WHEELOCK AND COMPANY LIMITED
(Incorporated in Hong Kong with limited liability)
Stock Code: 20

2011 Final Results Announcement

Property Development took Wheelock to a New Record

HIGHLIGHTS

- Property development became the largest contributor to turnover and attributable profit (before investment property revaluation surplus).

- Property development turnover more than doubled in 2011, while operating profit tripled that of 2010. Operating margin rose to 50% (2010: 36%).

- Scotts Square in Singapore and One Island South in Hong Kong accounted for 25% and 19%, respectively of attributable profit (before investment property revaluation surplus and exceptional items).

- Inclusive of the Group's interest in jointly controlled entities,
  - 6.8 million square feet of development properties were recognized in 2011
  - 2012 opening land bank totaled 138 million square feet
  - 2012 opening net order book was 10 million square feet

- Group turnover increased by 43% to HK$34.6 billion with strong property sales in Hong Kong, China and Singapore as well as solid recurrent rental income. Operating profit advanced by 56% to HK$17.7 billion.

- Profit before investment property revaluation surplus and exceptional items was attributable to:
  - Wharf (45%)
  - Wheelock Properties Limited & other wholly-owned subsidiaries (28%)
  - Wheelock Properties (Singapore) Limited (27%)

- Group profit including investment property revaluation surplus and exceptional items was HK$22.9 billion (2010: HK$20.2 billion). Basic earnings per share were HK$11.25 (2010: HK$9.94).

- Group net debt was HK$53.0 billion (2010: HK$38.1 billion). Net debt to total equity as at 31 December 2011 was 22.5% (2010: 19.8%).

- Excluding non-wholly owned subsidiaries, the Group's own net debt amounted to HK$15.0 billion (2010: HK$10.0 billion) upon the purchase of two prime sites in Kowloon East in the second half of 2011.

- Total assets increased by 27% to HK$364 billion. Shareholders' equity grew by 22% to HK$123 billion or HK$60.32 per share.

GROUP RESULTS

Excluding investment property revaluation surplus and exceptional items, Group profit attributable to Shareholders for the financial year increased by 97% to HK$9,038 million.

Attributable exceptional items declined by HK$1,071 million due to one-off profit items in 2010 and a larger mark-to-market charge of HK$679 million in 2011, primarily against long term interest rate swaps.

Including investment property revaluation surplus and exceptional items, Group profit attributable to Shareholders amounted to HK$22,866 million (2010: HK$20,194 million).

DIVIDENDS

A first interim dividend of HK$0.04 per share was paid in September 2011. In lieu of a final dividend, a second interim dividend of HK$0.21 per share will be paid. In addition, the Board has decided to pay a non-recurrent special dividend of HK$0.25 per share. Both dividends will be paid on 31 May 2012 to Shareholders on record as at 24 May 2012. Total distribution for the year 2011 will amount to HK$0.50 per share (2010: HK$0.125).

BUSINESS REVIEW

Wheelock Properties Limited *("WPL", 100% owned)*

One Island South in Aberdeen was completed in June. It is located opposite a South Island Line MTR station, which is expected to be opened in 2015. The office floors, with a total GFA of 722,300 square feet, were completely sold for proceeds of HK$3.3 billion and a net profit of HK$1.7 billion. The retail podium of 90,500 square feet is held for investment and being leased.

The Austin MTR Station project in Kowloon West, a prime residential development by a 50:50 joint venture with New World Development, has an attributable GFA of 641,000 square feet. It is located on top of an MTR station and next to the future terminus for the High Speed Rail to the Mainland (target opening 2015). It also borders the West Kowloon Cultural District. Master layout plan and general building plan have been approved. Foundation work is underway.

Superstructure work is underway for the residential development Kadoorie Hill (at 211-215C Prince Edward Road West) in Homantin, with a GFA of 91,700 square feet. The premium for lease modification was paid in March. The project is targeted for pre-sales in mid-2012 subject to the pre-sale consent application process.

Construction for the residential development Lexington Hill (at 46 Belcher's Street) in Western District, with a GFA of 102,900 square feet, is underway. Pre-sales were launched in February 2012, with 101 out of 104 units efficiently sold at an average price of HK$11,700 per square foot for proceeds of HK$1.1 billion.

In July, WPL acquired a 76,200-square-foot commercial site at the junction of Wai Yip Street, Shun Yip Street and Hoi Bun Road along the Kwun Tong waterfront for HK$3.5 billion. The development, with a GFA of 914,900 square feet, will comprise two Grade A office buildings overlooking the Victoria Harbour and the future Kai Tak Cruise Terminal, with easy access to the Ngau Tau Kok MTR station. General building plan has been submitted for approval.

In August, WPL acquired a 147,500-square-foot commercial site at the junction of Hung Luen Road and Kin Wan Street within the core commercial hub of Hung Hom for HK$4.0 billion. The development, with a GFA of 590,000 square feet, will comprise two Grade A office buildings and two low-rise retail buildings overlooking the Victoria Harbour and is in close proximity to MTR East and West Rails, through-train services to Guangzhou, the future Shatin-to-Central cross-harbour train service (target opening 2020) and the future MTR Whampoa Station, part of the Kwun Tong Line Extension (target opening 2015). Master layout plan has been submitted for approval.

In January 2012, WPL won a tender for an 88,800-square-foot residential site in Tseung Kwan O for HK$1.9 billion. The development, with a GFA of 488,200 square feet, is near the Tseung Kwan O MTR station to provide convenient connectivity. Design planning will commence.

In June, WPL sold its 50% stakes in the joint ventures of four residential projects in Foshan, Guangdong to Wharf for HK$3.4 billion based on a property valuation of HK$5.1 billion.

Wheelock Properties (Singapore) Limited *("WPSL", 75.8% owned)*

In accordance with Hong Kong Financial Reporting Standards, WPSL's profit contribution to the Group for 2011 was HK$3,855 million (2010: HK$1,569 million).

Scotts Square, a prime residential development atop a retail complex located in the heart of the Orchard Road shopping belt, was completed in August. 84% of the apartments have been sold at an average price of S$4,000 per square foot to generate an attributable net profit of HK$2.3 billion for the Group. The retail podium was 92% leased at year end with internationally celebrated brands including *Hermès*, *Michael Kors*, *Anne Fontaine*, *Sincere Fine Watches* and *On Pedder.*

Wheelock Place, a prime commercial development in Orchard Road, continued to generate steady recurrent income with an average occupancy of 97% throughout 2011. Lease renewal retention held up well at over 75%. Marks & Spencer will open its flagship store at Wheelock Place in the second quarter of 2012.

