	(A 370-room hotel)
<b>Total Mainland China Property – Investment</b>	25,905,800	14,488,800	7,259,000	1,755,000	2,403,000	

Site Area (sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
42,625	YTIL 4SA	2047	2016	Foundation in progress	52.1%
10,949	IL 953 R.P.	2891	2014	Superstructure in progress	100%
76,241	NKIL 6269	2061	2015	Superstructure in progress	100%
147,499	KIL 11111	2061	2016	Foundation in progress	100%
7,553	IL 767 S.B., S.C. & S.D.	2861	2016	Foundation in progress	100%
88,760	TKOTL 119	2062	2016	Foundation in progress	100%
171,890	TKOTL 125	2063	2017	Foundation in progress	100%
149,856	TKOTL 112	2063	2017	Planning stage	100%
295,160	TKOTL 126	2063	2017	Planning stage	100%
289,918	TMTL 427	2063	2017	Foundation in progress	100%
83,034	KIL 11228	2063	2018	Planning stage	100%
9,629	SIL 547 R.P. & various lots of SIL 481 S.B.	2071	2018	Planning stage	100%
816,872	R.P. of YTML 22 & ext., YTML 28 & ext., YTML 29 & ext., and YTML 12, 32 and 33 together with adjoining lots at Yau Tong Bay	2047	N/A	Planning stage	8%
250,930	IL9007	2060	2015	Superstructure in progress	26%
135,443	KIL 11126 and KIL 11129	2060	2014	Superstructure in progress	50%
159,738	KIL 11126 and KIL 11129	2060	2015	Superstructure in progress	50%
148,703	N/A	2043	1999	N/A	52.1%
95,799	N/A	2050	2004	N/A	52.1%
(b)	N/A	2053	2008	N/A	52.1%
(c)	N/A	2039	2008	N/A	52.1%
(d)	N/A	2047	2009	N/A	52.1%
(e)	N/A	2047	2013	N/A	52.1%
136,432	N/A	2049	2010	N/A	51%
(e)	N/A	2047	2015	Superstructure in progress	52.1%
313,867	N/A	2047/57	2014	Superstructure completed	52.1%
229,069	N/A	2047/77	2017	Foundation in progress	30%
800,452	N/A	2051	2016	Foundation in progress	52.1%
516,021	N/A	2050/60	2015	Superstructure in progress	26%
(b)	N/A	2053	2008	N/A	52.1%

