WHARF

Established 1886

THE WHARF (HOLDINGS) LIMITED

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

2011 Final Results Announcement

Record turnover and operating profit
Mainland contribution increased to 21% of underlying profit

HIGHLIGHTS

- Group turnover increased by 24% to HK$24.0 billion with strong recurrent rental income growth and China property sales. Operating profit advanced by 22% to HK$11.4 billion.

- Group profit excluding investment property revaluation surplus and exceptional items increased by 14% to HK$8.1 billion. Underlying earnings per share were HK$2.70 (2010: HK$2.51).

- Group profit including investment property revaluation surplus and exceptional items was HK$30.6 billion (2010: HK$35.8 billion). Basic earnings per share were HK$10.22 (2010: HK$12.64 as restated).

- Investment properties and hotels turnover exceeded HK$10 billion. Operating profit of HK$7.7 billion represented over two-thirds of Group total.

- Not including joint ventures, Mainland property development accounted for 26% of Group turnover (2010: 19%) and 20% of Group operating profit (2010: 13%).

- Including attributable interest in joint ventures, Mainland property sales totaled RMB12.7 billion for 854,000 square metres, 44% higher than 2010. Net order book at year end increased to RMB13.5 billion for 903,000 square metres.

- Mainland land bank stood at 12.2 million square metres at year end.

- Total assets grew by 31% to HK$318.0 billion. Shareholders equity increased by 25% to HK$203.3 billion.

- Group net debt stabilised at HK$43.5 billion and net debt to total equity at 20.6%. Excluding non-wholly owned subsidiaries, net debt was HK$35.3 billion.

GROUP RESULTS

Excluding investment property revaluation surplus and exceptional items, Group profit attributable to Shareholders for the financial 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, Group 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).

DIVIDENDS

A first interim dividend of HK$0.36 per share was paid on 30 September 2011. The Board has declared a second interim dividend of HK$0.7 per share, payable on 30 May 2012 to Shareholders on record as at 21 May 2012. This second interim dividend is to be paid in lieu of a final dividend in respect of the financial year ended 31 December 2011.

BUSINESS REVIEW

HONG KONG PROPERTIES

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 the Group.

Retail
Hong Kong retail sales grew by 25% in 2011, the highest rate in the past decade. Strong local consumption and upbeat tourist spending from the record 41.9 million arrivals generated solid retail sales. This stimulated many local and international retailers to expand their presence.

Harbour City achieved a record year with retail sales growing by 34% to reach 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 of Harbour City's retail sector increased by 22% to HK$3,571 million in 2011. Occupancy was maintained at virtually 100%.

As the largest retail complex in Hong Kong that represents 75% of the retail area of Canton Road, Harbour City offers the critical mass in the heart of the most dynamic retail location of Hong Kong for a captivating "shoppertainment" experience that enchants new and regular shoppers. The wide range of retail selection across a finely-calibrated price point matrix and the powerful marketing campaigns stimulate the joy of shopping.

To enhance its market leadership, Harbour City has recruited close to 60 new brands to open stores during 2011 and 2012, with some of them making their debut in Hong Kong or Kowloon. International renowned labels including *Chloe*, *Roger Vivier*, *Tom Ford*, *3.1 Philip Lim*, *Fendi Kids* and *Gucci Kids* were opened during the year. LCX in Harbour City recruited the first *American Eagle Outfitters*, a favourite brand for youngsters, in Asia, as well as the debut presence of *Jack Wills*, *Snidel*, *By Basi* and *Pull-in*. The culinary selection was widened with the opening of *Al Molo*, Michael White's first Hong Kong restaurant at Ocean Terminal, *Greyhound Café* and *Pizza Express*.

The annual Christmas Eve Canton Road street party is now an iconic event of Hong Kong. The popular "Chocolate Trail" promotion that indulges shoppers with chocolate treats during the period of Valentine's Day and Chinese New Year Lantern Festival has been expanded into three main exhibitions – 'Fashion & The Chocolate', 'The Art & Taste of Chocolate' and 'Chocolate World Heritage'. The promotion has won Harbour City the International Council of Shopping Centre' Silver Award in the category of "Sales Promotion and Events" in 2011.

Harbour City launched a joint Christmas promotion campaign with HK Disneyland based on the opening of its new Toy Story Land, with popular cartoon character installation at Ocean Terminal Forecourt. Rewards and privilege campaigns continued with strategic partners.

Office

The buoyant Grade A office market of Hong Kong turned steadier towards the end of 2011, amid the global financial uncertainties triggered by the European debt crisis. Nevertheless, solid office demand remained from prospective US and European retailing and trading names leveraging on the Hong Kong commercial platform for investment into China, and from Chinese corporations wishing to develop international businesses.

Occupancy at Harbour City climbed to 96% at the end of 2011. Rental rates for new commitments trended up strongly during the first three quarters, and steadied towards the year end. Turnover increased by 4% to HK$1,614 million.

Office demand was driven by business expansion, corporate upgrades and decentralization. Major new lettings included *Lyoness Management Asia*, *Hengdeli International Company* and *Medtronic International*, each of which having committed to over 10,000 square feet of space, along with in-house expansion from *Ralph Lauren, Louis Vuitton, Estee Lauder, Hasbro, Prudential, Sony, Zara*, etc. Lease retention held up solidly at 69%, with renewal from anchor tenants including *Fancl, Midea, Hitachi, Zara, Coach, Mitsubishi UFJ, Hasbro, Du Pont, Estee Lauder, Mattel* and *AIA*.

Serviced Apartments

Turnover increased by 9% to HK$300 million and occupancy stood at 89% at the end of 2011. In May, Gateway Apartments was awarded the "Best of the Best Serviced Apartments Award 2011" by Squarefoot Magazine, a leading property magazine, in recognition of its impeccable quality of services and facilities.

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 Group's business assets.

Retail
Times Square, featured by its unique 16-level podium design, diverse trade-mix and direct link to the MTR in the heart of the busiest Causeway Bay district on Hong Kong Island, remains the most successful vertical shopping mall in Hong Kong. Retail sales grew by over 24% in 2011. Retail revenue increased by 17% to HK$1,258 million with occupancy maintained at virtually 100%.

Tenant mix on the atrium floors was enriched with new recruits including *MCM, Tory Burch, Marc by Marc Jacobs, Denim & Supply Ralph Lauren, Shanghai Tang, Samatha Thavasa, Trippen, Misto Anteprima*, *Harmont & Blaine*, *Adidas Original* and *LACOSTE L!VE*, as well as relocation of some existing tenants including *Alfred Dunhill*, *Coach, agnes b.* and *Vivienne Westwood* to uplift the shopping ambiance. *Elegant Watch & Jewellery* has expanded its store, while *Parsons Music* has committed to open a new 17,000-square-foot music centre. The food and beverage offering was strengthened by the opening of *Manzo*, a premium Italian Steak house, and the commitment of *BLT Burger.*

To further enhance the retail offering, the cinema at Times Square will be relocated to the 12th and 13th floor, while the vacated space at the ground floor and lower floors will be refurbished to house new celebrated retail brands. The new retail shops are scheduled to open in mid 2013, and the new cinema in the fourth quarter of 2013. This asset enhancement will add immense value to Times Square.