Orchard View, a luxury residential development comprising 30 four-bedroom apartments with private lift lobbies, was completed in 2010. 43% of the units were sold by year end at an average price of over S$3,200 per square foot.

Construction for Ardmore Three, a 36-storey luxury development along Ardmore Park, is underway with full completion scheduled for 2014. A showflat was completed in preparation for a sales launch in 2012.

In February, WPSL acquired five sites for a high-end residential development in Fuyang District, 22 kilometres from the city centre of Hangzhou, China. The project is developable into 358,000 square metres of GFA of high-end residences. Design planning is underway and construction will commence in 2012.

The Wharf (Holdings) Limited *("Wharf", 50.39% owned)*

Excluding investment property revaluation surplus and exceptional items, Wharf's profit attributable to its shareholders for the year ended 31 December 2011 increased by 14% to HK$8,083 million. Underlying earnings per share were HK$2.70 (2010: HK$2.51).

Exceptional items declined by HK$2,173 million due to one-off profit items in 2010 and a larger mark-to-market charge of HK$1,356 million in 2011, primarily against long term interest rate swaps.

Including investment property revaluation surplus and exceptional items, Wharf's profit attributable to shareholders amounted to HK$30,568 million (2010: HK$35,750 million). Basic earnings per share were HK$10.22 (2010: HK$12.64 as restated).

Harbour City

Turnover (excluding hotels) increased by 15% to HK$5,485 million and operating profit by 15% to HK$4,734 million. Excluding the three hotels, Harbour City was valued at HK$93.6 billion at the end of 2011, which represented 33% of the business assets of Wharf.

Harbour City achieved a record year with retail sales growing by 34% to HK$27.1 billion. This was 9 percentage points higher than the overall retail sales growth in Hong Kong, and increased Harbour City's market share to 6.7% of total Hong Kong retail sales. Average sales per square foot in December set a record at over HK$3,600. Turnover from Harbour City's retail sector increased by 22% to HK$3,571 million in 2011. Occupancy was maintained at virtually 100%.

Office occupancy at Harbour City climbed to 96% at year end. Turnover increased by 4% to HK$1,614 million. Lease retention held up solidly at 69%. Turnover from the serviced apartments increased by 9% to HK$300 million and occupancy stood at 89% at year end.

Times Square

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

Times Square remains the most successful vertical shopping mall in Hong Kong. Retail sales grew by over 24% during 2011. Retail revenue increased by 17% to HK$1,258 million with occupancy maintained at virtually 100%. To further enhance the retail offering, the cinema at Times Square will be relocated to higher floors, while the vacated space at the ground and lower floors will be refurbished to house new celebrated retail brands.

Turnover from the office sector grew by 4% to HK$474 million, with occupancy increasing to close to 99% by year end.

Other Hong Kong Properties

Redevelopment of 77 Peak Road, No. 1 Plantation Road and Mountain Court is scheduled to commence in the second half of 2012.

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

Up to mid March 2012, close to 80% of One Midtown in Tsuen Wan have been pre-sold at an average price of HK$3,700 for proceeds of HK$1.9 billion. The development will be completed in the second half of 2012.

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

Master layout plan and general building plan for the exclusive Mount Nicholson residential development have been approved. Lease modification for the redevelopment of Kowloon Godown is underway. The redevelopment of Wharf T&T Square into a high-rise Grade A commercial building has been approved.

China Properties
At the end of 2011, Mainland assets represented about 40% of the business assets of Wharf, well on course towards the 50% medium range target.

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

Sales
Nine new projects were launched for pre-sales during 2011. Together with projects previously launched, Wharf has 23 projects on sale across 11 cities in the marketplace.

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

In Eastern China, total attributable proceeds of RMB1.5 billion were generated from projects newly launched in 2011. The largest contributor was Suzhou Times City, with RMB1.1 billion. Others included Wuxi Xiyuan, launched in July, and Suzhou 雍景灣 launched in September.

In Western China, total attributable proceeds of RMB1.2 billion were generated from projects newly launched in 2011. The largest contributor was U World in Chongqing, with RMB977 million. Others included The Throne in Chongqing, the Orion and Le Palais in Chengdu.

In Tianjin, total attributable proceeds of RMB1.4 billion were generated, principally from Peaceland Cove and Magnificent.

For projects previously launched, more units were released for sales during 2011 and met with good demand, including Tian Fu Times Square in Chengdu and Xiyuan in Shanghai which generated sales proceeds of RMB1.4 billion and RMB1.3 billion respectively.

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

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

Since the beginning of 2012, a residential project in Beijing with an attributable GFA of 91,000 square metres was added through a 50:50 joint venture with China Merchants Property for RMB2.4 billion.

All projects under development are progressing in accordance with plan.

Property Investment
Wharf continues to develop its investment property portfolio in China for long-term recurrent incomes. Turnover of the China property investment segment increased by 69% to HK$796 million. Operating profit grew by 121% to HK$493 million. The completed investment properties were valued at HK$14.5 billion at the end of 2011.

Over 80% of the office space at Shanghai Wheelock Square was committed by year end. Average spot rent achieved in 2011 was close to RMB360 per square metre, with the highest headline rent at RMB480 per square metre. This is among the highest office rental rates in Shanghai.

Chongqing Times Square completed its refurbishment and reopened in July. The renewed shopping mall has attracted *Louis Vuitton* to open its debut flagship and the only store in Chongqing, together with other international celebrated brands. At the end of 2011, 93% of the retail space has been committed.

Dalian Times Square posted a 28% growth in retail sales in 2011. The retail podium of Shanghai Times Square will undergo substantial refurbishment scheduled to commence in mid-2012.

Wharf is developing a series of International Finance Centres in the cities of Chengdu, Chongqing, Wuxi, Suzhou and Changsha. Upon their completions between 2013 and 2016, the recurrent rental incomes in China will multiply.

Retail pre-leasing at Chengdu IFC has progressed exceptionally well, with over 30% of the areas already committed, and another 30% under final negotiation. Rental rates contracted were above budget. The retail mall and one office tower are scheduled for completion in the second half of 2013.

