WHARF

Established 1886

THE WHARF (HOLDINGS) LIMITED

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

2013 Final Results Announcement

Investment Properties Portfolio Ranks Among Top Five in the World

HIGHLIGHTS

1. Continued value creation and investment grow Investment Properties (IP) portfolio to among the most valuable in the world that are publicly held
   - Book value HK$261 billion as at 31 December 2013 (increase of 13% or HK$29 billion for the year).
   - Hong Kong IP increased by 9% to HK$211 billion.
   - China IP (including the partly-completed Chengdu IFS) increased by 34% to HK$50 billion.

2. IP earnings represented 58% of total Group core profit (2012: 53%)
   - Total IP earnings increased by 11% to HK$6.5 billion.
   - Earnings from Hong Kong IP increased by 11%.
   - Earnings from China IP increased by 20%.

3. Retail properties represented 57% of IP valuation and contributed 68% of IP revenue
   - Book value and revenue increased by 182% and 81% respectively over the past five years (2009-2013).

4. Earnings from China Development Properties (DP) more than made up for the exceptional Shanghai Xiyuan project in 2012 and rose by 5%.

5. Core profit (excluding Hong Kong DP) increased by 13% or HK$1.3 billion.

6. Hong Kong DP did not complete any new project and reported a profit of HK$65 million in 2013 (2012: HK$1.1 billion).

7. Total core profit advanced by 2% to HK$11.3 billion.

8. Net IP revaluation surplus totalled HK$17.2 billion (2012: HK$33.3 billion).

9. Group net debt to total equity improved to 20.4% (2012: 21.7%) and is below its 10-year average of 22.1%.

10. Own net debt declined by 5% or HK$2.5 billion to HK$46.7 billion. Group net debt stabilised at HK$58.1 billion following the acquisition of the Murray Building by listed subsidiary Harbour Centre Development Limited.

11. Net asset value per share increased by 11% to HK$90.94, with a 10-year CAGR of nearly 16% per annum.

GROUP RESULTS

Core profit for the year increased by 2% to HK$11,298 million (2012: HK$11,040 million).

Excluding IP revaluation surplus but including other accounting gains/losses, Group net profit decreased by 12% to HK$12,206 million (2012: HK$13,927 million).

Including IP revaluation surplus as well as other accounting gains/losses, Group profit attributable to equity shareholders amounted to HK$29,380 million (2012: HK$47,263 million). Basic earnings per share were HK$9.70 (2012: HK$15.60).

DIVIDENDS

A first interim dividend of HK$0.50 (2012: HK$0.45) per share was paid on 30 September 2013. The Board has declared a second interim dividend of HK$1.20 (2012: HK$1.20) per share, payable on 9 June 2014 to Shareholders on record as at 3 June 2014. This second interim dividend is to be paid in lieu of a final dividend in respect of the financial year ended 31 December 2013.

BUSINESS REVIEW

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

INVESTMENT PROPERTIES ("IP")

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

HONG KONG

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

Harbour City

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

Retail

Hong Kong retail sales posted a respectable 11% growth rate in 2013, which suggested the local retail sector was in vibrant health. This, however, was partially sparked by the 'gold rush' as a result of a slump in gold prices for most of the year. Harbour City, being a non-beneficiary of the gold rush, still managed to register a 10% growth in retail sales in 2013 in spite of its exceptionally high base built after a decade of outperformance over the Hong Kong retail market. This reinforces its leadership in retail management.

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

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

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

Harbour City has rolled out a host of fun and engaging marketing events attracting foot traffic and retail sales. In addition to the annual iconic Christmas and Chinese New Year festive decorations, the "Rubber Duck Project" launched in May 2013 became a talk-of-the-town event. Harbour City collaborated with the conceptual Dutch artist Florentijin Hofman to create and exhibit an inflatable 16.5-metre-tall giant Rubber Duck at Ocean Terminal. The gigantic Rubber Duck float on Hong

Kong's Victoria Harbour, together with installations of rubber duck displays, attracted phenomenal foot traffic from locals and tourists alike, and created international media frenzy.