The strong branding and innovative marketing campaigns at Times Square continued to capture market attention. The New Year's Eve Apple Countdown remains one of the most popular events in Hong Kong. The Harry Potter Exhibition and Barbie Christmas with various stunning haute masterpieces designed by Guo Pei, China's Top 10 Designer, attracted families with children and the young-at-heart kidults. The rewards and privilege campaigns with strategic partners stimulated excitement and spending.

Office
Times Square enjoyed solid growth in occupancy and rental rates during 2011. Turnover grew by 4% to HK$474 million, with occupancy increasing to close to 99% by year end.

Times Square continues to be the preferred location for multinationals in the service and consumer goods industries. Hong Kong has experienced a sharp wave of decentralization during 2011, and Times Square attracted renowned tenants including *Alibaba*, an e-commerce operator, *EQ Corporate*, an asset management company and *Aon Hong Kong*, a global insurance brokerage. There were in-house expansions from *Neo Derm, G4S, L'Oreal, Balenciaga*, etc. Lease renewal retention was 41% with some tenants moving to fringe locations but the vacated space was rapidly taken up by new tenants.

Other Hong Kong Properties
Average occupancy at No. 1 Plantation Road, Mountain Court and Chelsea Court were 94%, 98% and 96% respectively in 2011. Redevelopment of No. 77 Peak Road, No. 1 Plantation Road and Mountain Court is scheduled to commence in the second half of 2012.

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

Mount Nicholson is being developed through a 50:50 joint venture with Nan Fung Development, with an attributable gross floor area ("GFA") of 162,000 square feet. It will be developed into exclusive luxurious residences with ultimate privacy. Master layout plan and general building plan have been approved. Foundation works is underway.

One Midtown in Tsuen Wan is being developed into a high-rise industrial / loft building, with a GFA of 644,000 square feet. The development was launched for pre-sales in late 2011 and has met with good response. Up to mid-March 2012, close to 80% 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.

The redevelopment plan for Kowloon Godown in Kowloon Bay into a residential and commercial development has been approved. Lease modification application is underway.

Yau Tong Godown was given approval for a residential and commercial development with a GFA of 256,000 square feet. Negotiation of lease modification premium is in progress.

The master layout plan for the Yau Tong joint venture project, in which the Group has a 15% interest, has been submitted to the Town Planning Board for consideration.

The redevelopment of Wharf T&T Square into a high-rise Grade A commercial building of 581,000 square feet of GFA has been approved.

In early March 2012, the Group 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.

CHINA PROPERTIES

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

In 2011, the Group 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 the end of 2011, 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 (“CMP”) at an attributable cost of RMB1.2 billion.

Property completion accelerated in 2011 with 546,000 square metres completed and recognized, compared with 270,000 square metres in 2010. 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.

China property sales continued to gain pace with nine new projects launched for pre-sales in the cities of Chengdu, Tianjin, Chongqing, Suzhou and Wuxi during 2011. Together with projects previously launched, the Group has 23 projects on sale across 11 cities in the marketplace.

A total of 854,000 square metres of properties were sold during 2011 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 of properties at the end of 2011.

The Group continues to develop its investment property portfolio in China for long-term recurrent incomes. Higher contribution from Shanghai Wheelock Square and the re-opening of Chongqing Times Square increased turnover of the China property investment segment 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.

The pipeline of 5 IFC (International Finance Centre) projects, with an attributable GFA of 2.1 million square metres, is progressing on plan, with the first phase of Chengdu IFC scheduled for completion in the second half of 2013. Upon the completion of the IFCs by 2016, the China recurrent rental base will multiply.

The Group continues the development of a sustainable organization in the Mainland with local execution expertise and intelligence network for swift reaction to changes in the marketplace.

Property Development – Eastern China
Sales
Presales of Suzhou Times City commenced in May 2011. In total, 82,700 square metres were sold by year end at an average price of RMB13,400 per square metre for proceeds of RMB1.1 billion.

Wuxi Xiyuan was launched in July and generated proceeds of RMB233 million during the period. Suzhou 雍景灣 was launched in September, with units sold at an average price of RMB23,500 per square metre for total attributable proceeds of RMB129 million.

For projects previously launched, Shanghai Xiyuan sold a further 24,600 square metres at an average price of RMB51,300 per square metre for proceeds of RMB1.3 billion. Changzhou Times Palace sold 108,000 square metres at an average selling price of RMB24,400 per square metre for the villas and RMB7,800 per square metre for the towers, for proceeds of RMB886 million.

Ambassador Villa in Suzhou sold 38 additional villas at an average selling price of RMB53,900 per square metre to generate proceeds of RMB810 million. Wuxi Times City sold over 730 additional units to generate proceeds of RMB760 million.

Other projects on sale included Glory of Time in Wuxi, Golf Landmark in Hangzhou and No. 1 Xin Hua Road in Shanghai.

Acquisitions
The Group acquired two residential sites in Hangzhou in early 2011. The first site is in Fuyang District with attractive river and mountain views, with a GFA of 129,000 square metres. The second site is in Yuhang district in the new Qianjiang Development Area near the touristy Chaoshan Scenic District, with a developable GFA of 220,000 square metres. Design planning is ongoing.

In Suzhou, the Group acquired two prime sites for development into a high-end residential project next to Yin Shan Lake in Wuzhong District, a focal development area designated by the city government. The development offers a GFA of 385,000 square metres and will be near a future metro station. Design planning is underway.

Development Progress

The first phase of Changzhou Times Palace was completed in the second half of 2011. The State Guest House, a five-star hotel and serviced apartments will be completed in 2013. The whole project is scheduled for completion in 2014.

The first phase of Ambassador Villa in Suzhou, and certain phases of Glory of Time in Wuxi were completed during the year.

Superstructure work for Shanghai Xiyuan is underway with full completion in 2012. Construction progress of other developments in Eastern China is as planned.

Property Development – Western China

Sales

The U World in Chongqing was launched in April. On an attributable basis, 49,000 square metres were sold during the year at an average price of over RMB20,000 per square metre for proceeds of RMB977 million. The Throne was launched in December and met with good demand. International Community in Chongqing sold further units during the year and generated attributable proceeds of RMB772 million.

In Chengdu, Orion and Le Palais were launched during 2011 and met with favourable response. Tian Fu Times Square and Crystal Park sold further units for proceeds of RMB1.4 billion and RMB709 million respectively.

Development Progress

The final three residential towers and one office tower of Tian Fu Times Square were completed during 2011. The remaining office tower is scheduled for completion in 2013.

Ten residential towers of Crystal Park were completed during 2011. Another four residential towers are scheduled for completion in 2012.

Other projects in Chengdu are progressing as planned.