Marco Polo Hotels
Wharf owns or manages 13 Marco Polo hotels in the Asia Pacific region. The Panwa Beach Resort in Phuket, Thailand was added in 2011 and Marco Polo Lingnan Tiandi in Foshan and Marco Polo Suzhou in early 2012. A confirmed pipeline of nine new hotels are being rolled out in the Mainland and the Philippines by 2017 and others will be added to significantly expand Marco Polo's network.

Revenue from the Marco Polo hotels and club grew by 10% to HK$1,277 million in 2011. Operating profit increased by 13% to HK$374 million.

All Marco Polo hotels performed strongly during 2011, with each hotel achieving top tier Revpar (revenue per available room) position in their respective competitive sets. Consolidated occupancy of the three Marco Polo hotels in Hong Kong reached 85%, with a 20% increase in average room rates. The room renovation at the Marco Polo Hongkong Hotel was completed during the year, while Prince and Gateway hotels will complete their renovations in 2012 and 2013 respectively.

Modern Terminals *(a 68%-owned subsidiary of Wharf)*
Modern Terminals' consolidated revenue increased by 5% to HK$3,416 million, but operating profit dropped by 10% to HK$1,546 million due to one-off gains in 2010 and higher operating costs. Throughput in Hong Kong dropped marginally to 5.3 million TEUs. In the Mainland, throughput at Taicang International Gateway in Suzhou grew by 12% to 1.5 million TEUs, while Da Chan Bay Terminal One in Shenzhen increased by 5% to 707,000 TEUs.

i-CABLE ***(a 74%-owned subsidiary of Wharf)***
Turnover increased by 5% to HK$2,110 million while the net loss narrowed to HK$179 million from HK$267 million a year earlier. The financial position remained solid with net cash of HK$338 million. Pay TV subscribers grew steadily in 2011. Coupled with record-high advertising revenue, turnover for Pay TV increased by 12% to HK$1,749 million.

Wharf T&T
Revenue rose by 4% to HK$1,753 million and operating profit by 14% to HK$230 million, both are records in Wharf T&T's history. Stable net cash inflow was maintained as planned despite aggressive investments in network and IT infrastructure.

FINANCIAL REVIEW

(I) Review of 2011 Results

The Group delivered robust financial results with record high turnover, operating profit and net profit achieved in 2011. The respectable results were not only driven by the continuous strong rental revenue but also benefited from the successful property sales realized in Hong Kong, Singapore and the Mainland by the Group's major subsidiaries, WPL, WPSL and Wharf, respectively.

Group profit attributable to shareholders increased by 13% to another record high of HK$22,866 million (2010: HK$20,194 million). Excluding the net investment property revaluation surplus and exceptional items, underlying profit was HK$9,038 million (2010: HK$4,582 million), representing an increase of 97% over 2010.

Turnover and Operating Profit
Group turnover increased by 43% to a record of HK$34,558 million (2010: HK$24,186 million) as higher property sales were recognised. All other business segments also reported increase in revenue.

Group operating profit increased by 56% to another new height of HK$17,730 million (2010: HK$11,384 million) with HK$11,388 million (2010: HK$9,372 million) contributed by Wharf, HK$3,880 million (2010: HK$1,477 million) by WPSL, and HK$2,462 million (2010: HK$535 million) by Wheelock and its other subsidiaries, primarily WPL.

Property Investment
Revenue and operating profit both increased by 16% to HK$10,670 million (2010: HK$9,206 million) and HK$8,108 million (2010: HK$6,970 million) respectively, reflecting the retail rental growth accelerated by the remarkable sales achieved by the retail tenants and the continuous positive rental reversions for the office areas. Revenue from the Mainland increased by 69% to HK$796 million as benefited from the brand new Shanghai Wheelock Square and the reopened Chongqing Times Square, and solid rental reversions for other properties. Hotels also recorded favourable results as sustained by increase in room rates with occupancy remained at high level.

Property Development
Revenue and operating profit increased by 109% and 194% to HK$16,021 million (2010: HK$7,676 million) and HK$8,058 million (2010: HK$2,740 million) respectively.

In Hong Kong, One Island South was completed with all the office units sold enabling the recognition of revenue of HK$3,335 million and operating profit of HK$2,070 million.

In Singapore, Scotts Square was completed with 84% residential units pre-sold and contributed revenue of HK$6,083 million and operating profit of HK$3,599 million.

In the Mainland, recognised property sales and operating profit increased by 76% and 84% to HK$6,343 million and HK$2,274 million respectively, with phased completions at Chengdu Tian Fu Times Square, Crystal Park, Suzhou Ambassador Villa, Changzhou Times Palace and Wuxi Glory of Time.

During the year, inclusive of joint ventures on an attributable basis, the Group recorded contracted property sales of HK$19.9 billion (2010: HK$12.1 billion), increasing its net order book to HK$17.2 billion by year end 2011, mostly in the Mainland, pending recognition on completion of the respective properties in stages.

Logistics

Revenue increased by 3% to HK$3,520 million (2010: HK$3,426 million), reflecting higher throughput handled by Modern Terminals. Operating profit however decreased by 13% to HK$1,563 million (2010: HK$1,792 million) mainly due to higher operating expenses and the lack of one-off gains that exceeded the increased revenue of Modern Terminals.

Communications, Media and Entertainment ("CME")

Revenue increased by 5% to HK$3,863 million (2010: HK$3,682 million) and CME returned to profitability with an operating profit of HK$45 million (2010: loss of HK$62 million). Wharf T&T's operating profit increased by 14% to HK$230 million, while i-CABLE's operating loss reduced by 26% to HK$186 million.

Investment and Others

Investment and other operating profit increased to HK$525 million (2010: HK$362 million), mainly due to increase in dividend and interest income.

Increase in Fair Value of Investment Properties

The book value of the Group's investment property portfolio as at 31 December 2011 increased to HK$200.5 billion (2010: HK$162.0 billion), with HK$184.4 billion thereof stated at fair value based on an independent valuation as at that date. That resulted in a revaluation surplus of HK$27,651 million (2010: HK$30,839 million). The attributable net revaluation surplus of HK$14,507 million (2010: HK$15,220 million), after deducting related deferred tax and non-controlling interests in total of HK$13,144 million (2010: HK$15,619 million), was credited to the consolidated income statement.