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

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

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

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

Office

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

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

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

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

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

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

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

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

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

Also enhancing the value of the upper floors is a refined food and dining offer including three high-end new restaurants on the 10th floor – *Yunyan Sichuan* Restaurant (*雲陽閣*) and *Pak Loh Chiu Chow Restaurant (百樂潮州)* which opened in late 2013 and early 2014 respectively as well as *Enmaru*, the top-ranked Izakaya style Japanese restaurant which opened its debut in January 2014. Other additions across the 12th-13th floors included *PizzaExpress, Nha Trang, School Food* and *Zushi Ana*. Food Forum elevators have been transformed into bigger and faster rides for the customers from ground floor to Food Forum and CINE TIMES levels. The much anticipated sky cinema alongside the outlet bazaar and refined culinary offerings will draw high volumes of foot traffic and create enormous value at the upper floors.

The new Times Square is set to create an estimated incremental value of HK$200 million in 2014.

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

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

Powerful and innovative marketing campaigns at Times Square continued to capture shoppers' attention, reinforcing its positioning of "The Place of Happenings". Apart from the New Year's Eve Apple Countdown which is among the most popular events in Hong Kong, Times Square hosted its first ever Music Festival on the ground floor Open Piazza and lined up over 120 performances from local musical groups to bring their unique sounds to Times Square in late 2013. To position CINE TIMES as the entertainment focal point in Hong Kong, Times Square collaborated with UA Cinemas to launch high-profile movie premieres including "As the Light Goes Out" and "The Monkey King" at CINE TIMES in late 2013 and early 2014. The "New" Times Square TV commercial – "This is Your Time" featuring new elements of the mall through a series of six 15-second commercial clips was launched last December. It aims to build a personal connection with the audience through depicting the "voices" of "typical Times Square shoppers".

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

Office

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

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

Plaza Hollywood

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

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

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

Plaza Hollywood is purposely-designed without towers above it, providing itself with maximum planning flexibility. With a highly efficient layout, the mall has lettable floor area representing 65% of gross floor area. It comprises over 250 retail outlets, 20 restaurants, as well as a purpose-built stadium seating six-screen multiplex with 1,614 seats.

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

CHINA

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

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

At the end of 2013, 99% of the office space was leased, with average monthly spot rent at RMB403 per square metre for the year. The gross rental yield on cost stood at 16% in 2013. In recognition of its premium brand positioning and superb management, Wheelock Square was awarded "*2013 China Property Ranking – Prime Office of Best Brand Value*" by China Business News, "*China Best International Brand-Building Case*" by 21st Century Business Herald and "*2013 China Commercial Real Estate Value List – Outstanding Brand Building (Office)*" by The Economic Observer in the fourth quarter of 2013.

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

Chongqing Times Square, located at "ground zero" Liberation Statue Square, the commercial and financial hub of Chongqing, is a renewed shopping mall with world-class facilities and services. It attracted *Louis Vuitton* to open its debut flagship of 17,000 square feet and the only store in Chongqing. Occupancy at the end of 2013 surged to 99%. Chongqing Times Square continued to deliver resilient sales performance, with a 10% growth in retail sales. During the year, a myriad of international fashion and shoe brands including *ASH, iBlues, DKNY* and *Laurent Bright,* were recruited on Level 3. *Armani Junior* and *Ralph Lauren Child* were added to the luxurious children-wear cluster on Level 5. The culinary spaces on Level 6 were fully leased, with the last tenant *翠河小廚* opening in November 2013. A mini food court on the lower ground floor commenced operation in late 2013, which is expected to attract foot traffic from the metro. The gross rental yield on cost is 23%.

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

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

International Finance Square ("IFS")

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

Chengdu IFS

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

Retail

Established itself as a new city landmark in the western China, the mega mall was officially opened on 14 January 2014 and attracted wide attention from the public, local and international media. The launch also featured the world's largest giant panda artpiece and marked the recruitment of nearly 300 the world's most coveted brands, including the debut of about 90 celebrated brands in Chengdu or even the whole mid-western China. Hongxing Road, the equivalent of Hong Kong's Canton Road, is home to duplex flagship stores. Chengdu IFS has retail shop street frontage of more than 530 metres on par with Harbour City's Canton Road frontage.

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

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

In recognition of its superior quality and positioning, Chengdu IFS was awarded "The Shopping Mall Potential Star in 2013" by the Association of Mall China in Beijing and "2013 The Most Anticipated Shopping Mall" by WMG in Chengdu, both in January 2013 as well as "2013 中国西部商业地产最具示范性综合体" by 四川省连锁商业协会、成都商报社、西部商报社、新浪乐居.

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

Chongqing IFS
Chongqing IFS, a 50:50 joint venture development with China Overseas Land ("COLI"), is strategically located in Jiangbei District, Chongqing's new CBD, where the Yangtze River meets the

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

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

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

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

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

retail spaces in the vicinity. This unveils the Group's investment logic for Suzhou IFS.