In Chongqing, another phase of International Community was completed during 2011. Construction of The U World and The Throne has commenced. These projects are developed through joint ventures with China Overseas Land & Investment ("COLI"), with the Group's shareholding ranging between 40% and 55%.

Property Development – Other Regions

Sales

Presales of Peaceland Cove in Tianjin commenced in February. On an attributable basis, 60,000 square metres were sold during 2011 at an average price of RMB13,500 per square metre for proceeds of RMB805 million. Magnificent in Tianjin was launched in May. On an attributable basis, 38,000 square metres were sold at an average price of RMB15,100 per square metre for proceeds of RMB575 million.

In Foshan, Evian Town and Evian Uptown sold further units and generated proceeds of RMB1.1 billion and RMB358 million respectively on an attributable basis.

Acquisitions
In June, the Group acquired the 50% share in the joint ventures of four residential projects in Foshan from Wheelock and Company Limited for HK$3.4 billion, based on a property valuation of HK$5.1 billion. These projects are developed through 50:50 joint ventures with CMP.

In November, the Group acquired a residential development in Guangzhou through a 33%-owned joint venture with China Vanke Co. Ltd and CMP. The project, located in the Guangzhou Development District, is developable into an attributable GFA of 90,500 square metres of high-end residences. Construction will commence in the second quarter of 2012.

In early 2012, the Group acquired two prime sites for a residential development in Chaoyang District, Beijing, with close proximity to a future subway station and the surrounding recreational facilities. Located at the intersection of North Fifth Ring Road and 廣順北大街, it is within easy reach of the Beijing CBD and International Airport. The development is through a 50:50 joint venture with CMP, with an attributable GFA of 91,000 square metres to the Group.

Development Progress
More phases of Evian Town and Evian Uptown in Foshan were completed in the second half of 2011. Construction of the initial phases of Shishan Town project and the Nanhai Guicheng project have commenced. These projects are developed through 50:50 joint ventures with CMP.

Other developments are progressing as planned.

Property Investment
Shanghai Wheelock Square is a landmark office development overlooking Jingan Park in the heart of the Puxi CBD in Shanghai. Completed in 2010, it is the tallest building in Puxi at 270-metre with a GFA of 114,000 square metres. With its distinctive design, world-class management and facilities, Wheelock Square was awarded bronze medal in the category of "Best Business Centres" in the internationally acclaimed MIPIM Asia Awards in 2011.

Over 80% of the office space at Wheelock Square was committed by the end of 2011, with strong interest from multinationals and major corporations. 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. Celebrated tenants at Wheelock Square include *Takeda*, *AECOM*, *Rio Tinto*, *Reed Smith*, *La Prairie* and *Tod's*.

Chongqing Times Square completed its premises improvement and reopened in July. The renewed shopping mall, with world-class facilities and services, has attracted *Louis Vuitton* to open its debut flagship and the only store in Chongqing. Other international brands that joined include *Burberry, Giorgio Armani, Ermenegildo, Zegna, Emporio Armani, Salvatore Ferragamo, Chaumet, Cartier, Dunhill* and *Tod's*. At the end of 2011, 93% of the retail space was committed. Foot traffic and retail sales have continued to increase since the re-opening.

Dalian Times Square continued to post remarkable performance with a 28% growth in retail sales in 2011. Occupancy stood at 99% at year end. Renowned international brands, *Chanel* and *De Beers*, have been recruited to open their debut stores in the North-east Provinces to strength the luxurious offering of the retail mall. Shanghai Times Square continued to perform satisfactorily in 2011. To enhance its competitiveness, the retail podium will undergo substantial premises improvement scheduled to commence in mid-2012.

International Finance Centres
The Group is developing a series of five International Finance Centres (IFCs) in China, which are comparable in scale to Harbour City and Times Square. Upon their completions between 2013 and 2016, the recurrent rental income base in China will multiply and become another important cashflow source of the Group.

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 strong demand reflects the desired location of Chengdu IFC and the trust of retailers on the development and retail management expertise of Wharf. The Hong Xing Road frontage will be modeled as a “Canton Road Phenomenon”, similar to that of Harbour City in Hong Kong. The retail mall and one office tower are scheduled for completion in the second half of 2013. Full completion of the development is in 2014.

Chongqing IFC, located in the heart of Jiangbei City, the new CBD of Chongqing, is a 50:50 joint venture development with COLI, with an attributable GFA of 223,000 square metres to the Group. The development comprises an iconic 300-metre tower and four other towers atop a retail podium, offering up-market retail, Grade A offices and a 5-star hotel. Construction work is underway with full completion in late 2015.

Wuxi IFC comprises a 340-metre tower, the tallest in Wuxi, and two other towers, offering Grade A offices and a five-star hotel, with total GFA of 280,000 square metres. Superstructure work is underway with completion of the first phase in late 2014.

Suzhou IFC is a 450-metre skyscraper landmark development, the tallest in Suzhou, overlooking Jinji Lake and the city skyline. It is an 80:20 joint venture development by the Group and Genway Housing Development, and comprises Grade A offices, a 5-star hotel and luxury apartments, with an attributable GFA of 351,000 square metres. Construction work is underway with full completion scheduled in 2016.

Changsha IFC will comprise an iconic 452-metre tower, the tallest landmark in Hunan, and another tower in excess of 300 metres in height atop a retail podium, offering upscale retail, Grade A offices and a 5-star international hotel with a total GFA of 725,000 square metres. The mega sized retail podium of 240,000 square metres, larger than that of Harbour City retail in Hong Kong, will be among the largest in Changsha to capture the growing consumption demand in the region. Construction work is underway with full completion in 2016.

MARCO POLO HOTELS
The Group owns or manages 13 Marco Polo hotels in the Asia Pacific region. The Panwa Beach Resort in Phuket, Thailand was added in 2011. Marco Polo Lingnan Tiandi in Foshan and Marco Polo Suzhou were added in 2012.

A pipeline of nine new hotels are being rolled out in the Mainland cities of Changzhou, Changsha, Chengdu, Chongqing, Guiyang, Suzhou, Tianjin and Wuxi as well as Manila by 2016 to significantly expand Marco Polo’s network. This is a HK$7.5 billion 5-year investment program by the Group to expand its hotel presence in the Mainland and Asia Pacific, and diversify business with the introduction of Marco Polo Residences in Cebu, Foshan and Changzhou.

Strong business travel and inbound tourism increased the revenue from the Marco Polo hotels and club 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 renovation in 2012 and 2013 respectively.

In March 2011 Marco Polo Hotels was awarded "Best International Hotel Management Group of China" by China Hotel Starlight Awards, in recognition of its commitment and quality of hotel services in China.

Marco Polo Wuhan continued to achieve dominant market position and was awarded "China's most competitive Business Hotel 2011" by the prestigious Golden Pillow Awards 2011.

The Marco Polo Xiamen was named "The Best Business Hotel in Xiamen" in 2011 by Business Traveller China Magazine for the seventh consecutive year, as well as the "Best Service Business Hotel in South China 2011" by Golden Pillow Awards, while Marco Polo Parkside in Beijing was named the "Best Green Business Hotel for North China 2011".