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

Other Net Income

Other net income amounted to HK$629 million (2010: HK$805 million), comprising mainly profit on disposal of available-for-sale investments of HK$184 million (2010: HK$178 million) and net foreign exchange gain of HK$417 million (2010: loss of HK$63 million). The decrease in other net income was mainly due to the inclusion in 2010 a one-off surplus of HK$437 million from revaluation of the interests in Hong Kong Air Cargo Terminals Limited on its becoming an associate of Wharf.

Finance Costs

Finance costs charged to the consolidated income statement were HK$2,747 million (2010: HK$1,089 million), which included an unrealised mark-to-market loss of HK$1,387 million

(2010: HK$447 million) on the cross currency/interest rate swaps as measured in compliance with the prevailing accounting standard. Net of non-controlling interests, the attributable loss was HK$679 million (2010: HK$209 million).

Excluding the unrealised mark-to-market loss, finance cost after capitalisation of HK$510 million (2010: HK$299 million) was HK$1,360 million (2010: HK$642 million), representing an increase of HK$718 million mainly as a result of increase in gross borrowings and rise in effective borrowing rates.

Share of Results after Tax of Associates and Jointly Controlled Entities

Share of profits of associates increased by HK$438 million to HK$825 million (2010: HK$387 million), mainly due to the recognition of part of the unrealised profit arising from disposal of the four Foshan property joint ventures to Wharf. Share of profit of jointly controlled entities ("JCEs") increased by HK$25 million to HK$34 million (2010: HK$9 million), reflecting the increased profit contributions from Modern Terminals' port investment in the Mainland.

Income Tax

Taxation charge was HK$4,338 million (2010: HK$2,630 million), which included deferred taxation of HK$901 million (2010: HK$1,158 million) provided for the revaluation surplus of investment properties located in the Mainland.

Excluding the above deferred tax, the tax charge increased to HK$3,437 million (2010: HK$1,472 million) mainly due to profit recognition from One Island South and Scotts Square and in the absence of a tax write back of HK$809 million in 2010 upon reaching a settlement with the Inland Revenue Department on various tax disagreements.

Non-controlling Interests

Profit attributable to non-controlling interests was HK$16,918 million (2010: HK$19,511 million), which was mainly attributable to profit of Wharf and WPSL.

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders increased by 13% to HK$22,866 million (2010: HK$20,194 million). Earnings per share were HK$11.25 (2010: HK$9.94).

Excluding the net investment property revaluation surplus after the associated deferred tax of HK$14,507 million (2010: HK$15,220 million), Group's profit attributable to shareholders for the year was HK$8,359 million (2010: HK$4,974 million), representing an increase of 68% over 2010.

Further stripping out the exceptional attributable tax write back and surplus from revaluation of an associate in 2010 and the attributable mark-to-market loss of HK$679 million on swaps, Group's underlying profit attributable to equity shareholders would rise by 97% to HK$9,038 million (2010: HK$4,582 million). Underlying earnings per share were HK$4.45 (2010: HK$2.26).

Set out below is an analysis of the Group's profit before exceptionals and investment property surplus attributable to the equity shareholders as contributed by each of Wharf, WPSL and the Company together with its other subsidiaries.

Profit attributable to	**2011 HK$ Million**	2010 HK$ Million
Wharf group	**4,053**	3,486
WPSL group	**2,457**	737
Wheelock and other subsidiaries	**2,528**	359
Profit before exceptionals and investment property surplus	**9,038**	4,582
Attributable mark-to-market loss on swaps	**(679)**	(209)
Attributable tax write back	–	390
Attributable surplus on revaluation of an associate	–	211
Profit before investment property surplus	**8,359**	4,974
Investment property surplus (after deferred tax)	**14,507**	15,220
Profit attributable to equity shareholders	**22,866**	20,194

Wharf's profit for the year ended 31 December 2011 decreased by 14% to HK$30,568 million (2010: HK$35,750 million). Excluding the net investment property surplus, Wharf's net profit was HK$6,727 million (2010: HK$7,905 million). Before investment property surplus and the above mentioned exceptionals, Wharf's underlying profit increased by 14% to HK$8,083 million (2010: HK$7,088 million).

WPSL's reported profit for the year ended 31 December 2011 was S$291.2 million (2010: S$325.6 million), based on the accounting standards accepted in Singapore. In accordance with Hong Kong Financial Reporting Standards, WPSL's contributed profit to the Group was HK$3,855 million (2010: HK$1,569 million) including the profits on pre-sales of Scotts Square recognised on completion during the year under review.

(II) Liquidity, Financial Resources and Capital Commitments

Shareholders' and Total Equity

The Group's shareholders' equity increased by 22% to HK$122.6 billion (2010: HK$100.4 billion), or HK$60.32 per share (2010: HK$49.40 per share) as at 31 December 2011.

Including the non-controlling interests, the Group's total equity increased by 22% to HK$235.2 billion (2010: HK$193.1 billion).

Total Assets

The Group's total assets increased by 27% to HK$364.1 billion (2010: HK$286.2 billion). Total business assets, excluding bank deposits and cash, financial investments, deferred tax assets and other derivative financial assets, increased by 27% to HK$312.3 billion (2010: HK$246.1 billion).

The Group's Investment Property portfolio was HK$200.5 billion, representing 64% of total business assets. Together, Harbour City (excluding the three hotels) and Times Square in Hong Kong were valued at HK$130.6 billion, representing 65% of the value of the portfolio.

Other major business assets included other properties and fixed assets of HK$19.0 billion, interest in JCEs and associates (mainly for the Mainland property development and port projects) of HK$27.6 billion and properties under development and held for sale of HK$60.9 billion.

Geographically, the Group's business assets in the Mainland, mainly properties and terminals, increased to HK$111.0 billion (2010: HK$77.2 billion), representing 36% of the Group's total business assets.

Debts and Gearing

The Group's net debt increased by HK$14.9 billion to HK$53.0 billion (2010: HK$38.1 billion) as at 31 December 2011, which was made up of HK$95.7 billion in debts and HK$42.7 billion in bank deposits and cash. Excluding Wharf's net debt of HK$43.5 billion, which is non-recourse to the Company and its other subsidiaries, and WPSL's net cash of HK$5.5 billion, Wheelock's net debt was HK$15.0 billion (2010: HK$10.0 billion). Analysis of the net debt by group is as below:

Net debt/(cash)	**2011 HK$ Million**	2010 HK$ Million
Wharf (excludes below subsidiaries)	**35,348**	23,376
Modern Terminals	**11,155**	9,932
Harbour Centre Development Ltd.	**(2,700)**	(172)
i-CABLE	**(338)**	(447)
Wharf group	**43,465**	32,689
WPSL group	**(5,510)**	(4,571)
Wheelock and other subsidiaries	**15,059**	10,024
Group	**53,014**	38,142

The ratio of net debt to total equity was 22.5% (2010: 19.8%) as at 31 December 2011.