DEVELOPMENT PROPERTIES ("DP")

HONG KONG

The government imposed a series of cooling measures, including the buyers' stamp duty for non-permanent-resident and corporate buyers and a special stamp duty to crack down on short-term speculation and to curb the excessive growth in property prices. These strings of property cooling measures undoubtedly resulted in a challenging market environment. It is generally not expected that this policy framework would ease in the near term.

The Peak Portfolio

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

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

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

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

Chelsea Court was fully occupied at the year end.

Others

The Group boasts a cluster of projects under development or re-development in Kowloon East, a vibrant zone to be transformed into an attractive, alterative CBD laid out in the Government's 2011-12 Policy Address, with a view to benefiting from the development potential of the region. Wharf T&T Square, Kowloon Godown and Wheelock's One Bay East at the heart of the new CBD2 spanning a 500-metre coastline with an unobstructed view of Victoria Harbour form the "Kowloon East Waterfront Portfolio". Offering a total GFA of 1.9 million square feet, the cluster is comparable to Harbour City. The redevelopment of Kowloon Godown into a residential and commercial development with a GFA of 829,000 square feet has been approved.

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

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

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

CHINA

Following a strong property market in 2013, some softening of growth momentum is likely and anticipated for 2014 with an increasingly high base for comparison. The central government has been tightening the private housing market for a few years in an effort to rein in runway home prices and to keep the property market from overheating. Similar to Hong Kong DP, the market environment has become challenging with the policy headwinds.

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

Core profit rose by 5% and contribution to the Group stood at 30%.

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

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

Eastern China

Sales

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

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

River Pitti in Wuxi have also met with enthusiastic responses.

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

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

Acquisitions

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

In July 2013, the Group acquired a 51,800 square metre residential site in Ningbo's Jiangbei District with established vicinity. The development offers a GFA of 103,600 square metres and is scheduled for completion in 2015.

In December 2013, the Group formed a 50:50 joint venture development with China Merchants Property ("CMP") for a 41,600 square metre residential site in Hangzhou's Gongshu District with established community facilities nearby. The development, with an attributable GFA of 62,500 square metres, forms part of a new residential town under the District's re-vitalisation plan. Full completion is scheduled for 2016. In addition, the Group acquired a 70,200 square metre residential site at the centre of Xiaoshan District with established vicinity in Hangzhou through a 50:50 joint venture development with Greentown China. The site, at the intersection of Jinhui Road and Shixin Road, the major North-South thoroughfare, is in close proximity to the future metro interchange station for lines 2 and 5. The development, with an attributable GFA of 94,800 square metres, is scheduled for completion in 2018.

Development Progress

Initial or additional phases of the residential units of various projects were completed in 2013, including Times City, Ambassador Villa and Kingsville in Suzhou, Xiyuan, Times City and Glory of Time in Wuxi and Changzhou Times Palace. The State Guest House, a five-star hotel and serviced apartments are scheduled for completion in 2014. Construction progress of other developments in Eastern China is as planned.

Western China

Sales

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

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

In Chongqing, International Community offered additional phases of retail and residential units and sold a further 103,200 square metres for proceeds of RMB834 million on an attributable basis. The U

World, on an attributable basis, sold a further 40,300 square metres for proceeds of RMB865 million. The Throne and the office units at Chongqing IFS have met with good demand.

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

In Chongqing, additional phases of International Community, The U World and The Throne were completed during the year. These projects are developed through various joint ventures with COLI, with Group's shareholding ranging between 40% and 55%.

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

Southern China
Sales
Contracted sales in the Southern China posted a 20% growth rate from a year back. There are five projects on sale in Foshan and Guangzhou.

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

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

Acquisitions
The Group acquired two residential sites in Foshan through various 50:50 joint venture developments with CMP in 2013. In October, a 59,400-square-metre residential site with a panoramic river view in Chancheng District was acquired. Transportation is very convenient with two major main roads and a future metro station set to be in operation in 2018 being nearby. The development, with an attributable GFA of 74,200 square metres, is scheduled for completion in 2016. In December, the Group acquired a 99,300-square-metre residential site in Nanhai District. To the southern side of the site is a green park covering 153,000 square metres with various water features, which is being built. It is set to provide the residential neighborhood with spacious open area and a scenic spot. The development, with an attributable GFA of 149,000 square metres, is scheduled for completion in 2017.