Marco Polo Jinjiang was awarded the "Five Star" hotel rating by the Chinese National Tourism Bureau in October in recognition of the hotel's overall excellence in services.

Various marketing initiatives were conducted throughout the year to enhance the hotel business collectively and individually. The new "Discovery Loyalty" membership program helped to grow membership revenue by 116% in 2011, while corporate business grew by 26% as a result of focused marketing on multi-national corporations.

MODERN TERMINALS

The continued softness in the United States and European economies has affected global trade flow. The more buoyant Asian trade movements started to show signs of slowdown in late 2011 on worries of another global financial crisis.

Container throughput in South China grew modestly by 2.5% in 2011. Hong Kong's throughput grew by 2% while major Shenzhen terminals' decreased marginally by 0.3%. Nansha posted a strong growth of 38% from a much smaller base, as Maersk moved some cargo from Hong Kong and Shenzhen to Nansha. Market shares of Shenzhen, Kwai Tsing and Nansha were 51%, 42% and 7% respectively for 2011.

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. Throughput at Shekou Container Terminals in Shenzhen, in which Modern Terminals holds a 20% stake, increased by 2% to 4.1 million TEUs, while Chiwan Container Terminal, in which Modern Terminals holds an 8% attributable stake, handled 3.9 million TEUs for a 2% growth.

OTHER BUSINESSES

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

i-CABLE

i-CABLE's efforts to sustain competitiveness and growth in the very challenging operating environment bore fruit in 2011. Operating margin, however, continued to come under pressure in the face of intense competition and rising costs.

Turnover increased by 5% to HK$2,110 million while the net loss improved 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. Effective marketing and promotional campaigns were commissioned to leverage on the prized content and strong HD services, including Barclays English Premier League matches in 3D and a value-added service allowing customers to view live-streaming channels on mobile devices. i-CABLE also continued with Broadband service and network upgrades to reduce customer attrition and protect revenue.

Wharf T&T

Wharf T&T reported record turnover and profit in 2011. It also achieved another key milestone in its +EN ambitions to bring 'Fibre-To-The-Desk' to 95% of the business customers in the territory by 2013. Revenue rose by 4% to HK$1,753 million and operating profit by 14% to HK$230 million. Stable net cash inflow was maintained as planned despite aggressive investments in network and IT infrastructure.

Hong Kong Air Cargo Terminals

Hong Kong Air Cargo Terminals, a 20.8% associate of the Group, posted a 6% drop in throughput in 2011 as a result of weak demand from the European and US markets, supply chain disruption triggered by Japan's disaster, labour shortage in Pearl River Delta and the inward migration of manufacturers in China. Nevertheless, 2011 still marked its second best year in throughput volume with 2.7 million tonnes.

FINANCIAL REVIEW

(I) REVIEW OF 2011 RESULTS

The Group keeps on its growth momentum and achieved robust operating results with the consolidated turnover and operating profit for the year rising by 24% and 22% respectively to new heights, principally from its continuous strong rental growth and increase in recognition of property sales.

Group underlying profit is HK$8,083 million (2010: HK$7,088 million), representing a 14% increase over 2010, on the basis of excluding the net revaluation surplus of HK$23,841 million (2010: HK$27,845 million), attributable mark-to-market accounting loss on swaps of HK$1,356 million (2010: HK$429 million) and the exceptional gains totaling HK$1,246 million in 2010, comprising a one-off tax write back and a surplus from revaluation of the interest in an associate.

Group profit attributable to shareholders decreased by 14% to HK$30,568 million (2010: HK$35,750 million), simply adversely affected by the lower revaluation gains and one-off exceptionals.

Turnover

Group turnover increased by 24% to another record high of HK$24,004 million (2010: HK$19,380 million) with all business segments recording revenue increases.

Property Investment revenue from Hong Kong increased by 14% to HK$8,012 million, primarily attributable to retail rental growth accelerated by the remarkable sales achieved by the retail tenants and the continuous positive rental reversions for office areas in particular in Harbour City and Times Square. In the Mainland, rental revenue increased substantially by 69% to HK$796 million as benefited from the new source of revenue generated by the brand new Shanghai Wheelock Square, as well as the reopened Chongqing Times Square, and solid rental reversions of other investment properties. Hotel reported revenue increase by 10% to HK$1,277 million as sustained by substantial increase in room rates with occupancy remained at high level. In aggregate, the segment recorded an increase in revenue of 16% to HK$10,085 million.

Property Development recognised property sales of HK$6,343 million, a year-on-year increase of 76%. The increase was mainly attributable to project completions at Chengdu Tian Fu Times Square, Crystal Park, Suzhou Ambassador Villa, Changzhou Times Palace and Wuxi Glory of Time in the Mainland.

During the year, inclusive of joint ventures on an attributable basis, the Group recorded contracted property sales totally HK$15.7 billion (2010: HK$10.3 billion) in more than ten cities in the Mainland, increasing its net order book to HK$16.7 billion by year end 2011 pending for recognition on completion of the respective properties by stages.

Logistics revenue rose by 3% to HK$3,520 million with Modern Terminals' revenue increased marginally for higher throughput handled.

CME revenue increased by 5% to HK$3,863 million, resulting from a 5% increase reported by i-CABLE and a 4% increase reported by Wharf T&T.

Operating Profit

Group operating profit for the year increased by 22% to HK$11,388 million with all segments reporting an increase except for Logistics.

Property Investment remained the largest profit contributor with a 18% increase in operating profit to HK$7,694 million. Contributions from Harbour City (excluding hotels) and Times Square increased by 15% and 13%, respectively. Operating profit from the Mainland increased by 121%, benefited from its expanding portfolio particularly Shanghai Wheelock Square.

Hotels operating profit increased by 13% to HK$374 million due to improved room rates with solid occupancies.

Property Development's operating profit increased impressively by 84% to HK$2,274 million as more Mainland property sales were recognised with respectable margins upon phased completions of various projects.

Logistics' profit contribution dropped by 13% to HK$1,563 million, mainly due to higher operating expenses were incurred for the expanding port activities and the lack of one-off gains that exceeded the increased revenue of Modern Terminals.

CME turned around from an operating loss to a profit of HK$45 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.

Profit contribution from Investment and Others increased by 53% to HK$288 million, primarily due to increase in interest income and dividend 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$184.1 billion (2010: HK$148.2 billion), with HK$168.0 billion thereof stated at fair value based on an independent valuation as at that date, which produced a revaluation surplus of HK$24,968 million (2010: HK$29,249 million). The attributable net revaluation surplus of HK$23,841 million (2010: HK$27,845 million), after deducting related deferred tax and non-controlling interests, 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 completion.

Other Net Income
Other net income for the year decreased by 44% to HK$457 million 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 ("Hactl") on its becoming the Group's associate.