Finance and Availability of Facilities

The Group's available loan facilities and debt securities amounting to HK$115.0 billion (2010: HK$87.0 billion), of which HK$95.7 billion were drawn, as at 31 December 2011 are analysed as below:

	Available Facility HK$ Billion	**Total Debts HK$ Billion**	**Undrawn Facility HK$ Billion**
Wharf (excludes below subsidiaries)	74.0	60.0	14.0
Modern Terminals	14.0	12.8	1.2
Harbour Centre Development Ltd.	4.6	3.2	1.4
i-CABLE	0.3	–	0.3
Wharf group	92.9	76.0	16.9
WPSL group	2.4	1.0	1.4
Wheelock and other subsidiaries	19.7	18.7	1.0
Group	115.0	95.7	19.3

In March 2011, Wharf completed a rights issue and received net proceeds of HK$10.0 billion, of which HK$5.0 billion was paid by Wheelock for its subscription.

In June 2011, Wharf issued guaranteed convertible bonds with a term of 3 years for an aggregate principal amount of HK$6.2 billion at an initial conversion price of HK$90 per share.

Of the above debts, HK$26.8 billion (2010: HK$24.3 billion) was secured by mortgage over certain properties under development, fixed assets and investments with total carrying value of HK$64.5 billion (2010: HK$80.7 billion).

The Group's debts were primarily denominated in Hong Kong dollars ("HKD"), United States dollars, Renminbi ("RMB") and Singapore dollars ("SGD"). The borrowings were mainly used to fund the Group's property development and port investments in the Mainland, and property development projects in Singapore and Hong Kong.

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

The Group continued to maintain a strong financial position with ample surplus cash denominated principally in HKD, RMB and SGD and undrawn committed facilities to facilitate the Group's expanding business and investment activities. The Group also maintained a portfolio of financial investments, primarily in blue-chip securities, with an aggregate market value as at 31 December 2011 of HK$7.1 billion (2010: HK$10.7 billion), which is immediately available for liquidation for the Group's use.

Cash Flows for the Group's Operating and Investing Activities

For the year under review, the Group's operating cash inflow before changes in working capital increased to HK$18.6 billion (2010: HK$12.3 billion). The changes in working capital resulted in a net cash outflow from operating activities of HK$3.4 billion (2010: inflow of HK$3.4 billion), primarily due to payments of land and construction cost for trading properties under development which was partly compensated by proceeds from sale of properties. For investing activities, the Group reported a net cash outflow of HK$15.3 billion (2010: HK$16.6 billion), mainly for additions to investment properties and investments in JCEs involved in property development projects in the Mainland.

Major Expenditure and Commitments

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

	Expenditure for 2011	Commitments as at 31 December 2011	
		Authorised and Contracted for	Authorised but not Contracted for
Business Unit/Company	**HK$ Million**	**HK$ Million**	**HK$ Million**
(a) Capital expenditure			
Wharf group	11,934	11,449	23,562
Property Investments	10,930	10,353	22,502
Wharf T&T	467	245	165
i-CABLE	187	31	175
Modern Terminals	350	820	720
WPSL group	120	4	—
Wheelock and other subsidiaries	30	2	—
	12,084	11,455	23,562

(b) Trading properties under development			
Wharf group	21,584	10,135	55,975
Subsidiaries	18,442	5,897	41,074
JCEs and associates	3,142	4,238	14,901
WPSL group			
Subsidiaries	1,214	1,412	3,325
Wheelock and other subsidiaries	8,527	2,765	4,118
Subsidiaries	8,299	673	4,118
JCEs and associates	228	2,092	—
	31,325	14,312	63,418
(c) Programming and others	80	1,077	80

The capital expenditure incurred during the year for Wharf's Property Investment segment was mainly for the land and construction costs of Chengdu IFC and Changsha IFC. For i-CABLE and Wharf T&T, the capital expenditures were incurred substantially for procurement of production and broadcasting equipment, network rollout and internet service equipment while those for Modern Terminals were mainly for construction of the Dachan Bay port project in the Mainland and addition of other fixed assets.

In addition to the capital expenditure, the Group also incurred HK$31.3 billion of expenditures for the development of its trading properties in the Mainland, Hong Kong and Singapore, including Wharf's expenditure of HK$21.6 billion that has excluded the intra-group acquisition of the four Foshan joint venture projects by Wharf from Wheelock during the year.

As at 31 December 2011, the Group's authorised and contracted commitments were mainly for development properties for investment of HK$11.5 billion and for trading of HK$14.3 billion, respectively, among these including attributable land costs of HK$6.2 billion payable by installments from 2012 to 2013. Apart from that, the Group intends to invest HK$23.6 billion in investment properties and HK$63.4 billion in trading properties in the Mainland, Hong Kong and Singapore, mainly on construction cost, for their completions in stages in the forthcoming years.

The above commitments and planned expenditures will be funded by the respective groups' own internal financial resources including surplus cash, cash flow from operation as well as bank and other financings with the construction costs self-financed mainly by pre-sale proceeds and project loans. Other available resources include financial investments.

(III) Transfer of Foshan Property Projects to Wharf

Wheelock disposed of its 50% interests in four Foshan property joint ventures to Wharf for a total consideration of HK$3,388 million in June 2011 with an unrealised profit of about HK$1,300 million. The major assets that the four joint ventures hold are the four residential property development projects in Chancheng, Guicheng, Shishan and Xincheng, Foshan in the Mainland. Being a disposal to its subsidiary, Wheelock has deferred the recognition of the relevant profit until the completion and sale of the property units by Wharf. Out of the total unrealised profit, HK$447 million was recognised during the year.

(IV) Human Resources

The Group had approximately 14,700 employees as at 31 December 2011, including about 2,400 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective group's achievement and results.