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

Central/ Northern China

Sales

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

Acquisition

In September, the Group acquired an 83,800-square-metre residential and commercial site in Tianjin Hedong District through a 50:50 joint venture development with CMP. The development, located at the conjunction of 海河 and 月牙河, offers an attributable GFA of 90,900 square metres. Full completion is scheduled for 2017.

Development Progress

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

Greentown

The Group holds approximately 24.3% of the equity interest of Greentown. The investment in Greentown is for the long term, complementing the Group's business strategy of continual expansion in China DP.

Greentown is a leading high-end real estate developer in China with strong brand recognition. In both 2011 and 2012, Greentown was ranked top in "China Urban Residents' Overall Satisfaction" and first in six indices including Product Quality, Property & Sales Services and Customer Loyalty by the China Index Academy. In the "2013 China Real Estate Customer Satisfaction Survey" published by the China Index Research Institute, Greentown was ranked first in Resident Overall Satisfaction and Resident Loyalty. At the end of December 2013, Greentown had a landbank with a total GFA of 38.9 million square metres (excluding projects in which Greentown's equity interest is less than 10%) (21.5 million square metres attributable). Contracted sales in 2013 totalled RMB65.1 billion (RMB33.6 billion attributable), up 19% from RMB54.6 billion a year earlier.

The Group envisages that Greentown's strength in property development alongside the Group's strength in financial management and excellence in commercial properties management present many strategic alliance opportunities ahead. While Greentown could bank on Wharf's strength in financial discipline, Wharf could leverage on Greentown's expertise and commitment to excellent quality to strengthen its China team and product quality. The strategic alliance is already a win-win for both Wharf and Greentown. The Group will continue to explore and study other opportunities with Greentown.

Sino-Ocean Land

The Group's investment in Sino-Ocean Land ("SOL") is strictly a strategic financial investment, which is underpinned by SOL's attractive dividend yield and sizeable land bank. SOL has excellent management and sourcing capability in Northern China, complementing the Group's own China portfolios.

INVESTMENTS

Acquisition of the Murray Building – a conservation project for a unique lifestyle hotel

In November, the Group, through its listed subsidiary, Harbour Centre Development Limited, acquired the 27-storey Murray Building in Cotton Tree Drive in Central, which is a majestic building with towering arches and quite possibly the last remaining prime site in Central for a major hotel, for HK$4.4 billion. With nearly 50 years of history, this prominent landmark building guards the intersection of traffic arteries in Central that run east-west and north-south, commands open green views over Hong Kong Park and is well connected to other buildings in the neighbourhood, as well as to the Mass Transit Railway. The Group will convert this iconic building to a unique, fashionable lifestyle hotel for a total investment of over HK$7 billion. Target opening is scheduled for 2017. Design planning is underway.

Marco Polo Hotels

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

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

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

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

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

In addition to the Group's six owned hotels, there will be four new managed hotels in the cities of Guiyang and Tianjin in the Mainland, as well as Manila in the Philippines and Bangkok in Thailand.

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

The presence of premier brands including Louis Vuitton at the lobbies of the Marco Polo hotels in Wuhan and Xiamen underscores their unparalleled position in the respective markets.

Modern Terminals

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

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

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

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

i-CABLE

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

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

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

Wharf T&T

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

The Star Ferry

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

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

FINANCIAL REVIEW

(I) REVIEW OF 2013 RESULTS

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

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

Revenue

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Net Income
Other net income decreased by 89% to HK$277 million (2012: HK$2,483 million) mainly due to the absence of the one-time book accounting gain of HK$2,233 million, representing the negative goodwill which arose from the acquisition of additional interests in Greentown as

reported last year. Apart from this, for the year under review, Harbour Centre Development Limited ("HCDL") made an impairment provision of HK$543 million (2012: HK$ Nil) for its Changzhou Marco Polo Hotel which is expected to open into a challenging market environment in mid-2014.