## SCHEDULE OF PRINCIPAL PROPERTIES

At 31 December 2013

Address	Approximate Gross Floor Areas (sq.ft.)					(Remarks)
	Total	Office	Retail	Residential	Others	
<b>Property – Development</b>						
Changzhou Times Palace, China Dinosaur Park, Xinbei District, Jiangsu Province, Changzhou	6,414,000	-	-	5,897,000	517,000	(A 271-room hotel and a State Guest House)
Changzhou Feng Huang Hu, Xin Bei District and abutting Han Jiang Lu and Yu Long Lu, Changzhou	3,283,000	-	-	3,283,000	-	
Changzhou Feng Huang Hu, Xin Bei District and abutting Huang He Lu and Feng Xiang Lu, Changzhou	2,638,000	-	-	2,638,000	-	
Hangzhou Palazzo Pitti, Hangzhou Hangyimin 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 Yangou 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 Wanhangu Road, Jingan District, Shanghai	763,000	-	-	763,000	-	
Shanghai Pudong Zhoupu, Site #08, Lot 06-05 of Zhoupu Town, Pudong District, Shanghai	1,053,000	-	-	1,053,000	-	
Suzhou Ambassador Villa, Lot No. 68210 Suzhou Industrial Park, Suzhou	1,531,000	-	-	1,531,000	-	
Bellagio, Wang Wu Lu, Guo Sin Lu, Wu Chong New District, Suzhou	4,140,000	-	-	4,140,000	-	
Suzhou Times City, Xiandai Da Dao, Suzhou Industrial Park, Suzhou	7,954,000	-	-	7,954,000	-	
Wuxi Glory of Time, Nanchang District and abutting on Jinhang Canal, Wuxi	1,755,000	337,000	-	1,418,000	-	
Wuxi Times City, Taihu Plaza, Nanchang District, Wuxi	5,972,000	-	-	5,972,000	-	
Wuxi Xiyuan, Nanchang District and abutting on Jinhang Canal, Wuxi	2,068,000	-	-	2,068,000	-	
River Pitti, Nanchang District and abutting on Jinhang Canal, Wuxi	3,946,000	-	-	3,946,000	-	
Park Mansion, Southeast of Kang Zhuang Road and Beihuan West, Road crossings (North of Tianhe community), Jiangbei District, Ningbo	1,116,000	-	-	1,116,000	-	
The Orion, Bounded by Dongdajie South, Jinhua Nan Lu East and Datiankan Jie North, Jinjiang District, Chengdu	492,000	-	-	492,000	-	
Tian Fu Times Square, Junction of Dong Da Jie & Fu He, Jinjiang District, Chengdu	343,000	193,000	46,000	104,000	-	
Crystal Park, No.10 Gaoxin District Junction of Zhan Hua Road and Fu Cheng Avenue, Chengdu	200,000	-	8,000	192,000	-	
Times Town, Shuangliu Development Zone Junction of Shuang Nan Avenue and Guang Hua Avenue, Shuangliu County, Chengdu	9,127,000	3,923,000	1,281,000	3,923,000	-	
Chengdu Times City, Shuangliu Huayang Street, Qinghe Community Group 8 and Gongxing Street Outang Village Group 5	2,392,000	-	87,000	2,305,000	-	
Le Palais, Lot No. 8 along Section 3 of the 2nd Ring Road East, Chenghua District, Chengdu	2,743,000	-	34,000	2,709,000	-	
Wuhan Times Square, 160 Yan Jiang Da Dao, Jiangan District, Wuhan	7,000	-	-	7,000	-	
Wuhan Lake Moon Site B, Hanyang District, Qintai Road, Wuhan	1,362,000	-	-	1,362,000	-	
Dalian Times Square, 50 Ren Min Road, Zhongshan District, Dalian	94,000	-	-	94,000	-	
Yu Dong Ya Yuan, Lot No. S2, Dong Feng Lu, Guangzhou	357,600	-	113,900	243,700	-	
Hangzhou Fuyang Shijiyuan, Xianzhu Road/Xiangyang Road, Shouxiang Shijiyuan Village, Fuyang	3,371,300	-	-	3,371,300	-	
	72,581,900	4,453,000	1,647,900	65,964,000	517,000	