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2011

	Note	2011 HK$ Million	2010 HK$ Million
Turnover	2	**34,558**	24,186
Direct costs and operating expenses		**(13,093)**	(9,705)
Selling and marketing expenses		**(987)**	(830)
Administrative and corporate expenses		**(1,350)**	(935)
Operating profit before depreciation, amortisation, interest and tax		**19,128**	12,716
Depreciation and amortisation	3	**(1,398)**	(1,332)
Operating profit	2 & 3	**17,730**	11,384
Increase in fair value of investment properties		**27,651**	30,839
Other net income	4	**629**	805
		46,010	43,028
Finance costs	5	**(2,747)**	(1,089)
Share of results after tax of:			
Associates		**825**	387
Jointly controlled entities		**34**	9
Profit before taxation		**44,122**	42,335
Income tax	6	**(4,338)**	(2,630)
Profit for the year		**39,784**	39,705
Profit attributable to:			
Equity shareholders		**22,866**	20,194
Non-controlling interests		**16,918**	19,511
		39,784	39,705
Earnings per share	7		
Basic		**HK$11.25**	HK$9.94
Diluted		**HK$11.25**	HK$9.94

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2011

	2011 **HK$ Million**	2010 HK$ Million
Profit for the year	**39,784**	39,705
Other comprehensive income		
Exchange gain on translation of foreign operations	**2,846**	2,426
Net revaluation reserves of available-for-sale investments:	**(3,117)**	1,133
(Deficit)/surplus on revaluation	**(2,970)**	1,271
Transferred to consolidated income statement:		
– on disposal	**(147)**	(140)
– on impairment	**—**	2
Share of other comprehensive income of associates/ jointly controlled entities	**555**	335
Acquisition of additional interest in a subsidiary	**—**	24
Others	**10**	(16)
Other comprehensive income for the year	**294**	3,902
Total comprehensive income for the year	**40,078**	43,607
Total comprehensive income attributable to:		
Equity shareholders	**22,124**	22,640
Non-controlling interests	**17,954**	20,967
	40,078	43,607

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2011

	Note	**2011 HK$ Million**	2010 HK$ Million
Non-current assets			
Investment properties		**200,497**	161,953
Other properties, plant and equipment		**15,251**	14,692
Leasehold land		**3,751**	3,718
Total fixed assets		**219,499**	180,363
Goodwill and other intangible assets		**297**	297
Interest in associates		**9,331**	7,725
Interest in jointly controlled entities		**18,297**	16,485
Available-for-sale investments		**6,675**	10,676
Held-to-maturity investments		**390**	—
Programming library		**107**	113
Deferred tax assets		**694**	550
Derivative financial assets		**182**	587
Other non-current assets		**28**	44
		255,500	216,840
Current assets			
Properties for sale		**60,909**	37,233
Inventories		**130**	113
Trade and other receivables	9	**4,680**	4,344
Derivative financial assets		**225**	166
Bank deposits and cash		**42,668**	27,540
		108,612	69,396
Current liabilities			
Trade and other payables	10	**(11,368)**	(8,600)
Deposits from sale of properties		**(9,704)**	(9,928)
Derivative financial liabilities		**(233)**	(244)
Taxation payable		**(2,458)**	(1,423)
Bank loans and other borrowings		**(8,903)**	(16,362)
		(32,666)	(36,557)
Net current assets		**75,946**	32,839
Total assets less current liabilities		**331,446**	249,679

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2011

	2011 HK$ Million	2010 HK$ Million
Non-current liabilities		
Derivative financial liabilities	**(2,470)**	(1,587)
Deferred tax liabilities	**(6,728)**	(5,413)
Other deferred liabilities	**(275)**	(283)
Bank loans and other borrowings	**(86,779)**	(49,320)
	(96,252)	(56,603)
NET ASSETS	**235,194**	193,076
Capital and reserves		
Share capital	**1,016**	1,016
Reserves	**121,546**	99,356
Shareholders' equity	**122,562**	100,372
Non-controlling interests	**112,632**	92,704
TOTAL EQUITY	**235,194**	193,076

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPLE ACCOUNTING POLICIES AND BASIS OF PREPARATION

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. 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.

The accounting policies and methods of computation used in the preparation of the financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2010 except the changes mentioned below.

The HKICPA has issued a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

HKAS 24 (Revised)	Related party disclosures
Improvements to HKFRSs 2010	

The Group has not applied any new standard, amendments or interpretation that is not yet effective for the current accounting period, with the exception of the early adoption on amendments to HKAS 12, Income Taxes, in respect of the recognition of deferred tax on investment properties carried at fair values under HKAS 40, in the consolidated financial statements for the year ended 31 December 2010.

The impact of the above developments are discussed below:

(a) HKAS 24 (Revised) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. HKAS 24 (Revised) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

(b) Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, "Financial instruments: Disclosures". The disclosures about the Group's financial instruments have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the consolidated financial statements of the Group in the current and previous periods.