Finance Costs

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

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

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

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

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

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

Income Tax

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

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

Non-controlling Interests

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

Profit Attributable to Equity Shareholders

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

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

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

(II) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL COMMITMENTS

Shareholders' and Total Equity

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

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

Assets

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

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

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

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

Debts and Gearing

The Group's net debt as at 31 December 2013 increased by HK$2.5 billion to HK$58.1 billion (31 December 2012: HK$55.6 billion), which was made up of HK$82.6 billion in debts and HK$24.5 billion in bank deposits and cash. Included in the Group's net debt were HK$11.4

billion (31 December 2012: HK$6.4 billion) attributable to Modern Terminals, HCDL and other subsidiaries, which are without recourse to the Company and its other subsidiaries. Excluding these non-recourse debts, the Group's net debt was HK$46.7 billion (31 December 2012: HK$49.2 billion). Analysis of the net debt is as below:

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

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

Finance and Availability of Facilities

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

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

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

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

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

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

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

Major Capital and Development Expenditure and Commitments
The Group's major capital and development expenditure incurred in 2013 is analysed as follows:

A. <u>Major capital and development expenditure</u>

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

i. IP expenditure incurred during the year was mainly for the land and construction costs for Chengdu IFS.

ii. Hotels expenditure included HK$4.4 billion for the acquisition of the Murray Building in Hong Kong for hotel development purpose.

iii. The Group also incurred HK$12.9 billion for investment in DP mainly related to

Mainland projects, including HK$2.7 billion cash contribution to associates and joint ventures.

iv. For Modern Terminals, the capital expenditure was mainly for the additions of other fixed assets and terminal equipment in the Mainland while those for Wharf T&T and i-CABLE were incurred substantially for procurement of production and broadcasting equipment, network rollout and internet service equipment. Modern Terminals and i-CABLE, respectively 67.6% and 73.8% owned by the Group, independently funded their own capital expenditure programmes.

B. Commitments to capital and development expenditure

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

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

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

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

(III) HUMAN RESOURCES

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

CONSOLIDATED INCOME STATEMENT
For The Year Ended 31 December 2013

	Note	**2013 HK$ Million**	2012 HK$ Million
Revenue	2	**31,887**	30,856
Direct costs and operating expenses		**(14,141)**	(12,604)
Selling and marketing expenses		**(1,329)**	(1,170)
Administrative and corporate expenses		**(1,692)**	(1,482)
Operating profit before depreciation, amortisation, interest and tax		**14,725**	15,600
Depreciation and amortisation		**(1,445)**	(1,430)
Operating profit	2 & 3	**13,280**	14,170
Increase in fair value of investment properties		**18,739**	34,751
Other net income	4	**277**	2,483
		32,296	51,404
Finance costs	5	**(552)**	(939)
Share of results after tax of:			
Associates		**2,207**	1,473
Joint ventures		**509**	641
Profit before taxation		**34,460**	52,579
Income tax	6	**(4,328)**	(4,215)
Profit for the year		**30,132**	48,364
Profit attributable to:			
Equity shareholders		**29,380**	47,263
Non-controlling interests		**752**	1,101
		30,132	48,364
Earnings per share	7		
Basic		**HK$9.70**	HK$15.60
Diluted		**HK$9.52**	HK$15.30

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended 31 December 2013

	2013 **HK$ Million**	2012 HK$ Million
Profit for the year	**30,132**	48,364
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Actuarial gain on defined benefit pension scheme	**25**	-
Exchange gain on translation of foreign operations	**2,638**	14
Net revaluation reserves of available-for-sale investments:	**(615)**	1,483
(Deficit)/surplus on revaluation	**(496)**	1,393
Transferred to consolidated income statement on disposal	**(119)**	90
Share of other comprehensive income of associates / joint ventures	**697**	62
Others	**6**	(1)
Other comprehensive income for the year	**2,751**	1,558
Total comprehensive income for the year	**32,883**	49,922
Total comprehensive income attributable to:		
Equity shareholders	**32,026**	48,667
Non-controlling interests	**857**	1,255
	32,883	49,922

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2013

	Note	**2013 HK$ Million**	2012 HK$ Million
Non-current assets			
Investment properties		**261,097**	231,522
Fixed assets		**24,161**	19,870
Interest in associates		**19,205**	16,673
Interest in joint ventures		**19,585**	19,530
Available-for-sale investments		**3,744**	3,868
Convertible securities		**2,824**	2,709
Goodwill and other intangible assets		**297**	297
Programming library		**137**	109
Deferred tax assets		**721**	739
Derivative financial assets		**142**	311
Other non-current assets		**38**	380
		331,951	296,008
Current assets			
Properties for sale		**53,764**	48,915
Inventories		**47**	45
Trade and other receivables	9	**4,456**	4,796
Derivative financial assets		**319**	439
Bank deposits and cash		**24,515**	18,795
		83,101	72,990
Current liabilities			
Trade and other payables	10	**(20,089)**	(14,801)
Deposits from sale of properties		**(15,330)**	(10,654)
Derivative financial liabilities		**(209)**	(215)
Taxation payable		**(1,615)**	(1,980)
Bank loans and other borrowings		**(9,502)**	(5,330)
		(46,745)	(32,980)
Net current assets		**36,356**	40,010
Total assets less current liabilities		**368,307**	336,018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2013