Finance Costs
Finance costs charged to the consolidated income statement were HK$2,567 million (2010: HK$996 million). That included an unrealised mark-to-market loss of HK$1,387 million (2010: HK$448 million) on the cross currency/interest rate swaps in accordance with prevailing accounting standard. Net of non-controlling interests, the loss is HK$1,356 million (2010: HK$429 million).

Excluding the unrealised mark-to-market loss, finance cost after capitalisation was HK$1,180 million (2010: HK$548 million), representing an increase of HK$632 million mainly as a result of the increase in gross borrowings and rise in effective borrowing rates.

Finance cost was stated after capitalisation of HK$447 million (2010: HK$279 million) in respect of the Group's related assets.

Share of Results (after tax) of Associates and Jointly Controlled Entities
The share of profit of associates for the year amounted to HK$361 million (2010: HK$376 million) with contribution mainly from Hactl, which became an associate in May 2010. Share

of profit of jointly controlled entities 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 for the year was HK$3,304 million (2010: HK$2,358 million), which included deferred taxation of HK$901 million (2010: HK$1,158 million) provided for the current year's revaluation gain attributable to investment properties in the Mainland.

Excluding the above deferred tax, the tax charge was HK$2,403 million (2010: HK$1,200 million). The tax charge in 2010 was exceptionally lower mainly due to the inclusion of a tax write back of HK$809 million upon reaching a settlement on various prolonged tax disagreements with the Inland Revenue Department.

Non-controlling Interests
Profit attributable to non-controlling interests increased by HK$54 million to HK$769 million, reflecting the increase in net profits of certain non-wholly-owned subsidiaries.

Profit Attributable to Equity Shareholders
Group profit attributable to equity shareholders for the year ended 31 December 2011 amounted to HK$30,568 million (2010: HK$35,750 million), representing a decrease of 14%. Basic earnings per share were HK$10.22, based on weighted average of 2,991 million shares after taking the effect of the Rights Issue (2010: HK$12.64 based on 2,829 million shares as restated for the Rights Issue).

Excluding the net investment property revaluation surplus of HK$23,841 million (2010: HK$27,845 million), Group underlying profit attributable to shareholders for the year was HK$6,727 million (2010: HK$7,905 million), representing a decrease of 15%, as a result of the absence of 2010's exceptional income amounting to HK$1,246 million on tax write back and surplus from revaluation of Hactl and the current year's attributable mark-to-market loss of HK$1,356 million on cross currency/interest rate swaps. Excluding the net investment property revaluation surplus and exceptionals, the underlying profit rose by 14% to HK$8,083 million (2010: HK$7,088 million). Underlying earnings per share were HK$2.70 (2010: HK$2.51).

(II) *LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL COMMITMENTS*

Shareholders' and Total Equity
As at 31 December 2011, the Group's shareholders' equity increased by HK$40,168 million or 25% to HK$203,257 million, equivalent to HK$67.10 per share based on 3,029 million issued shares after the rights issue completed in March 2011 (2010: HK$59.22 per share based on 2,754 million issued shares).

Including the non-controlling interests, the Group's total equity increased by 24% to HK$210,874 million (2010: HK$170,649 million).

Rights Issue
In March 2011, the Company strengthened its equity base by completion of an issue of 275 million new ordinary shares at HK$36.5 each by way of rights with net proceeds of HK$10.0 billion received.

Total Assets

The Group's total assets increased by 31% to HK$318.0 billion (2010: HK$242.8 billion). Total business assets, excluding bank deposit and cash, available-for-sale investments, deferred tax assets and other derivative financial assets, increased by 27% to HK$280.8 billion (2010: HK$220.8 billion).

Included in the Group's total assets is the investment property portfolio of HK$184.1 billion, representing 66% of total business assets. The core assets in this portfolio are Harbour City and Times Square in Hong Kong, which are valued at HK$93.6 billion (excluding the 3 hotels) and HK$37.0 billion, respectively. Together, they represent 71% of the total value of the portfolio.

Other major business assets included other properties and fixed assets of HK$19.0 billion, interests in jointly controlled entities and associates (mainly for Mainland property and port projects) of HK$27.1 billion and properties under development and held for sale (mainly in the Mainland) of HK$47.5 billion.

Geographically, the Group's business assets in the Mainland, mainly properties and terminals, increased to HK$110.6 billion (2010: HK$74.8 billion), representing 39% of the Group's total business assets.

Debts and Gearing

Principally due to the increase in investments in China properties, the Group's net debt increased by HK$10.8 billion to HK$43.5 billion as at 31 December 2011 (2010: HK$32.7 billion), which was made up of HK$76.0 billion in debts and HK$32.5 billion in bank deposits and cash. Included in the Group's net debt were HK$8.1 billion (2010: HK$9.3 billion) attributable to Modern Terminals, Harbour Centre Development Limited ("HCDL") and other subsidiaries, which are without recourse to the Company and its other subsidiaries. Excluding these non-recourse debts, the Group's net debt was HK$35.4 billion (2010: HK$23.4 billion). Analysis of the net debt is as below:

Net debt/(cash)	**31 December 2011 HK$ Million**	**31 December 2010 HK$ Million**
Wharf (excluding below subsidiaries)	35,348	23,376
Modern Terminals	11,155	9,932
HCDL	(2,700)	(172)
i-CABLE	(338)	(447)
	43,465	32,689

As at 31 December 2011, the ratio of net debt to total equity was 20.6% (2010: 19.2%).

Finance and Availability of Facilities

The Group's total available loan facilities and issued debt securities as at 31 December 2011 amounting to HK$92.9 billion, of which HK$76.0 billion were utilised, are analysed as below:

	31 December 2011		
	Available Facility HK$ Billion	**Total Debts HK$ Billion**	**Undrawn Facility HK$ Billion**
Company/wholly-owned subsidiaries			
Committed bank facilities	51.3	37.7	13.6
Uncommitted bank facilities	0.4	-	0.4
Debt securities	18.9	18.9	-
	70.6	56.6	14.0
Non-wholly-owned subsidiaries			
Committed and uncommitted			
- Modern Terminals	14.0	12.8	1.2
- HCDL	4.6	3.2	1.4
- i-CABLE	0.3	-	0.3
- Others	3.4	3.4	-
	92.9	76.0	16.9

Of the above debts, HK$20,056 million (2010: HK$18,137 million) was secured by mortgage over certain properties under development, fixed assets and shares with total carrying value of HK$27,348 million (2010: HK$18,360 million).

In June 2011, the Group issued guaranteed convertible bonds with a term of 3 years for an aggregate principal amount of HK$6,220 million. The initial conversion price of the bonds is HK$90 per share and full conversion of the bonds will increase the Group's issued capital by 69.11 million shares or 2.28%.

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

The use of derivative financial instruments 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 foreign currency exposures.

The Group continued to maintain a strong financial position with ample surplus cash denominated principally in HKD and RMB and undrawn committed facilities to facilitate the Group's expanding business and investment activities. As at 31 December 2011, the Group also maintained a portfolio of available-for-sale investments with an aggregate market value of HK$2.7 billion (2010: HK$3.4 billion), which is immediately available for liquidation for the Group's use.