2. SEGMENT INFORMATION

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

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

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

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

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

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

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

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

(a) Analysis of segment revenue and results

	Turnover HK$ Million	Operating profit/ (loss) HK$ Million	Increase in fair value of investment properties HK$ Million	Other net income HK$ Million	Finance costs HK$ Million	Associates HK$ Million	Jointly controlled entities HK$ Million	Profit before taxation HK$ Million
For the year ended 2011								
Property investment	10,670	8,108	27,651	127	(732)	–	–	35,154
Hong Kong	8,307	7,045	25,409	–	(529)	–	–	31,925
Mainland China	796	493	1,626	127	(196)	–	–	2,050
Singapore	290	196	616	–	–	–	–	812
Hotels	1,277	374	–	–	(7)	–	–	367
Property development	16,021	8,058	–	191	(102)	415	(37)	8,525
Hong Kong	3,403	2,101	–	41	–	23	–	2,165
Mainland China	6,343	2,274	–	150	(102)	392	(37)	2,677
Singapore	6,275	3,683	–	–	–	–	–	3,683
Logistics	3,520	1,563	–	210	(266)	410	71	1,988
Terminals	3,416	1,546	–	231	(266)	201	71	1,783
Others	104	17	–	(21)	–	209	–	205
CME	3,863	45	–	3	–	–	–	48
i-CABLE	2,110	(186)	–	3	–	–	–	(183)
Telecommunications	1,753	230	–	–	–	–	–	230
Others	–	1	–	–	–	–	–	1
Inter-segment revenue	(399)	–	–	–	–	–	–	–
Segment total	33,675	17,774	27,651	531	(1,100)	825	34	45,715
Investment and others	883	525	–	98	(1,647)	–	–	(1,024)
Corporate expenses	–	(569)	–	–	–	–	–	(569)
Group total	34,558	17,730	27,651	629	(2,747)	825	34	44,122
For the year ended 2010								
Property investment	9,206	6,970	30,839	87	(402)	–	–	37,494
Hong Kong	7,313	6,204	28,184	–	(293)	–	–	34,095
Mainland China	470	223	2,341	87	(101)	–	–	2,550
Singapore	267	212	314	–	–	–	–	526
Hotels	1,156	331	–	–	(8)	–	–	323
Property development	7,676	2,740	–	201	(95)	49	(39)	2,856
Hong Kong	439	224	–	138	–	18	–	380
Mainland China	3,608	1,234	–	63	(95)	31	(39)	1,194
Singapore	3,629	1,282	–	–	–	–	–	1,282
Logistics	3,426	1,792	–	447	(189)	379	48	2,477
Terminals	3,252	1,712	–	10	(189)	224	48	1,805
Others	174	80	–	437	–	155	–	672
CME	3,682	(62)	–	1	–	(41)	–	(102)
i-CABLE	2,002	(250)	–	1	–	(41)	–	(290)
Telecommunications	1,680	201	–	–	–	–	–	201
Others	–	(13)	–	–	–	–	–	(13)
Inter-segment revenue	(377)	–	–	–	–	–	–	–
Segment total	23,613	11,440	30,839	736	(686)	387	9	42,725
Investment and others	573	362	–	69	(403)	–	–	28
Corporate expenses	–	(418)	–	–	–	–	–	(418)
Group total	24,186	11,384	30,839	805	(1,089)	387	9	42,335

(b) Analysis of inter-segment revenue

	2011 Total Revenue HK$ Million	**2011 Inter-segment revenue HK$ Million**	**2011 Group Revenue HK$ Million**	2010 Total Revenue HK$ Million	2010 Inter-segment revenue HK$ Million	2010 Group Revenue HK$ Million
Property investment	**10,670**	**(162)**	**10,508**	9,206	(158)	9,048
Property development	**16,021**	—	**16,021**	7,676	—	7,676
Logistics	**3,520**	—	**3,520**	3,426	—	3,426
CME	**3,863**	**(151)**	**3,712**	3,682	(143)	3,539
Investment and others	**883**	**(86)**	**797**	573	(76)	497
	34,957	**(399)**	**34,558**	24,563	(377)	24,186

(c) Analysis of segment business assets

	2011 HK$ Million	2010 HK$ Million
Property investment	**202,528**	163,699
Hong Kong	**162,932**	137,370
Mainland China	**31,028**	18,438
Singapore	**7,535**	6,905
Hotels	**1,033**	986
Property development	**85,416**	58,554
Hong Kong	**16,177**	7,827
Mainland China	**66,023**	45,773
Singapore	**3,216**	4,954
Logistics	**20,155**	19,744
Terminals	**18,966**	18,503
Others	**1,189**	1,241
CME	**4,178**	4,132
i-CABLE	**1,482**	1,510
Telecommunications	**2,696**	2,622
Total segment business assets	**312,277**	246,129
Unallocated corporate assets	**51,835**	40,107
Total assets	**364,112**	286,236

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

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

	2011 HK$ Million	2010 HK$ Million
Property development	**22,283**	18,948
Logistics	**5,345**	5,262
Group total	**27,628**	24,210

(d) Other information

	Capital expenditure		Increase in interests in associates and jointly controlled entities		Depreciation and amortisation	
	2011 HK$ Million	2010 HK$ Million	**2011 HK$ Million**	2010 HK$ Million	**2011 HK$ Million**	2010 HK$ Million
Property investment	**11,080**	3,093	—	—	**171**	137
Hong Kong	**800**	565	—	—	**19**	19
Mainland China	**10,040**	2,215	—	—	**40**	23
Singapore	**120**	212	—	—	**2**	2
Hotels	**120**	101	—	—	**110**	93
Property development	—	—	**3,302**	9,592	—	—
Hong Kong	—	—	**282**	3,799	—	—
Mainland China	—	—	**3,020**	5,793	—	—
Logistics	**350**	262	**68**	17	**481**	460
Terminals	**350**	260	**68**	2	**476**	455
Others	—	2	—	15	**5**	5
CME	**654**	603	—	—	**746**	735
i-CABLE	**187**	251	—	—	**346**	347
Telecommunications	**467**	352	—	—	**400**	388
Group total	**12,084**	3,958	**3,370**	9,609	**1,398**	1,332

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

(e) Geographical information

	Revenue		Operating Profit	
	2011 HK$ Million	2010 HK$ Million	**2011 HK$ Million**	2010 HK$ Million
Hong Kong	**19,821**	15,474	**11,231**	8,469
Mainland China	**8,000**	4,711	**2,512**	1,228
Singapore	**6,737**	4,001	**3,987**	1,687
Group total	**34,558**	24,186	**17,730**	11,384

	Specified non-current assets		Total business assets	
	2011	2010	**2011**	2010
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Hong Kong	**177,049**	151,872	**190,572**	157,049
Mainland China	**62,955**	46,233	**110,954**	77,221
Singapore	**7,543**	6,905	**10,751**	11,859
Group total	**247,547**	205,010	**312,277**	246,129

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

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

3. OPERATING PROFIT

	2011	2010
	HK$ Million	HK$ Million
Operating profit is arrived at after charging/(crediting):		
Depreciation and amortisation on		
– assets held for use under operating leases	**132**	118
– other fixed assets	**1,085**	1,029
– leasehold land	**94**	92
– programming library	**87**	93
Total depreciation and amortisation	**1,398**	1,332
Impairment loss on trade receivables	**22**	1
Staff costs (Note a)	**3,153**	2,704
Auditors' remuneration		
– audit services	**23**	21
– other services	**4**	5
Cost of trading properties for recognised sales	**7,599**	4,678
Rental charges under operating leases in respect of telecommunications equipment and services	**81**	98
Rental income less direct outgoings (Note b)	**(7,742)**	(6,782)
Interest income	**(365)**	(185)
Dividend income from listed investments	**(255)**	(146)
Dividend income from unlisted investments	—	(70)
Loss/(profit) on disposal of fixed assets	**5**	(5)
Rental income under operating leases in respect of owned plant and machinery	**(15)**	(20)

Notes:

(a) Staff costs included contributions to defined contribution pension schemes of HK$139 million (2010: HK$120 million) which including MPF schemes (after a forfeiture of HK$3 million (2010: HK$3 million)), and equity-settled share-based payment expenses of HK$75 million (2010: HK$Nil).