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

## SCHEDULE OF PRINCIPAL PROPERTIES

At 31 December 2013

Address	Approximate Gross Floor Areas (sq.ft.)					(Remarks)
	Total	Office	Retail	Residential	Others	
<b>Associates/Joint ventures</b> (Attributable – Note g)						
Suzhou Kingsville, South of Lin Hu Road, East & West sides of Ying Hu Road Suzhou	757,000	-	11,000	746,000	-	
Evian Town, South of Tian Hong Lu and North of Yu He Lu Xincheng District, Foshan	84,000	-	18,000	66,000	-	
Evian Uptown, North side of Kin Jin Lu, Chancheng District, Foshan	496,000	-	82,000	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 Jinhua Bridge, Chancheng District, Foshan	799,000	-	67,000	732,000	-	
Luocun Xiaodehu North Project, Beihu Yi Road, Luocun, Shishan, Nanhai District, Foshan	1,603,000	-	97,000	1,491,000	15,000	
Donghui City, Guangzhou Development Zone KXCD-D1-2 Project	964,000	-	38,000	926,000	-	
Unique Garden, Laiguangying Central Street, Chaoyang District, Beijing	646,000	-	11,000	635,000	-	
The Magnificent, Junction of Weiguo Road & Jingjiang Road, Hedong District Tianjin	85,000	-	6,000	79,000	-	
Haihe Project, Intersection of Hedong Road and Kunlun Road, Hedong District, Tianjin	979,000	-	50,000	883,000	46,000	
Shanghai Tangzhen, Tangzhen 5 Jiefang 180/1 Qiu, Pudong District, Shanghai	389,000	-	17,500	371,500	-	
Shanghai South Station, Caohejing Area Lot 278a-05/278b-02/278b-04 South Station Business Zone, Xuhui District, Shanghai	1,437,000	1,321,000	116,000	-	-	
Greentown Zhijiang No.1, Zhuantang Town, Zhijiang National Tourist Holiday Resort, Xihui 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 Baoqingqi, Ningbo	419,000	-	-	419,000	-	
The Berylville, Site E-4#, 7#, 8#, 12# & 13#, Shuixianglinli Eastern New Town, Ningbo	529,000	-	-	529,000	-	
Dalian Buxiuxiang, Taoyuan Area, Jiefang Road, Zhongshan District, Dalian	1,550,000	-	-	1,550,000	-	
Chengdu ICC, South of Shuanggui Road, North of Niusha Road, East of Erhuan Road, West of Shahe, Jinjiang District, Chengdu	3,858,000	1,242,000	550,000	1,942,000	124,000	
U World, Zone B of Jiangbei City, Jiang Bei District, Chongqing	1,472,000	-	56,000	1,416,000	-	
The Throne, Zone C of Jiangbei City, Jiang Bei District, Chongqing	4,152,000	-	-	4,152,000	-	
International Community, Zone C of Danzishi, Nanan District, Chongqing	4,317,000	-	1,015,000	3,302,000	-	
Peaceland Cove, Tiedonglu, Hebei District, Tianjin	402,000	-	270,000	-	132,000	
	30,864,000	2,563,000	2,840,500	25,143,500	317,000	
<b>Total Mainland China Property – Development</b>	103,445,900	7,016,000	4,488,400	91,107,500	834,000	
<b>MAINLAND CHINA TOTAL</b>	129,351,700	21,504,800	11,747,400	92,862,500	3,237,000	
<b>SINGAPORE</b>						
<b>Property – Investment</b>						
Wheelock Place, 501 Orchard Road	465,700	221,600	244,100	-	-	
Scotts Square (Retail Podium), 6 & 8 Scotts Road	130,900	-	130,900	-	-	
<b>Total Singapore Property – Investment</b>	596,600	221,600	375,000	-	-	
<b>Property – Development</b>						
Ardmore Three, 3 Ardmore Park	143,300	-	-	143,300	-	
Units at Scotts Square, 6 & 8 Scotts Road	44,000	-	-	44,000	-	
The Panorama, Ang Mo Kio Avenue	655,600	-	-	655,600	-	
<b>Total Singapore Property – Development</b>	842,900	-	-	842,900	-	
<b>SINGAPORE TOTAL</b>	1,439,500	221,600	375,000	842,900	-	
<b>GROUP PROPERTY – INVESTMENT</b>	40,381,000	20,824,200	11,411,600	3,483,200	4,662,000	
<b>GROUP PROPERTY – DEVELOPMENT</b>	110,888,200	8,507,600	5,045,500	96,501,100	834,000	
<b>GROUP TOTAL (Note i)</b>	<b>151,269,200</b>	<b>29,331,800</b>	<b>16,457,100</b>	<b>99,984,300</b>	<b>5,496,000</b>	

Notes:

- (a) These properties with total site area of 428,719 sq.ft. form part of Harbour City.
- (b) This property forms part of Wuhan Times Square which has a total site area of 188,090 sq.ft.
- (c) This property forms part of Dalian Times Square which has a total site area of 171,356 sq.ft.
- (d) This property forms part of Chengdu Shuangliu Development Zone which has a total site area of 3,900,589 sq.ft.
- (e) This property forms part of Chengdu International Finance Square which has a total site area of 590,481 sq.ft.
- (f) This property forms part of Scotts Square which has a total site area of 71,137 sq.ft.
- (g) The floor areas of properties held through associates and joint ventures are shown on an attributable basis.
- (h) The above areas included pre-sold development properties of 19,303,400 sq.ft. (Hong Kong 838,100 sq.ft., Mainland China 18,460,000 sq.ft. and Singapore 5,300 sq.ft.), which have not been recognised in the financial statements.
- (i) In addition to the above floor areas, the Group has total attributable carpark areas of approximately 43 million sq.ft. mainly in Mainland China.

Site Area (sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
1,976,237	N/A	2077	2014	Superstructure in progress	26%
2,867,600	N/A	2047/77	2012	N/A	26%
1,155,000	N/A	2048/78	2013	N/A	26%
1,526,900	N/A	2070	2015	Superstructure in progress	26%
603,900	N/A	2080	2015	Superstructure in progress	26%
639,000	N/A	2083	2016	Planning stage	26%
1,069,000	N/A	2083	2017	Planning stage	26%
1,181,300	N/A	2081	2016	Superstructure in progress	17%
783,000	N/A	2082	2015	Superstructure in progress	17%
511,560	N/A	2079	2012	N/A	26%
902,000	N/A	2083	2017	Planning stage	26%
648,056	N/A	2082	2016	Foundation in progress	26%
1,156,979	N/A	2052/62	2018	Superstructure in progress	10%
2,046,685	N/A	2047/77	2016	Superstructure in progress	26%
756,000	N/A	2053/83	2018	Planning stage	26%
448,224	N/A	2054/84	2016	Planning stage	26%
524,250	N/A	2080	2014	Superstructure in progress	26%
708,142	N/A	2080	2016	Superstructure in progress	26%
922,475	N/A	2083	2017	Superstructure in progress	31%
2,212,128	N/A	2048/78	2017 and beyond	Superstructure in progress	16%
1,002,408	N/A	2057	2016	Superstructure in progress	20%
2,335,535	N/A	2050/60	2016	Superstructure in progress	26%
6,080,656	N/A	2047/57	2017	Superstructure in progress	21%
1,619,360	N/A	2050/80	2014	Superstructure in progress	26%
N/A	N/A	2089	1993	N/A	76%
(f)	N/A	Freehold	2011	N/A	76%
54,981	N/A	Freehold	2014	Superstructure in progress	76%
(f)	N/A	Freehold	2011	N/A	76%
198,942	N/A	2112	2017	Planning stage	76%

## TEN-YEAR FINANCIAL SUMMARY

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

## Notes:

- (a) Core profit excludes attributable net property revaluation surplus, mark-to-market changes on swaps and other financial assets and other non-recurring items mainly including the provision for diminution in value of properties in 2013, the accounting gain arising from the acquisition of the interest in Greentown in 2012, revaluation of Hactl interest/tax write back in 2010 and profit on disposal of Beijing Capital Times Square/Fitfort in 2009.
- (b) 2012 and 2011 Dividends per share included a special dividend of 25.0¢ per share each year.
- (c) Return on Shareholders' equity is based on profit attributable to Shareholders over average Shareholders' equity during the year.
- (d) Interest cover is based on EBITDA over finance costs (before capitalisation and fair value gain/loss).
- (e) The Company changed its financial year end date from 31 March to 31 December at the end of 2007. Accordingly, the Company's financial year 2007 covered nine months ended 31 December 2007 but consolidated the financial statements for Wharf for the full calendar year 2007.
- (f) The Company changed its accounting policy on consolidation as explained in note 2a to the 2007 financial statements. Figures for the year of 2005/06 and prior years have not been restated to reflect this change as it would involve delays and expenses out of proportion to the benefit to the equity shareholders.
- (g) Certain figures have been reclassified or restated to comply with the prevailing HKFRSs.