Cash Flows for the Group's Operating and Investing Activities

For the year under review, the Group's net cash inflow before change in working capital increased to HK$12.5 billion (2010: HK$10.4 billion). The changes in working capital resulted in net cash outflow of HK$9.6 billion (2010: HK$7.2 billion), chiefly due to the payments for land and construction cost for trading properties under development in the Mainland. For investing activities, the Group recorded a net cash outflow of HK$18.4 billion (2010: HK$7.0 billion), mainly for additions to investment properties and investments in associates and jointly controlled entities 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 at 31 December 2011 are analysed as follows:

		Commitments as at 31 December 2011	
Business Unit/Company	**Expenditure for 2011 HK$ Million**	**Authorised and Contracted for HK$ Million**	**Authorised but not Contracted for HK$ Million**
a. Capital expenditure			
Property Investments	10,930	10,353	22,502
Wharf T&T	467	245	165
i-CABLE (73.8%-owned)	187	31	175
Modern Terminals (67.6%-owned)	350	820	720
	11,934	11,449	23,562
b. Trading properties under development			
Subsidiaries	18,442	5,897	41,074
Jointly controlled entities/ associates	6,352	4,238	14,901
	24,794	10,135	55,975
c. Programming and others	80	1,077	80

For the Property Investment segment, the capital expenditure incurred during the year under review was mainly for the land cost and construction cost 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 the construction of the Dachan Bay port project in the Mainland and addition of other fixed assets. i-CABLE and Modern Terminals, respectively 73.8% and 67.6% owned by the Group, independently funded their own capital expenditure programmes.

In addition to the capital expenditure, the Group also incurred HK$24.8 billion of expenditures for the development of its trading properties in the Mainland, either wholly-owned or undertaken through associates or jointly controlled entities. This included the amount of HK$3,388 million paid for the 50% interests in the four Foshan property joint ventures acquired from Wheelock and Company Limited during the year.

As at 31 December 2011, the Group's authorised and contracted commitments were mainly for development properties for investment of HK$11.4 billion and for trading of HK$10.1 billion, respectively, among these including attributable land cost of HK$5.3 billion payable by installments from 2012 to 2013. Apart from that, the Group intends to invest HK$23.6 billion for investment properties and HK$56.0 billion for trading properties, mainly on construction cost to complete the Group's China and Hong Kong development projects, which will be carried out by stages in the forthcoming years.

The above commitments and planned expenditures will be funded by Group's internal financial resources including its surplus cash of HK$32.5 billion, cash flow from operation, as well as bank and other financings with the construction costs self-financed mainly by pre-sale proceeds and project loans. Other available resources include available-for-sale investments.

(III) ***HUMAN RESOURCES***

The Group had approximately 14,000 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	**24,004**	19,380
Direct costs and operating expenses		**(9,095)**	(7,072)
Selling and marketing expenses		**(900)**	(774)
Administrative and corporate expenses		**(1,226)**	(834)
Operating profit before depreciation, amortisation, interest and tax		**12,783**	10,700
Depreciation and amortisation	3	**(1,395)**	(1,328)
Operating profit	2 & 3	**11,388**	9,372
Increase in fair value of investment properties		**24,968**	29,249
Other net income	4	**457**	813
		36,813	39,434
Finance costs	5	**(2,567)**	(996)
Share of results after tax of:			
Associates		**361**	376
Jointly controlled entities		**34**	9
Profit before taxation		**34,641**	38,823
Income tax	6	**(3,304)**	(2,358)
Profit for the year		**31,337**	36,465
Profit attributable to:			
Equity shareholders		**30,568**	35,750
Non-controlling interests		**769**	715
		31,337	36,465
Earnings per share	7		
Basic		**HK$10.22**	HK$12.64
Diluted		**HK$10.13**	HK$12.64

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended 31 December 2011

	2011 HK$ Million	2010 HK$ Million
Profit for the year	**31,337**	36,465
Other comprehensive income		
Exchange gain on translation of foreign operations	**3,014**	1,197
Net revaluation reserves of available-for-sale investments:	**(1,005)**	280
(Deficit)/surplus on revaluation	**(1,007)**	371
Transferred to consolidated income statement :		
- on disposal	**2**	(93)
- on impairment	**-**	2
Acquisition of additional interest in a subsidiary	**-**	24
Share of other comprehensive income of associates / jointly controlled entities	**555**	276
Others	**(12)**	(28)
Other comprehensive income for the year	**2,552**	1,749
Total comprehensive income for the year	**33,889**	38,214
Total comprehensive income attributable to:		
Equity shareholders	**33,037**	37,297
Non-controlling interests	**852**	917
	33,889	38,214

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2011

	Note	**2011** **HK$ Million**	2010 HK$ Million
Non-current assets			
Investment properties		**184,057**	148,241
Other property, plant and equipment		**15,233**	14,679
Leasehold land		**3,751**	3,718
Total fixed assets		**203,041**	166,638
Goodwill and other intangible assets		**297**	297
Interest in associates		**10,198**	5,510
Interest in jointly controlled entities		**16,934**	15,350
Available-for-sale investments		**2,703**	3,362
Programming library		**107**	113
Deferred tax assets		**683**	463
Derivative financial assets		**181**	587
Other non-current assets		**15**	21
		234,159	192,341
Current assets			
Properties for sale		**47,511**	29,732
Inventories		**130**	113
Trade and other receivables	9	**3,420**	3,518
Derivative financial assets		**225**	164
Bank deposits and cash		**32,528**	16,900
		83,814	50,427
Current liabilities			
Trade and other payables	10	**(10,316)**	(7,082)
Deposits from sale of properties		**(9,704)**	(6,855)
Derivative financial liabilities		**(232)**	(244)
Taxation payable		**(1,601)**	(1,242)
Bank loans and other borrowings		**(8,903)**	(7,829)
		(30,756)	(23,252)
Net current assets		**53,058**	27,175
Total assets less current liabilities		**287,217**	219,516

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	**(6,508)**	(5,237)
Other deferred liabilities	**(275)**	(283)
Bank loans and other borrowings	**(67,090)**	(41,760)
	(76,343)	(48,867)
NET ASSETS	**210,874**	170,649
Capital and reserves		
Share capital	**3,029**	2,754
Reserves	**200,228**	160,335
Shareholders' equity	**203,257**	163,089
Non-controlling interests	**7,617**	7,560
TOTAL EQUITY	**210,874**	170,649

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PRESENTATION

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 and the Company. Of these, the following developments are relevant to the Group's financial statements:

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

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

The impacts of the above developments are discussed below:

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

b. Improvements to HKFRSs 2010 omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, "Financial Instruments: Disclosures". The disclosures about the Group's financial instruments 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 and Mainland China.