	Note	**2013 HK$ Million**	2012 HK$ Million
Non-current liabilities			
Derivative financial liabilities		**(1,034)**	(1,912)
Deferred tax liabilities		**(9,630)**	(7,827)
Other deferred liabilities		**(303)**	(283)
Bank loans and other borrowings		**(73,085)**	(69,090)
		(84,052)	(79,112)
NET ASSETS		**284,255**	256,906
Capital and reserves			
Share capital		**3,030**	3,029
Reserves		**272,527**	245,472
Shareholders' equity		**275,557**	248,501
Non-controlling interests		**8,698**	8,405
TOTAL EQUITY		**284,255**	256,906

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

The annual results set out in the announcement are extracted from the Group's financial statements for the year ended 31 December 2013.

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 2012 except the changes mentioned below.

The HKICPA has issued certain new and revised HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements but the adoption of which has no effect on reported profit or loss, total income and expenses or net assets for any period presented.

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

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

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

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

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

HKFRS 12 consolidates and replaces the previous disclosure requirements for subsidiaries, associates in the old HKAS 27 (Revised) Consolidated and Separate Financial Statements and HKAS 28 Investment in Associates and introduces new disclosure requirements for unconsolidated structured entities, such as the judgement and basis of exclusion of the entities for consolidation. This new standard does not have a significant impact on the results and financial position of the Group.

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

2. SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

2. SEGMENT INFORMATION

a. Analysis of segment revenue and results

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

2. SEGMENT INFORMATION

b. Analysis of inter-segment revenue

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

c. Analysis of segment business assets

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

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

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

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

d. Other information

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

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

e. Geographical information

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

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

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

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

3. OPERATING PROFIT

Operating profit is arrived at :

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

Notes:

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

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

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

4. OTHER NET INCOME

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

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

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

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

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

5. FINANCE COSTS

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

6. INCOME TAX

Taxation charged to the consolidated income statement includes :

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

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

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

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

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

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

b. Diluted earnings per share

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

i. Profit attributable to ordinary equity shareholders (diluted)

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

ii. Weighted average number of ordinary shares (diluted)

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

8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

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

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

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

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 2013 as follows:

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

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

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

10. TRADE AND OTHER PAYABLES

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

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

11. REVIEW OF RESULTS

The financial results for the year ended 31 December 2013 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 2013 have been agreed with the Company's Auditors to the amounts set out in the Group's consolidated financial statements for the year.

CORPORATE GOVERNANCE CODE

During the financial year ended 31 December 2013, all the code provisions set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited were met by the Company, with the exception of two deviations, namely, (i) Code Provision A.2.1 (the "First Deviation") providing for the roles of the chairman and chief executive to be performed by different individuals; and (ii) Code Provision F.1.3 (the "Second Deviation") providing for the company secretary to report to the board chairman or the chief executive.

Regarding the First Deviation, it is deemed appropriate as it is considered to be more efficient to have one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high-calibre individuals, with more than half of them being Independent Non-executive Directors ("INEDs"). As regards the Second Deviation, the Company Secretary of the Company has for some years directly reported to, and continues to report to, the Deputy Chairman of the Company, which is considered appropriate and reasonable given the size of the Group. In the view of the Directors, this reporting arrangement would in no way adversely affect the efficient discharge by the Company Secretary of his job duties.

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 Wednesday, 28 May 2014 to Monday, 9 June 2014, 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 9 June 2014, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tricor Tengis Limited, whose office is presently situate at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (to be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong on Monday, 31 March 2014), no later than 4:30 p.m. on Tuesday, 27 May 2014.

By Order of the Board
Kevin C. Y. Hui
Company Secretary

Hong Kong, 27 March 2014

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, Mr. Paul Y. C. Tsui and Ms. Y. T. Leng, together with eight INEDs, namely, Mr. Alexander S. K. Au, Professor Edward K. Y. Chen, Dr. Raymond K. F. Ch'ien, Hon. Vincent K. Fang, Mr. Hans Michael Jebsen, Mr. Wyman Li, Mr. James E. Thompson and Mr. David M. Turnbull.