(b) Rental income included contingent rentals of HK$1,703 million (2010: HK$1,066 million).

4. OTHER NET INCOME

Other net income for the year 2011 amounted to HK$629 million (2010: HK$805 million), mainly including:

(a) Net profit on disposal of available-for-sale investments of HK$184 million (2010: HK$178 million) which included a revaluation surplus, before deduction of non-controlling interests, of HK$147 million (2010: HK$140 million) transferred from the investments revaluation reserves.

(b) Net foreign exchange gain of HK$417 million (2010: loss of HK$63 million) which included the impact of forward foreign exchange contracts.

(c) A write-back of provision for properties of HK$49 million (2010: HK$138 million).

Other net income for the year 2010 included a one-off surplus of HK$437 million on revaluation of the interests in Hactl on its becoming an associate of Wharf.

5. FINANCE COSTS

	2011 HK$ Million	2010 HK$ Million
Interest charged on:		
Bank loans and overdrafts		
– repayable within five years	**874**	450
– repayable after five years	**222**	151
Other borrowings		
– repayable within five years	**102**	6
– repayable after five years	**272**	167
Total interest charge	**1,470**	774
Other finance costs	**400**	167
Less: Amount capitalised	**(510)**	(299)
	1,360	642
Fair value cost/(gain):		
Cross currency interest rate swaps	**382**	574
Interest rate swaps	**1,005**	(127)
	1,387	447
	2,747	1,089

6. INCOME TAX

Taxation charged to the consolidated income statement represents:

	2011 HK$ Million	2010 HK$ Million
Current income tax		
Hong Kong		
– provision for the year	**1,669**	1,270
– overprovision in respect of prior years	**(28)**	(809)
Outside Hong Kong		
– provision for the year	**1,189**	476
– (over)/underprovision in respect of prior years	**(6)**	39
	2,824	976
Land appreciation tax (“LAT”)	**509**	302
Deferred tax		
Change in fair value of investment properties	**901**	1,158
Origination and reversal of temporary differences	**159**	243
Benefit of previously unrecognised tax losses now recognised	**(55)**	(49)
	1,005	1,352
	4,338	2,630

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

(b) Income tax on profits assessable outside Hong Kong is mainly China corporate income tax calculated at a rate of 25% (2010: 25%) and Singapore income tax at a rate of 17% (2010:17%).

(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 expenditures including cost of land use rights, borrowings costs and all property development expenditures.

(d) Tax attributable to associates and jointly controlled entities for the year ended 31 December 2011 of HK$438 million (2010: HK$105 million) is included in the share of results after tax of associates and jointly controlled entities.

(e) In 2010, Wharf wrote back HK$809 million overprovisions on reaching a settlement with the Inland Revenue Department of HKSAR on various tax disagreement in respect of the deductibility of interest expenses incurred in previous years.

7. EARNINGS PER SHARE

The calculation of earnings per share is based on profit attributable to equity shareholders for the year of HK$22,866 million (2010: HK$20,194 million) and 2,032 million ordinary shares in issue throughout the years ended 31 December 2011 and 2010.

There were no potential diluted ordinary shares in existence during the years ended 31 December 2011 and 2010.

8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2011 **HK$ Million**	2010 HK$ Million
First interim dividend declared and paid of 4.0 cents (2010: interim dividend of 2.5 cents) per share	**81**	51
Dividends proposed after the end of the reporting period		
Second interim dividend of 21.0 cents (2010: final dividend of 10.0 cents) per share	**427**	203
Special dividend of 25.0 cents (2010: Nil) per share	**508**	—
	935	203
	1,016	254

(a) The second interim dividend and special dividend proposed after the end of the reporting period have not been recognised as liabilities at the end of the reporting period.

(b) The final dividend of HK$203 million for 2010 was approved and paid in 2011.

9. TRADE AND OTHER RECEIVABLES

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

	2011 **HK$ Million**	2010 HK$ Million
Trade receivables		
0 - 30 days	**740**	592
31 - 60 days	**127**	113
61 - 90 days	**73**	52
Over 90 days	**63**	61
	1,003	818
Accrued sales receivables	**901**	655
Other receivables	**2,776**	2,871
	4,680	4,344

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

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

10. TRADE AND OTHER PAYABLES

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

	2011 HK$ Million	2010 HK$ Million
Amounts payable in the next:		
0 - 30 days	**346**	260
31 - 60 days	**175**	139
61 - 90 days	**54**	45
Over 90 days	**90**	147
	665	591
Rental and customer deposits	**2,312**	1,943
Construction costs payable	**3,207**	2,197
Amounts due to associates	**2,124**	1,151
Amounts due to jointly controlled entities	**210**	—
Other payables	**2,850**	2,718
	11,368	8,600

11. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

12. REVIEW OF FINANCIAL STATEMENTS

The financial results for the year ended 31 December 2011 have been reviewed with no disagreement by the Audit Committee of the Company. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2011 have been agreed with the Company's Auditors to the amounts set out in the Group's consolidated financial statements for the year.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the financial year ended 31 December 2011, all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited were met by the Company, except in respect of one code provision providing for the roles of chairman and chief executive officer to be performed by different individuals. The deviation is deemed appropriate as it is considered to be more efficient to have one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive officer. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals, half thereof being Independent Non-executive Directors.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

BOOK CLOSURE

The Register of Members of the Company will be closed from Thursday, 24 May 2012 to Thursday, 31 May 2012, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to qualify for the abovementioned second interim dividend and special dividend as well as to ascertain Shareholders' rights for the purpose of attending and voting at the forthcoming Annual General Meeting to be held on 31 May 2012, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on on Wednesday, 23 May 2012.

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

Hong Kong, 22 March 2012

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Peter K. C. Woo, Mr. Stephen T. H. Ng, Mr. Stewart Chi Kin Leung, Mr. Paul Y. C. Tsui and Mr. Ricky K. Y. Wong, together with five Independent Non-executive Directors, namely, Mr. Alexander S. K. Au, Mr. B. M. Chang, Mr. Herald L. F. Lau, Mr. Kenneth W. S. Ting and Mr. Glenn S. Yee.