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

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

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

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

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

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

2. SEGMENT INFORMATION

a. Analysis of segment revenue and results

For the year ended 2011	Turnover HK$ Million	Operating profit HK$ Million	Increase in fair value of investment properties HK$ Million	Other net income HK$ Million	Finance costs HK$ Million	Associates HK$ Million	Jointly controlled entities HK$ Million	Profit before taxation HK$ Million
Property investment	**10,085**	**7,694**	**24,968**	**127**	**(709)**	**-**	**-**	**32,080**
Hong Kong	**8,012**	**6,827**	**23,342**	**-**	**(506)**	**-**	**-**	**29,663**
Mainland China	**796**	**493**	**1,626**	**127**	**(196)**	**-**	**-**	**2,050**
Hotels	**1,277**	**374**	**-**	**-**	**(7)**	**-**	**-**	**367**
Property development	**6,343**	**2,274**	**-**	**172**	**(102)**	**(49)**	**(37)**	**2,258**
Hong Kong	**-**	**-**	**-**	**30**	**-**	**10**	**-**	**40**
Mainland China	**6,343**	**2,274**	**-**	**142**	**(102)**	**(59)**	**(37)**	**2,218**
Logistics	**3,520**	**1,563**	**-**	**210**	**(266)**	**410**	**71**	**1,988**
Terminals	**3,416**	**1,546**	**-**	**231**	**(266)**	**201**	**71**	**1,783**
Others	**104**	**17**	**-**	**(21)**	**-**	**209**	**-**	**205**
CME	**3,863**	**45**	**-**	**3**	**-**	**-**	**-**	**48**
i-CABLE	**2,110**	**(186)**	**-**	**3**	**-**	**-**	**-**	**(183)**
Telecommunications	**1,753**	**230**	**-**	**-**	**-**	**-**	**-**	**230**
Others	**-**	**1**	**-**	**-**	**-**	**-**	**-**	**1**
Inter-segment revenue	**(327)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Segment total	**23,484**	**11,576**	**24,968**	**512**	**(1,077)**	**361**	**34**	**36,374**
Investment and others	**520**	**288**	**-**	**(55)**	**(1,490)**	**-**	**-**	**(1,257)**
Corporate expenses	**-**	**(476)**	**-**	**-**	**-**	**-**	**-**	**(476)**
Group total	**24,004**	**11,388**	**24,968**	**457**	**(2,567)**	**361**	**34**	**34,641**
For the year ended 2010								
Property investment	8,669	6,545	29,249	87	(390)	-	-	35,491
Hong Kong	7,043	5,991	26,908	-	(281)	-	-	32,618
Mainland China	470	223	2,341	87	(101)	-	-	2,550
Hotels	1,156	331	-	-	(8)	-	-	323
Property development	3,609	1,235	-	162	(95)	38	(39)	1,301
Hong Kong	1	1	-	99	-	45	-	145
Mainland China	3,608	1,234	-	63	(95)	(7)	(39)	1,156
Logistics	3,426	1,792	-	447	(189)	379	48	2,477
Terminals	3,252	1,712	-	10	(189)	224	48	1,805
Others	174	80	-	437	-	155	-	672
CME	3,682	(62)	-	1	-	(41)	-	(102)
i-CABLE	2,002	(250)	-	1	-	(41)	-	(290)
Telecommunications	1,680	201	-	-	-	-	-	201
Others	-	(13)	-	-	-	-	-	(13)
Inter-segment revenue	(297)	-	-	-	-	-	-	-
Segment total	19,089	9,510	29,249	697	(674)	376	9	39,167
Investment and others	291	188	-	116	(322)	-	-	(18)
Corporate expenses	-	(326)	-	-	-	-	-	(326)
Group total	19,380	9,372	29,249	813	(996)	376	9	38,823

2. SEGMENT INFORMATION

b. Analysis of inter-segment revenue

	2011 Total Revenue HK$ Million	**2011** Inter-segment revenue HK$ Million	**2011** Group Revenue HK$ Million	2010 Total Revenue HK$ Million	2010 Inter-segment revenue HK$ Million	2010 Group Revenue HK$ Million
Property investment	**10,085**	**(144)**	**9,941**	8,669	(143)	8,526
Property development	**6,343**	**-**	**6,343**	3,609	-	3,609
Logistics	**3,520**	**-**	**3,520**	3,426	-	3,426
CME	**3,863**	**(151)**	**3,712**	3,682	(143)	3,539
Investment and others	**520**	**(32)**	**488**	291	(11)	280
	24,331	**(327)**	**24,004**	19,677	(297)	19,380

c. Analysis of segment business assets

	2011 HK$ Million	2010 HK$ Million
Property investment	**186,076**	149,973
Hong Kong	**154,015**	130,549
Mainland China	**31,028**	18,438
Hotels	**1,033**	986
Property development	**70,428**	46,931
Hong Kong	**4,754**	3,614
Mainland China	**65,674**	43,317
Logistics	**20,155**	19,744
Terminals	**18,966**	18,503
Others	**1,189**	1,241
CME	**4,178**	4,132
i-CABLE	**1,482**	1,510
Telecommunications	**2,696**	2,622
Total segment business assets	**280,837**	220,780
Unallocated corporate assets	**37,136**	21,988
Total assets	**317,973**	242,768

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

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

	2011 HK$ Million	2010 HK$ Million
Property development	**21,787**	15,598
Logistics	**5,345**	5,262
Group total	**27,132**	20,860

d. Other information

	Capital expenditure		Increase in interests in associates and jointly controlled entities		Depreciation and amortisation	
	2011	2010	**2011**	2010	**2011**	2010
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million	**HK$ Million**	HK$ Million
Property investment	**10,930**	2,828	**-**	-	**168**	133
Hong Kong	**770**	512	**-**	-	**18**	17
Mainland China	**10,040**	2,215	**-**	-	**40**	23
Hotels	**120**	101	**-**	-	**110**	93
Property development	**-**	-	**6,284**	7,719	**-**	-
Hong Kong	**-**	-	**60**	2,664	**-**	-
Mainland China	**-**	-	**6,224**	5,055	**-**	-
Logistics	**350**	262	**68**	17	**481**	460
Terminals	**350**	260	**68**	2	**476**	455
Others	**-**	2	**-**	15	**5**	5
CME	**654**	603	**-**	-	**746**	735
i-CABLE	**187**	251	**-**	-	**346**	347
Telecommunications	**467**	352	**-**	-	**400**	388
Group total	**11,934**	3,693	**6,352**	7,736	**1,395**	1,328

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

e. Geographical information

	Revenue		Operating Profit	
	2011	2010	**2011**	2010
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Hong Kong	**15,972**	14,635	**8,843**	7,977
Mainland China	**8,000**	4,711	**2,512**	1,228
Singapore	**32**	34	**33**	167
Group total	**24,004**	19,380	**11,388**	9,372

	Specified non-current assets		Total business assets	
	2011	2010	**2011**	2010
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Hong Kong	**166,759**	143,879	**170,232**	146,015
Mainland China	**63,821**	44,033	**110,605**	74,765
Group total	**230,580**	187,912	**280,837**	220,780

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

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

3. OPERATING PROFIT

Operating profit is arrived at :

	2011 HK$ Million	2010 HK$ Million
After charging/(crediting):		
Depreciation and amortisation on		
- assets held for use under operating leases	**132**	118
- other fixed assets	**1,082**	1,025
- leasehold land	**94**	92
- programming library	**87**	93
Total depreciation and amortisation	**1,395**	1,328
Impairment loss on trade receivables	**22**	1
Staff costs (Note a)	**2,867**	2,449
Auditors' remuneration		
- audit services	**18**	15
- other services	**3**	3
Cost of trading properties for recognised sales	**3,822**	2,196
Rental charges under operating leases in respect of telecommunications equipment and services	**81**	98
Rental income less direct outgoings (Note b)	**(7,314)**	(6,351)
Interest income	**(307)**	(159)
Dividend income from listed investments	**(90)**	(51)
Dividend income from unlisted investments	**-**	(70)
Profit on disposal of fixed assets	**-**	(5)
Rental income under operating leases in respect of owned plant and machinery	**(15)**	(20)

Notes:

a. Staff costs included contributions to defined contribution pension schemes of HK$125 million (2010: HK$111 million) which including MPF schemes after a forfeiture of HK$3 million (2010: HK$3 million), and equity-settled share-based payment expenses of HK$75 million (2010: HK$ nil).

b. Rental income included contingent rentals of HK$1,699 million (2010: HK$1,063 million).

4. OTHER NET INCOME

Other net income for the year 2011 amounted to HK$457 million (2010: HK$813 million) mainly includes (i) net foreign exchange gain of HK$449 million (2010: HK$17 million), which included the impact of forward foreign exchange contracts (ii) write-back of provision for properties of HK$30 million (2010: HK$99 million) and (iii) net loss on disposal of available-for-sale investment of HK$1 million (2010: profit of HK$133 million) which includes a revaluation deficit of HK$2 million (2010: surplus of HK$93 million) transferred from the investments revaluation reserves of the Group.

In 2010, other net income mainly included a one-off surplus of HK$437 million on revaluation of the interests in Hactl on its becoming the Group's associate.

5. FINANCE COSTS

	2011 **HK$ Million**	2010 HK$ Million
Interest charged on :		
Bank loans and overdrafts		
– repayable within five years	**721**	372
– repayable after five years	**222**	151
Other borrowings		
– repayable within five years	**99**	6
– repayable after five years	**241**	167
Total interest charge	**1,283**	696
Other finance costs	**344**	131
Less : Amount capitalised	**(447)**	(279)
	1,180	548
Fair value cost/(gain) :		
Cross currency interest rate swaps	**382**	574
Interest rate swaps	**1,005**	(126)
	1,387	448
Total	**2,567**	996

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	**1,298**	1,208
- overprovision in respect of prior years	**(28)**	(809)
Outside Hong Kong		
- provision for the year	**660**	319
- (over)/underprovision in respect of prior years	**(5)**	59
	1,925	777
Land appreciation tax ("LAT")	**509**	302
Deferred tax		
Change in fair value of investment properties	**901**	1,158
Origination and reversal of temporary differences	**23**	156
Benefit of previously unrecognised tax losses now recognised	**(54)**	(35)
	870	1,279
	3,304	2,358

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

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

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

d. Tax attributable to associates and jointly controlled entities for the year ended 31 December 2011 of HK$101 million (2010: HK$94 million) is included in the share of results of associates and jointly controlled entities.

e. In 2010, the Group wrote back HK$809 million over-provisions on reaching a settlement with the Inland Revenue Department on various tax disagreements in respect of the deductibility of interest expenses incurred in previous years.

7. EARNINGS PER SHARE

a. Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders for the year of HK$30,568 million (2010: HK$35,750 million) and the weighted average of 2,991 million ordinary shares in issue during the year (2010: 2,829 million ordinary shares after adjusting for the rights issue completed in March 2011), calculated as follows:

Weighted average number of ordinary shares

	2011 No. of shares Million	2010 No. of shares Million
Issued ordinary shares 1 January	**2,754**	2,754
Effect of rights issue	**237**	75
Weighted average number of ordinary shares	**2,991**	2,829

b. Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders for the year of HK$30,651 million (2010: HK$35,750 million) and the weighted average of 3,026 million ordinary shares in issue during the year (2010: 2,829 million ordinary shares after adjusting for the rights issue completed in March 2011), calculated as follows:

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

	2011 HK$ Million	2010 HK$ Million
Profit attributable to ordinary equity shareholders	**30,568**	35,750
After tax effect of effective interest on the liability component of convertible bonds	**83**	-
	30,651	35,750

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

	2011 No. of shares Million	2010 No. of shares Million
Weighted average number of ordinary shares at 31 December	**2,991**	2,829
Effect of conversion of convertible bonds	**35**	-
	3,026	2,829

8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2011 **HK$ Million**	2010 HK$ Million
First interim dividend declared and paid of 36 cents (2010: interim dividend of 36 cents) per share	**1,091**	991
Second interim dividend of 70 cents (2010: Final dividend of 64 cents) per share proposed after the end of the reporting period	**2,120**	1,939
	3,211	2,930

a. The proposed second interim dividend based on 3,029 million issued ordinary shares (2010: final dividend based on 3,029 million shares) after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

b. The final dividend of HK$1,939 million for 2010 was approved and paid in 2011.

9. TRADE AND OTHER RECEIVABLES

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

	2011 **HK$ Million**	2010 HK$ Million
Trade receivables		
0 - 30 days	**656**	583
31 – 60 days	**116**	108
61 – 90 days	**73**	52
Over 90 days	**63**	50
	908	793
Other receivables	**2,512**	2,725
	3,420	3,518

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

10. TRADE AND OTHER PAYABLES

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

	2011	2010
	HK$ Million	HK$ Million
Trade payables		
0 - 30 days	**314**	242
31 - 60 days	**172**	133
61 - 90 days	**54**	44
Over 90 days	**90**	146
	630	565
Rental and customer deposits	**2,124**	1,790
Construction costs payable	**2,644**	1,746
Amount due to associates	**2,133**	543
Amount due to jointly controlled entities	**210**	-
Other payables	**2,575**	2,438
	10,316	7,082

11. COMPARATIVE FIGURES

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

12. REVIEW OF RESULTS

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 Registers of Members of the Company will be closed from Monday, 21 May 2012 to Wednesday, 30 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 to ascertain Shareholders' rights for the purpose of attending and voting at the forthcoming Annual General Meeting to be held on 30 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 Friday, 18 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. Andrew O. K. Chow, Ms. Doreen Y. F. Lee, Mr. T. Y. Ng and Mr. Paul Y. C. Tsui, together with six Independent Non-executive Directors, namely, Hon. Paul M. P. Chan, Professor Edward K. Y. Chen, Dr. Raymond K. F. Ch'ien, Hon. Vincent K. Fang, Mr. Hans Michael Jebsen and Mr. James E. Thompson.